From: Baird, Richard (GOV)
Sent: Friday, January 30, 2015 8:55 PM
To: Muchmore, Dennis (GOV)
Cc: Mike Duggan
Subject: Re: Flint - Random Thought

Funny!!

Sent from my Verizon Wireless 4G LTE DROID
On Jan 30, 2015 7:35 PM, "Muchmore, Dennis (GOV)" <muchmored@michigan.gov> wrote:
There's an old saying from our youth that you two know well: you can lead a horse to water but you can't make them drink

Sent from my iPhone

On Jan 30, 2015, at 7:19 PM, Baird, Richard (GOV) <bairdr@michigan.gov> wrote:

> The lack of creative thinking from this woman does not bode well for her long term retention.
>
> *Sent from my Verizon Wireless 4G LTE DROID*
> ---------- Forwarded message ----------
> From: Sue McCormick <mccormick@dwsd.org>
> Date: Jan 30, 2015 5:25 PM
> Subject: Re: Flint - Random Thought
> To: Robert Daddow <daddowr@oakgov.com>
> Cc: "poissong@oakgov.com" <poissong@oakgov.com>, "Baird, Richard (GOV)" <bairdr@michigan.gov>, Nicolette Bateson <bateson@dwsd.org>
>
> The rate we offerred Flint is a bit different than what we calculate for our contract customers. We adjusted the rate of return to reflect the short term, terminated contract status. In other words, the outstanding investment, that we made to serve Flint somewhat recently, will not be recovered without a long term contract. This differential rate of return is now being utilized by Genesee County who was served through the Flint contract, so add to the the additional complications. If we want to get to a lower rate for emergency 'short term' service, we can evaluate our options - but we would have to differentiate it somehow from Genesee or have additional revenue loss or legal exposure there and without a questions there will be huge political issues with our other customers.
>
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> 735 Randolph, Room 506
> Detroit, Michigan 48226
> Office (313)224-4701
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> McCormic@dwsd.org
>
> ---
>
> **From:** "Robert Daddow" <daddowr@oakgov.com>
> **To:** "Sue McCormick" <mccormick@dwsd.org>, "Nicolette Bateson" <bateson@dwsd.org>

Cc: poissong@oakgov.com, "Richard 'Baird (GOV)'" <bairdr@michigan.gov>
Sent: Friday, January 30, 2015 5:40:16 PM
Subject: Flint - Random Thought

Sue / Nikki – today I chatted with Rich Baird on the Flint matter given that they continue to have on-going water quality problems. Numerous articles are being written on this matter and I suspect it is getting a bit tense in Flint over this critical issue. They are balking at the cost of the DWSD water – which I understand may be a bit more expensive for them simply because of the distance and elevation – completely understandable. The attached letters indicate $847K per month at a standard commodity rate (which I now am beginning to realize is one of the volume flow issues giving rise to the situation we are in with all communities; but we'll leave that alone for the moment).

The attached letter suggest that they can re-connect to the DWSD using the same rates offered to other communities through June 30, 2015. This seems fair and would not exacerbate the already sensitive issue of the sizable rate increases the suburban and retail customers are now facing. Notwithstanding that matter, Mr. Baird inquired of some means of lowering the rate to encourage Flint to return to the DWSD fold on a marginal costing approach that covers some portion of the fixed costs but may be slightly lower than the amount offered in the letter.

The optics of this matter to the suburban customers now facing a 9% to 14% rate increases are troublesome (sans any provision for the balance sheet issues and with little or no provision for the Detroit retail customers likely collection issues arising from these rate increases – which is going to make this summer even more troublesome when the shut offs start circa March / April). How can a reduction occur in the Flint rate covering fixed costs such that additional volumes actually would serve to reduce what would otherwise be the present proposals on the table? Theoretically, it can be justified but it is steeped in cost accounting but if we can't seem to differentiate 'rates' versus 'revenue requirement' how the heck can we justify something even more complicated to the residents or suburban customers? Perhaps I have answered my own question – it might be able to done and prove to be beneficial, but politically its DOA. The political barrier seems to be too high a hurdle – and the approach already taken of offering to reconnect at the rates and flow previously charged is the only rational approach possible without sending what is already a very sensitive public off the deep end.

Just musing on a Friday afternoon, but I think I answered the question that Rich and I chatted about in the last part of the paragraph above.

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