From: Baird, Richard (GOV)
Sent: Friday, February 13, 2015 1:57 PM
To: Bob Daddow; Muchmore, Dennis (GOV)
Subject: RE: Flint

Thanks Bob. Dennis & Me too!

Sent from my Verizon Wireless 4G LTE DROID
On Feb 13, 2015 12:54 PM, "Daddow, Robert" <daddowr@oakgov.com> wrote:
Stay tuned. I could be rebuffed but I'd like to hear there retort as to why not. RJD

From: Robert Daddow [mailto:daddowr@oakgov.com]
Sent: Friday, February 13, 2015 1:53 PM
To: 'Bart Foster'; 'Nicolette Bateson'; jfausone@fb-firm.com; 'Sue McCormick'
Cc: Brian Baker (bbaker@sterling-heights.net)
Subject: RE: Flint
Importance: High

Guys -- I think we can craft a win here. In talking with Rich Baird, who has been working with Flint on this matter along with Dennis Muchmore from the Governor's staff, apparently Flint is consider this but is choking a bit on the amount to be billed. While I recognize that this amount is based on the prior contract, we are in a unique position over the next two weeks or so and before the BOWC takes action on the rates, budget, CIP and other related efforts on March 11th (formally March 4th). The win would be solving the water problem in Flint (generally agreed that this is there issue and comes from a poor decision to remove themselves from the DWSD's quality water product), serving to reduce the FY-2016 suburban water rates already now in the public by perhaps 2% to 3%, and help to tamp down the media frenzy on this matter. It also demonstrates that flow is part of the problem -- DWSD adds flow, rates go down.

Right now, no one wins with Flint off the system -- the rates for water remain at 11% for suburban wholesale, Flint has bad water and the press for both of us continues on this matter, along with the rate media issues.

Here is what I propose. Drop the monthly rate for a defined period of time -- they need a 15 month period. So let's drop the rate by say $50K monthly and make it a rate of $800K / month, fixed. In doing so, I suspect that the 11% rate can be dropped to roughly 8.5% to 9% (subject the Foster Group's more detailed analysis) -- which show the public good faith. Then, if they go past the 15 month time frame, we can add costs on the rate at a semi-punitive approach - $850K $875K or more.

I believe that there is a win / win here. If the proposal is not acceptable, then I'd like to hear an alternative if at all possible -- particularly since th3e 11% isn't selling well in the media, given the misinformation out there in the public. RJD

From: Bart Foster [mailto:bfoster@fostergroupllc.com]
Sent: Thursday, February 12, 2015 10:33 PM
To: Robert Daddow
Cc: Nicolette Bateson
Subject: Re: Flint

Actually, my quick take is about 8%.

Some background:
When Flint left, the annual revenue profile for the Water System was initially reduced by $12.5 million, However, we immediately recalculated the rate for Genesee County (recognizing their higher demands), to effectively "claw back" about $2 million of the reduction, so the net Flint impact is ~ $10.5 million, or just under 2.5% of the (reduced) Water System rate revenue. Assuming that same amount could be replaced, and all else being equal, the "system rate increase" could be reduced by about 3 percent, with a bit more of the reduction occurring in the suburban wholesale rate structure. Safe to say that (again, absent any other changes) the average suburban water rate increase would be closer to 8 percent compared to the current 11.1%.

Hope this helps . . .

--

Bart Foster
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On Feb 12, 2015, at 7:02 PM, Bart Foster <bfoster@fostergroupllc.com> wrote:

Bob - in transit but will review and reply this evening.

Sent from my iPhone

On Feb 12, 2015, at 3:44 PM, Daddow, Robert <daddowr@oakgov.com> wrote:

> Nikki / Bart – don't need a hard and fast number on this. However, it would seem to me that in a fixed cost system such as water, if Flint were to be hooked up again at the $847K / month cited in Ms. McCormick's January 12th memorandum and after the release of the rates yesterday, bringing Flint back would – on a marginal cost basis – serve to mitigate the wholesale (suburban) customer rate increase of 11.1% cited in yesterday's presentation. Without going into a whole lot of detailed calculations (unless necessary), what would the impact of the inclusion of Flint starting say on July 1, 2015 (hypothetical date) be on the rate increase presently now in the public? A revised increase of what – 10.6% - looking for a high level sensitivity analysis here. Can you help? RJD