



GENESEE COUNTY DRAIN COMMISSIONER'S OFFICE

-DIVISION OF-  
WATER & WASTE SERVICES

JEFFREY WRIGHT  
COMMISSIONER

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February 26, 2010

Pamela Turner, Director  
City of Detroit  
Water and Sewerage Department  
Office of the Director  
735 Randolph, Room 506  
Detroit, MI 48226

Re: Open Letter to the "*Flint Journal*" - February 25, 2010

Dear Ms. Turner:

This correspondence is in response to your Letter to the Editor published in the "*Flint Journal*" on February 25, 2010.

Let me begin by reminding you that at our last meeting, which occurred on March 10, 2009, we thought we had come to an understanding that if Detroit wanted to have a serious dialog regarding a long-term partnership between Flint and Genesee County, we were available to meet at any time, and we would not negotiate through the media. The issues are as complex as your rate model, and a two second sound bite will not resolve these outstanding issues. As indicated, we worked with your predecessor for over 5 years without any negative publicity. I hope this is the last time you bow to those factions in your Department that feel the media is the proper venue for negotiations. Now, on to your letter. As before, I will respond to each of your allegations, item by item.

You indicate that you are interested in working with us on a truly regional water supply. We have sent letters to your attention and also to Mayor Bing requesting meetings. All correspondence has gone unanswered. The Flint/Genesee group has offered four alternatives for a partnership with Detroit that have been summarily rejected. We offered over 5 pages of proposed changes to the standard water contract. You have either ignored or summarily rejected these, yet have not provided any formal alternative response. The first and only offer your office made was to Genesee County. By our calculations, and you have not disputed them, your proposal would cost more than the standard agreement and will maintain the current buyer and seller arrangement. As you will recall, we informed you that Genesee County has formed a partnership with the City of Flint and Lapeer County, and we would not cut a side deal and abandon our partners.

Does the City of Detroit have a proposal to make to the Group?

Your letter continues to say that you're distressed to see that the County Board Chairman wants to see Mr. Wright's plan turned to a reality. First off, this is not Jeff Wright's plan. This is a plan developed by the three member counties, the City of Flint, and the City of Lapeer. It is a regional plan with a true partnership. Continuing, you were distressed that this project could become a reality. Our obtaining the first withdrawal permit in the State under the Great Lakes Charter did not give you a hint of desire to provide better rates for our region? Our State Permit and the Army Corps of Engineers permit to begin core sampling in Lake Huron does not indicate our desire to find a better delivery system? Regardless, I ask, "Does the City of Detroit have a substantive proposal to provide reliable water to our region? If so, what is it?"

In the second paragraph, you ask the community to compare your water rate of \$14.32 to the potential rate of \$37.93, as the water rate in 2014.

Your own office has already made recommendation to the Detroit Water and Sewerage Board to increase our rate to \$15.86 per thousand cubic feet. Your own reports indicate that we can expect double digit rate increases over the next 10 years; and in your letter, you have indicated that we could see over 20% rate increases. What is the projected rate for Flint/Genesee/Lapeer from Detroit in 2014? What is the rate for Flint/Genesee/Lapeer if you actually build the NOTS and FLS pipeline in 2014? Do you have the bonding capability to make it a reality?

DWSD has been given copies of the Lake Huron water initiative reports from its first version in 2006 through the final version of 2009. Your office has never disputed the projected rates as detailed in the report. To use a rate of \$14.32, when you have already proposed to increase it to \$15.85 is quite misleading.

You are also aware, if you read the report, that if we did a "pay as you go" program, our rates would be doubled during the construction period; but, just as DWSD does, can we spread those costs over the life of the project? Had you read all of the report, you would have seen that the projected rates spread out over the life of the project would be less than we those projected if we sign the standard Detroit contract.

Your letter talks about the great strides your office has made over the last seven years in communication and customer satisfaction. That was the previous administration. Since you have been Director, we have met once. At that meeting you offered the County a special deal that would have left the City of Flint hanging in the wind; but what was most disturbing was that you insulted them by making the offer while their own representative was sitting at the table.

The City of Flint and Genesee County have extensive water storage systems. You know as well as I do, that as you work with your other customers to install water storage and tanks, their rates

will be reduced, and Flint/Genesee's rates will increase to replace the lost revenue. Flint/Genesee's PH distance elevation volume is fixed. A decrease by others will increase our overall cost. This region has never disputed your cost to produce the water... just your delivery charge. The peak distance elevation charge makes up over 50% of our costs. Your assistance in management of their rates will cause ours to increase. Furthermore, your PH distance elevation method for dealing with water loss results in Flint/Genesee paying for 5 gallons of water and only receiving 4 gallons.

Does the City have a substitute proposal to resolve this issue?

The County has read the article, "A New Regional Paradigm, Working Together to Manage Water Rates", and the "Blue Economy". The basic philosophy of these documents is that development should remain in southeastern Michigan and Flint, Genesee, and Lapeer should be a suburb of Detroit. The last time this was agreed to, General Motors relocated their headquarters from Flint to Detroit.

Yes, Michigan sits on 20% of the world's fresh water supply. It's free and every resident of Michigan should have the right to access it. The Flint/Genesee region has been hit just as hard by this economic downturn as Detroit. Why should we tap into the Detroit philosophy of the Blue Economy? Also, as long as Detroit continues to put an up-charge on water to Flint and Genesee, we are not going to be able to compete in this economy.

Now for the elephant in the room. Either Detroit or our regional group is going to build a second pipeline to this area, and we are going to pay for it. Our report says we can do it cheaper than you can, and in the end, we'll own it. Each member becomes an equal partner in establishing rates, policy, and contracts. The 25 million dollars we send annually to Detroit will now remain in our own communities. The construction project will hire our local contractors. The water plants will employ our residents, and our water rates will be competitive with the rates that DWSD would charge us for the first 30 years. And after that, we will be 60% less than DWSD, and we will have a 30-year-old system -- not a 100-year-old system.

The region is looking at the long-term not short-term.

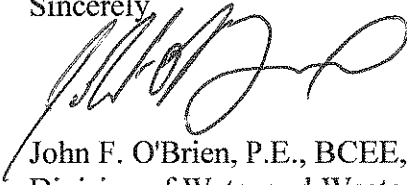
We agree that we should meet, but Detroit needs to be prepared to offer a true partnership to all of our regional members. Provide us with a reliable water supply and a rate structure that is fair and equitable for the long-term and not the short run.

Does the City of Detroit have such an offer to compete with the Karegnondi Water Authority plan?

In closing, since Detroit has chosen to negotiate through our local media, the Flint Journal, we propose to Detroit that a series of town hall meetings be held in our community, with you, Pam Turner, and I, discussing the benefits of Detroit's options and Flint/Genesee regions' options, respectively, so all residents can see for themselves what is being considered.

Should you have any questions or if you need further comments, do not hesitate to contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "John F. O'Brien", written in a cursive style.

John F. O'Brien, P.E., BCEE, Director  
Division of Water and Waste Services