

Koryzno, Edward (Treasury)

From: Cline, Richard (Treasury)
Sent: Tuesday, March 26, 2013 5:04 PM
To: Koryzno, Edward (Treasury); Byrne, Randall (Treasury)
Subject: FW: Meeting to review DWSD proposals

Importance: High

For your attention.

Eric Cline | Unit Operations Specialist - Office of Fiscal Responsibility State of Michigan | Michigan Department of Treasury
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-----Original Message-----

From: David Guastella [<mailto:DGuastella@tyjt.com>]
Sent: Tuesday, March 26, 2013 5:01 PM
To: Dillon, Andy (Treasury); Hichez, Amy (Treasury)
Cc: George Karmo; Awni Qaqish; Cline, Richard (Treasury); Stibitz, Brom (Treasury)
Subject: FW: Meeting to review DWSD proposals

This email was sent from DWSD to Flint yesterday; TYJT was requested to forward this information to the Treasury.

Dave

-----Original Message-----

From: Sue McCormick [<mailto:mccormick@dwsd.org>]
Sent: Monday, March 25, 2013 11:42 AM
To: Ed Kurtz
Cc: Michael Brown; Nicolette Bateson
Subject: Meeting to review DWSD proposals

Hello Mr. Kurtz,

Last week I spoke with Mayor Walling to share DWSD's continued interest in discussing a long term Water Service contract to serve Flint. Mayor Walling indicated he would pass along our interest in meeting in the next week or two to discuss new proposals that are responsive to the changes that the City of Flint has identified in terms of it's requirements and priorities including; a reduction in requirements from 18 to 15 MGD and the newly expressed desire not to blend Flint treated water with DWSD treated water. The latter change certainly came as a surprise given the

economic advantage of this for Flint and Flint's initiated request for this specific option. I am curious to know what new information resulted in this option becoming less desirable and if there are opportunities to address those concerns.

It has been a rather odd experience to be outside of the process these last few months. I've taken note that the KWA proposal provides a single line of supply and would still leave Flint in the position of retaining the Flint plant in a full time operating mode as well as maintaining the capacity of treating two very different sources of supply in the event of an interruption. Although the line would be newer than the existing transmission system serving Flint, it does not accomplish the redundancy in supply that Flint has long expressed an interest in.

With the changes identified in Flint's requirements and preferences, we have looked at opportunities to address these as well as Flint's historical concerns about the single transmission main and have developed proposals that twin the transmission main with smaller diameter pipe, provide transmission redundancy along the entire length from Imlay to the Flint Plant, as well as provide Flint the opportunity to consider selling Flint's portion of the 72 inch line and avoid the significant risks and costs Flint has expressed concern about in maintaining that line. In addition, the twinning of supply with full redundancy, without additional treatment requirements, would allow Flint to avoid capital and well as operating expenses in both the plant and transmission system. All of this can be accomplished with still a significant reduction in Flint's rates.

We are a new service organization. The rate adjustments for FY 14 are announced with significantly constrained adjustments from what had been forecast previously. Our financial plans reflect the ongoing benefit of our organizational optimization efforts. Recent discussions have brought attention to a near term opportunity to move toward greater independence with an opportunity to expand representation in our governance. This is not the DWSD of your recollection.

I welcome the opportunity for discussion at your earliest convenience.

Best regards,

Sue

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