

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

**SEPTEMBER 22, 2011 RESPONSIVE TESTIMONY
OF THE METROPOLITAN ST. LOUIS SEWER DISTRICT
REGARDING SUPPLEMENTAL TESTIMONY**

ISSUE: WASTEWATER RATE CHANGE PROPOSAL

WITNESS: KEITH D. BARBER, MSCE, P.E.

SPONSORING PARTY: METROPOLITAN ST. LOUIS SEWER DISTRICT

DATE PREPARED: SEPTEMBER 22, 2011

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

1 **Q1. Please state your name and your relationship with the Metropolitan St.**
2 **Louis Sewer District.**

3 **A.** My name is Keith D. Barber and I serve as the District's current rate consultant.

4 **Q2. Mr. Barber are you familiar with the Black and Veatch electronic model**
5 **used for the Rate Proposal submitted by the Metropolitan St. Louis Sewer**
6 **District on May 10, 2011?**

7 **A.** Yes.

8 **Q3. How are you familiar with this model?**

9 **A.** I am the author of the model, including all calculations, content and VBA coding.

10 **Q4. Have you reviewed the supplemental testimony and schedules submitted**
11 **by Mr. Thomas A. Beckley on behalf of the MSD Rate Commission, marked as**
12 **Exhibit L&B 87?**

13 **A.** Yes.

14 **Q5. Are there any assertions in this testimony which purports to invalidate the**
15 **electronic rate model?**

16 **A.** No. Mr. Beckley states in his testimony that he did not find any outright errors in the
17 model and that he believed it to be consistent with industry standard methodologies.

18 **Q6. Have you reviewed the supplemental testimony and schedules submitted**
19 **by Ms. Billie S. LaConte on behalf of Barnes-Jewish Hospital ("BJH"), marked**
20 **as Exhibit BJH 88?**

21 **A.** Yes.

22 **Q7. Are there any assertions in this testimony which purports to invalidate the**
23 **electronic rate model?**

1 A. No, Ms. LaConte does not attempt to address the validity of the model at all in her
2 supplemental testimony. It appears that BJH used this supplemental testimony as
3 an opportunity to restate their position regarding assumptions made in the District's
4 rate recommendation.

5 **Q8. Do you wish to address Ms. LaConte's restatement of BJH's position as to**
6 **the revisions she made to the rate model?**

7 A. No. As this testimony is not related to the validity of the rate model I will not address
8 it. The District has on multiple occasions provided information as to the
9 appropriateness of the assumptions made in the rate proposal. I also believe that
10 the appropriateness of the District's assumptions will be addressed in the District's
11 pre-Hearing Conference Report which will be submitted in this rate proceeding.

12 **Q9. Have you reviewed the supplemental testimony and schedules submitted**
13 **by Mr. Michael P. Gorman on behalf of the Missouri Industrial Energy**
14 **Consumers, marked as Exhibit MIEC 89?**

15 A. Yes.

16 **Q10. Are there any assertions in this testimony which purports to invalidate the**
17 **electronic rate model?**

18 A. No. None of the testimony provided by Mr. Gorman affects the validity of the rate
19 model. Mr. Gorman does identify what he calls "one area of concern" in his
20 testimony related to the District's projection for bad debt expense. His area of
21 concern is apparently due to his lack of understanding of the detailed calculations
22 used in the electronic rate model.

23 **Q11. Do you wish to address Mr. Gorman's area of concern?**

1 A. Yes. Mr. Gorman asserts that the text in paragraph 2.2 of the Rate Proposal is in
2 conflict with the rate model. Paragraph 2.2 is a summary of the bad debt provision.
3 The full explanation of the bad debt provision is found in section 3.4.1 (page 3-10) of
4 the Rate Proposal stating:

5 "The provision for bad debt is projected to be temporarily offset in
6 2012 and 2013 due to the expected recovery of prior years' bad
7 debt expense by greater use of contracted collection agencies, law
8 firms and computer automated payment reminders. However, after
9 these enhanced collection efforts of prior year's bad debt, the
10 annual allowance for bad debt expense is projected to increase
11 from normal levels in proportion to the proposed revenue
12 increases."

13 This explanation aligns with the bad debt expenses of Table 3-6 on page 3-10 of the
14 Rate Proposal as generated by the model

15 The District can correct MIEC's misinterpretation by restating the information
16 provided in paragraph 2.2, as follows: the provision for bad debt has historically
17 increased but is expected to temporarily decline a total \$6.5 million in the next two years
18 comprised of \$4 million in 2012 and \$2.5 million in 2013, due to more comprehensive
19 use of collection agencies and law firms to collect prior years' past due amounts.

20 **Q12. Mr. Barber, does this testimony by Mr. Gorman appear to be an area of**
21 **concern in your opinion?**

22 A. No, the explanation given above should eliminate any misunderstanding MIEC had
23 regarding the projected bad debt expense made by the District for this Rate
24 Proposal.

25 **Q13. Do you wish to address any other portion of Mr. Gorman's Supplemental**
26 **Testimony?**

1 **A.** No. I believe the District will address the misunderstanding that Mr. Gorman has
2 related to the CIRP in the supplemental testimony of Brian Hoelscher.

3 **Q14. Does this complete your testimony on this matter at this time?**

4 **A.** Yes