

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

**AUGUST 19, 2011 SUBMITTAL OF SURREBUTTAL TESTIMONY
OF THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

ISSUE: WASTEWATER RATE CHANGE PROPOSAL

WITNESS: JONATHON SPRAGUE, P.E.

SPONSORING PARTY: METROPOLITAN ST. LOUIS SEWER DISTRICT

DATE PREPARED: August 19, 2011

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

1 **Q1. Mr. Sprague will you please describe the different types of O&M that is**
2 **included in the District's rate proposal?**

3 **A.** Yes, Operations and Maintenance (O&M), expenses in this proposal fall into two
4 categories, on-going O&M costs which are reflected in the Rate Proposal, Exhibit
5 MSD 1 Table 3-11 line 16 and additional O&M costs reflected in the Rate Proposal,
6 Exhibit MSD 1 Table 3-11 line 17. On-going O&M costs are the costs for operating
7 and maintaining existing equipment and facilities and continued existing services.
8 Additional O&M expenses cover the operating and maintenance costs required for
9 new facilities being built through capital projects as well as new services that are not
10 part of operations at this time.

11
12 **Q2. How does the on-going O&M escalate in the proposal?**

13 **A.** If you look at exhibit MSD 1, Table 3-11 Line 16 which was submitted on May 10,
14 2011 you will see that the existing O&M expenses increase from year to year over
15 the rate proposal period. The vast majority of these increases are due to inflationary
16 rates. These composite of inflation indices as discussed the surrebuttal testimony of
17 Jan Zimmerman tend to be higher than the CPI inflation rate due to the energy
18 intensive nature of the wastewater industry along with the mix on construction
19 supplies and equipment used. In general however, the rate is near 3.5% . In FY
20 2013 and FY2014, there is a higher percentage increase. These larger O&M
21 expenses are due to additional \$1 Million in FY 2013 and \$1.5 Million in FY 2014
22 allocated in the Information Systems Department budget.

23

1 **Q3. Will you please explain what the expenses are in line 17 of the Rate**
 2 **Proposal, Table 3-11, which refers to additional O&M?**

3 **A.** Yes those additional O&M expenses cover the operating and maintenance costs
 4 required for new facilities being built through capital projects as they are put in
 5 service. The additional O&M expenses included in the proposed rate case are listed
 6 in further detail in the table below.

| Projected Future Additional O&M Costs | | | | |
|--|--------|---------|---------|---------|
| | 2013 | 2014 | 2015 | 2016 |
| WWTP Disinfection | 112000 | 2159800 | 7484100 | 7801900 |
| CMOM | | | | 140600 |
| Totals | 112000 | 2159800 | 7484100 | 7942500 |

8
 9 The listed additional O&M expenses are needed to operate the new regulatory and
 10 Consent Decree projects. The addition of disinfection facilities are currently
 11 underway of planned for at the Lower Merrimac WWTP, the Missouri River WWTP,
 12 the Coldwater WWTP, the Lemay WWTP and the Bissell WWTP. These O&M
 13 expenses for the Disinfection projects are primarily comprised of electricity and/or
 14 chemical expenses, additionally, they include parts, and labor for maintenance. The
 15 CMOM activities reflect increased labor costs needed to increase inspection
 16 activities needed to comply with the CD.

17
 18 **Q4. Does any of the O&M shown in the Rate Proposal, Table 3-11 relate directly**
 19 **to requirements in the federal consent decree which is exhibit MSD 49?**

20 **A.** Yes, the Consent Decree has significant requirements for CMOM related activities
 21 such as, sewer cleaning, CCTV work, manhole inspection, rehab, pump station

1 inspection. However, the related O&M expenses for these activities are not reflected
2 in additional future O&M expenses, but included in the existing O&M expenses.
3 While there is a significant cost to perform these functions, the costs are absorbed in
4 the existing O&M expenses. This is due to the fact that Operations has been
5 performing many of these functions to varying degrees.

6

7 **Q5. Are there any items in the Rate Proposal which are listed as O&M expenses**
8 **which are truly CIRP components?**

9 **A.** No, the footnote in Table 3-11 of the Rate Proposal clearly states that the O&M
10 costs are the additional costs required to operate and maintain the new systems as
11 well as assets that are installed through the CIRP.

12

13 **Q6. Mr. Sprague can you please explain what you have done and plan to do to**
14 **optimize Operations and Maintenance Costs.**

15 **A.** The Operations department is always striving to improve the performance and
16 efficiency of its crews. The workforce practices a culture that focuses on proactive
17 maintenance, the utilization of technology, and personnel flexibility to increase
18 efficiency. Additionally, we continue to look at the cost effectiveness of performing work
19 with internal crews as compared to contractors and adjust our mix as necessary.

20 One of the fundamental ways to improve performance is to define and communicate
21 realistic goals for crews and then measure and monitor performance. In Operations, we
22 look to the private sector to understand output goals of individual crew types. Sewer
23 cleaning, CCTV, manhole inspection, and rehab work are all examples of preventative

1 maintenance work that is performed with internal crews. Daily output goals have been
2 established and communicated based on private sector contractors. All work is
3 scheduled and tracked using a computerized maintenance management system, and
4 results available in real time using computer based dashboards and regular reports.
5 This preventative maintenance focus has caused significant improvements to the
6 collection system and customers. In the past 3 years the District has seen a 40% drop
7 in dry weather overflow and a 60% reduction in blockage related basement backups.
8 These significant improvements not only improve customer service levels and reduce
9 Districts costs, but they also represent an opportunity for Operations to increase output.
10 Crews that in the past were dedicated to responding to customer emergency calls now
11 are being utilized to increase preventative maintenance. This allows the District to
12 perform more CMOM related activities without increased cost.

13 Flexibility is also an important factor. The District has implemented a cross-training
14 program between its construction crews and maintenance crews. This flexibility allows
15 us to move crews between functions based on need. During storms we can utilize
16 constructions crews that may have been idle to provide peak response in maintenance.
17 Conversely, we can move maintenance staff to provide response to emergency repairs
18 as well.

19 Continued utilization of technology has also improved output. This past year the District
20 purchased 3 new CCTV trucks that can more than double the output of a CCTV crew.
21 This change will allow us to increase the output enough to meet the CCTV requirements
22 as outlined in section G of the consent decree without additional staff.

1 Lastly the District continually analyzes the costs of its crews to that of contractors. This
2 business focused approach has resulted in changes in the mix of work in the District. In
3 2007 the District analyzed the cost of contracting its continued flow metering work and
4 decided to in source this work. This move was done successfully and has resulted in
5 2.5 million savings annually vs. contracted work. We were able to do this because we
6 could absorb the overhead cost by utilizing existing facilities and supervision staff.
7 Additionally we utilized technology to automate certain functions that were previously
8 done with personnel. Conversely, we have analyzed the Districts ability to in-source
9 sewer rehab techniques such as Cured-in-place sewer lining and feel it is more cost
10 effective to contract.

11 The above examples represent some of the techniques and improvements we continue
12 to make, but certainly not all. In the future, the District will sustain this focus to continue
13 to strive for improvement and efficiency within it Operations.

14

15 **Q7. Does that complete your surrebuttal testimony today?**

16 **A. Yes**