

# Exhibit MSD 65A

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

### MSD'S RESPONSE TO THE FIRST DISCOVERY REQUEST OF INTERVENERS MISSOURI INDUSTRIAL ENERGY CONSUMERS

#### Metropolitan St. Louis Sewer District Response

**ISSUE:** WASTEWATER RATE CHANGE PROCEEDING

**WITNESS:** THE METROPOLITAN ST. LOUIS SEWER DISTRICT

**SPONSORING PARTY:** RATE COMMISSION

**DATE PREPARED:** APRIL 18, 2019

**Lashly & Baer, P.C.**  
**714 Locust Street**  
**St. Louis, Missouri 63101**

**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 )

**APRIL 8, 2019 FIRST DISCOVERY REQUESTS  
OF INTERVENER MISSOURI INDUSTRIAL ENERGY CONSUMERS**

**Metropolitan St. Louis Sewer District Response**

Pursuant to § 7.280 and § 7.290 of the Charter Plan of The Metropolitan St. Louis Sewer District (the "Charter Plan"), Restated Operational Rule 3(7) and Procedural Schedule § 16 and § 17 of the Rate Commission of The Metropolitan St. Louis Sewer District ("Rate Commission"), The Metropolitan St. Louis Sewer District ("District") hereby responds to the April 8, 2019 First Discovery Request of Missouri Industrial Energy Consumers ("MIEC") The Rate Commission for additional information and answers regarding the Rate Change Notice dated March 4, 2019 (the "Rate Change Notice").

**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 )

**FIRST DISCOVERY REQUESTS OF INTERVENER**  
**MISSOURI INDUSTRIAL ENERGY CONSUMERS**

Pursuant to §§ 7.280 and 7.290 of the Charter Plan of the Metropolitan St. Louis Sewer District (the “Charter Plan”), Operational Rule 3(5) and Procedural Schedule §§ 1, 17 and 18 of the Rate Commission of the Metropolitan St. Louis Sewer District (“Rate Commission”), Intervener Missouri Industrial Energy Consumers (“MIEC”) requests additional information and answers from the Metropolitan St. Louis Sewer District (“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.

**FIRST DISCOVERY REQUEST OF MIEC**

**REQUEST NO. 1.** Page 4-31 of the Rate Change Proposal notes that Infiltration and Inflow (“I/I”) is allocated on the basis of 40% customer, 60% contributed volume.

- a. Please provide the 2005 CDM study that developed this customer-demand split.
- b. Please explain the relationship between I/I and customers’ wastewater contributed volumes.
- c. Can I/I be reduced if customers reduce their contributed volumes? Please explain.
- d. What is the relationship between I/I and the number of customers connected to MSD’s wastewater system.

**RESPONSE:**

a. *We have provided the 2005 CDM Study (Exhibit MSD 65B) as well as page 3-32 of the 2007 Rate Proposal (Exhibit MSD 65C) which provides additional context to the origin of the current allocation.*

b. *Contributed volumes are used because of the correlation between flow volume and pipe size and larger pipes will result in larger I/I volumes. Volume also recognizes the potential for greater runoff from large properties than smaller properties and it is assumed that large-volume users have larger properties than small-volume users. Runoff from properties contributes to street runoff that has the potential to enter poorly sealed manhole covers, serving large-diameter mains or curb inlets connected to combined sewers. Also, considerable inflow may enter large mains over time when they are placed in the groundwater table or near bodies of water. This is consistent with generally accepted industry practices as documented on page 146 of the Water Environment Federation Manual of Practices Number 27, Financing and Charges for Wastewater Systems, Fourth Edition.*

c. *No. Contributed volumes have no direct impact on I/I, as discussed in the previous answer the allocation of costs is based on correlation, not causation.*

d. *The number of customers connected to the system reflects the size of the collection system, the greater potential for infiltration through poor joints and cracked pipes of customer laterals, and the potential for inflow through roof, floor, and foundation drains. This is consistent with generally accepted industry practices as documented on page 146 of the Water Environment Federation Manual of Practices Number 27, Financing and Charges for Wastewater Systems, Fourth Edition.*

**REQUEST NO. 2.** With respect to the Inputs tab of the Excel file, “Exhibit MSD 52 - St. Louis MSD Rate Financial Plan Model FY21-24 Final Unlocked.xlsm.”

- a. Please describe the analyses performed by MSD to develop the annual Account Growth Rates (shown in Excel rows 333-338) for each rate class as listed below:
  - i. Single Family (metered & unmetered): 0.1% per year
  - ii. Multi-Family (metered & unmetered): 0.4% per year
  - iii. Non-Residential: -0.2% per year
- b. Please explain why MSD believes these Account Growth Rates are reasonable.

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c. Please describe the analyses performed by MSD to develop the annual Wastewater Volume Growth Rates (Excel rows 341-346) for each customer class as listed below:

i. Single Family (metered): -1.7% per year  
ii. Multi-Family (metered): 2.0% per year  
iii. Non-Residential: 1.2% per year  
iv. Anheuser Busch: -1.0% in FY 2020, +1.2% in FY 2021, and 0% per year for FY 2022 and beyond

v. Single Family (unmetered): -0.1% per year

vi. Multi-Family (unmetered): -0.4% per year

d. Please explain why MSD believes these annual Wastewater Volume Growth Rates are reasonable.

e. Please describe the studies/analyses performed by MSD to develop the annual escalation rate of -1.2% for all Extra Strength Loadings (BOD, Suspended Solids, COD), as shown in rows 353-355.

f. Please explain why MSD believes these Extra Strength Loadings escalation rates are reasonable.

### RESPONSE:

a. *For each of the account types, Single-family, Multi-family and Non-residential MSD looked at historical billed accounts from FY13 through FY18. Trends based on that data were used to project billed accounts into the future for each account type. A year-over-year percentage change projection was then calculated for the fiscal years covered by the Rate Proposal using those projected accounts. Those year-over-year percentage change projections appear in Excel rows 333 -338.*

b. *MSD believes that using recent historical trends are a reasonable method for calculating Account Growth Rates.*

c. *For each of the account types, Single-family, Multi-family and Non-residential MSD looked at historical billed volumes from FY16 through FY18. Trends based on that data were used to project billed volumes into the future for each account type. A year-over-year percentage change projection was then calculated for the fiscal years covered by the Rate Proposal using those projected volumes. Those year-over-year percentage change projections appear in Excel rows 341 -346. It should be noted that separate growth rates appearing on row 344 for Anheuser Busch have not been updated for purposes of this Rate Proposal and are not used to develop any of the rates or other numbers that appear in the Rate Proposal.*

d. *MSD believes that using recent historical trends are a reasonable method for calculating Volume Growth Rates.*

e. *For extra strength surcharges MSD looked at historical billed volumes from FY16 through FY18. Trends based on that data were used to project billed volumes into the future for extra strength surcharges. A year-over-year percentage change projection was then calculated for the fiscal years covered by the Rate Proposal using those projected volumes. Those year-over-year percentage change projections appear in Excel rows 353 -355.*

f. *MSD believes that using recent historical trends are a reasonable method for calculating Volume Growth Rates.*

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**REQUEST NO. 3.** With respect to the O&M-Funct tab of the Excel file, "Exhibit MSD 52 - St. Louis MSD Rate Financial Plan Model FY21-24 Final Unlocked.xlsx," please explain how MSD developed the percentages used to allocate costs across the wastewater functional categories (i.e. collection, conveyance, treatment, compliance, billing & customer, General & Admin).

**RESPONSE:** *MSD staff used their knowledge and experience of MSD's operations as well as historic cost information to develop these functional allocations of expenses.*

**REQUEST NO. 4.** With respect to the Plant-Funct tab of the Excel file, "Exhibit MSD 52 - St. Louis MSD Rate Financial Plan Model FY21-24 Final Unlocked.xlsx," please explain how MSD developed the percentages (shown in Excel rows 146-153) used to allocate costs across the wastewater functional categories (i.e. collection, conveyance, treatment, compliance, billing & customer, General & Admin).

**RESPONSE:** *MSD staff used their knowledge and experience of MSD's facilities to develop these functional allocations of plant assets.*

**REQUEST NO. 5.** With respect to the O&M-Alloc tab of the Excel file, "Exhibit MSD 52 - St. Louis MSD Rate Financial Plan Model FY21-24 Final Unlocked.xlsx":

a. Please describe the studies/analyses completed by MSD to develop the percentage allocations (shown in Excel rows 9-23) of O&M functional costs to the cost drivers (i.e. volume, capacity, compliance, customer & billing, TSS, BOD/COD).

b. Most of these allocation percentages are the same percentages that were used in the 2015 Rate Proposal. Please explain how MSD has determined that these percentages are still valid, and do not need to be updated in the current case. Please provide all studies, documentation and workpapers supporting MSD's response to this question.

**RESPONSE:**

a. *MSD staff based on their knowledge and experience of MSD's facilities and processes developed the allocation of operating and maintenance costs to function.*

b. *The allocations were reviewed by MSD staff and based on their knowledge and experience of MSD's facilities and processes the allocations used in this Rate Process are reasonable. The facilities and processes used by MSD are substantially similar to those used four years ago when the previous rate case was undertaken so there is no reason that there would be significant changes to these allocations.*

**REQUEST NO. 6.** With respect to the Plant-Alloc tab of the Excel file, "Exhibit MSD 52 - St. Louis MSD Rate Financial Plan Model FY21-24 Final Unlocked.xlsx."

a. Please describe the analyses/studies performed by MSD to develop the percentage allocations (shown in Excel rows 9-23) of the Plant in Service functional costs to the cost drivers (i.e. volume, capacity, compliance, customer & billing, TSS, BOD/COD).

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b. Most of these allocation percentages are the same percentages that were used in the 2015 Rate Proposal. Please explain how MSD has determined that these percentages are still valid, and do not need to be updated in the current case. Please provide all studies, documentation and workpapers supporting MSD's response to this question.

### RESPONSE:

a. *MSD staff based on their knowledge and experience of MSD's facilities and processes developed the allocation of plant facilities to function.*

b. *The allocations were reviewed by MSD staff and based on their knowledge and experience of MSD's facilities and processes the allocations used in this Rate Process are reasonable. The facilities and processes used by MSD are substantially similar to those used four years ago when the previous rate case was undertaken so there is no reason that there would be significant changes to these allocations.*

**REQUEST NO. 7.** With respect to Mr. Beckley's direct testimony at Exhibit 3I, page 11:

a. At lines 3-4, Mr. Beckley notes that the significant increase in the BOD, COD and TSS surcharge rates is caused by "several factors" including the 70% increase in capital cost allocated to these functional categories, and a decrease in BOD and TSS units of service. Please identify the other factors driving the large increase in the surcharge rates for BOD, COD, and TSS, aside from the two identified at lines 5-7 of page 11.

b. Please refer to line 7, and the table presented between lines 12 and 13. Does MSD agree that TSS units of service actually increased, rather than decreased between the 2017 Test Year and 2021 Test Year? Please explain answer.

### RESPONSE:

a. *The increase in capital cost allocated is the primary factor, combined with a decrease in units of service for BOD/COD. This change was exacerbated by the decision in the prior rate case to limit increases in the surcharge rates to approximately the increase in operating and maintenance expense, so while other rates were increasing approximately 10% per year, the surcharge rates were only increased approximately 3% per year, which turned out to be inaccurate relative to investment in the facilities that were actually undertaken in the past four years.*

b. *Mr. Beckley's statement should have indicated only BOD/COD decreased, TSS did increase over the four year period, which is why the proposed increase in the TSS rate is less than the proposed increase in the BOD/COD rate.*

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Respectfully submitted,



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**CERTIFICATE OF SERVICE**

The undersigned certifies that a copy of the foregoing was sent by electronic transmission to Lisa O. Stump and Brian J. Malone, Lashly & Baer, P.C., Brandon W. Neuschafer and Kamilah Jones, Bryan Cave Leighton Paisner on this 18<sup>th</sup> day of April 2019.

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