

Olszewski, Rosemarie (DEQ)

From: Creal, William (DEQ)
Sent: Wednesday, March 27, 2013 1:27 PM
To: Sygo, Jim (DEQ); Wyant, Dan (DEQ)
Cc: Busch, Stephen (DEQ); Argiroff, Phil (DEQ); Alexander, Christine (DEQ)
Subject: FW: Flint Scenarios
Attachments: Flint Scenarios FY 2013-14.pdf; Recent DWSD Flint Supply Cost Options.pdf; TYJT Recommendation DWSD vs Flint.pdf; flint water supply assessment final report 2-6-13.pdf; KWA - DWSD for WRD.docx

Importance: High

The attached word document includes WRD review of this situation, including what a withdrawal from the Flint River of 10 mgd would mean to NPDES dischargers.

From: Argiroff, Phil (DEQ)
Sent: Wednesday, March 27, 2013 12:27 PM
To: Creal, William (DEQ)
Cc: Alexander, Christine (DEQ)
Subject: FW: Flint Scenarios
Importance: High

Bill:

Please see the attached Word write-up. It also includes the information you requested of Chris. Thanks.

-Phil

From: Creal, William (DEQ)
Sent: Friday, March 22, 2013 12:24 PM
To: Argiroff, Phil (DEQ)
Subject: FW: Flint Scenarios
Importance: High

Please take a look at this from a financial impact on DWSD -- can we figure out if this will be a major hit for them?

From: Sygo, Jim (DEQ)
Sent: Thursday, March 21, 2013 6:07 PM
To: Shekter Smith, Liane (DEQ); Creal, William (DEQ)
Cc: Willard, Veronica (DEQ); Smith, Laura (DEQ)
Subject: FW: Flint Scenarios
Importance: High

Bill and Liane,

Please have the attached documents reviewed and comments provided relative to the City of Flint water supply needs and relative to the impacts that are possible to the Detroit System.

Treasury needs an assessment as to the need for the alternative water supply and it's impacts so they can provide input to the financial managers.

We need comments by next week and will likely meet with the Director on Thursday.

Bring in whatever staff you need for the review and please try to have your assessments by Wednesday morning.

Sorry for the tight time frame but this one is out of my hands. I will also be looking at the report.

From: Wyant, Dan (DEQ)
Sent: Thursday, March 21, 2013 5:10 PM
To: Sygo, Jim (DEQ)
Cc: Shaler, Karen (DEQ); Thelen, Mary Beth (DEQ); Wyant, Dan (DEQ)
Subject: FW: Flint Scenarios
Importance: High

Jim,

Director asked that you review and coordinate this with with Liane Shekter Smith and/or Bill Creal and their appropriate staff. Director also asked that I schedule an internal meeting with you and staff on this for next week. After your review, please let me know who you want in the meeting. It needs to happen on Tuesday, Wednesday or Thursday of next week.

Thank you.

Mary Beth

From: Stibitz, Brom (Treasury)
Sent: Thursday, March 21, 2013 5:00 PM
To: Wyant, Dan (DEQ)
Cc: Dillon, Andy (Treasury)
Subject: FW: Flint Scenarios

Andy asked that I pass this information along to you.

Summary of FY 2013-14 DWSD Cost Allocations to Flint Under Various Scenarios
Flint Only

	Revenue Requirement	Rates and Charges		
		Fixed	Commodity	Avg Unit Cost
1 Status Quo (<i>Flint Portion</i>)	12,574,900	379,304	13.01	20.39
2 Suggested Cct (<i>Flint Portion</i>)	11,281,100	351,661	12.06	19.27
3 Change	(1,293,800)	(27,643)	(0.95)	(1.12)
4 % Change	-10.3%	-7.3%	-7.3%	-5.5%
5 Max Day Only	9,904,300	294,542	10.87	16.91
6 Change	(1,376,800)	(57,119)	(1.19)	(2.36)
7 % Change	-13.9%	-19.4%	-10.9%	-14.0%
8 Add CTA Line to BP	10,093,100	310,271	10.87	17.23
9 Change	188,800	15,729	0.00	0.32
10 % Change	1.9%	5.1%	0.0%	1.9%
11 CTA to BP / Flint only to FWTP	12,446,300	506,371	10.87	21.25
12 Change	2,353,200	196,100	0.00	4.02
13 % Change	18.9%	38.7%	0.0%	18.9%
14 Add CTA Line to FWTP	10,191,200	318,450	10.87	17.40
15 Change	(2,255,100)	(187,921)	0.00	(3.85)
16 % Change	-22.1%	-59.0%	0.0%	-22.1%
17 CTA to FWTP / Buy existing 72	10,009,600	303,315	10.87	17.08
18 Change	(181,600)	(15,135)	0.00	(0.32)
19 % Change	-1.8%	-5.0%	0.0%	-1.9%
20 Cumulative Change	(2,565,300)	(75,989)	(2.14)	(3.31)
21 Cumulative % Change	-20.4%	-20.0%	-16.4%	-16.2%

	Assumptions				
	Avg Day mgd	Max Day mgd	Peak Hour mgd	DWSD Investment	
				CTA \$	Flint Only \$
1 Status Quo	24.6	45.6	47.7	0	0
2 Suggested Contract	23.4	40.6	42.4	0	0
3 Max Day Only	12.0	18.0	18.0	0	0
4 Add CTA Line to BP	12.0	18.0	18.0	62,290,800	0
5 CTA to BP / Flint only to FWTP	12.0	18.0	18.0	62,290,800	32,391,300
6 Add CTA Line to FWTP	12.0	18.0	18.0	94,682,100	0
7 CTA to FWTP / Buy existing 72	12.0	18.0	18.0	94,682,100	(2,500,000)

TFG

DWSD Worksheet : 18 MGD Maximum Day Customer with Model Contr:

Capacity

Flint ADD:	0.00 MGD	- MCF/Day
DWSD ADD:	12 MGD	1,604 MCF/Day

Annual Volume

Flint:	- MCF
DWSD:	585,561 MCF

2013 Cost of Supply

Flint WTP O&M:	- /MCF	\$ - /Yr
DWSD:	\$ 17.08 /MCF	\$ 10,001,390 /Yr

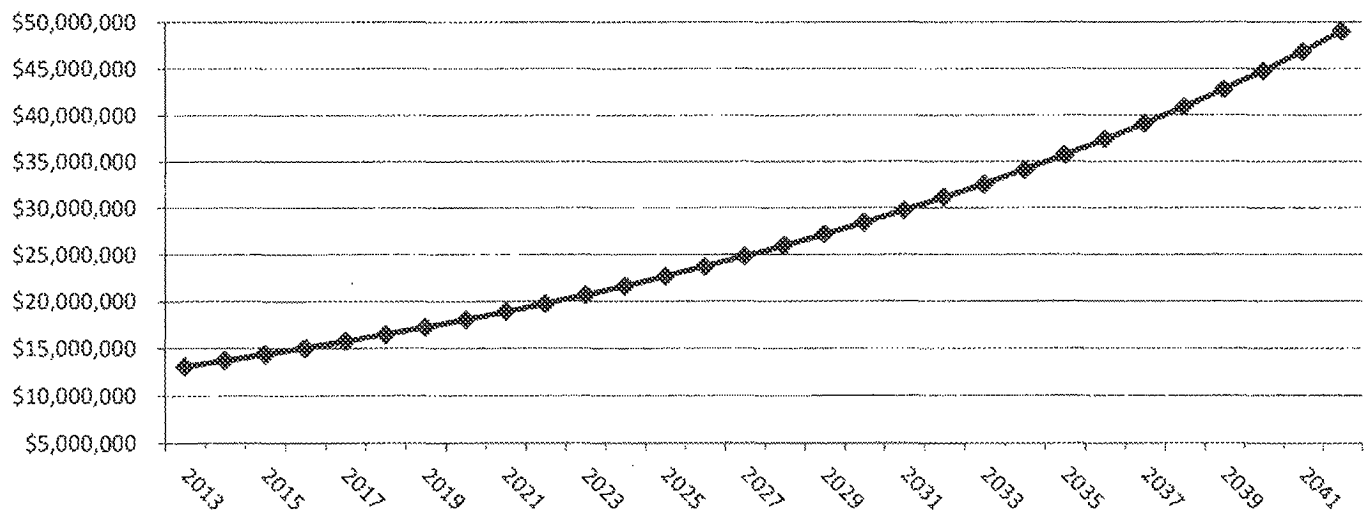
Escalation/Inflation Rate

Flint:	4.51% /Yr
DWSD:	4.7% /Yr

Capital Expenditure

Amount:	\$ -	
Reserve:	\$ -	0% Reserve Rate: 0.00%
Amount plus Reserve:	\$ -	
Revenue Bond Rate:	5%	
Number of Years:	25	
Annual Cost:	\$0	

DWSD 18 MGD Maximum Day Customer Twinning Option DWSD Owns Both Lines



DWSD Worksheet : 18 MGD Maximum Day Customer with Model Con

Capacity

Flint ADD:	0.00 MGD	- MCF/Day
DWSD ADD:	12 MGD	1,604 MCF/Day

Annual Volume

Flint:	- MCF
DWSD:	585,561 MCF

2013 Cost of Supply

Flint WTP O&M:	- /MCF	\$ - /Yr
DWSD: \$	17.40 /MCF	\$ 10,188,770 /Yr

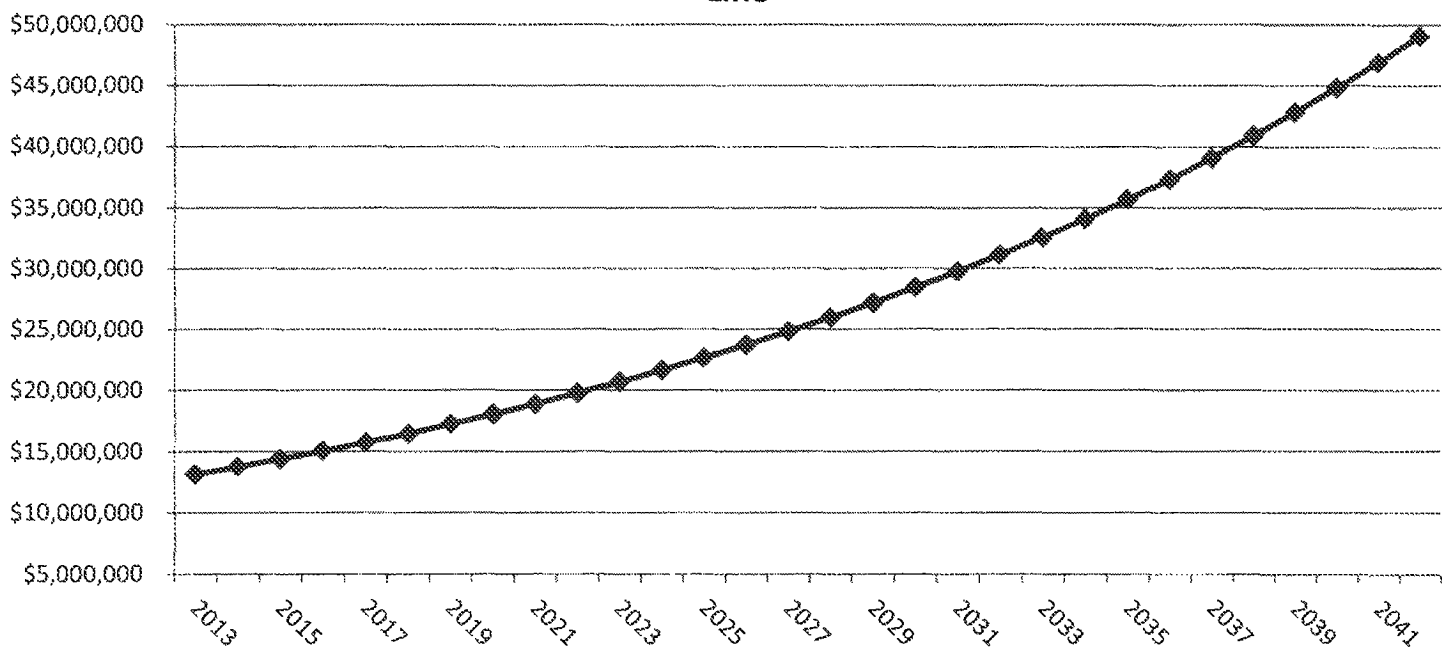
Escalation/Inflation Rate

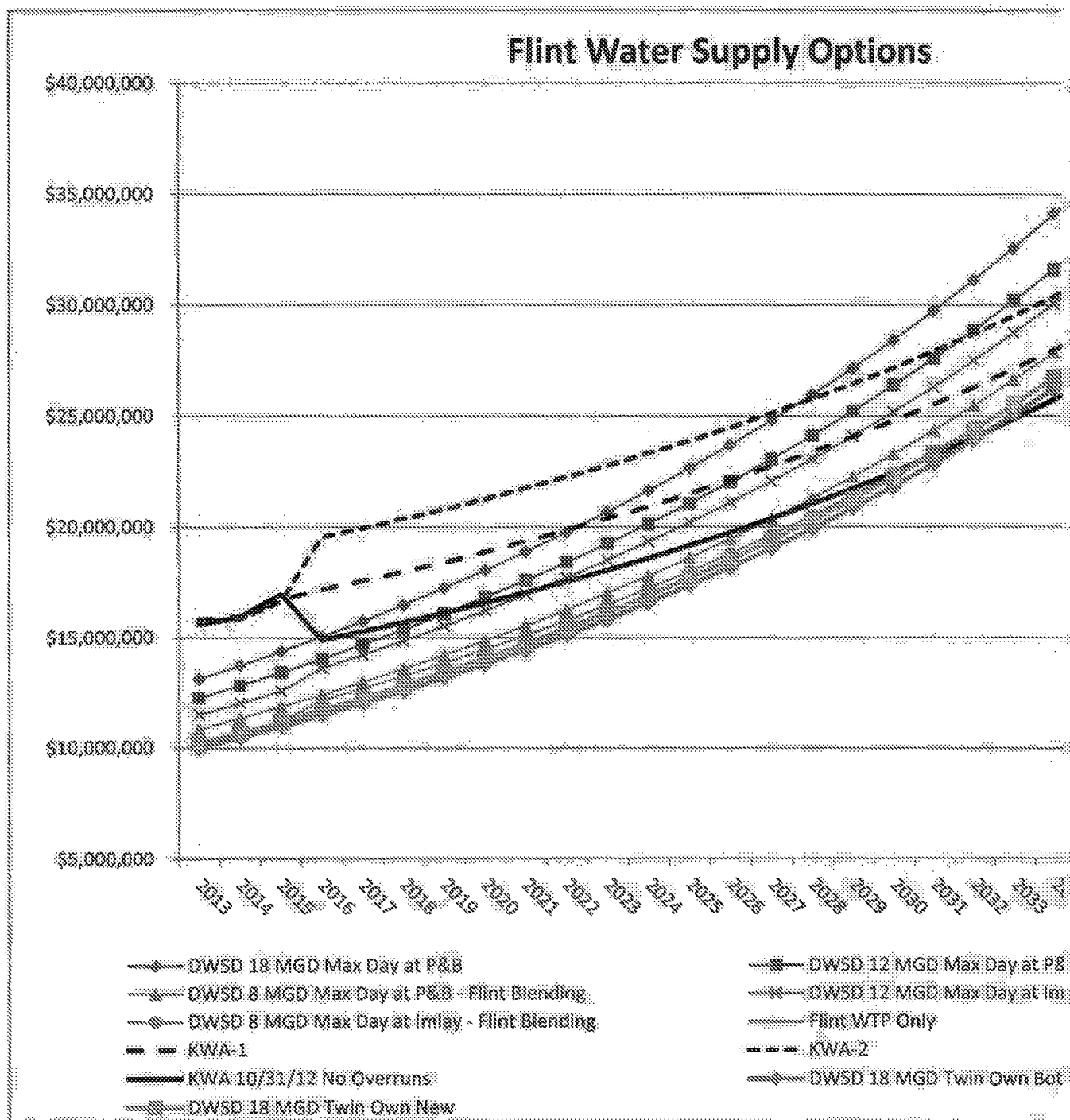
Flint:	4.51% /Yr
DWSD:	4.7% /Yr

Capital Expenditure

Amount: \$	-	
Reserve: \$	-	0% Reserve Rate: 0.00%
Amount plus Reserve: \$	-	
Revenue Bond Rate:	5%	
Number of Years:	25	
Annual Cost:	\$0	

DWSD 18 MGD Maximum Day Customer Twinning Option DWSD Owns New Line





**STATE OF MICHIGAN CONTRACT NO. 271N3200089****CITY OF FLINT WATER SUPPLY ASSESSMENT**

At the request of the Treasurer, Tucker, Young, Jackson, Tull, Inc. (TYJT) makes the following recommendation to the Department of Treasury concerning Flint's water supply alternatives. Based on the financial analysis performed of the various options presented by DWSD to continue treated water service to Flint compared to Flint being supplied by the new KWA untreated water system, TYJT believes that several of the options presented by DWSD are lower in cost currently and over the long run than the one offered by KWA. TYJT also believes that DWSD's most recent offer (subsequent to the submittal of our report) to build a smaller parallel water main from Imlay to Flint, funded by the entire DWSD base of customers, is the best solution offering the least cost alternative and the required redundancy by MDEQ.

Furthermore, since a majority of the KWA system has not been designed and none of the system has been constructed, there is an additional risk that the cost of the KWA system may actually be higher than estimated due to potential construction delays and unforeseen conditions. This risk to Flint could be substantial since the city is responsible for 30 percent of the KWA design and construction costs while still having to purchase water from DWSD during the construction period.

Finally, there are other issues that were identified in our report that may result in risks to Flint if it were to join KWA that should be considered by the Treasury in determining how Flint's potable water should be supplied. These issues are related to redundancy and reliability, other items affecting cost, and Flint's desire to control its own destiny related to its water supply. These are described further below.

- DWSD's supply to Flint is via a 72-inch water main from Imlay City. This main also supplies Imlay City, Mayfield and the Greater Lapeer County Utilities Authority (GLCUA). The volume of water contained within the 72-inch main is approximately 30 million gallons. If Genesee and Flint move to KWA then the three remaining communities' consumption would most likely not be large enough to maintain fresh water in DWSD's pipeline (due to loss of chlorine residual). DWSD may consider shutting down the 72-inch line completely due to the water quality concerns, which would then create an additional burden for Imlay, Mayfield and GLCUA to finance treated water supplies.
- The KWA supply option is counter to the Treasury's Competitive Grant Assistance Program (Formerly EVIP Grant). This program has been put in place to allow for communities to consolidate their services and save money. Two existing customers of DWSD (Flint and Genesee County) along with the potential of others customers (GLCUA, Mayfield, Imlay City) separating from another water system is in contradiction to the program.
- There is a concern over the ability of smaller systems (KWA) over larger systems (DWSD) to pay for future unfunded mandates and regulations. Obviously, identifying regulation requirements over 30 years is hard to determine. However, it is widely accepted that a large system has greater ability to respond to unfunded mandates because the cost can be distributed over a large customer base.
- Although Flint will be responsible for 30 percent of the construction cost, they will only have a minority vote on the KWA board. Furthermore, there are other communities (Lapeer County, the City of Lapeer, and Sanilac County) that sit on the board and vote. However, they are not purchasing water nor contributing to the construction costs. Their position on the KWA Board will not provide them an ability to "control their own destiny," as they have stated to the Treasury.