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MISSOURI PUBLIC SERVICE COMMISSION
COMMISSION STAFF DIVISION
ENGINEERING ANALYSIS

REBUTTAL TESTIMONY
OF

DAVID BUTTIG

Staff Exhibit No. 110
Date 8-15-19 Reporter CDT
File No. GR-2019-0077

UNION ELECTRIC COMPANY,
d/b/a AMEREN MISSOURI

CASE NO. GR-2019-0077

Jefferson City, Missouri
June 2019



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REBUTTAL TESTIMONY

OF

DAVID BUTTIG, PE

UNION ELECTRIC COMPANY

d/b/a AMEREN MISSOURI

CASE NO. GR-2019-0077

Q. Please state your name and business address.

A. My name is David Buttig and my business address is 200 Madison Street, Jefferson City, Missouri 65102.

Q. Who is your employer and what is your present position?

A. I am employed by the Missouri Public Service Commission (“Commission”) as a Utility Regulatory Engineer I in the Engineering Analysis Department of the Commission Staff Division.

Q. Are you the same David Buttig who prepared the Negative Accumulated Reserve section and the Depreciation Summary section of Staff’s Cost of Service Report?

A. Yes, I am.

EXECUTIVE SUMMARY

Q. What is the purpose of your Rebuttal Testimony?

A. The purpose of my rebuttal testimony is to state Staff’s position on the depreciation rates.

Q. Why was Staff’s position on depreciation not included in Staff’s direct report?

3 A. Staff submitted data requests on March 08, 2019 to collect the necessary data to run
4 a depreciation study but did not receive the data until April 11, 2019 when Staff's direct
5 testimony was due April 19, 2019. The due date for the data requests was
6 March 28, 2019. Staff noted in its direct report that its position would be updated later.

7 Q. Have you been able to complete a depreciation study since then?

8 A. Yes, I have.

9 Q. What method of depreciation study did Staff use?

10 A. For the accounts in the transmission plant, distribution plant, and general plant
11 accounts 390, 392, and 396 Staff used the straight line method, broad group-average life
12 procedure, and whole life technique depreciation system for its depreciation study of the
13 Company's capital assets. Staff has consistently used the whole life technique in
14 developing depreciation rates that reflect expected average service lives. The whole life
15 technique does not include an adjustment factor to address over- or under-accruals in the
16 accumulated reserve for depreciation. Staff uses the following formula to calculate a
17 depreciation rate for each plant account:

18
$$\text{Depreciation Rate} = \frac{100\% - \% \text{ Net Salvage}}{\text{Average Service Life (years)}}$$

19 This is consistent with the Commission's Depreciation Rate Formula from its
20 Report and Order in The Empire District Electric Company Case No. ER-2004-0570. As
21 shown in the formula, the average service life and net salvage percentage are the
22 depreciation parameters used to determine the depreciation rate. Staff calculated
23 depreciation rates for each plant account based on the average service life and net salvage
24 percentage determined applicable to each account.

3 For the general plant accounts of 391 (Office Furniture & Equipment), 391.1
4 (Office Furniture & Equipment – Mainframe Computers), 391.2 (Office Furniture &
5 Equipment – Computers), 393 (Stores Equipment), 394 (Tools, Shop, and Garage
6 Equipment), 395 (Laboratory Equipment), 397 (Communications Equipment),
7 and 398 (Miscellaneous Equipment) Staff utilized vintage year amortization for
8 depreciation accruals. This is the same methodology contained in the non-unanimous
9 stipulation and agreement as to depreciation from Case No. ER-2014-0258. In this case,
10 certain general plant assets were given an amortization period for the accounts. Staff
11 recommended the same average life, net salvage, and depreciation rate for each of the
12 previously mentioned general plant accounts. These depreciation rates and methodology
13 were previously approved by the Commission. The assets in the accounts reach full accrual
14 once the assets reach the end of their amortization period.

15 Q. Are Staff's recommended depreciation rates, average service life, and percent net
16 salvage included with your testimony?

17 A. Yes. The depreciation rate, average service life, and percent net salvage for each
18 account has been included in Schedule DTB-r1.

19 Q. Are there any differences between your Depreciation study and the study submitted
20 by the Company?

21 A. Yes, there are.

22 Q. Will you explain them?

23 A. The first difference in the two studies is that Staff did its study with data through
24 December of 2018 whereas the Company's study goes through December of 2014. Staff
25 wanted to utilize the most up-to-date information for the accounts to have a better
26 interpretation of the depreciation for the accounts.

3 Q. Is that the only difference?

4 A. No. Another difference in the studies is that the Company includes a remaining life
5 component to the depreciation rates. The use of remaining life minimizes the time
6 ratepayers have to return the Company's investment and net salvage by increasing
7 depreciation rates.

8 Q. Are there any issues with using the Company's methodology?

9 A. The Commission gave direction in Case No. ER-2004-0570 (The Empire District
10 Electric Company) regarding the parameters that should be part of the computation of
11 depreciation for utilities. The parameters delineated by the Commission included the book
12 value of an asset, average service life, and net salvage. The use of remaining life was not
13 included in the direction given by the Commission.

14 Q. Are there any other differences?

15 A. No.

16 **RECOMMENDATION**

17 Q. What does Staff recommend on the issue of depreciation?

18 A. Staff recommends that the depreciation rates contained in Schedule DTB-r1 be
19 approved by the Commission.

20 Q. Does this conclude your prepared rebuttal testimony?

21 A. Yes. It does.

