

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

SECOND DISCOVERY REQUEST

ISSUE: WASTEWATER RATE CHANGE PROPOSAL
WITNESS: METROPOLITAN ST. LOUIS SEWER DISTRICT
SPONSORING PARTY: RATE COMMISSION
DATE PREPARED: JUNE 24, 2011

**Metropolitan St. Louis Sewer District
2350 Market Street
St. Louis, Missouri 63103**

**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)

**SECOND DISCOVERY REQUEST
OF THE RATE COMMISSION**

Pursuant to §§ 7.280 and 7.290 of the Charter Plan of the Metropolitan St. Louis Sewer District (the “Charter Plan”), Operational Rule 3(2) and Procedural Schedule §§ 1, 14, 15 and 17 of the Rate Commission of the Metropolitan St. Louis Sewer District (“Rate Commission”), the Rate Commission requests additional information and answers from the Metropolitan St. Louis Sewer District (“District”) regarding the Rate Change Proposal dated May 10, 2011 (the “Rate Change Proposal”).

The District is requested to amend or supplement the responses to this Discovery Request, if the District obtains information upon the basis of which (a) the District knows that a response was incorrect when made, or (b) the District knows that the response, though correct when made, is no longer correct.

The following Discovery Requests are deemed continuing so as to require the District to serve timely supplemental answers if the District obtains further information pertinent thereto between the time the answers are served and the time of the Prehearing Conference.

1. During the Technical Conference for District Testimony and Rate Setting Documents, Rate Commission Chair Toenjes inquired about personnel costs of the District.

Please (a) state the number of filled District employee positions as at the end of each of the 2006, 2007, 2008, 2009, and 2010 fiscal years, and as at June 1, 2011; (b) provide copies of existing collective bargaining agreements; (c) provide a breakdown of the District's personnel costs showing salaries and wages, overtime, and benefits segmented into taxes, insurance, pension, and other costs for each of fiscal years 2006, 2007, 2008, 2009, and 2010; (d) state the increases per year, in both percentages and dollar amounts, of each of the segments of the District's personnel costs identified in (c) over the length of the Rate Proposal; (e) state whether the District's fiscal year 2011 Operating Budget for the pension contribution reflects the recent change in the District's plan changing from a defined benefit to defined contribution; and (f) provide copies of any memoranda, report, work paper, summary, analysis or schedule used by the District in analyzing the costs and benefits of converting a defined benefit pension plan into a defined contribution pension plan.

RESPONSE:

2. During the Technical Conference for District Testimony and Rate Setting Documents, Jan Zimmerman testified that the employee benefits package for each District employee costs approximately \$41,000. Please (a) (i) identify each element of the employee benefits package provided to employees and (ii) the per-employee cost; and (b) provide copies of contracts providing for the benefits described in the response to this Question.

RESPONSE:

3. During the Technical Conference for District Testimony and Rate Setting Documents, Rate Commission Chair Toenjes inquired about the cost increase due to inflation described in the Direct Testimony of Keith Barber (p. 20-1, ll. 20-23, 1-11) and further described in Response to Rate Commission Discovery Request 15. Please provide copies of any memorandum, report, work paper, summary, analysis, or schedule that supports the conclusion that the inflation allowances are reasonable. (See also Question 17(d).)

RESPONSE:

4. During the Technical Conference for District Testimony and Rate Setting Documents, Rate Commission Delegate Goss inquired about the Consent Decree in the matter of United States of America and the State of Missouri v. The Metropolitan St. Louis Sewer District. Please provide a copy of the Consent Decree.

RESPONSE:

5. During the Technical Conference for District Testimony and Rate Setting Documents, Rate Commission Delegate Goss inquired about pending counterclaims. Please (a) provide a copy of each pending counterclaim filed by the District in the matter captioned United States of America and the State of Missouri v. The Metropolitan St. Louis Sewer District; (b) describe the current status of each such counterclaim; and (c) qualify the dollar amount possible with each counterclaim.

RESPONSE:

6. During the Technical Conference for District Testimony and Rate Setting Documents, Rate Commission Delegate Goss requested a copy of material made available to the

Rate Commission in prior Rate Change Proceedings regarding compliance with constitutional, statutory or common law. Please provide a copy of any material made available to the Rate Commission in prior Rate Change Proceedings regarding compliance with constitutional, statutory or common law. (See also Questions 17(b) and (e).)

RESPONSE:

7. During the Technical Conference for District Testimony and Rate Setting Documents, Rate Commission Delegate Goss inquired about the collection procedures for delinquent accounts. Please (a) describe (i) the basis upon which an account is referred to a “collection agency” or a “second placement collection agency”; (ii) the basis upon which an account is referred to a law firm; (iii) the percent commission paid to law firms for collection; and (iv) the procedure for placing a lien on property; (b) prepare a schedule showing total lien placement during fiscal years 2009 and 2010; and (c) provide (i) copies of any District guidelines for the settlement of delinquent accounts; and (ii) copies of the agreements with law firms engaged to collect delinquent accounts.

RESPONSE:

8. During the Technical Conference for District Testimony and Rate Setting Documents, Rate Commission Delegate Liyoes inquired about the District’s delinquency rates as they compare to other cities which have implemented rate increases. Please provide a comparison of the District’s delinquency rates to comparable sewer districts.

RESPONSE:

9. During the Technical Conference for District Testimony and Rate Setting Documents, Rate Commission Delegate Schneider inquired about the 13% increase for residential customers. Please (a) describe the factors contributing to, and basis upon which, the

District decided to maintain an increase of 13% per year; and (b) provide copies of any memorandum, report, work paper, summary, analysis, or schedule that supports the District's determination.

RESPONSE:

10. During the Technical Conference for District Testimony and Rate Setting Documents, Karl Tyminski stated that the District was subject to a balanced budget requirement. Section 7.130 of the Charter Plan provides that the total amount of proposed expenditures for the budget year from any fund may not exceed the estimated revenues to be actually received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year. Please (a) describe how the District calculates estimated revenues and unencumbered balances; (b) describe how the District determines the amount of an encumbrance required for any fund for the budget year; and (c) provide copies of any policy of the Board of Trustees regarding the determination of revenue estimates and required encumbrances.

RESPONSE:

11. Please provide a breakdown of projects and costs for each project that comprise the capital encumbrance shown on row 1012 of page G-16 of Exhibit 4A.

RESPONSE:

12. During the Technical Conference for District Testimony and Rate Setting Documents, Brian Hoelscher testified that some projects contained in the previous CIRP which was the basis for the 2008 Rate Proposal had to be deferred in order to fund disinfection related

capital projects. Please (a) provide a list of the projects which the District deferred and indicate if these projects are included in the current CIRP; and (b) identify and provide the estimated cost of any other CIRP projects proposed to be funded by the Rate Change authorized in the 2008 Rate Change Proceeding, which will not be completed by the end of the 2012 fiscal year.

RESPONSE:

13. Please prepare a schedule on a cash-flow basis for the annual expenses (a) to study, (b) to design, and (c) to construct the projects identified in the CIRP for completion in fiscal years 2013, 2014, 2015 and 2016.

RESPONSE:

14. During the Technical Conference for District Testimony and Rate Setting Documents, Jan Zimmerman stated that the Uniform Compliance Charge is based upon the number of inspections which are determined by the nature of the commercial enterprise. See Table 3-22 of Exhibit 1. Please (i) give examples of the types of customers that fall into each tier; and (ii) provide the information which was used to determine the allocation of costs shown in Column 1 of the table.

RESPONSE:

15. During the Technical Conference for District Testimony and Rate Setting Documents, Karl Tyminski stated that a Black & Veatch Bond Feasibility Report and reports issued by PFM and Butcher and Mark were utilized in determining the average annual interest rate, the term and the associated issuance costs of proposed revenue bonds and State Revolving Fund obligations to fund CIRP projects. Please provide (a) copies of each of these reports and

(b) any other memorandum, report, work paper, summary, analysis, or schedule analyzing such matters. (See also Question 17(c).)

RESPONSE:

16. Please provide copies of the financial analyses referred to in Section 3.10, Alternative Wastewater Rates of the Wastewater Rate Proposal (Ex. MSD 1) for financing the District's Major Capital Improvement Program on a 100% Pay-As-You-Go basis.

RESPONSE:

17. The First Discovery Request of the Rate Commission requested copies of materials to support certain conclusions contained in Direct Testimony. The request for copies of the following materials is renewed.

(a) (i) First Discovery Request Question 4.

Keith Barber states that municipal debt financing of major capital improvements is a practical way of obtaining funds. (See lines 7-13 at p. 18.) Please (a) describe the analysis that was performed to reach these conclusions; (b) provide copies of any memorandum, report, work paper, summary, analysis, or schedule that supports this conclusion; (c) describe the rationale for such conclusion; and (e) identify any utility currently maintaining such a use of municipal debt financing as proposed in the Rate Change Proposal.

RESPONSE:

(ii) Keith Barber, MSD Rate Consultant, responded with an analysis but did not provide any materials to otherwise support the conclusion.

RESPONSE:

(iii) Please provide copies of any memorandum, report, work paper, summary, analysis, or schedule that supports the conclusion that debt financing is a practical way to fund this Rate Change Proposal.

RESPONSE:

(b) (i) First Discovery Request Commission Question 6.

Susan Myers states that a large proportion of the proposed rate change is necessary to meet legal requirements. (See lines 16-19 at p. 2.) Please (a) identify that proportion of the proposed rate change that is not necessary to meet the legal requirements; and (b) provide copies of any memorandum, report, work paper, summary, analysis, or schedule which supports this conclusion.

RESPONSE:

(ii) Keith Barber, MSD Rate Consultant, responded with an analysis but did not provide copies of materials to support the conclusion.

RESPONSE:

(iii) Please provide copies of any memorandum, report, work paper, summary, analysis, or schedule that supports the conclusion that the proposed rate change is necessary to meet legal requirements.

RESPONSE:

(c) (i) First Discovery Request Question 7.

Karl Tyminski states that the terms and associated issuance costs reported in the recent feasibility report concerning future SRF loans are reasonable. (See lines 9-12 at p. 7.) Please (a) provide a copy of the feasibility report; (b) describe the analysis which supports this conclusion; and (c) provide copies of any memorandum, report, work paper, summary, analysis, or schedule which supports this conclusion.

RESPONSE:

(ii) Karl Tyminski, MSD Secretary/Treasurer, responded by referring to certain Exhibits and stated that the feasibility study is expected to be available by the end of June 2011.

RESPONSE:

(iii) Please provide copies of the District's feasibility study and any memorandum, report, work paper, summary, analysis, or schedule that supports the conclusion that the terms and associated issuance costs for SRF loans are reasonable.

RESPONSE:

(d) (i) First Discovery Request Question 15.

Jan Zimmerman states that the inflation allowances used in the rate study report are reasonable. (See lines 14-15 at p. 5.) Please provide a copy of any memorandum, report, work paper, summary, analysis or schedule that supports this conclusion.

RESPONSE:

(ii) Keith Barber, MSD Rate Consultant, responded that the future inflation allowances used in the rate study report are primarily based on judgment are consistent with prior inflation rates experienced by the District and in-line with the overall long-term consumer price index for urban consumers.

RESPONSE:

(iii) Please provide copies of any memorandum, report, work paper, summary, analysis, or schedule that supports the conclusion that the inflation allowances are reasonable.

RESPONSE:

(e) (i) First Discovery Request Question 35.

Jeffrey Theerman states that the Proposed Rate Change is consistent with constitutional, statutory or common law, as amended from time to time. (See lines 20-22 at p. 2.) Please (a) describe the analysis which supports this conclusion; and (b) provide a copy of any memorandum, report, work papers, summary, analysis or schedule which supports this conclusion.

RESPONSE:

(ii) Jan Zimmerman, MSD Director of Finance, responded by stating:

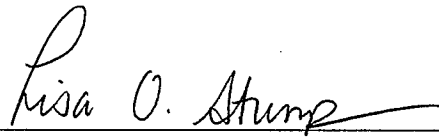
See Susan Myers' May 13, 2011 Direct Testimony response to Question 7, pages 2 -4.

RESPONSE:

(iii) Please provide copies of any memorandum, report, work paper, summary, analysis, or schedule that supports the conclusion that the Proposed Rate Change is consistent with constitutional, statutory or common law as amended from time to time.

RESPONSE:

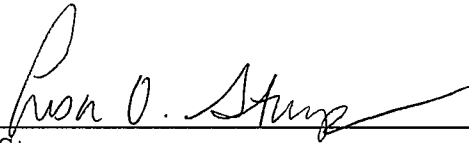
Respectfully submitted,

A handwritten signature in cursive script that reads "Lisa O. Stump". The signature is written in black ink and is positioned above a horizontal line.

Lisa O. Stump
LASHLY & BAER, P.C.
714 Locust Street
St. Louis, Missouri 63101
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Fax: (314) 621-6844

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing was sent by electronic transmission to Susan Myers, Counsel for the Metropolitan St. Louis Sewer District, on this 24th day of June, 2011.



Lisa O. Stump