

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

For Consideration of a Wastewater Rate)
Change Proposal by the Rate)
Commission of the Metropolitan)
St. Louis Sewer District)

**BARNES-JEWISH HOSPITAL
RESPONSE TO SECOND DATA REQUEST OF MSD**

Question

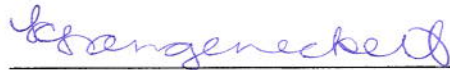
On page 7, lines 4 through 6, of Ms. LaConte's rebuttal testimony, she references Brian Hoelscher's statement "due to economic conditions, the District will be receiving bids for capital work that in some cases were 40% below traditional cost." On page 7, lines 7 and 8, Ms. LaConte further references Mr. Hoelscher's statement "current economic conditions were not assumed to be in place during the current proposed rate study period." Based on these statements, on page 7, lines 8 and 9, Ms. LaConte concludes the cost of District's CIRP may be overstated "which could lead to higher-than-necessary rate increases." Is Ms. LaConte's conclusion based on current economic conditions remaining unchanged through FY16? If so, how, in Ms. LaConte's opinion would these factors impact the cost of the District's CIRP?

Response

Ms. LaConte's conclusion is not based on current economic conditions remaining unchanged through FY2016. Her rebuttal testimony goes on to state: "I recommend that the MSD re-evaluate the estimated costs for the CIRP projects at least for 2013, to determine the most accurate cost." It is difficult to predict what economic conditions will be like in FY2016. However, it is not unreasonable to expect current economic conditions could reduce MSD's FY2012 or FY2013 CIRP expenditures. While FY2012 CIRP expenditures were approved in MSD's previous rate increase proposal, lower-than-expected expenditures would result in more funds being available to fund FY2013-FY2016 CIRP projects. As MSD witness Mr. Hoelscher explained in his direct testimony, Exhibit MSD 9, Page 5, Lines 13-15, "This (economic conditions) created additional funds which could be used to complete projects beyond the original program budget." Although the economic conditions provided a benefit to MSD, it was

at the expense of its customers. MSD's current rate proposal results in large rate increases to its customers; any benefit from reduced CIRP expenditures should flow back to customers.

SANDBERG PHOENIX & VON GONTARD, P.C.

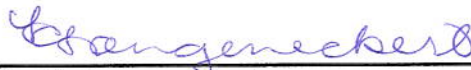


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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused a copy of the foregoing to be served on the Secretary of the Rate Commission and all persons on the official service list of record in this matter on this 15th day of August, 2011.



Lisa C. Langeneckert