

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

**JULY 29, 2011 FIRST DISCOVERY REQUEST
OF THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

ISSUE: WASTEWATER RATE CHANGE PROPOSAL

WITNESS: MISSOURI INDUSTRIAL ENERGY CONSUMERS

SPONSORING PARTY: METROPOLITAN ST. LOUIS SEWER DISTRICT

DATE PREPARED: JULY 29, 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)

**JULY 29, 2011 FIRST DISCOVERY REQUEST
OF THE METROPOLITAN ST. LOUIS SEWER DISTRICT TO THE
MISSOURI INDUSTRIAL ENERGY CONSUMERS**

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 Metropolitan St. Louis Sewer District (“District”) requests additional information and answers from Missouri Industrial Energy Consumers (“MIEC”) regarding the Rate Change Proposal dated May 10, 2011 (the “Rate Change Proposal”).

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

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

DEFINITIONS

A. As used herein, the terms “you” and “Consultant” mean MIEC, Michael P.

Gorman, Brubaker & Associates, Inc. and, any representative, agent, contractor or other person or entity acting or purporting to act for or on behalf of Intervener MIEC.

B. As used herein, the term "MSD" means The Metropolitan St. Louis Sewer District, and any attorney, representative, agent, contractor or other person or entity acting or purporting to act for or on behalf of The Metropolitan St. Louis Sewer District.

C. As used herein, the term "document" or "documents" means any writing, drawings, graphs, charts, photographs, phonograph records, electronic records, reports, correspondence and other data compilations from which information can be obtained, translated, if necessary, by the requesting party through detection devices into reasonably usable form, that are in your possession, custody or control.

D. As used herein, the terms "refer to" or "relate to" mean in any way concerning, containing, contained in, referring to, evidencing, pertaining to, embodying, or connected to or a part of, in whole or in part.

E. As used herein, the terms "and" and "or" shall be construed disjunctively or conjunctively as necessary in order to bring within the scope of an individual, document or information which might otherwise be construed to be outside the scope of an interrogatory.

F. As used herein, the term "communication" means any oral, written, mechanical, electronic or other transmission of words, symbols, numbers or depictions to a person, entity, file or repository of data or information.

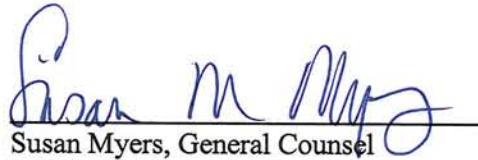
**JULY 29, 2011 FIRST DISCOVERY REQUEST
OF THE METROPOLITAN ST. LOUIS SEWER DISTRICT TO
MISSOURI INDUSTRIAL ENERGY CONSUMERS**

1. Does the Consultant perform utility rate design consulting work? Please provide a list of all clients for which this type of consulting work was performed since 2002.
 - 1.a Please indicate the type of rate design development performed for each client and indicate if the client provides natural gas, electric, water/wastewater combined and/or stand alone wastewater.
 - 1.b Please indicate the type of rate analysis and review performed for each client and indicate if the client provides natural gas, electric, water/wastewater combined and/or stand alone wastewater.
 - 1.c Please indicate which clients listed are currently managing capital project programs or similar initiatives and the dollar size of each program.
 - 1.d Please indicate which clients listed have issued bonds, total outstanding bonds to date, anticipated dollar size of future issuances through June 30, 2016 and breakdown by types of bonds (general obligation, revenue, State or Federal bond programs).
2. Please describe the tools and methods used by Brubaker to design wastewater rates. Please describe how these tools and methods were used by Mr. Gorman to analyze the basic requirements and assumptions utilized in MSD's May 10, 2011 Rate Proposal (Exhibit MSD 1).
3. Please describe Mr. Gorman's experience representing clients, developing and facilitating credit presentations with the major rating agencies Moody's, Fitch, Standard & Poors and Eagan Jones.
 - 3.a Please provide a list of these clients indicating the dollar size of presented bond issuance and resulting bond ratings.
 - 3.b Please indicate the key issues focused on by the rating agencies during the lists client credit presentations and their impacts in the resulting bond ratings.
4. Describe Mr. Gorman's experience in handling the issuance of bonds for clients. Please provide a list of these clients and Mr. Gorman's involvement in the issuance of these bonds.
 - 4.a Please describe Mr. Gorman's role in the issuance of bonds for each of the listed clients.
 - 4.b Please describe Mr. Gorman's experience with the underwriting of bonds?

- 4.c Please describe Mr. Gorman's experience in the development of bond feasibility studies including your involvement in such studies for the clients listed.
5. Please provide in paper and electronic form any analysis Mr. Gorman prepared related to the long term direction of interest rates such as probability distributions, historic statistics, "boot strapping of Treasury STRIP rates or any other quantitative analysis.
6. On page 5, line 7, of Mr. Gorman's rebuttal testimony, he states "MSD Staff substantially overestimates bad debt expense." Please provide the analysis performed to support this statement. Provide all paper and electronic "documents" as defined above which relate to this analysis.
7. On page 5, line 19 and 20 of Mr. Gorman's rebuttal testimony, he refers to a consensus of economists' future inflation projections. Please provide all analysis and underlying source material used to support this statement. Provide all paper and electronic "documents" as defined above which relate to this analysis.
- 7.a Please list all economists future inflation projections used for your analysis of the of the May 10, 2011 Rate Proposal.
- 7.b Please describe the usefulness and nature of relevance for each economists future inflation projection listed in your response to question 7.a.
8. On page 6, line 21 of Mr. Gorman's rebuttal testimony, he states "... the MSD service area continues to recover from the global economic recession." Please provide all analysis performed and underlying source material used to support this statement. Provide all paper and electronic "documents" as defined above which relate to this analysis.
9. On page 7. line 18, of Mr. Gorman's rebuttal testimony, he cites or refers to a general summary provided by the Federal Reserve Bank regarding MSD's service area. Please provide a complete copy in paper or electronic form of this referenced material. Provide all paper and electronic "documents" as defined above which relate to this analysis.
10. On page 8, line 4 and 5, of Mr. Gorman's rebuttal testimony, he states "...the area economy has stabilized and has....started to show signs of improvement." Please provide all analysis and underlying source material used to support this statement. Provide all paper and electronic "documents" as defined above which relate to this analysis.
11. On page 9, line 18 and 19 of Mr. Gorman's rebuttal testimony, he refers to the MSD Staff's inflation projection and states it is "...overstated because it does not accurately reflect a reasonable outlook for future inflation." Please provide all analysis and underlying source material used to support this statement. Provide all paper and electronic "documents" as defined above which relate to this analysis.
- 11.a Please provide a copy of the *Blue Chip Economic Indicators* survey referenced on page 10 line 3 of Mr. Gorman's rebuttal testimony.

- 11.b Please describe the usefulness and nature of relevance of any document produced pursuant to question 12a. of these requests.
12. On page 13, line 14 and 15 of Mr. Gorman's rebuttal testimony, he indicates he does not take issue with MSD Staff's assumptions underlying the state revolving "facilities". Please explain the meaning and relevance of this term facilities as used in this context.
- 12.a Mr. Gorman also states he believes "the [MSD Staff's] interest rate for the revenue bonds is substantially overstated". Please provide all analysis and underlying source material used to support this statement. Provide all paper and electronic "documents" as defined above which relate to this analysis.
13. On page 14, line 5 and 6, of Mr. Gorman's rebuttal testimony, he indicates he has "... identified actual bond issuances by municipal utility companies for revenue bonds in support of municipal utility CIPS." Please provide a complete list of all municipal utility companies identified indicating the type of utility (natural gas, electric, water, wastewater), the size of each entities' CIP program, their respective amount of outstanding debt as of June 30, 2011 and accompanying bond ratings. Provide all paper and electronic "documents" as defined above which relate to this analysis.
14. On page 14, line 9 of Mr. Gorman's rebuttal testimony, he refers to research he personally conducted related to the determination of the typical weighted average bond interest rate for municipal utility companies as 4%. Please provide all analysis and underlying source material used to conduct this research. Provide all paper and electronic "documents" as defined above which relate to this analysis.
15. On page 16, line 4 and 5 of Mr. Gorman's rebuttal testimony, he states "... it is appropriate to develop a bad expense as a percentage of total bill collections based on historical records of MSD." Please indicate what historical MSD records were used to support this statement,
- 15.a Please produce any document identified in your response to question number 15 above.
- 15.b Please state the basis for the use of this approach as related to bad expense described on page 16, line 4 and 5 of Mr. Gorman's rebuttal testimony and the nature of relevancy to the Rate Proposal.
- 15.c Please provide all analysis and underlying source material used to conduct this research as related to bad expense described on page 16, line 4 and 5 of Mr. Gorman's rebuttal testimony. Provide all paper and electronic "documents" as defined above which relate to this analysis.
16. Please describe Mr. Gorman's experience with the billing and collection operations of municipal utilities.
- 16.a Please list each utility for which Mr. Gorman provided and or provides and service related to billing and collection operations.

- 16.b For each utility listed in response to question 16.a above please indicate the type of utility (natural gas, electric, water, wastewater) and amount of monthly billings in terms of dollars and number of accounts.

A handwritten signature in blue ink, appearing to read "Susan M. Myers", is written over a horizontal line.

Susan Myers, General Counsel
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 29th day of July, 2011:

An electronic copy of the foregoing instrument was emailed to the Secretary of the Rate Commission c/o jfenton@stlmsd.com

SECRETARY OF RATE COMMISSION: Ms. Nancy Bowser
Secretary of Rate Commission
Metropolitan St. Louis Sewer District
2350 Market Street
St. Louis, MO 63103-2555
robowser@swbell.net

At the request of Rate Commission Counsel, one paper original and associated Exhibits are held at the Rate Commission office for Commissioner review.

An electronic copy of the foregoing instrument and Exhibits were emailed to:

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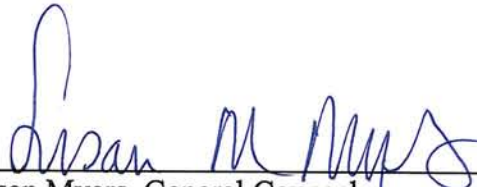
BARNES JEWISH HOSPITAL:

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