From: Baird, Richard (GOV)
Sent: Wednesday, February 04, 2015 4:31 PM
To: Muchmore, Dennis (GOV); Darnell Early
Subject: Fwd: Re: Flint - Random Thought

Sent from my Verizon Wireless 4G LTE DROID
---------- Forwarded message ----------
From: "Daddow, Robert" <daddowr@oakgov.com>
Date: Jan 31, 2015 9:13 AM
Subject: Re: Flint - Random Thought
To: Sue McCormick <mccormick@dwsd.org>
Cc: "poissong@oakgov.com" <poissong@oakgov.com>, "Baird, Richard (GOV)" <bairdr@michigan.gov>, Nicolette Bateson <bateson@dwsd.org>

At a recent public hearing at SEMCOG and in at least one document I've seen since, the quote was that Flint had been paying $12.5 million annually. Your letter to Flint offers $847K monthly - or, $10.2M. Is the differential the break you are referencing below and if so, it appears DWSD has already provided them a deal?

---- Original message ----
>Date: Fri, 30 Jan 2015 18:25:22 -0500 (EST)
>From: Sue McCormick <mccormick@dwsd.org>
>Subject: Re: Flint - Random Thought
>To: Robert Daddow <daddowr@oakgov.com>
>Cc: poissong@oakgov.com,"Richard 'Baird (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.
>
> Sue F. McCormick, Director
> Detroit Water and Sewerage Department
> 735 Randolph, Room 506
> Detroit, Michigan 48226
> Office (313)224-4701
> Fax (313)224-6067
> 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