

April 28, 2014

The Honorable  
Detroit City Council  
City of Detroit, Michigan

Dear President Jones and Council Members:

Enclosed are suggested resolutions to facilitate approval of the FY 2014/15 Detroit Retail Water Rates and Charges, and FY 2014/15 Detroit Retail Sewage Rates and Charges. The overall system-wide revenue requirements of the water and sewage systems are increasing by 4%. These adjustments reflect the Detroit Water and Sewerage Department's efforts to substantially reduce operating expenses through attrition and innovation. The proposed City of Detroit retail rates are designed to generate approximately 0.4% more revenue for water and 0.5% less revenue for sewage.

Despite these cost control initiatives, there are two matters which cause the proposed retail customer rates to exceed the revenue requirement change noted. The first is due to a trend of lower sales volumes. The second is increased retail bad debt expense. The net effect of these conditions results in a higher per unit cost. In analyzing the rate design and the lower sales volumes, it became evident that the customer class water usage patterns no longer support the continued use of the declining block rate method. Therefore, we are also proposing the water rate become a uniform rate instead of a declining block rate. These items are addressed in the retail rate design. The table below demonstrates the impact of the proposed rates on two sample monthly residential customer bills (Ccf = 100 cubic feet).

	<u>Existing Rates</u>	<u>Proposed Rates</u>	<u>Difference</u>	<u>% Change</u>
	<i>\$/mo</i>	<i>\$/mo</i>	<i>\$/mo</i>	
<u>"Typical" Residential @ 6 Ccf per month</u>				
Water	17.93	19.33	1.40	7.8%
Sewer	47.06	51.34	4.28	9.1%
Total	64.99	70.67	5.68	8.7%
<u>"Large" Residential @10 Ccf per month</u>				
Water	26.22	28.01	1.79	6.8%
Sewer	64.02	69.84	5.82	9.1%
Total	90.24	97.85	7.61	8.4%

The appropriate schedules accompany each resolution.

Waiver of reconsideration is requested.

Thank you in advance for your consideration, and continued support of adequate rates to assure that we can continue to improve water and sewer infrastructure and service within Detroit.

Respectively submitted,



Sue F. McCormick  
Director

Enclosures

## WAIVER OF RECONSIDERATION REQUESTED

BY COUNCIL MEMBER \_\_\_\_\_

**RESOLVED** that the foregoing Schedule of FY 2014/15 Detroit Retail Water Rates and Charges, become effective July 1, 2014 on all bills rendered on or after August 1, 2014 be and is hereby approved, and **BE IT FURTHER**

**RESOLVED** that the Detroit Water & Sewerage Department has the authority to resolve any rate related matters pursuant to the Schedule of Water Rates and Charges in the best interest of the City of Detroit.

**WATER SUPPLY SYSTEM  
 PROPOSED FY 2014-15 SCHEDULE OF COMPARATIVE  
 DETROIT RETAIL WATER RATES**

	Proposed <u>Rates</u> \$
A. Per 1,000 Cubic Feet of Water	21.71
B. Monthly Meter Charge (\$/month)	
Meter Size in Inches:	
5/8	6.30
3/4	9.46
1	15.76
1 1/2	31.52
2	50.43
3	100.87
4	157.60
6	315.19
8	504.31
10	724.95
12	977.10
14	1,355.34
16	1,796.62
18	2,130.72
20	2,603.52
24	3,782.35
30	5,673.52
36	7,564.68
48	11,347.04
60	15,129.39
C. Monthly Private Fire Line Charge (\$/month)	
Meter Size in Inches:	
< 4	152.00
6	306.56
8	496.93
10	721.78
12	983.71

**WATER SUPPLY SYSTEM  
 PROPOSED FY 2014-15 SCHEDULE OF COMPARATIVE  
 SUBURBAN INDIVIDUAL RETAIL WATER RATES**

	Proposed <u>Rates</u> \$
A. Per 1,000 Cubic Feet of Water	27.57
B. Monthly Meter Charge (\$/month)	
Meter Size in Inches:	
5/8	7.51
3/4	11.28
1	18.79
1 1/2	37.59
2	60.15
3	120.30
4	187.97
6	375.93
8	601.49
10	864.64
12	1,165.38
14	1,616.50
16	2,142.81
18	2,541.29
20	3,105.19
24	4,511.17
30	6,766.77
36	9,022.35
48	13,533.53
60	18,044.70
C. Monthly Private Fire Line Charge (\$/month)	
Meter Size in Inches:	
< 4	152.00
6	306.56
8	496.93
10	721.78
12	983.71

## WAIVER OF RECONSIDERATION REQUESTED

BY COUNCIL MEMBER \_\_\_\_\_

**RESOLVED** that the foregoing Schedule of FY 2014/15 Detroit Retail Sewage Rates and Charges, become effective July 1, 2014 on all bills rendered on or after August 1, 2014 be and is hereby approved, and **BE IT FURTHER**

**RESOLVED** that the Detroit Water & Sewerage Department has the authority to resolve any rate related matters pursuant to the Schedule of Sewage Rates and Charges in the best interest of the City of Detroit.

**SEWAGE DISPOSAL SYSTEM  
PROPOSED FY 2014-15 SCHEDULE OF COMPARATIVE  
RETAIL SEWAGE RATES**

	Proposed <u>Rates</u> \$
A. Per 1,000 Cubic Feet of Normal Strength Sewage	46.26
B. Per Bill	5.47
C. Monthly Drainage Charge (\$/month)	
(1) Residential:	
5/8" through 2" Meters	18.11
3" through 48" Meters	169.55
(2) Non-Residential:	
5/8" through 1" Meters	18.11
1 1/2" through 48" Meters	169.55
(3) Non-Residential - Per Acre:	
Class 1	133.44
Class 2	290.43
Class 3	486.66
Class 4 (Standard)	565.17
Class 5	686.83
(4) Right-of-Way - Per Acre:	
State (MDOT)	124.19
County	124.19
D. Suburban Individual per 1,000 Cubic Feet of Normal Strength Sewage (a)	50.95

(a) - Rate computed as 110.8 % of Detroit rate.

**SEWAGE DISPOSAL SYSTEM  
PROPOSED FY 2014-15 SCHEDULE OF  
NON-RESIDENTIAL METER SERVICE CHARGES**

Meter <u>Size</u> inches	Proposed <u>Charge</u> \$/mth
5/8	9.04
3/4	13.56
1	22.60
1 1/2	49.72
2	72.32
3	131.08
4	180.80
6	271.20
8	452.00
10	632.80
12	723.20
14	904.00
16	1,084.80
18	1,265.60
20	1,446.40
24	1,627.20
30	1,808.00
36	1,988.80
48	2,169.60

**SEWAGE DISPOSAL SYSTEM  
PROPOSED FY 2014-15 SCHEDULE OF SURCHARGE RATES**

<u>Pollutant</u>	<u>Proposed Rates</u>
BIOCHEMICAL OXYGEN DEMAND (BOD) for concentrations exceeding 275 mg/l - \$/lb	0.502
TOTAL SUSPENDED SOLIDS (TSS) for concentrations exceeding 350 mg/l - \$/lb	0.509
PHOSPHORUS (P) for concentrations exceeding 12 mg/l - \$/lb	7.508
FATS, OILS, AND GREASE (FOG) for concentrations exceeding 100 mg/l - \$/lb	0.483
SEPTAGE DISPOSAL FEE Per 500 gallons of disposal - \$	45.00



April 28, 2014

The Honorable  
Detroit City Council  
City of Detroit, Michigan

Dear President Jones and Council Members:

Attached for your consideration and approval, is an official resolution to schedule the City Council Public Hearing on FY 2014/15 proposed Detroit retail water and sewage rates for Tuesday, May 13, 2014 at 6:00 p.m. in the 13<sup>th</sup> Floor Auditorium of the Coleman A. Young Municipal Center.

A waiver of reconsideration is requested, and we thank you in advance for your consideration and assistance.

Respectfully submitted,



Sue F. McCormick  
Director

Enclosure

**BY COUNCIL MEMBER** \_\_\_\_\_

**RESOLVED**, the Detroit Water and Sewerage Department requests that the City Council Public hearing on proposed FY 2014/15 Detroit retail water and sewage rates be scheduled on Tuesday, May 13, 2014 at 6:00 p.m. in the City Council Auditorium.