

# CITY of NOVI CITY COUNCIL

**Agenda Item D**  
**November 22, 2010**

**SUBJECT:** Adoption of a Resolution to approve Amendment No. 1 to the Water Service Contract with the Detroit Water and Sewerage Department based on improvements in the City's maximum day and peak hour usage performance.

**SUBMITTING DEPARTMENT:** Department of Public Services, Water and Sewer Division

**CITY MANAGER APPROVAL:** *[Signature]* *R24* *[Signature]*

<b>ESTIMATED ANNUAL EXPENDITURES</b>	<b>\$7,000,000 (OFFSET BY USER CHARGES)</b>
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**BACKGROUND INFORMATION:**

In June 2009, the City of Novi approved a new contract with the Detroit Water and Sewerage Department (DWSD) to provide potable water to our community. Part of the 30-year agreement requires periodic reviews and negotiations to adjust key water use parameters in the contract that are ultimately used to determine bulk water rates. Specifically, actual data from the first two years of the contract are used to adjust the original contract's values for annual volume, maximum day flow rate and peak hour flow rate. Based on the City's successful and aggressive water management program begun in 2008, we have experienced a reduction in each of these categories, most notably the peak hour flow rate:

Parameter	Original Contract Value	Amendment No. 1 Value
Projected Maximum Volume (MCF)	325,000	281,800
Maximum Day Flow Rate (MGD)	18.57	17.30*
Peak Hour Flow Rate (MGD)	34.53	25.50*

\* Values shown for 2011 only. Amendment No. 1 values proposed for 2012 and 2013 are lower.

In order to incorporate these lower values in the 2011-2012 rate calculations, it is necessary to amend the contract before the end of this calendar year.

The City's water contract negotiation team met with DWSD on October 14, 2010 to discuss Exhibits A and B of the contract, which contain requirements for maintenance responsibilities and pressure/flow/volume, respectively. At this meeting, City representatives agreed to minor corrections to the Exhibit A details for meter locations and external/emergency water connections to the City of Novi. The City's water rate consultant, OHM, developed the values for Exhibit B based on historical values and the success of the summer water management and education program (see OHM's November 2, 2010 memorandum, attached), and DWSD representatives concurred with these values.

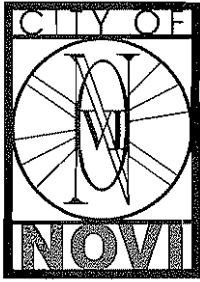
The City Attorney's office has favorably reviewed the contract amendment (see Beth Kudla's November 3 and November 11, 2010 letters, attached).

Our shared goal with DWSD through the contract is to focus on providing water services to meet the demands of our community in the most efficient and economic way possible and with the least amount of rate volatility. Incorporating lower volume/flow values into the contract will help the City of Novi to secure the lowest possible bulk water rate beginning July 1, 2011 through the next periodic review slated for late 2013.

**RECOMMENDED ACTION:** Adoption of a Resolution to approve Amendment No. 1 to the Water Service Contract with the Detroit Water and Sewerage Department based on improvements in the City's maximum day and peak hour usage performance.

	1	2	Y	N
<b>Mayor Landry</b>				
<b>Mayor Pro Tem Gatt</b>				
<b>Council Member Crawford</b>				
<b>Council Member Fischer</b>				

	1	2	Y	N
<b>Council Member Margolis</b>				
<b>Council Member Mutch</b>				
<b>Council Member Staudt</b>				



## RESOLUTION OF APPROVAL

### AMENDMENT NO. 1 TO WATER SERVICE CONTRACT

#### CITY COUNCIL

Mayor  
David B. Landry

Mayor Pro Tem  
Bob Gatt

Terry K. Margolis

Andrew Mutch

Kathy Crawford

Dave Staudt

Justin Fischer

City Manager  
Clay J. Pearson

Director of Public Services/  
City Engineer  
Rob Hayes

**WHEREAS,** the City of Detroit owns and operates a public water supply system that supplies potable water to the City of Novi; and,

**WHEREAS,** on June 1, 2009, the City of Novi approved a Water Service Contract with the City of Detroit that reflects the terms and conditions governing the purchase and delivery of potable water; and,

**WHEREAS,** the Water Service Contract provides a means for all customers to have a long-term supply of potable water that meets or exceeds State of Michigan and federal regulatory requirements for drinking water quality and safety, and at the lowest reasonable rates; and,

**WHEREAS,** the proposed Amendment No. 1 to the Water Service Contract adjusts three parameters (annual volume, maximum day usage and peak hour usage) to reflect a better estimate of actual usage; and,

**WHEREAS,** the reduction in annual volume, maximum day usage and peak hour usage reflected in Amendment No. 1 will help the City of Novi to secure the lowest reasonable bulk water rate beginning July 1, 2011; and

**WHEREAS,** Article 15 of the Water Service Contract permits the parties to amend the Water Service Contract by mutual agreement.

**NOW THEREFORE BE IT RESOLVED** that the City Council of the City of Novi requests that the terms of the Water Service Contract with the City of Detroit define and include Amendment No.1.

#### CERTIFICATION

I, Maryanne Cornelius, duly appointed Clerk of the City of Novi, do hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council of the City of Novi at a Regular meeting held this 22nd day of November, 2010.

Department of Public Services  
Field Services Complex  
26300 Delwal Drive  
Novi, Michigan 48375  
248.735.5640  
248.735.5659 fax

cityofnovi.org

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Maryanne Cornelius  
City Clerk



CITY OF DETROIT  
LAW DEPARTMENT

660 WOODWARD AVENUE  
1650 FIRST NATIONAL BUILDING  
DETROIT, MICHIGAN 48226-3535  
PHONE: 313-224-4550  
FAX: 313-224-5505  
WWW.CI.DETROIT.MI.US

November 9, 2010

City Clerk  
City of Novi  
45175 West Ten Mile Road  
Novi, Michigan 48375

RE: Water Service Contract Amendment

Dear City Clerk:

Enclosed please find two originals of the Amendment No. 1 to Water Service Contract Between City of Detroit and City of Novi. Please ensure that:

1. Each of the two original Amendments enclosed are executed by the appropriate person(s);
2. The date on which your legislative body approved the contract is entered on the signature page;
3. Both original Amendments are returned to my attention;
4. A copy of your legislative body's resolution or other similar certification evidencing approval of the Amendment accompanies the documents; and
5. The original documents are not stapled.

Once the Detroit Board of Water Commissioners and the Detroit City Council approve the Amendment, I will return one fully executed, original Amendment to your attention. Please note that this process will take several months to complete.

Should you have any questions regarding these matters, please contact me at your convenience at 313-237-5032.

Sincerely,

Laurie A. Koester  
Assistant Corporation Counsel

Enclosure

cc: DPS Director, 26300 Dewal, Novi, MI 48375

**AMENDMENT NO. 1 TO WATER SERVICE CONTRACT  
BETWEEN  
CITY OF DETROIT  
AND  
CITY OF NOVI**

This Amendment Agreement No. 1 ("Amendment") is made between the City of Detroit, a municipal corporation, by its Water and Sewerage Department and Board of Water Commissioners (the "Board"), and the City of Novi, a municipal corporation ("Customer"). The Board and Customer are collectively referred to as the "Parties".

Whereas, the City of Detroit owns a public water supply system ("System") operated by the Board; and

Whereas, on July 21, 2009, the Parties entered into a Water Service Contract ("Contract") reflecting the terms and conditions governing the delivery and purchase of potable water; and

Whereas, the purpose of the Contract is to provide for the long-term service of potable water to Customer; and

Whereas, Article 15 of the Contract permits the Parties to amend the Contract by mutual agreement; and

Whereas, it is the mutual desire of the Parties to enter into this Amendment to amend the Contract as set out in detail in the following sections; and

**ACCORDINGLY, THE PARTIES AGREE AS FOLLOWS:**

1.01 Section 3.01 of the Contract is amended by deleting the existing language and substituting the following language in its place:

Early Termination Costs. In addition to any other remedies provided for by law or by the terms of this Contract, Customer shall be liable to the Board for the payment of any costs incurred by the Board related to providing water to Customer in the event Customer terminates this Contract before the conclusion of a Contract Term ("Early Termination Costs"), unless Customer terminates this Contract for cause in accordance with Article 10; provided, however, that payment of such Early Termination Costs by Customer shall not entitle Customer to receive water service from the Board.

2.01 A new Section 3.05 shall be added as follows:

Customer Annexation or Consolidation. In the event the territory of Customer is annexed or consolidated with another Michigan municipal corporation and if said municipal corporation is a current customer of the Board, then such an annexation or consolidation shall not be construed as an early termination of this Contract and this Contract shall be voided upon the approval of a new or amended water service contract with the annexing or consolidating municipal corporation.

- 3.01 Section 5.01 of the Contract is amended by deleting the existing language and substituting the following language in its place:

Pressure Range. The Board shall use its best efforts to deliver water at the Water Distribution Points at a pressure range ("Pressure Range") adequate to meet the reasonable requirements of Customer. For purposes of evaluating this effort, water pressure shall be determined by reviewing the average hourly pressure measured from top-of-the-hour to top-of-the-hour (e.g. 7:00 a.m. to 8:00 a.m.). The Pressure Range to be provided by the Board to Customer's Water Distribution Points is specified in Exhibit B. The location at which the water pressure will be measured shall be specified in Exhibit A and identified as point "P". A Pressure Range will not be established for water meters that are not located on a DWSD transmission main, or which are located on a DWSD transmission main and are downstream of and subject to the flow demands of a water meter for another Board customer.

- 4.01 Section 5.10 of the Contract is amended by deleting the existing language and substituting the following language in its place:

Customer Costs for Corrective Action Plan. If at any time Customer is required under the terms of this Article 5 to develop and implement a corrective action plan, Customer shall be so informed in writing and Customer will pay all costs related to the corrective action plan.

- 5.01 Section 18.02 of the Contract is amended by deleting the existing language and substituting the following language in its place:

Relocation of Facilities. Should future construction by any city, township, village, or county require relocation of a water transmission main, Meter Facility or other Board facility, the cost incurred by the Board for such relocation, if not reimbursed by the entity requiring the relocation, will be charged in future rates as a common-to-all cost to all System users.

- 6.01 Section 18.03 of the Contract is amended by deleting the existing language and substituting the following language in its place:

Easements. Subject to the provisions of Section 18.01 herein and to the extent that Customer has jurisdiction, the Board 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, including the relocation of water transmission mains, Meter Facilities or other Board facilities. This consent by Customer is given in compliance with Article 7, Sec. 29 of the Michigan Constitution of 1963, provided that the Board shall provide Customer with a written explanation of the type of easement required and the duration thereof.

7.01 Section 23.05 of the Contract is amended by deleting the existing language and substituting the following language in its place:

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.

8.01 Exhibit A of the Contract is amended by deleting the existing document and by substituting the attached First Amended Exhibit A in its place.

9.01 Exhibit B of the Contract is amended by deleting the existing document and by substituting the attached First Amended Exhibit B in its place.

10.01 With the exception of the provisions of the Contract specifically contained in this Amendment, all other terms, conditions and covenants contained in the Contract shall remain in full force and effect and as set forth in the Contract.

11.01 This Amendment to the Contract shall be effective and binding upon the Parties when it is signed and acknowledged by the duly authorized representatives of both Parties, is approved by Customer's governing body, and is approved by the Board and the Detroit City Council.

(Signatures appear on next page)

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

**City of Novi:**

By: \_\_\_\_\_  
David Landry  
Its: Mayor

By: \_\_\_\_\_  
Maryanne Cornelius  
Its: City Clerk

**City of Detroit:**

By: \_\_\_\_\_  
Dave Bing  
Its: Mayor

APPROVED BY  
NOVI CITY COUNCIL ON:

\_\_\_\_\_  
Date

APPROVED BY DETROIT  
BOARD OF WATER COMMISSIONERS ON:

\_\_\_\_\_  
Date

APPROVED BY  
DETROIT CITY COUNCIL ON:

\_\_\_\_\_  
Date



FIRST AMENDED EXHIBIT A

Customer's Water Distribution Points

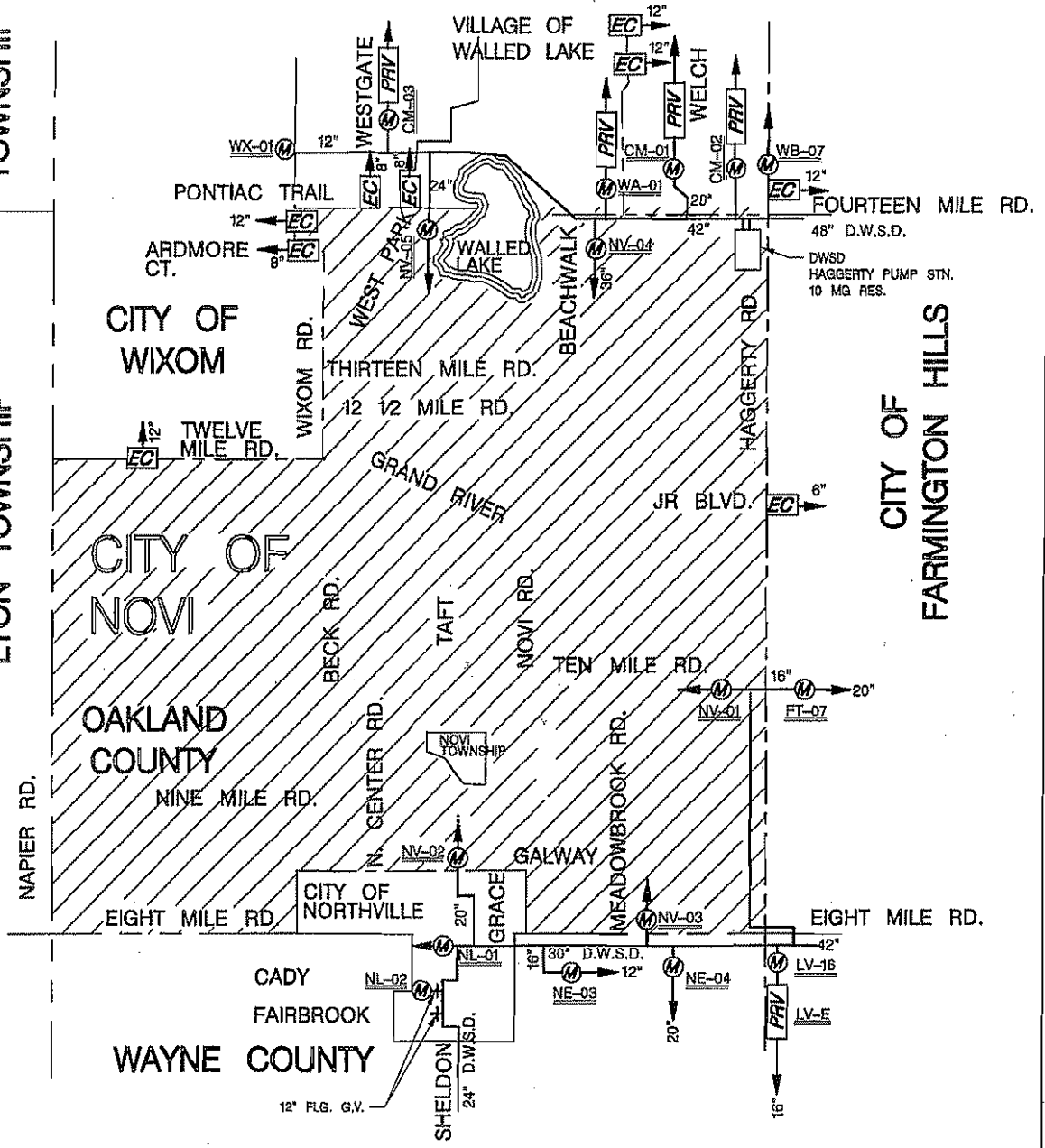
This Exhibit contains the following information:

1. The corporate limits of Customer;
2. The agreed upon water Service Area of Customer which (a) may or may not be entirely within the corporate limits of Customer and (b) which may or may not include the entire area within the Customer's corporate limits;
3. The specific location of the Water Distribution Points, including any Board approved emergency connections;
4. The designation of appurtenances to be maintained by Customer and those to be maintained by the Board; and
5. A list of any closed meter locations.

COMMERCE TOWNSHIP

MILFORD TOWNSHIP

LYON TOWNSHIP



LEGEND

SYMBOL	DESCRIPTION
(M)	DWSD METER PIT
PRV	PRV
EC	EMERGENCY CONNECTION

SYMBOL	DESCRIPTION
[Hatched Box]	SERVICE AREA
—	CITY-TWP LINE
—	CITY OR TWP. LINE



R.M.A.	MAY 15, 1990
A.C.	JULY 1990
T.E.W.	JANUARY 1992

EXHIBIT-A

SERVICE AREA LOCATION MAP

CITY OF NOVI

## EXHIBIT A

### City of Novi Emergency Connections:

#### Connection to Farmington Hills

6" GV&W at the intersection of Haggerty Road and JR Blvd

#### Connection to Walled Lake

8" GV&W at the intersection of Fourteen Mile Road and Beachwalk Drive

8" GV&W at the Windward Bay condominiums

#### Connection to Wixom

8" GV&W at the intersection of Beck Road and Ardmore Court

12" GV&W on Beck Road at Shoppes At The Trail

12" GV&W on Twelve Mile Road near Pinewood

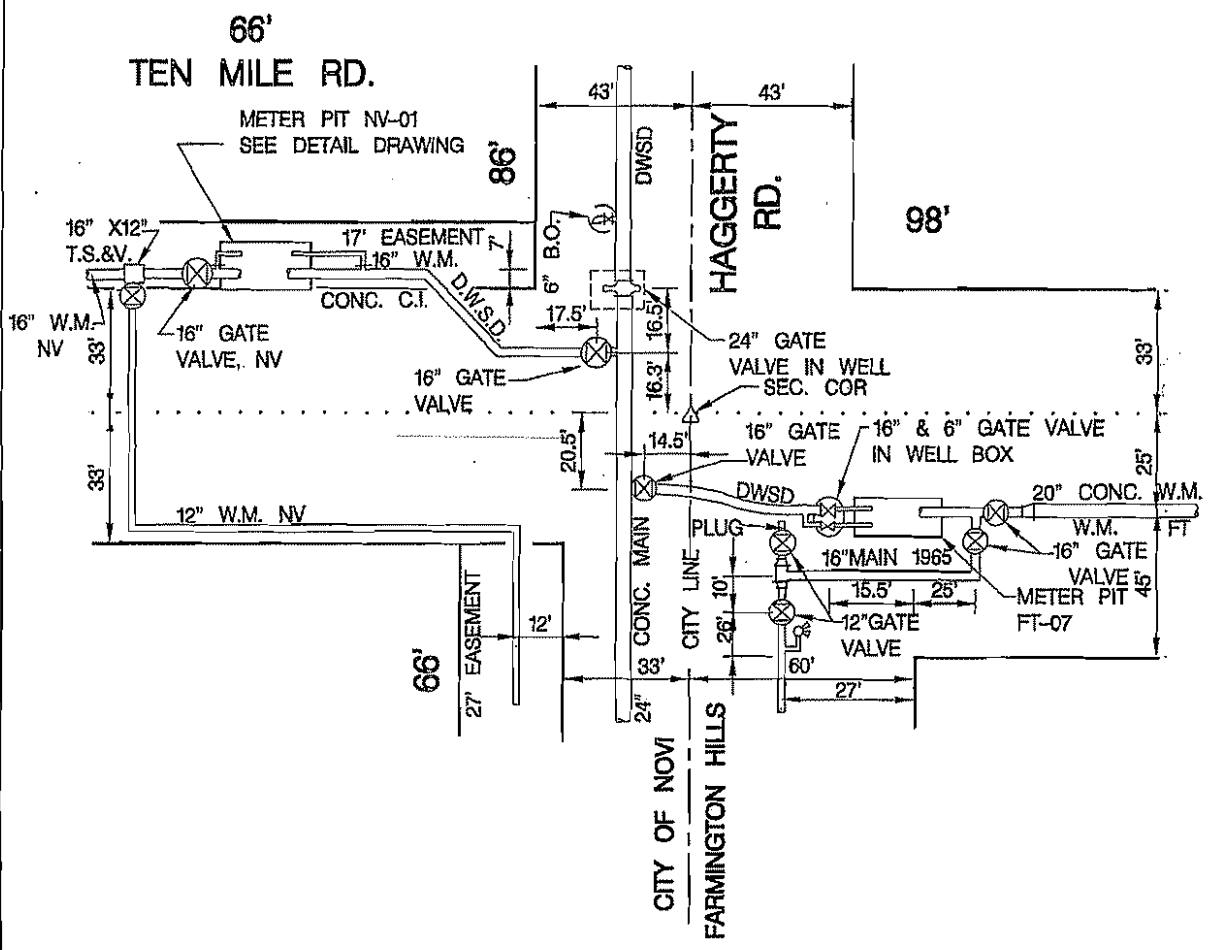
### City of Novi Water Customers Outside Municipal Limits:

None.

### City of Novi Master Meters Not In Service:

None.

**EXHIBIT-A**  
**NV-01**  
**TEN MILE RD. AND HAGGERTY**  
**CITY OF NOVI**



NV-NOVI OWNERSHIP  
 AND MAINTENANCE  
 FT-FARMINGTON HILLS  
 OWNERSHIP AND MAINTENANCE

**SITE PLAN**  
 NOT TO SCALE

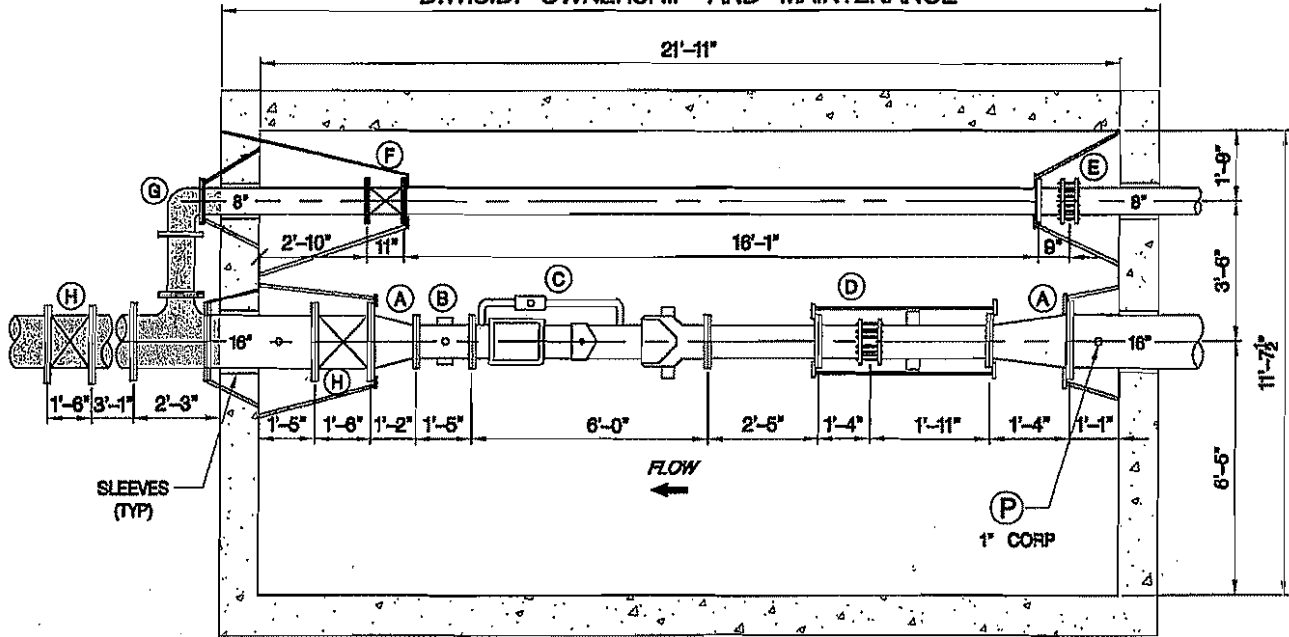


LOCATIONS SUBJECT TO  
 VERIFICATION IN THE FIELD.



**EXHIBIT-A**  
**NV-01**  
**TEN MILE RD. AND HAGGERTY**  
**CITY OF NOVI**

D.W.S.D. OWNERSHIP AND MAINTENANCE



WALLS 12" THICK  
ALL AROUND

**METER PIT DETAIL**  
NOT TO SCALE

LEGEND		
TAG	QTY	DESCRIPTION
A	2	CONCENTRIC REDUCERS, D.I.
B	1	DUCTILE IRON TEE
C	1	SENSUS FIRELINE MTR. W/ 2" BY-PASS
D	1	DRESSER STYLE 38 COUPLING
E	1	DRESSER STYLE 38 COUPLING
F	1	GATE VALVE
G	1	90° ELBOW
H	2	GATE VALVE



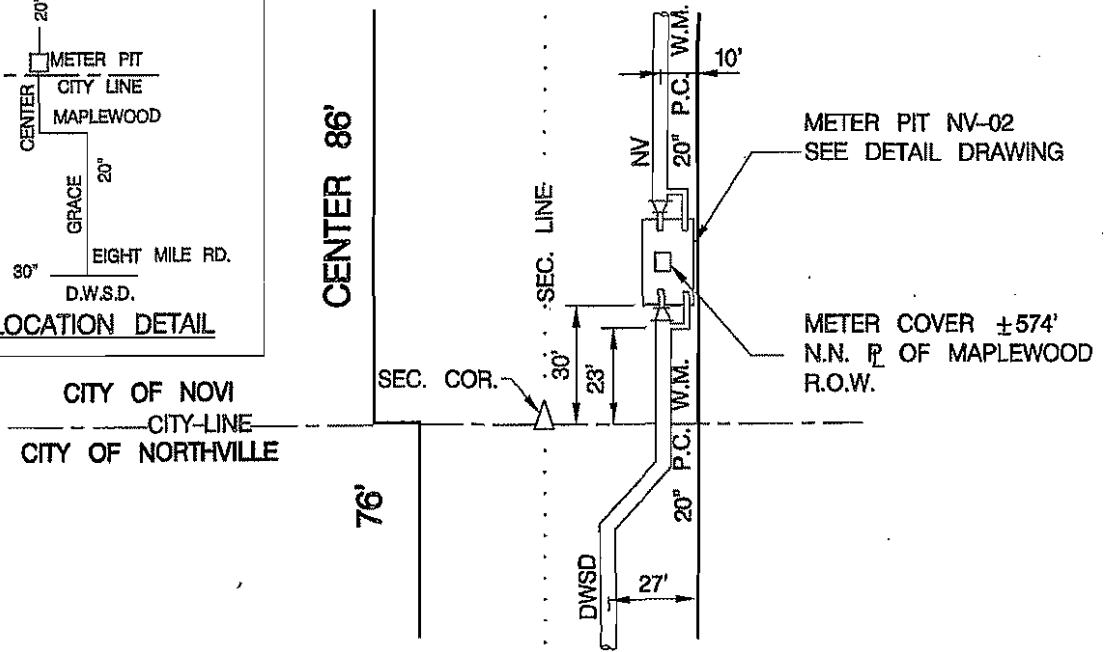
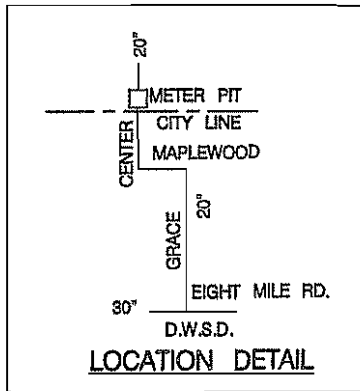
CITY OF NOVI O&M	
TYPICAL PRESSURE LOSS THRU METER	
METER TYPE	P.S.I. LOSS
VENTURI	1 - 2
MAG	0
TURBINE	4 - 6

(P) UPSTREAM PRESSURE TRANSMITTER, DWSD OWNERSHIP AND MAINTENANCE

ADDRESS \_\_\_\_\_ 24200 HAGGERTY ROAD  
 FEED TO \_\_\_\_\_ CITY OF NOVI  
 FEED FROM \_\_\_\_\_ D.W.S.D. TRANS. MAIN  
 TYPE OF METER \_\_\_\_\_ SENSUS TURBO  
 SIZE OF METER \_\_\_\_\_ 10" X 2"  
 METER NUMBER \_\_\_\_\_ 10")1508466 & 2")1482104  
 DATE METER SET \_\_\_\_\_ 6/24/1997  
 METER PIT CONST & SIZE \_\_\_\_\_ REINFORCED CONCRETE 21'-11" X 11'-7.5" I.D.  
 GATE BOOK No \_\_\_\_\_ W-1401  
 REMARKS \_\_\_\_\_ NONE



# EXHIBIT-A NV-02 NORTH CENTER STREET CITY OF NOVI



NV-NOVI OWNERSHIP  
AND MAINTENANCE

**SITE PLAN**  
NOT TO SCALE

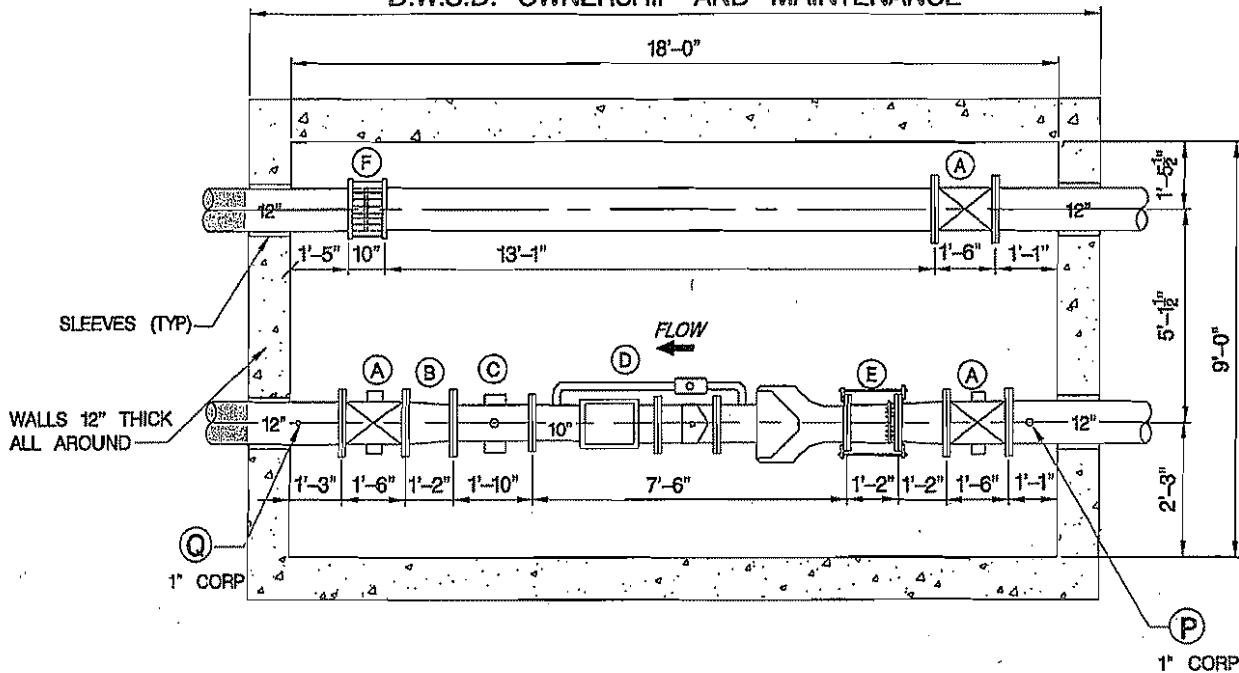


LOCATIONS SUBJECT TO  
VERIFICATION IN THE FIELD.



**EXHIBIT-A**  
**NV-02**  
**NORTH CENTER STREET**  
**CITY OF NOVI**

D.W.S.D. OWNERSHIP AND MAINTENANCE



**METER PIT DETAIL**  
NOT TO SCALE

LEGEND			
TAG	QTY	DESCRIPTION	SIZE
A	3	GATE VALVE	12"
B	2	FXF DUCTILE IRON CONCENTRIC REDUCER	12"x10"
C	1	TEST TEE ASSEMBLY	3"
D	1	SENSUS FIRELINE METER W/ STRAINER & 2" BY-PASS	10"
E	1	DUCTILE IRON SPOOL PIECE	10"
F	1	DRESSER STYLE 128 FLANGE ADAPTER	10"

CITY OF NOVI O&M	
TYPICAL PRESSURE LOSS THRU METER	
METER TYPE	P.S.I. LOSS
VENTURI	1 - 2
MAG	0
TURBINE	4 - 6

- (P) UPSTREAM PRESSURE TRANSMITTER, DWSD OWNERSHIP AND MAINTENANCE
- (Q) DOWNSTREAM PRESSURE TRANSMITTER, DWSD OWNERSHIP AND MAINTENANCE

ADDRESS \_\_\_\_\_ 21602 CENTER  
 FEED TO \_\_\_\_\_ CITY OF NOVI  
 FEED FROM \_\_\_\_\_ D.W.S.D. 20" TRANS. MAIN  
 TYPE OF METER \_\_\_\_\_ SENSUS TURBO  
 SIZE OF METER \_\_\_\_\_ 10" X 2"  
 METER NUMBER \_\_\_\_\_ 10"1508467 & 2"1482108  
 DATE METER SET \_\_\_\_\_ 4/1/1997  
 METER PIT CONST & SIZE \_\_\_\_\_ REINFORCED CONCRETE 18'-0" X 9'-0" I.D.  
 GATE BOOK No \_\_\_\_\_ NONE  
 REMARKS \_\_\_\_\_ NONE

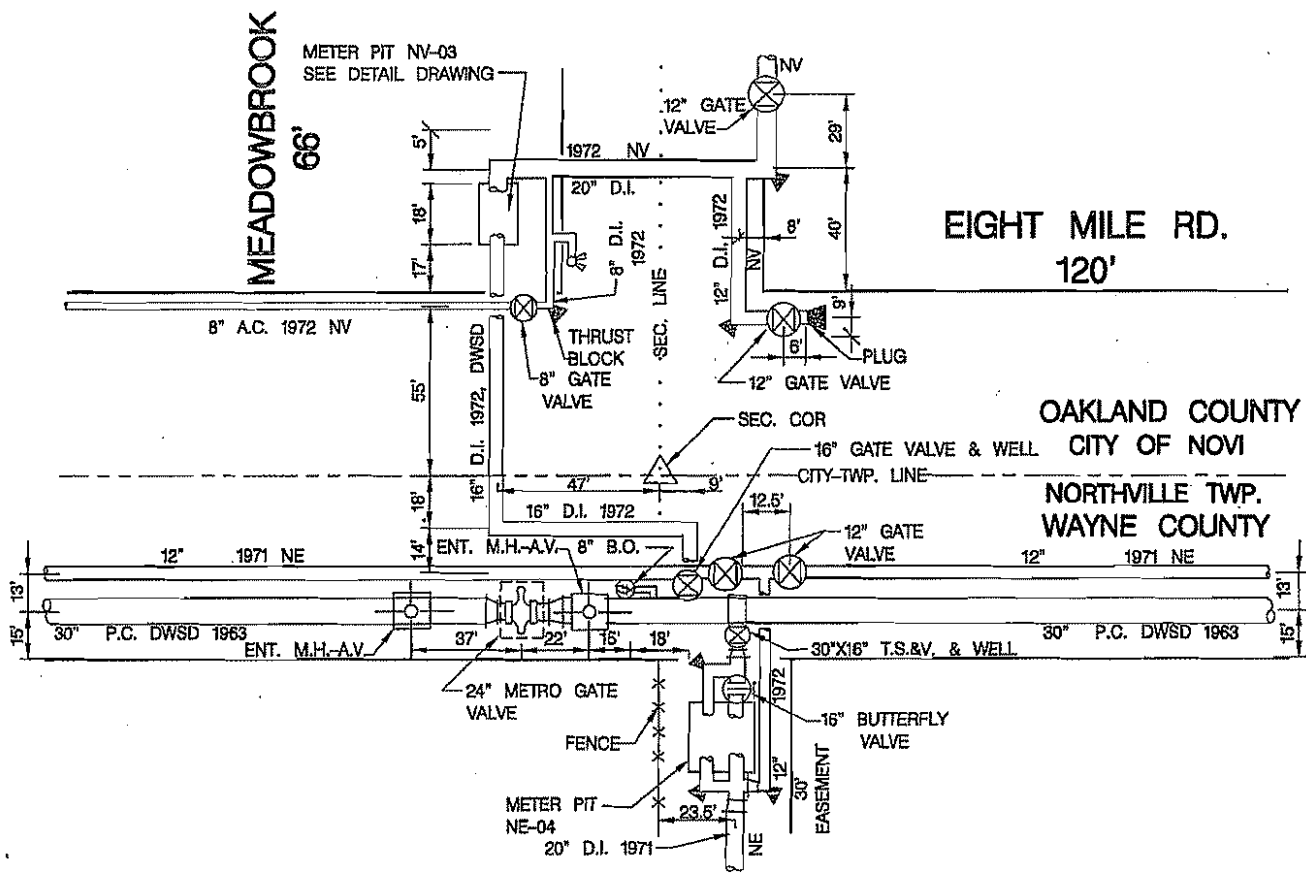


# EXHIBIT-A

## NV-03

### EIGHT MILE AND MEADOWBROOK

### CITY OF NOVI



NV- NOVI OWNERSHIP AND MAINTENANCE

NE- NORTHVILLE TWP. OWNERSHIP AND MAINTENANCE

**SITE PLAN**  
NOT TO SCALE

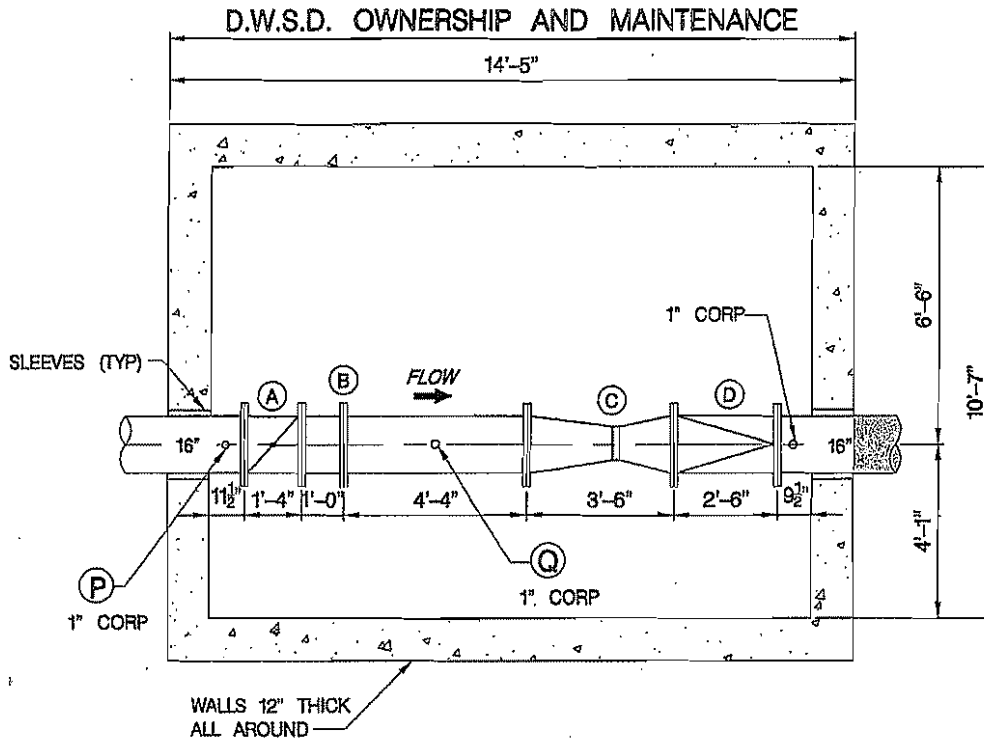


LOCATIONS SUBJECT TO VERIFICATION IN THE FIELD.





**EXHIBIT-A**  
**NV-03**  
**EIGHT MILE AND MEADOWBROOK**  
**CITY OF NOVI**



LEGEND			
TAG	QTY	DESCRIPTION	SIZE
A	1	BUTTERFLY VALVE W/ ORIFICE	16"
B	1	VICTAULIC COUPLING	18"
C	1	B.I.F. VENTURI TUBE	16"x10"
D	1	CHAPMAN CHECK VALVE	16"

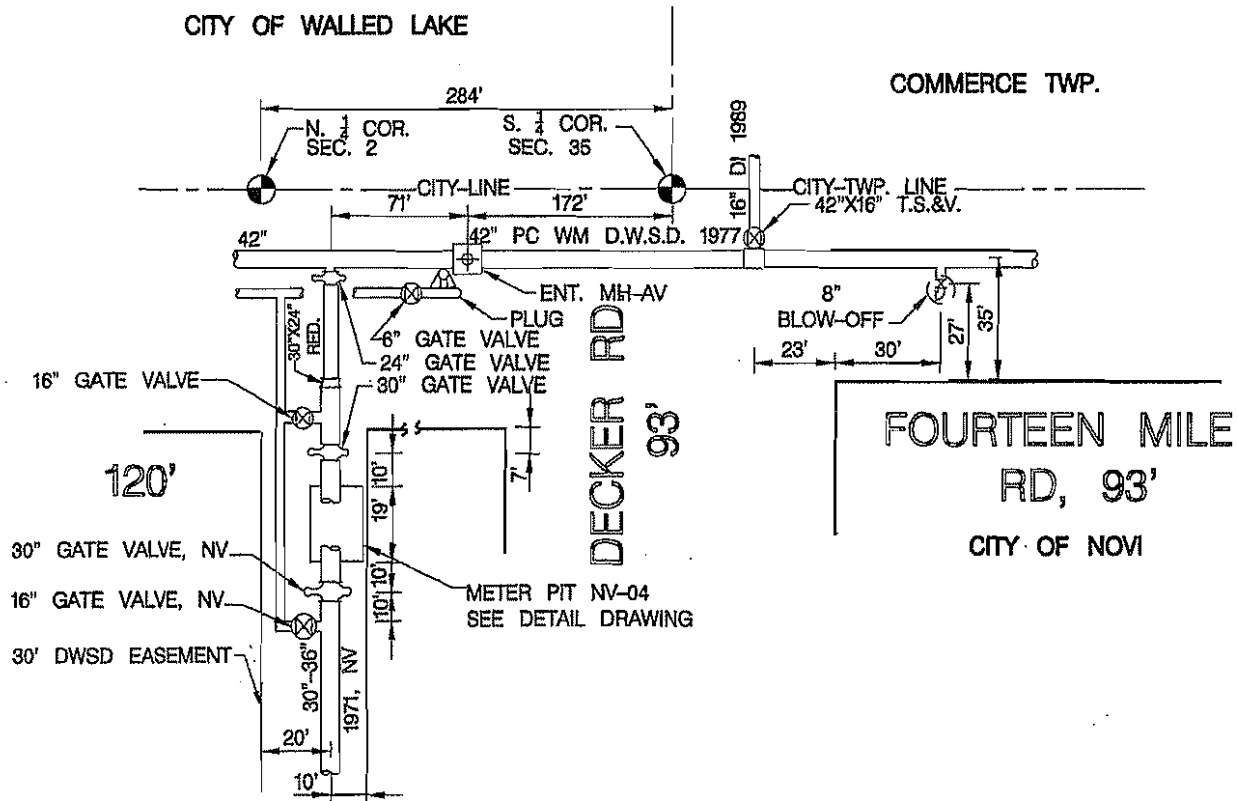
CITY OF NOVI O&M	
TYPICAL PRESSURE LOSS THRU METER	
METER TYPE	P.S.I. LOSS
VENTURI	1 - 2
MAG	0
TURBINE	4 - 6

- (P) UPSTREAM PRESSURE TRANSMITTER, DWSD OWNERSHIP AND MAINTENANCE
- (Q) DOWNSTREAM PRESSURE TRANSMITTER, DWSD OWNERSHIP AND MAINTENANCE

ADDRESS \_\_\_\_\_ 20707 MEADOWBROOK  
 FEED TO \_\_\_\_\_ CITY OF NOVI  
 FEED FROM \_\_\_\_\_ 30" D.W.S.D. TRANS. MAIN  
 TYPE OF METER \_\_\_\_\_ BIF VENTURI/ORIFICE  
 SIZE OF METER \_\_\_\_\_ 16" & 16.25" X 4.079"  
 METER NUMBER \_\_\_\_\_ 16"16638-2 & 16.25"16638-1  
 DATE METER SET \_\_\_\_\_ 8/31/1971  
 METER PIT CONST & SIZE \_\_\_\_\_ REINFORCED CONCRETE 14'-5" X 10'-7" I.D.  
 GATE BOOK No \_\_\_\_\_ W-1375  
 REMARKS \_\_\_\_\_ NONE



EXHIBIT-A  
 NV-04  
 FOURTEEN MILE WEST OF DECKER RD.  
 CITY OF NOVI



NV-NOVI OWNERSHIP  
 AND MAINTENANCE

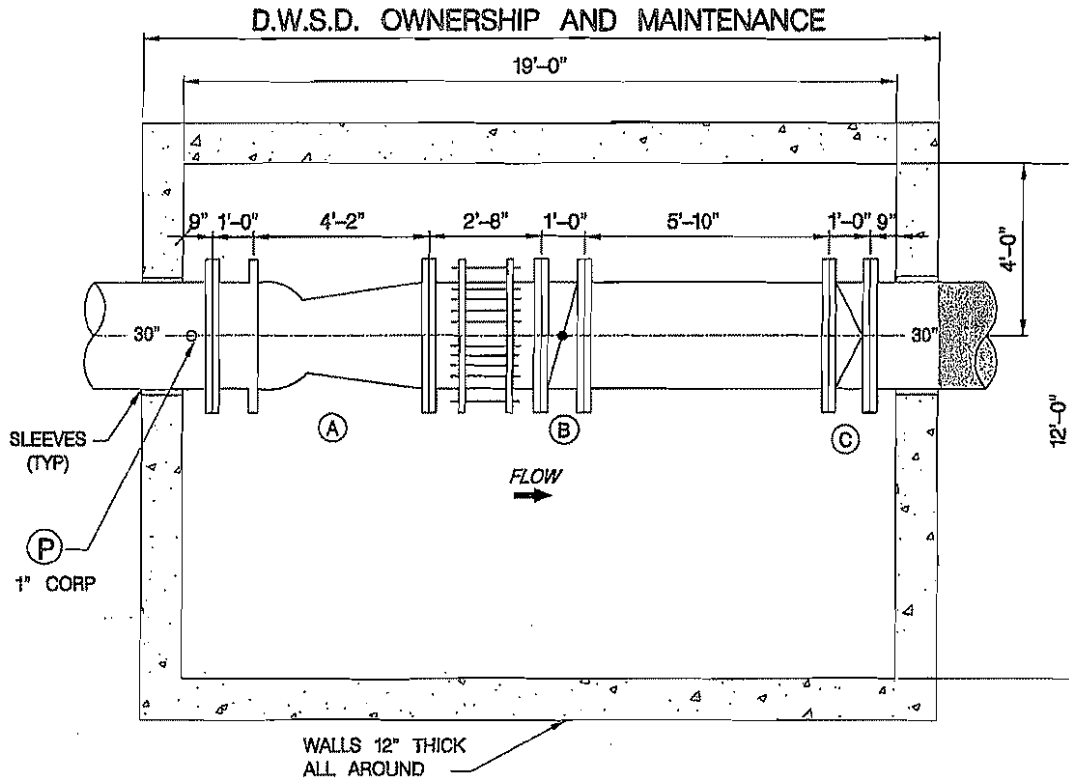
SITE PLAN  
 NOT TO SCALE



LOCATIONS SUBJECT TO  
 VERIFICATION IN THE FIELD.



**EXHIBIT-A**  
**NV-04**  
**FOURTEEN MILE RD. WEST OF DECKER RD.**  
**CITY OF NOVI**



Z+

CITY OF NOVI O&M

LEGEND			
TAG	QTY	DESCRIPTION	SIZE
A	1	BIF VENTURI / ORIFICE	30"
B	1	BUTTERFLY VALVE	30"
C	1	CHECK VALVE	30"

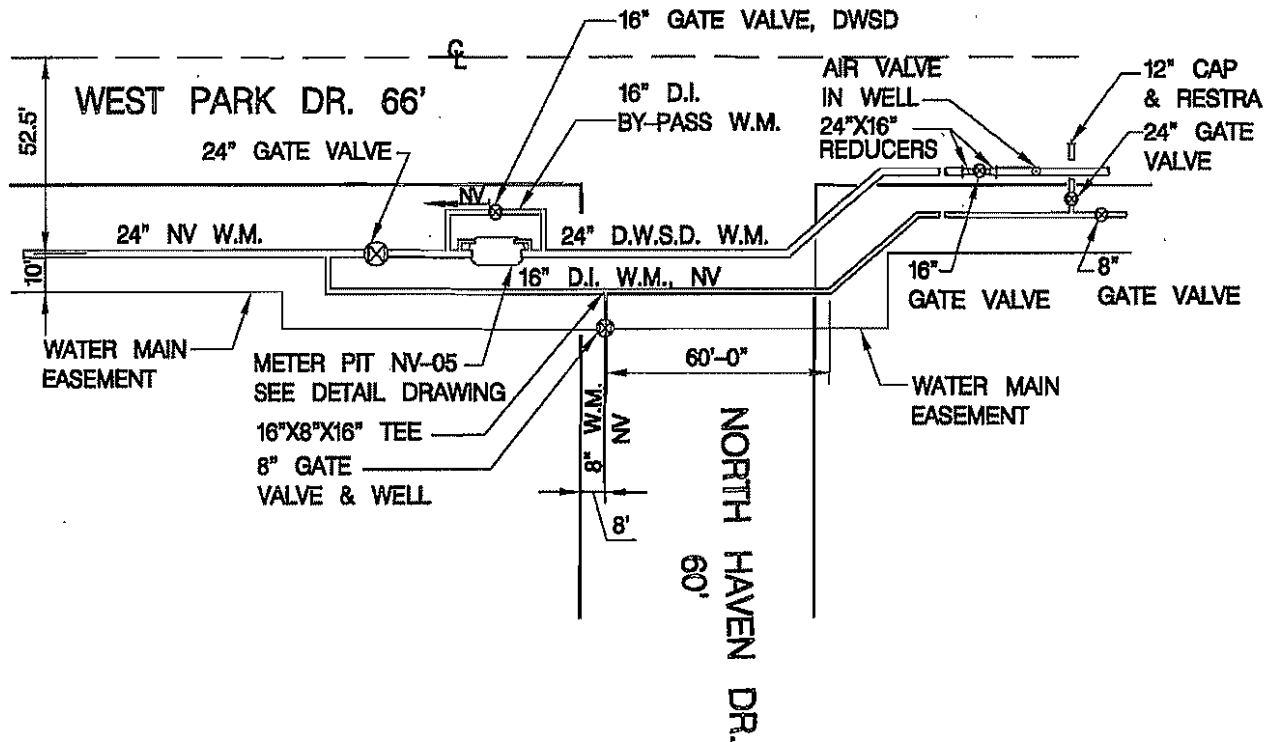
TYPICAL PRESSURE LOSS THRU METER	
METER TYPE	P.S.I. LOSS
VENTURI	1 - 2
MAG	0
TURBINE	4 - 6

(P) UPSTREAM PRESSURE TRANSMITTER, DWSD OWNERSHIP AND MAINTENANCE

ADDRESS \_\_\_\_\_ 42351 FOURTEEN MILE RD.  
 FEED TO \_\_\_\_\_ CITY OF NOVI  
 FEED FROM \_\_\_\_\_ 42" D.W.S.D. MAIN  
 TYPE OF METER \_\_\_\_\_ BIF VENTURI / ORIFICE  
 SIZE OF METER \_\_\_\_\_ 30"X17.4" & 30"X6.0604"  
 METER NUMBER \_\_\_\_\_ 17.4")1462410 & 6.0604")1462411  
 DATE METER SET \_\_\_\_\_ 5-14-77  
 METER PIT CONST & SIZE \_\_\_\_\_ REINFORCED CONCRETE 17' X 12' I.D.  
 GATE BOOK No \_\_\_\_\_ N-517  
 REMARKS \_\_\_\_\_



EXHIBIT-A  
 NV-05  
 WEST PARK DR. AND NORTH HAVEN DR.  
 CITY OF NOVI



NV-NOVI OWNERSHIP  
 AND MAINTENANCE

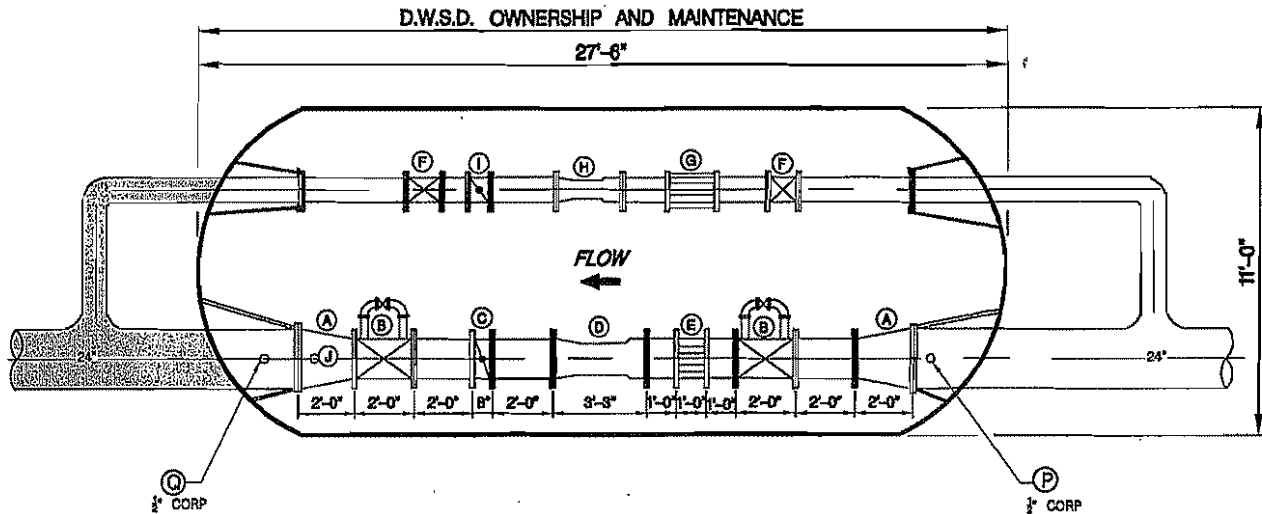
**SITE PLAN**  
 NOT TO SCALE



LOCATIONS SUBJECT TO  
 VERIFICATION IN THE FIELD.



**EXHIBIT-A**  
**NV-05**  
**WEST PARK DR. AND NORTH HAVEN DR.**  
**CITY OF NOVI**



**METER PIT DETAIL**  
 NOT TO SCALE

LEGEND			
TAG	QTY	DESCRIPTION	SIZE
A	2	FLGD. CONCENTRIC REDUCERS	24" x 16"
B	2	GATE VALVES WITH 3" BY-PASS	16"
C	1	BUTTERFLY VALVE	16"
D	1	VENTURI TUBE METER	16"
E	1	DRESSER COUPLING	16"
F	2	GATE VALVE	10"
G	1	DRESSER COUPLING	10"
H	1	VENTURI TUBE METER	10"
I	1	BUTTERFLY VALVE	10"
J	1	TAP TO ACTUATOR CONTROL PANEL	1/2"

CITY OF NOVI O&M	
TYPICAL PRESSURE LOSS THRU METER	
METER TYPE	P.S.I. LOSS
VENTURI	1 - 2
MAG	0
TURBINE	4 - 6

- (P) UPSTREAM PRESSURE TRANSMITTER, DWSD OWNERSHIP AND MAINTENANCE
- (Q) DOWNSTREAM PRESSURE TRANSMITTER, DWSD OWNERSHIP AND MAINTENANCE

ADDRESS \_\_\_\_\_  
 FEED TO \_\_\_\_\_ CITY OF NOVI  
 FEED FROM \_\_\_\_\_ 24" DWSD TRANSMISSION MAIN  
 TYPE OF METER \_\_\_\_\_ VENTURI TUBE METER  
 SIZE OF METER \_\_\_\_\_ 16" & 10"  
 METER NUMBER \_\_\_\_\_ 04W010836  
 DATE METER SET \_\_\_\_\_ NOVEMBER 04, 2005  
 METER PIT CONST & SIZE \_\_\_\_\_ STEEL VAULT 27'-6" X 11'-0" I.D.  
 GATE BOOK No \_\_\_\_\_ -  
 REMARKS \_\_\_\_\_ DWSD HAS ACCESS



FIRST AMENDED EXHIBIT B

Projected Annual Volume and Minimum Annual Volume (Table 1)  
Pressure Range and Maximum Flow Rate (Table 2)  
Flow Split Assumptions (Table 3)  
Addresses for Notice (Table 4)

Table 1 and Table 2 set forth the agreed upon Projected Annual Volumes, Minimum Annual Volumes, Pressure Ranges and Maximum Flow Rates for the term of this Contract provided that figures in bold type face are immediately enforceable pursuant to the terms of Section 5.07 and italicized figures are contained for planning purposes only but will become effective absent the negotiated replacements anticipated in Section 5.07.

The approximate rate of flow by individual meter set forth in Table 3 is the assumption upon which the Pressure Range commitments established in Table 2 have been devised. Should Customer deviate from these assumptions at any meter(s), the Board may be unable to meet the stated Pressure Range commitments in this Contract or in the contract of another customer of the Board and Section 5.08 of this Contract may be invoked.

FIRST AMENDED EXHIBIT B

Table 1  
 Projected Annual Volume and Minimum Annual Volume

Fiscal Year Ending June 30	Projected Annual Volume (mcf)	Minimum Annual Volume (mcf)
2009	<b>325,000</b>	<b>162,500</b>
2010	<b>325,000</b>	<b>162,500</b>
2011	<b>281,800</b>	<b>140,900</b>
2012	<b>281,800</b>	<b>140,900</b>
2013	<b>281,800</b>	<b>140,900</b>
2014	285,050	142,525
2015	288,300	144,150
2016	291,550	145,775
2017	294,800	147,400
2018	298,050	149,025
2019	301,300	150,650
2020	304,550	152,275
2021	307,802	153,901
2022	311,052	155,526
2023	314,302	157,151
2024	317,552	158,776
2025	320,800	160,400
2026	324,050	162,025
2027	327,300	163,650
2028	330,550	165,275
2029	333,800	166,900
2030	337,054	168,527
2031	340,304	170,152
2032	343,554	171,777
2033	346,804	173,402
2034	350,054	175,027
2035	353,300	176,650
2036	356,550	178,275
2037	359,800	179,900
2038	363,050	181,525

FIRST AMENDED EXHIBIT B

Table 2  
Pressure Range and Maximum Flow Rate

Calendar Year	Pressure Range (psi)		Pressure Range (psi)		Pressure Range (psi)		Pressure Range (psi)		Pressure Range (psi)		Maximum Flow Rate (mgd)	
	Meter NV-01		Meter NV-02		Meter NV-03		Meter NV-04		Meter NV-05		Max Day	Peak Hour
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max		
2009	54	82	52	79	55	82	81	109	72	100	18.57	34.53
2010	54	82	52	79	55	82	81	109	72	100	18.57	34.53
2011	54	82	52	79	55	82	81	109	72	100	17.30	25.50
2012	54	82	52	79	55	82	81	109	72	100	16.80	24.50
2013	54	82	52	79	55	82	81	109	72	100	16.30	23.50
2014	54	82	52	79	55	82	81	109	72	100	16.49	23.77
2015	54	82	52	79	55	82	81	109	72	100	16.68	24.04
2016	54	82	52	79	55	82	81	109	72	100	16.86	24.31
2017	54	82	52	79	55	82	81	109	72	100	17.05	24.58
2018	54	82	52	79	55	82	81	109	72	100	17.24	24.86
2019	54	82	52	79	55	82	81	109	72	100	17.43	25.13
2020	54	82	52	79	55	82	81	109	72	100	17.62	25.40
2021	54	82	52	79	55	82	81	109	72	100	17.80	25.67
2022	54	82	52	79	55	82	81	109	72	100	17.99	25.94
2023	54	82	52	79	55	82	81	109	72	100	18.18	26.21
2024	54	82	52	79	55	82	81	109	72	100	18.37	26.48
2025	54	82	52	79	55	82	81	109	72	100	18.56	26.75
2026	54	82	52	79	55	82	81	109	72	100	18.74	27.02
2027	54	82	52	79	55	82	81	109	72	100	18.93	27.29
2028	54	82	52	79	55	82	81	109	72	100	19.12	27.57
2029	54	82	52	79	55	82	81	109	72	100	19.31	27.84
2030	54	82	52	79	55	82	81	109	72	100	19.50	28.11
2031	54	82	52	79	55	82	81	109	72	100	19.68	28.38
2032	54	82	52	79	55	82	81	109	72	100	19.87	28.65
2033	54	82	52	79	55	82	81	109	72	100	20.06	28.92
2034	54	82	52	79	55	82	81	109	72	100	20.25	29.19
2035	54	82	52	79	55	82	81	109	72	100	20.44	29.46
2036	54	82	52	79	55	82	81	109	72	100	20.62	29.73
2037	54	82	52	79	55	82	81	109	72	100	20.81	30.01
2038	54	82	52	79	55	82	81	109	72	100	21.00	30.30



FIRST AMENDED EXHIBIT B

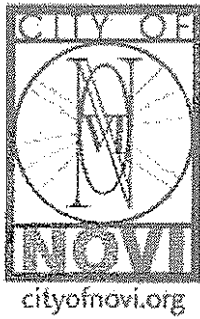
Table 3  
Flow Split Assumptions

Meter	Assumed Flow Split (2011-2013)
NV-01	0 – 10%
NV-02	0 – 10%
NV-03	0 – 15%
NV-04	45 – 65%
NV-05	25 – 40%

Table 4  
Addresses for Notice

<b>If to the Board:</b>	<b>If to Customer:</b>
Director Detroit Water and Sewerage Department 735 Randolph Detroit, Michigan 48226	City Clerk City of Novi 45175 West Ten Mile Road Novi, Michigan 48375  Cc: DPS Director 26300 Dewal Novi, Michigan 48375

MEMORANDUM



TO: ROB HAYES, DIRECTOR OF PUBLIC SERVICES  
FROM: TIM SIKMA, WATER AND SEWER MANAGER  
SUBJECT: WATER SERVICE CONTRACT WITH DWSD  
DATE: OCTOBER 6, 2010

124  
3  
10/6/10  
To: Mayor & City Council Meeting  
FYI

In June 2009, the City of Novi signed a 30-year contract with the Detroit Water and Sewerage Department (DWSD) that was designed with incremental re-opener clauses for future negotiation of pressures, flows and volumes – all parameters that have a tendency to change over time. We have scheduled a meeting with DWSD on October 14, 2010, to initiate re-opener discussions.

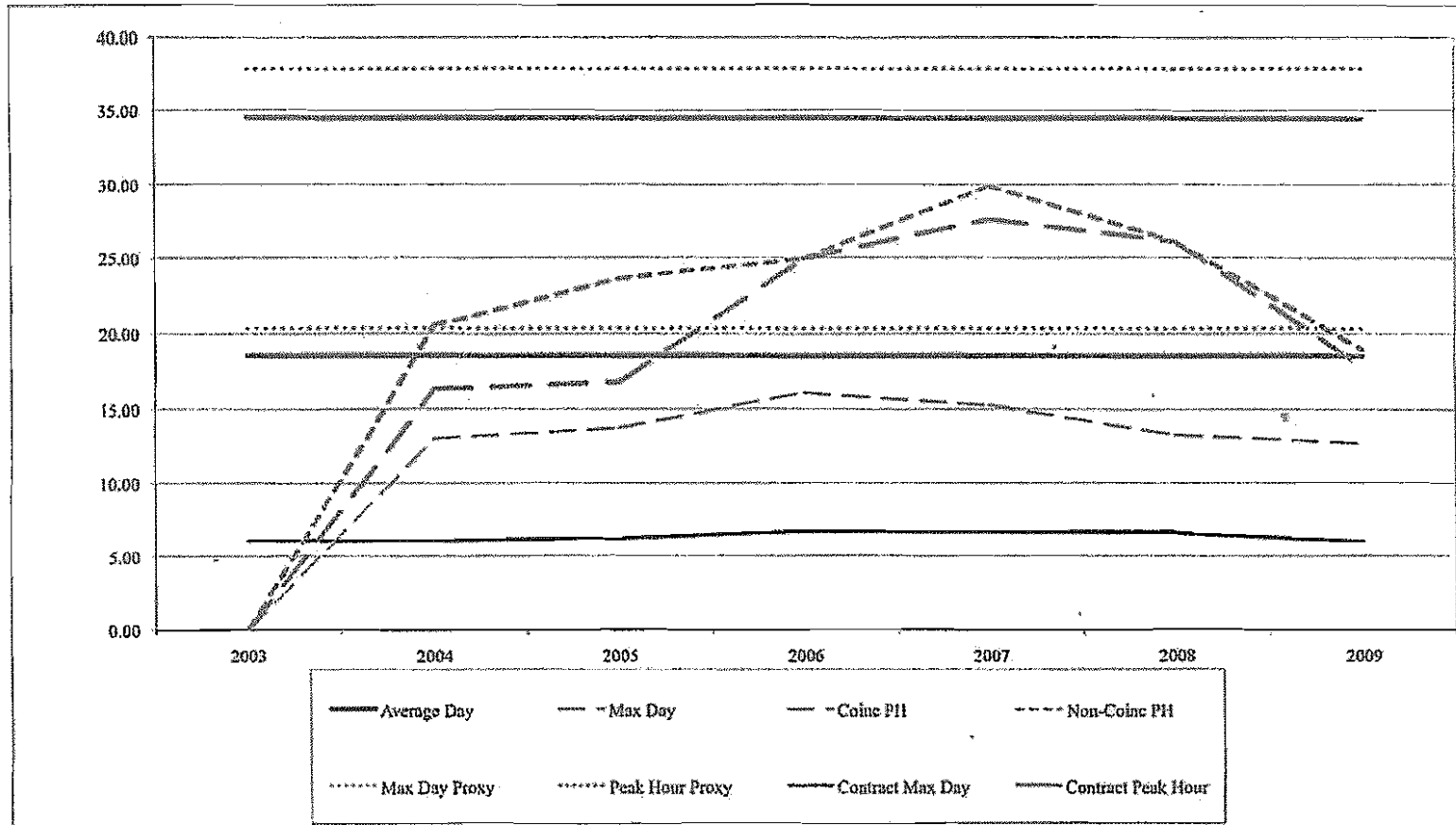
Earlier this week, the City of Novi's negotiating team met to discuss the terms of the current contract. As previously reported and based on peak hour and maximum day water usage data from the previous two summers, we have been able to lower our peak hour demand by implementing the City's aggressive water management program, which places a strong emphasis on educating the public on water use. The data shows that our customers complied with the requested change in timing of the peak hour water usage (to between 11:00 PM and 5:00 AM, as was desired). The data also shows that we only had minor success in lowering our maximum day demand water volume. This will result in lower demands in our contract and resultant rate savings over what we otherwise would have seen.

After our October 14<sup>th</sup> meeting with DWSD, the Water and Sewer Division would recommend to Council a contract amendment for a future council meeting. Once the City approves the amendment, DWSD would present the contract changes for acceptance to the City of Detroit's Water Board, and the City of Novi would then lock-in a new bulk water rate at the lowest value possible.

Please contact me if you have any questions or comments in regards to this matter.

# Wholesale Customer Demand Analysis - Hourly Flow Rates

Navi



Avg / Maximum Experienced - mgd Ratio	Average Day	Max Day				Peak Hour				
	Experienced	Adjustment	Proxy	Contract	Coinc	Non-Coinc	Adjustment	Proxy	Contract	
	6.31	16.08	127%	20.36	18.57	27.64	29.92	127%	37.86	34.53
		2.55	127%	3.22	2.94	4.38	4.74	127%	6.00	5.47

	2003	2004	2005	2006	2007	2008	2009
Average Day	6.04	6.06	6.21	6.68	6.64	6.58	5.98
Max Day	NA	13.03 (2.15)	13.79 (2.22)	16.08 (2.41)	15.26 (2.30)	13.32 (2.02)	12.72 (2.12)
Coincidental Peak Hour	NA	16.33	16.81	24.95	27.64	26.11	17.85
Non-Coincidental Peak Hour	NA	20.54 (3.24)	23.63 (3.81)	24.95 (3.74)	29.92 (4.51)	26.11 (3.97)	18.99 (2.18)

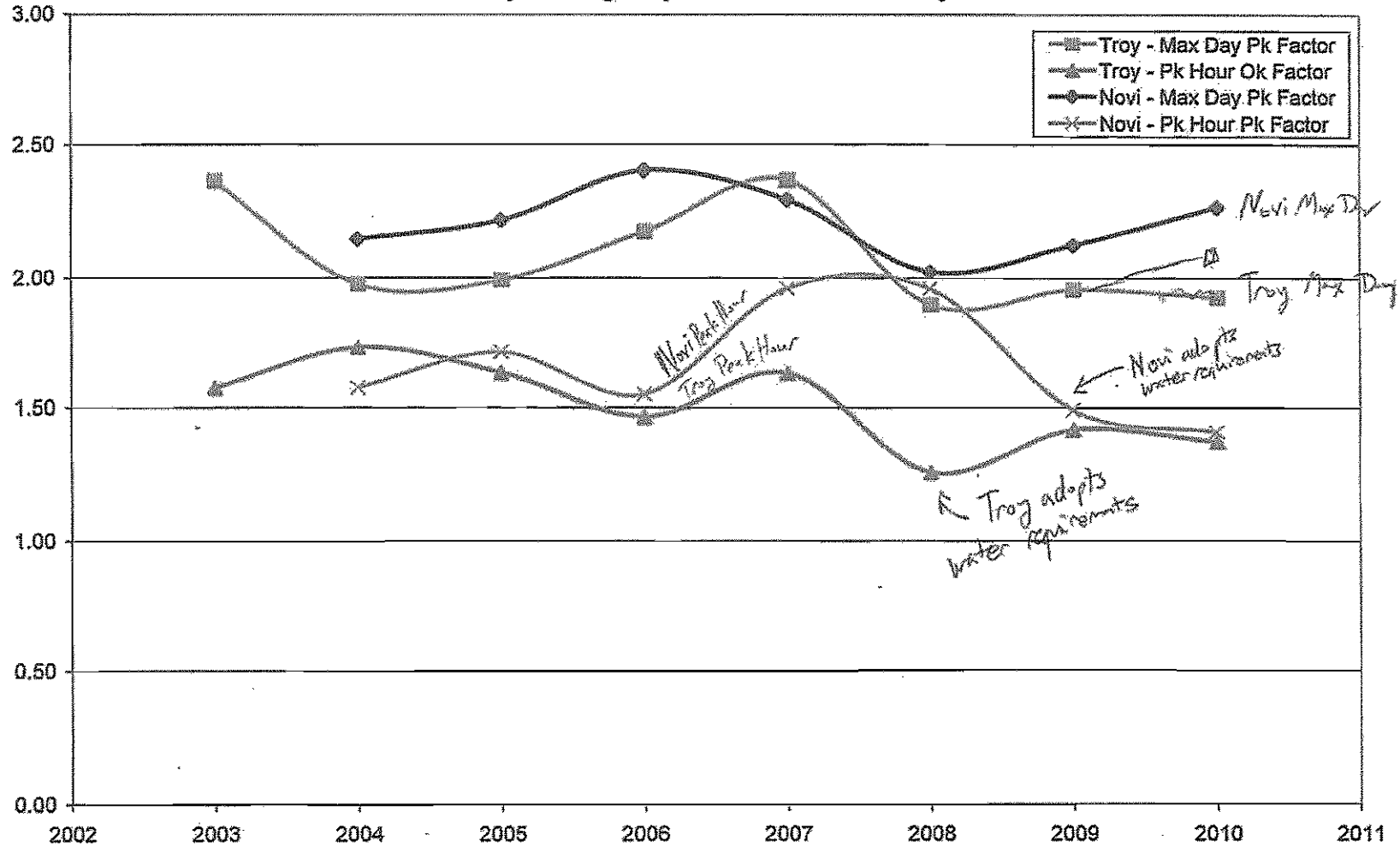
2010  
5.59

PRELIMINARY

TFG  
THE FOSTER GROUP

11/13/09

**Peaking Factors**  
 Max Day / Average Day and Peak Hour / Max Day



*Troy - 2010 using 2009 avg for P.F.*



Memorandum

To: Water Contract Negotiation Team

From: Vyto Kaunelis, Orchard, Hiltz & McCliment, Inc.

Date: November 2, 2010

Re: Suggested Contract Flows

We met with DWSD on October 14, 2010 and reviewed the flow data, particularly for 2010. The summary from the meeting and relevant data are attached. It's clear from the data and the analyses that the new water usage ordinance and the public education program are having the desired effect and are having a significant impact on peak hour usage. This will translate into rate savings for your customers as shown in the comparative rate analysis contained within the meeting minutes.

The next step is for Novi to propose flow values to include in the contract. DWSD performs standard analyses on the data based on methodology endorsed by the TAC Analytical Work Group. The flows based on this methodology are as follows:

Annual volume – 281,800 Mcf  
Max Day flow rate – 17.3 mgd  
Peak Hour flow rate – 25.5 mgd

In general, the values identified in the analysis appear to be reasonable. However, based on the success of the aggressive public education campaign and the level of commitment that Novi has shown in this program, I'm projecting a slight continued downward trend in peak hour usage for the next 3 years. For average flows, I'm projecting slow growth after several years of relatively stagnant usage. I've attached a draft table with my initial thoughts for your review.

In thinking about the values, I was asked to provide a reminder of the consequences for inaccurate estimates. The annual volume could impact a "look-back" credit or payment if such a procedure is adopted. At the meeting of the TAC Rates Work Group in May, it looked like a look-back procedure of some sort was likely. Therefore, an accurate volume will result in no further payment requirements or credits. The max day and peak hour values are set as maximums. If a community exceeds their values, a procedure detailed in the contract is triggered. I've attached the relevant section of the contract that explains it. In general, it may result in the community losing control over setting the values. It is likely that the values selected will be significantly higher than what the community might otherwise have selected. This would result in higher rates in subsequent years. Therefore, it's important to select reasonable values that are low enough to provide the rate savings dictated by the reduced peak hour and max day usage, but high enough to minimize the likelihood that the values will be exceeded if hotter, drier conditions are experienced.



November 3, 2009

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Elizabeth M. Kudla  
Direct: 248-539-2846  
ekudla@secretwardle.com

Rob Hayes, Public Services Director  
CITY OF NOVI  
45175 West Ten Mile Road  
Novi, Michigan 48375-3024

**Re: DWSD Model Water Service Contract  
Amendments Proposed by DWSD  
Our File No. 55142 NOV**

Dear Mr. Hayes:

We are writing to briefly update you regarding recent issues raised by DWSD at the quarterly TAC meeting. The issue regarding proposed amendment to the DWSD Contract language requires immediate attention in the form of a ballot vote to be submitted to the TAC by November 9, 2009.

**Proposed Amendment of the Model Water Contract**

DWSD's Counsel has proposed amendments to the Model Contract language that they have requested that each community adopt at the time of each community's re-opener negotiations with respect to the Exhibit B max day and peak hour table. In general, the proposed language amendments are not significant and we have no objection to adopting the amendments overall; however, the TAC has requested that its members to vote on the proposal to approve, approve with comments, or disapprove the changes. We are attaching the voting form that should be returned to the TAC once you have filled it out. I would recommend approving with comments per the below analysis of revisions:

Section 3.01 – The change provides that termination costs would not apply in the event that DWSD breaches the contract and the customer terminates for this reason. This is not objectionable and would likely be inferred by a court in any event.

Section 3.05 – This is a new Section that provides that early termination costs would not be assessed against customers that are annexed into another customer within DWSD's service area. Again, this is not objectionable because a court would likely interpret such an event to not be a "termination" as the customer would still be part of a DWSD Contract.

Section 5.01 – DWSD clarifies that it will not establish a pressure range for deduct meters. This is DWSD's current policy and was consistently applied throughout the negotiation process. This does not result in a changed policy.

Section 5.10 – Any costs to be incurred by a customer for a corrective action plan will be put in writing by DWSD. This is not objectionable and would likely happen regardless of putting it in the contract.

Section 18.02. - This is a difficult change to address because how it is applied will likely change in every instance. Though DWSD represents that the proposed change is being made to address Farmington Hills' concern, it does not actually address it, and the proposed language essentially applies the same way as the existing language. Who pays the cost of moving DWSD's facilities would be argued in each circumstance and could be applied inconsistently. Currently, in general, other utilities must incur the cost of moving their own facilities for community projects unless they are located within an easement that is superior to the community's ownership of the right-of-way. This cost would generally be factored into a utility's rates. Though we would recommend that the cost of moving DWSD facilities should always be a systemwide cost to be treated consistently, many customers will not wish to incur a rate increase due to other community or county projects. On the other hand, communities with a disproportionate amount of DWSD transmission mains within their jurisdiction could end up paying increased costs for its own road projects in comparison to communities without many DWSD facilities. If you would like the cost to be treated systemwide in every case, you could include the following recommended language proposal in your TAC vote:

**Relocation of Facilities.** Should future construction by any city, township, village, or county require relocation of a water transmission main, Meter Facility, or other Board facility, the cost incurred by the Board for such relocation will be charged in future rates as a common-to-all cost to all system users.

In all events, even if the above change is recommended to and by the TAC, DWSD is not required to accept it.

Section 18.03 – This amendment would require customers to grant easements for relocation of DWSD transmission mains within their jurisdiction. The amendment does not change the operation of the current language because the current language requires all easements to be granted, and would inherently include easements for relocation.

Mr. Rob Hayes, Novi  
November 3, 2009  
Page 3

Section 23.05 - The proposed change would allow each customer to sue DWSD in its own county. This is a favorable change as the City could sue, if necessary, in Oakland County Circuit Court rather than Wayne.

If you have any questions regarding completion of the TAC voting process, please feel free to contact me.

There is no obligation by any contracting community to adopt any of the changes even if approved by the TAC. Each contracting community may either accept the amendment or reject it and remain with the current terms of their 30-year contract. DWSD will not allow communities to agree only a portion of the proposed amendment. Any community accepting an amendment in the future, will be required to accept the entire amendment per DWSD.

#### **2010/2011 Projected Rate Increases**

Once again, DWSD is expecting to implement significant rate increases for the 2010/2011 rate year based on decreased water sales relating to climate, the decrease in local population, the slumping economy, and water conservation measures. In addition to rate increases, DWSD is considering implementing a fixed cost component of the rate which would be collected monthly from the customer regardless of water sales that month. The fixed cost component is estimated to be up to 38% of the current rate. The proposal was to go into effect with the 2010 rate season in July, 2010, and would require many communities to pay the fixed cost component from their reserves until such time as the community could adjust its fixed cost component that it passes on to its customers. Because many customers are suffering decreased reserves at this time, a proposal was made at the TAC meeting that this proposal be phased in over four rate years at about 10% of the rate component. DWSD is considering the alternative proposal.

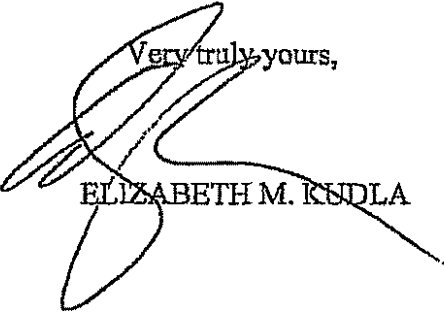
The issue will be discussed further at DWSD's November 19, 2009 Rates Rollout Meeting. Please let me know if you have any questions or comments that you would like to pass on to DWSD regarding this issue prior to the meeting.



Mr. Rob Hayes, Novi  
November 3, 2009  
Page 4

If you would like to discuss any of the issues noted above, or other concerns you may have, please feel free to contact me.

Very truly yours,



ELIZABETH M. KUDLA

EMK

Enclosures

cc: Clay Pearson, City Manager (w/Enclosures)  
Maryanne Cornelius, Clerk (w/Enclosures)  
Kathy Smith-Roy, Finance Director (w/Enclosures)  
Tim Sikma, Water and Sewer Manager (w/Enclosures)  
Brian Coburn, Senior Civil Engineer (w/Enclosures)  
Thomas R. Schultz, Esquire (w/Enclosures)

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November 11, 2010

Rob Hayes, Public Services Director  
CITY OF NOVI  
Public Services – DPW Garage  
26300 Delwal Drive  
Novi, MI 48375

**Re: Amendment No. 1 to Water Service Contract Between City of Detroit  
and City of Novi  
Our File No. 55142 NOV**

Dear Mr. Hayes:

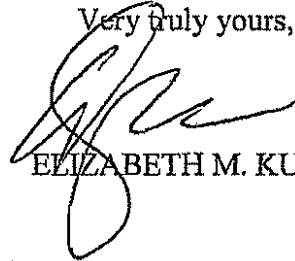
Counsel for the Detroit Water and Sewerage Department (DWSD) has provided the enclosed Amendment No. 1 to Water Service Contract Between City of Detroit and City of Novi. The proposed Amendment No. 1 is primarily for the purpose of compliance with the “re-opener” provisions of Section 5.07 of the contract which requires the City to re-negotiate its Exhibit B pressure range and maximum flow rate periodically. This is the first periodic adjustment of contractual pressures and flows. The next scheduled re-negotiation will be for the 2014 rate year. The City’s Engineering Consultant, OHM, has recommended approval of the proposed Amendment No. 1 with respect to the operational provisions contained in Exhibits A and B.

We note that Amendment No. 1 includes certain language changes to the Water Service Agreement approved by the City on June 1, 2009. We can also recommend approval of the proposed Amendment No. 1 with respect to the proposed language changes. As we indicated in our letter to you dated November 3, 2009, which includes a detailed analysis of each language change proposed by DWSD, the amendments are not significant changes from the contract in its current format and we have no objection to adopting the amendments. A copy of the letter has been enclosed for your convenience. The changes are being proposed by DWSD primarily to make clarifications as to the manner policies have been implemented under the current contract provisions. Many of the changes were requested by customer communities during contract negotiations.

Rob Hayes, Public Services Director  
November 11, 2010  
Page 2

If you would like to discuss any of the issues noted above, or other concerns you may have, please feel free to contact me.

Very truly yours,



ELIZABETH M. KUDLA

EMK

Enclosures

cc: Clay Pearson, City Manager (w/Enclosures)  
Maryanne Cornelius, Clerk (w/Enclosures)  
Kathy Smith-Roy, Finance Director (w/Enclosures)  
Tim Sikma, Water and Sewer Manager (w/Enclosures)  
Tina Glenn, Water & Sewer Financial Services Manager (w/Enclosures)  
Brian Coburn, Engineering Manager (w/Enclosures)  
Vyto Kaunelis, OHM (w/Enclosures)  
Thomas R. Schultz, Esquire (w/Enclosures)

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