

indication as to whether these matters, when raised, are being addressed by DWSD management at all? Or, as I would imply from the below they are not being addressed and left unattended the wholesale customers are damaged? Are they responsive to these issues when they are being brought to the attention of management?

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> I am particularly interested in the ROR matter involving the "Forever" comment and then the new Highland Park - namely, Flint as they exit the system - become another uncollectible account. Both of these issues run to the heart of some of the very issues Oakland has been raising on the DWSD matters from the get go.

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> -----Original Message-----

> From:

> Sent: Wednesday, February 12, 2014 9:55 AM

> To:

> Cc: > Subject: RE: Presentation Material for this Wednesday's

> Workshop

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> I have reviewed this information            has provided and have the following comments/questions:

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> 1. I notice a past and common, general problem with DWSD, while many initiatives and proposals have been "approved" by all, I am not aware of the specific details being discussed and finalized. For major changes as Rate Simplification in sewers, these major items need to be discussed and finalized into contract terms. For water, significant changes as Detroit and Dearborn demand changes needed to be reviewed thoroughly in the Analytical Work Group for correctness and uniformity to past practice. As always the "Devil is in the Details." and that is missing from what I am aware of but DWSD is fast forwarding 2015 Water and Sewer Rates thorough the BOWC with these changes for final approvals.

> This also highlights, the common problem recognized but all of us in

> that

DWSD budgets and rates are forecast from prior budget and not actuals. With actual unknowns as fiscal performance, Bad Debt, available cash and all those accounting terms I am not familiar with are missing, any budget and rate formulation is speculation.

> 2. The 4% rate increases in both Water and Sewer are arbitrary in

> that

justification is back calculated from the 4%, everyone understands that the system is becoming more unreliable as necessary additional funds are not being used for needed replacements. While attrition is being highlighted as a cost saving measure, the lack of capable staff is preventing needed problems and projects from being initiated and brought into service.

> 3. From Page 9, it shows that Detroit Water Revenue is projected

> to go

down by 4.5% but 1st Qtr, FY2014 Detroit water sales were down by 13 %.

Detroit retail sewer sales comes from water usage, sewer revenue is projected down 6%, accurate usage projection are forecast with sales volumes leveling off or reaching a plateau; but, actual usage is not aligning with this budget forecast.

> 4. From Page 12, that shows historical system Sewer Rate Increases

Since 2001; does this table include or correct for the annual LookBack Adjustment, as the true annual rate increases would include that adjustment.

I can check this but will need more time.

> 5. Page 15, further highlights the "Ownership Benefit" water rate

> of

return adjustment becoming a "Fixed Adjustment" baked into the water rates FOREVER.

> 6.. Page 15 at bottom, discussion of "Allocated Revenue

> Requirements

for ALL Customers now directly impacted"; this appears to me that DWSD is requiring us to pay the Rate of Return in Water as a yearly fixed charge and also requiring us to share in system saving and losses which has not been the case for water in the past as the City of Detroit was taking the financial risk and benefit at least that's what DWSD said. System losses appeared to be shared by all from what I could glean from the financial statements.

> 7. Page 27 shows Detroit Retail Revenue Requirements; Water is projected down 5.6% and Sewer down 9% in sales volume and Revenue Requirements are projected flat (down 0.2%). Again, an actual financial history of DWSD Financials with Detroit Bad Debt and Year to Date water and sewer usage is needed.

> 8. Page 5 of the Second Attachment with "FY 2014-15 Water

> Allocation

and Rate Design Strategy Highlights" at top of page at item #3, second bullet at bottom of page, Dearborn and City of Detroit allowed to use averaging method for peaking factors and data not reviewed by Water Work Group as is present practice and procedure.

> 9. For "Proposed Modified Water Rate for Flint" attachment, both capital stranded costs and future system expenses for operation and maintenance and repair and replacement need to be detailed and highlighted as after contract termination on April 17, 2014, most of these costs should be directly charged to Flint and collection may be problematic. A payment in advance or cash on hand for future service needs and possible future repairs or replacement should be considered. This is another Highland Park in the makings! With additional legal fees and future Court proceedings!!

> 10. These rates and authority discussion only highlight the need

> for

thorough financial and system review with actuals. We cannot afford to jump into the future with unknowns and we cannot maintain our present standard of living without reasonable and dependable water and sewer service. This is our only chance to get this RIGHT!

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