

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

WITNESS: Thomas A. Beckley
Raftelis Financial Consultants, Inc.

SPONSORING PARTIES: Rate Commission of the Metropolitan
St. Louis Sewer District

DATE PREPARED: September 16, 2011

**Raftelis Financial Consultants, Inc.
3013 Main Street
Kansas City, MO 64108**

INTRODUCTION

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Q1. Please state your name and business address.

A. My name is Thomas Beckley and my business address is, 3013 Main Street, Kansas City, Missouri, 64108.

Q2. By whom are you employed and in what capacity.

A. I am a Manager at Raftelis Financial Consultants, Inc. (“RFC”), a consulting firm specializing in the areas of water, wastewater, and stormwater finance and pricing. RFC was established in 1993 in Charlotte, North Carolina to provide environmental and management consulting services to public and private sector clients. RFC is a national leader in the development of water, wastewater, and stormwater rates. As a Manager at RFC I am responsible for managing and executing projects for our clients.

Q3. Please describe your educational background and work experience.

A. I obtained a Bachelor of Science, Naval Architecture and Marine Engineering from Webb Institute in 1995, a Master of Business Administration from the A. B. Freeman School of Business, Tulane University, in 2000, and a Master of Public Administration from the University of Kansas in 2008. I joined RFC in 2000 as a Senior Consultant and in the eleven years I've been with the firm I have worked on approximately 100 engagements for approximately 40 different clients. My engagements at RFC have included cost of service studies, bond feasibility studies, privatization support, litigation support, and various other financial analyses for clients.

Q4. What is your experience with the Rate Commission of the St. Louis Metropolitan Sewer District?

A. I have worked with Bill Stannard in reviewing the District's rate proposals in 2007, 2008, as well as the current rate proposal.

1 **Q5. Have you reviewed the electronic version of the Black & Veatch rate model?**

2 A. On August 29, 2011 I reviewed an electronic version of the Black & Veatch rate model at
3 their offices in Chesterfield, Missouri.
4

5 **Q6. Please describe the findings from your review.**

6 I reviewed the model focusing on areas that I thought would be the most likely source for
7 computation errors based on my experience in creating similar models for other clients. I
8 did not find any outright errors in the model in my review, it appears that it is
9 determining the cost of service and rates based on correct calculations consistent with
10 industry standard methodologies.
11

12 While not an error, one thing I did specifically check was the concern raised in Mr.
13 Stannard's rebuttal testimony dated July 18, 2011 on page 14, lines 14 through 22 related
14 to the Bond and Liability Insurance escalation. In preparing Mr. Stannard's rebuttal
15 testimony I had spent approximately one hour researching that topic using print outs of
16 Exhibits MSD 4a and MSD 5 for Mr. Stannard's testimony, after which we still could not
17 be certain our findings were correct, only that we believed that escalation was not used,
18 despite its inclusion in the Rate Change Proposal (Exhibit MSD 1). With access to the
19 electronic model I was able to ascertain this answer in the matter of a minute, especially
20 since there was an Excel comment in the electronic model that was not included in
21 Exhibits MSD 4a and MSD 5 stating that it was not used. This illustrates how not
22 providing the electronic rate model to the Rate Commission's Rate Consultant (our firm)
23 or the intervenors hinders our ability to efficiently review the District's rate proposal.
24

25 **Q7. Based on your review, what do you believe is proprietary about the Black & Veatch
26 electronic model?**

27 A. The model includes a sheet that has macros providing navigation, printing, and
28 initialization functions. These macros are not necessary for reviewing the model and
29 could be removed to protect their proprietary nature.

1 **Q8. Have you reviewed similar electronic models created by Black & Veatch for any**
2 **other utilities?**

3 A. In 2005 RFC was engaged by the City of Wyoming, Michigan, to assist them in
4 finalizing a wastewater cost of service study being prepared by Black & Veatch.
5 During the course of that engagement we were provided a fully functioning version of
6 the wastewater cost of service model by the Black & Veatch consultant we were
7 working with on that engagement. That model has a similar sheet with navigation,
8 printing, and initialization functions as the District's model and a similar arrangement
9 of worksheets.

10
11 **Q9. Do you believe the calculations and data in the model are proprietary to Black &**
12 **Veatch?**

13 A. In Mr. Barber's Direct Testimony, page 25, lines 12-14 of Exhibit MSD 9f, he stated
14 that the cost of service allocations and rate design procedures were from the Water
15 Environment Federations Manual "*Financing and Charges for Wastewater Systems*".
16 I do not believe that use of the published industry standard procedures could be
17 considered proprietary to Black & Veatch.

18
19 The model also contains a great deal of historic data about the District, including
20 billable units and costs. I do not believe that the District's historic data could be
21 considered proprietary to Black & Veatch.

22
23 The methodology used to project future billable units and costs is described in the
24 Rate Change Proposal, Exhibit MSD 1, as well as Mr. Barber's direct testimony,
25 MSD Exhibit 9f. While Mr. Stannard and the intervenors have disagreed with some
26 of the assumptions used in these projections (e.g., inflation rates), the methods used
27 for these projections are consistent with the industry standard procedures and
28 common practice I have used myself and seen in cost of service studies performed by
29 others. I would not consider these industry standards and common practices to be
30 proprietary to Black & Veatch.

- 1 **Q10. Does this conclude your testimony?**
- 2 A. Yes.

**MSD RATE COMMISSION
2011 WASTEWATER RATE CHANGE PROCEEDING**

Affidavit of Thomas A. Beckley

STATE OF MISSOURI)
)
COUNTY OF Jackson)

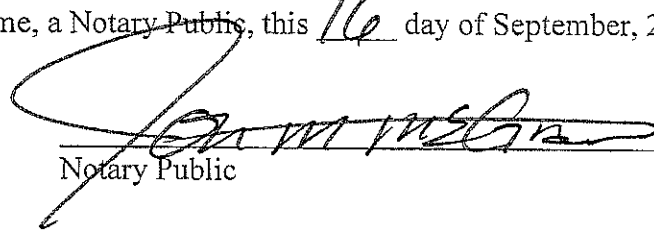
Thomas A. Beckley, being of lawful age and duly affirmed, states the following:

1. My name is Thomas A. Beckley. I am the Rate Commission Consultant and a member of Raftelis Financial Consultants, Inc.
2. Attached hereto and made a part hereof for all purposes is my Supplemental Testimony on Electronic Model consisting of pages 1 through 4, filed on behalf of the Rate Commission of the Metropolitan St. Louis Sewer District.
3. I have reviewed the attached Supplemental Testimony on Electronic Model and hereby affirm that my testimony is true and correct to the best of my knowledge and belief.



Thomas A. Beckley

Subscribed and sworn to before me, a Notary Public, this 16 day of September, 2011.



Notary Public

My Commission Expires:

JON M. MCGRAW
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: May. 15, 2015
COMMISSION #11186207