

Allen Park Belleville Brownstown Twp. Dearborn Heights Ecorse Lincoln Park	<h1 style="color: #0070C0;">Downriver Utility Wastewater Authority</h1> <p style="color: #0070C0;">25605 Northline Road • Taylor, Michigan 48180</p>	River Rouge Riverview Romulus Southgate Taylor Van Buren Twp. Wyandotte
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Non-Residential User (NRU) Fees

(Virtual) Town Hall Minutes

June 17, 2020

Background – Vyto Kaunelis, of OHM Advisors and DUWA System Manager, discussed that the NRU fee is one component of the larger Industrial Pretreatment Program (IPP). DUWA must establish and enforce the IPP program in accordance with the Clean Water Act (the “Act”) and its implementing regulations. The National Pretreatment Program regulations, published in 40 C.F.R. Part 403, provide the regulatory basis for a publicly owned treatment plant to require Industrial Users (“IUs”) to comply with pretreatment standards established under the Act.

The NRU program is a key component to ensuring extra strength flow is properly identified and treated. Specifically, the NRU program is meant to serve as a source reduction program. It is a measure to reduce the risk that structures that are not residential are delivering flow to the system that contains contaminants and other difficult-to-treat flow. The NRU program is in place for detection, monitoring and enforcement of the types of flows coming into the plant. DUWA is responsible for developing procedures to ensure compliance with pretreatment standards, including identifying and locating all possible IUs and determining the character and volume of the IU’s pollutants. Without the NRU fee, there would not be a mechanism in place to perform the function.

Enterprises are required to self-report if they are known to have these types of flows so that DUWA can determine if they should then be subject to the other regulations or fees for actual pretreatment. The NRU program is in place to identify operations that should be subject to further monitoring or known need for pretreatment but have not self-reported. In effect, the NRU serves a regulatory purpose (i.e., to regulate flows into the system). It’s a matter of monitoring those that may be putting higher strength waste into the system. Residential users are deemed low risk and thus not specifically monitored. Again, this is to look at non-industrial or other flows that cause stresses on the system.

2019 Rate Study – Beth Bialy, of Plante Moran, discussed that when DUWA took over the system from Wayne County, there was an intent to continue the existing program of charges until the appropriate studies could be made to determine if alternative approaches should be considered by the Board. The IPP program was identified as needing updating for the charges, not necessarily for the methodology. The charges were simply out of date. Tetra Tech, who had performed the prior studies for Wayne County was hired in January 2019 and issued their report at the end of May 2019. They updated the charges, except for the NRU fee.

In review of the NRU charges, it became clear that the community self-reporting system was resulting in significant inconsistencies amongst the communities. However, delving into the

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details was beyond the scope of the study. The current goal for now is to have all the communities reporting in a reasonably consistent manner. DUWA initiated a process to understand how the communities were generating the self-reporting information. A survey was conducted to obtain this data and to focus the efforts to obtain consistency, which is the focus of the current effort.

Over the next 24 months, DUWA is undertaking a comprehensive Rate Methodology update process and may consider alternative approaches to the NRU charges as part of this process, which is expected to kick-off after hiring a selected rate consultant.

Costs to be covered by fee - Beth discussed that in the administration of the Industrial Pretreatment Program, there are certain costs that are well defined and regularly recurring. This includes the cost of administering the industrial surcharge program (recovery of costs for treating high-strength waste), the administration of the Significant Industrial Users (SIUs) program (tracking the potential for SIUs to be discharging inappropriate waste into the system), and sampling the SIUs on their compliance with appropriate permits and regulations. Beyond these tasks, there are tasks that need to be performed to protect the facilities and achieve the appropriate water quality in the discharge. The Non-Residential User Fee is intended to fund these remaining tasks.

Examples of these tasks include:

- Following up on complaints of suspected problems (e.g. whistle-blower complaints about illegal practices at an NRU)
- Ensuring that the Authority’s Industrial User List is kept up to date

Costs for program administration, enforcement, sampling, and general overhead (including employee salaries, contractor costs if applicable, supplies, and other direct and indirect costs) are recovered through the NRU fee. This includes all of the costs of running the program to detect, monitor and enforce the types of flows that are coming into the system. These costs are divided by the expected number of NRU units.

Right now, there is about a 20% surcharge - \$1.53 on \$7.82.

Usage subject to the NRU fee – Beth discussed that DUWA has a definition in the sewer use ordinance and also has wording that has been on the self-reporting form for a very long time. These two are not exactly the same but they are not materially in conflict either. The same basic premise. We can debate all day long what types of businesses should and shouldn’t be included, but we should follow our own requirements for the near term until we do the rate study.

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Sewer use ordinance - A source of discharge to the plant which originates from, but is not limited to, facilities engaged in industry, manufacturing, arts, trade or commerce, including the development, recovery or processing of natural products, whether public or private, commercial or charitable. Single and multiple family residential dwellings with discharges consistent with Domestic Waste characteristics are specifically excluded.”

The SUO defines residential user as:

“any User whose sanitary sewage emanates from a property primarily used as a domicile, including multiple dwellings and whose sewage characteristics are within the definitions of Domestic Waste.”

Self-reporting form - Any structure that is not residential is subject to the NRU fee. The instructions for the self-reporting form state: “For the purpose of this fee, a residential unit shall be defined as any structure designed and used for year-round habitation where average occupancy by the same person(s) was longer than 2 consecutive months during the previous year. Non-residential units will include any sewered premises that do not meet the above description.” This definition is consistent with the definition of Industrial User under DUWA’s sewer use ordinance which is generally derived from the EPA and EGLE regulations defining IUs. EPA’s 1983 Pretreatment Program guidance discusses the need to identify all industrial users through searches of billing records, sewer connection permits, property tax records and business licenses.

The following use types were discussed and everyone should report as:

- Apartment buildings – residential
- Mobile homes – residential
- Nursing homes – Technically NRU - these are commercial businesses doing commerce. This is where we had the most discrepancies as most were treating as residential for NRU purposes. Does have some characteristics of residential but also not that far off from a hospital setting in some instances. Again, the point is consistency - it is definitely a commercial business, so all communities should report as such so that we can stick to our agreed-upon definition.

If we want to make changes later to carve out some businesses, we can, but for now, any commercial should be treated as Non-residential, even if they have a lower risk of putting bad stuff into the system.

- Government buildings – Not applicable – not a trade or commerce
- Schools – Not applicable – not a trade or commerce
- Churches – not residential – do have aspects of trade or commerce

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Jim Taylor from VanBuren asked about churches and home-based businesses = if the structure is residential, then it meets the residential definition. Churches are not residential.

Andrea Hayden stated that we are trying to gather the universe of users that could potentially put higher strength waste into the system and commonly, residential is thought to be low-risk and thus not specifically monitored.

Jim Fausone stated that we need to capture what is happening in the system as an excess cost and capture that back. We will see what the rate consultant comes up with.

Bill Turner from Brownstown commented about various types of businesses and the discrepancies related to type of flow they put into the system.

Mechanics of self-reporting of NRU - Beth discussed that there is a section on the monthly self-reporting form for communities to report their NRU units, multiply it by the rate and submit those dollars to DUWA. The communities are responsible for tracking what users in their community are considered non-residential. They are then required to include those units in the base flow calculation but then to also put them on the NRU section of the form and pay the additional \$1.53 surcharge on these units.

Beth mentioned that there is a lot of effort put into the self-reporting and Jim Fausone stated that with staffing changes, sometimes those complexities lead to inconsistency. It's not intentional, it just happens as one person takes over from the other.

Do communities pass this fee on to the actual non-residential users? Beth stated the communities are responsible for determining their own rate structure. Based on preliminary survey results, some communities do assess a separate charge to the non-residential users in their community while others have viewed the NRU amounts paid to DUWA as a part of their overall cost pool to determine their rates charged. Again, DUWA is not dictating how you set your individual community rates.

System survey response summary:

- All 13 communities responded.
- Not all communities provided the name of a billing staff member to invite today

1. Could you please describe the process you use to arrive at the values entered into sections A through F of the monthly reporting form? Please confirm that you are using the units from your GLWA billing in section A and then describe how you arrive at the adjustments in sections B through F.

12 communities are starting with the GLWA meter reading for Section A and appear to be making appropriate adjustments in sections B-F. VanBuren Township does not use Section A

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and instead uses the option of completing Section B which takes individual customer meter reads and multiplies by 110%. 110% is applied to account for water loss. Their sewage is treated through more than one system, so this is an optional method for those communities that are in a similar situation.

Beth walked through an example of how the billing worksheet is completed.

- 2. If your community's sewage is treated through more than one system, how are you arriving at the units to input in Section A as well as the related adjustments?**

Allen Park, Brownstown, Dearborn Heights, Romulus and VanBuren are in more than one sewer system and appear to be making the proper adjustments.

- 3. Do you charge different rates for Residential versus Commercial customers?**

Brownstown, Riverview, Southgate and VanBuren stated they charge additional for Non-residential users. See the final survey question though where 9 communities reported charging a separate NRU fee and 4 do not pass it through. It appears most base rates are the same for all and then for those that charge an NRU, it is a surcharge in addition to the base. Romulus was the only community that seemed to charge different base rates based on meter size, regardless of residential versus commercial but Abbie Akins clarified that this is for water only, not for sewer.

- 4. Are you compiling section G1 (NRU fees) based on assigned categories in your billing system? If so, what categories do you consider as "non-residential"?**

Allen Park and Ecorse were the two communities that had not been reporting NRU fees. Both have started to report these units. There are several inconsistencies in what types of users are being classified as non-residential. Some are not applying NRU fees to government buildings, schools, nursing homes. Others were applying NRU to apartments and mobile home parks.

- 5. How do you treat mobile homes, apartment buildings, nursing homes and hotels?**

Five communities seem to be applying the definition below which would lead you to conclude apartments and mobile homes are residential and hotels and nursing homes are non-residential (these are businesses). Six communities treat nursing homes as residential (Allen Park, Brownstown, Lincoln Park, Riverview, Romulus and Wyandotte). Brownstown and Dearborn Heights are treating apartments and mobile home parks as non-residential.

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6. Is your system coding consistent with the definition below?

G	NONRESIDENT USER FEES				
1	Metered Water Consumption	-	MCF X	\$1.53	\$ -
<i>For the purpose of this fee, a residential unit shall be defined as any structure designed and used for year-round habitation where average occupancy by the same person(s) was longer than 2 consecutive months during the previous year. Non-residential units will include any sewerer premises that do not meet the above description.</i>					

Most communities answered yes but a couple were in the “for the most part” category and their more detailed answers, as noted above, lead you to believe there is inconsistency.

7. How many NRU customers are there in your community?

	Number of NRUs from survey	Units reported for 2019	% of Revenue
Allen Park	71	0	0
Belleville	96	2,767,	.82%
Brownstown	434	23,345	6.9%
Dearborn Heights	702	1,768	.52%
Ecorse	216	0	0
Lincoln Park	500	8,517	2.5%
River Rouge	190	23,764	7.0%
Riverview	200 (some multiple bills to same property)	1,388	.41%
Romulus	649	78,661	23.2%
Southgate	768	21,530	6.35%
Taylor	1390	92,714	27.3%
VanBuren	56	5,442	1.6%
Wyandotte	560	79,175	23.3%
TOTAL	5,632	339,072	
NRU - \$1.53		\$518,780	

8. Do you pass along the NRU fee to commercial customers?

Nine communities do pass along a separate fee and 4 do not.

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Need for consistency in reporting - Beth discussed that consistent reporting of non-residential users by the DUWA communities will allow us to better plan system usage and calculate an accurate NRU fee. We are requesting that all communities take time to review their current self-reporting practices to ensure that the proper NRU units are being reflected. We need an accurate history of NRU units system-wide in order to determine if the current NRU fee should be adjusted (either up or down).

Next steps

All communities should do an audit of their billing practices to ensure that the coding in their billing systems is consistent with the agreed upon definition of NRU.