

Bloomfield Township Newsletter *Special Edition*

PROPOSED WATER RATES FOR 2008

Many Bloomfield Township residents are aware that water rates for 2008 will rise. This newsletter is being mailed to you in an attempt to provide the background you need to be well-informed about the cost of the water you use every day.

The topic is complex and the expla-

nation is long. The Bloomfield Township Board of Trustees, however, felt that it was important to give residents as much information as possible.

Please read this newsletter. It includes a background summarizing the development of our water system, a discussion about alternatives for get-

ting our water, a breakdown of water rates, an explanation of the Township's efforts to contain costs, and finally, suggestions that you can follow that may help reduce your water bill.

The proposed rates become effective after July 1, 2008. There is more information on the Township's website, www.bloomfieldtwp.org.

Background

Until 1963, Bloomfield Township operated twenty-one subdivision groundwater supply systems (wells) throughout the Township. As the Township's population grew, the Board of Trustees realized that the existing wells would not be able to provide the quality and quantity of water to meet the projected demands of the community. At the same time, the City of Detroit expanded its water supply system to the Township's boundaries. Township officials determined that connection to Detroit's system would be the most viable source of water for Township residents.

To begin to distribute water from the Detroit Water and Sewerage Department (DWSD), Bloomfield Township constructed several miles of water mains to transmit 600 million gallons of water annually to serve the

3,300 households connected to the existing well systems. Today, the Township owns and operates more than 300 miles of water mains that deliver more than 2.5 billion gallons of water annually to 16,000 property owners each year. Our water usage is nearly seven million gallons of water per day, or four times greater than the usage in 1963.

Q. What Are Our Alternatives for Getting Water?

DWSD supplies water to most communities throughout this region. It obtains water from Lake Huron and distributes it from there to its municipal customers. In the face of steadily increasing rates imposed by DWSD, Bloomfield Township has explored several different alternatives for obtaining water over the years. A summary of our studies follows. Unfortunately, these options have been found to lack viability.

1. New Water System Feasibility Study: Lake St. Clair

In 2004, Bloomfield Township participated in an engineering study with more than 20 other communities served by DWSD to determine the



feasibility of building a separate water treatment plant and distribution system to serve the region. The study concluded that a new treatment plant off Lake St. Clair and a distribution system to serve those communities (located in Wayne, Macomb and Oakland counties) could be built, but, at a cost of \$1.425 billion.

This estimated cost was just for construction and did not include ongoing costs for operating the treatment plant or system. The Township would have had to invest, as its share, more than \$35 million. Building the new system would require the Township to increase its water rate significantly to fund the project and would be more costly than staying with the DWSD water supply system, even with the recent water rate increases.

Please see *Alternatives* on page 2



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- Breakdown of Water Rates
- Cost Containment
- What can you do?

What are Our Alternatives for Getting Water?

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2. Southeastern Oakland County Water Authority (SOCWA)

SOCWA was established in 1953 to obtain water from DWSD for several communities in Oakland County that are relatively close to Detroit. It is now a consortium of 11 communities. Each community, after purchasing water from DWSD through SOCWA, builds, operates and maintains its own distribution system.

In 1953, Bloomfield Township had very few homes. Wells served as the water supply for many of the existing subdivisions and there was no need to join forces with SOCWA. Today, Bloomfield Township buys its water directly from DWSD and has its own water distribution infrastructure.

Becoming a member of SOCWA, assuming Detroit

and SOCWA members approve, would require the Township to:

- Pay a sizeable fee to join,
- Contribute additional funds to SOCWA for its existing infrastructure.
- Build our own water storage facilities, including above-ground tanks.
- Provide for extra facilities to ensure sufficient water pressure and flow.

The Township's primary source of water would still be DWSD and we would still be subject to DWSD rates without direct representation, as SOCWA would be the DWSD customer and not the Township.

The Township officials have reviewed this potential and while we believe no real cost savings are available, this option along with other possible scenarios will continue to be evaluated along with DWSD's rate/cost allocation setting process to ensure the

Township's residents are receiving the high quality water they have come to expect at the most reasonable costs.

3. Create Our Own Water System

Until 1963, Bloomfield Township operated wells serving multiple subdivisions. As the Township's population grew, the quantity and quality of water from our groundwater supplies became inadequate and Township officials recognized the need to find another source. Bloomfield Township turned to DWSD for water and invested in its own comprehensive water supply system to meet the needs of the residents and businesses in the community.

Bloomfield Township households and businesses use approximately 7 million gallons a day, with peak flows that sometimes exceed three times



this amount during the summer months. The creation of an independent water system within the Township would require wells, above-ground and ground-level storage tanks, and pumps sufficient to meet these demands. The water source would be our own ground water and would need to meet all the federal and state regulations for treatment and testing.

Creating our own water system would seriously impact our water table. We would incur capital costs to construct the system, and long-term operational costs of managing the wellheads and pumping stations. Therefore, this is not a viable alternative.

What is the Township Doing to Contain Costs?

Working with DWSD

In 2003, Bloomfield Township teamed up with all other DWSD customers and formed a Technical Advisory Committee (TAC) to work with DWSD on basic issues such as rates, contracts, operating pressures, emergency preparedness, public education, capital improvements, and customer service. In response to TAC, DWSD developed a long-term model contract for wholesale customers to consider.

Over the past two years Bloomfield Township has pre-

sented many beneficial technical and legal options. DWSD has considered some of these, but will not address others in its model contract. Presently, Bloomfield Township is in the final phase of negotiating a new contract with DWSD. As with all DWSD contracts, however, the methodology of rate determination will not be included. DWSD has sole discretion on determining water rates.

Keeping the Township's Costs Low

Bloomfield Township has always managed the local

water system at the lowest cost possible. The Township's annual expenditures of approximately \$2,000,000 cover the staffing, billing, equipment, materials, utilities, fuel, capital improvement, and engineering costs necessary to operate, maintain and replace the system. In comparison with other communities, Bloomfield Township has one of the lowest additional costs added to DWSD's charges in the final retail rate for customers.

Educating Our Residents

Over the years, Bloomfield Township has been very

proactive in providing detailed information to residents about water and sewer rates, water conservation, secondary water meters, and other water and sewer services. A comprehensive annual water quality report is mailed to every household in June of each year. Additionally, the Township has mailed special notices and printed articles in the Township quarterly newsletters. The Township's website, www.bloomfieldtwp.org, has a full range of information and the Water Division has produced several television programs on our local cable station.

Bloomfield Township households and businesses use approximately 7 million gallons of water per day, with peak flows that sometimes exceed three times this amount during the summer.

Breaking down our water rate charges

Bloomfield Township's retail customers currently are charged \$3.60 for every 1000 gallons of water they use. This revenue covers the following costs:

- Charges from DWSD,
- The Township's operations and maintenance,
- The Township's Water Capital Improvement Program.

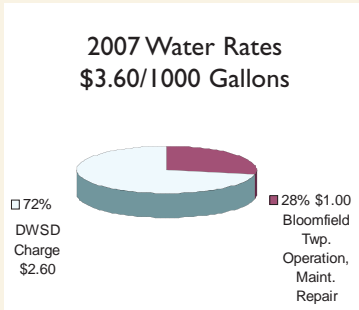
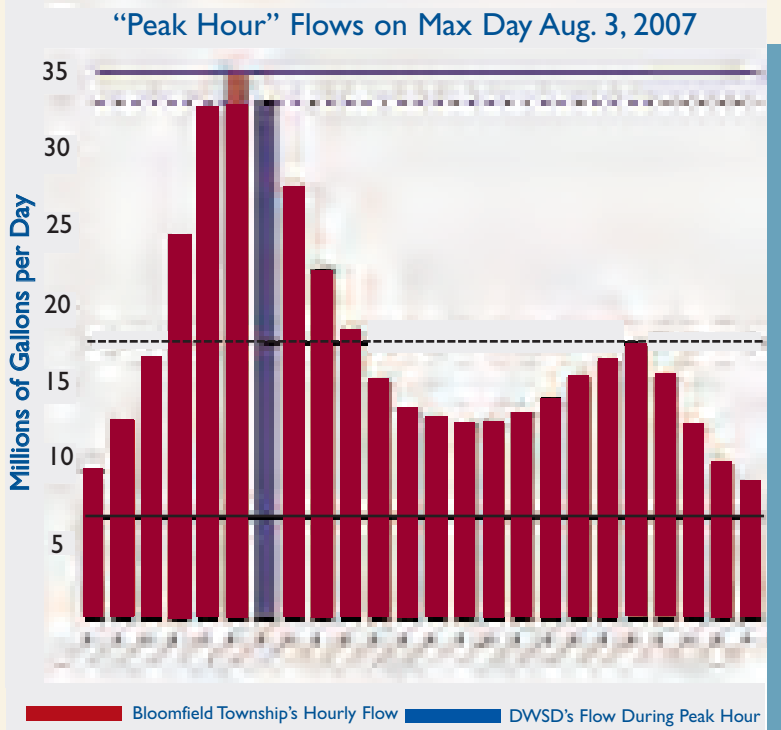
tional and maintenance costs to distribute water within Township boundaries. In addition, the Township funds a water and sewer capital improvement program which assures the water system's continued reliability.

As the chart shows, 28% of a customer's bill stays in the Township to cover its own expenses. This percentage is comparable to, and in many cases lower than, the percentage charged by neighboring communities.

Change in Methodology for DWSD's 2008 Rates

The proposed 2008 rates are based upon a different method of calculation than what has been used previously. Until now, DWSD calculated Bloomfield Township's water rate at an hour when DWSD's water demand was at its peak and on a day when its system at large was at its maximum demand. This was not necessarily the same time as the Township's highest usage. Therefore, the Township's peak hours were not reflected in the calculated rate.

For 2008, DWSD proposes to calculate its charges to the Township at the time of the Township's peak demand, not DWSD's. This is because it costs more to deliver water to municipal customers during DWSD's high demand periods. This method is being applied to all communities that DWSD provides water to meet communities' peak hour demands. Therefore, when households and business



DWSD Charges

The DWSD charges for water are based upon the following criteria:

- The Township's average daily water use,
- The Township's water usage on DWSD's maximum usage day (max day),
- The specific hour the Township's usage reaches its maximum (peak hour) during DWSD's max day,
- The distance and elevation the water must be pumped to reach the Township,
- The number of DWSD's master metered connections to the Township's water distribution system.

As you can see on the chart, these factors total 72% of the cost of your water and go directly to the City of Detroit.

Bloomfield Township's Charges

Bloomfield Township must add to the amount charged by DWSD to cover its own opera-

increase their usage during traditionally peak hours, the cost of our water rises.

What "Peak Hour" Means to Bloomfield Township

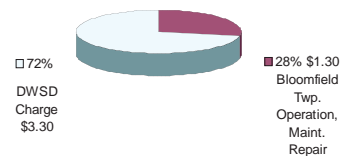
Based on the previous calculation method and using actual water flow data, Bloomfield Township's overall water usage increased just 1% over the year before on DWSD's maximum usage day (August 3, 2007). However, during that day's specific peak hour, 6:00 AM to 7:00 AM, the Township's usage increased by 38%. This type of usage leads to a 27% increase in rates proposed for 2008. *The peak hour demand represents more than 54% of our total 2008 proposed water rate.*

Bloomfield Township's 2008 Rates

Bloomfield Township proposes to hold its costs at 28%

of a customer's total water bill. This is equivalent to \$1.30 for every 1000 gallons of water used. Like every other business, private or public, our expenses for operating and improving the water system are rising. We must maintain more than 300 miles of underground pipes and structures necessary for delivering water. We must meet the same federal and state regulatory requirements that DWSD adheres to. Capital improvements are necessary to improve the aging system and to meet these regulatory standards.

Proposed 2008 Water Rates \$4.60/1000 Gallons



BLOOMFIELD TOWNSHIP

4200 TELEGRAPH ROAD
 PO BOX 489
 BLOOMFIELD HILLS MI 48303-0489
 www.bloomfieldtwp.org

U.S. Postage
 PAID
 Bloomfield Twp, MI
 Permit No. 40

second line of barcode *****5 DIGIT 91155
 keyline jklk;lklooooooooooooo
 Attn Postal Customer
 ABC Company
 123 Main Street
 Bloomfield Township, MI 48303-0489

The water rate charged to Bloomfield Township is affected by the way the end users – the homeowners and the business establishments – use water.

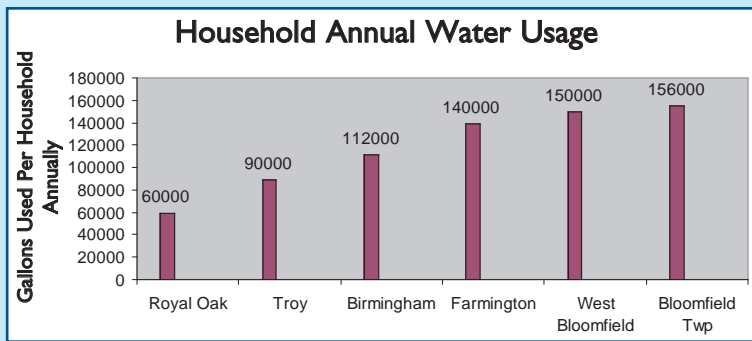
What Can Residents Do?

The water rate charged to Bloomfield Township is largely dependent upon the way the end users – the homeowner and the business establishment – use water. To contain the rise in water costs as much as possible, individuals must take responsibility for conserving water and using water differently than they have in the past.

Bloomfield Township’s water usage, compared to neighboring communities, is high. This high usage drives up the charges

from DWSD. The chart shows how our average household annual water usage, measured in gallons, compares to usage in nearby communities. The Township purchases 2.5 billion gallons of water annually. Each day, 7 million gallons of drinking water are delivered to 16,000 customers. Decreasing the amount of water we use, along with using less of it during peak hours on high-use days, would help lower the rates charged by DWSD.

More than 65 % of the Township’s water usage occurs during summer months. To



lower costs, outside water usage must be managed differently. Doing so would lower the Township’s maximum daily and peak hour water demands, ultimately lowering the rate charged by DWSD. Reduction of water usage during peak demand periods, in addition to lowering costs, would also provide better reliability of the system’s operating pressures for fire prevention. To do your part, follow these tips:

Do Not sprinkle your lawn during hours of peak demand: 5 a.m. – 10 a.m. and 5 p.m. – 10 p.m.

■ **Do Not** water lawns more than every other day. Homeowners with addresses ending in odd numbers should water outdoors only on odd numbered calendar days.

■ **Water wisely.** Generally, your

lawn needs about an inch of water a week.

■ **Adjust your aim.** Adjust your sprinklers to water only your lawn and plants—not your driveway, sidewalk, or street.

■ **Use mulch.** Place a thick layer of mulch (e.g., four inches) around trees and plants.

■ **Sweep it.** Clean sidewalks and driveways with a broom instead of a hose.

■ **Put rainwater to work.** Direct downspouts toward your plants and green areas or collect water with rain barrels for use later.

■ **Mow high.** Longer grass has deeper roots and requires less water.

■ **Check faucets and toilets for leaks.** Leaking toilets can waste up to 200 gallons each day.

