

*Exhibit No.:*  
*Issue:* *Depreciation*

*Witness:* *John A. Robinett*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Rebuttal Testimony*  
*Case No.:* *WA-2012-0066*  
*Date Testimony Prepared:* *May 11, 2012*

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**UTILITY SERVICES DEPARTMENT**

**ENGINEERING & MANAGEMENT SERVICES UNIT**

**REBUTTAL TESTIMONY**

**OF**

**JOHN A. ROBINETT**

**MISSOURI-AMERICAN WATER COMPANY**

**CASE NO. WA-2012-0066**

*Jefferson City, Missouri*  
*May 2012*

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**OF**  
**JOHN A. ROBINETT**  
**MISSOURI-AMERICAN WATER COMPANY**  
**CASE NO. WA-2012-0066**

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **JOHN A. ROBINETT**

4 **MISSOURI-AMERICAN WATER COMPANY**

5 **CASE NO. WA-2012-0066**

6 Q. Please state your name and business address.

7 A. John A. Robinett, P.O. Box 360, Jefferson City, Missouri 65102.

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

9 A. I am a Utility Engineering Specialist in the Engineering and Management  
10 Services Unit with the Missouri Public Service Commission (Commission).

11 Q. Are you the same John A. Robinett that contributed to the Staff Recommendation  
12 filed in this proceeding?

13 A. Yes, I am.

14 Q. What are your credentials as an expert in this case?

15 A. A list of my credentials and work history is attached as Schedule JARDEP-1 to  
16 this Rebuttal Testimony.

17 **PURPOSE AND SUMMARY**

18 Q. What is the purpose of your Rebuttal Testimony?

19 A. The purpose of my testimony is to present Staff's recommendation regarding the  
20 depreciation rates and depreciation filing requirements for Saddlebrooke.

21 Q. Please describe the contents of your Rebuttal Testimony.

1           A.     In my Rebuttal Testimony, I discuss the depreciation Staff's involvement with  
2 the case, the process used in determining depreciation rates for Saddlebrooke and Staff's  
3 recommendations regarding depreciation in this proceeding.

4     **BACKGROUND**

5           Q.     Did any depreciation Staff visit the facilities being acquired in this case?

6           A.     Yes. On August 30, 2011, Staff of the Engineering & Management Services Unit  
7 (Staff) were onsite at Saddlebrooke. While at Saddlebrooke, Staff spoke, toured, and took  
8 photos of the facilities with the developer, Mr. Clyde Lorange. During the tour, Staff visited the  
9 water tower, well house, and the sewer treatment facility. Staff saw but did not walk the  
10 drainage field. Staff also observed water line and hydrant installation in one of the communities  
11 of Saddlebrooke. The quality of the installed equipment and manner of installation was found  
12 to be better than expected for a small water and sewer company, and equivalent to the type and  
13 quality of plant and equipment observed by Staff during tours of Missouri-American Water  
14 Company's (MAWC or Company) existing facilities.

15          Q.     What was MAWC's initial request as it related to depreciation?

16          A.     In the initial filing on August 28, 2011, MAWC requested the water and sewer  
17 rates for Saddlebrooke be identical to the water and sewer rates for Roark Water and Sewer  
18 Company, which at the time of the initial filing was a newly acquired property of MAWC. Also  
19 at that time, MAWC was undergoing its first rate case involving the Roark systems it had  
20 recently acquired, Case No WR-2011-0337.

21          Q.     Since the initial application, has MAWC changed its position regarding  
22 depreciation?

1           A.     Yes. On December 22, 2011, MAWC filed a *Supplement to Application*, in which  
2 the Company requested that the depreciation rates for Saddlebrooke be the same as the  
3 depreciation rates that were ordered for Stonebridge (formerly Roark Water And Sewer, Inc.) on  
4 March 7, 2012 in Case No. WR-2011-0337.

5 **ESTABLISHMENT OF WATER AND SEWER DEPRECIATION RATES**

6           Q.     What was the process Staff used for prescribing the depreciation rates for the  
7 water and sewer utilities of Saddlebrooke?

8           A.     Staff assigned water and sewer depreciation rates identical to the depreciation  
9 rates initially ordered in WR-2010-0131 and reordered in MAWC's last rate case,  
10 WR-2011-0337, for all of MAWC's current water and sewer assets. While the depreciation rates  
11 are identical in those two cases, upon first glance they may appear to be different due to a  
12 discrepancy resulting from WR-2010-0131 and WR-2011-0337. After the conclusion of  
13 WR-2010-0131, Staff reviewed the Commission's orders issued in that case and noticed that  
14 sewer depreciation rate schedule lacked the general plant accounts. The Company and Staff  
15 expected the depreciation rates for the water general plant accounts rates prescribed in  
16 that 2010 case were the same general plant depreciation rates for sewer. Unfortunately,  
17 this understanding was not articulated in documents filed and the subsequent order approved  
18 by the Commission in WR-2010-0131. As a result, in the most recent rate case, WR-2011-0337,  
19 this discrepancy was corrected and the Commission approved depreciation rate schedules to show  
20 the general plant depreciation rates on both the water and sewer plant depreciation rate  
21 schedules.

22           MAWC's historical water plant retirement history has been used to conduct depreciation  
23 studies. The statistical analysis conducted in these studies incorporates all of MAWC's water

1 districts as one historical data base. The current ordered rates are a result of these studies.  
2 Future studies are expected to include the Saddlebrooke water assets, resulting in the  
3 Saddlebrooke assets being assigned depreciation rates consistent with the rest of the Company.  
4 It is reasonable to assume that MAWC will conduct operations at the Saddlebrooke location  
5 consistent with the overall Company, thus the expected, going forward depreciation rates  
6 recommended by Staff for these assets in this case are also consistent with the Company's  
7 current Commission-ordered rates.

8 MAWC sewer systems are all small sewer entities and have never been subject to a  
9 depreciation study. The ordered rates for MAWC's sewer entities are equivalent to standard  
10 depreciation rates that are regularly prescribed and ordered for small sewer companies, with the  
11 exception of the sewer general plant accounts. The general plant accounts for sewer have been  
12 assigned depreciation rates identical to the water general plant accounts. The general plant  
13 account assets for both water and sewer are often the same assets so it is logical for the  
14 depreciation rates to be identical; many of these assets are simply apportioned from corporate  
15 totals to all MAWC entities.

16 **RECOMMENDATIONS**

17 Q. What is Staff's recommendation regarding depreciation in this case?

18 A. Staff recommends that, upon acquisition of Saddlebrooke's water and sewer  
19 systems, MAWC should be required to include the Saddlebrooke system expenses into its books  
20 and records in accordance with the National Association of Regulatory Utility Commissioners  
21 Uniform System of Accounts (NARUC), including recording in the Company's general ledger  
22 adjustments for new capital items placed into service and recording the cost of removal and gross

Rebuttal Testimony of  
John A. Robinett

1 salvage for all replaced or retired plant assets. MAWC also must utilize a work order system to  
2 track material, labor, and overhead costs for this acquired system.

3 Staff recommends that MAWC adopt the existing depreciation rate schedules that were  
4 approved for MAWC water and sewer systems as ordered in Case No. WR-2011-0377. For  
5 clarification, copies of the depreciation schedules Staff proposes for water and sewer are  
6 attached as Schedules JARDEP-2 and JARDEP-3 to this Rebuttal Testimony and incorporated  
7 by reference herein.

8 Q. Does this conclude your Rebuttal Testimony?

9 A. Yes.

John A. Robinett

I am employed as a Utility Engineering Specialist II for the Missouri Public Service Commission (Commission). I began my employment with the Commission in April of 2010. In May of 2008 I graduated from the University of Missouri-Rolla (now Missouri University of Science and Technology) with a Bachelor of Science degree in Mechanical Engineering.

During my time as an undergraduate, I was employed as an engineering intern for the Missouri Department of Transportation (MODoT) in their Central Laboratory located in Jefferson City, Missouri for three consecutive summers. During my time with MODoT, I performed various qualification tests on materials for the Soil, Aggregate, and General Materials sections. A listing of duties and tests performed are below:

- Compressive strength testing of 4" and 6" concrete cylinders and fracture analysis
- Gradations of soil, aggregate, and reflective glass beads
- Sample preparations of soil, aggregate, concrete, and steel
- Flat and elongated testing of aggregate
- Micro-deval and LA testing of aggregate
- Bend testing of welded wire and rebar
- Tensile testing of welded wire, braided cable, and rebar
- Hardness testing of fasteners (plain black and galvanized washers, nuts, and bolts)
- Proof loading and tensile testing of bolts
- Sample collection from active road construction sites
- Set up and performed the initial testing on a new piece of equipment called a Linear Traverse / Image Analysis
- Wrote operators manual for the Linear Traverse / Image Analysis machine
- Trained a fulltime employee on how to operate the machine prior to my return to school
- Assisted in batching concrete mixes for testing, mixing the concrete, slump cone testing, percent air testing, and specimen molding of cylinders and beams

Upon graduation I accepted a position as an Engineer I in the Product Evaluation Group for Hughes Christensen Company, a division of Baker Hughes Inc. (Baker), an oil field service company. During my employment with Baker, I performed failure analysis on oil field drill bits as well as composed findings reports which were forwarded to the field engineers in order for them to report to the company the conclusions of the failure causes.



Listed below are the cases in which I have supplied depreciation rates accompanied by a signed affidavit.

<b>Company</b>	<b>Case Number</b>	<b>Issue</b>
Middle Fork Water Company	WR-2010-0309	Depreciation Review
KMB Utility Corporation (Water)	WR-2010-0345	Depreciation Review
KMB Utility Corporation (Sewer)	SR-2010-0346	Depreciation Review
Southern Missouri Gas Company	GR-2010-0347	Depreciation Review
Southern Missouri Gas Company	GE-2011-0096	Depreciation Study Waiver
Tri-States Utility, Inc. (Water)	WR-2011-0037	Depreciation Review
Rex Deffenderfer Enterprises, Inc. (Water)	WR-2011-0056	Depreciation Review
Empire District Electric (Electricity)	ER-2011-0004	Depreciation Study, Direct, Rebuttal & Surrebuttal testimony
TCUC Water <b>Sale</b> to Taney County Water	WM-2011-0143	Depreciation Rate Adoption
Noel Water <b>Sale</b> to Liberty Water	WO-2011-0328	Depreciation Rate Adoption
KMB Utilities W&S <b>Sale</b> to Liberty Water	WO-2011-0350	Depreciation Rate Adoption
Midland Water Company	WR-2012-0031	Depreciation Review
Sale of Saddlebrooke W&S Infrastructure LLC to MAWC	WA-2012-0066	Depreciation Rate Adoption
Sale of Saddlebrooke W&S Infrastructure LLC to MAWC	SA-2012-0067	Depreciation Rate Adoption- CCN
Taney County Water, LLC	WR-2012-0163	Depreciation Review- CCN
Canyon Treatment Facility, LLC	SA-2012-0219	Depreciation Rate Adoption- CCN

# MISSOURI AMERICAN WATER COMPANY - Saddlebrooke Water

## SCHEDULE of DEPRECIATION RATES Case WA-2012-0066

### DIVISIONS: Saddlebrooke Addition

NARUC USOA ACCOUNT NUMBER	ACCOUNT DESCRIPTION	% DEPRECIATION RATE	AVERAGE		% NET SALVAGE
			SERVICE LIFE (YEARS)	IOWA CURVE	
<b>Source of Supply</b>					
311.0	Structures & Improvements	2.36	55	R4	-30
312.0	Collecting & Impoundment Reservoirs	1.25	80	R2.5	0
313.0	Lake, River & Other Intakes	1.77	65	R1.5	-15
314.0	Wells & Springs	1.82	55	R2.5	0
315.0	Infiltration Galleries and Tunnels	1.67	60	R2.5	0
316.0	Supply Mains	1.79	70	R3	-25
317.0	Miscellaneous Source of Supply - Other	4.00	25	SQ	0
<b>Pumping Plant</b>					
321.0	Structures & Improvements	1.80	75	R2.5	-35
322.0	Boiler Plant Equipment	2.22	45	R4	0
323.0	Power Generation Equipment	2.00	50	R3	0
324.0	Steam Pumping Equipment	2.62	42	R1.5	-10
325.0	Electric Pumping Equipment	2.62	42	R1.5	-10
326.0	Diesel Pumping Equipment	2.62	42	R1.5	-10
327.0	Hydraulic Pumping Equipment	2.62	42	R1.5	-10
328.0	Other Pumping Equipment	2.62	42	R1.5	-10
<b>Water Treatment Plant</b>					
331.0	Structures & Improvements	1.69	80	R3	-35
332.0	Water Treatment Equipment	2.89	45	R2.5	-30
333.0	Miscellaneous Water Treat, Other	3.33	30	SQ	0
<b>Transmission and Distribution</b>					
341.0	Structures & Improvements	2.40	50	R2.5	-20
341.1	Structures & Improve - Special Crossing	N/A	N/A	N/A	N/A
342.0	Distribution Reservoirs & Standpipes	2.25	60	R3	-35
343.0,1,2,3	Transmission & Distribution Mains	1.39	90	R2.5	-25
344.0	Fire Mains	1.56	80	S1	-25
345.0	Customer Services	2.92	65	S0.5	-90
346.0	Customer Meters	2.40	40	R1	4
347.0	Customer Meter Pits & Installation	2.40	40	R1	4
348.0	Fire Hydrants	1.85	65	R1.5	-20
349.0	Misc Trans & Dist - Other	2.00	50	R3	0
<b>General Plant</b>					
390.0	Structures & Improve - Shop & Garage	2.40	50	R3	-20
390.9	Structures & Improve - Leasehold	5.00	20	R4	0
391.0	Office Furniture	5.00	20		0
391.1	Computer & Peripheral Equipment	20.00	5		0
391.2	Computer Hardware & Software	20.00	5		0
391.3	Other Office Equipment	6.67	15		0
392.1	Transportation Equipment - Light trucks	11.25	8	L1.5	10
392.2	Transportation Equipment - Heavy trucks	10.00	9	L2	10
392.3	Transportation Equipment - Autos	18.00	5	L2	10
392.4	Transportation Equipment - Other	5.67	15	S2.5	15
393.0	Stores Equipment	4.00	25		0
394.0	Tools, Shop, Garage Equipment	5.00	20		0
395.0	Laboratory Equipment	6.67	15		0
396.0	Power Operated Equipment	7.73	11	L1.5	15
397.1	Communication Equip - Non Telephone	6.67	15		0
397.2	Communication Equip - Telephone	10.00	10		0
398.0	Miscellaneous Equip	6.67	15		0
399.0	Other Tangible Equipment	5.00	20		0

**MISSOURI AMERICAN WATER COMPANY- Saddlebrooke Sewer  
SCHEDULE of DEPRECIATION RATES Case SA-2012-0067**

**DIVISIONS: Saddlebrooke Addition**

<u>NARUC ACCOUNT NUMBER</u>	<u>ACCOUNT DESCRIPTION</u>	<u>% DEPRECIATION RATE</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>	<u>Curves</u>	<u>% NET SALVAGE</u>
<b>COLLECTION PLANT</b>					
351	Structures & Improvements	2.50%	40		
352.1	Collection Sewers (Force)	2.00%	50		
352.2	Collection Sewers (Gravity)	2.00%	50		
353	Services To Customers	2.00%	50		
354	Flow Measuring Devices	3.33%	30		
356	Other Collection Equipment	2.00%	50		
<b>PUMPING PLANT</b>					
361	Structures & Improvements	2.50%	40		
362	Receiving Wells	4.00%	25		
363	Electric Pumping Equip, (Includes Generators)	10.00%	10		
364	Diesel Pumping Equipment	10.00%	10		
365	Other Pumping Equipment	10.00%	10		
<b>TREATMENT &amp; DISPOSAL PLANT</b>					
371	Structures & Improvements	2.50%	40		
372	Treatment & Disposal Equipment, (Includes pumps, blowers, generators)	5.00%	20		
373	Plant Sewers	2.00%	50		
374	Outfall Sewer Lines	2.00%	50		
<b>General Plant</b>					
390.0	Structures & Improve - Shop & Garage	2.40	50	R3	-20
390.9	Structures & Improve - Leasehold	5.00	20	R4	0
391.0	Office Furniture	5.00	20		0
391.1	Computer & Peripheral Equipment	20.00	5		0
391.2	Computer Hardware & Software	20.00	5		0
391.3	Other Office Equipment	6.67	15		0
392.1	Transportation Equipment - Light trucks	11.25	8	L1.5	10
392.2	Transportation Equipment - Heavy trucks	10.00	9	L2	10
392.3	Transportation Equipment - Autos	18.00	5	L2	10
392.4	Transportation Equipment - Other	5.67	15	S2.5	15
393.0	Stores Equipment	4.00	25		0
394.0	Tools, Shop, Garage Equipment	5.00	20		0
395.0	Laboratory Equipment	6.67	15		0
396.0	Power Operated Equipment	7.73	11	L1.5	15
397.1	Communication Equip - Non Telephone	6.67	15		0
397.2	Communication Equip - Telephone	10.00	10		0
398.0	Miscellaneous Equip	6.67	15		0
399.0	Other Tangible Equipment	5.00	20		0

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

In the Matter of Missouri-American Water )  
Company for a Certificate of Convenience and ) Case No. WA-2012-0066  
Necessity Authorizing it to Install, Own, )  
Acquire, Construct, Operate, Control, Manage ) Case No. SA-2012-0067  
and Maintain Water and Sewer Systems in )  
Christian and Taney Counties, Missouri )

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 May, 2012.

D. SUZIE MANKIN  
Notary Public - Notary Seal  
State of Missouri  
Commissioned for Cole County  
My Commission Expires: December 08, 2012  
Commission Number: 08412071

  
\_\_\_\_\_  
Notary Public