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OPC – Exhibit 202
Robinette Surrebuttal
File No. WR-2023-0006

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Witness/Type of Exhibit:
Sponsoring Party:
Case No.:

Depreciation
Robinett/Surrebuttal
Public Counsel
WR-2023-0006

SURREBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

**CONFLUENCE RIVERS UTILITY
OPERATING COMPANY, INC.**

CASE NO. WR-2023-0006

July 21, 2023

**SURREBUTTAL TESTIMONY
OF
JOHN A. ROBINETT
CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.**

CASE No. WR-2023-0006

1 **Q. What is your name and what is your business address?**

2 A. John A. Robinett, PO Box 2230, Jefferson City, Missouri 65102.

3 **Q. Are you the same John A. Robinett who filed direct and rebuttal testimony on behalf of**
4 **the Missouri Office of the Public Counsel (“OPC”) in this proceeding?**

5 A. Yes.

6 **Q. What is the purpose of your surrebuttal testimony?**

7 A. In this testimony, I will discuss the rebuttal testimony of Confluence Rivers Utility
8 Operating Company, Inc. (“Confluence Rivers”) witness Mr. Ned W. Allis.

9 **Depreciation Concerns**

10 **Q. Do you agree with Mr. Allis’ testimony at page 2 lines 3 through 5 claiming that you**
11 **propose to use depreciation rates based on other companies or sources as opposed to his**
12 **method of a “depreciation study of Company’s assets”?**

13 A. No. I did not make a depreciation rate recommendation as part of my direct testimony. Mr.
14 Allis claims I made that recommendation; however, a review of my direct and rebuttal
15 testimony will clearly show that I do not present a depreciation rate recommendation.

16 **Q. Do you agree with Mr. Allis’ rebuttal testimony that you recommended continued use**
17 **of the existing depreciation rates?**

18 A. No. My direct testimony focused on the disallowance of costs related to his depreciation study.
19 I made no statement related to continued use of the current ordered depreciation rates nor
20 acceptance of Mr. Allis’ recommendations. Mr. Allis may be trying to project a

1 recommendation on me so that this rebuttal testimony is appropriate, however I did not
2 address a depreciation rate recommendation in direct testimony.

3 **Q. Do you agree with Mr. Allis' statement that you did not present any criticism of his**
4 **depreciation study as part of your direct case?**

5 A. Yes. However, this statement from Mr. Allis is quite confusing. As an expert witness, I would
6 have expected Mr. Allis to know that it is not appropriate for me to "rebut" his study as part
7 of my direct case. That is the purpose of rebuttal testimony. For someone who claims to have
8 been reviewing/presenting expert testimony in utility regulation since 2006, Mr. Allis'
9 complaint that I did not attempt to rebut his position in direct testimony suggests Mr. Allis
10 does not understand how a rate case is conducted in the State of Missouri.

11 **Q. At page 5 and 6 of Mr. Allis' rebuttal testimony he discusses four steps to performing a**
12 **depreciation study and three primary data sets for a depreciation study. How do you**
13 **respond to his description of the process and data sets?**

14 A. Let me first address the data sets. Mr. Allis describes what he calls the three primary data
15 bases for a depreciation study:

16 1) data comprising vintage balances for depreciation calculations; 2) data
17 for service life analyses; 3) data for net salvage analyses.¹

18 As was discussed in my direct and rebuttal testimony, as well as Staff's direct and rebuttal
19 testimony, there is concern with the service life analysis and the net salvage analysis data
20 in this case. This is further supported by Confluence Rivers' response to OPC data request
21 number 8506, which is attached as Schedule JAR-S-1, which stated "the available data"

¹ Case No. WR-2023-0006 Confluence Rivers Utility Operating Company, Inc. Rebuttal Testimony of Ned W. Allis
page 5 lines 27 through 28.

1 for each account was “not sufficient for traditional statistical service life and net salvage
2 analyses.”

3 **Q. Based on the previous question, what data set remains as a potential reasonable option?**

4 A. By process of elimination, data set one – the data comprising of vintage balances for
5 depreciation calculations – would be all that is left of Mr. Allis’ primary data sets.

6 **Q. What concerns do you have about the vintage balance data?**

7 A. OPC has issued some additional data requests related to the data set of vintage balance and
8 how it was developed. Most of the systems that make up Confluence Rivers are small
9 systems, some of which were non-regulated systems prior to their purchase by the
10 Company. Based on my experience over the last thirteen years of working for both Staff
11 of the Commission and for the Office of Public Counsel, there are varying degrees to which
12 plant-in-service, accumulated depreciation reserve data, and yearly additions and
13 retirements have been kept for each regulated entity. For many small water and waste water
14 companies, plant-in-service and accumulated depreciation reserve data may be
15 considerably lacking. An example specifically related to Confluence Rivers is found in
16 Case No. WO-2014-0340 where Mr. Josiah Cox filed direct testimony discussing transfer
17 of documents from Brandco during the acquisition case by Hillcrest:

18 Brandco has indicated that it does not possess any relevant plan[t]
19 information cataloguing existing improvements, including original design
20 and construction documentation.²

² Case No. WO-2014-0340 Direct Testimony of Josiah Cox page 8 lines 18-20.

1 **Q. Based on these factors, what do you conclude regarding the data sets that Mr. Allis**
2 **has relied upon for his study?**

3 A. There does not appear to be sufficient data to produce a meaningful depreciation study
4 based on the historical, documented experience of the Company. This supports the
5 Commission’s Staff’s decision not to perform a traditional depreciation study.

6 **Q. Do you agree with Mr. Allis’ statement that you are in pursuit of perfection in terms of**
7 **statistical analyses and it stands in the way of you recognizing the good in his study?**

8 A. No. Mr. Allis’ characterization of me “chasing perfection” is an attempt to deflect attention
9 away from his study. A depreciation expert should always prefer to rely on actual historical
10 data of the company being reviewed rather than rely on outside sources to develop
11 depreciation rates.

12 **Q. Having reviewed the data sets Mr. Allis used, what is your opinion of the four steps to**
13 **the depreciation study Mr. Allis describes?**

14 A. The first step Mr. Allis describes is to gather the data needed for the depreciation study. I
15 agree with Mr. Allis that gathering data is the correct first step in performing a depreciation
16 study. Given what we know of the data sets discussed previously, I do not know how Mr.
17 Allis was able to gather the vintage balance data used in his study because that information
18 would generally come from the summation of additions and retirements that make up the
19 service life data.

20 Step two is to review the data from step one. In this case, Confluence Rivers clearly
21 acknowledged the review of the data indicated it was “not sufficient for a statistical service
22 life and net salvage analyses.”³

³ Confluence Rivers’ response to OPC data request number 8506.

1 **Q. Does anything in Confluence Rivers’ response to OPC data request 8506 give you any**
2 **pause?**

3 A. Yes. First, it is important to note that the “responsible witness” identified in the DR
4 response is Aaron Silas and not Mr. Allis, who is the consultant hired by the Company to
5 directly address this issue. I am not sure what to make of this.

6 The one word that jumps out to me in particular is the word “traditional,” which
7 has synonyms of common, normal, accepted, customary, and conventional (to name a few).
8 It should be obvious that, if the data used in the study was not sufficient for a “traditional”
9 statistical service life and net salvage analyses, then the statistical service life and net
10 salvage analyses Mr. Allis did perform must be abnormal, atypical, non-standard, and
11 unconventional as a result.

12 **Q. What is the third step according to Mr. Allis for performing a depreciation study?**

13 A. The third step identified by Mr. Allis is the use of historical information to perform analyses
14 to determine the retirement rate of the assets that have been historically experienced in the
15 accounts. This retirement rate is then used to choose an average service lives and Iowa
16 Curve for each of the accounts. Additionally, net salvage data is analyzed and considered
17 in varying average timeframe intervals to determine the appropriate level to collect for each
18 account based on what has been previously experienced for each account for a company.

19 **Q. Given what we know regarding steps one and two, how was Mr. Allis able to perform**
20 **step three when it came to Confluence Rivers?**

21 A. I am not sure he was able to perform this step at all. I instead believe Mr. Allis relied
22 predominantly on step four and the first data set described above.

1 **Q. What is step four, according to Mr. Allis, for performing a depreciation study?**

2 A. Step four is reliance on experience, personal judgement, site visits, and interviews with
3 Company personnel.

4 **Q. What concerns do you have with Mr. Allis' application of this step four?**

5 A. I previously discussed certain aspects and concerns related to step four in my rebuttal
6 testimony, so I will address them only briefly here. I have seen no long-term capital
7 investment or replacement plan developed for Confluence Rivers. Absent such a plan, there
8 would appear to be nothing concrete on what plant retirements Confluence Rivers expects
9 and on which to base the expected remaining useful life of an asset.

10 **Q. Given these concerns and those identified in your previous testimony, what is your
11 ultimate recommendation for the Commission in this case?**

12 A. The depreciation study performed by Mr. Allis on behalf of Confluence Rivers should not
13 be relied upon, was not required, and its costs should not be recovered from ratepayers.

14 **Q. Does this conclude your surrebuttal testimony?**

15 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

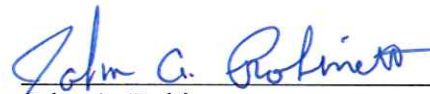
In the Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for)
Authority to Implement a General Rate Increase) Case No. WR-2023-0006
for Water Service and Sewer Service Provided in)
Missouri Service Areas)

AFFIDAVIT OF JOHN A. ROBINETT

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

John A. Robinett, of lawful age and being first duly sworn, deposes and states:

1. My name is John A. Robinett. I am a Utility Engineering Specialist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.



John A. Robinett
Utility Engineering Specialist

Subscribed and sworn to me this 20th day of July 2023.



TIFFANY HILDEBRAND
My Commission Expires
August 8, 2023
Cole County
Commission #15637121



Tiffany Hildebrand
Notary Public

My Commission expires August 8, 2023.

DATA INFORMATION REQUEST
Confluence Rivers Utility Operating Company, Inc.
WR-2023-0006
General Rate Case

Requested From: Confluence Rivers

Date Requested: March 31, 2023

Information Requested:

Please provide a listing of each account, and/or sub-account, where Mr. Allis found, or believed, there was adequate historical data to perform a depreciation analysis.

Requested By: John Robinett

Information Provided:

As was discussed on page 5 lines 1-8 in Mr. Allis' Direct Testimony, for each account the available data were not sufficient for traditional statistical service life and net salvage analyses. However, Mr. Allis did review and incorporate available data, including the ages of the Company's assets, and performed field reviews. Each of these factors influenced his recommended estimates.

Responsible Witness: Aaron Silas