

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

**MSD'S FIRST DISCOVERY REQUEST
TO INTERVENER MIEC**

ISSUE: WASTEWATER RATE CHANGE PROCEEDING

WITNESS: MISSOURI INDUSTRIAL ENERGY CONSUMERS

SPONSORING PARTY: RATE COMMISSION

DATE PREPARED: APRIL 26, 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)

MSD’S FIRST DISCOVERY REQUEST

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 (the “Rate Commission”), the MSD requests additional information and answers from Missouri Industrial Energy Consumers (“MIEC”) regarding the Rate Change Proposal dated March 4, 2019 (the “Rate Change Proposal”).

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

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

FIRST DISCOVERY REQUEST

1. Your rebuttal testimony states that, “*It is possible that MSD may be able to issue new debt at around a 2.5% interest rate. However, it could be as high as 3%. Therefore, I recommend a more conservative estimate of the interest cost on new bond issues to be 3%, rather than the 5% proposed by MSD*” (page 14, lines 6-9). The municipal market benchmark yield curve produced by Municipal Market Data (“MMD”) is generally reported based on yield. However, the underlying assumed coupon rate for MMD is 5%. Consequently, MSD’s Rate Proposal assumed 5.0% to 5.5% coupon rates. When yields are lower than the assumed coupon, bond premium can be generated and serve as a component of bond proceeds in addition to the principal amount. Please clarify if your 2.5% and 3% rate assumptions relate to interest rate (i.e. coupon) or yield on the bonds? Furthermore, please provide on a by maturity basis your assumed interest rates, yields and total bond proceeds (principal plus premium) assumed to be generated in your debt financing scenarios.

RESPONSE:

2. Are you aware of any recent water/wastewater revenue bond market transactions similar to MSD’s proposed issuances in terms of credit rating, size, and maturity that utilized coupons and yields similar to your assumptions? If so, please provide a list of the transactions, including the names of the issuers and the dates of the transactions.

RESPONSE:

3. Your testimony states that, “*historically AA municipal rated debt interest rates have tracked that of 30-year Treasury securities*” (page 14, lines 1-2). Please provide the specific data or benchmarks and specific historical period reviewed to come to this conclusion.

RESPONSE:

4. You state in your testimony that, “*projections of Treasury bond yields out over the next three years indicate a relatively flat interest rate curve*” (page 14, lines 3-4). Did you make any allowances for interest rate increases in your projections over that three year period? If so, how much and how much cushion for uncertainty, if any, was included? Since the three year Treasury projection extends to 2022, what informs your assumptions for interest rates beyond that? Please explain your assumptions for those rates and specify if a cushion for uncertainty of projections was included in those assumptions.

RESPONSE:

5. The schedules included in your testimony appear to show an overall decrease in capital funding in the first two years of the Rate Proposal Period (higher debt funding that is more than offset by lower PAYGO funding) that looks like it would push the balance of the construction fund to a negative balance. Did you model Construction Fund cashflows in a manner similar to Table 4-8 in the Rate Change Proposal? If so, please share your schedule or table.

RESPONSE:

6. Please provide any rate model you used, including changes made to MSD's Rate Model, to develop the schedules and positions presented in your rebuttal testimony.

RESPONSE:

Respectfully submitted,



Susan M. Myers, General Counsel
THE METROPOLITAN ST. LOUIS SEWER DISTRICT
2350 Market Street
St. Louis, Missouri 63103
smyers@stlmsd.com
Tel: (314) 768-6366
Fax: (314) 768-6279

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 26th day of April 2019.

Lisa O. Stump, Esq.
Lashly & Baer, P.C.
714 Locust Street
St. Louis, MO 63101
lostump@lashlybaer.com

Brian J. Malone, Esq.
Lashly & Baer, P.C.
714 Locust Street
St. Louis, MO 63101
bmalone@lashlybaer.com

Brandon W. Neuschafer
211 N. Broadway, Suite 3600
St. Louis, Missouri 63102
bwneuschafer@bcplaw.com

Kamilah Jones
211 N. Broadway, Suite 3600
St. Louis, Missouri 63102
kami.jones@bcplaw.com



Susan M. Myers, General Counsel
THE METROPOLITAN ST. LOUIS SEWER DISTRICT
2350 Market Street
St. Louis, Missouri 63103
smyers@stlmsd.com
Tel: (314) 768-6366
Fax: (314) 768-6279