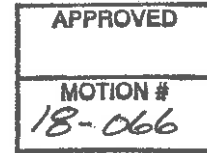


Office of the Chief Executive
735 Randolph Street, Suite 1900
Detroit, Michigan 48226



January 26, 2018

To Our Water Member:

On behalf of the Great Lakes Water Authority (GLWA), we invite you to the Board of Directors' Public Hearing on the proposed FY 2019 wholesale water service charges scheduled for **2:00 p.m. on Wednesday, February 28, 2018 at 735 Randolph, 5th Floor Board Room, Detroit, Michigan 48226.**

This hearing will provide GLWA an opportunity to present the Authority's budget which encompasses the Capital Improvement Program (CIP), estimated sales volume and other factors that serve as the basis for the proposed revenue requirements and schedule of charges for FY 2019. This hearing also provides an opportunity for our member partners to comment or submit questions in writing related to the proposed charges. All comments or questions raised during the hearing will receive a written response.

The Memorandum of Understanding (MOU), signed in September 2014, and which created GLWA, established a fundamental goal to limit annual budget ("BUDGET")¹ increases to no more than 4 percent for each of the first 10 years of the Authority's operation. This commitment was carried forward into the subsequent 40-year lease agreement (Lease) between the City of Detroit and GLWA. **The FY 2019 Water BUDGET honors this 4 percent commitment with a proposed increase of 2 percent from FY 2018.** The percentage change for your community will vary from two percent based on your calculated revenue requirement.

In preparation for the FY 2019 charges, Black & Veatch conducted a non-master metered customer Units of Service Study (USS). The effect of the USS results in a reallocation of units of service among all GLWA water members. The GLWA is considering two approaches to implement the results of the USS. As a result, attached are two alternative charge sheets for your organization's proposed service charges for FY 2019. The difference between the two alternatives is a one-year versus a two-year phase-in implementation of the USS findings. The final implementation of the USS will be determined by the GLWA Board as part of the charges approval process. Changes in service charges among member partners may vary in order to meet their unique revenue requirements.

GLWA staff is available to answer any questions by contacting the Financial Services Group at (313) 224-4771, or via email at Jonathan.Wheatley@glwater.org. Please note that the

¹ The annual BUDGET (i.e. "revenue requirement") includes operation and maintenance expense, debt service, non-operating expenses and revenue financed capital

proposed charges are subject to change after the public hearing and subsequent deliberation by the GLWA Board.

Below are links to three videos GLWA has produced which are designed to inform local elected officials, staff and residents on GLWA's budget and service charges:

Introduction to GLWA Charges and Community Rates:

<http://bit.ly/2Eg4I6J>

The ABC's of Water Charges:

<http://bit.ly/2DFWnIh>

From Budgets to Customer Sewer and Water Charges:

<http://bit.ly/2DCDkyy>

Our primary objective continues to be one of providing our member partners with wholesale water and wastewater services of unquestionable quality at fair and equitable charges. We are committed to exceeding our member partners' expectations. We thank you for working collaboratively with GLWA in the wholesale member engagement process, and look forward to seeing you at the public hearing on February 28, 2018.

Sincerely,



Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

FY 2019 Suburban Wholesale Water Service Charge Schedule Calculation *
Dearborn Heights

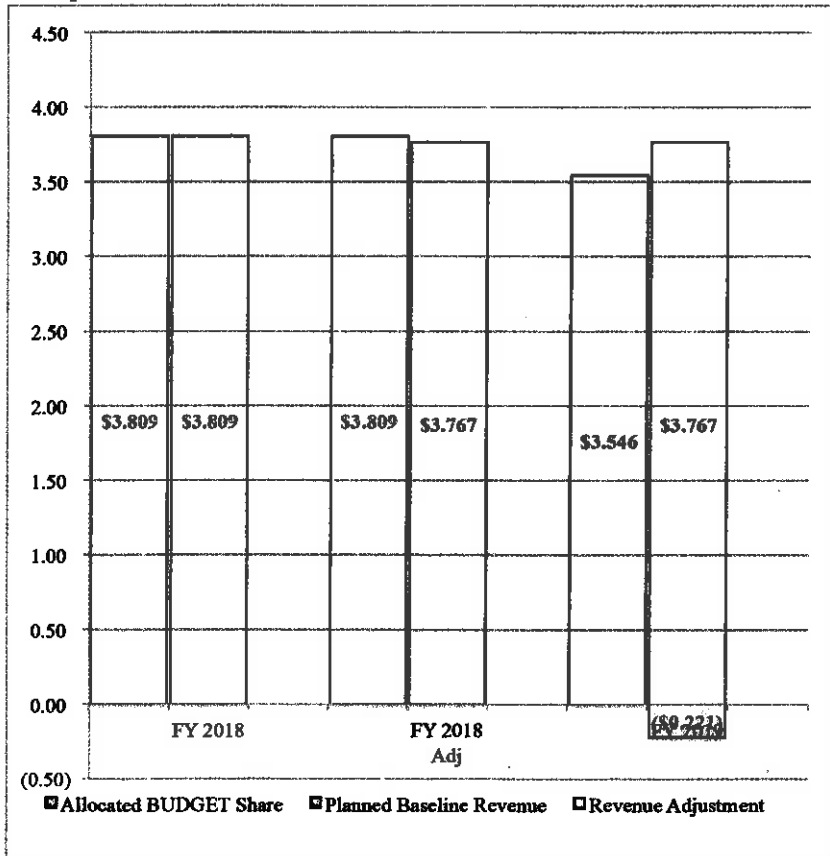
Scenario 1		(1)	(2)	(3)	(4)
	Total Cost Pool	Dearborn Heights SHARE	Allocation	Charge Schedule	
	\$	% Share (a)	\$		
BUDGET Categories					
1	Commodity	8,870,300	1.086%	96,300	
2	Max Day Usage	144,157,600	0.971%	1,399,500	
3	Peak Hour Increment	4,343,500	1.871%	81,300	
4	Peak Hour Distance	66,035,600	1.048%	691,700	
5	Commodity Distance-Elevation	23,713,600	0.814%	193,100	
6	Max Day Distance-Elevation	10,386,800	0.696%	72,200	
7	Peak Hour Distance-Elevation	58,080,900	0.838%	486,700	
8	Peak Hour Increment Distance-Elevation	11,856,700	1.500%	177,800	
9	Subtotal Common-To-All	327,445,000	0.977%	3,198,600	
10	Suburban Only - Meter Related	3,399,900	0.912%	31,000	
11	Subtotal FY 2019 BUDGET	330,844,900	0.976%	3,229,600	
12	Detroit / Suburban Capital Adjustment	20,700,000	1.121%	232,100	
13	Subtotal Adjusted FY 2019 BUDGET			3,461,700	
14	KWA / Flint Contract Adjustment	6,874,000	1.008%	69,300	
15	Highland Park Bad Debt Adjustment	1,530,900	0.980%	15,000	
16	Total Amount for Net Charges	330,844,900	1.072%	3,546,000	
FY 2019 Service Charge Schedule					
17	Fixed Monthly Charges @	60%		2,127,600	\$177,300 per month
18	Commodity Charges @	40%	206,000	1,418,400	\$6.89 per Mcf
(a) Units / SHARE Calculations					
	Basis	Units Mcf/day	Applied Units Mcf/day ~		
19	Annual Sales - Mcf	206,000	564.4		Sales = 36 mo "hybrid" - 9/17
20	Allocated Non-Revenue Water		82.4		Allocated share @ 14.6% of sales
21	Commodity Units		646.8	646.8	Ln 19 + Ln 20
22	Max Day Units - mgd	8.00	1,069.4	1,151.8	Contract or proxy + Ln 20
23	Peak Hour Units - mgd	12.00	1,604.2	1,686.6	Contract or proxy + Ln 20
24	Distance - miles	22.4			
25	Elevation - feet	624.0			
26	Dist-Elev Factor - miles	23.7			[Ln 25-610]/10.56 + Ln 24
Cost Pool / Usage Category					
27	Commodity Units - Mcf	646.8	59,577	1.086%	Ln 21
28	Max Day Units - Mcf/Day	1,151.8	118,648	0.971%	Ln 22
29	Peak Hour Increment - Mcf/Day	534.7	28,577	1.871%	Ln 23 - Ln 22
30	Peak Hour Distance - Mcf-miles/Day	37,779.1	3,606,538	1.048%	Ln 23 x Ln 24
31	Commodity Distance-Elevation - Mcf-miles/Day	15,329.2	1,882,259	0.814%	Ln 21 x Ln 26
32	Max Day Distance-Elevation - Mcf-miles/Day	27,298.7	3,924,765	0.696%	Ln 22 x Ln 26
33	Peak Hour Distance-Elevation - Mcf-miles/Day	39,971.6	4,769,700	0.838%	Ln 23 x Ln 26
34	Peak Hour Increment Dist-Elev - Mcf-miles/Day	12,672.9	844,935	1.500%	[Ln 23 - Ln 22] x Ln 26
35	Suburban Equivalent Meters	617	67,677	0.912%	Equivalent 5/8" meters
36	Suburban Wholesale BUDGET - \$	3,229,600	287,989,100	1.121%	Ln 11
CTA Summary by Major Category					
37	CTA Commodity		0.888%	289,400	
38	CTA Max Day		0.952%	1,471,700	
39	CTA Peak Hour		1.024%	1,437,500	
40	CTA Total Demand		0.987%	2,909,200	
41	TOTAL CTA SHARE		0.977%	3,198,600	

* The proposed charges in this document are preliminary in nature and are subject to change or modification by the Great Lakes Water Authority Board following a public hearing of the FY 2019 Financial Plan and service charge schedule for the System. The public hearing is scheduled for February 28, 2018. The Notice of this Public Hearing can be found in the customer portal.

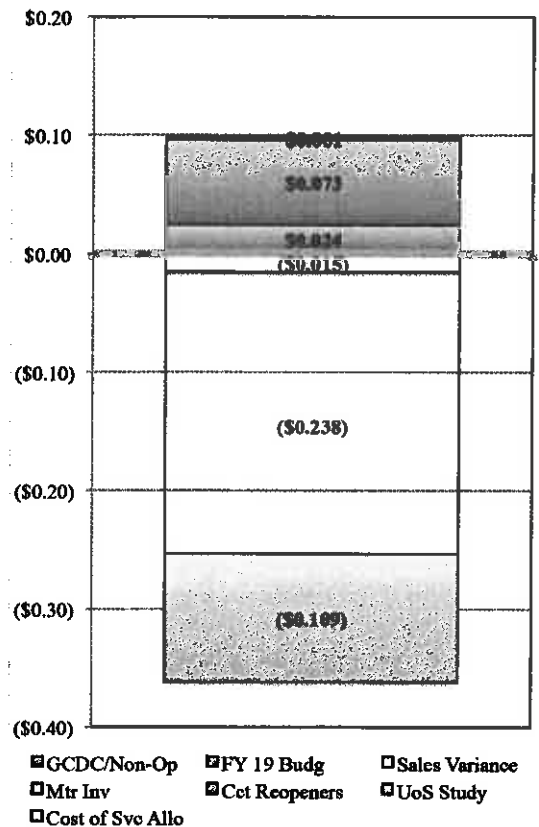
**Impact of Wholesale Water Service Charge Proposals
"Unbundling" of Revenue and Unit Cost Adjustment
Dearborn Heights**

Scenario 1		Allocated BUDGET \$	Sales Projection Mcf	Unit Cost \$/Mcf	Variance
1	Original Allocated FY 2018 BUDGET	3,809,100	212,000	17.97	<i>Sales = adjusted 36 mo avg thru 9/2016</i>
2	Revenue Under Adjusted Sales	3,767,100	206,000	18.29	<i>1.8% Sales = adjusted 36 mo avg thru 9/2017</i>
3	Variance	<i>(42,000)</i>	<i>(6,000)</i>		
Adjustments					
4	Reallocate Net GCDC/Non-Op Rev Variance	24,200	206,000	0.12	0.6% <i>Reallocation of fixed costs</i>
5	FY 2019 BUDGET Adjustment	72,500	206,000	0.35	1.9% <i>2% BUDGET increase * Ln (1)</i>
6	Address Specific Dearborn Heights Sales Adj	<i>(15,400)</i>	206,000	(0.07)	-0.4% <i>Ln (1) - Ln (2) adj commodity allocation</i>
7	Impact of Master Meter Inventory Changes	800	206,000	0.00	0.0% <i>Relative Distance / Elevation Changes</i>
8	Impact of Contract Reopeners	<i>(237,900)</i>	206,000	(1.15)	-6.3% <i>Relative Contract Demands</i>
9	Impact of UoS Study for NMM Customers	<i>(108,500)</i>	206,000	(0.53)	-2.9% <i>Relative UoS Study</i>
10	Impact of Cost of Service Allocations	1,200	206,000	0.01	0.0% <i>Consolidate (6)(7)(8), Cost Pool Allo, etc.</i>
11	Total Adjustments	<i>(263,100)</i>		<i>(1.28)</i>	<i>-7.0% Ln (1) / Ln (2)</i>
12	Allocated FY 2019 BUDGET	3,546,000	206,000	17.21	-5.9%
13	Ratio of Revised Projected Sales to Original		97.2%		<i>Ln (2) / Ln (1)</i>
14	BUDGET to BUDGET Change (a)	<i>(263,100)</i>	206,000	<i>(1.28)</i>	-7.0%
15	Specific Sales/Revenue Variance	42,000	206,000	0.20	1.1% <i>Necessary to recover baseline rev req't</i>
16	Net Adjusted Revenue Req'd from Charges	<i>(221,100)</i>	206,000	<i>(1.07)</i>	<i>-5.9% Net Charge Impact</i>

Impact Illustration - \$ millions



Relative Revenue Req't Change - \$ millions



**FY 2019 Suburban Wholesale Water Service Charge Schedule Calculation *
Dearborn Heights**

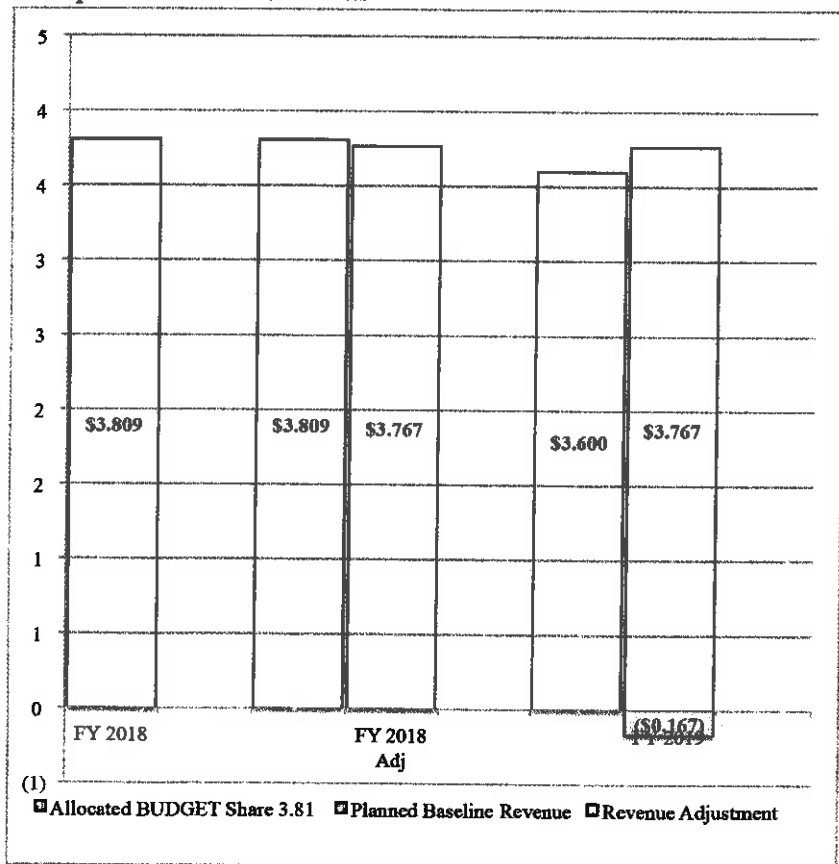
Scenario 2		(1)	(2)	(3)	(4)
		Total Cost Pool \$	SHARE		Charge Schedule
			% Share (a)	Allocation \$	
BUDGET Categories					
1	Commodity	8,870,300	1.086%	96,300	
2	Max Day Usage	144,157,600	0.971%	1,399,500	
3	Peak Hour Increment	4,343,500	1.871%	81,300	
4	Peak Hour Distance	66,035,600	1.048%	691,700	
5	Commodity Distance-Elevation	23,713,600	0.814%	193,100	
6	Max Day Distance-Elevation	10,386,800	0.696%	72,200	
7	Peak Hour Distance-Elevation	58,080,900	0.838%	486,700	
8	Peak Hour Increment Distance-Elevation	11,856,700	1.500%	177,800	
9	Subtotal Common-To-All	327,445,000	0.977%	3,198,600	
10	Suburban Only - Meter Related	3,399,900	0.912%	31,000	
11	Subtotal FY 2019 BUDGET	330,844,900	0.976%	3,229,600	
12	Detroit / Suburban Capital Adjustment	20,700,000	1.121%	232,100	
13	Subtotal Adjusted FY 2019 BUDGET			3,461,700	
14	KWA / Flint Contract Adjustment	6,874,000	1.008%	69,300	
15	Highland Park Bad Debt Adjustment	1,530,900	0.980%	15,000	
16	Initially Allocated Revenue Requirement			3,546,000	
17	Adjustment to Phase Implementation of UoS Study			54,200	
18	Total Amount for Net Charges	330,844,900	1.088%	3,600,200	
FY 2019 Service Charge Schedule					
19	Fixed Monthly Charges @	60%		2,160,100	\$180,000 per month \$6.99 per Mcf
20	Commodity Charges @	40%	206,000	1,440,100	
(a) Units / SHARE Calculations					
		Basin	Units Mcf/day	Applied Units Mcf/day ~	
21	Annual Sales - Mcf	206,000	564.4		Sales = 36 mo "hybrid" - 9/17
22	Allocated Non-Revenue Water		82.4		Allocated share @ 14.6% of sales
23	Commodity Units		646.8	646.8	Ln 21 + Ln 22
24	Max Day Units - mgd	8.00	1,069.4	1,151.8	Contract or proxy + Ln 22
25	Peak Hour Units - mgd	12.00	1,604.2	1,686.6	Contract or proxy + Ln 22
26	Distance - miles	22.4			
27	Elevation - feet	624.0			
28	Dist-Elev Factor - miles	23.7			[Ln 27-610]/10.56 + Ln 26
Cost Pool / Usage Category		Dearborn Heights	System	SHARE	
29	Commodity Units - Mcf	646.8	59,577	1.086%	Ln 23
30	Max Day Units - Mcf/Day	1,151.8	118,648	0.971%	Ln 24
31	Peak Hour Increment - Mcf/Day	534.7	28,577	1.871%	Ln 25 - Ln 23
32	Peak Hour Distance - Mcf-miles/Day	37,779.1	3,606,538	1.048%	Ln 25 x Ln 26
33	Commodity Distance-Elevation - Mcf-miles/Day	15,329.2	1,882,259	0.814%	Ln 23 x Ln 28
34	Max Day Distance-Elevation - Mcf-miles/Day	27,298.7	3,924,765	0.696%	Ln 24 x Ln 28
35	Peak Hour Distance-Elevation - Mcf-miles/Day	39,971.6	4,769,700	0.838%	Ln 25 x Ln 27
36	Peak Hour Increment Dist-Elev - Mcf-miles/Day	12,672.9	844,935	1.500%	[Ln 25 - Ln 23] x Ln 28
37	Suburban Equivalent Meters	617	67,677	0.912%	Equivalent 5/8" meters
38	Suburban Wholesale BUDGET - \$	3,229,600	287,989,100	1.121%	Ln 11
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39	CTA Commodity		0.888%	289,400	
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41	CTA Peak Hour		1.024%	1,437,500	
42	CTA Total Demand		0.987%	2,909,200	
43	TOTAL CTA SHARE		0.977%	3,198,600	

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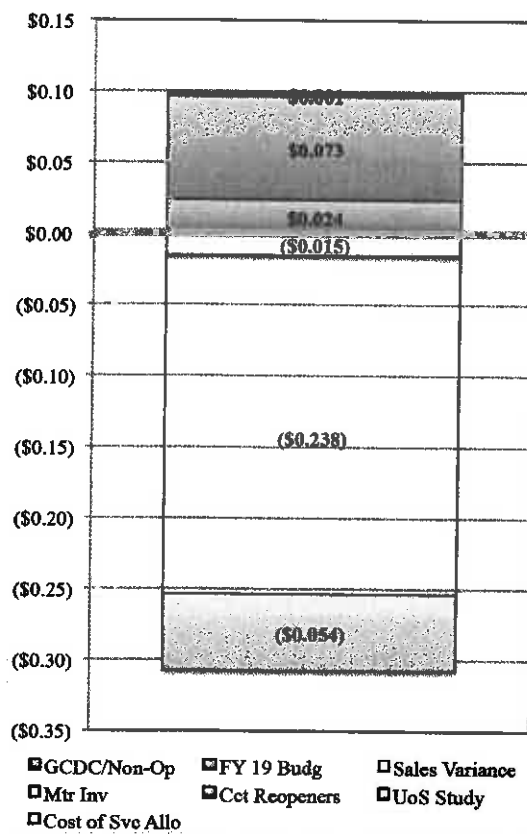
**Impact of Wholesale Water Service Charge Proposals
"Unbundling" of Revenue and Unit Cost Adjustment
Dearborn Heights**

Scenario 2		<u>Allocated</u> <u>BUDGET</u> \$	<u>Sales</u> <u>Projection</u> Mcf	<u>Unit Cost</u> \$/Mcf	<u>Variance</u>
1	Original Allocated FY 2018 BUDGET	3,809,100	212,000	17.97	<i>Sales = adjusted 36 mo avg thru 9/2016</i>
2	Revenue Under Adjusted Sales	3,767,100	206,000	18.29	<i>1.8% Sales = adjusted 36 mo avg thru 9/2017</i>
3	Variance	(42,000)	(6,000)		
Adjustments					
4	Reallocate Net GCDC/Non-Op Rev Variance	24,200	206,000	0.12	0.6% <i>Reallocation of fixed costs</i>
5	FY 2019 BUDGET Adjustment	72,500	206,000	0.35	1.9% <i>2% BUDGET increase * Ln (1)</i>
6	Address Specific Dearborn Heights Sales Adj	(15,400)	206,000	(0.07)	-0.4% <i>Ln (1) - Ln (2) adj commodity allocation</i>
7	Impact of Master Meter Inventory Changes	800	206,000	0.00	0.0% <i>Relative Distance / Elevation Changes</i>
8	Impact of Contract Reopeners	(237,900)	206,000	(1.15)	-6.3% <i>Relative Contract Demands</i>
9	Impact of UoS Study for NMM Customers	(54,300)	206,000	(0.26)	-1.4% <i>Relative UoS Study</i>
10	Impact of Cost of Service Allocations	1,200	206,000	0.01	0.0% <i>Consolidate (6)(7)(8), Cost Pool Allo, etc.</i>
11	Total Adjustments	(208,900)		(1.01)	-5.5% <i>Ln (11) / Ln (2)</i>
12	Allocated FY 2019 BUDGET	3,600,200	206,000	17.48	-4.4%
13	Ratio of Revised Projected Sales to Original		97.2%		<i>Ln (2) / Ln (1)</i>
14	BUDGET to BUDGET Change (a)	(208,900)	206,000	(1.01)	-5.5%
15	Specific Sales/Revenue Variance	<u>42,000</u>	206,000	0.20	1.1% <i>Necessary to recover baseline rev req't</i>
16	Net Adjusted Revenue Req'd from Charges	(166,900)	206,000	(0.81)	-4.4% <i>Net Charge Impact</i>

Impact Illustration - \$ millions



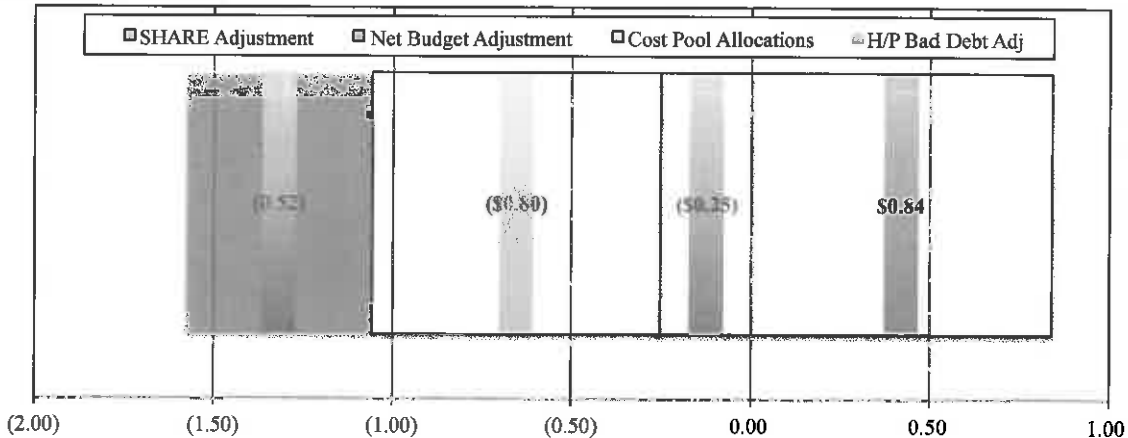
Relative Revenue Req't Change - \$ millions



FY 2019 Suburban Wholesale Sewer Service Charge Schedule Calculation
Rouge Valley

BUDGET Categories	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Total Cost Pool \$	Rouge Valley SHARE % Share	Orig Allocation \$	Fixed Monthly Charge \$/mo	Existing Charge \$/mo	Adjustment \$/mo	Charge Adj	Unbundled Impact Adj
1 Common-To-All	375,967,300	12.893%	48,474,600	4,039,600				
2 Suburban Only	9,704,200	20.339%	1,973,800	164,500				
3 OMID Specific	10,502,500	0.000%	0	0				
4 CSO Facilities	59,801,600	2.956%	1,767,600	147,300				
5 Industrial Specific	4,033,100	0.000%	0	0				
6 Subtotal FY 2019 BUDGET	460,008,700		52,216,000	4,351,400				
7 FY 2018 BUDGET			52,435,800					
8 Adjustment for 2nd Phase of FY 2018 SHARES			(253,700)	2nd & Final Phase @ FY 2018 Revenue Requirement				-0.5%
9 Attributable to System Non-Op Rev			(205,200)	SHARE of increased investment income credit				-0.4%
10 Attributable to BUDGET Change			1,043,600	"across the board" impact of the FY 2019 BUDGET				1.9%
11 Adjusted OMID Cost Pool Allocation			0	Specific programs under review by GLWA and DWSD				0.0%
12 Adjusted CSO Cost Pool Allocation			379,100	Specific programs under review by GLWA and DWSD				0.7%
13 Adjusted CTA Cost Pool Allocation			(1,173,000)	Higher CSO Cost pool allocation -> lower CTA allocation				-2.1%
14 Consolidation Impacts			(10,600)	Consolidated impact of above and cost pool allocations				0.0%
15 Adjusted FY 2019 BUDGET (7) thru (14)			52,216,000					-0.4%
16 Detroit / Suburban Capital Adjustment	5,516,000	20.339%	1,121,900	93,500	93,500	0	0.0%	0.0%
17 Total Adjusted FY 2019 BUDGET			53,337,900	4,444,900	4,463,100	(18,200)	-0.4%	-0.4%
18 Sub Wholesale Bad Debt Adj. - Projected	2,780,000	20.339%	565,400	47,100	74,400	(27,300)	-36.7%	-0.6%
19 Sub Wholesale Bad Debt Adj. - True-Up	1,871,300	20.339%	380,600	31,700	47,700	(16,000)	-33.5%	-0.3%
20 Total Amount for Net Charges			54,283,900	4,523,700	4,585,200	(61,500)	-1.3%	-1.3%
21 Impact of Bad Debt Allocations - \$ (18) + (19)			946,000	78,800				
22 Impact of Bad Debt Allocations - % (21) / (17)			1.8%	1.8%				
Annual Impact of Proposed Charges								
23 2nd Phase of FY 2018 SHARES (Line 8)			(253,700)					-0.5%
24 Net Budget Adjustment (Lines 9 and 10)			838,400					1.5%
25 Cost Pool Allocations (Lines 11 thru 14)			(804,500)					-1.5%
26 Highland Park Bad Debt Adj (Lines 18 and 19)			(519,600)					-0.9%
27 Total Adjustments			(739,400)					-1.3%

Impact Illustration - \$ millions



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