

**Wastewater Rate Change Proceeding - 2019**

**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 )

**SECOND DISCOVERY REQUEST OF THE  
MISSOURI INDUSTRIAL ENERGY CONSUMERS  
TO THE METROPOLITAN ST. LOUIS SEWER DISTRICT**

Pursuant to §§ 7.280 and 7.290 of the Charter Plan of the Metropolitan St. Louis Sewer District (the “Charter Plan”), Operational Rule 3(5) and Procedural Schedule §§ 1, 17 and 18 of the Rate Commission of the Metropolitan St. Louis Sewer District (“Rate Commission”), Intervenor Missouri Industrial Energy Consumers (“MIEC”) requests additional information and answers from the Metropolitan St. Louis Sewer District (“MSD” or “District”) regarding the Rate Change Proposal dated March 4, 2019 (the “Rate Change Proposal”).

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

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

**REQUEST NO. 8:** Regarding the Direct Testimony of Bethany Pugh, please provide the Moody’s Water and Sewer Utilities 2019 Outlook Report referenced on page 7.

**RESPONSE NO. 8:**

**REQUEST NO. 9:** Bethany Pugh states on page 5 of her Direct Testimony that, “Projected minimum coverage targets of 2.50X (senior lien bonds) and 1.80X (inclusive of subordinate obligations) have been identified as the optimal coverage levels needed to maintain AA level bond ratings, thereby ensuring cost effective market access for the District’s large capital program.” Please explain why MSD only targeted a 1.8x Debt Coverage Ratio in FY2024, as shown on Table ES-1 – Wastewater Financial Plan.

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### **RESPONSE NO. 9:**

**REQUEST NO. 10:** Marion Gee states on page 4 of his Direct Testimony, “The Rate Proposal attempts to balance the use of debt financing and current wastewater user charge revenue to simultaneously fund a wastewater improvement and replacement program needed to meet anticipated regulatory requirements and minimize the impact on customer monthly bills to the extent possible.” Is it MSD’s position that this is accomplished by targeting a Debt Coverage ratio of 1.8x? Please explain.

### **RESPONSE NO. 10:**

**REQUEST NO. 11:** Please explain the source of MSD’s budgeted FY2019 operating expenses. Operating expenses after FY2019 are calculated in the rate model primarily using escalators from the Inputs tab. For example, in FY2020 Personal Services are escalated at 2.9% over the FY2019 level. Operating expenses before FY2019 are reported as actuals. Alternatively, please explain why the forecasted FY2019 budget is not calculated within the Rate Model.

### **RESPONSE NO. 11:**

**REQUEST NO. 12:** Will the FY2020 Budget that is presented to the MSD Board for approval in June 2019 match the FY2020 amounts in the Rate Model?

### **RESPONSE NO. 12:**

**REQUEST NO. 13:** Please explain the large increase in General Fund Operating Expenses from FY2018 to FY2019. Referring to Line 17 of Table 4-6 - Historical and Projected Operating Expenses in Exhibit MSD-1, MSD forecasts a cost increase of 12.4%, or \$18.4

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million. MSD is only forecasting a cost increase on that same line of 8.8% between FY2021 and FY2024, or \$15.2 million.

### **RESPONSE NO. 13:**

**REQUEST NO. 14:** Referring to the same Table and Line as above, please explain the decrease in General Fund Operating Expenses between FY2017 and FY2018.

### **RESPONSE NO. 14:**

**REQUEST NO. 15:** Does the Rate Commission have the authority in this case to recommend changes to the FY2019 budget?

### **RESPONSE NO. 15:**

**REQUEST NO. 16:** Please describe the \$3.5 million of one-time office system services expenses in FY2021 (Line 2535 of the O&M Summary Tab of the Rate Model). Please describe how MSD proposes to pay for this and other one-time expenses.

### **RESPONSE NO. 16:**

**REQUEST NO. 17:** MSD proposes to escalate Personal Services at 3.3% after FY2021. Please answer the following:

- a. Does this escalator take into account a changing employee mix at MSD? For example, older employees retiring and being replaced by younger, lower salaried, employees.
- b. Does MSD believe escalating Personal Service costs at the rate of inflation, as MSD did for most other escalators, is reasonable?
- c. Please provide the 'Employment Cost Index FY21-FY24.xlsx' file referenced in the Rate Model.

### **RESPONSE NO. 17:**

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Respectfully submitted,

BRYAN CAVE LLP

By         /s/ Brandon W. Neuschafer          
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ATTORNEY FOR THE MIEC

Dated: April 11, 2019

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**CERTIFICATE OF SERVICE**

The undersigned certifies that a copy of the foregoing was sent by electronic transmission to the following on this 11th day of April, 2019.

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