

Exhibit No.:
Issue: Depreciation
Witness: Arthur W. Rice, PE
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: SR-2013-0016
Date Testimony Prepared: March 28, 2013

MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

UTILITY SERVICES

DIRECT TESTIMONY

OF

ARTHUR W. RICE, PE

EMERALD POINTE UTILITY COMPANY

CASE NO. SR-2013-0016

Jefferson City, Missouri
March 2013

1 division. The processes revolved around manufacturing, installation and operation of gas
2 separation equipment for oil refineries, chemical plants and natural gas processing.

3 From 1972 to 1977, I was employed by General Electric Company as a tool and die
4 maker. The facility I worked at produced power, distribution and pole transformers, plus
5 electrical switch gear, surge arrestors and electrical connectors.

6 From 1966 to 1972, I was trained and employed by the U.S. Navy as a nuclear propulsion
7 plant operator, plant water chemist, and radiological controls specialist. I was qualified in
8 submarines and served 3 ½ years on a nuclear submarine.

9 Q. What has been the nature of your duties with the Commission?

10 A. From April 2008 to present, my duties include providing expert witness testimony
11 regarding the assessment and development of appropriate regulatory depreciation rates and
12 accounting treatment of plant and equipment installed and/or contributed, retired, or transferred
13 to water, sewer, electric and natural gas companies' regulatory operations.

14 Q. Have you previously filed testimony before this Commission?

15 A. Yes. A list of cases in which I have filed testimony before this Commission is
16 attached as Schedule 1 to my direct testimony.

17 Q. With reference to Case No. SR-2013-0016, have you participated in the
18 Commission Staff's (Staff) audit of Emerald Pointe Utility Company (Company) concerning its
19 request for a rate increase in this proceeding?

20 A. Yes, I have, with the assistance of other members of the Staff.

21 **EXECUTIVE SUMMARY**

22 Q. What is the purpose of this testimony?

23 A. The purpose of this testimony is to identify the subject matter in this case for
24 which I am serving as the Staff's expert witness.

1 **ISSUE**

2 Q. What sections of the Company/Staff Partial Agreement filed on March 14, 2013,
3 did you contribute?

4 A. Attachment D, Schedule of Depreciation rates, and Attachment I, Treatment of
5 Plant Retirement Depreciation Reserves. Attachment I describes Staff's recommended
6 accounting treatment for the retirement of the Emerald Pointe waste water treatment facility and
7 associated outfall sewer line. Attachment I includes recommended actions to address stranded
8 accumulated depreciation reserves and stranded accumulated amortizations of Contributions in
9 Aid of Construction (CIAC) that resulted from these retirements.

10 **CORRECTIONS TO ATTACHMENT D**

11 Q. Do you have corrections or omissions to your section of the Company/Staff
12 Partial Agreement you would like to address?

13 A. Yes. A depreciation rate was omitted from the Schedule of Depreciation Rates
14 included as Attachment D to the Company/Staff Partial Agreement. A depreciation rate for
15 account 354 (Flow Measuring Devices) was inadvertently left off the depreciation schedules.
16 Schedule 2 to this Direct Testimony has been revised to include a depreciation rate of 3.3% for
17 account 354.

18 Q. Do you have any other clarifications to you would like to make?

19 A. No.

20 Q. Does this end your testimony?

21 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Request for an)
Increase in Sewer Operating Revenues of) Case No. SR-2013-0016
Emerald Pointe Utility Company)
)

AFFIDAVIT OF ARTHUR W. RICE, PE

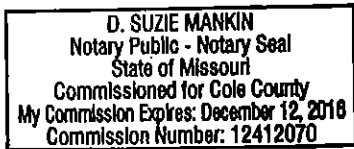
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

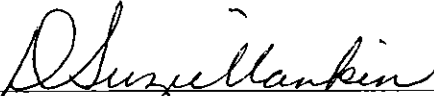
Arthur W. Rice, PE, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 3 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by him; that he has 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.



ARTHUR W. RICE, PE

Subscribed and sworn to before me this 28th day of March, 2013.





Notary Public

**CASE PARTICIPATION of
Arthur W. Rice**

Case/Tracking Number	Company Name - Issue
SR-2008-0388	WPC Sewer, Depreciation Review
SR-2008-0389	West 16Th Street, Depreciation Review
WA-2008-0403	Seges Mobile Home Park, Depreciation Assignment
WR-2009-0098	Raytown Water Company, Depreciation Review
SR-2009-0144	Cannon Home Assoc. Depreciation Review
WR-2009-0145	Peaceful Valley Service Co., Depreciation Review
SR-2009-0146	Peaceful Valley Service Co., Depreciation Review
WR-2009-0218	Terre Du Lac Utilities Corp., Depreciation Review
SR-2009-0219	Terre Du Lac Utilities Corp., Depreciation Review
WR-2009-0227	Lakeland Heights Water, Depreciation Review
WR-2009-0228	Wispering Hills Water, Depreciation Review
WR-2009-0229	Oakbrier Water Company, Depreciation Review
SR-2009-0226	R. D. Sewer Company, Depreciation Review
GA-2009-0264	Missouri Gas Utilities, Depreciation Assignment
WA-2009-0316	Highway H Utilities, Depreciation Assignment
SA-2009-0317	Highway H Utilities, Depreciation Assignment
SA-2009-0319	Mid Mo Sanitation LLC, Depreciation Assignment
SR-2009-0298	Port Perry Service Company, Depreciation Review
WR-2009-0299	Port Perry Service Company, Depreciation Review
SA-2009-0401	Seges Mobile Home Park, Depreciation Assignment
SR-2009-0392	Highway H Utilities, Depreciation Review
WR2009-0393	Highway H Utilities, Depreciation Review
WR-2009-0418	Gladlo Water and Sewer, Depreciation Review
SR-2009-0419	Gladlo Water and Sewer, Depreciation Review
WR-2009-0395	Noel Water Co., Depreciation Review
ER-2010-0036	AmerenUE, Staff Expert for Depreciation
SR-2010-0095	Mid Mo Sanitation LLC, Depreciation Review
WR-2010-0139	Valley Woods Water Company, Depreciation Review
SR-2010-0140	Valley Woods Water Co., Depreciation Review
WA-2010-0281	Holtgrewe Farms Water, Depreciation Assignment
SA-2010-0282	Holtgrewe Farms Sewer, Depreciation Assignment
WR-2010-0304	Raytown Water Company, Depreciation Review
WR-2010-0309	Middlefork Water, Depreciation Review
ER-2010-0355	KCP&L - Staff Expert for Depreciation
ER-2010-0356	KCP&L - GMO, Staff Expert for Depreciation
WR-2011-0337	Missouri American Water - Staff Expert For Depreciation
SR-2011-0338	Missouri American Water - Staff Expert For Depreciation
EO-2912-0340	KCP&L - Depreciation Authority Order
EO-2912-0354	KCP&L - Transmission Line Sale
SA-2012-0362	Emerald Pointe CCN -Staff Expert for Depreciation
WR-2012-0405	Raytown Water Company, Staff Expert for Depreciation
ER-2012-0174	KCP&L - Staff Expert for Depreciation
ER-2012-0175	KCP&L GMO - Staff Expert for Depreciation
WR-2013-0259	Gladlo - Staff Expert for Depreciation
SR-2013-0258	Gladlo - Staff Expert for Depreciation

Emerald Pointe Utility Company SEWER COMPANY
SCHEDULE of DEPRECIATION RATES (Dated 3/20/2013)
(SEWER)
SR-2013-0016

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE	AVERAGE SERVICE LIFE (YEARS)	NET SALVAGE
311	Structures & Improvements	3.0%	37	-10%
COLLECTION PLANT				
352.1	Collection Sewers (Force)	2.0%	50	0%
352.2	Collection Sewers (Gravity)	2.0%	50	0%
354	Flow Measuring Equipment	3.3%	30	0%
PUMPING PLANT				
362	Receiving Wells	4.0%	26	-5%
363	Electric Pumping Equipment	10.0%	10	0%
TREATMENT & DISPOSAL PLANT				
373	Treatment & Disposal Facilities	4.5%	24.5	-10%
375	Outfall Sewer Lines	2.0%	50	0%
GENERAL PLANT				
390	Structures & Improvements	2.9%	38	-10%
391	Office Furniture & Equipment	5.0%	20	0%
391.1	Office Electronic & Computer Equip.	14.3%	7	0%
392	Transportation Equipment	13.0%	7	9%
393	Stores Equipment	4.0%	25	0%
394	Tools, Shop, Garage Equipment	5.0%	20	0%
395	Laboratory Equipment	5.0%	20	0%
396	Power Operated Equipment	6.7%	13	13%
397	Communication Equipment	6.7%	15	0%

The above recommended depreciation rates are based on Staff's review of the Company's operation and records.