

FILED  
September 2, 2014  
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Missouri Public  
Service Commission  
*Exhibit No.:* Depreciation  
*Issue:*  
*Witness:* John A. Robinett  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Rebuttal Testimony  
*Case No.:* GR-2014-0086  
*Date Testimony Prepared:* July 11, 2014

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW  
UTILITY SERVICES  
ENGINEERING AND MANAGEMENT SERVICES**

**REBUTTAL TESTIMONY**

**OF**

**JOHN A. ROBINETT**

**SUMMIT NATURAL GAS OF MISSOURI, INC.**

**CASE NO. GR-2014-0086**

*Jefferson City, Missouri  
July 2014*

*Staff* Exhibit No. 120  
Date 8-19-14 Reporter FF  
File No. GR-2014-0086

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**REBUTTAL TESTIMONY**  
**OF**  
**JOHN A. ROBINETT**  
**SUMMIT NATURAL GAS OF MISSOURI, INC.**  
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DEPRECIATION RATE RECOMMENDATIONS ..... 1  
DEPRECIATION RESERVE ADJUSTMENTS ..... 3  
RECOMMENDATIONS ..... 5



Rebuttal Testimony of  
John A. Robinett

1           A.     On page 3 beginning at line 14, Ms. Picard states that “The Company prefers to  
2 retain the depreciation and lives established in Case No. GA-2012-0285.”

3           Q.     Does Staff have concerns about this statement made by SNG?

4           A.     Yes. When the Commission ordered the depreciation rates in Case No. GA-2012-  
5 0285, it did so to establish rates for the Lake of the Ozarks district, not to change the rates for  
6 any of the prior existing districts that the Commission set in previous cases.

7           Q.     Does Staff agree with SNG that the only depreciation rates currently ordered for  
8 SNG are the depreciation rates from Case No. GA-2012-0285?

9           A.     No. Staff disagrees with SNG that the rates from the Lake of the Ozark CCN case  
10 are the only applicable and currently ordered rates for SNG.

11          Q.     What depreciation rates are currently ordered for the specific districts of SNG?

12          A.     Depreciation rates for the Missouri Gas Utility (MGU) Gallatin district were  
13 ordered in Case No. GO-2005-0120. MGU reached a Commission-approved unanimous  
14 stipulation and agreement in Case No. GR-2008-0060 that required MGU to keep the  
15 depreciation rates from Case No. GO-2005-0120 in effect. The depreciation rates for the Warsaw  
16 district of MGU were set in Case No. GA-2009-0264. In Case No. GR-2010-0347, the  
17 Commission affirmed the depreciation rates set for SMNG in Case No. GA-94-127. The  
18 Commission granted SNG a Certificate of Convenience and Necessity (CCN) and set  
19 depreciation rates for SNG’s Lake of the Ozarks region in Case No. GA-2012-0285.

20          Q.     Which entity was the surviving entity from the Merger Case No. GM-2011-0354?

21          A.     The order approving the unanimous stipulation and agreement in GM-2011-0354  
22 states that “MGU will be the surviving entity” in its merger with SMNG.<sup>1</sup>

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<sup>1</sup> GM-2011-0354, Order Approving Unanimous Stipulation and Agreement, September 28, 2011, Pg. 1.

1 Q. What did the Commission order MGU to do as part of the unanimous stipulation  
2 and agreement in regards to depreciation?

3 A. The unanimous stipulation and agreement in Case No. GM 2011-0354, related to  
4 depreciation, states in paragraph 6: "For purposes of accruing depreciation expense, MGU shall  
5 ensure that the SMNG division uses the depreciation rates approved by the Commission,  
6 maintains the Property Unit Catalog (PUC) and Continuing Property Record (CPR) as detailed in  
7 4 CSR 240-40.040 Uniform System of Accounts Gas Corporations, 4 CSR 240-3.235 Filing  
8 Requirements for Gas Utility General Rate Increase Requests and 4 CSR 240 3.275 Submission  
9 Requirements for Gas Utility Depreciation Studies."<sup>2</sup> MGU was to ensure that the ordered  
10 depreciation rates for SMNG remain in effect for the purpose of accruing expense, and to  
11 maintain the continuing property records and the property unit catalog of SMNG.

12 Q. What is Staff's recommendation regarding the depreciation rates for SNG in  
13 this case?

14 A. Staff recommends that the Commission order SNG to use the depreciation rates  
15 that were set forth in Schedule JAR(DEP) - 3 of Appendix 3 of the Staff's Cost of Service Report  
16 and attached hereto. These rates are the currently ordered depreciation rates for the  
17 MGU Gallatin, MGU Warsaw, SMNG and Lake of the Ozarks divisions of SNG supplemented  
18 with a depreciation rate for a new Account 377 Compressor Station equipment at the MGU  
19 Warsaw division.

20 **DEPRECIATION RESERVE ADJUSTMENTS**

21 Q. Does the use of the incorrect depreciation rates for a district affect the  
22 depreciation reserve balances?

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<sup>2</sup> GM-2011-0354, Unanimous Stipulation and Agreement, September 15, 2011, Pg. 8.

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1           A.     Yes. The use of the incorrect ordered depreciation rate could affect the  
2 depreciation reserve either positively or negatively. In this case, SNG did not record to its books  
3 the total amount of expense that was built into rates for the former MGU districts.

4           Q.     What is Staff's adjustment value for the mis-booked depreciation expense?

5           A.     Staff recommends that an adjustment be made for the difference in depreciation  
6 accruals that were ordered for the former MGU divisions in Case No. GO-2005-0120 and Case  
7 No. GA-2009-0264, versus the depreciation accruals that SNG has been using for the MGU  
8 divisions. For the time frame January 1, 2012 through December 31, 2013, accruals have taken  
9 place and rate payers have not received credit for their payment at higher depreciation rates  
10 than the Company is booking. Staff's calculation yields an adjustment of approximately  
11 \$150,000 for two years of mis-booked accruals for the time frame January 1, 2012 through  
12 December 31, 2013.

13          Q.     Does this adjustment differ from Staff's recommendation in Staff's Cost of  
14 Service Report?

15          A.     Yes it does. Staff was made aware of an error in the calculation of the adjustment  
16 to reserves. Staff had used an incorrect rate in determining the adjustment to reserve for  
17 Transportation equipment at the Warsaw district. The correction for the error reduces the net  
18 adjustment by approximately \$13,000 from the previous testimony.

19          Q.     What adjustments is Staff recommending to rectify the error of not using the  
20 currently ordered depreciation rates to book depreciation reserves?

21          A.     Staff recommends that the Commission order SNG to make the adjustments to the  
22 depreciation reserves for the Warsaw and Gallatin regions of the MGU division to reflect the use  
23 of the currently ordered depreciation rates for SNG for the period of January 1, 2012 through

1 December 31, 2013 as attached in Schedule JAR(DEP) - 4 with the exceptions of Accounts 390  
2 and 392 for the MGU Gallatin division. These adjustments are subject to true-up period in this  
3 proceeding (six months ending June 30, 2014).

4 **RECOMMENDATIONS**

5 Q. Please summarize Staff's recommendations regarding depreciation in this case.

6 A. Staff recommends the Commission order the depreciation rates set forth in  
7 Appendix 3 of the Staff Cost of Service Report, Schedule JAR(DEP) – 3, which are the currently  
8 ordered depreciation rates for the MGU Gallatin, MGU Warsaw, SMNG and Lake of the Ozarks  
9 divisions of SNG supplemented with a depreciation rate for a new Account 377 Compressor  
10 Station equipment at the MGU Warsaw division.

11 Staff also recommends that the Commission order SNG to make the adjustments to the  
12 depreciation reserves for the Warsaw and Gallatin regions of the MGU division to reflect the use  
13 of the currently ordered depreciation rates for SNG for the period of January 1, 2012 through  
14 December 31, 2013 as attached in Schedule JAR(DEP) – 4, with the exceptions of Accounts 390  
15 and 392 for the MGU Gallatin division. These adjustments are subject to true-up period in this  
16 proceeding (six months ending June 30, 2014).

17 Q. Does this conclude your rebuttal testimony?

18 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

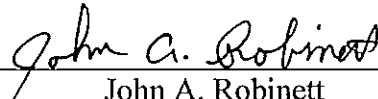
In the Matter of Summit Natural Gas of )  
Missouri Inc.'s Filing of Revised Tariffs To )  
Increase its Annual Revenues For Natural Gas )  
Service )

Case No. GR-2014-0086

AFFIDAVIT OF JOHN A. ROBINETT

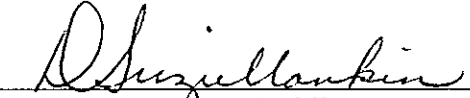
STATE OF MISSOURI )  
) ss.  
COUNTY OF COLE )

John A. Robinett, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 5 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

  
John A. Robinett

Subscribed and sworn to before me this 11<sup>th</sup> day of July, 2014.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: December 12, 2016  
Commission Number: 12412070

  
Notary Public