Exhibit No.:	118
Issue:	*Depreciation*
Witness:	*Guy C. Gilbert*
Sponsoring Party:	*MoPSC Staff*
Type of Exhibit:	*Surrebuttal Testimony*
Case No.:	*GR-2006-0422*
Date Testimony Prepared:	*December 11, 2006*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

GUY C. GILBERT

FILED[2]

FEB 0 7 2007

Missouri Public Service Commission

MISSOURI GAS ENERGY

CASE NO. GR-2006-0422

Jefferson City, Missouri
December 2006

Staff Exhibit No. 118
Case No(s). GR-2006-0422
Date 1-17-07 Rptr KF

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's Tariff Sheets Designed to Increase Rates for Gas Service in the Company's Missouri Service Area	)))	Case No. GR-2006-0422

AFFIDAVIT OF GUY C. GILBERT

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Guy C. Gilbert, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 3 pages to be presented in the above case; that the answers in the foregoing Surrebuttal 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.

G. C. Gilbert
Guy C. Gilbert

Subscribed and sworn to before me this 8th day of December 2006.

Ashley M. Harrison
Notary Public

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

ASHLEY M. HARRISON
My Commission Expires
August 31, 2010
Cole County
Commission #06898978

REBUTTAL TESTIMONY

OF

GUY C. GILBERT, MS, PE, RG

MISSOURI GAS ENERGY

CASE NO. GR-2006-0422

Q. Please state your name and business address.

A. Guy C. Gilbert, P.O. Box 360, Jefferson City, Missouri, 65102.

Q. Please state the purpose of your testimony?

A. The purpose of my surrebuttal testimony is to offer the Staff's position in response to the Company's filed rebuttal testimony by Mr. Thomas J. Sullivan of Black & Veatch Corporation in this case, regarding Commission rules, accuracy of data and computations, salvage of plant accounts, The Missouri Gas Energy Company's (MGE or Company's) depreciation study and that study's recommendations.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission (PSC or Commission) as a Utility Regulatory Engineer II in the Engineering and Management Services Department.

Q. Please describe your work and educational background.

A. A copy of my work and educational experience is provided at the end of this testimony as Schedule GCG 1.

Q. How is your testimony organized?

A. I will present Staff's response to the Company witness for depreciation regarding his misrepresentation of my testimony in the Atmos case GR-2006-0387.

MISREPRESENTATION

Q. Does Mr. Sullivan misrepresent your filed direct testimony in the Atmos case GR-2006-0387 in his rebuttal testimony?

A. Yes he does. For example at page 25, lines 1 through 9, Mr. Sullivan incorrectly restated Staff's filed testimony to state; "**In other words**, (emphasis added) Staff is accepting Atmos' depreciation study in its totality." Mr. Sullivan's statement is completely wrong, perhaps because he has not reviewed the Staff's testimony and did not participate in the prehearing negotiations and subsequently filed Partial Non-Unanimous Stipulation And Agreement. He has mischaracterized Staff's position.

A second mischaracterization is on page 25, lines 10 through 15, where Mr. Sullivan states that he is unclear if Staff performed a depreciation study in the Atmos case. Staff, in fact, did study the material information and determined the accuracy would be so poor as to invalidate any conclusions derived from Atmos' information.

Furthermore, at page 25, lines 16 through 20 and page 26, lines 1 through 9, the Company's witness accuses Staff of holding MGE to a different standard. Staff expects all utility companies to comply with the Commission rules. MGE, at its inception, failed to comply with the Commission rules as detailed in the direct testimony of Woodie C. Smith in Case No. GR-98-140 page 6, lines 17 through 21, page 7, and page 8, lines 1 through 19, attached Schedule GCG 2. The Company's failure to provide the Commission with data representing a complete depreciation picture has impaired both the Company's and the Staff's ability to perform a complete depreciation study.

Q. Does this conclude your prepared rebuttal testimony?

A. Yes, it does.

CASE PARTICIPATION
GUY C. GILBERT, MS, PE, RG

Date Filed Issue Case Number ExhibitCase Name
17-Jun-94 Modernization TO-93-309 Farber Telephone
17-Nov-95 Certificate (Sewer) - Case dismissed SA-94-54 Osage County Water (sewer)
01-Oct-94 Certificate GA-94-127 Southern MO Gas Co
12-Oct-94 Transfer of assets GM-94-252 Missouri Public Service
30-Aug-94 HB 360 & extr. ret. TAO 992 Holway Telephone
30-Aug-94 Extraordinary retirement amortization TAO 993 New Florence Telephone
03-Jan-95 Waiver from Rule GO-95-104 Fidelity Natural Gas
11-Jul-95 Purchase of GTE exchanges TM-95-134 Ozark Telephone
11-Jul-95 Purchase of GTE exchanges TM-95-135 BPS Telephone
11-Jul-95 Purchase of GTE exchanges TM-95-142 Modern Telecommunications
19-Sep-95 General rate case WR-95-145 St. Louis County Water
11-Jul-95 Purchase of GTE exchanges TM-95-163 Cass County Telephone
22-Mar-96 Certificate SA-96-40 Taneycomo Highlands (Sewer)
14-Feb-96 Certificate SA-96-91 S.T. Ventures (Sewer)
09-May-96 Certificate (Water & Sewer) WA-96-96 Emerald Pointe Utilities
24-Sep-96 Certificate GA-96-264 Ozark Natural Gas
31-Jul-96 General rate case (Water) WR-96-407 Taney County
16-Jan-96 Depreciation rates & amortization TAO 998 Fidelity Telephone
16-Jan-96 Depreciation rates & amortization TAO 999 Bourbeuse Telephone
31-Jan-96 Depreciation rates TAO 1001 Northeast Missouri Rural Tel
15-Nov-96 Variance from prior order GO-97-30 Southern Missouri Gas
12-Dec-96 HB360 rates TAO 1004 Kingdom Telephone
31-Jan-97 Extraordinary retirement of COE TAO 1005 Iamo Telephone
3/28/97 Depreciation of Plant EC97362 Direct UtiliCorp United Inc. d/b/a MO Public Service
3/28/97 Depreciation of Plant EO97144 Direct UtiliCorp United Inc. d/b/a MO Public Service
9/16/97 Depreciation of Plant ER97394 Direct Missouri Public Service, A Division of UtiliCorp United Inc.
9/30/97 Sale of Plant GM97435 Rebuttal Missouri Public Service, A Division of UtiliCorp United Inc.
10/17/97 Depreciation of Plant ER97394 Rebuttal UtiliCorp United Inc. d/b/a MO Public Service
11/21/97 Amortization of accounts, Depreciation, Depreciation Recommendations ER97394 Surrebuttal UtiliCorp United Inc. d/b/a MO Public Service
5/15/98 Depreciation GA98227 Rebuttal Ozark Natural Gas Company, Inc.
10/8/98 Depreciation of Plant EC98573 Direct St. Joseph Light and Power Company

11/30/98	Depreciation of Plant	WA97410	Rebuttal	George Hoesch
5/13/99	Depreciation of Plant	ER99247	Direct	St. Joseph Light & Power Company
5/13/99	Depreciation of Plant	EC98573	Direct	St. Joseph Light & Power Company
8/8/2000	Depreciation of Plant	GR2000512	Direct	Union Electric Company d/b/a AmerenUE

GUY C. GILBERT, MS, PE, RG
PROFESSIONAL EXPERIENCE
Linn State Technical College
Chair, Civil / Construction Engineering Management Technology Department
Director, Material and Safety Institute
2000 - 2004

Department Chair and faculty instructor for courses in civil engineering technology, construction methods and techniques, surveying, engineering economics, materials, material testing, estimating, scheduling and project management.
Direct and manage activities of the Material and Safety Institute that provides resources and training for business and industry in the areas of quarry/materials acceptance certification as mandated by the Federal Highway Administration and OSHA/MSHA safety training.

State of Missouri, Public Service Commission
Utility Regulatory Engineer I 1994 -2000

Prepare depreciation studies, cost studies, valuations and engineering analysis of utility assets. Conduct special projects in conjunction with the FCC and the FERC.

State of Illinois, Department of Energy and Natural Resources
Project Engineer 1991 - 1994

Managed Clean Coal Technology Demonstration projects; often in concert with U.S.DOE projects. Represented Illinois in over $1.1 billion of projects ranging from pre-combustion technologies to combustion and post combustion technologies. Performed cost benefit analysis of the environmental and economic impacts and procured benefits to the state.

CW3M Company, Inc.
Consulting Project Engineer 1993 –1994 (part time contract)

Conducted geotechnical evaluation of leaking underground storage tank sites. Designed equipment for containment and treatment of contaminated ground water.

Illinois Commerce Commission
Management Analyst 1988 – 1991

Managed consultant conducted comprehensive management audits of operational aspects of public utilities. Assessed least cost planning programs of public utilities and provided recommendations on risk assessment and cost estimating of various externalities. Have reviewed and provided recommendations to utilities within the management function areas of Operations, Operations Planning, Power Production (fossil and nuclear), Fuels Management (fossil and nuclear), Transmission and Distribution (electric and gas), Engineering and Construction (electric, gas, and telephone), Gas Supply, Network Operations Planning, Network Operations and Information Services.

Freeman United Coal Mining Company (General Dynamics)
Assistant to the Superintendent 1982 - 1987

Produced annual mining plans and budget for 2+ million ton per year underground mining facility. Assessed geologic aspects of the mine environment to optimize safety and productivity. Prepared economic feasibility studies and justification for new and alternative capital expenditures. Developed and implemented microcomputer based on site operations information systems encompassing maintenance, materials, manpower, and costs. Administered UMWA-BCOA Labor Agreement: grievance procedures, attendance control and benefits programs. Special projects involving production methods, structures, ventilation, and materials engineering. Provided certification of operating compliance with Federal and State regulations as required.

Peabody Coal Company
Coal Miner, UMWA 1976-1980

EDUCATION:

Bachelor of Science Economics, University of Missouri-Rolla
Advisory Board Member, Economics & Finance Department, University of Missouri-Rolla
Bachelor of Science Mining Engineering, University of Missouri-Rolla
National Science Foundation Research Grant participant (NSF GY 9841)
Master of Science, Career & Technology Education, Central Missouri State University
Graduate Speaker, Central Missouri State University
Outstanding Graduate Student Leadership Award, Central Missouri State University

CERTIFICATIONS:

by United States Department of Labor

Noise Level Testing
Dust Sampling
Dust Sampling Equipment Calibration
Electricity Low/Medium/High Voltage, Expired
Dam and Refuse Impoundment Inspector
Dam and Refuse Impoundment Inspection Instructor
OSHA Safety Instructor (10 & 30 Hour), Expired

by State of Missouri

State Board of Geologist Registration member

Registered Professional Engineer, No. EN 026908
Registered Professional Geologist, No. RG 0976
SAVE/SEMA Structural Inspector I
Vocational Teaching Certificate, No. 0238934
Department of Transportation, Trainer Certified Materials Technician Level 1
Department of Transportation, Trainer Certified Level 2 Aggregate
Department of Transportation, Trainer Certified Level 2 Soils
Department of Transportation, Trainer Certified Level 2 Concrete
Department of Transportation, Trainer Certified Profilograph

by State of Illinois

Mine Manager, No. 6634
Mine Examiner, No. 10324
Electrical Hoisting Engineer, No. 2427
Sewage Treatment Plant Operator, Class K
Industrial Wastewater Treatment Works Operator, Class K
State of Illinois Mine Rescue Team, Springfield Station, No. 2
Certified Benchman for Mine Rescue Equipment
Emergency Medical Technician-Ambulance, Expired

Continuing Education

Management Analyst Training
Basic Depreciation Concepts
Models Used In Life and Salvage Studies
Forecasting Life and Salvage
Advanced Topics in Analysis and Forecasting
Business and Technical Writing
Communicating Effectively
Auditing in Telecommunications
Introduction to EDP Auditing
Network Certification
Asbestos Training for Maintenance Employees, #40 CFR 763.92(a)(2)(i thru iv)
Red Cross First Aid Adult/AED/Child/Infant CPR Instructor, Expired
Redirecting Employee Performance
Basic Supervision
Humboldt Radiation Safety Training Class

Demonstration Projects
* Energy & Environmental Research Corporation - Hennepin Station (GR-SI)
* Energy & Environmental Research Corporation - City Water Light and Power

* Pircon-Peck Process - Western Illinois University
* Combustion Engineering - Integrated Gasification Combined Cycle (IGCC) - City Water, Light and Power Springfield
* Southern Illinois University Refurbishment Repowering Project
* Tecogen's Development and Testing of a Commercial Scale Coal-Fired Combustion System - Illinois Coal Development Park
* TCS Incorporated's Micronized Coal System at Rochelle Municipal Utilities
* IGT - Kerr-McGee MildGas
* Radian's Characterization of Disposed Wastes from Advanced Coal Combustion Residues

Investigations
* NovaCon Sorbent: U.S. DOE and EERC
* Sargent & Lundy Combustion 2000:
* Tecogen: moving bed copper oxide flue gas cleaning process
* Air Purification's RotorFilter Technology:
* Tampa Electric Company: Use of Illinois high sulfur coal

Management Audits
Central Illinois Light Company, Peoria, Illinois
Commonwealth Edison, Chicago, Illinois
GTE Telephone Company, Dallas, Texas
GTE Data Systems, Tampa Florida

A. For all but one account, the existing depreciation rates were prescribed by the Commission in Case No. GR-82-151, and are based on a simulated plant balance study conducted 16 years ago. In Case No. GR-96-285, the Commission prescribed a rate for only account 391.1, Computer Software. The Staff concern with the present situation is that a plant property database adequate for thorough actuarial analysis will not be generated for several years. The Staff believes the situation should be addressed before the estimated 30 years required for a reliable database to accumulate.

Q. What is the relationship between the plant property database and specific average service lives ?

A. For those accounts with hundreds or thousands of units of plant, there should be adequate retirement data maintained and available to calculate an average service life that represents a fair evaluation for plant in service in the account for a company of MGE's age and size. But MGE, or its predecessor, has failed to keep and maintain adequate records of retirements in a format that would allow a depreciation professional to study the plant life history to an extent that an average service life could be calculated in a reasonable period of time.

Q. Would you explain the concern you have about MGE's failure to keep and maintain adequate records of retirements?

A. Yes. The Commission has adopted accounting regulations prescribed by the Federal Energy Regulatory Commission in Commission rule 4 CSR 240-40.040. Section (3) of this rule states that the utility shall keep such records of property and property retirements as will reflect the service life of property which has been retired.... Service life is defined in 18 CFR Part 201, paragraph 20001, as "...the time between the date gas plant is includible in gas plant in service...and the date of its retirement."

Commission rule 4 CSR 240-40.040 (5) which states "Each gas corporation ... shall submit a ... database ... representing ... [a]nnual dollar additions and dollar retirements by vintage year and year retired, beginning with earliest year of available data....", supports the Staff's position that MGE is required to maintain and submit a retirement history database that may be studied to discern age characteristics of plant by various vintage groups and various experience groups. MGE has failed to maintain this database and therefore can not submit it to Staff.

Q. What conclusions were you able to draw when you attempted to analyze various vintages of plant placed in service before 1994?

A. I could not analyze the data and reach any conclusions because MGE has not maintained and submitted the data as required by Commission rules, in my opinion.

Q. Are you asserting that MGE or its predecessor failed to comply with Commission rule 4 CSR 240-40.040 (3) by not maintaining a retirement history database?

A. Based on discussions with MGE's plant accounting personnel, that is correct.

Q. Is there other information which supports your assertion that MGE or its predecessor failed to comply with Commission rule 4 CSR 240-40.040 (3) by not maintaining a retirement history database?

A. Yes. Data referenced in a Black and Veatch depreciation study which was provided to Staff by MGE in 1995. Black and Veatch reviewed retirement history data files which were prior to 1994. The Executive Summary of this study contained the statement "However, a sufficient retirement history did not exist to complete a study based on survivor curve analysis and other sources of data were inadequate to conduct a complete and reliable simulated plant balance analysis for each of the accounts."

Q. Did MGE and Staff discuss the retirement history database problem ?

A. Yes, in 1995, Staff, MGE personnel and Black and Veatch representatives reviewed the study and specifically, the database problems. This review was further documented by correspondence from MGE.

Q. What was Staff's understanding of the outcome of the meeting and correspondence?

A. Staff had the understanding, described to me as " a gentleman's agreement", that there would be no depreciation issues submitted by MGE until a sufficient database was assembled on a prospective basis.

Q. Did MGE have the same understanding of the outcome of the meeting and correspondence?

A. Apparently not. Only months later in a subsequent rate case(Case No. GR-96-285), MGE filed for a proposed depreciation rate change.

Q. Why is Staff concerned with the proposed depreciation rate changes in this instant case?