

Exhibit MSD 77A

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

MSD'S RESPONSE TO FIFTH DISCOVERY REQUEST OF THE RATE COMMISSION

The Metropolitan St. Louis Sewer District Response

ISSUE: WASTEWATER RATE CHANGE PROCEEDING

WITNESS: METROPOLITAN ST. LOUIS SEWER DISTRICT

SPONSORING PARTY: RATE COMMISSION

DATE PREPARED: MAY 24, 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)

**MAY 14, 2019 FIFTH DISCOVERY REQUEST
OF THE RATE COMMISSION**

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"), 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 May 14, 2019 Fifth Discovery Request of 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)

**FIFTH DISCOVERY REQUEST
OF THE RATE COMMISSION**

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 Rate Commission requests additional information and answers from the Metropolitan St. Louis Sewer District (the “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.

FIFTH DISCOVERY REQUEST

1. In his rebuttal testimony on behalf of Intervener Missouri Industrial Energy Consumers (“MIEC”), Michael Gorman proposes to defer certain programs until after the FY2023 - FY2024 period. See Exhibit MIEC 73, pgs. 16-17. Specifically, he identifies the following projects as eligible to be deferred: Wastewater solids combustion boiler; Wastewater plant repair; and Capacity Expansion. Please state whether deferring these projects until after FY2024 poses risks to the District, and/or would risk non-compliance with the Consent Decree, state or federal laws, or regulations.

RESPONSE: *Deferring until after FY 2024 does pose risks to the District, and would risk non-compliance with the Consent Decree, state and federal laws and regulations, and NPDES permit compliance at treatment plants.*

Please note that the “projects” identified by Mr. Gorman are really larger categories of multiple projects, which during Direct Testimony Mr. Gorman confirmed were the following projects:

- *The “wastewater solids combustion boiler” that was referred to was the fluidized bed incinerator project at the Bissell and Lemay wastewater treatment plants. (MSD project 12565)*
- *The “wastewater plant repair” referred to were a number of wastewater treatment plant repair projects at various treatment plants. (see Table MPG-3 page 2 of 2, MSD Exhibit MIEC 73)*
- *The “capacity expansion” referred to were projects related to the capacity expansion of the Lower Meramec Wastewater Treatment Facility (MSD project 12255), and the decommissioning of the Fenton Treatment Facility (MSD project 12170).*

The Bissell and Lemay Fluidized Bed Incinerators project replaces incinerators originally constructed in the 1970s. The operation of these incinerators is regulated by USEPA and MDNR. 40 CFR Part 62 – Federal Plan Requirements for Sewage Sludge Incineration Units Constructed on or Before October 14, 2010 (SSI Rule) was finalized in June, 2016, and required new MACT standards to be included in the Bissell and Lemay plant operating permits. The SSI Rule defines a 50% threshold for the cumulative cost of changes to existing incinerators before mandating replacement. As MSD has reached this threshold, future rehabilitation of the existing incinerators is prohibited. The District’s second material amendment to the Consent Decree was negotiated to financially accommodate the construction of new fluidized bed incinerators, by delaying a number of major Consent Decree tunnel projects. This Consent Decree amendment states “the Parties agree that this proposed Amendment is necessary because MSD currently incinerates 68,000 tons of sewage sludge annually, utilizing multiple hearth incinerators. The Federal Plan Requirements for Sewage Sludge Incineration Units Constructed on or before October 14, 2010, set forth at 40 C.F.R. Part 62, Subpart LLL (“SSI Rule”), issued by EPA in 2016, require MSD to replace its multiple hearth incinerators. The replacement of these incinerators will occur in fiscal years 2021–2026 timeframe and is estimated to cost approximately \$360 million in 2017 dollars.” Construction funding for this project is budgeted in FY 2023, 2024, and 2025. The FY 2025 budget funds construction work that will extend into FY 2026. The District has no discretion to delay this project.

Exhibit MSD 77A

Regarding “wastewater plant repairs”, the District is obligated to operate and maintain its facilities to stay in compliance with its regulatory obligations and wastewater treatment plant permits. NPDES permit violations and negative environmental impacts could result from the District’s failure to complete the treatment plant rehabilitation, repair and replacement projects. The District utilizes an Asset Management approach and prioritization process in planning these types of projects, as described in the Rate Commission Third Discovery Request (EXHIBIT MSD 63A-D). This approach is intended to ensure that the most critically important projects are funded first, while projects without an anticipated potential for near-term failure or that appear to have minor consequences of failure are not funded. Based on the District’s efforts to prioritize these projects, and the potential for NPDES permit violations and negative environmental impacts at these facilities if these projects do not proceed, we do not have discretion to delay these projects.

Regarding the “capacity expansion”, these projects are listed in the Consent Decree as required projects. See following for the dates associated with these projects. The District has no discretion to delay these projects.

Lower Meramec River System Improvements – Baumgartner to Fenton WWTF Tunnel (Pg E-28)

- *Initial Design 8/20/2016*
- *Commence Construction 7/30/2020*
- *Complete Construction 7/9/2024*
- *Placement in Service 11/6/2024*

Lower Meramec WWTF Expansion Phase II (Page E-29)

- *Initial Design 3/13/2018*
- *Commence Construction 2/25/2021*
- *Complete Construction 2/10/2024*
- *Placement in Service 11/6/2024*

Fenton Wastewater Treatment Plant Elimination (Page E-22)

- *Initial Design 2/25/2021*
- *Commence Construction 8/14/2023*
- *Complete Construction 8/8/2024*
- *Placement in Service 11/6/2024*

2. Please identify any projects in the CIRP scheduled for FY2023 - FY2024 that could be deferred until after FY2024 that would not jeopardize compliance with the Consent Decree, state or federal laws, or regulations.

RESPONSE: *Projects scheduled for FY 2023 – FY 2024 that could be deferred until after FY 2024 that would not jeopardize compliance with the Consent Decree, state or federal laws, or regulations, include those projects noted in Appendix 7.2.3, related to rehabilitation of the Mississippi Floodwall ORS Pump Stations, \$1,000,000 in FY 2023, and \$6,000,000 in FY 2024.*

Exhibit MSD 77A

However, these planned projects are very critical. They will allow for the repair, replacement, and rehabilitation of deteriorated closure gates and gate structures at several 50 plus year old facilities. The District along with the City of St. Louis is required by the U.S. Army Corp of Engineers to maintain these facilities and the floodwall. This Mississippi River Floodwall system provides flood protection for the City of St. Louis and its downtown area. The economic damages to businesses, homes, and institutional properties that would occur if floodwall protection fails would be substantial. These projects represent less than 1% of the overall capital program.

3. Please describe in detail the District's methodology used to develop cost estimates for projects in the CIRP.

RESPONSE: *The District methodology for cost estimating depends on the stage of project delivery and the type of project. At the project identification and conceptual level, typically a cost curve is used to develop costs. The CD related projects of the SSO Master Plan followed BMP4 (See Exhibit MSD 77B BMP4). At the Preliminary Study level, prior to budget approval by the Board, preliminary engineering and unit rate cost estimating is used. Procedures are found in the Preliminary Study Guidance, BMP12 (see Exhibit MSD 77C BMP12). For major projects, studies and cost estimates are performed by design engineering firms at various stages of the project in accordance with typical industry practice; examples include the Comprehensive Solids Handling Master Plan, the Comprehensive Ammonia and Nutrient Removal Master Plan, the SSO Master Plan, and the CSO Long Term Control Plan.*

4. Please provide any unit costs the District used to develop cost estimates for projects in the CIRP.

RESPONSE: *The current unit rates are provided as Exhibit MSD 77D. MSD Engineering Construction Management Division performs annual analysis of unit costs based on current bids.*

5. Please provide detailed scope and cost-estimate information for the following projects in the CIRP:

- a. 12106 (See Exhibit MSD 1, p. 7-26);
- b. 12472 (See Exhibit MSD 1, p. 7-36);
- c. 13033 (See Exhibit MSD 1, p. 7-20);
- d. 12248 (See Exhibit MSD 1, p. 7-26); and
- e. 12255 (See Exhibit MSD 1, p. 7-69)

RESPONSE:

- a. *Buckhurst Dr to Oak Hill Dr Sanitary Relief (12106) – see Exhibit MSD 77E - 12106 Cost Estimate.*
- b. *DC-02 & DC-03 Sanitary Relief Phase 3 & 4(12472) – see Exhibit MSD 77F - 12472 Cost Estimate*
- c. *Bissell-Coldwater-Missouri Meramec Public I/I Reduction (2023) Contract C (13033) – see Exhibit MSD 77G - 13033 Cost Estimate; please note that this project is a combination of sewer rehabilitation and public I/I work from the two estimates provided. Due to the limited information available at the time of the conceptual estimate, the budget was further modified from those estimates to account for additional anticipated sewer rehabilitation and lateral connection repairs in this area. The preliminary study to better define this project is currently in process.*
- d. *Caulks Creek A Pump Station (P-750) Improvements (12248) – see Exhibit MSD 77H - 12248 Cost Estimate*
- e. *Lower Meramec WWTF Expansion Phase II (12255) – see Exhibit MSD 77I - 12255 Cost Estimate*

6. The Rate Change Proposal reflects increases in Compliance Charges and Extra Strength Surcharges equal to Operations and Maintenance escalation, not the across the board revenue increases used to set Base and Volume charges. What analytical evidence and/or policy rationale did the District use to increase Compliance Charges & Extra Strength Surcharges at a different rate than Base and Volume charges?

RESPONSE: *The lower than across the board increases for the compliance charges and extra strength surcharges is based on the assumption that those increases should more closely match operation and maintenance expense increases than overall increases, for the four-year rate cycle. It should be noted that this only has a minimal impact on the proposed rates since the difference between the O&M escalation and the across the board increases is less than one percent per year for the three years impacted.*

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 24th day of May, 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@bclplaw.com

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