

Exhibit No.:
Issue(s): Depreciation
Witness: Amanda Coffe
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: GR-2022-0179
Date Testimony Prepared: August 31, 2022

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENGINEERING ANALYSIS DEPARTMENT

**DIRECT TESTIMONY
Revenue Requirement**

OF

AMANDA COFFER

SPIRE MISSOURI, INC., d/b/a Spire

CASE NO. GR-2022-0179

*Jefferson City, Missouri
August 2022*

1 **DEPRECIATION**

2 Q. What is depreciation?

3 A. Depreciation as applied to depreciable plant is defined as,

4 . . . the loss in service value, not restored by current maintenance,
5 incurred in connection with the consumption or prospective retirement
6 of utility plant in the course of service from causes which are known to
7 be in current operation and against which the utility is not protected by
8 insurance. Among the causes to be given consideration are wear and
9 tear, decay, action of the elements, inadequacy, obsolescence, changes
10 in the art, changes in demand, and requirements of public authorities.¹

11 Q. Did Spire submit its depreciation study, database, and property unit catalog in
12 accordance with 20 CSR 4240-40.090?

13 A. Yes. 20 CSR 4240-40.090(1)(B) requires that a gas utility shall submit its
14 depreciation study, database, and property unit catalog once every five (5) years, or upon
15 submission of a rate increase request if Commission Staff hasn't received these items from the
16 utility during the three (3) years prior. These items were submitted by Spire Missouri
17 during its last rate case, Case No. GR-2021-0108. Because these items were submitted less
18 than three (3) years ago, Spire Missouri was not required to submit them for this rate case.

19 Q. Did Staff perform a depreciation study in this case?

20 A. No. During Spire's last rate case, Case No. GR-2021-0108, Staff reviewed the
21 asset information submitted by Spire Missouri in order to calculate and recommend its own
22 depreciation rates to be used by Spire Missouri. The Commission adopted Spire Missouri's
23 2020 depreciation study, performed by Gannett Fleming Valuation and Rate Consultants, in its

¹ 18 CFR Part 101 Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to Provision of the Federal Power Act Definition 12.

1 November 12, 2021 Amended Report and Order, with modifications. The currently ordered
2 depreciation rates are included as Schedule AC-d2.

3 Q. Do you recommend any reserve balance adjustments in this case?

4 A. Yes.

5 Q. Please explain why you recommend reserve balance adjustments.

6 A. Utility companies utilize mass asset accounting in regulation, and due to this
7 some assets are retired before their useful life and others after. If assets are retired early or there
8 is miss-booking by the utility company, a negative reserve balance can occur. If these negative
9 reserve values are not moved or removed, the depreciation rate will not recover the value of the
10 assets prior to the asset being retired. Staff has therefore reallocated the negative reserve
11 balances for the following accounts into accounts that are capable of absorbing the deficit:

- 12 • Negative reserve balance for account 371 (other equipment-transmission plant)
13 absorbed into account 367 (structure and improvements-transmission plant)
- 14 • Negative reserve balance for account 391 (office furniture and equipment-
15 general plant) absorbed into account 391.1 (computers-general plant)
- 16 • Negative reserve balance for account 391.4 (data processing systems-general
17 plant) absorbed into account 391.3 (data processing software-general plant)

18 Q. Why are you recommending reallocation of the negative reserve balances rather
19 than removal?

20 A. Removing the negative reserve balances would mean removing the assets that
21 caused the negative balance and they would not be recovered. For these accounts, the balances
22 should be recovered, but they will not be unless the negative reserve balances are absorbed into
23 an account that has sufficient reserve balance capable of reserving the deficit.

1 Q. Are there any accounts with negative reserve balances for which you are not
2 recommending an adjustment? If so, why?

3 A. Yes. This is a change from Staff's recommendations in Spire's last rate case.
4 Accounts 376.2 and 391.2 both have negative reserve balances and Staff is not recommending
5 an adjustment for those accounts. These accounts were calculated using the remaining life
6 method and have higher depreciation rates. This means that these accounts will depreciate
7 faster, increasing the reserve balance more quickly and recovering the value of the asset prior
8 to the asset being retired.

9 Q. Staff is recommending a disallowance regarding meters due to premature
10 retirement of meters. Are the current depreciation rates for meters still just and reasonable
11 given the premature retirements?

12 A. Yes. Staff witness Claire M. Eubanks, PE is recommending a disallowance of
13 a percentage of the smart meter account and of the associated smart meter installation costs
14 from June 1, 2021 to May 31, 2021 because these installations resulted in the replacement of
15 diaphragm meters that were less than 10 years old, and the replacement of some meters that had
16 no documented age. The current depreciation rates were set during Spire's last rate case,
17 Case No. GR-2021-0108, in which the Commission adopted Spire's depreciation study and
18 rates, and were based on the depreciation study performed by Gannett Fleming Valuation and
19 Rate Consultants in 2020. As previously stated, Spire submitted its depreciation study,
20 database, and property unit catalog less than three (3) years ago and was not required to
21 resubmit for this rate case. In the absence of any new data, the current depreciation rates remain
22 just and reasonable.

1 **CONCLUSION**

2 Q. What does Staff propose in this case for depreciation?

3 A. Staff proposes that the Commission order the continued use of the current
4 depreciation rates, as ordered in Case No. GR-2021-0108. These rates are included in
5 Schedule AC-d2. Staff also recommends the following adjustments to reserve balances:

- 6 • Negative reserve balance for account 371(other equipment-transmission plant)
7 absorbed into account 367(structure and improvements-transmission plant)
- 8 • Negative reserve balance for account 391(office furniture and equipment-
9 general plant) absorbed into account 391.1(computers-general plant)
- 10 • Negative reserve balance for account 391.4(data processing systems-general
11 plant) absorbed into account 391.3(data processing software-general plant)

12 Q. Does this conclude your direct testimony?

13 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Spire Missouri, Inc. d/b/a)
Spire's Request for Authority to Implement) Case No. GR-2022-0179
a General Rate Increase for Natural Gas)
Service Provided in the Company's)
Missouri Service Areas)

AFFIDAVIT OF AMANDA COFFER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW AMANDA COFFER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony of Amanda Coffe*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

Amanda Coffe
AMANDA COFFER

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 26th day of August 2022.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070

D Suzie Mankin
Notary Public

Amanda Coffey

Present Position:

I am an Associate Engineer in the Engineering Analysis Department, of the Industry Analysis Division of the Missouri Public Service Commission.

Educational Background and Work Experience:

I received my Bachelor of Science in Chemical Engineering from the University of Missouri in 2012. I was employed by the Missouri Department of Natural Resources as an Environmental Engineer from 2015 through 2018. I have been employed by the Commission since 2018.

Case History:

Case Number	Utility	Type	Issue
EC-2020-0252	Evergy West	Electric	Formal Complaint
EO-2019-0315	KCPL	Electric	RES Compliance Report
EO-2019-0317	KCPL	Electric	RES Compliance Plan
EO-2019-0396	City of Gallatin	Electric	Addendum to Territorial Agreement
EO-2020-0060	Farmers' Electric	Electric	Territorial Agreement
EO-2020-0329	Evergy Metro	Electric	RES Compliance
EO-2020-0331	Evergy Metro	Electric	RES Compliance
EO-2020-0341	Evergy Metro	Electric	Vegetation Management Report
EO-2020-0342	Evergy West	Electric	Vegetation Management Report
EO-2021-0001	Empire	Electric	Reliability Compliance Report
ET-2021-0082	Ameren	Electric	Surge Protection Program
SA-2019-0161	United Services	Sewer	Depreciation
SR-2019-0157	S.K.&M.	Sewer	Depreciation
EA-2020-0371	Ameren	Electric	CCN Application Requirements
EO-2021-0163	SEMO	Electric	Change of Supplier
EO-2021-0345	Evergy Metro	Electric	RES Compliance
EO-2021-0346	Evergy West	Electric	RES Compliance
EO-2021-0347	Evergy Metro	Electric	RES Compliance
EO-2021-0348	Evergy West	Electric	RES Compliance

cont'd Amanda Coffey

Case Number	Utility	Type	Issue
SA-2022-0014	Elm Hills	Sewer	Depreciation
SA-2022-0029	Mid Mo Sanitation	Sewer	Depreciation
EE-2022-0074	Ameren	Electric	Variance Request
WA-2021-0391 / SA-2021-0392	Missouri-American Water	Water/Sewer	Depreciation
WA-2022-0049	Missouri-American Water	Water/Sewer	Depreciation
ER-2021-0240	Ameren	Electric	Rate Case
ER-2021-0312	Empire	Electric	Rate Case
ER-2022-0129	Evergy	Electric	Rate Case – Green Pricing Plan

Spire Missouri
GR-2021-0108
Depreciation Rates

Account Number	Account Description	Average Service	Net Salvage	Depreciation Rate
PRODUCTION PLANT				
304	LAND AND LAND RIGHTS	0	0	0.00
305	STRUCTURES AND IMPROVEMENTS	65	-15	1.77
307	OTHER POWER EQUIPMENT	55	-5	1.91
311	PROPANE EQUIPMENT - GAS OPERATIONS	40	-5	2.62
311.1	PROPANE STORAGE CAVERN - GAS OPS	75	-5	1.40
UNDERGROUND GAS STORAGE				
350.1	LAND - UG STORAGE	0	0	0.00
350.2	RIGHTS OF WAY - UG STORAGE	0	0	1.25
351.2	STRUCTURES & IMPR. - COMPRESSOR STATION	55	-10	2.00
351.4	STRUCTURES & IMPR. - OTHER STRUCTURES	55	-10	2.00
352	WELLS	90	-10	1.22
352.1	STORAGE LEASEHOLDS AND RIGHTS	0	0	1.11
352.2	RESERVOIRS	90	0	1.11
352.3	NON-RECOVERABLE NATURAL GAS	90	0	1.11
352.4	WELLS - OIL AND VENT GAS	55	-20	2.18
353	LINES	80	-25	1.56
354	COMPRESSOR STATION EQUIPMENT	55	-10	2.00
355	MEASURING AND REGULATING EQUIPMENT	55	-5	1.91
356	PURIFICATION EQUIPMENT	50	-10	2.20
357	OTHER EQUIPMENT - UG STORAGE	25	-5	4.20
OTHER STORAGE				
360	LAND AND LAND RIGHTS - OTHER STORAGE	0	0	0.00
361	STRUCTURES AND IMPR. - OTHER STORAGE	0	0	0.00
362	GAS HOLDERS	0	0	0.00
363	COMPRESSOR EQUIPMENT OTHER STORAGE	0	0	0.00
TRANSMISSION PLANT				
365.2	RIGHTS OF WAY - TRANSMISSION	0	0	0.00
367	STRUCTURES AND IMPR. - TRANSMISSION	80	15	2.00
371	OTHER EQUIPMENT - TRANSMISSION	50	-5	2.10
DISTRIBUTION PLANT				
374	LAND - DIST PLANT	0	0	0.00
374.2	Land & Land Rights	0	0	0.00
375.1	STRUCTURES AND IMPR. - DIST	50	-20	2.40
375.2	STRUCTURES AND IMPR. - SERVICE CENTERS	50	-20	2.40

375.21	STRUCTURES AND IMPR. - LEASED PROPERTY	0	0	0.00
375.3	STRUCTURES AND IMPR. - GARAGE	50	-20	2.40
	STRUCTURES AND IMPR. - OTHER SMALL			
375.41	STRUCTURES	50	-20	2.40
375.7	STRUCTURES AND IMPR. - MONAT	50	-20	2.40
376.1	MAINS - STEEL	80	-60	2.00
376.2	MAINS - CAST IRON	80	-150	12.35
376.3	MAINS - PLASTIC	75	-40	1.87
378	MEASURING & REG. STA EQUIP - GENERAL	45	-40	3.11
379	MEASURING & REG. STA EQUIP - CITY GATE	45	-20	2.66
380.1	SERVICES- STEEL	46	-110	4.50
380.2	SERVICES - PLASTIC	43	-70	3.96
381	METERS	35	3	2.77
381.1	smart meters	20	0	5.00
382.1	smart meter installations	20	0	5.00
383	HOUSE REGULATORS	50	0	2.00
385	COMMERCIAL AND IND. MEAS. AND REG. EQUIP.	45	-10	2.44
386	OTHER PROPERTY - CUSTOMER PREMISES	15	0	2.73
387	OTHER EQUIPMENT - DIST	50	-10	2.20

GENERAL PLANT

389	LAND - GENERAL PLANT	0	0	0.00
390.1	STRUCTURES - LEASED - GO	0	0	0.00
390.2	LH IMPROVEMENTS 700 MARKET	0	0	0.00
390.3	STRUCTURES - LEASED - ST CHARLES	0	0	0.00
390.7	STRUCTURES - GEN PLANT - MONAT	40	0	2.73
390.71	STRUCTURES - LEASED - MONAT	0	0	0.00
390.81	STRUCTURES - LEASED - FRANKLIN COUNTY	0	0	0.00
391	OFFICE FURNITURE AND EQUIPOMENT	20	0	4.71
391.1	COMPUTERS	5	0	5.47
391.2	MECHANICAL OFFICE EQUIPMENT	15	0	12.12
391.3	DATA PROCESSING SOFTWARE	5	0	9.89
391.4	DATA PROCESSING SYSTEMS	5	0	9.89
391.5	ENTERPRISE SOFTWARE - EIMS	0	0	0.00
391.95	EIMS - SHARED SERVICES	0	0	0.00
392.1	TRANSPORTATION EQUIPMENT - AUTOS	8	20	10.00
392.2	TRANSPORTATION EQUIPMENT - TRUCKS	11	15	7.69
393	STORES EQUIPMENT	30	0	2.16
394	TOOLS, SHOP AND GARAGE EQUIPMENT	25	0	3.62
394.5	equip cng fuel station	0	0	3.62
395	LABORATORY EQUIPMENT	20	0	3.62
396	POWER OPERATED EQUIPMENT	14	15	6.07
396.1	POWER OPERATED EQUIPMENT - T	14	15	6.07
397	COMMUNICATION EQUIPMENT	15	0	5.81
397.2	COMMUNICATION EQUIPMENT - AMRS	8.0	0	13.33
398	MISCELLANEOUS EQUIPMENT	20	0	4.58