

**Metropolitan St. Louis Sewer District
Wastewater Rate Change Proposal**

MIEC's First Set of Data Requests to MSD

<u>Item No.</u>	<u>Description</u>
1-1.	Referring to Exhibit MSD 1, please provide an electronic copy, with all formulas intact, of the May 10, 2011 Metropolitan St. Louis Sewer District wastewater rate proposal performed by Black & Veatch. Please note whether or not any revised model has been made since May 10, 2011, and provide an electronic copy of the updated version.
1-2.	Concerning the Black & Veatch wastewater rate proposal included in Exhibit MSD 1, please provide the following: <ol style="list-style-type: none"> a. All supporting analyses, and spreadsheets with formulas intact, supporting all key rate proposal assumptions outlined at page 1-3 of the report. b. A complete copy of all analyses supporting the projected decrease in wastewater volume from 69.3 million CCF in 2011 to 68.0 million CCF in 2016 due to a decline in non-residential and unmetered accounts stated at page 1-4 of the report. Please also explain how this decrease in non-residential volume was considered in estimating the decrease in revenue associated with the surcharges for BOD, COD and SS on that same page. c. Please identify all routine capital expenditures noted at page 1-4 in item 8, and explain how MSD derived an increase in this level of expenditures. d. Please provide all studies that show the available terms and current interest rates of rate revenue tax-exempt financing identified at page 1-5, paragraph 11, and the same for the term of the state revolving funds, and related interest rates. e. Concerning page 2-1, historical and projected operating expenses, please identify all major new operation and maintenance expense activities in the forecasted level, and escalation for existing operation and maintenance tasks used to develop the forecasted level of expenses. f. Please provide all management reports where changes in current operation and maintenance activities, and costs associated with the same have been presented to executive board members of the MSD, and any engineering reports outlining the MSD Staff's recommended level of projected operation and maintenance activities. g. Referring to page 2-4, Table 2-2, please provide the allocation between wastewater and storm water of direct operating costs as used in MSD's last rate filing, and explain any changes in the allocation between wastewater and storm water of common operating costs in this case relative to the last case.

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h.	Referring to page 2-7, Table 2-4, please provide a comparison of the allocation of other operating revenue between wastewater and storm water in MSD's last rate case, compared to the allocation proposed in this case in Table 2-4.
i.	Please provide a study of all changes in customer growth used and discussed at Section 3-1, under customer growth, and the related wastewater volume at that same page in paragraph 3.2.
j.	With respect to the change in customer growth and volume growth, please provide copies of any state or local economic reports projecting changes in non-residential customer growth which can be used to gauge the relative outlook used in the Black & Veatch report for MSD relative to that used by state or local governments projecting future economic activity.
k.	On an electronic spreadsheet with all formulas intact, please provide the analyses used to develop the wastewater service charge revenue for metered and unmetered services in paragraph 3-4 for wastewater revenue under existing rates.
l.	Please provide a projection of wastewater revenues under proposed rates on an electronic spreadsheet with all formulas intact using the same billing determinants as used to develop the revenue charges under current rates in paragraph 3-4, page 3-6 of the report.
m.	On an electronic spreadsheet with all formulas intact, please provide the spreadsheet used to produce the projected wastewater operating revenue.
n.	For each category of projected wastewater operating cost shown in Table 3-7, please provide a description showing the rationale and expected inflation and other changes for annual operating costs for each of the identified operating cost categories.
o.	Please provide a complete copy of the 20- to 30-year capital improvement program budget for MSD, and compare the capital improvements through 2016 shown on page 3-13 of the Black & Veatch report with that 20-year CIP forecast.
p.	Please explain how the capital improvement program shown at page 3-13 of the Black & Veatch report, compares with the current settlement for the Consent Decree which MSD recently entered into with the EPA.

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q.	Referring to page 3-13 of the Black & Veatch report, wastewater capital cost financing, please identify any grants, low interest rate loans, or any other source of funding the Consent Decree capital programs available but where the MSD did not qualify for them. Please explain the rationale for the source of funding actually considered by Black & Veatch in its rate projections.
r.	Concerning pages 3-21 through 3-31, please provide a five-year history of all volume costs, capacity costs and wastewater strength costs used to develop the class cost of service study in the Black & Veatch report.
s.	Concerning page 3-21 of the Black & Veatch report, it identifies capital capacity cost as being related to facilities that are designed to meet the maximum or peak rates of wastewater flow. Please provide all workpapers used to develop the capacity cost units of service as shown at page 3-31 of the Black & Veatch report in Table 3-17. Please also clearly define what these units of service represent, and show what they have been over the last five years.
t.	Please provide the same five-year history of number of units for volume, capacity, wastewater strength, and all customers and non-residential customers shown in Table 3-17 on page 3-31 of the Black & Veatch report.
1-3.	Concerning the Consent Decree capital projects, and operation and maintenance expense projects included in the five-year rate plan developed in the Black & Veatch report, please explain the following:
a.	Explain how the Consent Decree alters or has influenced the capital program related to the collector system of the MSD throughout the rate forecast period.
b.	Please explain how changes in the collector systems, and volume of water will be changed as a result of the capital improvements necessary to comply with the Consent Decree.
c.	Please identify the capital projects needed to comply with the Consent Decree and separate them by impacts on collector systems, and pumping stations, and water treatment capacity.
d.	Please identify any aspect of the Consent Decree which changes the MSD's cost for treating BOD, SS or COS in water treatment plant.

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	e. Please identify any implications on the collector system for BOD, SS or COS in complying with the Consent Decree as it approaches the water treatment plant.
1-4.	Please provide a map of the entire MSD system showing locations of non-residential customers and the collector size mains used to serve these customers. Please provide the same information for residential customers.
1-5.	Please provide a cost estimate of MSD's collector mains by size of pipe, or pressure of pipe.
1-6.	On an electronic spreadsheet with all formulas intact, including a copy of all tariff rate information, please provide copies of analyses performed by MSD, or Black & Veatch, comparing MSD's current and projected wastewater rates to wastewater rates of other wastewater utility systems around the country.
1-7.	Please provide all workpapers, analyses and studies used to support the assumption that billed wastewater volume will continue to decrease but will level off towards the end of the study period.
1-8.	Please provide copies of MSD's annual reports for the three most recently completed fiscal years.
1-9.	Please provide complete copies of all credit ratings reports of MSD issued by Moody's, Standard & Poor's, Fitch or any other firm that rates corporate and municipal debt credit rating, issued over the last two years.

The following questions relate to the direct testimony of Jeffrey L. Theerman, MSD Exhibit No. 9:

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| 1-10. | In reference to page 8, Q29, please identify all new regulations being considered by regulators and the potential dollar impact those new regulations may have on wastewater utilities. |
| 1-11. | Please identify, state the amount, and describe any fines or penalties included in MSD's Rate Change proposal. |

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The following questions relate to the direct testimony of Brian L. Hoelscher, MSD Exhibit No. 9B:

- 1-12. In reference to page 2, Q10, please identify all wastewater capital improvement adjustments that have been made over the last five years to address changing regulatory requirements and identify the total dollar impact on ratepayers associated with those adjustments.
- 1-13. With regard to MSD's June 2 agreement with the U.S. Environmental Protection Agency, please provide an updated wastewater capital improvement and replacement program cost projection for the period FY 2011 through FY 2016 associated with the construction of only those projects necessary to comply with the terms of the June 2 agreement.
- 1-14. Please identify all adjustments to MSD's engineering consultant delivery model to assure cost-effective and timely completion of MSD's capital improvement and replacement program.
- 1-15. Please identify by rate year what portion of MSD's wastewater capital improvement and replacement program is required to comply with state requirements.
- 1-16. Please identify by rate year what portion of MSD's wastewater capital improvement and replacement program is required to comply with federal requirements.
- 1-17. In reference to page 3, Q16, Mr. Hoelscher states that all of the wastewater capital improvement and replacement program projects are designed to meet regulatory requirements and schedules anticipated based on the current status of the EPA mediation and therefore cannot be delayed. With regard to MSD's June 2 agreement with the EPA, please identify all wastewater capital improvement and replacement program projects included in MSD's six-year study that could be delayed and identify the per year dollar reduction associated with those projects.
- 1-18. Please provide a copy of MSD's August 2009 Long Term Control Plan.

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<u>Item No.</u>	<u>Description</u>
1-19.	Referring to page 5 of Mr. Hoelscher's testimony, he states that due to economic conditions, the District will be receiving bids for capital work that in some cases were 40% below traditional cost. With respect to this testimony, please identify how this below traditional cost construction bidding has impacted the projected level of capital expenditure costs included in the MSD's current rate filing, and provide a complete copy of all assessments the MSD Staff has taken to determine whether or not the current low capital improvement bidding costs can be used to minimize the construction projects budgeted to be completed over the next four years, 10 years and 20 years.
1-20.	Referring to pages 5 and 6 of Mr. Hoelscher's testimony, please answer the following: <ol style="list-style-type: none"> a. Please identify the sanitary sewer overflows (SSO) and how these overflows are spread across MSD's collector systems. Specifically, please identify whether or not the SSOs are directly related to certain sizes of sewer lines, pump stations or other measures on the system. b. Please answer the same question above but with respect to the combined sewer overflows listed above.

The following questions relate to the direct testimony of Janice M. Zimmerman, MSD Exhibit No. 9D:

- 1-21. In reference to page 2, Q7, please provide a copy of all material relied on to support the statement that "The proposed wastewater rate increase is fair and reasonable in that it proportionately distributes the District's projected costs over all classes of ratepayers."
- 1-22. Please provide a detailed description as to how MSD's proposed five-tiered cost structure for recovering MSD's environmental compliance monitoring costs from non-residential customers was developed.
- 1-23. Please identify MSD's projected environmental compliance costs for non-residential customers for each year of MSD's six-year rate proposal and identify the portion of costs recovered from each customer tier level.
- 1-24. Please provide a copy of the 2008, 2009, 2010, 2011 and 2012 preliminary operating budget and five-year Wastewater Improvement and Replacement Program supplemental budget presented to the District's Board in March.

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<u>Item No.</u>	<u>Description</u>
1-25.	Please provide a copy of all meeting minutes from the April 2011 Board of Trustees Finance Committee meetings to review in detail operating expenses, the CIRP and revenues projected for the budgeted 2012 year.
1-26.	Please identify and describe all inflation allowances used in the rate study report.
1-27.	Please provide a copy of all workpapers, analyses and studies used to develop MSD's identified inflation allowances used in the rate study report.
1-28.	Please provide a complete copy of all of MSD's financial filings issued over the last five years.
1-29.	Please provide a complete copy of all financial presentations MSD has made to credit rating agencies, or other sources of the state loan revolving agreement fund organization, or other sources of capital investigated by MSD to fund its capital improvement program.

The following questions relate to the direct testimony of Karl J. Tyminski, MSD Exhibit No. 9E:

- 1-30. In reference to page 2, Q6, please provide a copy of all credit rating agency median metrics material relied on to support the statement that "While projected debt coverage exceed Master Bond Ordinance requirements the projected coverages are only in line with median metrics used by the credit rating agencies."
- 1-31. Please identify the max amount of State Revolving Fund (SRF) loans by rate year that MSD could receive over the course of MSD's proposed rate plan.
- 1-32. Please provide all internal and external communication that MSD has had regarding increased Missouri SRF program loans to help fund future MSD capital expenditure programs.
- 1-33. Please provide all internal and external communication that MSD has had regarding contributions and grant monies from city, state or federal agencies.
- 1-34. Please provide MSD's current level of Missouri SRF loan capability.
- 1-35. Please provide a copy of all workpapers, analyses and studies used to support MSD's assumption that future revenue bonds will be issued at an average annual interest rate of 5.50 percent.
- 1-36. Please provide the interest rate, terms and associated issuance costs of MSD issued revenue bonds over the past seven years.

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The following questions relate to the direct testimony of Keith D. Barber, MSD Exhibit No. 9F:

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| 1-37. | In reference to page 4, response to Q11, Mr. Barber states "almost all of the proposed capital improvement projects are required to be constructed due to Federal and State environmental regulations." Please provide a listing and associated projected dollar costs associated with all proposed capital improvement projects that are not required to be constructed due to Federal and State environmental regulations that are included in MSD's six-year study period. |
| 1-38. | Please provide a copy of all workpapers, analyses and studies used to develop the projected number of wastewater customer accounts. |
| 1-39. | Please provide a copy of all workpapers, analyses and studies used to develop the projected average volume per bill for each metered customer class. |
| 1-40. | Please provide a copy of all workpapers, analyses and studies used to develop the projected average volume per bill for each unmetered customer class. |
| 1-41. | In reference to page 14, response to Q44, please provide a copy of all workpapers, analyses and studies used to develop the projected inflation-related cost increases for each year of the six-year study. |
| 1-42. | Please provide a table identifying historical annual costs and inflation cost adjustments during the period 2007 through 2011 associated with: (1) Wages, Salaries and Overtime; (2) Personal Services and Benefits; (3) Group Insurance; (4) Supplies, including chemicals; (5) Electric and Gas; (6) Contractual Services; (7) Bond and Liability Insurance; (8) Capital Outlay; and (9) Pension. |
| 1-43. | Please identify the current operating reserve level (number of days of expected operating costs) embedded in MSD's current rate levels. |
| 1-44. | Please provide an electronic version of the May 5, 2011 MSD wastewater utility cost of service study (in Exhibit MSD 1), with all formulas and file references intact. |
| 1-45. | When compared with MSD's cost of service study used in the development of rates in its 2007 rate proceeding, please identify and quantify all customer class allocation differences made in MSD's May 5, 2011 cost of service study. |
| 1-46. | Please provide an electronic version of MSD's rate model that supports the wastewater rate proposal, with all formulas and file references intact. |

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Item No.	Description
1-47.	In reference to Table 3-23 "Comparison of Wastewater Cost of Service with Revenue Under Proposed Rates Test Year 2013," please provide a detailed description as to why Non-Residential customers' portion of revenue as a percent of cost of service is set at 108.7% while the single family and multifamily portions of revenue levels are set at 96.4% and 97.9%, respectively.
1-48.	Please confirm that under MSD's rate proposal, the rates of MSD's non-residential customers would be set above cost of service while the rates of MSD's single family and multifamily customers would be set below cost of service.
1-49.	Please provide MSD's basis for setting the rates of MSD's non-residential customers above cost of service.
1-50.	At page 17 of Mr. Barber's testimony, he states that certain operation, maintenance and construction improvement funds are not included in wastewater capital improvement financing plans since these funds are supported by ad valorem taxes from various districts and dedicated to local area projects. Please identify the exact amount of revenue MSD receives from ad valorem taxes from these districts, and the operation, maintenance and construction improvement funds and expenditures made for these districts.
1-51.	Referring to page 19 of Mr. Barber's testimony, please provide all workpapers used to develop the debt service coverage ratios calculated at lines 2-10 of that testimony.
1-52.	Concerning the debt service coverage ratios developed on page 19, please state whether or not the ad valorem tax revenue receipts referred to at page 17 net of operation, maintenance and construction improvement expenditures are included in the development of debt service coverage ratios.
1-53.	Referring to page 19, Mr. Barber states that the forecast includes \$945 million of additional bond authorizations based on a 30-year term and an interest rate of 5.5%. Please provide all supporting documentation relied on by Mr. Barber to estimate the 5.5% interest rate on tax-exempt municipal bond issuances.
1-54.	Referring to page 19 of Mr. Barber's testimony, please provide all supporting documentation describing the State Revolving Fund loans, interest rates and maturities used in the forecast.
1-55.	Concerning page 19 of Mr. Barber's testimony, please describe the commercial paper program, provide support for the assumed 5% interest rates and issuance costs of \$25,000 per issue.

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<u>Item No.</u>	<u>Description</u>
1-56.	Referring to page 19 of Mr. Barber's testimony, please provide a detailed report describing how the targeted minimum debt service coverage ratios of senior and junior lien bonds of 220% and 150% were developed.
1-57.	Referring to page 21 of Mr. Barber's testimony, please provide a copy of financial reports from MSD supporting the beginning of Fiscal Year 2011 fund balances.
1-58.	Referring to pages 14 and 15 of Mr. Barber's testimony, please provide all supporting documentation used to develop the inflation rates for each of the O&M expense items included at those pages. Please also provide a narrative explaining how the escalation rates were derived.
1-59.	Referring to page 27 of Mr. Barber's testimony, he states that certain wholesale customers may own and operate their own sewer collection system and may not be responsible for the smaller mains serving the utility's retail customers. With respect to this testimony, please answer the following: <ol style="list-style-type: none"> a. Are the larger mains serving wholesale customers connected to the smaller mains serving retail customers? b. If the larger mains serving wholesale customers are connected to the smaller mains serving retail customers, why shouldn't wholesale customers pay a portion of those smaller mains?
1-60.	Is excluding an allocation of small main costs to wholesale customers, because they own their own sewer collection system, consistent with the Water Environment Federation (WEF) in its " <i>Financing and Charges for Wastewater Systems</i> " manual as identified by Mr. Barber at page 25 of his testimony? Please explain answer.
1-61.	Referring to page 28, please explain how I/I is allocated on both customer and volume basis in the rate manual in order to equitably allocate costs between customer classes. Please also identify where in the cost allocation component of the rate filing this I/I customer/volume allocation is made.
1-62.	Referring to pages 28 and 29 of Mr. Barber's testimony, please identify the specific costs related to reviewing environmental compliance with specified pollutants identified by the EPA, and which were used to identify the tier ratio rate schedule proposed by MSD in this proceeding. Please provide a complete description of all cost elements, a billing unit breakdown for the tiered approach, and number of customers under each of the tier stacking procedure.

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<u>Item No.</u>	<u>Description</u>
1-63.	Please provide a complete copy of the January 2005 CDM study included in the 2007 wastewater/storm water rate proposal as referenced at page 31 of Mr. Barber's testimony.
1-64.	Please provide a copy of all workpapers and supporting documents used to develop the capacity factors for contributed wastewater and infiltration and inflow volume stated at page 33 of Mr. Barber's testimony.
1-65.	Please provide copies of all resource documents and other supporting information used to determine whether or not the proposed wastewater rates are reasonably affordable for the ratepayers as discussed at page 36 and Q&A109 of Mr. Barber's testimony.
1-66.	Referring to page 36, Q110 of Mr. Barber's testimony, please identify all quantitative support for Mr. Barber's contention that his proposed wastewater rates were designed to recover costs of providing wastewater service.
1-67.	Referring to pages 38 and 39 of Mr. Barber's testimony, please provide complete copies of all supporting documentation supporting his contention that the MSD's surcharges are comparable with rates currently charged by Kansas City, Missouri, and also provide copies of surcharge rate comparisons with any other wastewater system.