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PUBLIC HEARING  
METROPOLITAN ST. LOUIS SEWER DISTRICT  
AUGUST 20, 2011  
(Hearing start time, 9:04 a.m.)

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10 (No Exhibits Marked)

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1 PUBLIC HEARING FOR METROPOLITAN ST. LOUIS SEWER  
2 DISTRICT, produced and examined on AUGUST 20, 2011,  
3 between the hours of 9:04 in the forenoon and 10:18 in  
4 the forenoon of that day, at Cliff Cave Branch Library

5 of St. Louis, 5430 Telegraph Road, St. Louis, Missouri  
6 63129, before Suzanne Zes, Certified Court Reporter.

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APPEARANCES

For the MSD Rate Commission:

Glenn Koenen  
West County Chamber of Commerce  
John L. Stein  
Missouri Industrial Energy Consumers  
George Ljyeos  
St. Louis County Municipal League

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Also present:

- Jeff Theerman
- Karl Tyminski
- Pam Bells
- Lance LeComb

The Court Reporter:

Suzanne Zes  
Midwest Litigation Services  
711 North Eleventh Street  
St. Louis, MO 63101  
314.644.2191  
314.644.1334 Fax

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1 MR. KOENEN: Good morning, everyone.  
2 Welcome to today's hearing for the Metropolitan Sewer  
3 District on the proposed wastewater rate increase. If  
4 you would like to speak, a little bit of housekeeping,  
5 please fill out one of these blue cards they have out  
6 on table in the lobby. This way we'll call you in the  
7 order that the cards are filled out. My name is Glenn  
8 Koenen, I am a member of the Metropolitan St. Louis  
9 Sewer District Rate Commission and I will be presiding  
10 over the public hearing this morning. With me today

11 are, John Stein, vice chair, and George Liyeos.

12 MR. LIYEOS: Liyeos.

13 MR. KOENEN: Liyeos. Also a Rate Commission  
14 member. The charter plan for the Metropolitan Sewer  
15 District was amended at a general election on  
16 November 7, 2000 and established the Rate Commission  
17 to review and make recommendations to the District  
18 regarding changes in wastewater rates, stormwater  
19 rates and taxed rates proposed by the District. The  
20 charter plan requires the MSD Board of Trustees to  
21 select organizations to ensure a fair representation  
22 of all users of the District services on the Rate  
23 Commission. The Rate Commission representative  
24 organizations are to represent commercial industrial  
25 users, residential users and other organizations

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1 interested in the operation of the District, including  
2 organizations focusing on environmental issues, labor  
3 issues, socioeconomic issues, community neighborhood  
4 organizations and nonprofit organizations. The MSD  
5 Rate Commission currently consists of 14 members from  
6 organizations and institutions throughout St. Louis  
7 City and County. On May 10, 2011, the Rate Commission  
8 received a rate change notice proposing changes in the  
9 District's wastewater rates. The Rate Commission  
10 adopted operational rules and a procedural schedule to  
11 govern the proceedings on May 17th, 2011 and amended  
12 its procedural schedule on July 8th, 2011. Under the  
13 procedural schedule adopted by the Rate Commission, as

14 amended, the MSD Rate Commission has until October 21,  
15 2011, to review and make a recommendation to the MSD  
16 Board of Trustees as to whether the proposed rate  
17 should be approved, not approved or modified with  
18 suggested changes and then approved. The MSD Rate  
19 Commission has engaged legal counsel and a rate  
20 consultant independent of those used by MSD. Under  
21 procedural rules adopted by the Rate Commission, as  
22 amended, any person affected by the rate change  
23 proposal had an opportunity to submit an application  
24 to intervene in these proceedings. Applications to  
25 intervene have been filed by the Barnes Jewish

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1 Hospital, Covidien, Missouri Industrial Energy  
2 Consumers, Robert Mueller, AARP and Consumer Councils  
3 of Missouri. All of these applications have been  
4 granted. Since May 10, 2011, the MSD Rate Commission  
5 has received testimony from MSD staff, the intervenors  
6 and the rate consultant. The parties have also  
7 engaged in discovery requests. Technical conferences  
8 were held on June 13th, 2011 and August 8, 2011 and  
9 another is planned for September 6, 2011, where the  
10 participants and the Rate Commission are given an  
11 opportunity to ask questions of those submitting  
12 testimony. A prehearing conference for the purpose of  
13 identifying any issues raised by the rate setting  
14 documents and the prepared testimony previously  
15 submitted, will be conducted on the record on  
16 September 15, 2011. All persons submitting testimony

17 may participate in the prehearing conference and each  
18 participant in the prehearing conference shall submit  
19 on or before September 22, 2011, a prehearing  
20 conference report describing issues raised by the rate  
21 setting documents and the prepared testimony, together  
22 with a brief description of such participant's  
23 position, if any, on each issue and the rationale  
24 thereof. Rate payers who do not wish to intervene are  
25 permitted to participate in these on the record public

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1 hearings conducted in six sessions beginning on  
2 August 16th, 2011 and concluding on September 26,  
3 2011. This is our third hearing. The Rate Commission  
4 published a public notice regarding these proceedings  
5 in the St. Louis Post Dispatch on May 20th, 2011, May  
6 23rd, 2011, May 24th, 2011 and July 20th, 2011, July  
7 21st, 2011, and July 22nd, 2011. And in the St. Louis  
8 American newspaper on May 26th, 2011 and July 21,  
9 2011. These notices contain the time, dates, and  
10 location of each of these conferences and hearings.  
11 The public hearing session today is for the purpose of  
12 permitting the District to present its wastewater rate  
13 change proposal and to permit any rate payer an  
14 opportunity to comment. We will begin with a  
15 presentation by Mr. Jeff Theerman, executive director  
16 of MSD.

17 MR. THEERMAN: Thank you. Good morning. My  
18 job this morning is to present the rate proposal that  
19 MSD has made to the Rate Commission, again as was

20 described, that could change through the process of  
21 the rate proposal review process. Before we get  
22 started there may be other concerns about MSD, with  
23 the parties here tonight or this morning and there are  
24 a number of people from the District here that are  
25 available to answer questions afterwards if someone

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9

1 would like to ask us anything. would the folks from  
2 MSD raise their hand in the back, so you kind of know  
3 who all is here. So I'm going to go through this and  
4 there will be the ability to answer questions when  
5 we're done.

6 First a little bit about MSD. We are really two  
7 utilities in one. We have stormwater management and  
8 wastewater management and treatment responsibilities  
9 over the entire region. We serve about 525 square  
10 miles. That is all of the City of St. Louis and about  
11 80 percent of the County, roughly out to Highway 109.  
12 Approximately 1.4 million customers, 428,000 customer  
13 accounts. We are a large utility, we are the  
14 compilation of 79 different sewer systems. Before  
15 there was an MSD, sewer systems and treatment plants  
16 were owned by municipalities and by private sewer  
17 companies throughout the region. When we were first  
18 created in 1954 our service area came out to about  
19 Lindbergh Boulevard. In the middle 70s we annexed the  
20 west part of St. Louis County and that increased our  
21 area to roughly what it is today. We are the fourth  
22 largest sewer system in the nation behind New York

23 Chicago and L.A. And that's of significance because  
24 we are certainly not the fourth largest metropolitan  
25 area. So while L.A. has 5 million plus people to help

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1 pay for their infrastructure, we are sitting here with  
2 1.4 million customers with a very similar concern. We  
3 have about 6,700 miles of wastewater pipe in the  
4 ground, some of which dates back to before the Lincoln  
5 administration. About 1,900 miles of that are  
6 combined sewers. That is the state of the art in the  
7 1800s sewage and stormwater flow in one set of pipes,  
8 of course this was all before there was sewage  
9 treatment and was just directing sewage to the river.  
10 When it rained the rains flushed the sewage out into  
11 the river and it was gone. The more contemporary  
12 system is about 4,700 miles, that is a separate  
13 stormwater and wastewater system. The 4,700 miles is  
14 a wastewater sanitary system. We have seven treatment  
15 plants, they treat about 379 million gallons a day.  
16 That is hard for people to visualize. The way we have  
17 described it recently is, consider a football field  
18 that has got 370 million gallons on top of a football  
19 field would be a column higher than the Gateway Arch.  
20 So that is a lot of flow being treated by our  
21 facilities. There is also about 3,000 miles of  
22 stormwater system, that is the companion with that  
23 sanitary system outside of the combined area. There  
24 is two systems, a stormwater and wastewater system and  
25 they're separate. This rate change proposal is for

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1 wastewater service only. Our stormwater rates are  
2 presently in litigation and we felt because of that,  
3 it did not make sense to bring any sort of stormwater  
4 proposal before the Rate Commission. So it is often  
5 times difficult to separate stormwater from wastewater  
6 and we will talk a little bit about that but our  
7 stormwater rate proposal is not part of this proposal  
8 and right now it's moving through the courts. We  
9 introduced an impervious charge in 2008 a state court  
10 struck that rate down. We stopped using that rate and  
11 gone back to a tax structure we had in the past for  
12 the interim period. The rate proposal covers a four  
13 year period. We are recommending a rate change in  
14 July of 2012 and each year after that through July of  
15 2015. And no rate change beyond that 2015 date for  
16 the balance of our fiscal 16, so through June of 2016.  
17 Our current rates for a single average family dwelling  
18 is \$28.73 a month. Now there are a number of reasons  
19 we need to have a rate change. And the biggest is  
20 regulatory. I am going to go in a lot of detail about  
21 that particular issue. In addition to that, to try  
22 and keep the rate increase manageable, we are  
23 proposing the use of a significant amount of debt. So  
24 you have to pay that debt back with interest, so debt  
25 financing is part of the proposal, those costs. We

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1 have lost some customer base, not a lot but it is  
2 reflective in the proposal. And there is declining  
3 water usage primarily through conservation that  
4 effects our rates. And then, of course, everyone is  
5 familiar with economic conditions that exist  
6 throughout the nation. The key parts of our rate  
7 change proposal is, as I mentioned before, is a  
8 billion dollar capital improvement program over four  
9 years that is funded primarily through the use of  
10 revenue bonds. \$945 million of revenue bonds. Those  
11 bonds, that authorization for the bonds, requires  
12 voter approval and I will talk a little bit about that  
13 in a minute. All the bonds would be used for capital  
14 improvements. We do not use debt to finance  
15 day-to-day operations of the District. The day-to-day  
16 operations over that four year period are estimated to  
17 be \$343 million. That is for the day-to-day operation  
18 of the District, all of our treatment plants, our  
19 collection system. And then there is \$359 million of  
20 debt service in our proposal. That is debt service  
21 not only for the bonds we are proposing to issue but  
22 the ones we have already issued. So those numbers are  
23 four year numbers, just so we are clear.

24 Regulatory requirements. E.P.A in 2007 was sued  
25 by -- we were sued by EPA in 2007 and also by the

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1 State of Missouri. That settlement was negotiated or  
2 that lawsuit was negotiated to a settlement, which is  
3 presently being reviewed. And it's in the form of a

4 document called Consent Decree. The suit was about  
5 alleged violations of the Clean Water Act. Overflows  
6 during wet weather from our combined sewer system and  
7 from our separate sanitary sewer system. So it is a  
8 regional issue and it is not confined just to one part  
9 of the system. Our settlement agreement has a 23 year  
10 compliance schedule. It will cost an estimated \$4.7  
11 billion over that time period. It is designed to  
12 address sanitary sewer overflows, combined sewer  
13 overflows, basement backups, sewer system maintenance  
14 repair and then improved asset reinvestment. One  
15 problem -- one reason we are in the situation we are  
16 in today is because there has been underinvestment in  
17 this infrastructure for decades and the time has come  
18 to get that straightened out. If we don't continue to  
19 reinvest in our infrastructure at the end of 23 years  
20 we will find ourselves right back in the very same  
21 situation. It is not unlike the infrastructure story  
22 throughout the nation, bridges and roads, but in our  
23 case our infrastructure is buried in the ground, it is  
24 hard to see and it is a little less tangible to  
25 everyone. There is also requirements, regulatory

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1 requirements, that are outside the Consent Decree.  
2 And example of that is increased treatment  
3 requirements that have been imposed upon us by the  
4 State of Missouri. We are having to add disinfection  
5 at our treatment plants, all of our plants, which will  
6 lead to higher costs for operations. It's possible

7 for the public to comment on the Consent Decree. It  
8 is not yet enacted, it is in the process of public  
9 comment and that will go on until September 9th. To  
10 comment on the Consent Decree, the settlement itself,  
11 you need to go to the Department of Justice website  
12 and the easy way to get to that is through our  
13 website, we have a link to it. So our website is  
14 listed up there, if you want to have a look at the  
15 content of the Consent Decree it is about 100 pages  
16 long, there is a lot to look at but you can also get  
17 on the Department of Justice website and comment on  
18 it.

19 I am going to go through a little bit more about  
20 combined sewer and separate sewer overflows. This is  
21 a map of the MSD service area. And it is not intended  
22 to be an eye test, so you are probably going to have a  
23 better chance on your handouts than what I got up here  
24 on the screen. The green shaded area is the combined  
25 sewer area. So that is all of St. Louis City and

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15

1 about 22 neighboring municipalities in St. Louis  
2 County. And on that map, it is a little hard to pick  
3 out but you can see it on your handouts, there are a  
4 199 green dots. Those are combined sewer overflows  
5 and about 50 times a year when it rains like today, we  
6 will have overflows from one or more of those 199  
7 locations into the Missouri River, the River Des Peres  
8 and some of its tributaries. This is a mixture of  
9 stormwater and wastewater. The reason for those

10 overflows is before there was any sewage treatment all  
11 of those sewers just directly discharged into those  
12 rivers. And then in the 60s and 70s when we built our  
13 sewage treatment plants we collected the dry weather  
14 flow from those sewers and we treated all the sewage  
15 during dry weather in our treatment plants. When it  
16 rains, those systems aren't big enough to handle the  
17 volume of water that comes from the runoff of a large  
18 rain event. So you have a combination of sewage and  
19 stormwater discharging out of those combined sewer  
20 overflows. EPA rules say you don't have to get rid of  
21 them but you do have to abate them. The cost of  
22 separating that combined system is about \$20 billion.  
23 Our plan for abating the impact of those combined  
24 sewer overflows is about \$2 billion, so about half the  
25 cost of what is in the Consent Decree. The abatement

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1 is a series of projects that will hold water back from  
2 our system or store water in tunnels and allow it to  
3 be brought to treatment after the rain is over with.  
4 The rest of the system in the white is the separate  
5 sewer system, the stormwater system, the wastewater  
6 system, two different systems. And the way it was  
7 designed was sewage would be in one and stormwater  
8 would be in the other. But the reality is the  
9 imperfections in our sanitary system, our wastewater  
10 system, allows stormwater in. And it's stormwater  
11 that shouldn't be there. Now those imperfections  
12 exist not only in the public system but also in the  
Page 14

13 connections everyone's home has. So, the way we are  
14 going to deal with those red dots, those are all  
15 constructed sanitary sewer overflows and there are  
16 about 200 of those. And a series of projects are  
17 needed to either increase capacity to treatment, so  
18 that the flows can be taken to a treatment plant and  
19 not discharged in neighborhood creeks or remove the  
20 stormwater, keep the stormwater out of the system  
21 where it is practical to do that. Both on the public  
22 side, our sewers, lining them, improving them or on  
23 the private side where people have downspouts  
24 inappropriately connected or foundation drains or  
25 other inflow sources. So that program is roughly the

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1 other half of the Consent Decree. E.P.A doesn't  
2 consider sanitary sewer overflows the same way they  
3 consider combined sewer overflows. Separate sanitary  
4 sewer overflows are illegal, they are prohibited and  
5 they have to be eliminated. So it's a little  
6 different situation between the two. You have an  
7 absolute prohibition on the red dots and abatement on  
8 the green dots. This is our capital program over the  
9 next four years that we're proposing. It has an  
10 average cost of about \$250 million a year. There is a  
11 lot of detail behind these numbers and it has all been  
12 presented to the Rate Commission and it is certainly  
13 all available to the public. These numbers -- behind  
14 these numbers are projects that have been estimated  
15 already and have been scheduled to go over the next

16 four years. There's -- obviously this is \$1 billion,  
17 there is a lot more behind that in a settlement that  
18 involves 4.7 billion over 23 years, so there are a  
19 series of rate cases in the future that will continue  
20 to fund additional improvements to get that settlement  
21 agreement satisfied. Not only do we talk about  
22 capital improvements in our rate case but we also talk  
23 about operating costs and the day-to-day or the annual  
24 cost just to operate the District is shown here on  
25 this slide. Our fiscal 11 has just been finished, so

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18

1 that is an actual number and the other numbers are  
2 projections going forward and you see changes in those  
3 operating costs are a little higher in some years than  
4 in others. There are requirements in the Consent  
5 Decree that will tend to raise some of our operating  
6 costs. There are one time projects that will tend to  
7 increase our operating costs in those years with the  
8 asterisks. But by in large we have fairly stable  
9 operating costs and we have a lot of programs geared  
10 to try and keep our costs low. We operate with a  
11 mind-set that is more like private sector and we  
12 continually try and drive our operating cost down  
13 because dollars saved on the operating side are then  
14 available for capital improvements. This gives you an  
15 idea of sort of the rate history. The blue chart or  
16 the blue bar charts are MSD average single family  
17 rates or bills. And you see they have been rising,  
18 particularly more recently. The red line is the

19 National Association of Clean Water Agency's average  
20 for a survey that was done nationally. So the story  
21 here in St. Louis is a common story throughout the  
22 nation. You see sewer bills rising rapidly because of  
23 a need to reinvest in infrastructure. We are not  
24 alone in having an EPA Consent Decree. There are a  
25 number -- in fact, most large metropolitan areas have

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19

1 gone down that road ahead of us and we are certainly  
2 not alone being in a situation where we have  
3 underinvested in our infrastructure, so this is sort  
4 of the lay of the land nationally.

5 These are the rates that we proposed in our rate  
6 case, again we are starting with a today rate for the  
7 average customer of \$28.37. Everybody -- let me point  
8 out that everybody's bill is different. We bill our  
9 customers based on winter quarter water consumption.  
10 So we get the water data from your water provider,  
11 Missouri American Water, City of St. Louis or Kirkwood  
12 and then we use only the winter quarter data because  
13 we don't want to take in to account irrigations of  
14 lawns or washing your cars, that sort of thing, it's  
15 seasonal. And winter quarter gives us the closest  
16 approximation of what you're actually putting down the  
17 sewer and then that sets your rates for the next 12  
18 month period. The next winter quarter comes along, we  
19 get new data and we reset the rates. So by saving  
20 water in the winter quarter, you can have some impact  
21 on your sewage bill and that escalates as you see

22 here. Three and half to five and half dollars a year  
23 during the rate proposal. This slide is meant to try  
24 and sort of show you two ends of the spectrum. We are  
25 advocating the use of a lot of revenue bond financing

□ 20

1 and that is used to keep the rate increases more  
2 manageable. We know they're steep. They could be a  
3 lot of steeper depending on which path we choose to  
4 finance. On the left you see what a rate proposal is,  
5 a billion dollars of capital improvements, \$945  
6 million of debt financing and you see the bills tick  
7 up as I have shown in the previous slide. The other  
8 side of the chart is what happens if we cash finance  
9 the program. Now there is a whole bunch of land in  
10 between these two. So different amounts of cash,  
11 different amounts of debt, yield different results but  
12 this is sort of the opposite end of the spectrum. If  
13 we cash finance the program, rates need to jump from  
14 28.73 up to a little over \$73.00 a month in the first  
15 year and that generates \$250 million a year of capital  
16 and we would continue to do the program that way. You  
17 see after that big increase that rates are a lot  
18 smaller, basically the rate of inflation. And so, we  
19 didn't advocate this approach because it is really a  
20 steep jump. We didn't know that people could really  
21 tolerate that. But it does illustrate the difference  
22 between using debt and not. If you could afford it,  
23 the right side is cheaper because you don't pay  
24 interest but the converse argument is on the debt

25 financed approach you're paying over time, bonds

□

21

1 typically a 30 year duration and because these assets  
2 are long-lived assets, sewers will last 75 to 100  
3 years, spreading payments over multiple generations is  
4 advocated by some. Just depends on how you view the  
5 two and again, there is a lots of middle ground.

6 So next steps, as I said earlier, the Rate  
7 Commission will be reviewing our rate proposal and  
8 input from the public, as well as intervenors until  
9 the third week in October. Then they will present a  
10 rate report to our board. And our board will review  
11 that rate report in the context of requirements in our  
12 charter. Our board can't do anything with that rate  
13 report for 45 days, it has to be considered during  
14 that time, there is a waiting period. And December is  
15 the first time they can make a decision about how to  
16 move forward. And then assuming that a proposal  
17 similar to ours is what is recommended, with the use  
18 of debt, there has to be a bond election. That  
19 election isn't to prove the rates, that election is to  
20 approve the use of debt. All municipalities in  
21 Missouri have to use voter approval before they can  
22 issue debt. And so, that bond election authorization  
23 measure would be in the spring sometime, winter,  
24 spring. Depending on the outcome of that election,  
25 the board could finalize the rate setting with the

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1 first rate change in theory occurring July 1 of 2012.  
2 It could be a different date depending on what the  
3 rate proposal is but I'm speaking to what our proposal  
4 was in the beginning. I think with that I am done  
5 presenting the rate proposal. I am available to  
6 answer questions, I am going to leave it up to  
7 Mr. Koenen to kind of lead the meeting at this point.

8 MR. KOENEN: As I mentioned before if you  
9 could please fill out a blue card if you would like to  
10 be able to speak today. Everything is being recorded,  
11 so I'm going to ask you when I call your name to stand  
12 up and we will bring a microphone to you and that will  
13 make it easier for everyone to hear and for the court  
14 reporter to take down your comments correctly. Lance  
15 are you going to do the microphone?

16 MR. LECOMB: Yes, if you would like.

17 UNIDENTIFIED SPEAKER: Excuse me, there is a  
18 silver Ford sitting on this side and the lights are  
19 on. When I came in I asked a young lady at the front  
20 desk to --

21 MR. KOENEN: There is a silver Ford leaving  
22 right now. Okay. Our first speaker this morning is  
23 Jim Tornutore.

24 MR. JIM TORNUTORE: Okay. My name is Jim  
25 Tornutore, I am just a resident just like the rest of

□

1 us. The reason I decided to speak is, I know that the

2 rate increase, the proposed rate increase, is a lot.  
3 But where I am coming from is it's going to create  
4 jobs and if we look at the economy as a whole that is  
5 what we need to solve our problems, we need jobs. If  
6 a person has a job, a lot of other things fall right  
7 into place. A person gets a job, they can pay their  
8 bills, it's easier, they can spend money, everything  
9 just kind of falls into place. And the other place I  
10 am coming from is that -- now I have never had a sewer  
11 backup in my basement but I have a couple of friends  
12 that have and it is terrible. Our sewer system has --  
13 man up in front said is really old, it's going to fall  
14 apart, it's falling apart. So what do we do, do we  
15 turn our back on it and just let it happen and let our  
16 kids deal with it, or do we try to do something about  
17 it? I am on social security now, I am 64 and I know  
18 where a lot of people are coming from but the way this  
19 rate increase is set up, with the bond financing, that  
20 is a big difference between \$75 month and \$47 a month,  
21 74, 47, so that is one thing that will help. I don't  
22 want to the stay on this all morning here but I guess  
23 the other point I think I am going to try to make is  
24 that, you know, this is not something that is -- I  
25 believe you said it is not a yes or no thing, we can

□

24

1 find some ground between the two points if it's  
2 necessary. And I think that is probably what is going  
3 to happen is my guess, just as a regular citizen. So,  
4 you know, I think we should try to solve this problem

5 because if we don't it is just going to get worse and  
6 worse and worse and I know it's expensive but I just  
7 think we should try to find some common ground to do  
8 the best job we can. I think that's it.

9 MR. KOENEN: By the way, if I mispronounce  
10 your name, it is not intentional. This next one is  
11 easy, Ms. Ellen Davis.

12 MS. ELLEN DAVIS: I really don't have a  
13 whole lot to say --

14 MR. KOENEN: Use the microphone.

15 MS. ELLEN DAVIS: I'm sorry. I don't really  
16 have a whole lot to say except I do live in the City  
17 of St. Louis. I am between Hampton and Kingshighway,  
18 I pay about \$30 presently for the MSD sewer bill and I  
19 work at a job that I earn about approximately just  
20 over 17,000 a year. It is not a whole lot of money,  
21 everything is going up, food, gas, utilities, blah,  
22 blah, blah. I don't mean to complain, I am sure the  
23 gentlemen has a point back there, we need to deal with  
24 this problem. I just think the burden should be  
25 shared as equally as possible by large companies. Not

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25

1 make the tax payer have to pay for these because you  
2 have these companies come in here and give them tax  
3 breaks and stuff and they don't pay out any revenue  
4 and things we need is revenue. I feel like the burden  
5 is being put more and more and more on our shoulders.  
6 That is the best I can define it. That is about what  
7 I have to say.

8 MR. KOENEN: I might point out the entire  
9 rate proposal does have structured rates for larger  
10 commercial industrial users too. They only publish  
11 the basic one, the residential rate. The proposal  
12 they gave us, does include many more categories.

13 MS. ELLEN DAVIS: Okay.

14 MR. THEERMAN: I will just mention MSD  
15 really on the wastewater side isn't tax supporting, so  
16 there is no tax abatement for any of our customers on  
17 the wastewater side. On the stormwater side there is  
18 no tax abatement but there still remains to be some  
19 stormwater taxes.

20 MR. KOENEN: Our next speaker is Mr. Donald  
21 Freshley.

22 MR. DONALD FRESHLEY: Good morning, thank  
23 you for the opportunity to come. I am sensitive to  
24 what you all are dealing with no doubt, the plan you  
25 are modeling addresses a lot of issues that are built

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1 up over decades, no question about that. I think we  
2 all like clean water, there is no doubt about that.  
3 But I come from a perspective of your average  
4 consumer. A 64 percent rate increase of over four  
5 years is exceptionally large. So I think we need to  
6 find middle ground. I think the speaker before me  
7 brings up a good issue. I know you all made reference  
8 to those commercial rates but where are they, we would  
9 like to see what those average commercial rate  
10 increases are. Are they bearing the same burden that

11 average consumers are? I mean, there are some  
12 industrial and commercial users that put a whole more  
13 in your sewers than your average residential or urban,  
14 suburban home, are they paying their fair share? It's  
15 also a situation, you all are a monopoly. I can't  
16 compete, I can't go out and find somebody else to take  
17 my sewer service away, so I'm locked into your rates.  
18 So you all have to be very sensitive to your cost  
19 structure and I would challenge you to take a very  
20 hard look at your costs, a very hard look at your  
21 wages, both executive and your day-to-day union wages  
22 and benefits. This gets a lot of attention in our  
23 country these days and for a good reason. Those  
24 deserve a hard look at, the consumers deserve that.  
25 So my comment is I think it is an exceptionally high

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1 rate. I am opposed to this kind of increase. I think  
2 it could be abated by lowering your operating costs  
3 and it could also be abated by even a more stronger  
4 use of bonds to spread this out over time. Thank you  
5 for the opportunity to comment.

6 MR. THEERMAN: A couple of things, first of  
7 all, we didn't show commercial and maybe that is a  
8 deficiency in the presentation. The difficulty in  
9 showing commercial is that all commercial is very  
10 different and so -- but what is driving costs is the  
11 same percentage increase that you see on the  
12 residential side is occurring on the commercial side.  
13 Not only that, but commercial industrial customers

14 also in some cases discharge higher strength  
15 wastewater and that has surcharges in our billing  
16 system. So those that are discharging a stronger  
17 wastewater than would be normal from a residential  
18 perspective, and therefore harder to treat, have  
19 additional bills imposed upon them to cover those  
20 costs. There was a question asked that was very  
21 similar to what you mentioned about MSD paying  
22 attention to its own operating costs and watching the  
23 bottom line. And I can go through a whole lot of  
24 things but basically we're very sensitive of that. We  
25 know things like benefits, things like salaries,

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1 things like how we operate day-to-day, we are very  
2 sensitive to the fact we are a monopoly and you don't  
3 have a choice. So just as example, MSD has done  
4 something that most public entities haven't done, we  
5 changed our pension. We have a defined benefit plan  
6 it is now for new employees, a defined contribution  
7 plan. That is an example of what we have been trying  
8 to do. We are a very automated utility. If you go  
9 into our treatment plants you don't see big staff. We  
10 run the largest plants in the Midwest with three or  
11 four people on a shift. So, I am not going be able to  
12 convince you all about our efficiencies today but if  
13 you would like to talk about it afterwards I would be  
14 glad to talk with you.

15 MR. DONALD FRESHLEY: Thank you.

16 MR. KOENEN: Mr. James Murphy.

17 MR. JAMES MURPHY: I am James Murphy. I am  
18 actually here to speak on behalf of Senator Jim  
19 Lembke. I am the Senator's chief of staff, he would  
20 like to be here but he is currently speaking in Kansas  
21 City. So I'm just here to listen to what the public  
22 has to say and I will be around afterwards as well, if  
23 anybody has any additional comments.

24 MR. KOENEN: Thank you. Mr. George  
25 Schillinger.

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1 MR. GEORGE SCHILLINGER: I'm George  
2 Schillinger. I have read the proposal on this for  
3 almost forty years now, all I can say is I have some  
4 knowledge of what it takes to run a sewage plant, a  
5 wastewater system and the requirements for that and I  
6 support what you're doing. I don't see there is any  
7 other choice. My concern is the future rates, if  
8 there is only one billion dollars of improvements  
9 going into this four year plan, what about the other  
10 four million that is being required under Consent  
11 Decree. I guess I know it is stretching it out a long  
12 time and a lot of guesses but certainly it is going to  
13 go over \$100 a month in maybe ten years, eight years,  
14 it's just no way around that for that. And if we are  
15 concerned about our rates for wastewater treatment and  
16 other utilities what really gets down to it's the  
17 regulatory impact that causes this. Certainly I  
18 support separating any kind of sanitary, meaning,  
19 wastewater raw sewage discharges and preventing those

20 and stopping those but when it comes to treating the  
21 stormwater, I mentioned it to others, and this is an  
22 extreme exaggeration but we are almost trying to get  
23 the wrapper off the McDonald's hamburger out of the  
24 River Des Peres channel. And for that we are going to  
25 pay \$4 million. And I don't know what MSD can do

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1 because you're under court order. It's the  
2 interpretation of the Clean Water Act. When the  
3 Congress passed the Clean Water Act the goal was to be  
4 able to swim in those streams and the regulatory  
5 people, the EPAs, are the ones who define what that  
6 is. The idea of having to disinfect on the  
7 Mississippi -- the treatment plants on the Mississippi  
8 River and Missouri River is ludicrous. First of all,  
9 the bacterial count is significantly reduced by going  
10 through secondary treatment, which all these plants  
11 provide. Secondly, the levels in the Mississippi at  
12 that point, I don't know if they have ever shown to be  
13 a problem to anybody who might be getting into contact  
14 with the water. And thirdly, I don't think anybody  
15 really swims in the Mississippi or the Missouri or in  
16 the downstream free flowing section of the river, it  
17 is just downright dangerous. And yet we are going to  
18 spend, I guess I will have to leave it to you, I don't  
19 know what the capital cost is but the operating cost  
20 to disinfect, I am going to guess a half a million a  
21 year but it might be -- I really don't know what it  
22 is. And on top of it, this lawsuit is brought about

23 by a group like Missouri Coalition for the Environment  
24 and the Washington U. Environmental Law Clinic. I  
25 don't know how much you realize but they get a little

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1 bit of the civil penalty that is coming out of this.  
2 I think it will be interesting to see what -- watching  
3 what these big contributors have to say when  
4 ultimately they blame these big corporations and they  
5 are going to have to be facing utility bills,  
6 wastewater bills exceeding a 100,000 a month and maybe  
7 some of them are already doing that. But anyway, I  
8 just want to say we got to do it, if our Congress and  
9 federal government has set this up, I don't know how  
10 it would be changed. I think we should be aware of  
11 it, we ought to, we ought to -- if you want to do  
12 anything you have got to go after the regulatory  
13 problem here and try to have that modified but for the  
14 present situation I wish you well, I hope you go  
15 forward with it.

16 MR. KOENEN: Thank you. Our next speaker,  
17 Maria Seidelmeene. I am sorry for mispronouncing your  
18 name.

19 MS. MARIA SEIDELMEENE: Okay. I guess I am  
20 going to make myself an outhouse. Anyway, I have  
21 property in the city and I really think that you  
22 people need to plan a little better because the alley,  
23 every so many months gets tore up because the pipes  
24 are leaking and it is caving in. Now, if I have a  
25 100-year-old pipe in my house and it leaks in one

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1 spot, I am going to replace the whole pipe. You, on  
2 the other hand, come out every three and four months,  
3 dig a hole, fix it, then another couple months you fix  
4 the other whole, then you fix the next whole. It  
5 seems to me if you bring out your equipment one time,  
6 do the job right from one end to the other, you could  
7 save a lot of money. So my thing is I think I have to  
8 cut back, I have to plan better, I have to live within  
9 my means and I know we need a new thing and I am not  
10 totally against what you are doing but I think better  
11 planning and better managing would go a long, long  
12 way.

13 MR. THEERMAN: Let me just say I don't  
14 disagree at all. One of the worst things in the world  
15 is when you pave a new street then we go back later to  
16 tear it up and repair a pipe.

17 MS. MARIA SEIDELMEENE: Seven times.

18 MR. THEERMAN: And part of that is it's a  
19 coordination of effort between us and municipalities  
20 and other entities. We are trying to get to the place  
21 where -- what you're speaking of. If there is a  
22 localized problem today, we want to fix it because we  
23 want the customers to be able to have sewers systems.  
24 But the longer view is planning ahead and dealing with  
25 these problems before they become sort of the Swiss

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1 cheese problem of holes everywhere. I do think though  
2 that is another example of what we are talking about.  
3 A lot of our system has reached its life and is past  
4 it and needs to be reinvested in. And so what you  
5 also see MSD doing is a lot of projects that are very  
6 proactive, a lot of pipe line, a lot of work that is  
7 trying to get ahead of this problem. The trouble is  
8 it's just a big service area and lots of potential  
9 problems and we are playing catch up.

10 MS. MARIA SEIDELMEENE: I saw from an  
11 out-of-town company where they put something in the  
12 pipes, I see it (inaudible, she has no mic) right now.  
13 What is that, it's a truck and it's an out-of-town  
14 company that fits in sewer pipes, has been putting a  
15 lining in it.

16 MR. THEERMAN: We are doing a lot of pipe  
17 lining, about \$10 to \$15 million of piping lining a  
18 year. That is a process where we force a liner into  
19 the pipe and it cures in place and instead of having  
20 to dig up everything to put a new pipe in the ground,  
21 we are actually forming a new pipe within the old  
22 pipe. That is called cured in place pipe. And MSD  
23 does a lot of it. We do it both with companies that  
24 are local to St. Louis and with companies that are the  
25 successful bidder from places like Wisconsin. There

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1 are a number in the Midwest but that is a better -- if  
2 you don't need to make a piper bigger that is the  
3 better approach because you don't have all the

4 disruption and all the restoration requirements.

5 MR. KOENEN: Cathey Allen.

6 MS. CATHEY ALLEN: Hi, my name is Cathey  
7 Allen. I own a property here off of Reavis Barracks.  
8 Mine is more of a personal note. I have no sewer  
9 drainage systems on our street. So the water runs off  
10 the street onto my property and to three inches of  
11 water in my garage, water in my basement. I have  
12 called MSD, there's nothing we can do for you because  
13 you don't have storm sewers in your area. Now, if I  
14 want to -- if I have to participate in this rate hike,  
15 what does it do for me and my property? Thank you.

16 MR. THEERMAN: Again, it was pointed out  
17 early in the presentation, that there are really two  
18 utilities here. There is a stormwater and a  
19 wastewater utility and I think you're speaking about  
20 stormwater.

21 MS. CATHEY ALLEN: Correct.

22 MR. THEERMAN: The proposal we have before  
23 us is a wastewater proposal to deal with wastewater  
24 issues, primarily regulatory issues. We imposed a  
25 stormwater charge about three years ago and that was

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1 struck down by the courts, so we had to -- we withdrew  
2 it and have fallen back to a series of taxes that are  
3 really inadequate and they are not consistent and  
4 they are really not equitable. They're different  
5 amounts in different places and we have had to tailor  
6 are stormwater services to where the revenue is. So

7 down here in this area, west county, very far north  
8 county, are contributing very little money. If you  
9 look at your bill, you're paying 24 cents a month for  
10 stormwater service and you have a 2 cent per \$100  
11 assess valuation tax that goes toward stormwater.  
12 That pays for very little service in these areas. And  
13 so right now the District is going through the process  
14 of trying to appeal the decision that was made. We  
15 believe we had a good rate. It was a valid rate and  
16 it was equitable. And while this process goes through  
17 the courts, we have fallen back on, admittedly, an  
18 inequitable system and that leads us to say to  
19 customers like you, we can't do anything. The rate we  
20 tried to implement did have money in it for putting in  
21 storm sewer systems and repairing storm sewer systems  
22 and drainage problems.

23 MS. CATHEY ALLEN: Then why am I paying  
24 anything at all if I get no service?

25 MR. THEERMAN: If you're a wastewater

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1 customer it's reflected in your wastewater bill, if  
2 you're not a wastewater customer than these rates  
3 changes on the wastewater side won't affect you.

4 MS. CATHEY ALLEN: You just said I pay 24  
5 cents on --

6 MR. THEERMAN: You need to think about two  
7 different things. If you get an MSD bill that is for  
8 wastewater service, if you're connected to our  
9 wastewater system, your toilet, your sink, your

10 shower, that part of our service is what this proposal  
11 is about. The stormwater side is a separate issue  
12 that is being resolved in the courts.

13 MS. CATHEY ALLEN: Okay.

14 MR. KOENEN: Mr. Richard Roseland.

15 MR. RICHARD ROSELAND: Good morning. I just  
16 wanted to ask a couple of questions about  
17 infrastructure. It appears to me that people who have  
18 built a home in the last 20 or 30 years have paid for  
19 the new infrastructure when they built that home, in  
20 the ways of new storm sewers, new sanitary mains and  
21 retention ponds and things like that. In the issue of  
22 fairness, how do you propose to put a rate hike across  
23 the board to all of these rate payers when some rate  
24 payers have obviously paid for that new infrastructure  
25 when it was deeded over to MSD. These things were

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1 built using the engineered planes, MSD didn't have to  
2 engineer it, they didn't build it and it was deeded  
3 over. Now, it seems to me that newer homeowners have  
4 paid for upgraded infrastructure already. And then I  
5 guess the second thing about the wastewater, is this a  
6 means since you are in litigation about the wastewater  
7 -- I am sorry the stormwater, is all of the rate hikes  
8 that are going to be implemented going to be dealing  
9 strictly with sanitary?

10 MR. THEERMAN: Let me answer your first  
11 question first, second -- something like that. The  
12 rate hike is only about wastewater and the revenue

13 from this rate hike would be for wastewater  
14 improvements. Now, at the beginning of my  
15 presentation one of the things I mentioned is it is  
16 hard to differentiate where wastewater stops and  
17 stormwater starts. And in the combined system, once  
18 that sewage and stormwater is mixed together we treat  
19 it as wastewater.

20 MR. RICHARD ROSELAND: I understand.

21 MR. THEERMAN: So a lot of what is going on  
22 in that part of the system is a wastewater funded  
23 program. But when you come out here, two systems and  
24 a pretty strong dividing line between what goes where.  
25 Now, your original point is a good one. When you buy

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1 into a new subdivision as you pointed out, the  
2 developer builds the homes, builds the infrastructure  
3 there in the subdivision and it gets deeded to MSD but  
4 most of those red dots I showed you, they are not  
5 local neighborhood subdivision systems. They are in  
6 the trunks that take flow from the whole region and  
7 try and get it to treatment plants. And you didn't  
8 pay for the upgrade of the system that made it  
9 possible to serve where your home is built. That  
10 system has existed a long time and we have to make  
11 that work right and reinvest in that. So, to some  
12 extent you're a new area, you have a new system and  
13 there may be less problems but I will say the whole  
14 region has paid for the treatment plant expansions  
15 that make it possible for your area to develop. We

16 built a brand new treatment plant down here on Fine  
17 Road to serve the South County area and it was funded  
18 by the entire district. We are building a \$100  
19 million treatment plant expansion in Earth City area  
20 that handles West County, being paid for by the whole  
21 district. So, it's -- you kind of have to get below  
22 the initial conversation and get in these details.

23 MR. RICHARD ROSELAND: But doesn't a  
24 homeowner that has got a 100-year-old home have less  
25 cost initially in their system and wouldn't there be

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1 an expectation of more costs to keep it up and running  
2 then someone who has a 10-year-old home. I mean,  
3 utility costs change with the age of the home and I  
4 know that MSD is not officially a utility but --

5 MR. THEERMAN: We believe we are, we are a  
6 utility.

7 MR. RICHARD ROSELAND: Well, utility by  
8 definition is something that brings something to the  
9 house, so.

10 MR. THEERMAN: Well, we are taking something  
11 away from the homes that you don't want. I am quite  
12 confident of that.

13 MR. RICHARD ROSELAND: I agree.

14 MR. THEERMAN: Yeah, I think in a  
15 home-by-home basis you're right, older homes are more  
16 maintenance than newer homes. Again, we are talking  
17 about the infrastructure that serves those homes, be  
18 it roads, be it electric power distribution systems or

19 sewers and I think they're all very similar. So, you  
20 can have a brand new home in the city or in the near  
21 county or out here in South County.

22 MR. KOENEN: Sharon Bertram.

23 MS. SHARON BERTRAM: Okay. I have several  
24 parts to my statement, I would appreciate if you could  
25 answer them as we go along. Number one, I support

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1 clean water and the EPA and regulations and that but  
2 it seems like when Ameren UE wants to increase the  
3 rates they ask for an extraordinary amount, which, of  
4 course, will be rejected when they really want half of  
5 that and they don't say that in the beginning. Is  
6 your rate increase like that, where you're projecting  
7 something but you really want half of it?

8 MR. THEERMAN: We are, you know, perhaps we  
9 are not playing the game right. We didn't structure  
10 our rate case that way. These are real estimates  
11 based on the settlement agreement, the projects it  
12 takes to build and our operating cost.

13 MS. SHARON BERTRAM: Just judging from what  
14 Ameren has done, that is where my question came from.

15 MR. KOENEN: I might point out two quick  
16 things. One, the Rate Commission doesn't have quite  
17 as many powers as the Public Service Commission in  
18 Jefferson City. The other thing, Ameren and Laclede  
19 Gas, are guaranteed a set rate of return by law on  
20 their investment. MSD is chartered to just break even  
21 on a good year or maybe have a small reserve. They

22 are not trying to make money, they are just trying to  
23 cover their costs.

24 MS. SHARON BERTRAM: It's all stuff we need  
25 to know as users of the system. Now, I remember maybe

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1 two, three, four years ago my bill went up from let's  
2 say, \$17 to over \$50 and then a few maybe a year or so  
3 it went down again. And to me, that charge was  
4 reevaluated or something. To me, it just seems like  
5 your credibility wasn't too good at that point you  
6 were charging us for something that really wasn't like  
7 a legal charge.

8 MR. THEERMAN: We -- you're talking about  
9 stormwater now. Stormwater rate that we imposed in  
10 2008?

11 MS. SHARON BERTRAM: Yeah.

12 MR. THEERMAN: We went through this Rate  
13 Commission process in 2008. We believed we had a  
14 valid rate for stormwater, we believed it was more  
15 equitable than the tax structure that had existed  
16 before and exists today. We were sued, went through  
17 the courts and we were proven, at least ruled by the  
18 courts that it was not a valid charge. The only thing  
19 MSD felt it could do at that point was roll it back.  
20 We didn't feel like we could continue to charge the  
21 impervious rate that had been determined by the court  
22 to be invalid while we went through appeal. So, yes,  
23 the rates went back down because we turned them off  
24 and we felt that was the right thing to do. That

25 doesn't mean we agree with the court, we think an

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1 impervious is a far more equitable and better way to  
2 charge for stormwater than the tax structure and  
3 that's why we are appealing. So to the extent that  
4 hurt our credibility, I don't know what else to say.  
5 We felt we were doing the right thing and we were  
6 trying be reasonable with the customers when we have  
7 that court decision.

8 MR. LIYEOS: Before we move onto the next  
9 question, could you define what the impervious rate  
10 is?

11 MR. THEERMAN: For stormwater nationwide  
12 impervious charges are used instead of other forms of  
13 users fees. And the idea is you map the amount of  
14 home or pavement on a parcel and the rate is  
15 proportional to the amount of impervious area or  
16 pavement, anything that doesn't allow water to sink in  
17 the ground. And that is more equitable than the taxed  
18 approach that is based upon the value of the property.  
19 And the example I could give you is, you could have a  
20 very high-valued building that is a 20 story high-rise  
21 and doesn't have a very big footprint and compare  
22 that, that's a very high value, they pay a lot in  
23 taxes and compare that to a big box building that has  
24 got a lot of area, not as much value, a lot of parking  
25 and they would pay less. The impervious charge was

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1 made not only on those of us that pay bills but also  
2 the tax exempts, in an effort to have everyone pay  
3 their fair share. Is that --

4 MR. LIYEOS: Yes.

5 MS. SHARON BERTRAM: And I'm not good at  
6 mathematics, I just need to know where it says here if  
7 my monthly bill is, let's say \$28, then it is going to  
8 increase let's say by \$4, make it a nice round number,  
9 every month, is it going to increase \$4 a year, it is  
10 going to increase \$4 a month?

11 MR. THEERMAN: That is increase in the  
12 monthly bill for the average customer.

13 MS. SHARON BERTRAM: Right, okay that is  
14 what I wanted to know. And the last part of my  
15 question, are there stockholders and people involved  
16 in MSD?

17 MR. THEERMAN: MSD is a special district  
18 chartered under the Missouri constitution. We're a  
19 government, we don't have shareholders other than you,  
20 we don't have a profit motive, we have to operate  
21 under a balanced budget. For the most part our  
22 revenue is from user fees. There is a little tax  
23 still we are trying to eliminate from the stormwater  
24 side but we have to -- and we have to operate within  
25 our means.

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1 MS. SHARON BERTRAM: Just wanted the

2 stockholders to take a hit if we have to increase our  
3 bill.

4 MR. KOENEN: And by the way the Rate  
5 Commissioners pay sewer bills too. There is no  
6 stockholders, there is nobody getting a free ride.

7 MR. THEERMAN: Ms. Bertram, you also had a  
8 question on here about why the neglect in the past --

9 MS. SHARON BERTRAM: Yeah, I think so.

10 MR. THEERMAN: I think nationally, the story  
11 is the same as it is here in St. Louis, there was  
12 historically a reluctance to raise rates. There's a  
13 reluctance to pay higher charges, so through the 70s  
14 and early 80s MSD didn't raise rates. In the 80s  
15 there was a Hancock Amendment and that amendment made  
16 it necessary to get voter approval of rate increases  
17 and ultimately that was somewhat changed by a court  
18 decision that said user fees didn't require votes but  
19 taxes did. MSD litigated its rates for about 15 years  
20 and then ultimately in late 90s got through the  
21 Supreme Court and decisions were made about how rates  
22 could be raised in St. Louis. Since that time, MSD  
23 has gone back to the voters and gotten charter  
24 revisions that allow for district wide revenue bonds,  
25 created a Rate Commission to review rate cases, give

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1 the public a voice in how rates rise. And we have  
2 been steadily raising rates. Certain -- absolute, you  
3 know, almost every year since 2000 you have seen rate  
4 changes and that is an effort to play catch up. We

5 have done a billion dollars of improvements to our  
6 system in the last ten years without EPA lawsuit. So  
7 we are not sitting on our hands, we are not waiting  
8 until the ax falls. And we have been trying to get  
9 back on track but there was history of perhaps 30  
10 years where rates were largely stagnant. When I  
11 started MSD, which is a lot longer than I care to  
12 admit, in the middle 80s, rates were less than \$5 a  
13 month for the average customer and now unfortunately  
14 it is time to pay the piper.

15 MR. KOENEN: Our next speaker, Virginia  
16 Antonalli.

17 MS. VIRGINIA ANTONALLI: I am Virginia  
18 Antonalli. I am an Oakville resident and I have in  
19 the past supported any tax increases for the community  
20 for MSD or any of the other public entities like the  
21 rate increases for electricity or what have you but  
22 recently we were victimized by the storms on July 7th  
23 and our sewers overcharged and overland flooding  
24 flooded my house. It also flooded other houses in our  
25 subdivision, it also totaled a couple of the teenagers

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1 cars that floated down the street. When you have 5  
2 feet of water that is up to mailboxes, it's a problem.  
3 Of course, none of this was covered by MSD, none of  
4 this was covered by the insurance company. Basically  
5 if I had the best flood insurance they said, it  
6 wouldn't be covered. So, basically, I don't know that  
7 I should support tax increases like I said at the MSD

8 meeting in July because after all, nobody seems to  
9 want to cover anything, except for, of course, the tax  
10 payer myself. So personally until the storm systems  
11 are better, until the problems are fixed, I don't know  
12 that I should be paying any more than I already am to  
13 somebody that may not be accountable to me, the  
14 consumer. So myself, I don't know see why I should be  
15 paying more if they're not going to be accountable to  
16 me and this could happen again to my house. The  
17 engineer said, well, you need to change your  
18 landscaping, if your house was built today they would  
19 have set it up differently but your house was built 28  
20 years ago, it doesn't have that and we can't do that,  
21 we can't fix it. So you can't fix it, so am I going  
22 to be spending \$20,000 every couple of years to fix my  
23 house, no, I'm sorry but I can't do that. I really  
24 shouldn't, none of you should do that. The storm  
25 sewers, all of that should be fixed. I am sorry but

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1 that, of course, takes money. So I am kind of at a  
2 crossroads, do I pay more in taxes to have it  
3 corrected or are they really going to correct the  
4 problem or not? You know, if I pay more for the  
5 wastewater will it help my problem, I don't know. And  
6 I wasn't the only one in South County that was  
7 affected by this, there were people all over South  
8 County that were affected by this. Even the church,  
9 the United church that is right across the street from  
10 Schnucks, they're up a hill and guess what, their

11 basement was flooded. Will their insurance cover it,  
12 probably not. But, you know, there were other things,  
13 Frankie G's, their parking lot was also flooded.  
14 There were cars that got flooded on that lot but when  
15 you have car insurance, guess what, it's covered but  
16 your house, it is not covered. So my thing is we need  
17 to figure out A, if we do get the stormwater coverage  
18 with this debate that is going on, will it cover  
19 fixing those problems, will the wastewater, will it  
20 help these problems that we're having. I have always  
21 supported it but I can't support something that is not  
22 going to support the consumer. Thank you.

23 MR. THEERMAN: The wastewater proposal that  
24 we have made would not cover improvements for that  
25 kind of an issue but the rain events that occurred

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1 this summer, we had three different events within a  
2 two week period, that statistically shouldn't happen  
3 more than about every 50 years. So it was -- there's  
4 a new normal unfortunately, and you get the really  
5 intense rainfalls that appear to be happening. On the  
6 stormwater side, we talked a little bit about the rate  
7 case being in litigation and I am not going to say  
8 that if we had that rate in place we would be able to  
9 protect everybody for 50 or 100 year rain events, I  
10 don't know that I think that is in the cards. But  
11 there's lots of people in the MSD area that have  
12 stormwater problems that need them to be addressed and  
13 that is not part of the proposal, unfortunately we are

14 still trying to work that through the courts. Not a  
15 really good answer for the speaker, I can tell you  
16 that we build storm sewer systems today differently  
17 than we did in the past. They are designed for 15 to  
18 20 year rain events. It is always possible to have a  
19 bigger rain event but you wouldn't want to pay what it  
20 takes to build all the stormwater systems for a 100  
21 year rain event or for a 500 year rain event. So it's  
22 a difficult situation. We are trying to do what we  
23 can to get stormwater rates in place, so we can start  
24 trying to make improvements.

25 MR. KOENEN: Those are all the blue cards I

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1 have. Is there anyone else that would like to make a  
2 comment at this time? Anybody else like to make a  
3 comment, seeing none, District Commissioners any  
4 comments?

5 MR. STEIN: Yes. Mr. Theerman, since we're  
6 in the neighborhood, I believe the City of Arnold is a  
7 contract customer of MSD, what will happen to their  
8 rates under this proposal?

9 MR. THEERMAN: They're a whole sale  
10 customer. We don't have any sewer responsibilities in  
11 Arnold. We treat their sewage on a contract basis.  
12 Our cost to treat the flow that comes to us from them  
13 plus 10 percent, so the rate payers of St. Louis  
14 benefit with that 10 percent additional fee and it is  
15 essentially a management fee. But we have no sewer  
16 responsibilities in Arnold, we don't do anything with

17 their sewer system. The regulatory issues we are  
18 confronting are really sewer related. If we have cost  
19 increases, treatment requirement increases at the  
20 plant that serves Arnold, we pass those costs along to  
21 them, we split the cost of treatment plant expansions.  
22 They are paying their share of the capacity at that  
23 treatment plant, so it's a contractual arrangement  
24 that benefits the customers in that we get 10 percent  
25 overall costs.

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1 MR. KOENEN: Yes, ma'am?

2 UNIDENTIFIED SPEAKER: I live in Crestwood

3 --

4 MR. KOENEN: Wait for a microphone.

5 UNIDENTIFIED SPEAKER: I live in Crestwood  
6 and I have had sewage backup in my basement a few  
7 times and I came in a little late, so you might have  
8 covered it, I'm not sure. What's the plan on having  
9 that not happen again, how soon can I expect a safe  
10 basement?

11 MR. THEERMAN: Good question, I touched on  
12 it but I would be glad to elaborate. The settlement  
13 agreement with the EPA covers overflows but also  
14 basement backups. And basement backups occur for very  
15 similar reasons to the overflows, you have a capacity  
16 problem in the sewer, it rains hard and you have a  
17 sewer backup. Depending on the cause, our program  
18 will help with basement backups. And we should talk  
19 afterwards because there is a program we are

20 implementing that helps short term to keep backups  
21 from occurring for people that have had sort of a  
22 chronicle problem. If you have had more than one we  
23 would like to talk with you. And it's a program of  
24 installing a preventative to keep the sewer from  
25 surcharging into the basement. So our program is

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1 going to help basement backups that are created by our  
2 system. About 70 percent of basement backups that do  
3 occur, are related to the homes' private plumbing  
4 system. If the lateral is in bad condition, it's the  
5 homeowners, could be the downspouts or the foundations  
6 drains are connected inappropriately. But to the  
7 extent that it is our system we will take  
8 responsibility that it is ours, we try and cover those  
9 surcharges and events with some insurance and we can  
10 talk about that.

11 MR. KOENEN: Yes, sir. If you could wait  
12 for the microphone.

13 MR. JIM RHODES: My name is Jim Rhodes and I  
14 live in Glendale. I just have a few comments and  
15 questions. This is the first shoe that is dropping  
16 from the government, the second one is going to be  
17 nutrients that are in treatment plants and I am just  
18 wondering what is going to be the cost of that, this  
19 hasn't happened yet but it is coming because of the  
20 problems in the Gulf of Mexico and hypoxia and MSD is  
21 going to be required at some point most likely to  
22 upgrade its treatment plants to remove nitrogen and or

23 phosphorus. Second thing is I am just wondering this  
24 \$4.7 billion, what is going to be the economic impact  
25 on the region, has anyone looked at that in terms of

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1 -- I mean, St. Louis is really kind of struggling with  
2 a lot of needs and, you know, I think the water  
3 quality improvements are going to be great, I am just  
4 wondering how this is going to compete with other  
5 needs?

6 MR. THEERMAN: The associated general  
7 contractors have estimated that every billion dollars  
8 of infrastructure investment yields about 28,000 jobs.  
9 So that's a benchmark, we haven't tried to evaluate  
10 that. Certainly as you do investment it creates jobs  
11 and there is a recycling of dollars through the  
12 economy and different multipliers that get applied to  
13 that. I can tell you this program will largely be  
14 built, largely be designed by local consultants and  
15 largely be built by local contractors with very few  
16 exceptions. The capacity to build this program exists  
17 in St. Louis today and it is our focus to try and keep  
18 it a locally constructed program. There are some  
19 projects that we are going to want to have competition  
20 and maybe one contractor can do certain work in St.  
21 Louis, we are going to want to go outside just to make  
22 sure we have strong bids. Increased standards are  
23 always a problem, there hasn't been a year go by since  
24 the creation of the Clean Water Act, there hasn't been  
25 additional requirements created and nutrient removal

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1 is certainly going to be one that comes along.  
2 Nutrient removal is becoming important because of the  
3 dead zone in the Gulf of Mexico, Gulf Coast, hypoxia.  
4 I can tell you the urban areas contribute to nutrient  
5 problems but they contribute about and 10 percent in  
6 the Midwest and about 80 percent is from agricultural  
7 runoff. And right now there is a disconnect between  
8 trying to get at all the sources and solve the  
9 problem. There was a comment earlier about, you know,  
10 what is going on with regulations and disinfection on  
11 the big rivers and swimming. MSD has been trying to  
12 work with regulators to get the rules right and we do  
13 a lot of it. And swimming in the Mississippi River  
14 has been one we have been arguing or conversing about  
15 for about six years. Nutrients will be another one.  
16 There is work in Washington by us and other utilities  
17 that are trying to bring some rational to what  
18 priorities we should have because not everything can  
19 be a priority. When you set everything as priority  
20 one, you quickly find out you don't have enough money  
21 to do it. So it is not that we are asleep at the  
22 switch, it is not that we are trying not to advocate  
23 and have better rules and have more common sense rules  
24 but at the same time when you get sued by the federal  
25 government, I can tell you that we negotiated for four

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1 years to get an agreement we could live with, not one  
2 we loved but one we could live with. And with it  
3 comes a price. But to continue to litigate, I don't  
4 know if there is any lawyers in the audience but you  
5 litigate with the federal government, the only people  
6 that win are the lawyers.

7 MR. KOENEN: I might point out the economic  
8 impact in St. Louis will be a major consideration for  
9 the Rate Commission. Are there any other questions or  
10 comments?

11 UNIDENTIFIED SPEAKER: Yeah, one more. It  
12 appears that we have a shrinking customer base in the  
13 St. Louis market, is that a concern because obviously  
14 like Arnold, the cost of treating their sewage is not  
15 really felt that tremendously on that new plant down  
16 there but if we continue to lose 30,000 residents  
17 every ten years or so, I mean, those are people that  
18 were paying bills to MSD, how is that going to impact  
19 the system, which is obviously set in its size, it is  
20 already as big as it is?

21 MR. THEERMAN: I don't think it is a huge  
22 concern. Right now we are projecting 1 percent,  
23 perhaps a little bit more decline over the four year  
24 period, so I think it is certainly a lot bigger issue  
25 than MSD, trying to keep the vitality of the region.

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1 You know, part of our plan if you go on our website  
2 and look at our long-term control plan, part of our  
3 plan is trying to deal with what is going to happen in

4 the City of St. Louis as it redevelops and deal with  
5 some of these combined sewer issues with green  
6 infrastructure approaches that are potentially a lot  
7 less costly than some of these big construction  
8 approaches, so this is holding water back from the  
9 combined system and reducing overflows. It's more  
10 green space, it's porous pavements that don't allow  
11 runoff to occur, this is all really new thinking for  
12 utilities. So, you know, if you look at our plans you  
13 can see an attempt that as the region redevelops and  
14 changes and hopefully grows instead of declines in  
15 population, we think these things are going to get  
16 fixed along the way.

17 MR. KOENEN: I would like to thank everybody  
18 for coming out today. If you would like to attend  
19 another session we will be meeting on Monday evening,  
20 at 6:00 p.m., August, 22nd at the Florissant Valley  
21 Branch Library and then on Wednesday after the  
22 ballgame at the Herbert Hoover Boys Club on North  
23 Grand in St. Louis City. And then again, on September  
24 26th, 2011, at the MSD offices starting at 9:00 a.m.  
25 Thank you all for coming we ask you to please be

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1 courteous to the library patrons as you leave. If you  
2 would like to talk to any of the MSD people or the  
3 Commissioners we will be around for a couple of  
4 minutes. Thank you very much.

5 (Hearing concluded at 10:18)

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1 CERTIFICATE OF REPORTER  
2 I, Suzanne M. Zes, Certified Court Reporter,  
3 Notary Public within and for the State of Missouri, do  
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