

EXPLANATION OF WATER/SEWER RATE METHODOLOGY CHANGES EFFECTIVE JULY 1, 2009

The City of Grosse Pointe uses a combined water and sewer rate for customer billing. The City's consumable water is supplied by the City of Grosse Pointe Farms and sewage processing is completed through the City of Detroit Sewage system. The City has been approved for a low interest loan from the State of Michigan under the State Revolving Fund (SRF) Program for the City's Neff Road Pump Station Improvement project.

To comply with State of Michigan requirements for receipt of SRF funds, the City had to adopt a new method for computing water and sewer rates. One of the main changes is that minimum bills based on water consumption are not allowed under the SRF requirements.

Under the new rate structure, effective July 1, 2009, customers will be billed a readiness to serve charge and debt service charge based on meter size, along with a commodity charge based on actual water consumed. The new rate structure also provides for the collection of industrial damage control charges which would be applied to all industrial customers.

In addition to the new format for computing and formatting water and sewer charges on each bill, in order to continue to provide the same level of service to our residents and fund anticipated capital improvements, the City approved a rate increase effective July 1. On average, the overall rate increase calculates to about 9% across all customers. The cost of water from Grosse Pointe Farms increased 8.6% and Detroit sewage rates increased 8.8%. Under the new rate system's methodology, the impact on residents will vary above or below that amount depending on the size of their meter and usage. The proposed rate will not only give the City the ability to recover the increase in the cost of water and sewage services supplied to customers, but also allow the City to continue to make capital improvements to the system.

The water/sewer bills now have a detailed breakout of the different parts of the charge for services. In addition to the charge for commodity usage per reading, the bill also may include some or all the following components:

RS - Ready to Serve Charge is a flat quarterly fee for fixed charges related to the operation of the water and sewer system. Examples include meter reading, billing expenses, administrative, insurance costs and the fixed monthly charge that the City receives from DWSD for the storm and sanitary components.

DS - Debt Service Charge - The City of Grosse Pointe has received a State Revolving Fund Loan for upgrades to the Neff Road Pump Station. This charge is required to repay the annual principle and interest charges for the loan

IW - Industrial Waste Charge - This is a pass through charge from the DWSD for all non-residential customers. DWSD adopts IWC charges to operate and maintain a monitoring program to protect its system.

ID - Industrial Damage Control Charge - All Industrial premises connected to the public water/sewer system are charged this flat quarterly fee based upon meter size. This item is intended to cover additional operations and maintenance costs associated with Industrial accounts.

Recycling - This charge reflects the cost of the weekly curbside recycling pickup and processing.

Carts - This is a temporary charge for the cost of purchasing and distributing large recycling bins