



**Special City Council Meeting
6:00 PM, MONDAY, SEPTEMBER 15, 2014
Maxfield Education Center
32789 Ten Mile Rd
Farmington, MI 48336**

SPECIAL MEETING AGENDA

1. ROLL CALL

Roll Call

2. APPROVAL OF AGENDA

3. PUBLIC COMMENT

4. REVIEW OF MASTER SEWER CONTRACT WITH DWSD

A. Review of Detroit Water and Sewer Department (DWSD) Master Sewer Contract

5. CITY COUNCIL CHAMBER UPDATE

A. City Council Chamber Update

6. OTHER BUSINESS

7. COUNCIL COMMENT

8. ADJOURNMENT

**Farmington City Council
Staff Report**
Council Meeting Date:
September 15, 2014

**Reference
Number
(ID # 1673)**
Submitted by: Vincent Pastue, City Manager

Description: Review of Detroit Water and Sewer Department (DWSD) Master Sewer Contract

Requested Action:
Background:

Over the last year, City Administration and the City Attorney's office have met with representatives of Detroit Water and Sewer Department (DWSD) regarding a new master sewer contract. The initial contract with the City of Farmington was signed in the 1950's with a few subsequent amendments. DWSD has been meeting with all of its suburban tier-one customers to negotiate a uniform contract which is attached.

The heart of the agreement is contained in the first twelve pages. The agreement is for 30 years with the option for another ten year renewal. Much of the document deals with the recently restructured sewer rate process that took effect July 1, 2014 which City Administration supports because it eliminated year-to-year volatility in the sewer treatment expenses. Other aspects of the contract deal with general system operations, dispute resolution process, assignment of the contract, and notification.

The bulk of our negotiations dealt with Farmington's connection to the DWSD system at Eight Mile Road and Berg Road which is depicted with Exhibit A. We are satisfied with the system identified in this exhibit. However, it is likely that we may present a contract amendment within a few months whereby DWSD will assume responsibility for the sewer interceptor at a point approximately 800' northwest of the current connection. This is good for Farmington because it means less sewer main to be maintained and less liable in the future. The amendment would only impact Exhibit A dealing with the connection point.

The intent was to have this on the September 15 regular agenda for approval. City Administration supports the contract as presented. However, in light of the recent news regarding a Great Lakes Regional Water Authority, I am asking that we delay approval of the sewer contract until we better understand the new authority. If City Council wishes to pursue approval at the September 15 meeting, City Administration would not object.

Agenda Review
Review:

Vincent Pastue **Pending**
City Manager **Pending**
City Council **Pending**

WASTEWATER DISPOSAL SERVICES CONTRACT
BETWEEN
CITY OF DETROIT
AND
CITY OF FARMINGTON

This Wastewater Disposal Services Contract is made by and between the City of Detroit, a municipal corporation (“City”), by and through its Water and Sewerage Department (“DWSD”) and its Board of Water Commissioners (“Board”), and the City of Farmington, a municipal corporation (“Customer”). DWSD and Customer may be referred to individually as a “Party” or collectively as the “Parties.”

Recitals

Whereas, the City owns a System which is operated by DWSD; and

Whereas, DWSD through its Board has contracted to supply Services to numerous governmental entities in southeastern Michigan; and

Whereas, Customer desires to obtain Services from DWSD; and

Whereas, DWSD implemented a voluntary partnering effort with its First Tier Customers, of which the Steering Committee is a central part, which assists DWSD in data gathering, alternative evaluations and recommendations; and

Whereas, the various work groups are key components of the Steering Committee; and

Whereas, by virtue of the order issued on November 4, 2011, and other orders entered in *United States Environmental Protection Agency v City of Detroit*, Civil Action No. 77-71100, DWSD has the authority to enter into wholesale service contracts on its own behalf with the approval of its Board; and now

ACCORDINGLY, THE PARTIES AGREE AS FOLLOWS:

Article 1.
Definitions

1.01 The following words and expressions, or pronouns used in their stead, shall be construed as follows:

“CFS” shall mean cubic feet per second.

“Contract” shall mean each of the various provisions and parts of this document, including all attached Exhibits and any amendments thereto, as may be executed by the duly authorized representatives of the Parties, and approved by Customer and the Board.

“Customer Overflow Volume” shall mean that volume of wastewater generated in Customer’s Service Area during a wet weather event that exceeds the capacity of Customer’s system and is discharged before entering DWSD’s System.

“**Exhibit A**”, entitled *Customer’s Service Area*, shall be a depiction of Customer’s Service Area from which wastewater may be delivered to the System. It shall depict the corporate limits of Customer, the agreed upon Service Area, the Maximum Allowable Flow Limit, the specific location of the Meter(s) and any Meter vault(s), and the Point(s) of Connection. It shall also identify the Meter(s) name and the location of DWSD data acquisition equipment.

“**Exhibit B**”, entitled *DWSD Design Standards Committee*, shall be a description of the purpose, responsibilities, and membership of the DWSD Design Standards Committee.

“**Exhibit C**” is deleted and reserved. Previously, the function of this Exhibit was to describe the terms of the Industrial Waste Control Program that has been adopted by the Board and the Customer, which terms are now described and incorporated into Exhibit E.

“**Exhibit D**”, entitled *Dispute Resolution Procedures*, shall be a description of the alternative dispute resolution procedure established by Section 9.01.

“**Exhibit E**”, entitled *Modified List of Relevant Ratemaking Terms*, shall contain the modified list of relevant ratemaking terms as mandated by the order dated August 31, 2011 in the matter of *United States Environmental Protection Agency v City of Detroit*, Civil Action No. 77-71100.

“**First Tier Customer(s)**” shall mean those municipal customers contracting directly with DWSD for Services.

“**Flow**” shall mean wastewater delivered by Customer from Customer’s Service Area to the System. It shall include sanitary flow, dry weather infiltration and inflow, and a wet weather flow component. It shall also include wastewater from industrial and/or commercial facilities in compliance with the City of Detroit’s Wastewater Discharge Control Ordinance, Chapter 56, Article I and Article III of the Detroit City Code, Section 56-3-56.1 *et seq.*, as amended.

“**GDRSS**” shall mean the Greater Detroit Regional Sewer System.

“**Maximum Allowable Flow Limit**” shall mean the maximum allowable Flow that Customer may deliver to the System. This limit shall be expressed in units of CFS and shall be determined by calculating an average of meter readings over a rolling sixty-minute time frame.

“**Meter(s)**” shall mean a wastewater-billing meter.

“**MGD**” shall mean million gallons per day.

“**Notices**” shall mean all notices, consents, approvals, requests and other communications required to be given under the terms of this Contract.

“**Point(s) of Connection**” shall mean the location(s) where Flow shall be deemed to be delivered from the Customer’s wastewater collection system into the System and shall be the location at which the ownership and responsibility for operation and maintenance between the System and the Customer shall be established.

“**Service Area**” shall mean the geographic area of Customer from which flow may be delivered to the System as designated in Exhibit A to this Contract.

“**Services**” shall mean the collection, transportation, and treatment of wastewater by DWSD.

“**Steering Committee**” shall mean the advisory committee consisting of representatives of DWSD, its First Tier Customers, and any work groups and sub-committees established thereby, and shall include its successor or replacement if altered or discontinued. The committee may, in its discretion, agree to add additional members. Customer shall have the right to attend all meetings of the committee and any work groups and sub-committees established thereby.

“**System**” shall mean the wastewater disposal system owned, operated and maintained by the City acting through its DWSD and Board.

“**WWTP**” shall mean the DWSD’s Wastewater Treatment Plant.

Article 2.

Delivery of Flow; Maximum Allowable Flow Limit; Enforcement

- 2.01 Maximum Allowable Flow Limit. Customer’s Maximum Allowable Flow Limit shall be 7.9 CFS.
- 2.02 Delivery of All Flow. DWSD agrees to accept and Customer agrees to deliver all Flow from Customer originating within Customer’s Service Area, excluding any Customer Overflow Volumes, up to Customer’s Maximum Allowable Flow Limit.
- 2.03 Calculation of Charges. Customer shall pay DWSD for Services for Flow delivered into the System at such rates as the Board may establish during its cost allocation and rate design processes, which rates shall be established in accordance with Article 20 of this Contract.
- 2.04 Enforcement of Maximum Allowable Flow Limit. The Parties acknowledge that Customer deviations over the Maximum Allowable Flow Limit may occur. If Customer has multiple incidents of Flow exceeding the Maximum Allowable Flow Limit which evidence a pattern of exceedances, as determined in the sole and reasonable discretion of DWSD, DWSD shall give written notice of such exceedances to Customer. Thereafter, DWSD and Customer shall meet and attempt to develop a plan for reducing or eliminating the exceedances. If, in the opinion of DWSD, the Parties are unable to agree on a plan, DWSD shall have the right to assert any available remedies for breach of contract.
- 2.05 Applicability to Overflow Volumes. Nothing in this Article 2 shall be construed to preclude Customer from constructing or operating wastewater facilities for the purpose of reducing or eliminating Customer Overflow Volumes or improving the operation of Customer’s sewage system, or for any other lawful purpose.
- 2.06 Reopener. The Parties reserve the right to reopen for negotiation at anytime the Maximum Allowable Flow Limit specified in Section 2.01 in the event that the DWSD Wastewater Master Plan or other analysis acceptable to the Parties demonstrates modifications to the then-existing Maximum Allowable Flow Limit may be warranted. If a new Maximum Allowable Flow Limit is mutually agreed upon, the Parties will amend this Contract to reflect the new Maximum Allowable Flow Limit. Until such time, if any, that the Maximum Allowable Flow Limit is modified, the Maximum Allowable Flow Limit specified in Section 2.01 shall continue in full force and effect.

Article 3.**Ownership, Maintenance, and Accuracy of Equipment and Facilities**

- 3.01 Ownership and Maintenance Responsibility. DWSD shall own and maintain all Meters, Meter vaults, and data acquisition equipment used for DWSD's billing purposes, unless otherwise provided for in Exhibit A.
- 3.02 Maintenance Standards. DWSD shall maintain its Meters and associated data acquisition equipment in accordance with the GDRSS Phase IV Technical Memoranda 4-8, or subsequent modifications thereto. DWSD shall collect data from its Meters in accordance with the Good Metering Practice specified in the GDRSS Phase IV Technical Memoranda 4-8, or subsequent modifications thereto. DWSD may contract for any such services.
- 3.03 Accuracy. DWSD will ensure the accuracy of its Meters. Customer shall have the right to inspect the Meters and check for proper operation, including inspection of records. DWSD and the Steering Committee shall review the accuracy of the Meters on a regular basis and compare the findings to the then-best available technology. In the event that the accuracy of a Meter is found to be unsatisfactory, as determined by the Steering Committee and approved by DWSD, DWSD shall, as soon as practicable, repair, rehabilitate or replace the Meter.

Article 4.**Service Area; Acceptance of Flow**

- 4.01 Service Area. The area for which DWSD agrees to provide Services shall be as shown in Exhibit A. Customer shall not deliver to the System any Flow originating in any area outside of the specified Service Area without the prior written consent of DWSD. A memorandum of understanding between Customer and DWSD may temporarily authorize the delivery of Flow from outside the Service Area. A permanent change in the Service Area shall require amendment of this Contract.
- 4.02 Acceptance of Flow. DWSD will accept Flow from Customer, as limited by the terms of this Contract, at the Points of Connection shown on Exhibit A. DWSD shall have no responsibility for operating and maintaining any portions of the Customer's wastewater collection system upstream of the Points of Connection, unless specifically indicated otherwise on Exhibit A. The City, through its DWSD, owns and is responsible for operating and maintaining all parts of its System downstream from the Points of Connection.
- 4.03 Change in Service Area. The boundaries of the Service Area may be changed only by the express written agreement of DWSD and Customer and shall be embodied in an amendment to this Contract.

Article 5.**Flow Measurement**

- 5.01 Information Gathering. DWSD shall, with guidance and input from the Steering Committee, make all reasonable efforts to use the best available information to establish Customer's estimated sanitary flows and non-sanitary flows.

- 5.02 Process. DWSD shall, with guidance and input from the Steering Committee, decide on the type of analyses, and shall carry out analyses of Flow from Customer using Meter information and other relevant data. The results of such analyses shall be utilized by DWSD, in its sole and reasonable discretion but subject to Article 20, in its cost allocation and rate design processes and shall form the basis of billings for Customer.
- 5.03 Responsibility for Review and Use of Information. The Steering Committee shall have the responsibility for reviewing the information it obtains pursuant to this Article 5 for the purpose of verifying that the information is acceptable from a technical basis. DWSD shall have the authority, in its sole and reasonable discretion, for determining how best to utilize the information analyzed by the Steering Committee.

Article 6. Flow Re-Allocation

- 6.01 Flow Re-Allocation. Should Customer terminate or reduce its Flow into the System, whether at the end of this Contract's term, by mutual agreement, or due to a breach of this Contract by Customer, that portion of its Maximum Allowable Flow Limit so terminated or reduced shall be re-allocated at the discretion of DWSD for the benefit of the System. Flow re-allocation between First Tier Customers may occur only with the prior written approval of DWSD and shall be incorporated as an amendment to this Contract.
- 6.02 Responsibility for Capital Cost Recovery. If Customer reduces or terminates its Flow into the System, whether at the end of this Contract's term, by mutual agreement, or due to a breach of this Contract by Customer, Customer shall remain responsible for any remaining capital costs for facilities built to provide Customer its Maximum Allowable Flow Limit. In such event, Customer shall either (1) pay in full all outstanding capital costs accumulated to the date of its termination of participation in the System, or (2) enter into a contract guaranteeing monthly payments to DWSD of the remaining capital costs, or (3) assign the responsibility for the remaining capital costs to the First Tier Customer to whom Customer has re-allocated its Flow (the "RAF Customer") provided that Customer shall remain ultimately responsible for the remaining capital costs in the event the RAF Customer fails to timely pay said capital costs. As of the effective date of this Contract, the amount of such capital costs allocable to Customer (not including the cost of any future capital improvements) is Zero and 00/100 Dollars (\$0.00).

Article 7. Contract Term; Renewal and Termination

- 7.01 Term. DWSD shall provide Services to Customer in accordance with the terms and conditions of this Contract for a period of thirty years from the effective date of this Contract and any ten-year renewal terms (collectively the "Contract Term"). The effective date of this Contract shall be the date that this Contract is approved by the Board or Customer's legislative body whichever is later. This Contract replaces and supersedes any prior wastewater disposal services contracts between the Parties.
- 7.02 Renewal. This Contract shall automatically renew at the conclusion of the thirty-year term for an additional ten-year term, unless a Party provides written notification to the other Party in accordance with Article 16 on or before the conclusion of the twenty-fifth year of the thirty-year term stating its intent not to renew this Contract. Thereafter, this Contract shall automatically renew every ten years for an additional ten-year term, unless a Party provides written notification to the other Party in accordance with Article 16 on or before the conclusion of the fifth year of the

then current ten-year term stating its intent not to renew this Contract. The automatic renewals of this Contract shall not preclude a review of its terms and the Parties are encouraged to reaffirm or amend its terms as necessary. The Parties may, in writing, mutually agree upon a longer renewal term.

- 7.03 Continuing Obligation. Customer's obligations under Article 6, if any, shall survive the expiration or termination of this Contract and continue until such obligations are satisfied.

**Article 8.
Construction Standards**

- 8.01 Customer shall abide by DWSD's design specifications and construction standards. DWSD shall form a Design Standards Committee. The Design Standards Committee shall create a set of design standards and shall make a recommendation to DWSD regarding adoption of the design standards. Customer shall submit plans and specifications for new wastewater collection or transport facilities for review and approval to DWSD prior to the installation of such facilities. DWSD will review the plans and specifications and provide Customer with a determination as to its approval or disapproval of the plans and specifications. If Customer does not agree with the outcome of the DWSD review, Customer may request a review by the Design Standards Committee. The Design Standards Committee will be governed by the guidelines described in Exhibit B.

**Article 9.
Dispute Resolution**

- 9.01 Any and all claims alleging a breach of this Contract shall be submitted to the alternative dispute resolution process set forth in Exhibit D of this Contract or to such other alternative dispute resolution process as the Parties may agree.

**Article 10.
Payment for Services**

- 10.01 Bills for Services shall be rendered to Customer on a monthly basis. All such bills shall be due and payable not more than forty-five calendar days from the date shown on the bill. Any portion of the charges not related to a dispute regarding accuracy that is not paid by the due date shall be subject to a finance charge at a rate of 1.5% per month for each month that they remain unpaid. Any portion of the total bill, plus any finance charges applied to the bill which are not paid by the next billing date, shall be shown on the next bill as arrears. If the accuracy of a bill is in dispute, Customer shall promptly notify DWSD in writing and shall place the disputed amount of the bill in an interest bearing escrow account maintained by a bank located in Michigan or a County Treasurer pending resolution of the dispute and the finance charge shall thereupon cease. Accrued interest on the escrow account shall be allocated between the Parties directly proportional with the resolution of the dispute. The cost, if any, of maintaining the escrow account shall be allocated between the Parties inversely proportional with the resolution of the dispute. Disputes related to rates for Services charged by DWSD are specifically excluded from the application of this Article 10. Claims for interest in any other billing dispute shall be resolved by the Director's Council or a court of competent jurisdiction.

**Article 11.
Emergency Situations**

11.01 No failure or delay in performance of this Contract by any Party shall be deemed to be a breach thereof when such failure or delay is caused by a force majeure event, including but not limited to, any Act of God, strikes, lockouts, wars, acts of terrorism, riots, epidemics, explosions, sabotage, breakage or accident to machinery or lines of pipe, the binding order of any court or governmental authority, or any other cause, whether of the kind enumerated in this Article 11 or otherwise, not within the control of a Party, except that no cause or contingency shall relieve Customer of its obligation to make payment for Services provided by DWSD.

**Article 12.
Default Provisions**

12.01 In the event a Party commits a material breach of this Contract, the Party alleging the breach shall give written notice of the breach to the other Party within a reasonable time of discovering the breach. The Party in breach shall be given a reasonable time to cure the breach. If the Party in breach fails to cure the breach, the non-breaching Party may declare this Contract in default and pursue all available legal remedies, including termination of this Contract for cause.

**Article 13.
Assignment**

13.01 This Contract shall not be assigned, in whole or in part, by a Party without the prior written consent of the other Party. Consent to an assignment by a Party shall not be unreasonably withheld.

**Article 14.
Steering Committee**

14.01 Establishment. The Steering Committee is formed to facilitate a cooperative working partnership between DWSD and First Tier Customers by facilitating discussion and development of recommendations to DWSD regarding System operation, maintenance, rates, and best practices, and is based on the free flow of information regarding financial and operational functions. The Steering Committee shall maintain bylaws that govern the way it conducts its business. In the event of a conflict between the terms of the bylaws adopted by the Steering Committee and the terms of this Contract, the terms of this Contract shall control.

14.02 General Responsibilities. The Steering Committee shall periodically review and evaluate the rates, rate methodology, operation, and maintenance of the System. The Steering Committee shall have the opportunity each year to review the Capital Improvement Program as prepared by DWSD, prior to its adoption by the Board.

14.03 Annual Report by DWSD. DWSD will present an annual report to the Steering Committee that shall consist of (1) a general report on System operation and maintenance and (2) a report that lists those contracts for Services, if any, that have been entered into by DWSD and another customer(s) where the terms of the contract(s) invoke the application of Article 21 of this Contract.

- 14.04 Annual Meeting and Report by Steering Committee. The Steering Committee will meet annually with and report to the Board. The Steering Committee may otherwise meet and communicate with the Board as the Steering Committee deems necessary.
- 14.05 Work Groups. The Steering Committee may create work groups and sub-committees to address specific issues facing the System.

**Article 15.
Amendment**

- 15.01 Written Amendment Permitted. The Parties may from time to time consider it in their best interests to change, modify or extend a term, condition or covenant of this Contract. Any such change, addition, deletion, extension or modification, which is mutually agreed upon by the Parties shall be incorporated in a written amendment to this Contract. Such amendments shall not invalidate this Contract nor relieve or release any Party of any of its respective obligations under this Contract unless so stated in the amendment.
- 15.02 Requirements for Effective Amendment. No amendment to this Contract shall be effective and binding upon the Parties unless it expressly makes reference to this Contract, is in writing, is signed and acknowledged by duly authorized representatives of the Parties, is approved by Customer’s legislative body, and is approved by the Board.

**Article 16.
Notices**

- 16.01 Addresses For Notice. Except as otherwise specified in this Contract, all Notices required or permitted under this Contract shall be given in writing and mailed by first class mail, addressed as follows:

If to the DWSD:

Director
 Detroit Water and Sewerage Department
 735 Randolph
 Detroit, Michigan 48226
 Attention: General Counsel

If to the Customer:

City Manager
 City of Farmington
 23600 Liberty
 Farmington, Michigan 48335

- 16.02 When Deemed Given. All Notices shall be deemed given on the day of post-marked mailing. Any Notice given by a Party hereunder must be signed by an authorized representative of such Party.
- 16.03 Special Mailing Requirements. Notwithstanding the requirement above as to the use of first-class mail, change of address notices, termination notices, and other Notices of a legal nature, shall be sent by certified first-class mail, postage prepaid, return receipt requested.

Article 17.
Industrial Waste Control Program

- 17.01 Customer agrees to abide by the requirements of the Industrial Waste Control Program as set forth in Exhibit E, paragraph F. To the extent that Exhibit E obligates Customer in the future to adopt any new or modified ordinance, rule, or regulation based upon a future amendment to the City of Detroit's Wastewater Discharge Control Ordinance or any successor or similar ordinance, such amendment shall be consistent with the then-current rules and regulations of the United States Environmental Protection Agency ("USEPA") and Michigan Department of Environmental Quality ("MDEQ"), but may be more stringent than USEPA and MDEQ rules and regulations.

Article 18.
Rights-of-Way

- 18.01 Assistance from Customer; Restoration. The Customer shall assist DWSD to obtain permission to use streets, highways, alleys, and/or easements within the Customer's jurisdiction for the purpose of constructing, maintaining, and operating wastewater disposal facilities to adequately service the Customer's jurisdiction and other areas. In the event of such construction, DWSD shall request the Customer to execute such separate instruments granting rights-of-way in its streets, highways, and alleys as may be reasonably required by DWSD. DWSD shall restore all existing structures and/or improvements laying in the right-of-way of construction to as good a condition as before the construction took place. Any such facilities constructed, maintained and operated under this Section 18.01 shall remain the property of the City and shall not be operated or maintained by any entity other than DWSD or its authorized representatives.
- 18.02 Relocation of Facilities. Should future construction by any federal, state or county agency require relocation of a wastewater interceptor, Meter or other DWSD facility, the cost incurred by DWSD for such relocation, if not reimbursed by the agency requiring the relocation, will be charged in future rates as a common-to-all cost to all System users for the relocation of a common-to-all facility, or as a customer-specific cost to a specific customer or customers for the relocation of a customer-specific facility.
- 18.03 Easements. Subject to the provisions of Section 18.01 and to the extent that Customer has jurisdiction, DWSD shall be granted temporary and permanent easements, and shall be permitted to use the streets, alleys and highways within Customer's legal jurisdiction for the purpose of constructing, operating and maintaining the System. This consent by Customer is given in compliance with Article 7, Sec. 29 of the Michigan Constitution of 1963, provided that DWSD shall provide Customer with a written explanation of the type of easement required and the duration thereof.

Article 19.
Miscellaneous

- 19.01 Enforceability. If any provision of this Contract or its application to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Contract shall not be affected and shall remain valid and enforceable to the fullest extent permitted by law.

- 19.02 Integration. This Contract, including Exhibits A, B, D and E thereto, contains the entire agreement between the Parties and all prior negotiations and agreements are merged into this Contract. No Party has made any representations except those expressly set forth in this Contract, and no rights or remedies are, or shall be, acquired by a Party by implication or otherwise unless expressly set forth in this Contract.
- 19.03 Headings. The headings of the sections of this Contract are for convenience only and shall not be used to construe or interpret the scope or intent of this Contract or in any way affect the same.
- 19.04 Jurisdiction. The rights and remedies set forth in this Contract are not exclusive and are in addition to any of the rights or remedies provided by law or equity. This Contract and all actions arising under it shall be governed by, subject to, and construed according to the law of the State of Michigan. Each Party agrees, consents and submits to the exclusive personal jurisdiction of any state or federal court of competent jurisdiction in Michigan, for any action arising out of this Contract.
- 19.05 Execution of Contract. This Contract may be executed in any number of originals, any one of which shall be deemed an accurate representation of this Contract. Promptly after the execution of this Contract, DWSD shall provide a copy to Customer.
- 19.06 Contract Beneficiaries. The rights and benefits under this Contract shall inure to the benefit of and be binding upon the Parties, their agents, successors, and assigns.
- 19.07 No Third Party Beneficiaries. There are no third party beneficiaries to this Contract and this Contract shall not be construed to benefit any persons other than the Parties hereto.

Article 20.
Rates

- 20.01 Rates. Customer agrees to pay for all Services supplied by DWSD at such rates as the Board may establish. Rates shall be reasonable in relation to the costs incurred by DWSD for the provision of the Services. DWSD shall give written notice of any changes in the rates. Notice shall be made in accordance with Section 5e of Public Act 279 of 1909, Michigan Compiled Laws, Sec. 117.5e, as amended (“Act 279”) or other applicable federal court orders.
- 20.02 Notification of Rates. As soon as possible in the ratemaking process, DWSD shall provide information on proposed rates and the draft data and information used in the calculation of proposed rates in a format that will enable Customer to assist in the ratemaking process. Not less than thirty calendar days prior to the hearing required by Act 279 or other applicable federal court orders, DWSD shall provide Customer with written notice of a proposed rate and the underlying data used to calculate the rate. DWSD shall meet with Customer to review the rate and the data. DWSD shall provide Customer, upon written request, a copy of the rate notebook containing the detailed tabulations supporting the establishment of the final rates for the next rate year and the look back adjustments.
- 20.03 Disclosure of Rate Information by Customer. Each year, Customer will disclose to its customers information related to its rates and other charges, and information regarding what portion of those costs is related to charges from DWSD and/or other major service providers.

- 20.04 Estimate of Usage. In the event meters fail to correctly measure the quantity of wastewater transmitted by Customer for any period of time, DWSD shall provide a reasonable estimate of the quantity of wastewater generated by Customer for such period provided that there is a reasonable basis for the estimate. Customer and DWSD shall, either through their respective technical representatives and/or the Steering Committee, seek agreement upon a method to estimate such quantities. In the event the Parties are unable to agree upon a method to estimate such quantities, DWSD’s determination of a method shall be conclusive and the Customer agrees to accept the estimate established by DWSD.
- 20.05 Ratemaking Terms. The ratemaking terms set forth in Exhibit E attached hereto are incorporated into and made a part of this Contract. The Parties acknowledge and agree that the terms of Exhibit E became effective on September 1, 2011.
- 20.06 Accounting of Project Expenses. DWSD recognizes that Customer’s allocation of rates and charges to its customers may vary depending upon the nature, location and purpose of the particular project carried out by DWSD. Accordingly, when requested by Customer in writing, DWSD shall provide reasonable information to assist Customer in the accounting of expenses for a specified project.

**Article 21.
Ensuring Equality of Contract Terms**

- 21.01 If DWSD, through its Board, subsequently enters into any contract, and any amendments thereto, with a wastewater disposal services customer other than Customer, and the material terms of such other contract are more favorable than the material terms of Customer’s Contract, Customer may elect to adopt all of such other material terms. However, if Customer exercises the option provided for in this Article 21, Customer must accept all material terms of the other contract in their entirety and may not select among various terms contained in multiple other contracts by, for example, selecting the Contract Term from one contract and the Rates provision of another contract. The terms and conditions of Exhibit A of this Contract are specifically excluded from the application of this Article 21.

(Signatures appear on next page)

In Witness Whereof, the City and Customer, by and through their duly authorized officers and representatives, have executed this Contract.

City of Farmington:

By: _____
Vincent Pastue
Its: City Manager

By: _____
Sue Halberstadt
Its: City Clerk

City of Detroit:

By: _____
Sue F. McCormick
Its: Director, Water and Sewerage Department

APPROVED BY
FARMINGTON CITY COUNCIL ON:

Date

APPROVED BY
BOARD OF WATER COMMISSIONERS ON:

Date

APPROVED AS TO FORM BY
DWS GENERAL COUNSEL ON:

Date

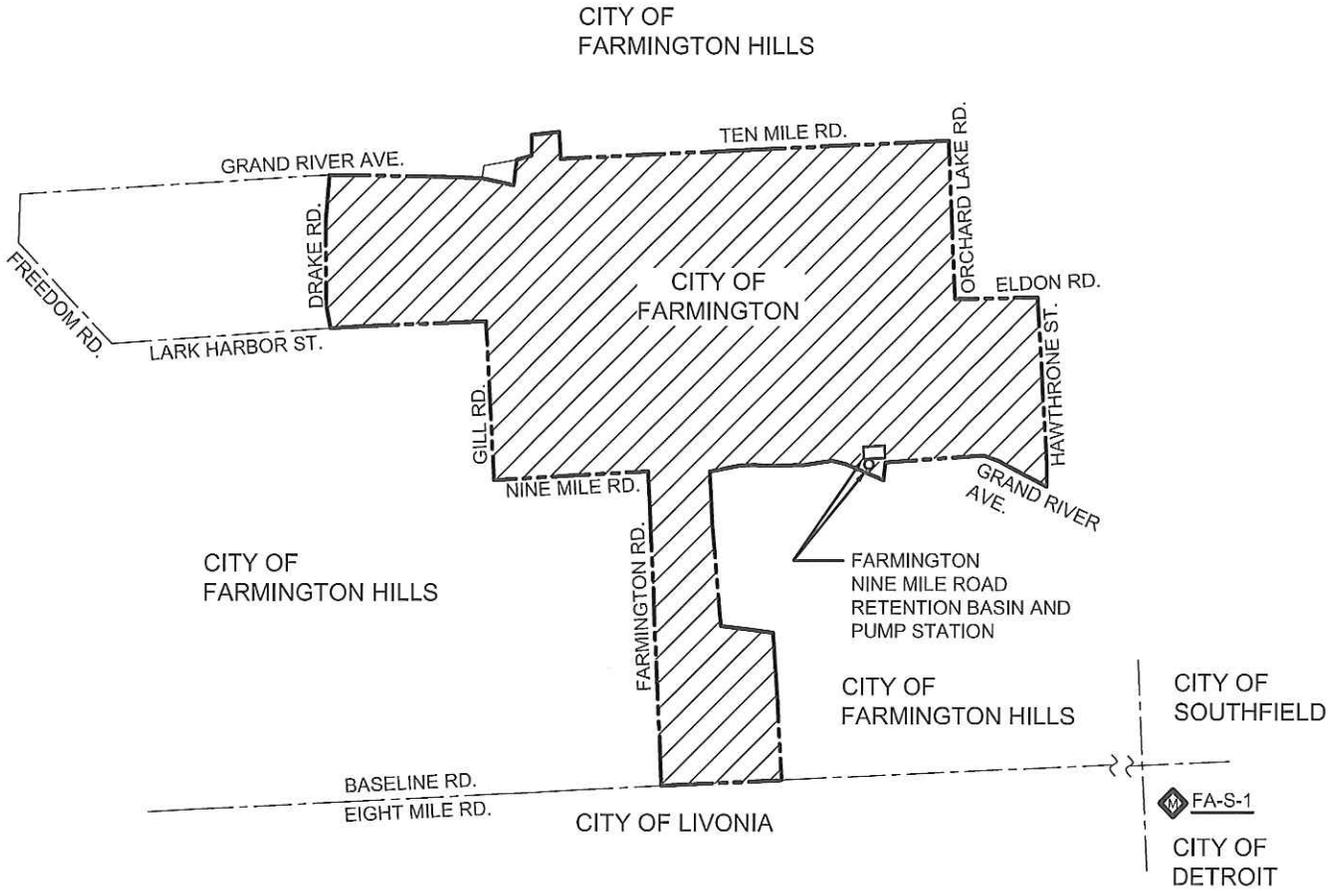
EXHIBIT A

Customer's Service Area

This Exhibit contains the following information:

1. The corporate limits of Customer;
2. The Service Area of Customer;
3. The Customer's Maximum Allowable Flow Limit;
4. The specific location of the Meter(s) and any Meter vault(s);
5. The Points of Connection to the System;
6. The Meter name;
7. The location of DWSD data acquisition equipment; and
8. A list of properties outside of Customer's corporate limits which are provided sewerage services by Customer and water services by DWSD.

EXHIBIT A



METER DATA

METER NAME: FA-S-1
 SITE NAME: 8 MILE & BERG
 METER TYPE: PARSHALL FLUME
 METER ADDRESS: 22990 EIGHT MILE RD. DETROIT

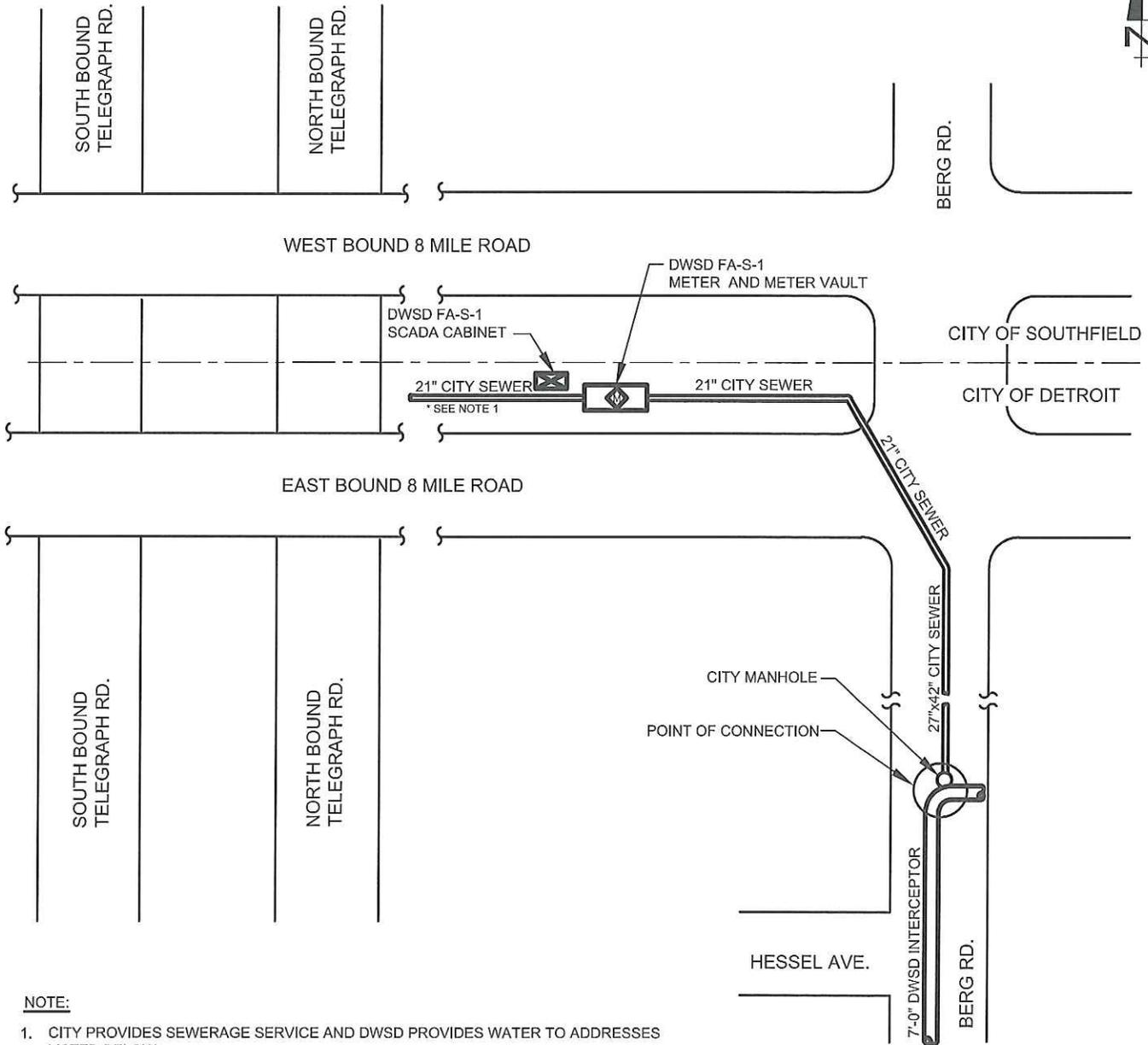
LEGEND

| SYMBOL | DESCRIPTION |
|--------|------------------|
| | SERVICE AREA |
| | MUNICIPAL BORDER |
| | METER LOCATION |

MAXIMUM ALLOWABLE FLOW LIMIT: 7.9 CFS

FARMINGTON SERVICE AREA

EXHIBIT A



NOTE:

1. CITY PROVIDES SEWERAGE SERVICE AND DWSL PROVIDES WATER TO ADDRESSES LISTED BELOW:

| | |
|---------------------------------------|---|
| 1) 23301 EIGHT MILE ROAD, DETROIT, MI | 5) 23601 EIGHT MILE ROAD, DETROIT, MI |
| 2) 23321 EIGHT MILE ROAD, DETROIT, MI | 6) 23621 EIGHT MILE ROAD, DETROIT, MI |
| 3) 23401 EIGHT MILE ROAD, DETROIT, MI | 7) 23641 EIGHT MILE ROAD, DETROIT, MI |
| 4) 23501 EIGHT MILE ROAD, DETROIT, MI | 8) 23201 W EIGHT MILE ROAD, DETROIT, MI |
2. CITY PROVIDES SEWERAGE SERVICES AND SOUTHFIELD PROVIDES WATER TO THE ADDRESS LISTED BELOW:
 - 1) 20855 TELEGRAPH ROAD, SOUTHFIELD, MI

LEGEND:

| |
|--|
| DWSL-DETROIT WATER AND SEWERAGE DEPARTMENT OWNERSHIP AND MAINTENANCE |
| CITY-FARMINGTON OWNERSHIP AND MAINTENANCE |

FA-S-1
METER SITE PLAN

EXHIBIT B

DWSD Design Standards Committee

- I. Name. The name of this committee is the Detroit Water and Sewerage Department Design Standards Committee (hereinafter, the “Committee”).
- II. Purpose/General Responsibilities. The Committee is formed to discuss and make recommendations to DWSD, or its designee, on the appropriate specifications and standards which shall govern the design, use of material, and construction of wastewater collection and transport facilities which may, from time to time, be constructed by a First Tier Customer for the purpose of collecting and transporting wastewater to DWSD’s System. To effectuate this purpose, First Tier Customers may request a review of construction plans and specification by the Committee. In such a case, the Committee shall make the requested review and shall make its recommendations thereon to DWSD or its designee.
- III. Membership. The entities comprising the Committee shall consist of one (1) representative from the DWSD and one (1) representative from each First Tier Customer. The DWSD member shall also serve as Chairperson of the Committee.
- IV. Meetings. Committee meetings shall be held as follows:
- A. Meetings and Notice Thereof. The Committee shall meet at an agreed upon date and time. The time and place of such meeting shall be fixed by the Chairperson. Meetings shall be held as may be necessary and at such times and places as shall be determined by the Committee.
 - B. Meeting Quorum. A majority of all the members present shall constitute a quorum.
 - C. Record Keeping. The Committee shall keep a journal of its proceedings, which shall include a record of each vote and each recommendation made to DWSD, or its designee, by the Committee.
 - D. Voting. The Committee shall act by motion. Passage of any measure shall require a simple majority affirmative vote of the quorum present. Deliberation and consideration are required prior to any vote. Each member shall be entitled to one (1) vote adhering to the principle of “one person, one vote”.
 - E. Committee Recommendation. All Committee recommendations shall be transmitted to the DWSD, or its designee, for consideration and final determination.
- V. Dissolution. The Committee shall continue in existence until dissolved by action of the Committee membership.
- VI. Appeals Procedure. Any First Tier Customer who is aggrieved by a decision of DWSD, or its designee, relating to a determination based upon a Committee recommendation may appeal to the Director of DWSD for possible relief of that grievance. Any such appeal shall be made in writing. The determination of the Director of DWSD shall be final.

(End Exhibit B)

EXHIBIT C

RESERVED

EXHIBIT D

Dispute Resolution Procedures

The Parties agree that it is in their collective best interest to establish a dispute resolution procedure to allow for faster resolution of problems, reduce expenses for attorneys, fees and costs, and improve working relationships. These procedures shall be utilized in the event that a dispute arises between Customer and DWSD and/or any other First Tier Customer with regard to Services by DWSD or arising under this Contract.

All capitalized terms shall have the meaning defined in the Contract.

1. General Dispute Resolution Policy

Any and all claims alleging a breach of or arising under this Contract, other than claims requiring immediate relief to prevent irreparable harm to a Party, public health or the environment, shall first be submitted to the alternative dispute resolution (“ADR”) process set forth in this Exhibit D. No litigation, other than a suit seeking immediate relief to prevent irreparable harm to a Party, public health or the environment may be initiated until the Parties have complied with the Informal Negotiation (Section 2) and Formal ADR Procedures (Sections 3 & 4) set forth here.

Unless expressly agreed in writing by the Parties, all alternative dispute resolution procedures utilized shall be non-binding.

No resolution achieved under these procedures shall be binding on any other First Tier Customer unless such customer has agreed in writing to the resolution.

All dispute resolution proceedings under this Contract shall be private and confidential, and any written or oral communications will similarly be deemed to be confidential, and may not be disclosed unless the Parties agree otherwise. Documents created by the Parties for use in any ADR process shall not be filed with any court or made available as evidence in any court proceeding by any other Party. However, evidence or information which is otherwise admissible or subject to discovery does not become inadmissible or protected from discovery solely by reason of its disclosure or its use in mediation. Any person involved in the ADR process who is not an agent or employee of a Party shall not testify regarding matters disclosed during the mediation process, but may testify only as to the final outcome of the ADR process, and the Parties to the dispute agree they shall not seek testimony from any such person with regard to information or knowledge obtained by such person as the result of participating in an ADR process under this Contract.

2. Informal Negotiations

Each Party agrees to undertake informal negotiations before invoking formal ADR procedures under this Contract or litigation. This process shall be commenced by written notice from the initiating Party to the other describing the subject matter of the dispute. The notice shall contain such information as is necessary to advise of the exact nature of the dispute and the relief requested. Upon issuance of such written notice, the Parties shall engage in good faith informal negotiations among themselves to attempt to develop a mutually acceptable resolution to the dispute. The time frame for conducting informal negotiations shall not exceed 45 days from the date of issuance of the written notice, unless all Parties agree to a longer informal negotiation timeframe. Such a notice shall preserve the initiating Party’s right to object under any Board policy governing objections to rates or any other matter related to services provided pursuant to this Contract.

3. Invocation of Formal ADR Procedures

In the event a dispute arises between the Parties that is not resolved by informal discussions between them, either Party may initiate the formal alternative dispute resolution process under Sections 3 and 4 by giving notice in writing to the other Party, the Director's Council and the Chair(s) of the Steering Committee. The notice shall contain such information as is necessary to advise of the exact nature of the dispute and the relief requested. The notice shall state whether in the initiating Party's view the subject of the dispute relates to a policy issue appropriate for consideration by the Director's Council. In the absence of such a statement by the initiating Party or a similar notice by DWSD, the matter will proceed to through the Steering Committee process in Section 4(a). Such notification shall toll the running of the statute of limitations for 120 days and, except for claims requiring immediate relief, shall bar either Party from commencing litigation with regard to the breach or the matter in issue.

Unless the Parties reach a settlement within the 120-day period or agree in writing within the 120-day period to continue the ADR process and to continue toll the running of the statute of limitations, at the end of the 120-day period any Party may commence litigation and the statute of limitations shall commence to run.

4. Formal ADR Procedures

(a) Role of Steering Committee and Work Groups

The Parties agree that the dispute resolution process for disputes related to the matters within the scope of established and operating work groups shall be referred to the chairs of the Steering Committee who shall refer the dispute to the appropriate work group. The Steering Committee shall take all actions to insure that the dispute receives expeditious consideration by the work group to which it is assigned. Within 15 days after receipt of notice raising a dispute within the purview of this section, the Steering Committee shall assign it to the most appropriate work group and insure that a meeting of the work group has been scheduled to address the issue. If the resolution of the dispute may have a material impact on any other First Tier Customer(s), they shall be given notice and an opportunity to participate if they are not a regular member of the work group. The work group to which the issue is assigned, shall schedule at least two meetings within the balance of the 120-day period to address the dispute. The work group shall report the outcome of discussions to the Steering Committee before the end of the 120-day period.

(b) Role of Director's Council

In the event DWSD or Customer anticipates or identifies a matter which involves (from its viewpoint) an issue related to overall policy affecting in a material way service provided to or rates charged to a Customer, or compliance with DWSD's NPDES permit or any court order or consent decree related to compliance with the Clean Water Act or its state counterpart, either DWSD or the Customer may notify the Director's Council of the policy issue with a request that the Director's Council address the issue through good faith discussion and negotiations, and attempt to resolve the issue in a manner which provides a fair balancing of the interests of DWSD and its First Tier Customers. Within 30 days of receiving such a notice, the Director's Council shall agree on an ADR process to address the policy issue in a manner which fairly accommodates the interests of DWSD and First Tier Customers. Thereafter, the Director's Council shall act expeditiously to assist in resolving the dispute within the balance of the 120-day period. If the resolution of the dispute may have a material impact on any other First Tier Customer(s), they shall be given notice and an opportunity to participate.

5. Mediation

If informal negotiation and the ADR process under the aegis of the Director's Council or the Steering Committee are not successful in resolving the dispute, the matter shall be referred to mediation. Mediation is defined to be a non-binding dispute resolution process in which an impartial neutral facilitates negotiations among the Parties in an attempt to help reach a settlement.

(a) Selection of Mediator

The mediator of the dispute must be neutral and impartial, with no conflict of interest with any Party, and no financial or personal interest in the outcome of the mediation. The mediator shall be selected with thirty (30) days following the conclusion of informal negotiations by the Parties. The mediator shall be selected by agreement of DWSD, the wholesale customer initiating the dispute resolution process, and at least one of the other wholesale customers affected by the subject matter in dispute. If no mutually acceptable mediator is identified and selected with thirty (30) days, then the dispute resolution process under this Step shall be terminated.

(b) Costs for Mediator

The costs for the mediator shall be paid by DWSD as an operating expense, unless it is mutually agreed that some alternative cost apportionment for the mediator's expenses is acceptable.

(c) Conduct of Mediation

Each wholesale customer and/or DWSD involved in the dispute shall designate a decision-maker to serve as their representative to participate in the mediation, and that person shall be vested with authority to negotiate on behalf of the Customer and/or DWSD, and to settle the dispute or, if required, recommend settlement to the governing board of the wholesale customer. Each wholesale customer and/or DWSD who is Party to the dispute may also be represented during the process by an attorney and/or technical consultants if it so chooses, provided that the costs of any such participation are borne solely by that wholesale customer and/or DWSD.

The mediator shall be free to meet and communicate separately as he/she deems appropriate with each Party, but will schedule joint meetings of all Parties with the time, place and agenda to be established by the mediator in consultation with the Parties. No stenographic, video or record will be made of meetings conducted by the mediator, and formal rules of evidence and procedure will not apply to materials presented and discussed.

The mediation process may be terminated by the mediator at any time if the mediator determines that one or more Parties is not acting in good faith, or if the mediator concludes that further dispute resolutions efforts would not be useful in achieving a settlement. The mediation process will automatically terminate after 90 days from the date the mediator is retained, unless the time period is extended by agreement of all Parties and the mediator.

If a settlement is reached, a preliminary Memorandum of Understanding will be prepared and signed or initialed before the Parties separate. Thereafter, either the mediator or the Parties themselves will promptly and not later than thirty (30) days following the execution of the Memorandum of Understanding draft a written settlement document incorporating the terms of any such settlement. This draft document will be circulated, amended as necessary, and then formally executed. It is anticipated that in some cases, formal execution of any settlement agreement may be deferred pending review and consideration of the document by the governing bodies of the wholesale customer and/or DWSD.

6. Proceedings After Unsuccessful Mediation

If mediation is terminated for any reason prior to resolution of the dispute, the Parties or the mediator (if any) may discuss with the Parties the possibility of proceeding with binding arbitration as a form of dispute resolution in lieu of litigation. If binding arbitration is acceptable to all Parties, the Parties may request that the mediator (if any) assist in structuring a procedure to generate a prompt and economical decision; for example, by use of the Commercial Rules of the American Arbitration Association. The mediator (if any) shall not serve as arbitrator unless all Parties agree.

If no resolution is reached through the mediation process, and if the Parties decide not to pursue voluntary binding arbitration as discussed above, any Party may then exercise its right to pursue resolution of the matter in a court of appropriate jurisdiction.

(End Exhibit D)

EXHIBIT E

Modified List of Relevant Ratemaking Terms**A – Rate Making Process**

1. User Charge System. Not less than every two years, DWSD shall review its User Charge System to assure that it accomplishes the requirements set out in 40 C.F.R. §35.929-2(b).

2. Local User Charge System. Each wholesale customer agrees that it shall adopt and enforce, and shall cause each of its local governmental customers for sewage treatment and disposal services to adopt and enforce rules and regulations to implement and maintain a revenue system whereby, as a minimum, the operation, maintenance and replacement portion of DWSD's rates are distributed proportionately to each user or user class that is tributary to DWSD's treatment works. The rules and regulations shall provide for monitoring of commercial, governmental and industrial users and shall be consistent with the monitoring rules and regulations of the City of Detroit. The Board shall have the right under said rules and regulations to audit all monitoring activities including the right to perform monitoring tests itself to verify the accuracy of monitoring results.

3. Future Ratemaking Information.

a. Whenever DWSD undertakes any study which may result in the revision of rates to its wholesale customers, it shall notify its wholesale customers and provide those customers, their agents, consultants and attorneys, any final reports prepared in the course of such study and, upon written request, any interim or preliminary reports, and meet with the contracting parties to explain and discuss the reports being provided. When implementing any change in sewage treatment rates, the Board and DWSD shall comply with the applicable public participation requirements of 40 CFR Part 25, and MCL 117.5e(b). The Board shall hold a public hearing prior to the adoption of sewage treatment rates. No later than fifteen (15) days prior to the Board's hearing, and upon request, DWSD shall provide contract customers with the rate report and supporting documents to be considered by the Board.

4. Commitment to Collaborative Process. DWSD shall establish and continue a customer outreach and involvement process to facilitate a cooperative working partnership between DWSD and First Tier Customers based on the free flow of information regarding financial conditions and operational functions. The Steering Committee, with its subcommittees, is established as the forum in which discussion and development of recommendations to DWSD regarding wastewater system operation, maintenance, rates, and best practices occurs. The parties agree that the rate making process will incorporate guidance and input from the Steering Committee and its work groups.

B – Revenue Requirements

1. Revenue Requirements. Revenue requirements shall be based upon the finances required to meet all operating, maintenance, capital requirements including debt financing and debt service coverage required by bond covenant, ordinance, or Board policy, and any obligations imposed by law, and shall reflect not only recent cost experience but also a recognition of the reasonably estimated future cost levels during the period for which the rates are being established.

a. Operating and Maintenance Expenses of the System.

(i) Operating and maintenance expenses shall include replacement of process equipment, accessories, or appurtenances which are necessary to maintain the capacity and performance for which the treatment works is designed and constructed.

(ii) The rate for operation and maintenance expenses, including replacement, shall include surcharges to be applied to discharges of individual users whose loadings of specified pollutants exceed normal loadings. The Board shall specify the pollutants that may be surcharged and shall define normal loading thresholds of each pollutant. The rate shall conform to Section 204(b) (1) (A) of Public Law 92-500, as amended, and regulations of the United States Environmental Protection Agency, being 40 CFR 35.929 through 35.929-3.

b. Capital Financing. DWSD shall adopt a five-year financial plan and a five-year capital improvement plan for the expansion, renewal and replacement of common use major capital assets and improvements and shall update the plans at least bi-annually. The plans shall provide for the financing of major capital assets and improvements with a mix of revenue bonds and revenue-financed capital designed to accomplish the financial goals established by the Board, considering public water and sewer utility financial benchmarks, including, without limitation, unrestricted net assets, rate stability, strong bond ratings and a long-term goal of achieving reasonable debt service coverage levels and reasonable levels of debt service as a percentage of total revenue.

c. Depreciation. To the extent that the “Cash Basis” of ratemaking is applied in future rates, revenue requirements shall not include a depreciation expense element, which, together with a rate of return and provision for operation and maintenance expense, would generate revenues in excess of system revenue requirements including coverage.

2. Amended Look-Back Process: Adjustments to Prospective Revenue Requirements. DWSD shall review the differences in each class cost pool between the projected revenue requirement for a rate year and the actual revenue requirement for that rate year to determine potential adjustments to prospective allocations and budgets/revenue requirements for that cost pool according to the procedures set forth in **Attachment 1**, Rate Simplification Recommendations, November 22, 2013. The purpose of this review will be to avoid material deviations from the principles in Section D(1) below between projected and actual revenue requirements over the medium term. To the extent that the Board determines that a material variance exists in a cost pool, the Board may, at its discretion, modify prospective revenue requirements in one or more subsequent rate years to eliminate the variance.

3. Bad Debt Expense.

a. A “bad debt expense” is a delinquency by a DWSD customer that is classified as “bad debt expense” pursuant to then applicable accounting procedures.

b. Quarterly, DWSD will provide to the wholesale customers current information on individual delinquencies in payment of wholesale class bills. On or before January 1 each year, DWSD will provide the wholesale customers a statement of the amount of wholesale bad debt expense to be included in the prospective rates for each delinquent wholesale customer and the amount of bad debt expense from prior rate years for each such delinquent customer.

c. DWSD shall review the differences between the projected bad debt expense assigned to specific customer classes (noted below) in a rate year and the actual bad debt expense incurred for that rate year. Any variance between the projected bad debt expense and the actual bad debt expense incurred for that year shall be incorporated into the revenue requirement for the next-commencing rate year to insure that revenue shortfalls due to nonpayment of sewer charges are recovered.

d. For purposes of this clause, specific customer classes are defined as:

| | Bad Debt Expense | Responsible Customer Class |
|----|------------------------------|------------------------------|
| 1. | Detroit Retail Customers | Detroit Retail Customers |
| 2. | Wholesale Contract Customers | Wholesale Contract Customers |
| 3. | Surcharge Customers | Surcharge Customers |
| 4. | Wayne County Hwy Drainage | Wayne County Hwy Drainage |
| 5. | Michigan DOT Hwy Drainage | Michigan DOT Hwy Drainage |
| 6. | Industrial Waste Control | Industrial Waste Control |

e. DWSD shall use all commercially reasonable efforts, which may include legal action, to recover all delinquent wholesale billings before they are classified as bad debt expense and charged to the wholesale customer class.

f. Delinquencies that have been classified as bad debt expense shall continue to be charged against and shown on the delinquent wholesale customer's bill until such time as the delinquency is paid or released pursuant to subsection 3(g) below. Payments made by a wholesale customer with regard to its delinquent accounts after they have been charged as a bad debt expense to the wholesale customer class shall be credited to the wholesale customer class' revenue requirement in the rate year following such payment. Payments received from delinquent wholesale customers shall be applied to the oldest unpaid invoice, whether or not the invoice has been classified as a bad debt expense.

g. DWSD shall not compromise, release or discharge part or all of its claims against a wholesale customer when the delinquency has been charged as a bad debt expense against the wholesale customer class without the consent of two thirds in number of the representatives of Wayne, Oakland and Macomb Counties authorized to execute and carry out the terms of the Wastewater Disposal Services Contract in the exercise of their commercially reasonable judgment.

h. If DWSD has not instituted legal action to collect a wholesale customer delinquency after it has been charged to the wholesale customer class, at the request of one or more wholesale customers, DWSD shall assign to the wholesale customer class (or such member(s) of that class who agree to pursue such claims) that claim(s) against the delinquent wholesale customer on behalf of DWSD. If one or more wholesale customers request that the right to prosecute a claim be assigned to them, DWSD shall notify all wholesale customers of the requested assignment, the nature and amount of the claim, the party or parties to whom the claim is assigned and that the other wholesale customers may have the right to appear or intervene in the action. The customers who are assigned the claim shall pursue the claim using common counsel. The wholesale customers that pursue such claims may recover their reasonable attorneys and other expenses incurred in pursuing the claim(s) from the sums recovered with the balance of any recovery paid over to DWSD for the benefit of the wholesale customer class. The wholesale customers to whom DWSD has assigned its right to pursue a claim(s) on behalf of its wholesale customers shall not compromise, release or discharge part or all of the claim(s) without the consent of two thirds in number of the representatives of Wayne, Oakland and Macomb Counties as well as DWSD's Board of Water Commissioners, in the exercise of their commercially reasonable judgment.

i. Any wholesale customer that through its delinquency has created a bad debt expense to DWSD, regardless of whether that bad debt has been charged as an expense against the wholesale customer class, shall not receive any rate benefits or credits pertaining to the wholesale class at large that result from calculations under section B(2) so long as the delinquency creating the bad debt expense remains unpaid or un-discharged.

j. The Board shall develop rules and procedures as necessary to implement and carry out the provisions of article B(3) of this Exhibit E.

C – Payments to the City of Detroit

1. Payment for Indirect Benefits or Services. Following the computation of rates for customers residing or located within the City of Detroit and customers residing or located without the City of Detroit, such rates shall be further adjusted by deducting from the revenue requirement for customers within the City of Detroit and added to the revenue requirement for customers without the City of Detroit an amount determined as follows:

a. For the fiscal year 1979, the sum of \$1 million. For each fiscal year thereafter, such amount shall be increased by 5%, determined on a compounded basis. This adjustment is known as “Adjustment A” in the rate protocol.

b. This payment shall be made and the rates so adjusted as a payment to reflect the cost of indirect benefits or services provided by the City of Detroit to DWSD for common use facilities within the City of Detroit, such as police and fire protection, the risk of tort liability, the loss of tax base that the City loses as a result of the Department’s tax exemption, and the fact that the suburbs receive sewage treatment without having to devote any of their land to a tax free utility.

c. In the event that the City of Detroit shall at any time hereafter render billings or accounting statements for indirect services to the DWSD such as police and fire protection, risk of tort liability, loss of tax base or any other type of contribution in lieu of taxes with the effect that such billings or statements become part of the DWSD budget for ratemaking purposes, then the amount of such charges allocated or apportioned to the contracting customers shall be deducted from the amount determined in subsection (a) above, and shall in no event exceed the amount determined pursuant to subsection (a) above.

d. DWSD shall allocate the amount charged to the customers residing or located without the City of Detroit for payment for indirect benefits and services set forth in subsections (a)-(c) in the same manner in which it allocates treatment costs.

2. Payment for Direct Services. DWSD may continue to include in its rates charges for direct services which the City currently renders and bills to DWSD. Such “direct services” shall be limited to the kind of services historically provided by offices, departments or agencies of the City of Detroit such as various kinds of licenses and permits, electricity, steam, paving required by DWSD’s facilities or projects, vehicles and rubbish pickup and those which were included in the DWSD budget for fiscal 1978. No additional charges may be made for “direct services” provided by other additional city offices, departments and/or agencies without the prior agreement of the contracting parties. Such agreement shall not be unreasonably denied or delayed should it appear that the particular service or services result in a legitimate, direct benefit to system and its customers.

D – Allocation of Costs of Service

1. Uniform Allocations of Costs Incurred. DWSD shall recover costs incurred by the system by instituting rates which assign, allocate, and apportion such costs to all ratepayers on the basis of principles uniformly applicable to all, it being the intention of the parties that such rates (whether designed on the utility or cash basis) will, as nearly as is practical, recover from each customer class the respective costs of providing service regardless of the ratepayer's location. In particular:

a. If DWSD implements rates based upon a system of charging a percentage rate of return on net asset or capital structure rate base, (through the use of the so-called utility basis of rate making), there shall be no differential in the rate of return charged to customers residing or located within the City of Detroit and customers located without the City of Detroit. Nothing herein contained shall prohibit DWSD from designing its rates on the so-called cash basis.

b. Should DWSD use the cash basis to allocate capital costs in any future rate study, the allocation of debt service costs to all customers or facilities shall be based upon the system weighted average interest rate at the time.

c. DWSD shall use surcharges to recover incremental revenue requirements incurred in treating sewage which, at the point of discharge, contains specified pollutants in concentrations exceeding those of normal domestic sewage as defined by the Board.

d. All revenue requirements other than those revenue requirements recovered by surcharges pursuant to subsection (1)(c) may be recovered by volume alone, or by volume and surcharges, or by any method which provides a distribution of costs reasonably related to the service provided.

e. The parties' current plan (at the time of this agreement) for achieving the principles set forth in this Section is set forth in **Attachment 1**. Consistent with Section A(2) of this agreement, the parties, by mutual agreement, may modify **Attachment 1** to reflect new information and approaches to achieving the principle set forth in Section D(1).

2. DWSD Combined Sewer Overflow (Wet Weather Facilities).

a. Certain new wet weather facilities being constructed or to be constructed by DWSD to alleviate combined sewer overflows from its wastewater transportation, conveyance and treatment system contain or will contain wet weather flows generated from both inside and outside the City of Detroit. DWSD shall charge customers within the City of Detroit 83% and customers outside the City of Detroit 17% of the capital costs and costs incurred in the operation and maintenance of such facilities. DWSD shall allocate the 17% of such capital and operation and maintenance costs charged to customers outside the City of Detroit consistent with **Attachment 2**, Agreement to Revise CSO Project List.

b. **Attachment 2** provides a description of the new wet weather facilities, referred to in subsection (2)(a) above, that are currently under construction or to be constructed by DWSD and their estimated costs. Costs associated with improvements to facilities at the wastewater treatment plant, also listed on **Attachment 2**, will continue to be allocated on a common-to-all basis. Costs associated with Detroit-only projects, also listed on **Attachment 2**, will be charged to Detroit retail customers only. If DWSD determines that it is reasonable, appropriate or necessary to construct additional wet weather facilities in the future that will serve wet weather flows generated inside and outside of the City of Detroit, each contract customer reserves the right to contest its respective allocation of costs.

E – Evaluation of Wastewater Flows

DWSD shall continue ongoing technical review of wastewater flows in the DWSD system to establish and maintain wastewater contribution data that will support the proportional allocation of costs as set forth in D(1). The parties agree that the wastewater flow elements of ratemaking terms under prior agreements, including the allocation of infiltration and inflow and the application of a uniform overflow credit are accommodated in the sewer rate methodology set forth in **Attachment 1**. The scope of the ongoing review is intended to encompass the types of evaluations traditionally conducted utilizing the Greater Detroit Regional Sewer System (“GDRSS”) model and related tools. The scope of ongoing review will be established from time to time by the Board, after consultation with the Steering Committee and related forums.

F – Industrial Waste Charges

1. Each wholesale customer agrees that it shall adopt and enforce, and shall cause each of the local governmental units within its jurisdiction for sewage treatment and disposal service as provided by DWSD to adopt and enforce, rules and regulations pertaining to the use, design and construction of sewers, and the discharge of industrial or commercial wastes into sewers, where such sewers are tributary to DWSD’s treatment works. Such rules and regulations shall be consistent with and at least as stringent as all applicable provisions of the pertinent ordinances adopted by the City of Detroit, these being Chapter 56, Article I, and Chapter 56, Article III, of the Municipal Code of the City of Detroit as they may be adopted and amended from time to time. In the event any municipality or other governmental unit fails to adopt a required ordinance, or fails to diligently enforce the same, DWSD shall take appropriate action which may include suit in an appropriate court of general jurisdiction alleging such municipality’s failure to adopt or enforce an ordinance. Should the court find, following a hearing on the merits, that the allegations in DWSD’s petition are true, the parties agree that such court may, in such instance, grant appropriate injunctive relief against said municipality or any individual discharger located there, terminate the municipality’s contractual right to discharge waste waters into DWSD’s system and/or to grant DWSD such other relief as may be appropriate under the circumstances. These actions shall enable DWSD to:

a. Deny or condition new or increased contributions of pollutants or changes in the nature of pollutants, to the waste collection system by Industrial Users and Significant Industrial Users. The terms “Industrial Users” and “Significant Industrial Users” shall mean those users defined in Section 56-3-58.1(a) of Chapter 56, Article III, Division 3 of the Municipal Code of the City of Detroit and as may be amended from time to time.

b. Require compliance with applicable current future National Pretreatment Standards and other more restrictive requirements as may be imposed by DWSD promulgated by the U.S. EPA under the Federal Water Pollution Control Act, 33 U.S.C. 1251 et seq.

c. Control, through permit, contract order, or similar means, the contribution to the waste collection system by Industrial Users and Significant Industrial Users to ensure compliance with subsection (b) above.

d. Require the development of compliance schedules by Industrial Users and Significant Industrial Users for the installation and facilities required to meet applicable National Pretreatment Standards and other more restrictive requirements as may be imposed by DWSD.

e. Require the submission of notices and self-monitoring reports from Industrial Users and Significant Industrial Users to assess and assure compliance with National Pretreatment Standards and other more restrictive requirements as may be imposed by DWSD.

f. Carry out all inspection, surveillance and monitoring procedures necessary to determine, independent of information supplied by Industrial Users and Significant Industrial Users, compliance or noncompliance with applicable National Pretreatment Standards and other more restrictive requirements as may be imposed by DWSD. The parties recognize that DWSD may contract with qualified parties to carry out the inspection, surveillance and monitoring procedures of this paragraph.

g. Seek injunctive relief for noncompliance with National Pretreatment Standards and other more restrictive requirements as may be imposed by DWSD.

h. Require Industrial Users and Significant Industrial Users to install containment facilities to protect the treatment works from accidental spills of critical or hazardous materials

2. Contract Amendment for Industrial Waste Control.

a. All wholesale customers and all municipalities under contract to such wholesale customers shall enter into amendments of the service contracts between or among them and DWSD to embody or incorporate the provisions that assure uniformity throughout the DWSD wastewater treatment system as required by applicable federal statutes and regulations.

b. DWSD's wastewater contracts shall be amended to include:

i. A process of diligent and uniform enforcement and implementation of the ordinances, rules and regulations to be adopted pursuant to Section IV(9) of the 1980 Settlement Agreement.

ii. A process to pass through to industrial customers' amounts billed with respect to such customers for sewage surcharges and industrial cost recovery charges.

iii. Such provisions as are required to establish delegated or cooperative authority or procedures for inspection, monitoring, measurement, surveillance, enforcement and dispute resolution, with respect to prohibited discharges, sewage surcharges and industrial cost recovery charges.

(Attachments 1 and 2 to Exhibit E follow this page)

EXHIBIT E

ATTACHMENT 1

RATE SIMPLIFICATION RECOMMENDATIONS

TO: Board of Water Commissioners
FROM: Rate Simplification Work Group
DATE: November 22, 2013
SUBJECT: Rate Simplification Recommendations

EXECUTIVE SUMMARY

1. The Why and What of Rate Simplification

The Rate Simplification Work Group (“Group”) was charged with recommending a simplified approach to estimate each customer’s relative share of the sewer system’s common-to-all revenue requirements while maintaining the present level of fairness and accuracy of the share estimates, improving transparency and revenue predictability, but requiring less time and effort.

Accordingly, the Group recommends three proposals to simplify the rate-setting process. The proposals will be implemented in the FY 2014-15 rates.

Before the end of the FY 2016-17 rate year, the Sewer Steering Committee will evaluate the implementation of the proposals and recommend adjustments as may be deemed necessary.

DWSD will continue to monitor the flow and cost data used in allocating common-to-all revenue requirements to insure that the data and the processes/equipment used to generate the data are valid and accurate and to correct material errors when detected. These efforts are necessary and will continue whether or not the simplification proposals are implemented.

2. Simplified Allocation of Common-To-All Costs

For more than a decade, each Tier 1 customer’s share of the common-to-all revenue requirement has been remarkably stable, notwithstanding that there have been significant changes in demographics and economic conditions. Furthermore there appears to be a consensus among customers that the overall allocation of the revenue requirement has been fair.

It is proposed that the allocation of common-to-all revenue requirements be simplified as follows:

- Each Tier 1 customer’s “Share” expressed as a percentage of the DWSD common-to-all revenue requirements for an agreed-upon future multi-year “Rate Period” will be based on its average share of system revenue requirements for an agreed-upon prior period. The first Rate Period will be three years beginning FY 2014-15. The Work Group is still evaluating the period to be used to establish shares for the first Rate Period.
- Differences between the projected revenue requirement for a rate year and the actual revenue requirement for that year may be made up by adjusting revenue

requirements in a subsequent rate year as decided by the Board. However, differences between the amounts of bad debt estimated in the budget and actual bad debt will be incorporated into the revenue requirement for a subsequent rate year to insure that revenue shortfalls due to nonpayment of sewer charges are recovered.

- The rate protocols used to calculate Shares will not be changed during a Rate Period.
- Each customer's share of the system revenue requirement will be billed in monthly installments.
- Shares may be adjusted during a Rate Period if a customer can demonstrate a material change in shares has occurred.
- The current "Look Back" process will not be continued after FY 2013-14.

3. Simplified Flow Balancing

Over half of the flow reaching the Wastewater Treatment Plant is not measured through customer wastewater billing meters and, therefore, is not directly attributable to any specific customer based on wastewater meter data. DWSD and its customers developed procedures to estimate these flows and to remove from the rate allocation process some flows that do not reach the wastewater treatment plant.

The Group recommends a simplified approach to allocate flows between customers with billing meters and the unmetered customers Detroit plus Highland Park and Hamtramck and other small unmetered customers. The simplified flow balance process is designed to accomplish the same flow allocation as the more complex procedures presently used.

4. Simplified Estimates of Cost Pools

DWSD's costs are accumulated into several cost pools reflecting costs for certain types of wastewater services because use of these services varies by customer class (Detroit retail specific, suburban wholesale specific, industrial specific, CSO-related, sanitary and stormwater).

The Group recommends that for the first Rate Period, operating costs in the cost pools will be approximated as the best estimate of costs for the Rate Period. Capital costs will continue to be allocated to cost pools based on DWSD's fixed asset database. At the end of the first Rate Period, the quality of DWSD cost accounting will be evaluated with the objective of revisiting the best method to allocate costs to the cost pools for rate setting purposes.

DETAILED DESCRIPTION OF RECOMMENDATIONS

1. The Why and What of Rate Simplification

The Rate Simplification Work Group was charged with recommending a simplified approach to estimate each customer's relative share of the sewer system's common-to-all revenue requirements while maintaining the present level of fairness and accuracy of the share estimates, improving transparency and revenue predictability, but requiring less time and effort.

During the Group's work, it became clear that other aspects of the rate setting process could be simplified. A proposal to simplify the presently complex process of allocating unmetered flows in the system among customers has been developed. Likewise the Work Group proposes that the process of grouping of costs into the costs pools that are allocated among different customer classes should be simplified.

Accordingly, the Group recommends three significant proposals to simplify the rate-setting process.

The recommendations will be implemented in the FY 2014-15 rates. They will remain in place through the FY FY2016-17 rate year. Before the end of the FY 2016-17 rate year, the Sewer Steering Committee will evaluate the implementation of the following recommendations and recommend adjustments as may be deemed necessary.

The Group recommends continuing activities to monitor the flow and cost data used in allocating common-to-all revenue requirements to insure that the data and the processes/equipment used to generate the data are valid and accurate and to correct material errors when detected. These efforts are necessary and will continue whether or not the simplification proposals set forth below are implemented.

2. Summary of the Recommended Approach for Rate Simplification

Each customer's charge for common-to-all sewer services is a function of two components: the sewer system's total revenue requirement and each customer's relative share ("Share") of that revenue requirement based on its relative volume and flow characteristics. Because much of the flow in the system does not pass through billing meters, a complicated methodology to allocate "unmetered" flow has been developed and is currently employed. Further, because the costs to treat wastewater flow depend on flow characteristics, other protocols are used to develop costs pools for various types of transport and treatment costs. The recommendations below seek to simplify each of these processes.

(a) Historical Stability of Customers' Relative Shares of Revenue Requirements

The key to the rate simplification recommendations is that for more than a decade, each Tier 1 or wholesale customer's share of the total sewer revenue requirement has been remarkably stable, notwithstanding that there have been significant changes in demographics and economic conditions and revisions to the rate-setting protocols.

Figure 1 shows each Tier 1 customer's share of "allocation volume" for the period 2008 to 2012 and the average over that period. Allocation volume is the principal measure on which

“common-to-all” costs (those costs all customers share) are allocated. This measure is coupled with the characteristics of sanitary and non-sanitary flow and the pollutant strength of each to determine each customer’s final share of common-to-all costs.

Figure 2 shows each Tier 1 customer’s share of common-to-all revenue requirements over the same period using the FY 2011-12 rate protocols.

In both figures, it can be seen that annual deviations from the long term average are minor with very limited exception.

There is a consensus among customers that the overall allocation of the revenue requirement has been fair. Furthermore, when a customer has identified data that is in error, questioned the proper attribution or accounting for costs, or challenged an aspect for the rate protocols, DWSD and the customers have worked successfully to reach a consensus on a resolution.

The take-away has been that the allocation of revenue requirements could be greatly simplified by allocating revenue requirement based on “historical” shares so long as there are processes to:

- Adjust historical shares to reflect any material changes in use of the wastewater system over time, and
- Address any errors in flow data, correct any inaccuracies in aggregation or allocation of costs to customer classes, and review any rate protocol that appears to stray from the underlying principle that customers should bear a proportional share of system costs based on their use.

The Group believes that the recommendations below are an appropriate way to allocate costs consistent with historical practices while incorporating those protections.

(b) Simplified Calculation of Common-to-All Shares

At present, the calculation of each customer’s common-to-all revenue requirement is performed before each rate year begins, using detailed budget and flow projections. After the close of the rate year, a Look Back is performed in which the detailed calculations are repeated to true up customers’ charges based on audited financials and actual flow. The calculations rely on complex technical analyses, approximations and assumptions to produce “best estimates” of volume and flow characteristics for each customer. Analyses of these rate protocols have demonstrated that although they demand substantial time and effort in their calculation, they result in only approximate estimates of each customer’s use of or demand on the DWSD’s system. Further, when considered as a proportionate share of the total system revenue requirement, each customer’s estimated relative share of the common-to-all revenue requirement has been fairly constant over the past 10 years, notwithstanding demographic changes and changes in the rate protocols.

To simplify the calculation of Shares, the Group recommends:

- Each wholesale customer's percentage "Share" of the DWSD sewer system's common-to-all revenue requirement for an agreed-upon future multi-year "Rate Period" will be based on its average share of system revenue requirements for an agreed-upon prior period.
- The first Rate Period will be three years from FY 2014-15 through FY 2016-17.
- Shares for the first Rate Period were developed as described in Exhibit 1, The Foster Group, Memorandum, "Initial Rate Period SHARES" (November 22, 2013).
- Although the length of the second Rate Period will be determined later during evaluation of the first Rate Period, the initial expectation of most group members is to establish subsequent Rate Periods of five-years duration.
- Each year during a Rate Period, DWSD will establish annual budgets and annual common-to-all revenue requirements for all customers. Thus, although a customer's Share will remain the same during a Rate Period, its annual common-to-all revenue requirement during the Rate Period will go up or down as DWSD's annual common-to-all budget goes up or down.
- Differences between the projected revenue requirement for a rate year and the actual revenue requirement for that year may be made up by adjusting revenue requirements in one or more subsequent rate years. This will be an annual Board policy decision based on the Board's current financial plan.
 - However, differences between the amounts of bad debt estimated in the budget and actual bad debt will be incorporated into the revenue requirement for a subsequent rate year to insure that revenue shortfalls due to nonpayment of sewer charges are recovered.
- The rate protocols used to calculate Shares will not be changed during a Rate Period.
- Changes in Shares will be adjusted during the Rate Period only to the extent that the Steering Committee approves interim adjustments.
 - If, during a Rate Period, a customer demonstrates to the satisfaction of the Steering Committee that its flows will or have changed materially during that Rate Period, the Steering Committee will recommend to the Board adjustments to all customers' Shares during that Rate Period. Exhibit 2 is the process for reviewing and acting on requests for changes in shares.
 - In a similar fashion, if there is a reason to change the allocation of CSO/wet weather costs, DWSD and its customers will engage in a process to reallocate.

- During the Rate Period, meters will continue to be maintained, meter data will continue to be collected, and the data will be monitored at least annually for any apparent permanent trends in relative shares.
- Before the beginning of a Rate Period, customer Shares will be updated as necessary to take into consideration any changes in relative shares among customers during the immediately preceding Rate Period.
- Each customer's share of the system revenue requirement will be billed in monthly installments.
 - The default approach will be 12 equal installments, but winter and summer seasonal factors will be developed at customer request.
- The current "Look Back" process will not be continued after FY 2013-14.

Exhibit 1 sets forth the Base Shares for Detroit retail and all wholesale customers.

(c) Simplified Calculation of "Suburban Common-to-All Revenue Requirements

Costs for metering and customer outreach are allocated only to suburban wholesale customers based on relative flow. The relative flow percentages for each suburban wholesale customer are set forth in Exhibit 1. All other provisions of rate simplification for common-to-all revenue shall apply to these costs as well.

(d) Allocation of CSO Costs

There will be no change in the allocation of costs associated with DWSM's CSO program. The CSO allocation shares are set forth in Exhibit 1.

(e) Simplified Flow Balancing

Over half of the flow reaching the Wastewater Treatment Plant is not measured through customer wastewater billing meters and, therefore, is not directly attributable to any specific customer based on wastewater billing meter data. The flows originating within Detroit come from unmetered retail customers. The local sewer systems in Highland Park, Hamtramck, parts of Dearborn are interconnected with Detroit's system or are otherwise unmetered, preventing customer-specific metering of those flows. Finally downstream from customer billing meters there is infiltration and in-flow (I/I) into the shared trunk and interceptor sewers that is unmetered in terms of contributions from specific customers.

DWSM and its customers developed procedures to estimate these unmetered flows and to remove from the rate allocation process some flows that do not reach the wastewater treatment plant. The practical net effect of this allocation process is to attribute some unmetered flow to Detroit, Highland Park and Hamtramck and several small wholesale customers (collectively "Detroit+ Flow"), and to attribute the balance of the unmetered flow ("Common Flow"), to all customers pro rata.

To simplify the allocation of unmetered flows, the Group recommends:

- Common Flow (aka the "Z Factor") as an average percentage of total flow will be estimated based on a review of historical data. For the first Rate Period, the Z Factor will be calculated as the average Z Factor in effect during for FY 2007-08 through FY 2011-12.
- Common Flow will be excluded when computing Shares.
- Shares will be computed as fractions of the sum of billing meter flows plus Detroit+ Flow.
- Detroit+ Flow will be allocated among Detroit, Hamtramck, Highland Park and all other unmetered customers based on estimated retail water sales or some other basis as determined by DWSD.

(f) Simplified Estimates of Cost Pools

DWSD's costs are accumulated into several cost pools reflecting costs for certain types of wastewater services because use of these services varies by customer class (Detroit retail specific, suburban wholesale specific, industrial specific, CSO-related, sanitary and stormwater).

It has been challenging to accurately accumulate many of DWSD's non-capital costs into distinct cost pools.

As DWSD implements new finance and accounting systems, accurate cost accumulation should improve.

To simplify the development of cost pools, the Group recommends:

- For the first Rate Period, cost pools will be based on the best estimate of relative cost pools for FYFY 2015 to FY 2017 3-14. The common-to-all costs is comprised on a flow-based sub-pool for those common-to-all costs that vary with flow and a strength of flow-based cost pool for those common-to-all costs that vary with both flow and strength of flow. For the common-to-all cost pool, 47% of these costs will be attributed to the flow-based common-to-all cost sub-pool and 53% will be attributed to the strength of flow common-to-all cost sub-pool.
- CSO-related costs that will be allocated on the 83%/17% Detroit/suburban wholesale split shall be budgeted and tracked as accurately as possible
- At the end of the first Rate Period, the quality of DWSD cost accounting will be evaluated with the objective of revisiting the best method to allocate costs to the cost pools for rate setting purposes.
- Capital revenue requirements will continue to be assigned to cost pools based on DWSD's fixed asset records.

(g) Rate Simplification Pro Forma

Exhibit 3, The Foster Group, Memorandum, Rate Simplification Pro Forma (November 22, 2013) sets forth the hypothetical calculations of how the rate simplification recommendations would have been applied to the projected FY 2013-14 revenue requirements had the Base Shares set forth in Exhibit 1 been in effect.

3. Activities to Insure the Accuracy of Flow and Cost Data

(a) Flows

Presently the Flow Monitoring Task Force is charged with overseeing the accuracy of meters and data validation. This activity will continue as before. A stronger emphasis will be placed on determining whether any customer's underlying flow characteristics have changed (as distinguished from normal variations due to climatological conditions). The rate simplification approach will reduce the level of effort for activities related to cost allocation (*e.g.*, flow balance) and may permit a reduction in the amount or frequency of data validation activities.

Data verification will be performed annually.

While a detailed cost allocation procedure will not be performed annually, DWSD and the wholesale customers will develop flow-based measure(s) to compare how annual shares track against the historical average being used for the Rate Period. If a significant trend is found, communication to all customers for future rate planning will occur.

As the rate simplification process was nearing completion, the Detroit retail representatives requested a further evaluation of strength of non-sanitary flow. This topic will be given further study during the initial Rate Period with the results incorporated in the allocation for the next Rate Period as appropriate.

(b) Costs

The tracking of costs by cost center and customer class is an activity that has been challenging. DWSD has several initiatives underway to improve cost tracking and allocation for a variety of management purposes, not only rate setting. DWSD is committed to continue these efforts as part of its overall program to improvement financial planning and accounting. The proposal to simplify the allocation of cost pools should help streamline this effort.

There are a number of open issues related to the accounting for or classification of certain costs:

- Customer outreach costs,
- Customer connect interceptor costs, and
- Classification of capital assets to customer classes.

Resolution of these issues will not affect or be affected by the above rate simplification recommendations. Efforts to resolve these issues will continue as part of ongoing rate committee activities.

FIGURE 1

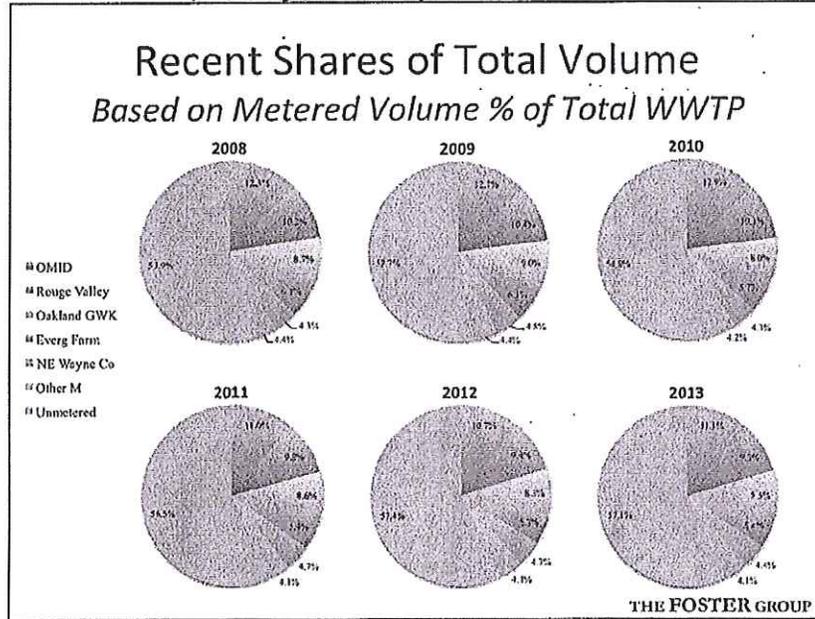


FIGURE 2

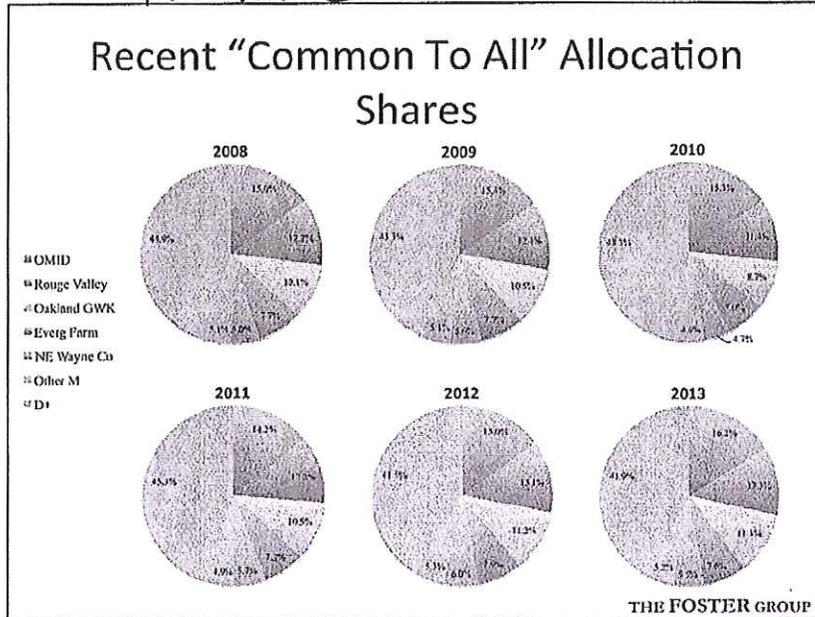


EXHIBIT E

ATTACHMENT 1

EXHIBIT 1

INITIAL RATE PERIOD SHARES



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MEMORANDUM

Initial Rate Period SHARES

November 22, 2013
Updated February 7, 2014

To: Sue McCormick, Nickie Bateson

From: Bart Foster

The intent of this memorandum is to provide final recommendations regarding the SHARES by which to allocate costs to customers and compute recommended FY 2014-15 sewer rates under the Rate Simplification Proposal. It is our understanding that all of the major county districts (and a few individual community customers) have reviewed and approved these SHARES, and that processes are in place for review with representatives other suburban customers. Under the terms of the Rate Simplification Proposal, these SHARES will be used to allocate “common-to-all” costs to customers, and (absent changes for extraordinary events¹) will remain constant for the initial Rate Period, which includes FY 2015-16 and FY 2016-17.

The Look-Back Committee has deliberated on this topic for close to a year, and there are numerous documents that have been produced regarding this matter. All of these documents are published on the DWS portal, many of which are incorporated by reference into this recommendation.

Subsequent to initial publishing of this document, additional data emerged for two communities that resulted in revised SHARE calculations. This memorandum, including the accompanying exhibits, has been edited to reflect the revised calculations, which were finalized in February 2014 and produced the sewer rates that were subsequently approved by the Board of Water Commissioners.

Background and General Philosophy

The DWS Sewer Rate Methodology has always allocated revenue requirements to customers based on a cost of service principles. The traditional methodology is designed to proportionally allocate cost responsibility, based fundamentally on the wastewater volumes (flows) contributed by each customer. Over the years the basic methodology was modified to also reflect the type of flow that was contributed (dry weather vs. wet weather, sanitary vs. infiltration, etc.) and the relative pollutant loadings of each type of flow. These elements

¹ The Rate Simplification Proposal lays out a specific process by which customers can seek modifications to SHARES within a Rate Period, which requires demonstration of a material change to the Steering Committee.

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were introduced to reflect the varying treatment costs associated with different types of wastewater contributions. In recent years the technical efforts to analyze and determine flows have grown increasingly complex, yet the overall relative cost responsibility for each customer did not materially change from year to year.

The core philosophy toward implementing the Rate Simplification Proposal centers around its first initiative: "*Simplified Calculation of SHARES*". This premise focuses on establishing simplified SHARES by which to assign the portion of the DWSL revenue requirement that is to be allocated as "common to all" customers. Initial efforts towards determining such SHARES focused on reviewing each customer's relative share actually experienced in recent years, and using a historical average of these individual annual amounts to use for future rate calculations. The individual SHARES would be locked in for a designated, multi-year Rate Period.

As the Committee's deliberations progressed, it became apparent that the quality of recent data did not adequately support a direct application of unadjusted "historical average" share calculations. The Committee concluded that the increased complexity of flow balancing efforts was not providing the level of precision and confidence that it was intended to produce on the relative flows by source, and therefore customers. In part, the old approach relied on imprecise definitions of "dry days" and "wet days" to attempt to assign flow types, which led to confusing conclusions. More pertinently, it became apparent that the existing flow balance protocols for allocating contributed flow volumes to sanitary and non-sanitary sources dramatically overstated the sanitary portion, and understated the non-sanitary portion. As these relative flow types have a material impact on cost allocation, the Committee concluded that historical data produced from the existing flow balance efforts did not produce reliable historical averages to use for future rates. This realization launched the emergence of the second Rate Simplification initiative: "*Simplified Flow Balancing*".

The premise of simplified flow balancing involves estimating the level of total flow contributed to the wastewater treatment plant that is reasonably considered "common", and therefore the responsibility of all customers, and remove it from the flow balance equation². This common flow was defined as "Z" and it is estimated by establishing a "Z Factor" reflecting the relative percentage of total WWTP flow that is to be considered "common".

The simplified approach eliminates:

- The need to separate dry weather and wet weather flows; and therefore the need to apply individual overflow credits to individual customer's wet weather flow amounts;
- The prior approach's attempts to assign extraneous "common" DWII flows to individual customers.

² Basically, Z is removed from the allocation "pie" and is discarded for purposes of computing SHARES. Since all customers would basically be allocated a proportional allocation of "Z" there is no need to include this element in SHARE calculations, as relative SHARES would not change.

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Rather, the new simplified flow balance approach consists of:

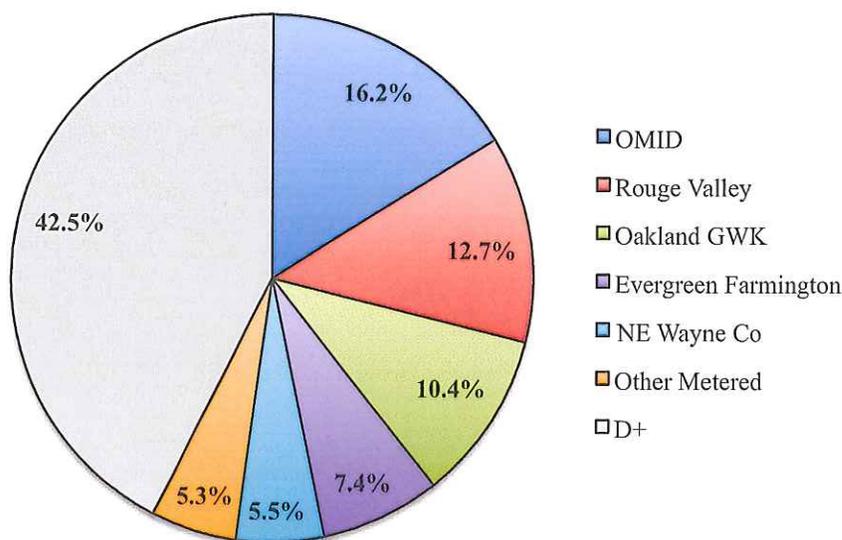
- Starting with overall reported WWTP flow (**W**);
- Subtracting the “Common” flow (**Z**) based on the agreed to Z Factor;
- Subtracting the metered flow (**M**) from the metered customer communities. *The metered flow for these communities now becomes their total allocation volume, and does not need to be adjusted in any manner.*
- The remaining flow is allocated to the unmetered communities (primarily Detroit), who are collective referred to as **D+** for purposes of the Rate Simplification Proposal.

The final aspect of the new approach is to assign individual community flows to sanitary and non-sanitary portions, so that relative pollutant loadings can be computed to reflect the strength of flow concept in the cost allocation methodology. The Committee, through the Flow Balance Task Force, collected and reviewed substantial amounts of data to achieve a better understanding of the relative sanitary flows within each community. The protocol that emerged was to estimate each community’s sanitary flows based on reported water sales during a “winter quarter” – so as to eliminate high season water use from the equation.

The simplified flow balance approach was utilized to produce alternative historical data points and individual annual shares. Several approaches for applying these two initiatives to recent data were developed and reviewed by the Committee. The recommendation that has emerged for determining initial Rate Period SHARES is summarized below, described herein, and illustrated in the exhibits accompanying this memorandum.

Major Customer SHARES

So as to avoid anomalies associated with smaller customers, the Committee initially focused on “major” customer classifications in evaluating SHARES. The SHARES that emerged are summarized below.



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These SHARES were determined utilizing the a three step approach:

Step 1 – Determine a reasonable estimate for historical “Z” factor using the old flow balance protocol, but recognizing new understandings regarding “best available data”. (*see pages 2 through 4*)

Step 2 – Apply the historical “Z” factor to the historical data set, using the new Simplified Flow Balancing protocol to determine effective annual Shares for each major customer for each year from FY 2007-08 through FY 2011-12³. (*see pages 5 through 7*).

Step 3 – Establish the initial Rate Period SHARES as the average of the annual shares for the five-year period. (*see page 8*)

Specifics regarding the calculations conducted for each of these steps are noted below.

Step 1 – Determine Historical Z

- Start by accumulating the flow data that was used in the LBA calculations for each year in the study period.
- Adjust these data points to reflect “best available data”, including:
 - Remove the effects of “Rate Model Averaging” from the data. *Certain of the original data points were 5-year averages of DWII and wet weather volumes. The Committee believed that eliminating this approach from the data set would produce a better depiction of annual data points.*
 - Revise the originally reported WWTP flow downward by 12 mgd to reflect revised estimates of recycle flow.
 - Estimate the impact of the prior bullet on the original flow balance, and reflect accordingly. *This effectively changes the DWII allocated to the D+ class.*
 - Rebalance the sanitary / non-sanitary allocations of each communities resulting flow based on the findings of the FBTF.
 - Apply the newest estimated overflow credit of 15% to all years in the period. (*Original data points were 30.8% through FY 2010-11*)
- Re-compute “allocation volumes” for **M** and **D+** using these revised data points.
- Subtract **M** and **D+** from **W** to result in **Z**.
- Compute effective annual **Z** Factors and a weighted average **Z** factor for the 5-year period, which equals 14.87%.

³ This period was selected because it aligned with the “5-Year LBA” period that the LBA Committee was originally formulated to address. While the Committee also review data for prior periods and preliminary data for FY 2012-13, those periods were not included in the historical averages as the prior periods had not received as much scrutiny and the data for FY 2012-13 is unaudited and/or incomplete.

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Step 2 – Compute Annual Shares Under Simplified Protocol

- Rebuild allocation volumes using the new protocol
 - For **M** class, simply equals metered volume, unadjusted
 - Apply average **Z** Factor of 14.87% to reported (and adjusted) **W** (WWTP volume) for each year.
 - **D+** then equals **W – M – Z**
- Allocate total allocation volumes into sanitary and non-sanitary portions based on the findings of the FBTF
- Allocate relative pollutant loadings to each customer, maintaining the assumption that non-sanitary flows are 1/3rd the relative strength of sanitary flows
- Compute individual customer volume and pollutant shares
- Apply relative flow/pollutant CTA revenue requirement split to arrive at annual shares for each customer.

Step 3 – Establish Initial Rate Period SHARES

- Simply compute an average of the five individual annual shares.

Small Customer SHARES

Once the Committee achieved consensus on the SHARES for large, major customers, analyses were conducted to assess the applicability of this approach for smaller customers. In effect there are two separate sets of “small” customers – those with metered wastewater that make up the “other metered” major class discussed above, and those that do not have metered connections that are included in the D+ class above. It was acknowledged that relatively minor change in absolute shares could have an absolute dollar impact that would not be material to a large customer, but that could significantly impact smaller customers. Also, there was some concern that the underlying data (such as the estimates of sanitary volumes) may not have been as thoroughly vetted as that for the larger customers.

Several alternative approaches for small customer SHARES were explored, discussed, and analyzed. The Committee concluded that the most prudent approach was to:

- Treat the “small” metered communities in the same manner as the major metered class. (*see pages 9 and 10*)
 - *Uniformity in approach was a priority amongst the Committee.*
- Treat all of the D+ communities as a singular class, and establish SHARES that change uniformly from existing shares.
 - *Recognizes that much of the data for the small D+ customers is difficult to differentiate from Detroit – thus the original grouping.*

As we reviewed the resulting small customer SHARES, it became evident that two modifications to this general approach were appropriate:

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- The two metered Dearborn districts were consolidated into a single SHARE.
 - *Reflects the difficulty in aligning water use (used to assign sanitary flows) within the Dearborn service area.*
 - *Reflects Dearborn's signaled desire to consolidate several of their districts anyway.*
 - *SHAREs for Dearborn were reviewed and modified after the original publication of this memorandum.*
- Grosse Pointe Farms was removed from the D+ class and effectively treated as an anomaly in the M class.
 - Grosse Pointe Farms was unmetered for a large portion of the historical data period, but became metered during FY 2011-12.
 - The initial Grosse Pointe Farms SHARE *was reviewed and modified after the original publication of this memorandum.*

The Committee recognizes that many of the “small” customers have not been actively involved in the deliberative process and established a process by which to invite their review and input prior to finalizing initial Rate Period SHARES. *This process resulted in the modifications for Dearborn and Grosse Pointe Farms noted above.*

Summary

Recommended Initial Rate Period SHARES for all customers are set forth on Page 1 of the attached exhibits. *These SHAREs were utilized to development of the FY 2014-15 sewer rates and the accompanying aspects of the Rate Simplification Proposal.*

We are available to discuss this matter at your convenience.

Sewer Rate Simplification - Summary Initial Rate Period SHARES

| | (1) | (2) | (3) | (4) |
|--------------------------------|----------------------|-----------------------|---------------------|-----------------------|
| | <u>Status Quo</u> | <u>Recommend</u> | <u>Relative Chg</u> | <u>Relative % Chg</u> |
| | <i>FY 2014 Rates</i> | <i>Simplified Avg</i> | <i>(2) - (1)</i> | <i>(3) / (1)</i> |
| <u>Major County Systems</u> | | | | |
| OMID | 16.305% | 16.183% | -0.122% | -0.7% |
| Rouge Valley | 13.321% | 12.693% | -0.628% | -4.7% |
| Oakland GWK | 10.608% | 10.428% | -0.180% | -1.7% |
| Evergreen Farmington | 7.952% | 7.393% | -0.559% | -7.0% |
| NE Wayne Co | 5.553% | 5.501% | -0.052% | -0.9% |
| Subtotal | 53.739% | 52.198% | -1.541% | -2.9% |
| <u>Other Metered Customers</u> | | | | |
| Allen Park | 0.146% | 0.154% | 0.008% | 5.5% |
| Center Line | 0.229% | 0.212% | -0.017% | -7.4% |
| Dearborn East & West | 3.763% | 4.015% | 0.252% | 6.7% |
| Farmington | 0.252% | 0.254% | 0.002% | 0.8% |
| Grosse Pointe Park | 0.346% | 0.374% | 0.028% | 8.1% |
| Melvindale | 0.332% | 0.316% | -0.016% | -4.8% |
| M ^o Subtotal | 5.068% | 5.325% | 0.257% | 5.1% |
| <i>Grosse Pointe Farms</i> | 0.677% | 0.566% | -0.111% | -16.4% |
| M ^o Total | 5.745% | 5.891% | 0.146% | 2.5% |
| M Total | 59.484% | 58.089% | -1.395% | -2.3% |
| <u>D+ Customers</u> | | | | |
| Dearborn E. (Storm Only) | 0.061% | 0.063% | 0.002% | 3.3% |
| Dearborn N.E. | 0.310% | 0.321% | 0.011% | 3.5% |
| Grosse Pointe | 0.186% | 0.192% | 0.006% | 3.2% |
| Hamtramck | 0.778% | 0.805% | 0.027% | 3.5% |
| Harper Woods | 0.052% | 0.054% | 0.002% | 3.8% |
| Highland Park | 1.096% | 1.134% | 0.038% | 3.5% |
| <i>Small Districts</i> | 0.053% | 0.055% | 0.002% | 3.8% |
| Detroit | 37.980% | 39.287% | 1.307% | 3.4% |
| D+ Subtotal | 40.516% | 41.911% | 1.395% | 3.4% |
| TOTAL SHARES | 100.000% | 100.000% | 0.000% | 0.0% |

Sewer Rate Simplification - Summary of Recommended SHARES
Including Supporting Cost Pool Shares

| | (1) | (2) | | (3) | (4) |
|----------------------------|-----------------------------|----------------------|--|-------------------|--|
| | <u>SHARE</u> ~ (2) & (3) | <u>Share Details</u> | | <u>Pollutants</u> | Suburban <u>Wholesale Only</u> ~ (2) |
| | | <u>Flow</u> | | | |
| <u>Metered Customers</u> | | | | | |
| OMID | 16.18% | 14.28% | | 17.50% | 24.90% |
| Rouge Valley | 12.69% | 11.90% | | 13.24% | 20.75% |
| Oakland GWK | 10.43% | 10.17% | | 10.60% | 17.73% |
| Evergreen Farmington | 7.39% | 6.86% | | 7.76% | 11.96% |
| NE Wayne Co | 5.50% | 5.43% | | 5.54% | 9.47% |
| Allen Park | 0.15% | 0.14% | | 0.16% | 0.24% |
| Center Line | 0.21% | 0.19% | | 0.23% | 0.33% |
| Dearborn East & West | 4.02% | 3.86% | | 4.12% | 6.73% |
| Farmington | 0.25% | 0.24% | | 0.26% | 0.41% |
| Grosse Pointe Park | 0.37% | 0.36% | | 0.39% | 0.62% |
| Melvindale | 0.32% | 0.29% | | 0.33% | 0.51% |
| <i>Grosse Pointe Farms</i> | 0.57% | 0.59% | | 0.55% | 1.03% |
| M Total | 58.09% | 54.31% | | 60.68% | 94.69% |
| <u>Detroit + Unmetered</u> | | | | | |
| Dearborn E. (Storm Only) | 0.06% | 0.09% | | 0.05% | 0.15% |
| Dearborn N.E. | 0.32% | 0.41% | | 0.32% | 0.71% |
| Grosse Pointe | 0.19% | 0.23% | | 0.21% | 0.40% |
| Hamtramck | 0.81% | 1.03% | | 0.84% | 1.80% |
| Harper Woods | 0.05% | 0.06% | | 0.06% | 0.11% |
| Highland Park | 1.13% | 1.18% | | 1.07% | 2.06% |
| Small Districts | 0.06% | 0.05% | | 0.05% | 0.08% |
| Detroit | 39.29% | 42.65% | | 36.73% | |
| D+ Total | 41.91% | 45.69% | | 39.32% | 5.31% |
| Total | 100.00% | 100.00% | | 100.00% | 100.00% |
| <i>Suburbs in D+</i> | 2.62% | 3.04% | | 2.59% | 5.31% |
| <i>Detroit</i> | 39.29% | 42.65% | | 36.73% | 0.00% |

Sewer Rate Simplification - Sample Share Calculations

Historical Data Points Modified for Original WWTP Vols, New Recycle Flow Estimates
Flow Balance Task Force Recommendations and Related "Best Available" Data

| | Historical Data | | | | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| | Mcf | Mcf | Mcf | Mcf | Mcf |
| Metered Flow | | | | | |
| OMID | 4,103,454 | 4,491,406 | 3,907,695 | 3,799,596 | 3,727,240 |
| Rouge Valley | 3,382,764 | 3,671,128 | 3,041,654 | 3,363,061 | 3,269,196 |
| Oakland GWK | 2,883,453 | 3,188,621 | 2,404,934 | 2,958,988 | 2,891,656 |
| Evergreen Farmington | 2,042,275 | 2,154,256 | 1,725,742 | 1,872,225 | 1,851,461 |
| NE Wayne Co | 1,422,601 | 1,698,509 | 1,296,673 | 1,611,703 | 1,618,773 |
| Other Metered | 1,471,581 | 1,554,845 | 1,275,774 | 1,404,618 | 1,430,021 |
| M Total | 15,306,127 | 16,758,765 | 13,652,472 | 15,010,191 | 14,788,347 |
| Balance = (D+ + Z) | 17,341,335 | 18,107,794 | 15,947,075 | 18,880,501 | 19,364,359 |
| Total WWTP Flow | 32,647,463 | 34,866,560 | 29,599,546 | 33,890,692 | 34,152,706 |
| <i>M% of Total</i> | 46.9% | 48.1% | 46.1% | 44.3% | 43.3% |
| Allocation Volume | | | | | |
| <u>Sanitary Volume</u> | | | | | |
| OMID | 2,225,973 | 2,225,973 | 2,225,973 | 2,225,973 | 2,225,973 |
| Rouge Valley | 1,528,344 | 1,528,344 | 1,528,344 | 1,528,344 | 1,528,344 |
| Oakland GWK | 1,132,238 | 1,132,238 | 1,132,238 | 1,132,238 | 1,132,238 |
| Evergreen Farmington | 911,944 | 911,944 | 911,944 | 911,944 | 911,944 |
| NE Wayne Co | 577,355 | 577,355 | 577,355 | 577,355 | 577,355 |
| Other Metered | 672,431 | 672,431 | 672,431 | 672,431 | 672,431 |
| M Total | 7,048,284 | 7,048,284 | 7,048,284 | 7,048,284 | 7,048,284 |
| D+ | 3,186,963 | 3,186,963 | 3,186,963 | 3,186,963 | 3,186,963 |
| Subtotal Allo Volume | 10,235,247 | 10,235,247 | 10,235,247 | 10,235,247 | 10,235,247 |
| System "Z" Volume | 0 | 0 | 0 | 0 | 0 |
| Total | 10,235,247 | 10,235,247 | 10,235,247 | 10,235,247 | 10,235,247 |
| <u>Local DWII</u> | | | | | |
| OMID | 1,340,329 | 1,707,547 | 1,565,674 | 1,211,546 | 1,139,190 |
| Rouge Valley | 1,083,730 | 1,056,230 | 1,036,517 | 1,044,697 | 950,832 |
| Oakland GWK | 807,242 | 835,865 | 742,368 | 687,017 | 619,685 |
| Evergreen Farmington | 607,687 | 600,969 | 602,234 | 647,286 | 626,522 |
| NE Wayne Co | 414,867 | 414,573 | 378,019 | 360,477 | 367,547 |
| Other Metered | 359,806 | 345,644 | 325,348 | 302,965 | 329,424 |
| M Total | 4,613,662 | 4,960,828 | 4,650,161 | 4,253,988 | 4,033,200 |
| D+ | 5,277,929 | 5,266,190 | 5,513,446 | 5,329,958 | 5,696,933 |
| Subtotal Allo Volume | 9,891,591 | 10,227,018 | 10,163,607 | 9,583,945 | 9,730,133 |
| System "Z" Volume | 0 | 0 | 0 | 0 | 0 |
| Total | 9,891,591 | 10,227,018 | 10,163,607 | 9,583,945 | 9,730,133 |

Sewer Rate Simplification - Sample Share Calculations

Historical Data Points Modified for Original WWTP Vols, New Recycle Flow Estimates

Flow Balance Task Force Recommendations and Related "Best Available" Data

| | Historical Data | | | | |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 <i>Mcf</i> | 2009 <i>Mcf</i> | 2010 <i>Mcf</i> | 2011 <i>Mcf</i> | 2012 <i>Mcf</i> |
| <u>System DWII</u> | | | | | |
| OMID | 0 | 0 | 0 | 0 | 0 |
| Rouge Valley | 0 | 0 | 0 | 0 | 0 |
| Oakland GWK | 53,701 | 55,016 | 57,283 | 56,385 | 63,697 |
| Evergreen Farmington | 92,911 | 94,929 | 96,931 | 79,665 | 89,996 |
| NE Wayne Co | 21,388 | 21,680 | 20,856 | 6,357 | 7,181 |
| Other Metered | 9,499 | 9,729 | 10,112 | 9,808 | 11,079 |
| M Total | 177,499 | 181,354 | 185,182 | 152,215 | 171,953 |
| D+ | 1,207,529 | 1,237,000 | 1,287,187 | 1,271,157 | 1,430,803 |
| Subtotal Allo Volume | 1,385,028 | 1,418,354 | 1,472,369 | 1,423,372 | 1,602,756 |
| System "Z" Volume | 4,549,636 | 5,460,328 | 2,578,994 | 6,007,989 | 5,968,573 |
| Total | 5,934,663 | 6,878,683 | 4,051,363 | 7,431,361 | 7,571,329 |
| <u>Wet Weather Flow</u> | | | | | |
| OMID | 537,152 | 557,886 | 116,048 | 362,077 | 362,077 |
| Rouge Valley | 770,690 | 1,086,554 | 476,793 | 790,020 | 790,020 |
| Oakland GWK | 943,973 | 1,220,518 | 530,328 | 1,139,733 | 1,139,733 |
| Evergreen Farmington | 522,644 | 641,344 | 211,564 | 312,996 | 312,996 |
| NE Wayne Co | 430,379 | 706,582 | 341,299 | 673,872 | 673,872 |
| Other Metered | 439,344 | 536,770 | 277,995 | 429,222 | 428,165 |
| M Total | 3,644,182 | 4,749,653 | 1,954,026 | 3,707,920 | 3,706,863 |
| D+ | 4,104,008 | 4,104,008 | 4,104,008 | 4,104,008 | 4,076,662 |
| Subtotal Allo Volume | 7,748,190 | 8,853,661 | 6,058,034 | 7,811,928 | 7,783,526 |
| System "Z" Volume | 0 | 0 | 0 | 0 | 0 |
| Total | 7,748,190 | 8,853,661 | 6,058,034 | 7,811,928 | 7,783,526 |
| Overflow Credit | 15.0% | 15.0% | 15.0% | 15.0% | 15.0% |
| <u>Net Wet Weather Flow</u> | | | | | |
| OMID | 456,579 | 474,203 | 98,640 | 307,766 | 307,766 |
| Rouge Valley | 655,087 | 923,571 | 405,274 | 671,517 | 671,517 |
| Oakland GWK | 802,377 | 1,037,441 | 450,779 | 968,773 | 968,773 |
| Evergreen Farmington | 444,247 | 545,142 | 179,830 | 266,046 | 266,046 |
| NE Wayne Co | 365,822 | 600,594 | 290,104 | 572,791 | 572,791 |
| Other Metered | 373,442 | 456,254 | 236,296 | 364,839 | 363,941 |
| M Total | 3,097,554 | 4,037,205 | 1,660,922 | 3,151,732 | 3,150,834 |
| D+ | 3,488,407 | 3,488,407 | 3,488,407 | 3,488,407 | 3,465,163 |
| Subtotal Allo Volume | 6,585,961 | 7,525,612 | 5,149,329 | 6,640,139 | 6,615,997 |
| System "Z" Volume | 0 | 0 | 0 | 0 | 0 |
| Total | 6,585,961 | 7,525,612 | 5,149,329 | 6,640,139 | 6,615,997 |

Sewer Rate Simplification - Sample Share Calculations
*Historical Data Points Modified for Original WWTP Vols, New Recycle Flow Estimates
 Flow Balance Task Force Recommendations and Related "Best Available" Data*

| | Historical Data | | | | |
|---------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>2008</u> <i>Mcf</i> | <u>2009</u> <i>Mcf</i> | <u>2010</u> <i>Mcf</i> | <u>2011</u> <i>Mcf</i> | <u>2012</u> <i>Mcf</i> |
| <u>Subtotal Non-Sanitary</u> | | | | | |
| OMID | 1,796,908 | 2,181,750 | 1,664,315 | 1,519,312 | 1,446,955 |
| Rouge Valley | 1,738,817 | 1,979,801 | 1,441,791 | 1,716,214 | 1,622,349 |
| Oakland GWK | 1,663,320 | 1,928,321 | 1,250,429 | 1,712,175 | 1,652,155 |
| Evergreen Farmington | 1,144,845 | 1,241,040 | 878,995 | 992,997 | 982,564 |
| NE Wayne Co | 802,078 | 1,036,847 | 688,980 | 939,624 | 947,519 |
| Other Metered | 742,748 | 811,628 | 571,756 | 677,611 | 704,444 |
| M Total | 7,888,715 | 9,179,387 | 6,496,266 | 7,557,934 | 7,355,987 |
| D+ | 9,973,865 | 9,991,597 | 10,289,039 | 10,089,522 | 10,592,899 |
| Subtotal Allo Volume | 17,862,580 | 19,170,985 | 16,785,305 | 17,647,456 | 17,948,886 |
| System "Z" Volume | 4,549,636 | 5,460,328 | 2,578,994 | 6,007,989 | 5,968,573 |
| Total | 22,412,216 | 24,631,313 | 19,364,299 | 23,655,445 | 23,917,459 |
| <u>Total Allocation Volume</u> | | | | | |
| OMID | 4,022,881 | 4,407,723 | 3,890,287 | 3,745,285 | 3,672,928 |
| Rouge Valley | 3,267,160 | 3,508,145 | 2,970,135 | 3,244,558 | 3,150,693 |
| Oakland GWK | 2,795,558 | 3,060,559 | 2,382,667 | 2,844,413 | 2,784,393 |
| Evergreen Farmington | 2,056,789 | 2,152,983 | 1,790,939 | 1,904,941 | 1,894,508 |
| NE Wayne Co | 1,379,432 | 1,614,202 | 1,266,334 | 1,516,979 | 1,524,873 |
| Other Metered | 1,415,179 | 1,484,059 | 1,244,187 | 1,350,042 | 1,376,875 |
| M Total | 14,936,999 | 16,227,671 | 13,544,550 | 14,606,218 | 14,404,271 |
| D+ | 13,160,828 | 13,178,560 | 13,476,002 | 13,276,485 | 13,779,862 |
| Subtotal Allo Volume | 28,097,827 | 29,406,232 | 27,020,552 | 27,882,703 | 28,184,133 |
| System "Z" Volume | 4,549,636 | 5,460,328 | 2,578,994 | 6,007,989 | 5,968,573 |
| Total | 32,647,463 | 34,866,560 | 29,599,546 | 33,890,692 | 34,152,706 |
| <i>Effective "Z"</i> | <i>13.9%</i> | <i>15.7%</i> | <i>8.7%</i> | <i>17.7%</i> | <i>17.5%</i> |
| Weighted 5-year average Effective "Z" | | | | | 14.87% |

Sewer Rate Simplification - Sample Share Calculations
 Alternative LBA SHARE Calculations Modified for Simplified Approach
 (Flows in Mcf, Loadings in lbs) ** Z = 14.87%

| | Look-Back Data | | | | |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| CTA Rev Req't | 270,367,870 | 282,307,711 | 262,509,268 | 324,651,788 | 328,280,488 |
| <u>CTA Revenue Req't Split</u> | | | | | |
| Volume | 35.8% | 42.1% | 36.0% | 42.6% | 45.9% |
| Strength | 64.2% | 57.9% | 64.0% | 57.4% | 54.1% |
| TOTAL | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| <u>Metered Flow</u> | | | | | |
| OMID | 4,103,454 | 4,491,406 | 3,907,695 | 3,799,596 | 3,727,240 |
| Rouge Valley | 3,382,764 | 3,671,128 | 3,041,654 | 3,363,061 | 3,269,196 |
| Oakland GWK | 2,883,453 | 3,188,621 | 2,404,934 | 2,958,988 | 2,891,656 |
| Evergreen Farmington | 2,042,275 | 2,154,256 | 1,725,742 | 1,872,225 | 1,851,461 |
| NE Wayne Co | 1,422,601 | 1,698,509 | 1,296,673 | 1,611,703 | 1,618,773 |
| Other Metered | 1,471,581 | 1,554,845 | 1,275,774 | 1,404,618 | 1,430,021 |
| M Total | 15,306,127 | 16,758,765 | 13,652,472 | 15,010,191 | 14,788,347 |
| Balance = (D+ + Z) | 17,341,335 | 18,107,794 | 15,947,075 | 18,880,501 | 19,364,359 |
| Total | 32,647,463 | 34,866,560 | 29,599,546 | 33,890,692 | 34,152,706 |
| M% of Total | 46.9% | 48.1% | 46.1% | 44.3% | 43.3% |
| <u>Allocation Volume</u> | | | | | |
| <u>Sanitary Volume</u> | | | | | |
| OMID | 2,225,973 | 2,225,973 | 2,225,973 | 2,225,973 | 2,225,973 |
| Rouge Valley | 1,528,344 | 1,528,344 | 1,528,344 | 1,528,344 | 1,528,344 |
| Oakland GWK | 1,132,238 | 1,132,238 | 1,132,238 | 1,132,238 | 1,132,238 |
| Evergreen Farmington | 911,944 | 911,944 | 911,944 | 911,944 | 911,944 |
| NE Wayne Co | 577,355 | 577,355 | 577,355 | 577,355 | 577,355 |
| Other Metered | 615,385 | 615,385 | 615,385 | 615,385 | 615,385 |
| M Total | 6,991,238 | 6,991,238 | 6,991,238 | 6,991,238 | 6,991,238 |
| D+ | 3,139,007 | 3,139,007 | 3,139,007 | 3,139,007 | 3,139,007 |
| Subtotal Allo Volume | 10,130,245 | 10,130,245 | 10,130,245 | 10,130,245 | 10,130,245 |
| System "Z" Volume | 0 | 0 | 0 | 0 | 0 |
| Total | 10,130,245 | 10,130,245 | 10,130,245 | 10,130,245 | 10,130,245 |
| <u>Non-Sanitary</u> | | | | | |
| OMID | 1,877,481 | 2,265,433 | 1,681,722 | 1,573,624 | 1,501,267 |
| Rouge Valley | 1,854,420 | 2,142,784 | 1,513,310 | 1,834,717 | 1,740,852 |
| Oakland GWK | 1,751,215 | 2,056,383 | 1,272,696 | 1,826,750 | 1,759,418 |
| Evergreen Farmington | 1,130,331 | 1,242,313 | 813,798 | 960,281 | 939,517 |
| NE Wayne Co | 845,246 | 1,121,154 | 719,318 | 1,034,348 | 1,041,418 |
| Other Metered | 856,196 | 939,460 | 660,389 | 789,233 | 814,636 |
| M Total | 8,314,889 | 9,767,527 | 6,661,233 | 8,018,953 | 7,797,109 |
| D+ | 9,346,345 | 9,782,735 | 8,405,431 | 10,700,592 | 11,145,479 |
| Subtotal Allo Volume | 17,661,234 | 19,550,263 | 15,066,665 | 18,719,545 | 18,942,587 |
| System "Z" Volume ** | 4,855,984 | 5,186,052 | 4,402,637 | 5,040,902 | 5,079,873 |
| Total | 22,517,218 | 24,736,315 | 19,469,301 | 23,760,447 | 24,022,461 |

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2/7/14

Sewer Rate Simplification - Sample Share Calculations
Alternative LBA SHARE Calculations Modified for Simplified Approach
 (Flows in Mcf, Loadings in lbs) ** Z = 14.87%

| | Look-Back Data | | | | |
|------------------------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| <u>Total Allocation Volume</u> | | | | | |
| OMID | 4,103,454 | 4,491,406 | 3,907,695 | 3,799,596 | 3,727,240 |
| Rouge Valley | 3,382,764 | 3,671,128 | 3,041,654 | 3,363,061 | 3,269,196 |
| Oakland GWK | 2,883,453 | 3,188,621 | 2,404,934 | 2,958,988 | 2,891,656 |
| Evergreen Farmington | 2,042,275 | 2,154,256 | 1,725,742 | 1,872,225 | 1,851,461 |
| NE Wayne Co | 1,422,601 | 1,698,509 | 1,296,673 | 1,611,703 | 1,618,773 |
| Other Metered | 1,471,581 | 1,554,845 | 1,275,774 | 1,404,618 | 1,430,021 |
| M Total | <u>15,306,127</u> | <u>16,758,765</u> | <u>13,652,472</u> | <u>15,010,191</u> | <u>14,788,347</u> |
| D+ | 12,485,352 | 12,921,742 | 11,544,438 | 13,839,599 | 14,284,485 |
| Subtotal Allo Volume | 27,791,479 | 29,680,508 | 25,196,910 | 28,849,790 | 29,072,832 |
| System "Z" Volume | 4,855,984 | 5,186,052 | 4,402,637 | 5,040,902 | 5,079,873 |
| Total | <u>32,647,463</u> | <u>34,866,560</u> | <u>29,599,546</u> | <u>33,890,692</u> | <u>34,152,706</u> |
| <i>Effective "Z"</i> | 14.9% | 14.9% | 14.9% | 14.9% | 14.9% |
| <u>Volume Allocation Shares</u> | | | | | |
| OMID | 14.8% | 15.1% | 15.5% | 13.2% | 12.8% |
| Rouge Valley | 12.2% | 12.4% | 12.1% | 11.7% | 11.2% |
| Oakland GWK | 10.4% | 10.7% | 9.5% | 10.3% | 9.9% |
| Evergreen Farmington | 7.3% | 7.3% | 6.8% | 6.5% | 6.4% |
| NE Wayne Co | 5.1% | 5.7% | 5.1% | 5.6% | 5.6% |
| Other Metered | 5.3% | 5.2% | 5.1% | 4.9% | 4.9% |
| M Total | <u>55.1%</u> | <u>56.5%</u> | <u>54.2%</u> | <u>52.0%</u> | <u>50.9%</u> |
| D+ | 44.9% | 43.5% | 45.8% | 48.0% | 49.1% |
| Total | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> |
| <u>Loadings Allocation (BOD)</u> | | | | | |
| Total Loadings | 239,742,200 | 236,396,400 | 239,268,900 | 154,896,900 | 141,046,400 |
| Total Strength - mg/l | 118 | 109 | 130 | 73 | 66 |
| Non-San / San Ratio | 33.3% | 33.3% | 33.3% | 33.3% | 33.3% |
| <u>Weighted Adj Influent Split</u> | | | | | |
| Sanitary | 10,130,245 | 10,130,245 | 10,130,245 | 10,130,245 | 10,130,245 |
| Non-Sanitary | <u>7,504,989</u> | <u>8,244,614</u> | <u>6,489,118</u> | <u>7,919,357</u> | <u>8,006,686</u> |
| Total | 17,635,234 | 18,374,859 | 16,619,363 | 18,049,602 | 18,136,931 |
| Sanitary % | 57% | 55% | 61% | 56% | 56% |
| Non-Sanitary % | 43% | 45% | 39% | 44% | 44% |
| Sanitary Loadings | 137,715,625 | 130,327,720 | 145,845,094 | 86,935,078 | 78,780,394 |
| Non-Sanitary Loadings | <u>102,026,575</u> | <u>106,068,680</u> | <u>93,423,806</u> | <u>67,961,822</u> | <u>62,266,006</u> |
| Total Loadings | 239,742,200 | 236,396,400 | 239,268,900 | 154,896,900 | 141,046,400 |
| Sanitary Strength | 218 | 206 | 231 | 138 | 125 |
| Non-Sanitary Strength | 73 | 69 | 77 | 46 | 42 |
| Allocated Strength | 126 | 116 | 139 | 78 | 70 |
| Total Strength | 118 | 109 | 130 | 73 | 66 |

Sewer Rate Simplification - Sample Share Calculations
Alternative LBA SHARE Calculations Modified for Simplified Approach
 (Flows in Mcf, Loadings in lbs) ** Z = 14.87%

| | Look-Back Data | | | | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| <u>Total Loadings (BOD)</u> | | | | | |
| OMID | 38,767,944 | 38,351,725 | 40,117,094 | 23,603,732 | 21,202,108 |
| Rouge Valley | 29,179,537 | 28,850,667 | 29,265,207 | 18,363,669 | 16,397,823 |
| Oakland GWK | 23,327,047 | 23,384,195 | 22,407,880 | 14,941,605 | 13,365,529 |
| Evergreen Farmington | 17,519,001 | 17,059,350 | 17,034,275 | 10,572,744 | 9,527,179 |
| NE Wayne Co | 11,678,699 | 12,235,269 | 11,763,835 | 7,913,243 | 7,189,290 |
| Other Metered | 12,245,319 | 11,945,440 | 12,028,587 | 7,538,510 | 6,897,227 |
| M Total | 132,717,548 | 131,826,645 | 132,616,878 | 82,933,503 | 74,579,156 |
| D+ | 85,021,961 | 82,332,097 | 85,525,888 | 57,544,946 | 53,300,257 |
| Subtotal Allo Loadings | 217,739,509 | 214,158,742 | 218,142,766 | 140,478,448 | 127,879,413 |
| System "Z" Loadings | 22,002,691 | 22,237,658 | 21,126,134 | 14,418,452 | 13,166,987 |
| Total | 239,742,200 | 236,396,400 | 239,268,900 | 154,896,900 | 141,046,400 |
| <i>Effective "Z"</i> | 9.2% | 9.4% | 8.8% | 9.3% | 9.3% |
| <u>Pollutant Allocation Shares</u> | | | | | |
| OMID | 17.8% | 17.9% | 18.4% | 16.8% | 16.6% |
| Rouge Valley | 13.4% | 13.5% | 13.4% | 13.1% | 12.8% |
| Oakland GWK | 10.7% | 10.9% | 10.3% | 10.6% | 10.5% |
| Evergreen Farmington | 8.0% | 8.0% | 7.8% | 7.5% | 7.5% |
| NE Wayne Co | 5.4% | 5.7% | 5.4% | 5.6% | 5.6% |
| Other Metered | 5.6% | 5.6% | 5.5% | 5.4% | 5.4% |
| M Total | 61.0% | 61.6% | 60.8% | 59.0% | 58.3% |
| D+ | 39.0% | 38.4% | 39.2% | 41.0% | 41.7% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| <u>SHARES</u> | | | | | |
| OMID | 16.7% | 16.7% | 17.4% | 15.3% | 14.9% |
| Rouge Valley | 13.0% | 13.0% | 12.9% | 12.5% | 12.1% |
| Oakland GWK | 10.6% | 10.8% | 10.0% | 10.5% | 10.2% |
| Evergreen Farmington | 7.8% | 7.7% | 7.5% | 7.1% | 7.0% |
| NE Wayne Co | 5.3% | 5.7% | 5.3% | 5.6% | 5.6% |
| Other Metered | 5.5% | 5.4% | 5.4% | 5.2% | 5.2% |
| M Total | 58.8% | 59.4% | 58.4% | 56.0% | 54.9% |
| D+ | 41.2% | 40.6% | 41.6% | 44.0% | 45.1% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Sewer Rate Simplification - 5-Year Average Share Calculations

| | Look-Back Data | | | | | 5-Year Average |
|----------------------|----------------|--------|--------|--------|--------|----------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | |
| OMID | 16.7% | 16.7% | 17.4% | 15.3% | 14.9% | 16.2% |
| Rouge Valley | 13.0% | 13.0% | 12.9% | 12.5% | 12.1% | 12.7% |
| Oakland GWK | 10.6% | 10.8% | 10.0% | 10.5% | 10.2% | 10.4% |
| Evergreen Farmington | 7.8% | 7.7% | 7.5% | 7.1% | 7.0% | 7.4% |
| NE Wayne Co | 5.3% | 5.7% | 5.3% | 5.6% | 5.6% | 5.5% |
| Other Metered | 5.5% | 5.4% | 5.4% | 5.2% | 5.2% | 5.3% |
| M Total | 58.8% | 59.4% | 58.4% | 56.0% | 54.9% | 57.5% |
| D+ | 41.2% | 40.6% | 41.6% | 44.0% | 45.1% | 42.5% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Sewer Rate Simplification - Sample Share Calculations
Alternative LBA SHARE Calculations Modified for Simplified Approach
 (Flows in Mcf, Loadings in lbs) ** Z = 14.87%

| | Look-Back Data | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| Unbundle Other METERED | | | | | |
| <u>Metered Flow</u> | | | | | |
| Allen Park | 38,220 | 39,252 | 34,382 | 42,616 | 41,950 |
| Center Line | 57,160 | 60,825 | 36,128 | 57,072 | 55,629 |
| Dearborn East | 507,432 | 529,147 | 480,415 | 489,313 | 486,046 |
| Dearborn West | 607,632 | 652,945 | 513,399 | 567,568 | 590,981 |
| Farmington | 68,050 | 75,344 | 57,180 | 71,087 | 64,081 |
| Grosse Pointe Park | 112,129 | 108,704 | 83,776 | 91,841 | 104,248 |
| Melvindale | 80,958 | 88,628 | 70,494 | 85,121 | 87,086 |
| M^o Subtotal | 1,471,581 | 1,554,845 | 1,275,774 | 1,404,618 | 1,430,021 |
| <u>Allocation Volume</u> | | | | | |
| <u>Sanitary Volume</u> | | | | | |
| Allen Park | 20,115 | 20,115 | 20,115 | 20,115 | 20,115 |
| Center Line | 28,407 | 28,407 | 28,407 | 28,407 | 28,407 |
| Dearborn East | 240,100 | 240,100 | 240,100 | 240,100 | 240,100 |
| Dearborn West | 214,277 | 214,277 | 214,277 | 214,277 | 214,277 |
| Farmington | 30,272 | 30,272 | 30,272 | 30,272 | 30,272 |
| Grosse Pointe Park | 43,334 | 43,334 | 43,334 | 43,334 | 43,334 |
| Melvindale | 38,881 | 38,881 | 38,881 | 38,881 | 38,881 |
| M^o Subtotal | 615,385 | 615,385 | 615,385 | 615,385 | 615,385 |
| <u>Non-Sanitary Volume</u> | | | | | |
| Allen Park | 18,105 | 19,137 | 14,267 | 22,501 | 21,835 |
| Center Line | 28,753 | 32,418 | 7,721 | 28,665 | 27,222 |
| Dearborn East | 267,332 | 289,047 | 240,315 | 249,213 | 245,946 |
| Dearborn West | 393,355 | 438,668 | 299,122 | 353,291 | 376,704 |
| Farmington | 37,778 | 45,072 | 26,908 | 40,815 | 33,809 |
| Grosse Pointe Park | 68,795 | 65,370 | 40,442 | 48,507 | 60,914 |
| Melvindale | 42,077 | 49,747 | 31,613 | 46,240 | 48,205 |
| M^o Subtotal | 856,196 | 939,460 | 660,389 | 789,233 | 814,636 |
| <u>Volume Allocation Factor</u> | | | | | |
| Allen Park | 0.14% | 0.13% | 0.14% | 0.15% | 0.14% |
| Center Line | 0.21% | 0.20% | 0.14% | 0.20% | 0.19% |
| Dearborn East | 1.83% | 1.78% | 1.91% | 1.70% | 1.67% |
| Dearborn West | 2.19% | 2.20% | 2.04% | 1.97% | 2.03% |
| Farmington | 0.24% | 0.25% | 0.23% | 0.25% | 0.22% |
| Grosse Pointe Park | 0.40% | 0.37% | 0.33% | 0.32% | 0.36% |
| Melvindale | 0.29% | 0.30% | 0.28% | 0.30% | 0.30% |
| M^o Subtotal | 5.30% | 5.24% | 5.06% | 4.87% | 4.92% |

Sewer Rate Simplification - Sample Share Calculations
Alternative LBA SHARE Calculations Modified for Simplified Approach
*(Flows in Mcf, Loadings in lbs) ** Z = 14.87%*

| | Look-Back Data | | | | |
|------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| <u>Total Loadings (BOD)</u> | | | | | |
| Allen Park | 355,489 | 340,844 | 358,057 | 236,982 | 213,026 |
| Center Line | 516,459 | 504,468 | 446,024 | 325,771 | 291,473 |
| Dearborn East | 4,475,332 | 4,328,361 | 4,609,873 | 2,773,295 | 2,504,687 |
| Dearborn West | 4,695,296 | 4,637,713 | 4,520,284 | 2,849,382 | 2,642,791 |
| Farmington | 582,707 | 582,724 | 564,945 | 376,529 | 323,051 |
| Grosse Pointe Park | 900,818 | 837,806 | 817,941 | 510,625 | 494,886 |
| Melvindale | 719,219 | 713,524 | 711,463 | 465,925 | 427,314 |
| M° Subtotal | 12,245,319 | 11,945,440 | 12,028,587 | 7,538,510 | 6,897,227 |
| <u>Pollutant Allocation Shares</u> | | | | | |
| Allen Park | <i>0.16%</i> | <i>0.16%</i> | <i>0.16%</i> | <i>0.17%</i> | <i>0.17%</i> |
| Center Line | <i>0.24%</i> | <i>0.24%</i> | <i>0.20%</i> | <i>0.23%</i> | <i>0.23%</i> |
| Dearborn East | <i>2.06%</i> | <i>2.02%</i> | <i>2.11%</i> | <i>1.97%</i> | <i>1.96%</i> |
| Dearborn West | <i>2.16%</i> | <i>2.17%</i> | <i>2.07%</i> | <i>2.03%</i> | <i>2.07%</i> |
| Farmington | <i>0.27%</i> | <i>0.27%</i> | <i>0.26%</i> | <i>0.27%</i> | <i>0.25%</i> |
| Grosse Pointe Park | <i>0.41%</i> | <i>0.39%</i> | <i>0.37%</i> | <i>0.36%</i> | <i>0.39%</i> |
| Melvindale | <i>0.33%</i> | <i>0.33%</i> | <i>0.33%</i> | <i>0.33%</i> | <i>0.33%</i> |
| M° Subtotal | 5.62% | 5.58% | 5.51% | 5.37% | 5.39% |
| <u>SHARES</u> | | | | | |
| Allen Park | <i>0.15%</i> | <i>0.15%</i> | <i>0.15%</i> | <i>0.16%</i> | <i>0.16%</i> |
| Center Line | <i>0.23%</i> | <i>0.22%</i> | <i>0.18%</i> | <i>0.22%</i> | <i>0.21%</i> |
| Dearborn East | <i>1.97%</i> | <i>1.92%</i> | <i>2.04%</i> | <i>1.86%</i> | <i>1.83%</i> |
| Dearborn West | <i>2.17%</i> | <i>2.18%</i> | <i>2.06%</i> | <i>2.00%</i> | <i>2.05%</i> |
| Farmington | <i>0.26%</i> | <i>0.26%</i> | <i>0.25%</i> | <i>0.26%</i> | <i>0.24%</i> |
| Grosse Pointe Park | <i>0.41%</i> | <i>0.38%</i> | <i>0.36%</i> | <i>0.34%</i> | <i>0.37%</i> |
| Melvindale | <i>0.32%</i> | <i>0.32%</i> | <i>0.31%</i> | <i>0.32%</i> | <i>0.32%</i> |
| M° Subtotal | 5.51% | 5.44% | 5.35% | 5.15% | 5.18% |

EXHIBIT E

ATTACHMENT 1

EXHIBIT 2

PROCESS TO ADDRESS CUSTOMER'S REQUEST FOR INTERIM SHARE CHANGE

Process To Address Customer's Request For Interim Share Change.

A customer may request interim re-evaluation of its Share during a Rate Period when the following five conditions have been established:

1. The customer knows with reasonable certainty that its flows will change or have changed;
2. The change in flow can be predicted or measured with reasonable certainty;
3. There is a date when it is reasonably likely that the change of flow will or did occur;
4. The cause of the change in flow is not likely to be one that affects most other customers similarly; and
5. The change in flow is likely to cause a material change in the customer's Share.

A customer makes a request for re-evaluation of Shares by providing a written submission to the Sewer Steering Committee with documents and analyses that substantiate the five conditions have been met.

Whenever an increase in service area occurs, the customer whose service area is increased shall provide a submission to the Steering Committee that provides an estimate of the flow likely to be generated from the increased service area.

Within 30 days of receipt of either a written request and its supporting submission or a submission associated with a change in service area, the Steering Committee shall refer the submission to an appropriate subcommittee/work group for evaluation.

The subcommittee shall expeditiously review the submission. If there is disagreement with the data or analyses presented by the customer, the subcommittee will work with the customer as necessary to reach agreement upon data and analyses on which a final determination can be made.

In the case of a request, the customer requesting the re-evaluation has the burden of establishing that the five conditions for re-evaluation have been satisfied. In the case of a change in service area:

- ALTERNATIVE I: the subcommittee has the burden to establish that the change in service area will result in a material increase in the customer's Share.
- ALTERNATIVE II: the customer increasing its service area has the burden to establish that the change in service area will not result in a material increase in the customer's Share

Following the analyses of the material submitted, the subcommittee shall submit a recommendation to the Steering Committee either to make adjustments to all customers' Shares

and the amounts of such adjustments, to deny the request, or to determine that the increase in service area does not justify a change in Share.

Final Review and Approval

The Steering Committee shall review the subcommittee's recommendation and can request further evaluation by the subcommittee, reject the recommendation, or refer the recommendation on to the Board.

Following Steering Committee action on the subcommittee recommendation, it shall forward the recommendation to the Board for action. If the recommendation to the Board is opposed by the requesting customer or by the customer whose service area has increase, that customer may file a position paper supporting its view to the Board before the Board acts.

Timing of Adjustments

If the change in Share is the result of an increased service area or the result of a request for re-evaluation that was made before the expected change occurs, the revised Share shall be effective upon the occurrence of the change of flow. If the change will occur in the middle of a rate year, the subcommittee can recommend that the impact be prorated over the rate year if it determines that is appropriate. When the customer requests a re-evaluation after the conditions have already changed, any adjustments in Shares shall occur beginning in the rate year following receipt of the request for re-evaluation.

Challenges by Another Customer

If another customer (the "Challenger") concludes that a customer received a new source of flow but did not inform the Steering Committee and request a re-evaluation of Shares, the Challenger may initiate a request for re-evaluation of the customer's share by submitting information showing that the above five factors have been met.

EXHIBIT E

ATTACHMENT 1

EXHIBIT 3

RATE SIMPLIFICATION PRO FORMA



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MEMORANDUM

Rate Simplification Pro Forma

November 22, 2013

To: Sue McCormick, Nickie Bateson

From: Bart Foster

The intent of this memorandum is to present a “pro forma” calculation of Sewage Disposal Fund cost allocations and rate structure under the principles and approaches established by the Rate Simplification Proposal. As we have noted in prior discussions on this matter, implementation of the Rate Simplification Proposal will effectively streamline the documentation of sewer rate calculations into five simple tables. The attached pro forma illustrates these calculations.

For purposes of this illustration, we’ve assumed a hypothetical revenue requirement and preliminary cost pool assignments. These elements will be finalized for FY 2014-15 as the Department’s budget and financial plan gets developed over the next two months. The SHARES included in this illustration reflect the final recommendations of the Look-Back Committee and we do not anticipate any changes.

Inputs to the simplified pro forma rate calculation illustrated in the attached exhibit are highlighted in yellow. All other figures are calculated based on the simple calculations described herein.

A. **Revenue Requirements.** Total operating expense and capital revenue requirements are developed from the Department’s financial plan and become the baseline “revenue requirement from rates” for the calculations. Operating expense will emerge from the Department’s budget request. Capital revenue requirements consist of debt service on bonded indebtedness, capital improvements financed by revenues, and amounts necessary to establish and maintain reserve funds.

- *The figures in this version of the pro forma are hypothetical pending finalization of the FY 2014-15 financial plan. These figures will be updated each year in the Rate Period to reflect annual financial plans.*

B. **Revenue Requirement Allocation Factors.** This approach embraces and implements the “Simplified Estimates of Cost Pools” element of the Rate

Rate Simplification Pro Forma

November 22, 2013
Page 2

Simplification Proposal. Allocation factors are developed based on historical averages and adjusted for estimable changes in cost structure to assign the revenue requirements developed in Part A to the costs pools necessary to allocate revenue requirements to customers.

- *The figures in this version of the pro forma are preliminary and may change subtly as the FY 2014-15 financial plan is finalized. The Look-Back Committee has developed SHARES (see Part D) that are indicative of an overall common-to-all ("CTA") revenue requirement split of approximately 47% based on volume and approximately 53% based on pollutants. The relative factors in columns 9 and 10 have been (and will be) designed to produce that relative split. (See Part C).*

C. Revenue Requirement Cost Pool Allocation. Simply applies the allocation factors in Part B to the revenue requirements in Part A to assign costs to cost pools.

- *Note that the relative CTA split in footnote b is 47% volume / 53% pollutants, as targeted by the allocation factors presented in Part B.*

D. SHARES. Represents initial Rate Period SHARES (in Column 1) established by the parties for CTA revenue requirements. The CSO facility Shares are consistent with the 1999 Rate Settlement Agreement. Columns 6 and 7 illustrate relative Flow and Pollutant Shares, which are used to compute overall SHARES.

- *The Suburban Wholesale Cost Pool Shares in Column 3 are determined based on the relative (of the suburban total) Flow Shares shown in Column 6. Costs in this cost pool are not related to the wastewater treatment plant and therefore not allocable based on relative pollutant loadings.*

E. Allocation of Revenue Requirements / Design of Fixed Charges. Simply applies the SHARES from Part D to allocate revenue requirements in each cost pool to each customer. Totals individual cost pool allocations to determine total revenue requirement for each customer and calculates a fixed monthly charge for each customer.

- *Note that the rate structure for the Detroit retail class will continue to consist of both fixed and commodity charges.*

We trust that this information provides an effective, executive summary description and illustration of the Rate Simplification Proposal and we are prepared to present this information to policy makers and stakeholders.

DWSD Sewer Rate Model Template - Pro Forma Calculations
 Designed to Illustrate Rate Simplification Concept

Inputs & Assumptions are **HYPOTHETICAL** and presented for demonstration purposes only

Source: Budget/financial plan development

A. Revenue Requirements

| | |
|------------------------|--------------------|
| Operating Expense - \$ | 225,000,000 |
| Capital Costs - \$ | 275,000,000 |
| Total - \$ | 500,000,000 |

B. Revenue Requirement Allocation Factors

Source: Historical averages, adjusted for known changes

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|--------------------------|------------------------------------|---------------|--------------|--------------------|---------------|------------------------------|--------------------------|---------------|----------------------|------------|
| | Functional Cost Allocation Factors | Common to All | Detroit Only | Suburban Wholesale | OMID Specific | Cost Pool Allocation Factors | | | Common to All Detail | |
| | | | | | | CSO Facilities | Industrial Waste Control | TOTAL | Flow | Pollutants |
| <u>Operating Expense</u> | | | | | | | | | | |
| WWTP | 70.0% | 100.0% | 10.00% | 15.0% | 15.0% | | | 100.0% | 22.5% | 77.5% |
| Collection System | 11.0% | 60.0% | | | | | | 100.0% | 60.0% | |
| CSO | 4.0% | | | | | 100.0% | | 100.0% | | |
| Retail Billing | 5.0% | | 100.0% | | | | | 100.0% | | |
| Industrial Waste Control | 10.0% | | | | | | 100.0% | 100.0% | | |
| Total | 100.0% | | | | | | | 100.0% | | |
| <u>Capital Costs</u> | | | | | | | | | | |
| WWTP | 62.0% | 100.0% | | | | | | 100.0% | 50.0% | 50.0% |
| Collection System | 25.0% | 60.0% | 32.00% | 5.0% | 3.0% | | | 100.0% | 60.0% | |
| CSO | 13.0% | | | | | 100.0% | | 100.0% | | |
| Retail Billing | 0.0% | | 100.0% | | | | | 100.0% | | |
| Industrial Waste Control | 0.0% | | | | | | 100.0% | 100.0% | | |
| Total | 100.0% | | | | | | | 100.0% | | |

DWSD Sewer Rate Model Template - Pro Forma Calculations
Designed to Illustrate Rate Simplification Concept

Inputs & Assumptions are HYPOTHETICAL and presented for demonstration purposes only

C. Revenue Requirement Cost Pool Allocation

Source: B (factors) applied to A (revenue requirements)

| | (1) Functional Cost Allocation \$ | (2) Common to All \$ | (3) Detroit Only \$ | (4) Suburban Wholesale \$ | (5) OMID Specific \$ | (6) Cost Pool Allocation | | | (7) Industrial Waste Control \$ | (8) TOTAL \$ | (9) Common to All (b) Flow \$ | | (10) \$ |
|-------------------------------|---|-------------------------------|------------------------------|------------------------------------|-------------------------------|-----------------------------|------------------|------------------|--|--------------------|--|-------------|------------|
| | | | | | | CSO Facilities \$ | Facilities \$ | Facilities \$ | | | Flow | Pollutants | |
| <u>Operating Expense</u> | | | | | | | | | | | | | |
| WWTP | 157,500,000 | 157,500,000 | - | - | - | - | - | - | 157,500,000 | - | 35,437,500 | 122,062,500 | |
| Collection System | 24,750,000 | 14,850,000 | 2,475,000 | 3,712,500 | 3,712,500 | - | - | - | 24,750,000 | - | 14,850,000 | - | |
| CSO | 9,000,000 | - | - | - | - | 9,000,000 | - | - | 9,000,000 | - | - | - | |
| Retail Billing | 11,250,000 | - | 11,250,000 | - | - | - | - | - | 11,250,000 | - | - | - | |
| Industrial Waste Control | 22,500,000 | - | - | - | - | - | 22,500,000 | - | 22,500,000 | - | - | - | |
| Total Operating | 225,000,000 | 172,350,000 | 13,725,000 | 3,712,500 | 3,712,500 | 9,000,000 | 22,500,000 | 22,500,000 | 225,000,000 | - | 50,287,500 | 122,062,500 | |
| <u>Capital Costs</u> | | | | | | | | | | | | | |
| WWTP | 170,500,000 | 170,500,000 | - | - | - | - | - | - | 170,500,000 | - | 85,250,000 | 85,250,000 | |
| Collection System | 68,750,000 | 41,250,000 | 22,000,000 | 3,437,500 | 2,062,500 | - | - | - | 68,750,000 | - | 41,250,000 | - | |
| CSO | 35,750,000 | - | - | - | - | 35,750,000 | - | - | 35,750,000 | - | - | - | |
| Retail Billing | 0 | - | - | - | - | - | - | - | 0 | - | - | - | |
| Industrial Waste Control | 0 | - | - | - | - | - | - | - | 0 | - | - | - | |
| Total Capital | 275,000,000 | 211,750,000 | 22,000,000 | 3,437,500 | 2,062,500 | 35,750,000 | - | - | 275,000,000 | 0 | 126,500,000 | 85,250,000 | |
| Total Revenue Req't | 500,000,000 | 384,100,000 | 35,725,000 | 7,150,000 | 5,775,000 | 44,750,000 | 22,500,000 | 22,500,000 | 500,000,000 | 22,500,000 | 176,787,500 | 207,312,500 | |
| less: Industrial Specific (a) | (27,500,000) | (5,000,000) | - | - | - | - | (22,500,000) | (22,500,000) | (27,500,000) | 0 | 176,787,500 | (5,000,000) | |
| Net Revenue Requirement | 472,500,000 | 379,100,000 | 35,725,000 | 7,150,000 | 5,775,000 | 44,750,000 | 0 | 0 | 472,500,000 | 22,500,000 | 176,787,500 | 202,312,500 | |

(a) Industrial Surcharge Customers

(b) Relative Flow/Pollutants in CTA Cost Pool

based on % of total influent pollutant loadings that are "surchargeable"

47%

2.4%

53%

DWSD Sewer Rate Model Template - Pro Forma Calculations

Designed to Illustrate Rate Simplification Concept Inputs & Assumptions are **HYPOTHETICAL** and presented for demonstration purposes only

D. SHARES

Source: Simplified flow balance results ("Z" factor)

| | (1) CTA SHARE | (2) Detroit Only | (3) Suburban Wholesale | (4) OMID Specific | (5) CSO Facilities | (6) Share Details | | (7) Pollutants |
|----------------------------|---------------------|------------------------|------------------------------|-------------------------|--------------------------|----------------------|------|-------------------|
| | | | | | | Flow | Flow | |
| <u>Metered Customers</u> | | | | | | | | |
| OMID | 16.14% | | 24.84% | 100.00% | 2.65% | 14.28% | | 17.42% |
| Rouge Valley | 12.66% | | 20.70% | | 2.96% | 11.90% | | 13.18% |
| Oakland GWK | 10.40% | | 17.69% | | 2.26% | 10.17% | | 10.55% |
| Evergreen Farmington | 7.37% | | 11.93% | | 1.49% | 6.86% | | 7.73% |
| NE Wayne Co | 5.49% | | 9.44% | | 1.17% | 5.43% | | 5.52% |
| Allen Park | 0.15% | | 0.24% | | 0.03% | 0.14% | | 0.16% |
| Center Line | 0.21% | | 0.33% | | 0.06% | 0.19% | | 0.23% |
| Dearborn East & West | 4.15% | | 6.72% | | 0.00% | 3.86% | | 4.34% |
| Farmington | 0.25% | | 0.41% | | 0.05% | 0.24% | | 0.26% |
| Grosse Pointe Park | 0.37% | | 0.62% | | 0.06% | 0.36% | | 0.38% |
| Melvindale | 0.32% | | 0.51% | | 0.07% | 0.29% | | 0.33% |
| Grosse Pointe Farms | 0.71% | | 1.18% | | 0.50% | 0.68% | | 0.72% |
| M Total | 58.22% | 0.00% | 94.61% | 100.00% | 11.30% | 54.40% | | 60.83% |
| <u>Unmetered Customers</u> | | | | | | | | |
| Detroit + Unmetered | | | | | | | | |
| Dearborn E. (Storm Only) | 0.06% | | 0.15% | | 1.63% | 0.09% | | 0.05% |
| Dearborn N.E. | 0.32% | | 0.81% | | 0.00% | 0.47% | | 0.43% |
| Grosse Pointe | 0.19% | | 0.39% | | 0.23% | 0.23% | | 0.20% |
| Hamtramck | 0.80% | | 1.79% | | 1.59% | 1.03% | | 0.84% |
| Harper Woods | 0.05% | | 0.11% | | 0.01% | 0.06% | | 0.06% |
| Highland Park | 1.13% | | 2.05% | | 2.06% | 1.18% | | 1.06% |
| Small Districts | 0.06% | | 0.08% | | 0.17% | 0.05% | | 0.05% |
| Detroit | 39.16% | 100.00% | | | 83.00% | 42.51% | | 36.49% |
| D+ Total | 41.78% | 100.00% | 5.39% | | 88.70% | 45.60% | | 39.17% |
| Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | | 100.00% |
| <i>Suburbs in D+</i> | <i>2.62%</i> | <i>0.00%</i> | <i>5.39%</i> | <i>0.00%</i> | <i>5.70%</i> | <i>3.10%</i> | | <i>2.68%</i> |
| <i>Detroit</i> | <i>39.16%</i> | <i>100.00%</i> | <i>0.00%</i> | <i>0.00%</i> | <i>83.00%</i> | <i>42.51%</i> | | <i>36.49%</i> |

DWSD Sewer Rate Model Template - Pro Forma Calculations
Designed to Illustrate Rate Simplification Concept

Inputs & Assumptions are HYPOTHETICAL and presented for demonstration purposes only

E. Allocation of Revenue Requirements / Design of Fixed Charges *Source: D (shares) applied to C (allocated revenue requirements)*

| | (1) Common to All \$ | (2) (3) (4) (5) (6) (7) | | | Fixed Monthly Charge \$/mo | | |
|----------------------------|-------------------------------|------------------------------------|------------------------|-------------------------|-------------------------------------|--------------------|-------------------|
| | | Allocation of Revenue Requirements | | | | TOTAL | |
| | Detroit Only \$ | Suburban Wholesale \$ | OMID Specific \$ | CSO Facilities \$ | | | |
| Metered Customers | | | | | | | |
| OMID | 61,186,700 | 0 | 1,775,900 | 5,775,000 | 1,186,400 | 69,924,000 | 5,827,000 |
| Rouge Valley | 47,994,100 | 0 | 1,479,900 | 0 | 1,322,700 | 50,796,700 | 4,233,100 |
| Oakland GWK | 39,426,400 | 0 | 1,264,700 | 0 | 1,009,500 | 41,700,600 | 3,475,100 |
| Evergreen Farmington | 27,939,700 | 0 | 853,100 | 0 | 664,600 | 29,457,400 | 2,454,800 |
| NE Wayne Co | 20,812,600 | 0 | 675,300 | 0 | 525,300 | 22,013,200 | 1,834,400 |
| Allen Park | 583,800 | 0 | 17,400 | 0 | 13,800 | 615,000 | 51,300 |
| Center Line | 799,900 | 0 | 23,500 | 0 | 24,800 | 848,200 | 70,700 |
| Dearborn East & West | 15,713,700 | 0 | 480,200 | 0 | 0 | 16,193,900 | 1,349,500 |
| Farmington | 959,100 | 0 | 29,600 | 0 | 23,400 | 1,012,100 | 84,300 |
| Grosse Pointe Park | 1,414,000 | 0 | 44,300 | 0 | 27,600 | 1,485,900 | 123,800 |
| Melvindale | 1,194,200 | 0 | 36,400 | 0 | 33,100 | 1,263,700 | 105,300 |
| Grosse Pointe Farms | 2,691,600 | 0 | 84,600 | 0 | 225,500 | 3,001,700 | 250,100 |
| M Total | 220,715,800 | 0 | 6,764,900 | 5,775,000 | 5,056,700 | 238,312,400 | 19,859,400 |
| Detroit + Unmetered | | | | | | | |
| Dearborn E. (Storm Only) | 238,800 | 0 | 10,700 | 0 | 729,900 | 979,400 | 81,600 |
| Dearborn N.E. | 1,213,100 | 0 | 58,200 | 0 | 0 | 1,271,300 | 105,900 |
| Grosse Pointe | 727,900 | 0 | 28,200 | 0 | 102,100 | 858,200 | 71,500 |
| Hamtramck | 3,040,400 | 0 | 127,800 | 0 | 713,600 | 3,881,800 | 323,500 |
| Harper Woods | 204,700 | 0 | 7,600 | 0 | 5,700 | 218,000 | 18,200 |
| Highland Park | 4,283,800 | 0 | 146,900 | 0 | 924,000 | 5,354,700 | 446,200 |
| Small Districts | 208,500 | 0 | 5,700 | 0 | 75,300 | 289,500 | 24,100 |
| Detroit (a) | 148,466,900 | 35,725,000 | 0 | 0 | 37,142,500 | 221,334,400 | 18,444,500 |
| D+ Total | 158,384,100 | 35,725,000 | 385,100 | 0 | 39,693,100 | 234,187,300 | 19,515,500 |
| Total | 379,099,900 | 35,725,000 | 7,150,000 | 5,775,000 | 44,749,800 | 472,499,700 | 39,374,900 |
| <i>Suburbs in D+</i> | <i>9,917,200</i> | <i>0</i> | <i>385,100</i> | <i>0</i> | <i>2,550,600</i> | <i>12,852,900</i> | <i>1,071,000</i> |
| <i>Detroit (a)</i> | <i>148,466,900</i> | <i>35,725,000</i> | <i>0</i> | <i>0</i> | <i>37,142,500</i> | <i>221,334,400</i> | <i>18,444,500</i> |

(a) Retail rates for Detroit will still contain fixed and commodity charges.

TFG

THE FOSTER GROUP

PRELIMINARY

11/21/13

EXHIBIT E

ATTACHMENT 2

AGREEMENT TO REVISE CSO PROJECT LIST

11/20/2013

Attachment 2

AGREEMENT TO REVISE CSO PROJECT LIST

THIS SETTLEMENT AGREEMENT ("Agreement") is entered into this ____ day of _____, 2013 by and between the City of Detroit by and through its Board of Water Commissioners, the County of Oakland, acting by and through its Water Resources Commissioner, the County of Macomb, acting by and through its Public Works Commissioner, and the County of Wayne.

RECITALS:

A. WHEREAS that parties entered into a certain rate settlement agreement dated September 1, 2000 (known as the "1999 Rate Settlement Agreement") which deals with allocation of costs for wet weather facilities consistent with the projects identified for construction in the NPDES Permit which was issued to Detroit on July 1, 1997, and estimation and determination of responsibility for infiltration/inflow (unaccounted for flows);

B. WHEREAS the United States District Court has ordered that paragraphs 2, 3, 5, 6, 8, 9, 10, 11, and 13 and Exhibit B of the 1999 Rate Settlement Agreement be incorporated in all of the wastewater services contracts between Detroit and its Tier 1 or wholesale customers. Order to Incorporate Rate Settlements into Wastewater Contracts and Dismiss All Prior Rate Settlements (August 31, 2011), *United States v City of Detroit*, Case No. 77-71100 (dkt #2393);

C. WHEREAS the 1999 Rate Settlement Agreement identified specific past, then-ongoing and future wet weather projects and assigned them to one of four customers classes for cost allocation purposes: Detroit only, common-to-all (wastewater treatment plant improvements), 83% Detroit/17% wholesale customers (new wet weather facilities), and customer-specific. Those projects were set forth in Exhibit B to the 1999 Rate Settlement Agreement;

D. WHEREAS all of the projects on Exhibit B have been completed or have been cancelled as not cost-effective as then formulated;

E. WHEREAS the 1999 Rate Settlement Agreement provides that:

"In the event that DWSJ determines that it is reasonable, appropriate or necessary to construct additional wet weather facilities in the future, suburban customers reserve the right to contest the allocation of costs of such facilities to them."

F. WHEREAS Detroit's NPDES Permit was modified on September 26, 2003 to require construction of certain additional projects not included on Exhibit B as follows:

- Oakwood CSO Basin and Pump Station,
- Oakwood District Sewer Improvements, and
- Belle Isle CSO Basin;

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G. WHEREAS Detroit's NPDES permit was again modified on March 10, 2010 to eliminate the Upper Rouge Tunnel and the Detroit River Outfall ("DRO-2") projects, provided that Detroit identify substitute CSO control facilities for future construction along the Upper Rouge River to control outfalls which were previously slated to be connected to the now-terminated Upper Rouge Tunnel, and to design and construct a new Rouge River Outfall ("RRO-2") at the wastewater treatment plant as a replacement to the now-terminated Detroit River Outfall (DRO-2) project;

H. WHEREAS Detroit's NPDES permit was again modified on June 28, 2011 (the "Existing NPDES Permit") to require the following additional projects, including certain projects not included on Exhibit B for both conventional CSO control facilities and a new Green Infrastructure Program in the Upper Rouge Tributary Area as follows:

- Construction of ten new Conventional CSO Control Facilities along the Upper Rouge to replace the Upper Rouge Tunnel to be completed and placed in service by 2035,
- Implementation of a Green Infrastructure Program in the Upper Rouge tributary area to be completed by 2032,
- Renovation and structural rehabilitation of the Hubbell-Southfield CSO Basin and the Task 1 In-System Storage Gates by 2014, and
- Construction of ten new Conventional CSO control facilities along the Detroit River to be completed and placed in service by 2045;

I. WHEREAS Detroit is negotiating a new NPDES permit for the period 2013-2017 (the "New NPDES Permit") which will include several wet weather projects not included on Exhibit B, of which three projects are to be constructed prior to the expiration of the New NPDES Permit in 2017:

- New Rouge River Outfall (RRO-2) Segment 2,
- Hubbell-Southfield Basin, and
- Task 1 Gate Renovations

J. WHEREAS the wholesale customers have previously informally contested the allocation of cost for certain of the planned Green Infrastructure Program;

K. WHEREAS the parties have now resolved the challenges to the allocation of Green Infrastructure Projects through 2017 and have agreed on the allocation of conventional wet weather projects that are either i) constructed or presently under construction and not included on Exhibit B, ii) included in the Existing NPDES Permit and not yet constructed, or iii) to be constructed pursuant to the New NPDES Permit, and wish to memorialize the resolutions of these issues through this Agreement.

NOW THEREFORE, in consideration of the foregoing and the mutual promises hereafter the parties agree as follows:

1. Status of Wet Weather Projects on Exhibit B to the 1999 Rate Settlement Agreement.

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- (a) All projects on Exhibit B to the 1999 Rate Settlement Agreement are deemed to have been completed or abandoned except to the extent they are identified on Exhibit 1 to this Agreement;
 - (b) To the extent Detroit has incurred capital costs for the facilities on Exhibit B and is incurring operation and maintenance costs, such costs shall be allocated in current and future rates consistent with the allocation established in Exhibit B to the 1999 Rate Settlement Agreement; and
 - (c) Objections to such capital costs are waived and released with prejudice.
2. Wet Weather Projects Not on Exhibit B to the 1999 Rate Settlement Agreement
 - (a) The parties agree that the completed wet weather projects on Exhibit 1a are valid and approved wet weather projects and their capital, operating and maintenance costs shall be allocated as set forth in Exhibits 1a.
 - (b) The parties agree that the wet weather projects now underway and shown on Exhibit 1b are valid and approved wet weather projects and their capital, operating and maintenance costs shall be allocated as shown on Exhibit 1b, subject to Paragraph 3(c) below.
 - (c) The parties agree that the proposed wet weather projects shown on Exhibit 1c are valid and approved wet weather projects and their capital, operating and maintenance cost shall be allocated as shown on Exhibit 1c, subject to Paragraph 3(c) below.
 - (d) The parties agree that Detroit may not allocate to the wholesale customers the capital, operating and maintenance costs of any wet weather project not shown on either Exhibit B to the 1999 Rate Settlement Agreement or Exhibit 1a, b and c until and unless this Agreement and Exhibit 1a, b and c are amended by the parties.
3. Green Infrastructure Program
 - (a) The parties agree that the capital, operating and maintenance costs incurred through June 30, 2017, for green infrastructure wet weather control facilities that 1) are required by the New NPDES Permit, 2) meet the criteria in Paragraphs 3(c)(ii) or (iii) below, and 3) are implemented in the area tributary to the Upper Rouge Tunnel (as defined in Exhibit 2) between July 1, 2010 and June 30, 2017, shall be allocated 83% to the City of Detroit and 17% to wholesale customers. The allocation of these costs among wholesale customers shall be according to the percentages set forth in Exhibit A to the 1999 Rate Settlement Agreement, as Exhibit A may hereafter be amended to address additions or deletions of flow from one or more wholesale customers.
 - (b) To the extent that green infrastructure wet weather control projects are required within the area tributary to the Upper Rouge Tunnel as part of the 2018-2022

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NPDES permit and meet the criteria in Paragraphs 3(c)(ii) or (iii), Detroit, and Wayne and Macomb Counties agree that costs incurred shall be allocated 83% to the City of Detroit and 17% to wholesale customers. Before June 30, 2017, Oakland County agrees to enter into negotiations with regard to the allocation of such costs and with regard to operating and maintenance costs associated with green infrastructure projects implement pursuant to Paragraph 3(a).

(c) Guidelines for Projects Subject to Paragraph 3(a)

The parties agree that the following shall apply to the cost allocation of green infrastructure projects in the New NPDES Permit to be constructed before 2018:

- i. Eaves trough and downspout disconnection projects shall be charged 100% to Detroit:
- ii. The following types of wet weather control projects may be allocated 83%/17% if the specified criteria are met:
 - Demolition of structures if needed to accomplish a specific wet weather control project not consisting entirely of land clearance and involving other elements – e.g., land assembly for a detention pond or drainage swale or tree planting.
- iii. All other types of green infrastructure wet weather control projects may be allocated 83% /17% in all circumstances.

(d) The parties agree to negotiate in good faith with regard to the allocation of costs of any other green infrastructure project included in a future NPDES permit or in the DWSL Capital Improvement Program.

(e) Detroit agrees to comply with New NPDES Permit, Section A(5)(a), “Green Infrastructure (GI) Program – Tributary Area for Rouge River Outfalls.”

(f) Detroit will account for and report to the wholesale customers the actual capital, operating and maintenance costs incurred for green infrastructure on a fiscal year basis and by June 30, 2017 prepare a five-year projection of operating and maintenance costs for the green infrastructure constructed or to be constructed pursuant to the New Permit.

4. Wet Weather Projects to Be Constructed after 2017. Consistent with the 1999 Rate Settlement Agreement, the capital, operating and maintenance costs of wet weather facilities constructed or to be constructed by DWSL in the future and not listed on Exhibit 1 that alleviate combined sewer overflows from Detroit’s wastewater transportation, conveyance and treatment system and that will reduce flows into sewers that contain or will contain wet weather flows generated from both inside and outside the City of Detroit shall be allocated between Detroit and the wholesale customers on a 83%/17% basis. The foregoing does not apply to green infrastructure projects subject to Paragraph 3(b).

- 5. Except as may be modified herein, the wastewater contracts between parties and the surviving rate terms as defined in the Court's Order of August 31, 2011, remain in full force and effect unless such surviving rate terms are amended or modified by a separate agreement.
- 6. Detroit and the three Counties shall amend their wastewater services contracts to incorporate the terms of this Agreement and Detroit shall obtain similar amendments in all of the other wholesale customers' contracts.

MACOMB COUNTY

CITY OF DETROIT

By: Joe M. Conradi
 Its: Director, DWSL

By: *[Signature]*
 Its: CHIEF DEPUTY
 MACOMB COUNTY
 PUBLIC WORKS COMMISSIONER

OAKLAND COUNTY

WAYNE COUNTY

By: _____
 Its: _____

By: *[Signature]*
 Its: ALCO/OS

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- 5. Except as may be modified herein, the wastewater contracts between parties and the surviving rate terms as defined in the Court's Order of August 31, 2011, remain in full force and effect unless such surviving rate terms are amended or modified by a separate agreement.
- 6. Detroit and the three Counties shall amend their wastewater services contracts to incorporate the terms of this Agreement and Detroit shall obtain similar amendments in all of the other wholesale customers' contracts.

MACOMB COUNTY

CITY OF DETROIT

By: _____

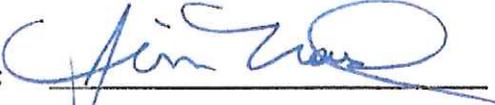
Its: _____

By: _____

Its: _____

OAKLAND COUNTY

WAYNE COUNTY

By:  _____

Its: _____

By: _____

Its: _____

EXHIBIT E

ATTACHMENT 2

EXHIBIT 1

APPROVED WET WEATHER FACILITIES

APPROVED WET WEATHER FACILITIES

| <u>Project Description</u> | <u>Actual Capital Cost</u> | <u>Cost Allocation</u> (Detroit/Suburban) |
|--|----------------------------------|--|
| a. Completed Facilities Not on Exhibit B | | |
| • Belle Isle CSO Basin | \$16.1 M | 100% / 0% |
| • Oakwood CSO Basin & Pump Station (082) | \$168.7 M | |
| a. CSO Basin | TBD | 83% / 17% |
| b. Pump Station | TBD | Common-to-all |
| • Oakwood District Sewer Improvements | \$27.0 M | 100% / 0% |
| • Detroit River Outfall (DRO-2) | \$88.2 M | Common-to-all |
| | <u>Estimated Cost</u> | |
| b. Facilities Under Construction and Not on Exhibit B | | |
| • Rouge River Outfall Segment 1 (RRO-2) | \$14.4 M | Common-to-all |
| • Green Infrastructure (2010-12) (059-069, 072-075, 077, 079) | (Max) \$9.0 M | Para. 3(c) |
| c. Facilities to be Constructed Pursuant to New NPDES Permit | | |
| Facilities to be constructed by 2017: | | |
| • Green Infrastructure (2013-2017) (Outfalls 059-069, 072-075, 077, 079) | \$15.0 M | Para. 3(c) |
| • Rouge River Outfall Segment 2 (RRO-2) | \$91.0 M | Common-to-All |
| • Hubbell-Southfield Basin Renovations, Task 1 Gate Rehab. | \$19.0M | 83% / 17% |
| • In-System Storage Gate Renovation (Outfalls 059, 060, 061, 065, 069, 072, 074) | \$2.0M | 83% / 17% |
| Facilities to be constructed after 2017: | | |
| • Green Infrastructure (2018 -) (Outfalls 059-069, 072-075, 077, 079) | \$26.0 M | TBD |

(End Exhibit E)

**Farmington City Council
Staff Report**
Council Meeting Date:
September 15, 2014

**Reference
Number
(ID # 1674)**
Submitted by: Vincent Pastue, City Manager

Description: City Council Chamber Update

Requested Action:
Background:

The purpose of this agenda item is to provide City Council with an update regarding the Council Chamber renovation. The Council initially authorized up to \$100,000 toward the project from earmarked PEG fees. There has been some additional costs associated with the dais, handicap ramp, and renovation of the Economic and Community Development Director's office. I would recommend that the project budget be increased to \$120,000 based on some of the changes. There is still ample PEG revenues that can be dedicated for this project. Just in case anyone asks, we are not using any tax dollars toward this project. We are targeting to return to the Council Chambers for the October 20 meeting.

Clerk Sue Halberstadt, Treasurer Chris Weber, and council members Steve Schneemann and JoAnne McShane will discuss the project with the remaining council members.

Agenda Review
Review:

Vincent Pastue Pending
City Manager Pending
City Council Pending