

I'm Susan Myers the General Counsel for the Metropolitan St. Louis District. I'd like to thank you for the opportunity to provide an opening statement on behalf of the District. For the record, I would like to provide a summary of the District's history MSD is the 4th largest sewer District in the country based on per miles of pipe, with responsibility for over 6300 miles of sanitary and combined sewers. Although being the 4th largest sewer District in the country, MSD's ratepayer base is approximately half the size of other comparable entities. MSD was formed pursuant to the Missouri Constitution in 1954 and began operation in 1956. Over time MSD has absorbed 79 public and privately owned sewer systems thereby providing consolidated regional sewer treatment to the St. Louis community. Based on per miles of pipe, the District is over two times as large as Kansas City. The large size of the MSD system will require a massive multi-decade reinvestment effort to maintain and improve the community's wastewater sewer infrastructure.

As most of you are aware, in June 2007 the United States and the State of Missouri filed a civil suit against the District for alleged violations of the Clean Water Act. For the past four years the District has been in negotiations with the plaintiffs, their attorneys and an intervener, the Missouri Coalition for the Environment. At its June 9, 2011 meeting, the MSD Board of Trustees voted unanimously to introduce an ordinance that would allow the District to enter into a settlement, or a Consent Decree, with the United States and the Missouri Coalition for the Environment. The State of Missouri, in spite of being involved in these negotiations since 2007, has chosen not to sign the Consent Decree.

This settlement will place St. Louis in a position to achieve compliance with the Clean Water Act through a multi-decade schedule without further litigation. This is consistent with agreements made in numerous other cities such as Kansas City, Indianapolis, Cincinnati, Baltimore, Los Angeles, Atlanta, Washington DC and many others.

At this time, the District is unable to discuss all aspects of the Consent Decree. Full disclosure will be available once the Consent Decree is lodged with the Court. The aspects of the Decree that the District is at liberty to discuss are provided in the "Detail Sheet" submitted to the MSD Board on June 9, 2011. This information has been provided as Exhibit MSD 11A32.

The settlement resolves all issues raised in the plaintiff's complaint and includes a 23 year schedule which will allow the time necessary to the achieve compliance with the Clean Water Act. The District estimates the capital program required to achieve compliance with this agreement will cost \$4.7 billion in 2011 dollars. Included in this number is remaining master planning work as well as design and construction of remedial measures required to achieve compliance; implementation of the District's CSO long term control plan recently approved by State regulators; use of green infrastructure in abating CSO discharges; a Capacity, Management, Operations and Maintenance program designed to optimally manage the collection system, and very extensive progress reporting.

Also included in the Decree is a civil penalty of \$1.2 million; \$1.6 million to fund supplemental environmental projects related to low income lateral repair and septic tank elimination, and a settlement of the Missouri Coalition for the Environment's claim for costs in the amount of \$116,050.

Through out these technical conferences the following should be kept in mind:

- 1) The program outlined in the Decree is a continuation of MSD's current capital program that has been underway for the past several decades;
- 2) The capital program is a reinvestment in the St. Louis Community to maintain and improvement it's wastewater infrastructure;
- 3) MSD has spent a total of \$1.3 billion on the region's sanitary system since 1990 while spending an additional \$800 million on the combined sewer system. During this period the District has reduced CSO volume by over 30% and decreased the number of constructed SSOs from over 500 to less than 200.

The District has not been sitting idle unlike several other wastewater entities prior to entering similar Consent Decrees The Decree provides a schedule for MSD to accomplish compliance with the Clean Water Act. The rate being proposed to the Rate Commission is the same wastewater rate method approved by the Rate Commissions in the past three rate change proceedings.

It is the District's opinion the Rate Proposal imposes a fair and reasonable burden on all classes of ratepayers as the proposed rates were determined using an industry accepted wastewater rate design methodology. A methodology that has been determined to be fair and equitable by the Missouri Supreme Court in 1997.

Our testimony today will provide clarification of the detailed aspects of the District's Rate Proposal and demonstrate how the proposed rates are necessary to MSD's future obligations including compliance with the Consent Decree

For the record, the District's proposal addresses wastewater rates only. Stormwater rates are not included due to ongoing litigation.

The order of appearance of MSD witnesses is: Jeff Theerman, MSD Executive Director; myself, MSD General Counsel; Brian Hoelscher, MSD Director of Engineering; Jon Sprague, MSD Director of Operations; Karl Tyminski, MSD Secretary/Treasurer; Jan Zimmerman, MSD Director of Finance and Keith Barber of Black & Veatch serving as the District's Rate Consultant.

This concludes my opening remarks.

I ask that my opening remarks be accepted by the Rate Commission as Exhibit MSD 14.