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September 27, 2011

VIA EMAIL

Ms. Nancy Bowser
Secretary of the Rate Commission
Metropolitan St. Louis Sewer District
2350 Market Street
St. Louis, MO 63103

Re: Prehearing Position Statement of the Consumers Council of Missouri

Dear Ms. Bowser:

Enclosed for filing is an electronic copy of the Prehearing Position Statement of the Consumers Council of Missouri. If anyone at MSD or another party desires hard copies of this filing, I will be more than happy to provide them.

Please call me if you have any questions. Thank you for your assistance.

Sincerely,

A handwritten signature in blue ink that reads "John B. Coffman".

John B. Coffman

cc: Parties of Record

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

METROPOLITAN ST. LOUIS SEWER DISTRICT)
Proposed Wastewater Rate Increase [FY2013-FY2016].)

**PREHEARING POSITION STATEMENT
OF THE CONSUMERS COUNCIL OF MISSOURI**

COMES NOW the **Consumers Council of Missouri** (“CCM”), by and through counsel, in response to a request from the Metropolitan St. Louis Sewer District’s (“MSD’s”) Rate Commission (“Commission”), and hereby offers its current position regarding the wastewater rate increase proposal as submitted by the Staff of MSD, in light of the various rounds of expert testimony provided by the parties to this proceeding and by the testimony of public witnesses.

The most important criterion that the Commission must review in making a recommendation to the MSD Board is the requirement laid out in the MSD Charter that any recommendations for a rate change “imposes a fair and reasonable burden” on all of its consumer classes. Section 7.270(5). CCM asserts that this standard of review requires the Commission to recommend no rate change that is higher than the least cost necessary for MSD to fulfill its obligations.

CCM advocates in the interest of residential utility consumers. Several residential customers testified at the local public hearings held in this matter, stating that the dramatic wastewater increases proposed by MSD Staff would bring more hardship

to them during a time of widespread financial stress. For this reason, CCM urges the Commission to work to ensure that any wastewater rate increase recommendation be as low as possible for the residential class.

Based on the evidence offered in this rate case, CCM believes the MSD Staff's rate plan proposal to be excessive, and that it must be reduced significantly in order to ensure the reasonableness of wastewater rates charged to MSD consumers. CCM supports the adjustments contained in the testimony of MIEC witness Mike Gorman regarding the proposed rate plan and which are summarized on pages 3-4 of Mr. Gorman's Supplemental Testimony. These adjustments correct excessive bad debt expense assumptions and an unjustified projection of bond debt interest expense. Mr. Gorman also offers a more reasonable inflation factor (2.25% as opposed to 3% used in the Black & Veatch model), and corrects budgets for the Capital Improvement Plan ("CIP") that were overstated by approximately 10%.¹

In order to promote greater transparency and accountability for the cost management of MSD projects, CCM also urges that the Commission recommend a reduction in the term of years from the five-year rate plan contained in the MSD Staff's proposal. In recognition of the large increase in projects planned for MSD's wastewater system over the coming years, and to ensure that the relationship between the cost of these projects and rates being charged are tracked more closely and scrutinized for reasonableness over that time, CCM suggests that rate case reviews need to occur more frequently, i.e., annually (or at the most, every two years), rather than the long-term, five-year rate plans that had become the practice during past periods of lower investment.

CCM also supports the recommendation of MEG witness LaConte that the adjusted annual increase be approved for only the first year (covering FY2013: July 1, 2012 to June 30, 2013)², with the wastewater rate recommendations for the following years being determined in future rate cases. The proposed Consent Agreement between MSD and the Environmental Protection Agency (“EPA”) contains much greater specificity about the projects that would be required through FY2013, than it does about investments over the following four years of the plan.³ Approving a rate increase for only the first year of the proposed plan is further justified by the revelation made during cross-examination of MSD witness Brian Hoelscher at the surrebuttal hearing on September 6, 2011 that an internal draft of MSD’s Sanitary Overflow Control Master Plan (“SSO Plan”) for future years has not yet been publicly released. Wastewater increases for FY2014-FY2016 are thus premature.

Respectfully submitted,



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Attorney for the Consumers Council of Missouri

Dated: this 26th day of September, 2011.

¹ Exhibit MIEC 89; Schedule MPG 2.

² LaConte Supplemental Testimony, Exhibit BJH 88, p. 4.

³ See “Consent Decree”, MSD Exhibit 49A.