

BEFORE THE RATE COMMISSION OF  
THE METROPOLITAN ST. LOUIS SEWER DISTRICT

For Consideration of a Wastewater Rate )  
Change Proposal by the Rate ) Case No. \_\_\_\_\_  
Commission of the Metropolitan )  
St. Louis Sewer District. )

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**BARNES-JEWISH HOSPITAL  
PREHEARING CONFERENCE REPORT**

COMES NOW, Barnes-Jewish Hospital (“BJH”), by counsel, and files its Prehearing Conference Report. In support of its Report, BJH states:

1. After a review of MSD’s evidence, BJH believes that a four-year increase of 11 to 12 percent per year for FY 2013-2016 (an increase of over \$1 billion) is greater than necessary to meet the requirements under the Consent Decree and is not a fair and reasonable burden on the ratepayers as required under the fifth prong of MSD’s Charter Plan, Section 7.270. The testimony of Billie LaConte and Mike Gorman, along with the additional evidence filed by BJH, MIEC, and the Rate Commission consultant, as outlined below, support both a lower increase and/or a shortened period of time for the increase to be in effect.

2. An outline of the BJH position can be found in BJH 100 that was filed on September 28, 2011 entitled *Barnes-Jewish Hospital Statement of Position for Prehearing Conference – September 28, 2011*<sup>1</sup> and is incorporated herein by reference. I will not restate those positions here, but will attempt to expand upon them.

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<sup>1</sup> Ex. BJH 100

3. By its own admission, MSD is not able to provide any of the parties with a draft of the SSO Master Plan that will be required under the Consent Decree.<sup>2</sup> MSD should not be able to increase its rates beyond the time that the SSO Master Plan is due until it has shown through the Master Plan that the amounts requested are necessary under the Consent Decree.

4. MSD's initial assumption that its customer count and usage will decline over the rate period<sup>3</sup> is misplaced. MSD presented no evidence that these numbers would decline, other than their own opinions and both the BJH and MIEC witnesses rebutted this incorrect assumption in their testimony.<sup>4</sup>

5. MSD has overstated the needed increase in its operating costs by requesting an average of a 4 percent increase per year.<sup>5</sup> A more accurate indicator of the necessary increase would be to tie it to the CPI and use the 2.3 percent from MSD's *Inflation Trend Analysis*<sup>6</sup> as suggested by BJH in Ms. LaConte's rebuttal testimony<sup>7</sup> or the 2.25 percent from MIEC's witness in his rebuttal testimony.<sup>8</sup> Included in this O&M expense number is MSD's request for a 3 percent salary increase for its employees. MSD's request is in contrast to the general economic climate as shown in letters from County Executive Dooley<sup>9</sup> and St. Louis City Mayor Slay<sup>10</sup> showing that salaries and numbers of employees are decreasing in the St. Louis Metropolitan area.

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<sup>2</sup> Ex. MSD 90

<sup>3</sup> Ex. MSD 1, Tables 3-1, 3-2

<sup>4</sup> Ex. BJH 64 (LaConte Surrebuttal) and MIEC 29 (Gorman Rebuttal)

<sup>5</sup> Ex. MSD 1

<sup>6</sup> Ex. MSD 18G

<sup>7</sup> Ex. BJH 64

<sup>8</sup> Ex. MIEC 29, p. 10

<sup>9</sup> L&B 106

<sup>10</sup> L&B 107

6. As noted in the Prehearing Conference Summary filed by the Rate Commission's consultant and legal counsel<sup>11</sup>, and as outlined in Ms. LaConte's testimony<sup>12</sup>, MSD's ratepayers would benefit by switching to a cash flow basis from an appropriation basis. The rate increase filing for the four years of 2013 to 2016 shows an excess of \$44 million using the appropriation basis. By using a cash expenditure basis, the rate increase could be lowered by 3 percent per year.<sup>13</sup>

7. Based on the aforementioned lowered CIRP requirements, the revenue bond issuance should be lowered from \$805 million to \$727 million assuming the Rate Commission chooses to use a 4-year rate period.<sup>14</sup> In addition cash financing should be lowered to \$142 million over the rate period compared to the \$159.1 million recommended by MSD.<sup>15</sup> Furthermore, MSD's bad debt expense escalator is considerably higher than necessary and should be reduced to 3 percent per year.<sup>16</sup>

8. Assuming these adjustments, MSD would only require an increase in rates for its customers of 8.5 percent versus the 11-12 percent increases over the four-year period suggested by MSD.<sup>17</sup>

9. BJH strongly recommends that MSD be required to hire consultants in the future that are committed to providing a level of transparency that is consistent with other utilities submitting rate increase filings in Missouri who will provide full access to electronic models and documents to the Rate Commission and to the other parties at the beginning of the rate proceedings. While MSD apparently did not feel it was necessary

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<sup>11</sup> Ex. L&B 98 pp. 2-3

<sup>12</sup> Ex. BJH 64

<sup>13</sup> Ex. L&B 98 pp. 2-3

<sup>14</sup> Ex. BJH 64

<sup>15</sup> Id.

<sup>16</sup> Id.

<sup>17</sup> Ex. MSD 1

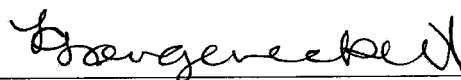
to review the formulas and assumptions in the electronic rate model that its consultant provided,<sup>18</sup> all of the other parties understood that this electronic model was the basis for the whole rate increase and needed to be reviewed in great detail to ensure that the assumptions were accurate and reasonable.

NOW, THEREFORE, BJH recommends that the Rate Commission adopt a rate increase that is consistent with the foregoing to enable it to be a fair and reasonable burden on MSD's customers as required under MSD's Charter Plan, Section 7.270.

DATED: OCTOBER 5, 2011

Respectfully Submitted,

SANDBERG PHOENIX & VON GONTARD, P.C.



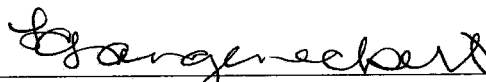
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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused a copy of the foregoing to be served on all persons on the official service list of record on this 5th day of October, 2011.



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Lisa C. Langeneckert

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<sup>18</sup> Ex. MSD 84A