

# Water rate case dragging on

## But confident suburbs to raise more funds

By Tim Richard  
staff writer

Suburban governments are raising money again to fight the city of Detroit's water rate increases. "But we're in the driver's seat for the first time," an optimistic Livonia Mayor Edward H. McNamara told representatives of the 77 suburbs this week. "We've got to stick to it."

"This is the first reported case where the customers won," added George Ward, attorney for the Suburban Association of Detroit Water Customers. Although confident of ultimate success, Ward predicted the seven-year-old case could drag on for more years.

IN OCTOBER the Michigan Court of Appeals ruled a circuit judge erred in calculating the rate of return Detroit is permitted to earn on water it sells to the suburbs.

The appeals court sent the case back to the circuit court for new hearings on what should be the proper rate of return. If the suburban position is upheld, the 77 governments could win back as much as \$35 million for five years of water bills plus interest at 12 percent.

Meanwhile, however, Detroit has asked the state Supreme Court for leave to appeal — a motion Ward opposes as premature. "If it goes to the Supreme Court, it'll go back to the circuit court (for rehearing on the facts), and you know what'll happen: It'll be right back up to the Supreme Court," said Ward.

"The Supreme Court might take as much as nine months to decide whether to grant an appeal,

though it might be as short as six months. Assuming the Supreme Court slams the door (on Detroit), it might be six months before the circuit judge hears it."

SO SUBURBAN city councils and township boards are being asked to contribute 5 cents per capita (based on the 1980 census) to fight the appeal.

Earlier assessments of 5 cents and 2.5 cents, beginning in 1976, raised a total of \$147,000, McNamara reported.

Of this, the association spent \$78,000 on attorneys fees, \$32,000 on engineering testimony and \$31,000 on certified public accountants, with outstanding bills of \$5,000. Thus, the group is out of money with more appeals in sight, McNamara said.

There were technical questions from the audience — mostly public officials from other Wayne, Oakland and Macomb county suburbs — but no hint that anyone was unhappy at being assessed again. About 75 percent of the local governments contributed to the earlier assessment.

WARD GAVE this explanation of the court of appeals victory:

Detroit figured it earned \$22 million on its investment of \$245 million in the water plant — a rate of return of 9 percent. The circuit judge ruled the rate was fair.

But the suburbs argued that Detroit's actual ownership equity (subtracting the amount of bonded debt) was only \$88 million. Subtracting interest payments of \$6.9 million, Detroit actually earned \$15 million — a rate of return of 17 percent.

"We said 17 percent is too high," Ward said. By his calculations, Detroit overcharged the sub-

urbs at least \$7 million a year for five years — a total of \$35 million. The appeals court panel ruled in the suburbs' favor.

A Detroit resident, Ward was chief of staff for the Detroit Charter Commission in the mid-1970s and chairman of the Wayne County Charter Commission in 1980-1.

BOB FREDERICKS, deputy Oakland County drain commissioner, urged local officials to support senate bills 544 and 545 to reform the Detroit water board.

"You can't get all you need through court action," said Frederick. "The bill's purpose is to get at the heart of the problem — control of the water and sewerage system by one man," a reference to Detroit Mayor Coleman Young, who appoints all seven members of the water board.

The bills, introduced by Sen. Richard Feaster, R-West Bloomfield, are supported by 15 other senators, mostly Republicans. They have an excellent chance of Senate passage this fall, Frederick said.

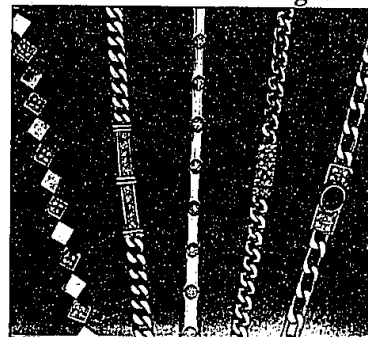
"We gotta have some more Democratic support," added McNamara, himself a Democrat and longtime foe of Young's handling of the water department.

FEASTER'S bills would create an assembly of elected officials from the water and sewer customer governments. Each delegate would have one vote per 10,000 population.

The assembly would elect nine members of a new regional water board — three from Detroit and six from the customer governments. The water board would appoint the director who would run the wholesale operation.

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