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METROPOLITAN ST. LOUIS SEWER DISTRICT

PUBLIC HEARING

AUGUST 24, 2011

(Hearing start time, 6:02 p.m.)

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1 PUBLIC HEARING FOR METROPOLITAN ST. LOUIS SEWER  
2 DISTRICT, produced and examined on AUGUST 24, 2011,  
3 between the hours of 6:02 in the evening and 7:13 in  
4 the evening of that day, at the Herbert Hoover Boys  
5 and Girls Club, 2901 North Grand, St. Louis, Missouri  
6 63107, before Suzanne Zes, Certified Court Reporter.

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APPEARANCES

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For the MSD Rate Commission:  
Glenn Koenen  
West County Chamber of Commerce  
Eric Schneider  
Regional Chamber & Growth Association  
Brad Goss  
Home Builders Association of Greater  
St. Louis  
Paul Brockmann  
Missouri Botanical Garden  
George D. Tomazi  
The Engineers' Club of St. Louis  
Ralph Wafer  
Missouri Coalition for the Environment

Also present:

Jeff Theerman  
Karl Tyminski  
Pam Bells  
Lance LeComb  
Jan Zimmerman  
Jonathon Sprague  
Brian Hoelscher

The Court Reporter:  
Suzanne Zes  
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711 North Eleventh Street  
St. Louis, MO 63101  
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1           MR. GOSS:    Good evening.  My name is Brad  
2   Goss, I am a member of the Metropolitan Sewer District  
3   Rate Commission.  I will be presiding over the public  
4   hearing this evening.  With me tonight are the  
5   following MSD Rate Commission members, Mr. Paul  
6   Brockmann, Mr. Schneider, Mr. Glenn Koenen and  
7   Mr. George Tomazi.  The charter plan of the District  
8   was amended at a general election on November 7, 2000  
9   and established a Rate Commission to review and make  
10  recommendations to the District regarding changes in  
11  wastewater rates, stormwater rates and tax rates  
12  proposed by the District.  The charter plan requires  
13  the MSD Board of Trustees to select organizations to  
14  ensure a fair representation of all users of the  
15  District services on the Rate Commission.  The Rate  
16  Commission representative organizations are to  
17  represent commercial industrial users, residential  
18  users and other organizations interested in the  
19  operation of the District including organizations  
20  focused on environmental issues, labor issues,  
21  socioeconomic issues, community neighborhood  
22  organizations and other nonprofit organizations.  The  
23  MSD Rate Commission currently consists of 14 members  
24  from organizations and institutions throughout St.  
25  Louis City and County.  On May 10, 2011, the Rate

1 Commission received a rate change notice proposing  
2 changes in the District's wastewater rates. The Rate  
3 Commission adopted operational rules and a procedural  
4 schedule to govern the proceedings on May 17th, 2011  
5 and amended its procedural schedule of July 8th, 2011.  
6 Under the procedural schedule adopted by the Rate  
7 Commission, as amended, the MSD Rate Commission has  
8 until October 21, 2011, to review and make  
9 recommendations to the MSD Board of Trustees as to  
10 whether the proposed rate should be approved, not  
11 approved or modified with suggested changes and then  
12 approved. The MSD Rate Commission has engaged legal  
13 counsel and a rate consultant, independent of those  
14 used by the MSD staff. Under procedural rules adopted  
15 by the Rate Commission, as amended, any person  
16 affected by the rate change proposal had an  
17 opportunity to submit an application to intervene in  
18 these proceedings. Applications to intervene have  
19 been filed by Barnes Jewish Hospital, Covidien,  
20 Missouri Industrial Energy Consumers, Robert A.  
21 Mueller, AARP and Consumers Council of Missouri.  
22 These applications have been granted. Since May 10,  
23 2011, the MSD Rate Commission has received testimony  
24 from MSD staff, intervenors and the rate consultant.  
25 The parties have also engaged in discovery requests.

1 Technical conferences were held on June 13th, 2011 and  
2 August 8th, 2011 and are planned for December 6th,  
3 2011, where the participants and the Rate Commission  
4 are given an opportunity to ask questions of those  
5 submitting testimony. A prehearing conference for the  
6 purpose of identifying any issues raised by the rate  
7 setting documents and the prepared testimony  
8 previously submitted will be conducted on the record  
9 on September 15th, 2011. All persons submitting  
10 testimony may participate in the prehearing conference  
11 and each participant in the prehearing conference must  
12 submit on or before September 22, 2011, a prehearing  
13 conference report describing the issues raised by the  
14 rate setting documents and the prepared testimony,  
15 together with a brief description of such participants  
16 position, if any, on each issue and the rational  
17 therefore. Rate payers who do not wish to intervene  
18 are permitted to participate in these on the record  
19 public hearings conducted in six sessions beginning on  
20 August 16th, 2011 and concluding on September 26th,  
21 2011. The Rate Commission published a public notice  
22 regarding these proceedings in the St. Louis Post  
23 Dispatch on May 20th, 23rd and 24th, 2011 and  
24 July 20th, 21st and 22nd, 2011. And in the St. Louis  
25 American on May 26th, 2011 and July 21, 2011. These

1 notices contain the time, dates and location of each  
2 of these conferences and hearings. The public hearing  
3 session tonight is for the purpose of permitting the  
4 District to present its wastewater rate change  
5 proposal and to permit any rate payer the opportunity  
6 to comment. We will begin with a presentation by the  
7 District followed by a public comment period. Those  
8 wishing to speak should sign in on the blue cards  
9 provided, the blue cards that were outside in the  
10 hallway and will be called on in the order of the  
11 names listed thereon. Each rate payer should identify  
12 themselves and any organizations represented by such  
13 rate payer. Just some housekeeping rules before we  
14 begin, if you do wish to present testimony, please  
15 again, sign the blue cards that are out in the hallway  
16 and then those need to be submitted to us. Speakers  
17 will be recognized in the order in which they sign up.  
18 Each rate payer will have a maximum of ten minutes to  
19 speak regarding the proposed rate change and as the  
20 presiding officer I can limit or expand the time,  
21 should I deem it necessary. And restrooms are located  
22 outside to the right, across from the sitting area.  
23 Are there any questions regarding the procedures for  
24 this evening? Seeing none, is the District ready to  
25 proceed? And I ask that you please step forward.

1           MR. THEERMAN: I am going to give a brief  
2 presentation on the proposal we have submitted to the  
3 Rate Commission. Okay. First and foremost, MSD is  
4 two utilities in one. A stormwater utility that is  
5 charged with stormwater management and a wastewater  
6 utility that collects, treats and manages wastewater.  
7 We cover about 525 square miles. That is all the City  
8 of St. Louis and about 80 percent of St. Louis County  
9 out to about roughly Highway 109. We were originally  
10 chartered in 1954 and at that time we served an area  
11 out to roughly Lindbergh. And then in the late '70s  
12 the voters of St. Louis County voted to annex the  
13 District and that created the present boundaries or  
14 nearly the present boundaries of the District. We  
15 serve about 1.4 million customers, that is about  
16 428,000 wastewater accounts. We are the combination  
17 of 79 different sewer systems. When MSD was created  
18 sewage treatment and management was handled by  
19 municipalities and by private companies throughout the  
20 region. Since that time those have all been placed  
21 under one umbrella, one utility. We are a  
22 governmental entity, we are not a profit-making  
23 operation, so we operate under a charter that was  
24 created under the Missouri constitution. There is no  
25 profit motive, there is no stakeholders of MSD, we are

1 a government. We have the fourth largest sewer system  
2 in the United States and that is problematic for St.  
3 Louis because we are certainly not the fourth largest  
4 community. So we are behind New York, Chicago and  
5 L.A. Our sewer system is roughly the same length of  
6 miles of pipe as L.A. and with L.A.'s five plus  
7 million customers they have more people to pay for the  
8 upkeep and operation system than we do. System  
9 consists of really -- the wastewater system now is  
10 what we are talking about tonight. The stormwater  
11 system that exists outside in the county is not part  
12 of this rate proposal and I am going to cover that a  
13 lot in the presentation. The wastewater system we  
14 manage has about 6,700 miles of sewers and that breaks  
15 down into 1,800 miles of what's called combined  
16 sewers. And those are the sewers designed in the  
17 1800s, one pipe system, stormwater and wastewater  
18 flows together in one pipe. And that was developed to  
19 get sewage out of the city into the rivers. So when  
20 it rains, the rainwater helps flush those sewers into  
21 the area's rivers. When we developed treatment plants  
22 in the '60s all the dry weather flows were routed to  
23 treatment plants instead of the river but there is  
24 still a problem of when it rains there is too much  
25 water for the system to handle and you have overflows

1 that I will talk more about here in a minute. There  
2 is also 4,700 of sanitary sewer. Now, that is a more  
3 contemporary design of sewers. There are two sets of  
4 sewers on the separate sanitary area. There is a  
5 wastewater set of pipes and a stormwater set of pipes.  
6 And again, there is 4,700 miles of that wastewater  
7 system outside of the combined sewer area. We operate  
8 seven treatment plants, they treat about 370 million  
9 gallons of water every day and that is hard to  
10 visualize. If you think of a box where the base is  
11 the size of a football field, the high end of that box  
12 to hold 370 million gallons would be taller than the  
13 Gateway Arch, so a lot of sewage in St. Louis, a lot  
14 being treated in our plants every day. There is also  
15 almost 3,000 miles of stormwater system, it's not part  
16 of our wastewater system and it's not part of this  
17 rate proposal. As I said earlier, this rate change  
18 proposal is a wastewater rate change only. We have a  
19 stormwater rate that we imposed in 2008. It was based  
20 on impervious area, we charged customers for about two  
21 years and then a court decided that was an invalid  
22 rate and we discontinued it. That is presently in  
23 appeal and we are not charging that rate today,  
24 instead we utilize a system of taxes and a small  
25 charge on a monthly bill for stormwater. So

1 stormwater service is inadequate in St. Louis. Right  
2 now we are trying to work out the rate issues we have  
3 to properly fund it, so that we can have provide  
4 better stormwater service. It is not part of this  
5 rate proposal because it is in litigation. The rate  
6 plan we have submitted is a four year plan that  
7 stretches from July 1st, 2012 through June 30th, 2016.  
8 It envisions four rate increases. One in July of 2012  
9 and then each year after that for four consecutive  
10 years. The current average monthly bill for a  
11 customer for wastewater service is \$28.73.

12 There are a number of things that are causing this  
13 rate change to be necessary and the first one is  
14 regulatory requirements and that is the primary reason  
15 for needing to do to this. I am going to talk in  
16 length about what that is. There is also the increase  
17 use of debt financing to build projects. MSD can  
18 borrow money if voters approve the use of debt and  
19 then that debt has to be retired with interest. So  
20 part of the rate change is about the interest payments  
21 necessary if you borrow. There is all also a small  
22 lack of loss of customer base that is accounted for in  
23 the rate proposal. There is some declining water  
24 usage related to water conservation and also there is  
25 the economic conditions that exist that play a role in

1 this.

2 The proposal includes a little over a billion  
3 dollars of capital improvements. 945 million of that  
4 would be debt financed in our proposal and all the  
5 bond proceeds would be used to finance capital  
6 improvements. We are not using debt, we are not  
7 issuing bonds to pay for day-to-day operation of the  
8 District. In that four year period there would also  
9 be approximately \$634 million of operations and  
10 maintenance expense. That is the day-to-day operation  
11 of the District, the maintenance of the system, the  
12 operation of the treatment plants and about \$359  
13 million of debt service, again spread over four years.  
14 And that debt service is to cover debt we would issue  
15 in this proposal but also debt that is currently  
16 outstanding, we have already issued and we are paying  
17 back now. So the rate change is to a great extent  
18 required by regulatory requirements. In 2007 MSD was  
19 sued by the EPA and the State of Missouri for alleged  
20 violations of the Clean Water Act. And we have  
21 reached a settlement with the regulators to settle  
22 that lawsuit. That lawsuit, the settlement, results  
23 in a 23 year compliance schedule, an estimated cost of  
24 compliance of \$4.7 billion and that is in today's  
25 dollars, it would address sanitary sewer overflows and

1 eliminate them, it will address the abatement of  
2 combined sewer overflows and I will talk more about  
3 both of those in just a second, additional maintenance  
4 and repair of the sewer system as time goes on to make  
5 it operate better, reduction of basement backups, and  
6 asset reinvestment or continuing to reinvest in the  
7 sewer system. So at the end of the 23 years we are  
8 not sitting in the very same place we are today.

9 Also a driver, a regulatory requirement, that is  
10 not part of the Consent Decree or the settlement  
11 agreement, is additional treatment requirements. EPA  
12 has imposed additional treatment requirements at our  
13 treatment plants that we are going to have to comply  
14 with. And so, as those improvements get built there  
15 will be new operation and maintenance costs associated  
16 with turning those on. It's possible for the public  
17 to comment on this settlement, it is called a Consent  
18 Decree. You have to comment on the Department of  
19 Justice website and that comment period goes until  
20 September 9th. On the slide it shows a link to our  
21 website, [www.stlmsd.com](http://www.stlmsd.com), and if you go there you can  
22 get a link to the Department of Justice website and  
23 see the entire settlement agreement and see how to  
24 comment if you desire. Commenting tonight will be  
25 very beneficial for the Rate Commission but it will

1 not be a comment to the Justice Department if that is  
2 something you are interested in doing.

3 So a little bit more about these overflow issues.  
4 The map is not intended to test your eyes. You have  
5 that map in your handout as well. There is a green  
6 area, a green shaded area, and that is all of the City  
7 of St. Louis and 23 neighboring municipalities and  
8 that is the combined sewer area or the area where the  
9 system is a lot older. And that combined area is  
10 where you have one pipe system that carries both  
11 wastewater and stormwater. During dry weather all the  
12 sewage goes to treatment plants and gets treated  
13 appropriately. In wet weather when there is more flow  
14 then there is capacity in the pipes, the excess water  
15 is discharged into neighboring rivers through what is  
16 called combined sewer overflows. So in that green  
17 shaded area are a 199 little green dots. Those are  
18 combined sewer overflows and they discharge in the  
19 Mississippi River, the River Des Peres and some of the  
20 other smaller creeks, Maylene Creek. Those overflows  
21 are not illegal, they are permitted by EPA but they do  
22 have to be abated. They discharge an average of about  
23 50 times a year when it rains and that needs to be  
24 reduced. So we have developed a long-term control  
25 plan with lots of public input to address those

1 overflows. And it takes those overflows from fifty  
2 times a year down to about four times a year for all  
3 of those dots except for the ones directly to the  
4 Mississippi River. That has a price tag of about \$2  
5 billion. Then the outside area, the area that is not  
6 shaded, is the separate sewer area and is the bounds  
7 of the county. That system has a wastewater system  
8 that is supposed to be just carrying wastewater but it  
9 has imperfections, it has deterioration that has gone  
10 on over time and lets water in. That water either  
11 comes from imperfections in our public system or it  
12 comes from inappropriate connections in the private  
13 system, so that can be downspouts that were connected.  
14 Now remember, in the city where there is combined  
15 sewer, a connection of downspouts is appropriate. But  
16 out here in the county where there is not a combined  
17 sewer, downspouts shouldn't be there and it should be  
18 just released to the green space. So if downspouts  
19 are connected inappropriately or sump pumps are there  
20 that shouldn't be pumping into the sewer system, it  
21 takes up capacity and causes overflows and causes  
22 basement backups. All those red dots are illegal.  
23 They all need to come out and that is the other half  
24 of the program. The elimination of the those red  
25 dots, roughly the other half. This is a summary of

1 the capital improvement costs for each year of the  
2 rate plan, about a quarter of a billion dollars or  
3 \$250 million a year in capital improvements over that  
4 entire area. Now, this isn't all the detail that is  
5 available. We have given the Rate Commission all the  
6 projects and estimated costs behind this detail. So  
7 it's possible for the public as well, to see what all  
8 these projects are and see where they are going to be  
9 constructed. A little over a billion dollars of  
10 improvements in four years.

11 These are our respective operating costs over that  
12 same period of time. You see our operating costs are  
13 escalating at 4 or 5 percent. For the most part, if  
14 it is more than 4 percent, it is because we are  
15 getting regulatory requirements from this settlement  
16 agreement that we'll do with our own work force and  
17 that is escalating some of our costs. There is also  
18 some one-time costs in the upward 14, 15 years, that  
19 persistent changes in the District's operating  
20 systems. This is the chart of the District's  
21 historical sewer bills and that is the blue bar  
22 charts. That is a monthly sewer bill for the average  
23 residential customer. The red line is a survey,  
24 nationally of sewer bills in lots of cities. And you  
25 can see that St. Louis' sewer bills are rising

1 similarly to the way they are in the rest of the  
2 country and in the big utilities. Again, because of  
3 regulatory requirements that have to be complied with,  
4 so this is very similar story throughout the nation.  
5 Here is the proposed rate increase we have delivered  
6 to the Rate Commission. Again, starting at \$28.73,  
7 this is a wastewater rate and then escalating each  
8 year. You should keep in mind that \$28.73 rate is an  
9 average number, everybody's bill is different. If you  
10 live in the City of St. Louis your water provider is  
11 the city itself and we take the water data from the  
12 City of St. Louis for the winter quarter and apply  
13 that to calculate wastewater bills. The reason we use  
14 the winter quarter is because we are trying not to  
15 capture water use like lawn irrigation or washing cars  
16 that sort of thing. Now in the city, most residential  
17 customers do not have water meters. And you pay based  
18 upon the number of rooms and baths you have in the  
19 house. It is possible to get a water meter but most  
20 homes don't have that today. If you're living out in  
21 the county your water provider is either Missouri  
22 American Water or Kirkwood's water company and those  
23 are all meters, so we take again, winter quarter meter  
24 water consumption and apply it to the wastewater bill.  
25 That's how bills get calculated.

1           This slide is intended to show you the difference  
2           between using debt and not using debt. On the left  
3           side is the proposal MSD has made to the Rate  
4           Commission. Again, a billion dollars of capital  
5           improvements, \$945 million of debt and then the rates  
6           I have already discussed. And then the left side or  
7           actually your right side, shows you an example of  
8           where we fund the whole program in cash. That side  
9           has no debt but instead you have to raise the rates a  
10          lot to generate the 250 million or so a year to  
11          finance capital programs. So you see, in one year the  
12          rates jump to \$73.35 and then after that you're at a  
13          place where you are generating the cash necessary to  
14          build the program and they just increase very slightly  
15          after that. We didn't recommend the right side  
16          because we felt like that is just really too big a  
17          jump for customers to be able to handle. Using debt,  
18          although your rates go up a lot, they didn't go up  
19          nearly as steeply as the cash financed approach. Our  
20          proposal is the left side. There are an infinite  
21          number of possibilities in between, you use different  
22          amounts of debt, cash to get to different places. The  
23          right side has the advantage of being the lowest  
24          overall costs because you're not paying interest  
25          payments. The left side tends to spread the cost of

1 the program over not only today's customers but future  
2 customers because we are dealing with a system that  
3 has a really long life and that makes more sense to a  
4 lot of people.

5 Okay, real quick, this is how we step through the  
6 future here. The Rate Commission will make a  
7 recommendation to our Board of Trustees in October of  
8 2011, our board will do nothing with that except  
9 consider it for a 45 day period, there is a waiting  
10 period while they review the rate report. And they  
11 are charged with reviewing the rate report for  
12 compliance with our charter. After that, the board  
13 can act on it and if the rate report from the Rate  
14 Commission is compliant with the charter, our board is  
15 obligated to enact it. So that would look like a  
16 preliminary introduction in December and then a bond  
17 election, assuming the debt is involved in the rate  
18 report, in the winter or the spring. In Missouri, for  
19 municipal government to issue debt, it requires voter  
20 approval. So the voters wouldn't be voting on the  
21 rates per se, they would be voting on whether or not  
22 the District could use debt to finance the capital  
23 program. After the election is done, the board would  
24 have direction then, if the voters would have approved  
25 debt or not and they could finish the enactment of the

1 rate proposal. In our case, in our proposal, the  
2 first rate change would be July of 2012. So that is  
3 all I have and I will turn it back over to Mr. Goss.

4 MR. GOSS: I am now going call the names of  
5 those who submitted speaker cards and ask that they  
6 would -- we'll bring a microphone to where you are and  
7 ask that you identify yourself by name and please make  
8 your comments to the Commission. And the first person  
9 is -- and I apologize in advance if I mispronounce  
10 people's name because I can't read handwriting or  
11 whatever. I believe it is Orde Logan or maybe Ora,  
12 I'm sorry.

13 MS. ORA LOGAN: Yes.

14 MR. GOSS: I'm sorry.

15 MS. ORA LOGAN: I have a question about how  
16 you rate the sewer bill. I bought a two-family flat  
17 that has been vacant for a year and the tenants just  
18 moved in April and I got a bill for \$700. I wrote to  
19 the Missouri Metro Sewer District but I have not  
20 received an answer yet.

21 MR. THEERMAN: I am sorry, I don't know the  
22 specifics of your individual bill but our Director of  
23 Finance, Jam Zimmerman is here tonight. She is right  
24 in back there with her hand up and we would be glad to  
25 take a look at the bill and try to understand, try to

1       decipher for you, seems like a really big bill.

2               MS. ORA LOGAN:   Yes, it is a shocker.

3               MR. GOSS:   Shayla McPeters?

4               MS. ORA LOGAN:   I am not a citizen of the  
5       City of St. Louis, I just live in St. Louis County in  
6       the unincorporated areas.  I have been living in my  
7       home for a five years and my home is in a designated  
8       flood zone, so I have to carry flood insurance on my  
9       home.  Behind my home is a creek and I know this is  
10      really not addressing to the stormwater issue, so I am  
11      assuming my problem really is with the stormwater  
12      issue, I have lost probably about 30 percent of my  
13      backyard to erosion.  My neighbors have lost about 50  
14      percent of their yard.  They -- I am talking about all  
15      of my neighbors on my side of the street.  I have  
16      contacted MSD on numerous occasions, you all have sent  
17      engineers out to me and basically told me that too  
18      bad, so sad, you're going to lose your yard.  And my  
19      neighbors have, they have small children and I know  
20      none of you want your children or your grandchildren  
21      to play in your backyard when half of it is gone.  
22      You're asking us, as citizens of this city, to fund  
23      your project but when we have issues like this, you  
24      don't want to help us and right now I have no  
25      recourse.  My fence in my backyard is gone, my

1 neighbor's fence is gone, I mean, eventually my house  
2 will be gone if this is not addressed. You have put  
3 up signs all along my backyard and all along the other  
4 the side of the creek saying we can't swim in it  
5 because there is wastewater mixed in with this creek.  
6 In 2008 when the major flood occurred because you all  
7 are trying to do some capital improvement and had the  
8 creek blocked up, the water couldn't go anywhere  
9 except into our homes. I want to know what MSD is  
10 going to do for my neighborhood for Sun Valley  
11 Estates, we are bordered by the creek that is at Lucas  
12 and Hunt and Halls Ferry and if necessary, my  
13 subdivision has sent me out here because I am the one  
14 that is always having something to say and will take  
15 action upon this. But if I don't hear something from  
16 you all that is going to address this issue and I know  
17 you're in litigation with the stormwater and you're  
18 wanting us to deal with this wastewater because  
19 obviously there is wastewater in it if your putting  
20 signs up, I would have them not vote for it and I will  
21 be a personal crusader to have people not vote for  
22 this if it means you are not going to fix the erosion  
23 issues that we have. Thank you.

24 MR. GOSS: Just one comment, ma'am. I do  
25 want to clarify that the Rate Commission, these

1 members of the Rate Commission are independent of MSD.  
2 We are volunteers that are appointed to review the  
3 Rate Commission proposal, so we are not MSD itself and  
4 Mr. Theerman might be capable of addressing your  
5 question.

6 MR. THEERMAN: Well, first and foremost, the  
7 erosion issue is something we were trying to address  
8 when we implemented a stormwater rate in 2008,  
9 unfortunately that's in litigation. So we had every  
10 intention of trying to get at those erosion problems  
11 throughout the county. Now that it is involved in a  
12 lawsuit, we are somewhat held back for a time. The  
13 signs you're seeing in the backyard that have -- that  
14 state don't get in the creek because of sewer  
15 overflows, that is exactly what we are trying to get  
16 at with this program. So those red dots are leading  
17 to the installation of those signs. So that part of  
18 the issue is this particular rate case.

19 MS. SHAYLA MCPETERS: Yes but even if you  
20 fix that, you take the sanitary issues out of it, we  
21 still have lost our property. I used to have 50 feet  
22 of land beyond my fence, I don't even have that any  
23 more, I barely have my fence, it is leaning. And  
24 every year, every time it rains, more and more of the  
25 land just washes away. So what is it, I mean, okay,

1     yeah, you want to fix this, great, take the sanitary,  
2     nobody wants to swim in that creek any way, we want  
3     our properties fixed. And you sending an engineer out  
4     to me and then sending me a letter, oh, yeah, we know  
5     about this problem but we are not going to fix it.  
6     What does that do for me? And I honestly feel that  
7     because of the neighborhood I live in, is why you all  
8     are really not taking it seriously. If I lived in  
9     Ladue or West County or somewhere else, you all would  
10    break your necks to get that fixed.

11           MR. THEERMAN: I can tell you that is not  
12    the case.

13           MS. SHAYLA MCPETERS: Oh right, okay.

14           MR. THEERMAN: Please, we have -- we curved  
15    our stormwater effort to the level of revenue that we  
16    get and I can tell you we have provided little, if  
17    any, service out beyond Lindbergh because they don't  
18    pay hardly anything. I mean, it's about a 2 cent tax  
19    that we get there, so we have curved the stormwater  
20    services back to the revenue we receive and that's the  
21    way unfortunately we are funded until we can get this  
22    rate, this stormwater impervious charge fixed.

23           MS. SHAYLA MCPETERS: Okay. So when you do  
24    get it fixed because it can't be in litigation  
25    forever, who are you going to go to first, are you

1 going to go to the people like in my neighborhood? I  
2 got five kids that live in the house two doors from  
3 me. They can't play in their backyard because their  
4 mother is too afraid their going to go out there and  
5 slip and fall. It is 50 feet to the bottom of that  
6 creek, it is not some little itty bitty creek, it is a  
7 huge creek and her land is not there, so now what?

8 MR. THEERMAN: Well, we try to handle the  
9 very worst problems first. I am not familiar with  
10 your specific backyard.

11 MS. SHAYLA MCPETERS: You all have some  
12 engineer named Sue, that works for you all and I am  
13 constantly in contact with her and she is constantly  
14 sending me letters basically telling me too bad, so  
15 sad for you. That is not good enough for us, we want  
16 something done, something needs to be addressed with  
17 this.

18 MR. THEERMAN: Well, before you leave  
19 tonight let me hear where you live and we will get  
20 that written down. I will find out -- I am not sure  
21 which engineer is Sue but we can track her down.

22 MS. SHAYLA MCPETERS: Thank you.

23 MR. GOSS: Adolphus Pruitt?

24 MR. ADOLPHUS PRUITT: My name is Adolphus  
25 Pruitt, president of the St. Louis NAACP. I have a

1 couple of questions. I wanted to know first of all,  
2 if the pending litigation for the stormwater is  
3 appealed and if you win the appeal, then I take it the  
4 rate increase that you were trying to impose before  
5 the court, kicks in, am I right or wrong?

6 MR. THEERMAN: The prior rate that we put in  
7 place, if we win our appeal through all the different  
8 potential appeals, then it could be reenacted.

9 MR. ADOLPHUS PRUITT: My point is, if you  
10 win that litigation that rate kicks in, right?

11 MR. THEERMAN: We should be able to reenact  
12 it, yes.

13 MR. ADOLPHUS PRUITT: So I guess what my  
14 question is, we are talking about a rate increase now,  
15 that is separate and above that, so I am just  
16 wondering if the Commission is taking into  
17 consideration on a rate increase you are talking about  
18 imposing now, that it could be on top of another rate  
19 increase that has all ready been approved that is  
20 coming, it's just a matter of whether they are  
21 victorious in the court or not and through this  
22 appeal. Which means now that folks are looking at one  
23 separate increase based on the presentation but in  
24 actuality there may be a double whammy coming down the  
25 line. So I just wanted to know if they take that into

1 consideration. The other issue was -- my assumption  
2 is that based on the Consent Decree, does it include  
3 or prevent any federal funding from any federal  
4 sources or other public sources to address the matter  
5 outside of utilizing the rate increase?

6 MR. THEERMAN: It doesn't prohibit us from  
7 utilizing federal funding if it's available.

8 MR. ADOLPHUS PRUITT: Which means that I  
9 wonder if the Rate Commission has asked MSD for some  
10 sort of opinion as it relates to potential federal  
11 sources that develop now or may be developed in the  
12 future, that they have looked at -- have taken  
13 consideration as the opportunity to keep this rate  
14 increase from happening. So that is another thing I  
15 wanted to know, has the Commission took that into  
16 consideration also. And the last one was an issue as  
17 it relates to -- my card, I wrote all three of them  
18 down there. Oh, I know the consequences.

19 MR. GOSS: Yeah, what are the consequences.

20 MR. ADOLPHUS PRUITT: If you approve, as a  
21 commission, you approve the rate increase as it is  
22 proposed, the voters vote it down, what are the  
23 consequences as it relates to the citizens because if  
24 I am mistaken, if you approve it as a rate increase  
25 and the voters do not approve the bond issue, that

1 rate increase is still imposed on the citizens, am I  
2 right or wrong?

3 MR. THEERMAN: I can tell you that the way  
4 we believe it would work is the rate or the bond  
5 election would be a question of using debt or not. So  
6 if the voters vote down the use of debt, we would be  
7 cash financing.

8 MR. ADOLPHUS PRUITT: So that option you  
9 showed on there where it says 74, you can go back  
10 there, so that option on the right, 100 percent cash,  
11 I'm saying if this Commission approved this proposed  
12 rate increase and the voters, in disagreement, votes  
13 it down, the Commission is just imposed -- the rate  
14 increase is going to happen irregardless of whether  
15 the voters act in affirmative or negative in April or  
16 whenever that comes before the voters, simply because  
17 this Commission approved the rate increase; is that  
18 right?

19 MR. THEERMAN: Except that the imposition of  
20 a rate is a matter for our Board of Trustees. The  
21 Rate Commission recommends to them but our board would  
22 be the one that imposes the rate change.

23 MR. ADOLPHUS PRUITT: Let me put it  
24 differently. If they say yes, the voters say no, then  
25 the Commissioners can say well, we don't care what the

1 voters say, we are going to hit them with this  
2 increase any way but it would not have to come back to  
3 them, am I right or wrong?

4 MR. GOSS: That is not accurate, there is  
5 another step. The Rate Commission makes a  
6 recommendation to the Board of Trustees. And it's the  
7 Board of Trustees that actually sets the proposed  
8 rate, so we are simply a recommending body, if you  
9 want to put it in a zoning context, we are like a  
10 planning and zoning commission. Then it goes to the  
11 Board of Alderman, that would be an analogy. In our  
12 case, we don't make the decision. We make a  
13 recommendation to the Board of Trustees and the Board  
14 of Trustees is again, the one that sets the rate. And  
15 if they choose to fund that through debt, it is the  
16 debt that goes before the voters.

17 MR. ADOLPHUS PRUITT: Mr. Chairman, I beg to  
18 differ with you just a little bit. If you, without  
19 you acting, the Trustees cannot impose a rate  
20 increase, am I right or wrong?

21 MR. GOSS: Under the charter we have to make  
22 a recommendation.

23 MR. ADOLPHUS PRUITT: So when you act, you  
24 just empowered them to impose a rate increase and now  
25 the decision is solely on them and no longer has to

1       come back to you, am I right or wrong? Once you act  
2       in affirmative on the rate increase, then the Trustees  
3       can then impose that increase on the citizens without  
4       having to come back to you and ask for permission  
5       whatsoever, am I right or wrong?

6                   UNIDENTIFIED SPEAKER: They don't  
7       understand what you're saying. Literally, what he's  
8       saying is MSD, as a private entity, can actually  
9       impose a rate increase automatically, even though they  
10      approved it and it fell by the voters.

11                   MR. ADOLPHUS PRUITT: You're almost right.

12                   MR. THEERMAN: I want to answer your  
13      question, Adolphus, it's just the mechanics of the way  
14      our charter is written is a little convoluted. This  
15      is how it works, they issue a rate recommendation, it  
16      can be what we proposed, it can be something else. If  
17      the board reviews that rate recommendation in the  
18      context of five tests in the charter and those tests  
19      are things like does it meet regulatory requirements,  
20      is it fair and equitable and a couple of other ones  
21      there. If the board, in reviewing their rate  
22      recommendation, determines that those tests are passed  
23      or satisfied, then they would implement the  
24      recommended rate, okay. Now, that's the rate and then  
25      the board would then put on the ballot, as Mr. Goss

1 said, the use of debt. And the voters are not voting  
2 on the rate per se, they're voting on whether or not  
3 to use debt.

4 MR. ADOLPHUS PRUITT: We are saying the  
5 exact same -- again, I just want to make sure the  
6 citizens understand that this hearing today, when this  
7 body acts and says yes, we agree that you, the Board  
8 of Trustees, can impose a rate increase, that step  
9 empowers the board to make that decision irregardless  
10 of what happens in the election as it relates to us  
11 voting whether we use bonds or whether you impose the  
12 \$73 a person. And I just want to make sure we  
13 understand and that's why I'm asking the Commission,  
14 before you give the Trustees that sort of power, that  
15 those questions I asked earlier, that one, you take  
16 into consideration, that if there is appeal in pending  
17 litigation, if they're successful, that what you're  
18 imposing now is going to be on top of something that  
19 is coming, that has already been through all the steps  
20 and just a matter of if they win the appeal or not.  
21 Two, whether MSD has seriously looked and took into  
22 consideration all other public sources, both federal  
23 and state, as potential sources to do this versus  
24 imposing it on the citizens. That is my concern that  
25 the Commission takes that into consideration before

1 given the Board of Trustees the power to do that  
2 because irregardless of what happens in the election,  
3 our voices no longer have any power because you have  
4 just empowered them to impose that rate increase,  
5 whether we vote for that bond issue or not.

6 MR. GOSS: Adolphus, I don't know if that is  
7 a forgone conclusion or not. The issue of whether the  
8 debt is voted down if MSD has to bring that back to  
9 the Rate Commission for an evaluation as to whether  
10 the all cash option, which is what the default would  
11 be, would be fair and equitable and meet the five part  
12 test is another matter and that could be the  
13 consequence. I don't want to tell you the wrong thing  
14 tonight, so the answer may be if it is voted down it  
15 has to go back to the Rate Commission, back through  
16 the process but I don't want to tell you that's the  
17 case because I don't know that for a fact.

18 MR. ADOLPHUS PRUITT: Now, I know you have  
19 some subsequent public hearings and it would be  
20 helpful if between now and the next public hearing,  
21 that that determination needs to be made. I want to  
22 make sure the citizens understand.

23 MR. GOSS: Well, we'll ask counsel. We do  
24 have legal counsel on the Rate Commission and that  
25 truly is something we will know the answer to, I think

1 it is a great question.

2 MR. ADOLPHUS PRUITT: Then last the comment,  
3 of course, with the downturn of the economy, we all  
4 know what is going on in people's lives individually  
5 and you can go anywhere and talk about the  
6 consequences of the downturn of the economy,  
7 especially on the African American middle class. You  
8 will find that that segment of the population has been  
9 hurt and hit more than any other segment of the  
10 population and those are the same folks we are looking  
11 to pay this rate increase. So I still have some  
12 concerns about imposing that without having any idea  
13 of what the economy is going to look like in the  
14 future. You have a very difficult task in front of  
15 you and I appreciate the fact that you are public  
16 citizens, you volunteered to deal with it but I also  
17 hope that you use that insight to take a look at  
18 people's lives out here and understand what these  
19 consequences of what you're going to do really imposes  
20 on them and their lives in the future. I appreciate  
21 your time.

22 MR. SCHNEIDER: Anthony Bell? I believe  
23 it's Anthony but it could be Arthur.

24 MR. ANTHONY BELL: How you doing?  
25 Generally, I think the brother here from the NAACP has

1 really addressed mostly everything I wanted to hear  
2 before the board and I understand you all are just the  
3 Commissioners. And another question I had concerning,  
4 if it was approved -- let's just say hypothetically,  
5 if it was approved even with the voters, after the  
6 Commission had already gave approval, how long would  
7 that last, is there a cutoff date for that increase?

8 MR. THEERMAN: For the increase, the  
9 settlement with the EPA has a value of about 4.7  
10 billion, so, no, that is not the end of the line and  
11 there would be subsequent rate increases. And we  
12 talked a lot in public about the fact that by the end  
13 of the decade we think sewer bills could be in the \$80  
14 a month range to fund this program. It doesn't go  
15 back and it doesn't stay still, it will have to  
16 continue to rise to build this EPA mandated program.

17 MR. ANTHONY BELL: Okay. Another thing I  
18 was concerned about, you were saying, directed to the  
19 citizens concerns and I am one for myself, it really  
20 hits home, this would be hard hit, a hard hit, that  
21 increase I see on the board here. And another thing  
22 it would be really put senior citizens out of  
23 commission that are on a fixed income trying to live  
24 independently in their homes. A \$74 increase, almost  
25 \$75 increase on a sewer bill, they will almost be

1 forced to move into senior citizens' homes and lose  
2 their independence and stuff like that. See, so this  
3 is something I wouldn't want to see happen on anybody  
4 in today's current -- with the economy the way it is  
5 right now, especially on the minority, us as a whole.  
6 That would be the worst thing that the Commission  
7 could approve. That is really what I wanted to say  
8 and find out how long it would last if it happened?  
9 Would it be a 20 year thing, would it cut off?

10 MR. THEERMAN: The debt we would -- we  
11 probably use the majority of the 30 year debt, so you  
12 are talking about issuing this debt over lots of years  
13 and one's a 30 year duration, so this would be  
14 extending out over a long period of time to pay off  
15 all those capital improvements. What you're  
16 recognizing is really the reason why we suggested the  
17 use of a significant amount of bonds to try and keep  
18 those rates from not rising so dramatically. Of  
19 course, when you use debt you have to pay it off with  
20 interest, so there is that too.

21 MR. ANTHONY BELL: Okay. That was basically  
22 the questions I had to ask and I don't want to take up  
23 too much of your guys' time. Let someone else say  
24 something here today that may be concerned but I am  
25 very concerned about it. I know how it feels to be

1 made a senior citizen and something like that and you  
2 on a fixed income, you can barely live from month to  
3 month already and stay independent in your own home.  
4 That is the worst case scenario that could happen  
5 right now. As far as this increase from the  
6 Commission, if you approve that, that would be the  
7 worst thing that can happen. And believe me, what  
8 happens to us, can happen to you.

9 MR. GOSS: Sharon Sharp?

10 MS. SHARON SHARP: Hello. I am one of those  
11 senior citizens, I'm on that fixed income, so if the  
12 rate goes up to like \$75 a lot of people can't pay it,  
13 then, of course, you put a lien on their property and  
14 then you put interest on top of the monthly payments  
15 you couldn't make in the first place and you bury  
16 people in debt. Eventually I don't know what happens  
17 if you can't pay it off but what does happen? How can  
18 you expect people whose income have not increased in  
19 three years, to handle all of these public service  
20 increases? The gas, the electric, the water, all of  
21 that, how do you expect senior citizens or anyone with  
22 a fixed income to do anything? Your medical bills  
23 increase, you know, you're old now, so you have more  
24 health problems. This is something that even people  
25 who are not senior citizens -- water is free. What

1 are you doing to this water that we have to pay so  
2 much for? Should we get westbound and put it out like  
3 we used to a long time ago or, you know, go dig a  
4 whole and bury it, well, you can't do that because it  
5 effects the ground water. But still why is it costing  
6 so much? It's sewer, I know it is sewer. I know our  
7 sewer system is old, it has been old for a long, long  
8 time. So now all at once you want to fix the sewer  
9 and everybody is coming at people with all utilities.  
10 Utilities have had to increase, at least with all  
11 utilities, at least 30 percent. 15 for that one, 17  
12 for that, oh, we want another seven for that one, oh,  
13 we need six more for -- so everybody is increasing  
14 utilities. People cannot afford -- even working  
15 people cannot afford these constant increases of  
16 services that are necessary to live. We don't even  
17 have a choice whether we have these services, we need  
18 them, they're essential. So I understand you all had  
19 a problem but we cannot afford to take care of your  
20 problem when you're constantly -- you all salaries are  
21 not low, you know, I am not talking about -- you get  
22 your bonuses and we struggle with trying to make it  
23 with nothing. So I don't think you're -- and the  
24 Commission bless your heart, you can only recommend  
25 and I know that, so I'm not going to get mad at you.

1 You can only recommend, you can only do what you do.  
2 But it seems like you keep still giving increases no  
3 matter what. That is all I have to say.

4 MR. THEERMAN: I just want to cover one or  
5 two things, so everyone understands. One of the  
6 reasons, the primary reason this is the way it is, is  
7 because St. Louis, like a lot of other cities, didn't  
8 want to see rates go up. And we as an MSD, didn't  
9 raise rates in the '70s and '80s and then we got into  
10 lawsuits about rates and couldn't raise rates through  
11 late '80s and '90s and this is EPA coming in and  
12 saying you have to play catch up. One of the issues  
13 -- I mean, I hear what you're saying about where does  
14 this money have to go, it is just water but we are  
15 talking about rebuilding a sewer system and what has  
16 to be done to make it work properly and it's like  
17 anything else whether it's a road or a bridge, if you  
18 ignore it when you finally do get around to fixing it,  
19 it costs more if you have delayed. And so, that's  
20 really why it's as expensive as it is, we are playing  
21 catch up on this infrastructure. The only other thing  
22 I would tell you is nobody at MSD gets bonuses, so.

23 UNIDENTIFIED SPEAKER: How would that  
24 effect an increase that you guys imposed back a year  
25 or so ago, a couple of years ago to repair the sewer

1 lines and most the, you know, (inaudible person has no  
2 mic) what happened to that money?

3 MR. THEERMAN: Again, we imposed in 2008, a  
4 stormwater charge that was based on how much  
5 impervious area or how much pavement you have on your  
6 property. And that charge is no longer on your bill.  
7 It was struck down by a lawsuit, we are presently  
8 litigating an appeal, so you're not paying that bill  
9 right now. That is a charge to try and deal with  
10 stormwater issues like what was mentioned earlier,  
11 erosion problems in backyards and stormwater problems.  
12 This is a -- we are one utility but we have two  
13 different jobs and we collect two different rates, a  
14 stormwater and a wastewater rate and this is all about  
15 the wastewater side.

16 MR. GOSS: Yvonne Harris?

17 MS. YVONNE HARRIS: Hi, my name is Yvonne  
18 Harris and I do represent AARP and I know there is a  
19 lot of young faces here, so you may not belong to AARP  
20 but keep living and you will because we plan to stay  
21 around. I have some questions and I have been to some  
22 of these meetings and I know that pretty much what we  
23 stand up and say to you don't mean much more than a  
24 hill of beans because you're going to do what you're  
25 going to do anyhow. And I grew up at 320 South

1     Jefferson, I shared a backyard with the MSD, I can  
2     tell you that. So I have watched you grow and you  
3     weren't even but a one story building but I watched  
4     you grow from one story to what -- I don't know what  
5     you have now but I know it is a big building. And you  
6     know, you're still in the downtown area, so you still  
7     do know that the whole neighborhood has changed. You  
8     have what you have and you have made money. So you  
9     may say well, we didn't collect enough at first but  
10    that is not true because had you not collected enough  
11    at first, you wouldn't have the building that it is  
12    today. You would still be in a one story or two story  
13    building. So that is not true. I don't believe -- I  
14    wasn't here at the beginning and I apologize, you  
15    know, for not being here because I was trying to get  
16    here but I can tell you one thing there are people  
17    whose income is stagnant and if it is stagnant like  
18    that for three years and everybody -- every utility  
19    has gone up, the same as I heard everyone else say.  
20    Now, you're on the same commission or whatever it is,  
21    you handle water, you handle sewer, you handle  
22    electric, you handle gas, you handle it all, and you  
23    know good and well, that a poor person cannot afford  
24    to survive as is, then why are you saying okay, we can  
25    increase it on this and this and this, on six things,

1 six, seven things. Are you out of your mind, what is  
2 going on here? I mean, you have to have common sense.  
3 You cannot increase the rate on people when their  
4 wages does not increase. You can't get blood from a  
5 turnip, so all you're going to do is have a whole lot  
6 of lawsuits or a whole lot of empty, raggedy houses.  
7 You're going to put liens on the houses, take houses  
8 from families and throw them out on the street just  
9 like the electric company says turn on your air  
10 conditioning and then get our bill next month for \$350  
11 and we will work with you. By working with you means,  
12 we will turn you over to a collection agency and then  
13 you make arrangements with them who will take money  
14 out of your checking account every month because they  
15 want your checking account number and they're going to  
16 take your money. Now when they're taking their \$75 to  
17 \$80 out of your agreement for them to take it, you  
18 still have a bill you're neglecting. You can't pay  
19 for your trash, you can't pay for your car, your  
20 driving with no insurance, you're going to cut  
21 something. If you never been poor, you don't know  
22 what it feels like to be poor. If you always had --  
23 if you always had something to fall back on but if you  
24 have never had anything or you're struggling to hang  
25 on to what you have, you don't have anybody to fall

1 back on. I remember one time I owed some money and  
2 they told me to borrow it from my sister and brother.  
3 I'm black, they're black, we don't have it. How can I  
4 ask them to give to me what I don't have? I have  
5 never been a borrower, my mother never allowed me and  
6 I have never done it. I don't borrow from anybody.  
7 But I can tell you one thing I am hearing also, you're  
8 talking about the rate increase, what is our  
9 alternative, what can we do other than to flush water  
10 down into your sewer, where else can we take the water  
11 and stop using yours because I think you base your  
12 rates on the amount of water that we use. And if you  
13 base your rate on the water that we use, I can tell  
14 you one other thing you have done that is absolutely  
15 wrong. When you're sitting in front of the people and  
16 increasing their water rates -- let me tell you there  
17 are seniors who call our information center that  
18 cannot take their medication, cannot clean themselves  
19 as far as personally hygiene, cannot even flush the  
20 toilet because they don't have water. Because you  
21 guys would give water to a dog before you would give  
22 it to a human being and that is not right. It is not  
23 right and people call there crying, all of this  
24 technology, all of this technology, you don't consider  
25 the agent, you really don't. They hate telephones,

1 they hate voice messages, they hate ATMs and they have  
2 a TV box that the government bought for them for \$50  
3 and cannot even get the TV plugged in. They say baby,  
4 can you just talk to me. They're black, they're  
5 white, they're everything because AARP is about  
6 anybody and everybody who has aged. And I will tell  
7 you I have to talk to them while they cry and they say  
8 I just want to hear a voice. I say well, let me ask  
9 you this, did you get that box that the government  
10 gave you, oh, yeah baby but I am blind, I can't even  
11 hook it up or I have no legs or I have this huge TV  
12 which is sitting on the table that hasn't been moved  
13 in 60 years. How -- does anybody ever think about  
14 that there are other people besides young, bouncy  
15 people? Does anybody ever think about that? You  
16 understand computers and then you give these  
17 commercials, go to W-W-W, I say do you ever go to  
18 W-W-W, they say no, ma'am, I don't even know what  
19 W-W-W means. They don't know how go to W-W-W. Some  
20 of them still have dial-up telephones and these are  
21 white people that call from rural areas and they have  
22 dial-up phones, do you think they can afford that?  
23 And another thing about this sewer thing, when you say  
24 sewer district, what is your district, is it county  
25 and city, is it just city, is it county, what are we

1 talking about here today? Where is the sewer district  
2 that we are paying for in the city, that we don't now  
3 how many county people may be getting it or so many  
4 rural people, what is a district, where is your  
5 district?

6 MR. THEERMAN: Serves all of St. Louis City  
7 and about 80 percent of St. Louis County.

8 MS. YVONNE HARRIS: Okay. But --

9 MR. THEERMAN: Ma'am, if I may, to answer  
10 your question that you just asked, I know you came  
11 here late because you got stuck traffic, which, of  
12 course, is unfortunate. If you look at the handout  
13 that was given to you and I can see you're holding it  
14 and that Mr. Theerman went through in some detail  
15 before you got here, it does answer some of those  
16 questions about the District, the number of miles in  
17 the District, what the proposal is about, why MSD is  
18 proposing to spend the money that it is spending on  
19 it, it goes into those questions in detail. Just to  
20 clarify one item, you made some comments about other  
21 utilities, cable TV, electric, gas --

22 MS. YVONNE HARRIS: Yes.

23 MR. GOSS: We have nothing to do with that  
24 ma'am. This commission only makes a recommendation in  
25 respect to stormwater and wastewater rates. In this

1 case, this hearing, is about wastewater rates and  
2 wastewater rate increases, that is all we are making a  
3 recommendation on. And we appreciate the testimony we  
4 receive, so we can take that into consideration.

5 MS. YVONNE HARRIS: This is not a testimony,  
6 this is the truth. There is a big difference here, I  
7 am telling you what I hear and I don't doubt that  
8 these people are telling the truth because they have  
9 no reason to call just to say things that are untrue.

10 MR. GOSS: All right. And we have heard the  
11 comments about cost and one of the reasons why in the  
12 rate proposal, which Mr. Theerman went through  
13 earlier, before you arrived --

14 MS. YVONNE HARRIS: Okay.

15 MR. GOSS: -- was the difference between  
16 issuing debt as opposed to going to an all cash, pay  
17 as you go kind of proceeding. And the difference  
18 between that in the proposal that MSD is proposing  
19 would be to hold down the rate increase by using debt  
20 as opposed to not using debt and Jeff, maybe you want  
21 to go back through those numbers to address that  
22 question or just in brief because I think that might  
23 address your concerns about cost.

24 MR. THEERMAN: We know this is steep. We  
25 are trying to do what we can, given the requirements

1 that EPA has imposed to do this as manageably as  
2 possible. So I am going to cover a few things really  
3 quickly.

4 MS. YVONNE HARRIS: Okay.

5 MR. THEERMAN: On the left side of this  
6 chart is what our rate proposal is and it's steep. It  
7 is about \$4.00 to \$5.00 a year in increase over four  
8 years. It gets up to about -- the average customer  
9 right now pays about \$28.00 a month and it steps up to  
10 about \$47.00 by using a lot of borrowed money. We  
11 would go to the voters and seek approval of the use of  
12 debt. The left side, my side, just gives you an  
13 example of what happens if you try and fund the  
14 program that EPA wants us to build, with just cash  
15 financing. Instead of not using any debt, you are  
16 going to have to raise the rates dramatically, \$73.35.  
17 We are trying to avoid something like that, like  
18 through the use of debt. A couple of other things you  
19 mentioned that I will just touch on. We have low  
20 income and fixed income assistance programs for both  
21 homeowners and for tenants and that information is out  
22 on the table out there and we need AARP's help in  
23 getting the word out on that. Because that is a  
24 difficult thing to get out to seniors and to those  
25 that are distressed with this sort of thing. There is

1 a program for those that qualify that cuts the bill in  
2 half. So we are sensitive to this issue and we are  
3 trying to build something that satisfies regulars but  
4 also doesn't strap those that are the least able to  
5 pay. So those are some things -- I didn't cover  
6 anything about low income assistance but this is what  
7 we talked about earlier.

8 MS. YVONNE HARRIS: Okay. Well, then if  
9 you're able to assist people, then you obviously don't  
10 need that full increase. If you have the money to  
11 help someone, then you obviously do not need the  
12 percentage that you are asking.

13 MR. THEERMAN: This increase has that  
14 program built into it, so that savings has already  
15 been taken.

16 MS. YVONNE HARRIS: Oh, okay.

17 MR. THEERMAN: We built in and we have shown  
18 the Rate Commission what we think would be the amount  
19 of money used by low income assistance and the fixed  
20 incomes, it's in our rate proposal. There is a whole  
21 lot of detail beyond what this slide presentation is.

22 MS. YVONNE HARRIS: Okay. I only have one  
23 other thing I wanted to comment about. You said  
24 something about rebuilding infrastructure. Sure, St.  
25 Louis, now, if you work at the -- like I said MSD has

1     been around for a mighty long time, you knew before  
2     2011 that the streets were falling in. You knew  
3     before 2011 that those old pipes needed replacing.  
4     You knew -- why drop a huge bundle on people like  
5     this, why didn't someone have the foresight to start  
6     even if in the downtown area and move forward making  
7     those changes and replacing those pipes, why does  
8     there always have to be a catastrophe before anybody  
9     can see what is happening? I mean, you knew it.

10           MR. THEERMAN: That is a great point. I'm  
11     not sure if you came in yet but we didn't raise rates  
12     in the '70s and '80s. And in the '80s we started  
13     getting involved in litigation over trying to raise  
14     our rates. And we litigated our rates for 15 years  
15     and weren't able to do much with rates in the late  
16     '80s and early '90s, all the way through the '90s. In  
17     2000 that got basically cleared up. And since that  
18     time you have seen MSD raising rates and building  
19     programs. We spent a billion dollars correcting the  
20     overflows that have existed. We have eliminated over  
21     a hundred overflows in the in last eight years,  
22     building a program that is similar to what EPA wants  
23     us to build. I mean, we have been trying to get ahead  
24     but the trouble is it went on too long and the  
25     infrastructure got in too bad of shape and now we are

1 playing catch up.

2 MS. YVONNE HARRIS: You know, on the backs  
3 of poor people that is the sad part.

4 MR. THEERMAN: Well, on the backs of a whole  
5 region, you're right.

6 MS. YVONNE HARRIS: Well, everybody, yes, it  
7 is. That is very, very sad. Maybe there should be  
8 some reorganization in your organization where you  
9 should have some future thinking people, somebody that  
10 realizes what we do need and they are able to get a  
11 hold of the material that is needed that is going to  
12 last longer or be sufficient that doesn't cost as  
13 much.

14 MR. THEERMAN: Some of what you're talking  
15 about is one of those bullets. It's the last one  
16 there in that first stack, it says asset reinvestment.  
17 What that really means is fixing them as they get  
18 older, don't let them fall apart. Sewers last a  
19 hundred years and you have to replace about 1 percent  
20 of them every year just to keep up and we haven't done  
21 that. So we are having to play some catch up, we are  
22 thinking forward and we are trying to do this in a way  
23 that is the lowest cost that meets requirements, that  
24 is mindful of people's ability to pay. I know this is  
25 steep and we are trying to do our very best not for it

1 to cost this much but we also want to the be very  
2 honest with the community.

3 MS. YVONNE HARRIS: Well, you're doing a  
4 good job of explaining it but some people don't make  
5 any more than \$100 a week and when you're talking  
6 about \$75 a month, you're taking away so much of their  
7 income, it is hard even to live.

8 MR. THEERMAN: I understand.

9 MS. YVONNE HARRIS: It is really horrible to  
10 me how the people up high don't give a care about the  
11 people they step on at the bottom. And it's just a  
12 horrible, horrible thing and maybe they never  
13 recognize until they are on the bottom and then they  
14 go, oh my god, people have been feet-stepping on me,  
15 then they feel the crunch. But this is the time of a  
16 recession. Why -- I understand the sewer lines are  
17 very, very old. I do understand that. I grew up in  
18 St. Louis and I can remember some of the stuff going  
19 on. And I know it is very, very old, trusting the  
20 material was different back then, it doesn't last as  
21 long. I understand all that. But the fact that  
22 you're going to impact a person's income as much as  
23 you are for a sewer, it just sounds just ridiculous to  
24 me.

25 MR. THEERMAN: To be honest, we would have

1 used a longer schedule.

2 MS. YVONNE HARRIS: Schedule?

3 MR. THEERMAN: We were sued by the EPA and  
4 the State to deal with these overflow issues and we  
5 negotiated for four years trying to reach a reasonable  
6 place to be. This was the best we could do and --

7 MS. YVONNE HARRIS: You said EPA?

8 MR. THEERMAN: Yes, EPA. I mean, we think  
9 the work needs to be done but the schedule is really  
10 the best we could negotiate.

11 MS. YVONNE HARRIS: So you're bringing jobs  
12 to St. Louis?

13 MR. THEERMAN: We estimate for every billion  
14 dollars we spend on labor building this program,  
15 28,000 jobs --

16 MS. YVONNE HARRIS: So you are trying to  
17 help the economy?

18 MR. THEERMAN: I mean, that is the silver  
19 lining. We are not doing it to -- I mean, this is  
20 tough, we realize that. But if there is a silver  
21 lining beyond getting rid of overflows, it is  
22 potential to create jobs.

23 MR. GOSS: Ma'am, thank you for your  
24 comments.

25 MS. YVONNE HARRIS: Thank you.

1           MR. SCHNEIDER: I just want to add that AARP  
2 is an intervenor in this case. They have a gentlemen  
3 by the name of John Coffman who goes to every single  
4 one of these hearings and gives his opinion of what it  
5 means to be fair and reasonable, so I encourage you to  
6 call the leadership of AARP and get a hold of Mr.  
7 Coffman and tell the same story to Mr. Coffman, so he  
8 comes to the hearing and intervenes and this way his  
9 testimony includes your comments.

10           MR. GOSS: Roosevelt Brown?

11           MR. ROOSEVELT BROWN: I will be short. Now,  
12 if we aren't able to pay a sewer bill, you put a lien  
13 on the home and you take it, right? Now, another  
14 thing, you want to help, why won't your company CEO  
15 give back to the community, you know, to help. You  
16 know we only make -- I'm on social security, I haven't  
17 had a raise in three years. I am trying to make it,  
18 so it is very hard. So why don't you all contribute  
19 back to the community to help us instead of giving  
20 raises on your salaries all the time, help us too. We  
21 are all human, let's get together, okay, that is all I  
22 have to say.

23           MR. GOSS: Do the Rate Commissioners have  
24 any questions or comments? I have no further speaker  
25 cards, was there anyone else in the audience who

1 wishes to speak? Seeing none, I would like to thank  
2 -- yes, sir? We will need to get your name and we  
3 also need to have you fill out a speaker card. So if  
4 we could bring him a speaker card, so he can fill it  
5 out, I would appreciate that. Go ahead, sir.

6 MR. AHARON SYKES: My name is Aharon Sykes,  
7 I am young actually, I don't really pay for bills as  
8 of yet, but I do have a grandpa, he's been paying  
9 bills on time, you know, he has been keeping up with  
10 everything but I just heard the rate increase on the  
11 news and just judging from his income, I mean, it is  
12 going to be a big hit. So I was just wondering, you  
13 know, I know you guys are the Commission, you make  
14 recommendations and all you do is recommend, I  
15 understand. I was wondering if MSD ever thought about  
16 maybe getting a team together like a committee to kind  
17 of assist with the consequences of these rate raises?  
18 Like the gentlemen said, you're going to do what  
19 you're to do, so it is going to happen either way. So  
20 I was wondering maybe if you guys were going to get a  
21 team together that can maybe deal with the  
22 consequences of the payers that have to deal with  
23 this, trying to get like resources together for them,  
24 so you can give it to them, so maybe it can kind of  
25 dampen the blow a little bit.

1           MR. THEERMAN: Up to now we try to work on  
2 programs that help reduce the bill but we are  
3 certainly open to any ideas the public has about that  
4 the sort of thing. The program that we are building  
5 has a lot of features to it that will help the north  
6 side of the City of St. Louis. There is a program to  
7 deal with improvements in a green way that will help  
8 hold water back from the combined system and reduce the  
9 overflows that occur. And that program is intended to  
10 be done with a collaboration with the community, so,  
11 you know, in light of that, I think we would be very  
12 willing to talk about other ideas about how to help  
13 with the impacts of this program as it goes on, both  
14 financial and otherwise.

15           MR. AHARON SYKES: Well, that is all I have  
16 to say.

17           MR. GOSS: Thank you. I would like to thank  
18 everyone for their participation and coming here  
19 tonight. The next public hearing will be conducted on  
20 September 26th, 2011 at 9:00 a.m. at MSD's offices.  
21 Thank you.

22           (Hearing concluded at 7:13 p.m.)  
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CERTIFICATE OF REPORTER

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