

Benzie, Richard (DEQ)

From: Busch, Stephen (DEQ)
Sent: Tuesday, March 26, 2013 3:45 PM
To: Benzie, Richard (DEQ); Donaldson, Kristina (DEQ); Bloemker, Jon (DEQ)
Cc: Shekter Smith, Liane (DEQ)
Subject: FW: Flint Draft Response

At 1:30 today Mike Prysby and I attended an unplanned conference call between Director Wyant and Treasurer Dillon. Prior to the conference call I provided the director what I had put together at that point (see email below).

There was follow up discussion with the Director following the call and in addition to the response below he would like us to be prepared to discuss the following points:

1. Can we say to Treasury that KWA is a cost effective option?
2. Can we say to Treasury that DWSD is a cost effective option?
3. Regulatory authority to allow/prevent water system breakups and local vs. state decisions about associated costs
 - a. Besides Benton Township and Norton Shores/Fruitport what other systems have pulled out of a regional system and what were the DW regulatory considerations?
4. How do/can we assess the dollar value on the benefits of a DWSD Regional water system vs. the cost differential?
 - a. In the TYJT report, the status quo option for Flint with DWSD vs. KWA cost estimate differential is \$172 million.
5. What unanswered questions do we have about the DWSD options in the TYJT report?
 - a. 8/12 Blend
 - b. 12/8 Blend

I am still planning on a ODWMA meeting/conference call tomorrow morning at 9:00 to address the above and addend any additional comments before I provide a final response to the Director Wednesday afternoon in preparation for Thursday meetings.

Call me if you have any questions.

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 517-643-2314

From: Busch, Stephen (DEQ)
Sent: Tuesday, March 26, 2013 12:37 PM
To: Wyant, Dan (DEQ); Thelen, Mary Beth (DEQ); Sygo, Jim (DEQ)
Cc: Willard, Veronica (DEQ); Shekter Smith, Liane (DEQ)
Subject: Flint Draft Response

Director Wyant,

In preparation for our call today with Treasurer Dillon's office, ODWMA has developed the following for consideration. We can provide any additional info you require during the meeting.

ODWMA has reviewed the materials developed by the consultant Tucker, Young, Jackson, Tull, Inc. (TYJT) for Treasury regarding the City of Flint and potential alternatives for public water supply. Based on our reviews, we have developed the following comments to this point in our analysis:

1. The TYJT report does not contain the full scope of the Karegnondl Water Authority (KWA) raw water supply system. TYJT concerns over raw water supply redundancy and reliability are addressed to the satisfaction of ODWMA under the full

KWA proposal. Please note some portions of the overall project are being financed independently by the Genesee County Drain Commission.

2. There are significant differences in contract language between KWA and Detroit Water and Sewerage Department (DWSD) with respect to the contracted maximum day demand capacity.
 - a. Under a KWA contract, a "maximum day" capacity of 18 million gallons per day (MGD) would fully satisfy current demands of the City of Flint, without the need to supplement raw water capacity using the Flint River. (18 MGD, average over a 30 day period).
 - b. Under a DWSD model contract, a "maximum day" capacity, even at 18 MGD, would not satisfy the current demands for the City of Flint. (18 MGD, over any 24 hour period).
3. Restrictions in contracted capacity that would prevent the City of Flint from meeting peak demand requirements present potential limits to economic development within the City of Flint, including possible connection bans and water system extension bans. This information was previously conveyed to the City of Flint by ODWMA staff.
4. All contract options with DWSD that are considered semi-competitive with the KWA contract do not fully supply the City of Flint, and would require the City of Flint to meet a significant, if not majority, of its water demands by treating water from the Flint River. Continuous use of the Flint River at such demand rates would:
 - a. Pose an increased microbial risk to public health (Flint River vs. Lake Huron source water)
 - b. Pose an increased risk of disinfection by-product (carcinogen) exposure to public health (Flint River vs. Lake Huron source water)
 - c. Trigger additional regulatory requirements under the Michigan Safe Drinking Water Act (LT2ESWTR)
 - d. Require significant enhancements to treatment at the Flint WTP, beyond those identified in the TYJT report (see item X below).
 - e. Water Resource Division is evaluating potential impacts to NPDES wastewater discharge permits in downstream segments of the Flint River.
5. The TYJT report does not adequately address increased requirements and costs associated with using the Flint River as a significant source for the Flint WTP, which are not necessary under a Lake Huron source water scenario. This includes:
 - a. The need to provide softening treatment
 - b. Limitations on disposal options for lime softening sludge
 - c. Increased ozone capacity, UV disinfection
 - d. Additional backup power, more power required for Flint River operation
6. The Flint WTP must operate at some minimum level and within a range of flow rates to maintain treatment effectiveness. Currently that minimum level is 9 MGD. This level may be reduced with additional capital costs to modify the WTP, not addressed in the TYJT report.
7. Allowing Flint WTP to blend water with DWSD sets a new precedent that could pose future consequences with other DWSD customers.
8. Costs impacts to remaining DWSD customers would be similar under the proposed scenarios, only retaining 8 MGD of 30+ MGD total Flint/Genesee Co. demands, based on the following:
 - a. Genesee County distribution system demands are pulling out of DWSD regardless of the decisions by Flint WTP
 - b. Flint's need to utilize the Flint River as a source
9. ODWMA anticipates cost savings under the KWA proposal will be leveraged to provide additional improvements to the City of Flint water distribution system, improving efficiency and providing additional cost benefits.
10. Major cost discrepancies in TYJT analysis
 - a. Engineering, Legal, Administration, Contingency – TYJT appears to have effectively double charged for these costs in their KWA estimates without adequate justification
 - b. Pumping facilities – TYJT cost estimate methodology does not appear to address localized market costs and does not distinguish fixed and variable costs in its comparison analysis.