

Lamphier, Wendy (Treasury)

From: Dillon, Andy (Treasury)
Sent: Tuesday, April 16, 2013 5:19 PM
To: ken.buckfire@millerbuckfire.com; Orr, Kevyn (Treasury)
Cc: Headen, Frederick (Treasury); Stibitz, Brom (Treasury); Saxton, Thomas (Treasury)
Subject: Fwd: DWSD Rates

Follow Up Flag: Follow up
Flag Status: Flagged

Ken,

I thought this would be helpful for Jones Day. Didn't know who to send it to on their end. Can you forward?

Thanks.

Andy

Sent from my iPad

Begin forwarded message:

From: "Headen, Frederick (Treasury)" <HeadenF@michigan.gov>
Date: April 16, 2013, 4:38:12 PM EDT
To: "Dillon, Andy (Treasury)" <DillonA2@michigan.gov>, "Stibitz, Brom (Treasury)" <StibitzB@michigan.gov>, "Saxton, Thomas (Treasury)" <SaxtonT@michigan.gov>
Subject: DWSD Rates

Andy;

The rate setting process used by the Detroit Water and Sewer Department (DWSD) is as follows:

- (1) DWSD has a series of internal meetings with the other governmental units to which it supplies water. These meetings are not required, but have become customary. This series of meetings occur on an annual basis.
- (2) Based upon these meetings, DWSD recommends proposed water rates for the ensuing year (July 1 to June 30) to the Board of Water Commissioners. In turn, the Board of Water Commissioners recommends proposed water rates to the City Council, which has final approval.
- (3) Rates tend to be based upon factors such as usage, distance, and peak usage levels. If the contract with the City of Flint is characteristic, termination would require one-year's advance notice for a governmental unit to leave. Since rates are set annually, the departure of any governmental unit would result in rates for the next rate setting cycle being adjusted commensurately among remaining customers.

Valerie Brader, with whom I spoke this morning, was very helpful and provided much of this information.



**CITY OF FLINT
OFFICE OF EMERGENCY MANAGER
EDWARD J. KURTZ**

ELECTRONIC LETTER

April 16, 2013

Andy Dillon
State Treasurer
P. O. Box 30716
Lansing, MI 48909

Dear Treasurer Dillon:

Flint, Genesee County and KWA received an eight page letter from Detroit Water and Sewerage Department (DWSD) offering a framework for a long-term agreement with our region. Two scenarios were presented;

Scenario 1: Water from the Lake Huron Plant.

This offer was dismissed immediately because Flint would still be responsible for their share of the KWA water pipeline delivery system estimated to be \$79 million. In addition Flint would not be able to operate the Flint Water Plant in which we have invested over \$40 million per MDEQ mandates over the past ten years. Finally, although DWSD shows this as an option and supplied a per month cost projection for the first year, no total costs over the life of the contract were provided.

Scenario 2: "Full Service" Water Supply

This offer was also rejected. DWSD would supply water to Flint/Genesee the same way they currently are today. They would change the method of calculating our bill. The offer would provide a \$1.00 per ccf reduction on our usage for the first year, providing a 30 year contract is signed.

After review of the offer, Flint/Genesee has the following concerns: