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**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**ENGINEERING ANALYSIS UNIT**

**SURREBUTTAL TESTIMONY**

**OF**

**JOHN A. ROBINETT**

**MISSOURI-AMERICAN WATER COMPANY**

**CASE NO. WR-2015-0301**

*Jefferson City, Missouri*  
*March 2016*

**TABLE OF CONTENTS OF  
SURREBUTTAL TESTIMONY  
OF  
JOHN A. ROBINETT  
MISSOURI-AMERICAN WATER COMPANY  
CASE NO. WR-2015-0301**

1	
2	
3	
4	
5	
6	
7	Rate Base, Utility Plant in Service and CIAC rates discussed by Mr. Wright ..... 2
8	Business Transformation (BT) Depreciation Rate - Expected Life ..... 5
9	Remaining Life ..... 10
10	Parkville Remaining Life ..... 13
11	General Plant Amortization..... 17
12	General Plant Amortization – Amortization Adjustment..... 20
13	Ozark Meadows Sewer Reserve Issue ..... 21
14	Staff Recommendations ..... 21

1   **SURREBUTTAL TESTIMONY**

2   **OF**

3   **JOHN A. ROBINETT**

4   **MISSOURI-AMERICAN WATER COMPANY**

5   **CASE NO. WR-2015-0301**

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 Analysis Unit,  
10 Commission Staff Division with the Missouri Public Service Commission (“Commission” or  
11 “PSC”).

12          Q.     Please describe your work and educational background.

13          A.     A copy of my work and educational experience was provided in Appendix 1 of  
14 Staff’s Cost of Service Revenue Requirement Report.

15          Q.     Are you the same John A. Robinett that contributed to the Staff Cost of Service  
16 Report and filed Rebuttal Testimony in this proceeding?

17          A.     Yes, I am.

18          Q.     How is your testimony organized?

19          A.     I will discuss Missouri-American Water Company’s (MAWC) request for  
20 General Plant Amortization that is sponsored by MAWC witness Mr. John J. Spanos, the  
21 accounting for the Business Transformation (BT) system discussed by MAWC witness  
22 Mr. Gary M. VerDouw in his direct testimony that MAWC witness Mr. Donald J. Petry has  
23 adopted and in his own rebuttal testimony. I will also address the testimony of MAWC

1 witness Mr. Todd P. Wright with regard to the following issues: negative reserve balances  
2 that are reflected on MAWC's books and records at several MAWC districts, water and sewer  
3 Contributions in Aid of Construction ("CIAC"), depreciation rates, and depreciation of  
4 non-depreciable plant Land and Land Rights.

5 **Rate Base, Utility Plant in Service and CIAC rates discussed by Mr. Wright**

6 Q. Do you agree with Mr. Wright's criticism of Staff not using January 31, 2016,  
7 as the basis for the direct case?

8 A. No. Staff must use known and measurable items. Staff is aware of certain  
9 projects that MAWC filed as part of this case that had not occurred by September 30, 2015.  
10 At the time of the December direct filing, Staff had only pro-forma/estimated plant and  
11 reserves for January 31, 2016. Staff received true-up data on February 19, 2016, that included  
12 an additional \$63 million in plant-in-service above the pro-forma Company direct filing. Staff  
13 has made updates to account for this true-up data.

14 Q. Does Staff agree with Mr. Wright regarding Staff's issue with utility plant-in-  
15 service allocations?

16 A. No. Staff needs a better breakdown of what the allocations represent and how  
17 they should be depreciated. Currently, in workpaper CAS-4, the only general plant allocations  
18 for sewer companies are for transportation equipment. Further, looking at Mr. Spanos'  
19 depreciation study and Mr. Wright's claims that MAWC is using the same account numbers  
20 for transparency,<sup>1</sup> Staff sees discrepancies between account numbers for water assets and  
21 sewer assets in the general plant accounts, as shown in the following table:

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<sup>1</sup> Wright Rebuttal, p. 3, lines 14 through 16.

Surrebuttal Testimony of  
John A. Robinett

1

General Plant Account Discription	NARUC USOA 1973 Account number Class A Water	MAWC Water Account Number Schedule JJS-1	NARUC USOA 1976 Account Number Class A Waste Water	MAWC Waste Water Account Number Schedule JJS-2
Land and Land Rights	389		389	
Structures and Improvements	390	304.61, 304.7, 304.8	390	354.4.5
Office Furniture and Equipment	391	340.1, 340.2, 340.3, 340.5	391	390.0, 390.2
Transportation Equipment	392	341.1, 341.2, 341.3, 341.4	392	391
Stores Equipment	393	342	393	392
Tools, Shop, Garage Equipment	394	343	394	393
Laboratory Equipment	395	344	395	394
Power Operated Equipment	396	345	396	395
Communication Equipment	397	346.1, 346.2	397	396
Miscellaneous Equipment	398	347	398	397
Other Tangible Property	399	348	399	N/A

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Water accounts are in the white section, and sewer accounts are in the gray section of the table. MAWC should be using the National Association of Regulatory Utility Commissioners (“NARUC”) Uniform System Of Accounts (USOA) account numbers, listed in the left-hand columns for water and sewer, respectively. Instead, MAWC is using the account numbers in the right-hand columns above, which do not match the NARUC USOA account numbers and do not match between the water and sewer accounts, despite Mr. Wright’s indication in his rebuttal testimony that they would match. Staff witness Lisa M. Ferguson discusses additional information related to issues with MAWC regarding NARUC USOA.

Q. Does Staff agree with statements made by Mr. Wright regarding CIAC and CIAC depreciation rates?

A. No. Staff has not yet reviewed the true-up data regarding CIAC to determine if the current CIAC depreciation rates are in line with the ordered depreciation rates for the

Surrebuttal Testimony of  
John A. Robinett

1 assets they represent.<sup>2</sup> However, Mr. Wright’s rebuttal testimony indicates that these rates  
2 have been corrected in the true-up data provided on February 19, 2016. Staff plans to study  
3 the true-up data to see if these errors have been corrected and will file True-Up Direct  
4 testimony to address this issue if necessary.

5 Q. What are Staff’s recommendations regarding items discussed by Mr. Wright?

6 A. Staff recommends that MAWC apply the depreciation rate ultimately decided  
7 in this case for water assets to the CIAC account it represents (i.e., Customer services, Meter  
8 Installations, Meters, Mains, etc.).

9 Staff also recommends that Sewer CIAC rates be the depreciation rates ultimately  
10 decided in this case for sewer plant that they represent (i.e., force mains, gravity mains, etc.).

11 Q. Did the true-up data that MAWC provided solve Staff’s issues with plant  
12 booked in water accounts for sewer districts?

13 A. No. It appears that the true-up information has caused even more problems.  
14 Staffs analysis of MAWC’s updated reply to Data Request No. 0173 yielded the following  
15 issues:

- 16 • The St. Louis Metro District (a water district) contains plant  
17 balances in USOA accounts 352.2 Collection Sewers-Gravity,  
18 372 Oxidation Lagoon (sewer-only plant accounts), and 393  
19 where the account is titled “WW Stores Equipment” (a sewer-  
20 only account). The balances add to a total of \$25,847.
- 21 • Every sewer district shows a balance in accounts 341 Structures  
22 and Improvements, 343.1 Transmission and Distribution Mains  
23 < 4”, and 343.2 Transmission and Distribution Mains 6”-8”  
24 (water-only accounts). Sewer District 1715 also shows balances

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<sup>2</sup> There are no ordered CIAC rates. Instead, generally accepted practice is for companies to use the ordered depreciation rate for an asset as the CIAC accrual rate for that asset. MAWC accrued water CIAC assets at the correct rate based on the appropriate depreciation rates. However, as of the time of direct filing in this case, MAWC used the same water depreciation rates for sewer CIAC accrual rates. Sewer assets have a different depreciation rate and therefore should have different CIAC accrual rates.

1 in accounts 321 Structures and Improvements and 325 Electric  
2 Pumping Equipment (water-only accounts).

- 3 • Every water and sewer district has at least one USOA account  
4 carrying a negative reserve balance. Accounts 313, 322, 324,  
5 330, 332.4, 346.2, 393, and 399 all carry negative balances of  
6 reserve when all districts are combined.

7 MAWC's proposal to include sewer plant balances and corresponding reserve balances in the  
8 determination of water district rates and including water plant balances and corresponding in  
9 sewer districts is entirely inappropriate. The initial issue seems to only be growing, counter to  
10 what was stated by Mr. Wright.

11 **Business Transformation (BT) Depreciation Rate - Expected Life**

12 Q. Does MAWC address your concerns raised in your Direct Testimony, p.63,  
13 lines 4 through 15 related to the BT system?

14 A. No. Mr. Spanos' and Mr. Petry's testimonies do not address the booking of  
15 the original cost in accounts not identified in Paragraph 19 of the *Non-Unanimous Stipulation*  
16 *and Agreement* approved by the Commission in Case No. WR-2011-0337. Mr. Spanos'  
17 rebuttal at page 37, lines 2 through 18, and Mr. Petry's rebuttal at page 21, line 6, to page 22,  
18 line 18, address the life issue for the BT system. Mr. Spanos makes the statement that the  
19 rates were agreed upon in the last case until further understanding of the software application  
20 was known. The only further understanding that is now known comes from Mr. Spanos' claim  
21 in his rebuttal testimony at page 37 that three other American Water entities have approved a  
22 10% rates for their piece of the BT system. Mr. Petry on page 22 of his rebuttal testimony  
23 provides insight in that Systems, Applications and Products ("SAP") announced an extension  
24 of mainstream maintenance to 2025 from 2020 so the useful life of the SAP platform abruptly  
25 ends when maintenance is no longer mainstream.

1 Q. Specifically, what does paragraph 19 of the *Non-Unanimous Stipulation and*  
2 *Agreement* in MAWC Case No. WR-2011-0337 require from MAWC?

3 A. Paragraph 19 addressed Special Accounting Requirements for the BT system.  
4 Specifically, the stipulation and agreement stated and required the following:

5 MAWC herewith withdraws its Business Transformation  
6 System (BTS) AAO request. Staff will add a new subaccount,  
7 (Account 391.4 BTS Initial Investment) to the Staff-  
8 recommended depreciation schedules (shown in the Staff  
9 Report Cost of Service Appendices, Schedules AR-1 and AR-  
10 2), for both water and sewer assigning a 5% depreciation rate  
11 for the BTS software and hardware capital investments  
12 expected to be placed in-service in 2012 and 2013. MAWC  
13 shall conduct a depreciation study as described in Paragraph 16,  
14 above. This subaccount 391.4 will accrue depreciation expense  
15 for the BTS system at a 5% depreciation rate until the  
16 Commission orders a different depreciation or amortization  
17 treatment for these assets. No Party is bound to recommend this  
18 rate in a future proceeding and this Agreement does not address  
19 the prudence of investment or amount of investment.  
20 Accounting treatment for BTS assets prior to their in-service  
21 date will be in accordance with the following language included  
22 in the Stipulation and Agreement filed in MAWC's last rate  
23 case (WR-2010-0131):

24 Costs associated with the CPS and Business Transformation  
25 Project [BTS] shall be accounted for on the books of the  
26 Company as construction work in progress (CWIP). In  
27 accordance with the National Association of Regulatory  
28 Utility Commissioners (NARUC) 1973 Uniform System of  
29 Accounts, as revised July 1976, Accounting Instruction No.  
30 3 Subpart (17), the Company shall accrue allowance for  
31 funds used during construction (AFUDC) on the related  
32 CWIP balances at the Company's monthly calculated  
33 AFUDC rate. The Company shall transfer the CWIP  
34 balances to Utility Plant in Service when in-service in  
35 accordance with the NARUC Uniform System of Accounts  
36 and, beginning in the month immediately following transfer,  
37 shall record depreciation thereon at the appropriate  
38 Commission approved depreciation rate. Nothing in this  
39 Agreement shall be considered finding by the Commission  
40 or agreement of the Signatories as to the reasonableness,



1                   prudence or future regulatory ratemaking of the expenditures  
2                   involved.

3 Paragraph 16 referenced above from the stipulation and agreement stated the following:

4                   MAWC will conduct a depreciation study and submit this study  
5                   to the Commission as part of direct testimony for its next  
6                   general rate case. The depreciation study shall include a case  
7                   study that uses the remaining life method and the life span  
8                   technique for the Platte County (a.k.a. Parkville) water  
9                   treatment facility for projected retirement date or dates  
10                  proposed by MAWC and Staff. MAWC shall invite Staff to  
11                  actively participate in this depreciation study. As recommended  
12                  in the Staff's Cost of Service report and Rebuttal Testimony of  
13                  Arthur Rice filed in WR-2011-0337, MAWC shall conduct a  
14                  depreciation study for submission to the Commission. These  
15                  prior testimony recommendations are modified by this  
16                  Agreement to include Staff's review of Continuing Property  
17                  Records (CPR) as follows:

18                  At a minimum of sixty (60) calendar days prior to MAWC or  
19                  a consultant running any computer runs within this  
20                  depreciation study, MAWC shall invite Staff to participate in  
21                  the definition of the retirement history to be included, the  
22                  source of the historical records used in this depreciation  
23                  study, and the choices of case study parameters, methods and  
24                  techniques to be used. The depreciation study subsequently  
25                  provided to the Commission shall include all case study runs  
26                  agreed upon between Staff and the Company, including any  
27                  applicable distinctions in treatment among different  
28                  Company tariff districts.

29                  Q.       What is Staff's issue with MAWC's recommendation for the BT system to be  
30                  amortized over 10 years as found in Mr. Spanos' depreciation study as referenced by  
31                  Mr. VerDouw in direct testimony at page 22, lines 5 through 9?

32                  A.       Staff's first issue use is that there is no support supplied in testimony for the  
33                  10-year amortization period for the BT system. It appears to be arbitrarily chosen based on  
34                  knowledge Mr. Spanos had from other American Water entities that was stated in rebuttal  
35                  after Staff raised the issue in direct.

1 MAWC proposes to apply the General Plant Amortization method to the BT system.  
2 This recommendation also calls for no salvage or cost of removal component.

3 Like any major facility, Staff is aware there will be subsequent upgrades and  
4 potentially interim retirements of pieces of the system. MAWC states the “mainstream  
5 maintenance” has been extended through 2025. Each of the three components of the  
6 BT system already has 2-3 years of life as of this case filing, so by the end of the  
7 “mainstream maintenance” extension, they all will exceed the MAWC proposed 10-year life.

8 Q. Does Mr. Spanos’ information related to BT system give Staff any concerns?

9 A. Yes. At page 37 of his rebuttal, Mr. Spanos states he knows of three other  
10 American Water entities that have agreed to a 10-year amortization period.

11 Q. Why do Mr. Spanos’ statements cause concern for Staff?

12 A. Staff asked three data requests related to depreciation rates for other  
13 American Water jurisdictions. MAWC objected to these data requests, stating that the rates  
14 for other American Water jurisdictions are irrelevant to this case and much of the information  
15 is beyond MAWC’s possession, custody, and control. Staff takes issue with the fact that  
16 Mr. Spanos now uses the rates for other American Water jurisdictions to support his  
17 recommendation for a 10-year amortization period. Staff Data Request No. 0378 asked  
18 the following,

19 Please provide the ordered depreciation rates for the  
20 jurisdictions other than Missouri in which American Water  
21 operates water and sewer facilities.

22 Staff Data Request No. 0379 asked for the following information,

23 Please provide the State Jurisdictions where general plant  
24 amortization has been approved for American Water. Where  
25 general plant amortizations have been approved, please provide  
26 the accounts and ordered amortization periods.

1 Staff Data Request No. 0380 asked,

2 Please provide the State Jurisdictions where Remaining Life  
3 Depreciation Accrual has been approved for American Water.  
4 Please provide the State Jurisdictions where Remaining Life  
5 Depreciation Accrual has been requested for American Water.

6 All three of these data requests were objected to, and the objection letter is attached as  
7 Schedule JAR(DEP) – s1.

8 MAWC objects to this data request for the following reasons:  
9 a) the responsive information is neither relevant to the subject  
10 proceeding nor reasonably calculated to lead to the discovery of  
11 admissible evidence; b) the request is unduly burdensome and  
12 overbroad; c) the request seeks information about companies  
13 that are not regulated by the Missouri Public Service  
14 Commission; and, d) much of the information is beyond  
15 MAWC's possession, custody, and control.

16 This information would have provided additional understanding of how other entities  
17 were handling or deciding on life characteristics of the BT System. MAWC's consultant  
18 apparently did have this information and was likely the witness in those other jurisdiction for  
19 American Water.

20 Q. Does Staff have concerns about MAWC's system to replace the BT?

21 A. Yes. MAWC does not have a system to replace the BT, which indicates to  
22 Staff that MAWC does not actually anticipate only a 10-year life for the BT. As discussed in  
23 Mr. VerDouw's direct filing, in 2008 and 2009 a team completed a comprehensive review of  
24 an old stand-alone system that was ultimately replaced by the BT. In-service dates for the  
25 three components of the BT range from 2012 to 2013. As of the current date, systems are  
26 3-4 years old. With a 10-year life, one should expect the process of replacement to have  
27 begun. This is clearly not the case, as evidenced by MAWC's response to Data Request

1 No. 0395 provided by Mr. Petry. In his answer, Mr. Petry states that MAWC does not  
2 anticipate replacing SAP as the enterprise platform.

3 Accordingly, Staff does not foresee MAWC replacing the BT after the 10-year life  
4 period the Company indicates it has. Staff recommends a 20-year life, as agreed upon in  
5 paragraph 19 of the Stipulation in WR-2011-0337. This would amount to a lower rate, over a  
6 longer recovery period.

7 Q. Is Staff aware of other regulated entities in the State that have a depreciation  
8 rate ordered for systems similar to MAWC's BT system?

9 A. Yes. The only case related to this topic to go to hearing before this  
10 Commission was Case No. GO-2012-0363, in which Laclede filed for a depreciation authority  
11 order for its new enterprise management software and hardware.

12 Laclede's system is similar to the BT in this case because it involves integrated  
13 components that are able to communicate with one another to run all of the functions of the  
14 company.

15 Q. As a result of Case No. GO-2012-0363, how is Laclede handling or deciding  
16 on life characteristics of its enterprise management software and hardware?

17 A. The Commission ordered a 15-year life with a 5% cost of removal component,  
18 which yields a 7% annual depreciation rate. This was the position proposed by Staff and  
19 supported by Laclede's witness Mr. Spanos.

20 **Remaining Life**

21 Q. Does Staff have an issue with the use of Life Span or Remaining Life methods  
22 of depreciation?

1           A.     No. The Commission ruled in ER-2010-0036 that Life Span depreciation was  
2 an acceptable method for use by electric companies in the State of Missouri. Staff continues  
3 to recommend using this method because of direction from the Commission in that case.

4           Q.     What is Staff's issue with Mr. Spanos' depreciation studies?

5           A.     Staff has 3 issues with the depreciation studies performed on behalf of MAWC  
6 by Mr. Spanos. First, the depreciation studies for MAWC's water and sewer systems are  
7 inconsistent. The sewer plant was all in one pot, by account, without accounting for different  
8 districts, much like you would see for mass property. There are no individual district or  
9 facility retirement dates for sewer like there are for water. Second, Mr. Spanos claims he has  
10 done a remaining life study consistent with how he would perform a study for electric  
11 companies. This would not make sense, because in electric utilities, the individual facilities  
12 are not tied to individual customers. Customers could be receiving electricity from any  
13 facility across the state or outside the state. In a water utility, customers receive service from  
14 individual facilities in the service territories for those customers. Finally, for water  
15 depreciation rates, Mr. Spanos aggregates treatment facilities to get an overall rate for  
16 MAWC. Mr. Spanos is very critical of Staff recommending mass property but he seems to use  
17 mass property characteristics for his remaining life / life span method. Under the remaining  
18 life / life span method, Mr. Spanos would have recommended a remaining life on a particular  
19 unit/facility, stating that all of the assets at that unit/facility would be retired at the same time,  
20 regardless of when they had been put into service. That recommendation would result in  
21 numerous rates. In this case, he calculated a remaining life of individual accounts for  
22 all districts as Staff would expect under the remaining life / life span method, but he

1 then performed a weighted average to come up with a single rate to accommodate  
2 MAWC's request.

3 Q. Do you agree with Mr. Spanos' characterization that the Whole Life/ Mass  
4 Property method may cause over- or under- collection of reserves?

5 A. Yes. Assets may live longer or shorter than the average service life for an  
6 account on which a depreciation rate is calculated. Periodic reviews are necessary to adjust  
7 rates up or down based on life history of a given account.

8 Accounts may over or under accrue, as assets may be retired early or may exceed their  
9 expected life. Historical data should be analyzed for indications that plant is useful longer or  
10 shorter than previously estimated, and adjustments should be made to rates to account for the  
11 new estimates of useful life. Upon Commission order, reserves can be transferred between  
12 accounts as an option to correct any imbalance that may have occurred. Mr. Spanos is correct  
13 that the method will not identify any over or under recovery. It takes an expert to find and  
14 recommend reserve adjustments.

15 Q. Did Mr. Spanos raise any issues with negative rate base or negative reserves?

16 A. No. Mr. Spanos did not raise an issue with negative rate base or negative  
17 reserves because he looked at MAWC water and sewer on a "total company basis." Larger  
18 districts like St. Louis Metro, Joplin, or St. Joseph plant and reserves easily covered any  
19 negative reserve or negative rate base that may have been occurring at the small water  
20 facilities. However, as part of the true-up plant and reserve information received, every water  
21 and sewer district has at least one account carrying a negative reserve balance. Accounts 313,  
22 322, 324, 330, 332.4, 346.2, 393, and 399 all carry negative balances of reserve when all  
23 districts are combined. Mr. Spanos also did not analyze the district specific effects of his

1 recommended retirements, nor did MAWC, as the Company indicated in its response to Staff  
2 Data Request No. 0176.

3 Q. On page 14 of his rebuttal testimony, Mr. Spanos critiques Staff for applying a  
4 single average service life for all assets in an entire facility. Did Staff apply a single average  
5 service life for all assets in a given account (i.e. Structures and Improvements Water  
6 Treatment SAP account 304.3)?

7 A. Yes. Staff as an example applied a single average service life for  
8 account 304.3. That account includes structures for Corporate, St. Joseph, St. Louis,  
9 Warrensburg, Joplin, St. Charles, Jefferson City, Brunswick, Maple/River/Stone, Tri-states  
10 and Parkville. Previously ordered depreciation rates were set based on the historical data of  
11 additions to plant and the interim retirements occurring at all of these facilities.

12 Q. Is Mr. Spanos' example singling out the Parkville structures in the  
13 same account on pages 14 and 15 of his rebuttal testimony reflective of his recommendation  
14 in this case?

15 A. No. Mr. Spanos in this case is not recommending 54 rates for the 54 different  
16 vintages of plant for one account for one facility. Mr. Spanos in fact is recommending a  
17 consolidated rate based on the individual analysis of the weighted expected life of other  
18 districts' structures for the one account to be used for all facilities.

19 **Parkville Remaining Life**

20 Q. Does Staff Agree with Mr. Spanos' treatment of Life Span and remaining life  
21 on the Parkville Water Treatment Facility?

22 A. No. If Mr. Spanos' recommendation was a true remaining life rate, the time to  
23 collect would be approximately two years, based on MAWC's recommended retirement date

1 of 2018 for the Parkville facility. However, his recommendation does not reflect this 2-year  
2 remaining life. Rather, he recommends a rate based on a five-year remaining life.

3 This inconsistency between the projected retirement of the Parkville Facility and the  
4 recommended rate draws into question whether MAWC is truly going to retire the facility at  
5 the height of need in May of 2018. Data Request No. 0358 response indicated Parkville is  
6 being rolled up with other facilities and not being applied a remaining life independently for  
7 its accounts.

8 Q. Does Staff know if the facility in Parkville will retire at the end of May  
9 of 2018?

10 A. No. Although MAWC has indicated the Parkville facility will retire at the end  
11 of May 2018, there are numerous indicators otherwise, which are addressed in the questions  
12 that follow.

13 MAWC has indicated that its only Missouri facility nearing the end of its useful life is  
14 the Parkville Water Treatment Facility. As a result, MAWC is planning for the facility's  
15 retirement and plans to build a new facility in its place. In Case No. WR-2011-0337, MAWC  
16 witness Mr. Kevin Dunn testified that the current Parkville facility was expected to retire in  
17 May of 2018.<sup>3</sup> In Mr. Dunn's testimony page 19, he indicated "The building of a new water  
18 treatment plant on a new site could take 5-6 years to purchase land, obtain funding and proper  
19 permitting of the plant and site, thus fitting the 2018 retirement date."

20 Q. Has land been purchased or final designs been approved for the new  
21 Parkville facility?

22 A. No. Staff submitted Data Request No. 0472 on February 25, 2016, requesting  
23 an update of the progress on plans and land acquisition for the new facility. Staff does not

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<sup>3</sup> WR-2011-0337 EFIS Item No. 8, pages 16-19.



1 anticipate an answer regarding Parkville until after the filing of this testimony. At the time of  
2 Staff's facility tour on October 12, 2015, which is half-way into the 5-6 year window to build  
3 a new facility by summer 2018, the plant manager indicated land had not been purchased and  
4 no final design had been approved. In addition to land purchase and design approval, MAWC  
5 would need time to construct the facility and put it in service. Based on the current status of  
6 the facility and Mr. Dunn's testimony about the process in Case No. WR-2011-0337, the  
7 timeline would indicate that the facility's completion and operational status is still 5-6 years  
8 from now.

9 Q. What is Staff's issue with applying Remaining Life to the Parkville facility?

10 A. In Case No. WR-2011-0337, Mr. Dunn discussed two separate and distinct  
11 studies, the first of which was performed by Burns and McDonnell in 2000. This study  
12 estimated the useful remaining life of the Parkville facility in 2000 to be ten years. Had the  
13 Commission approved Remaining Life in 2000, five years of additional accrual would have  
14 taken place as of the current date, with two and a half years of life still remaining until the  
15 facility's actual planned retirement. The other study indicated in Mr. Dunn's testimony from  
16 WR-2011-0337 was conducted in 2008, two years prior to the projected retirement date of the  
17 Burns and McDonnell study. The 2008 study was performed in-house and indicated that the  
18 plant would retire in 2018.

19 Remaining Life's appropriate accrual rate is highly dependent on the ultimate  
20 retirement date selected by the Company. The Company is incentivized to select an earlier  
21 retirement in order to recover more quickly and improve cash flow. As discussed above, the  
22 Parkville Facility has a history of extending its extended retirement date.

1 Q. What if MAWC's Parkville account reserves are not adequate to cover the  
2 retirement and cost-of-removal of the Parkville facility?

3 A. If the Parkville account reserves are inadequate to cover retirement and cost-  
4 of-removal, the Commission should order transfer of excess reserves existing at other  
5 facilities or accounts to cover any deficient Parkville subaccount.

6 Another option would be to set up an amortization to cover what was not accrued.  
7 Using this option, ratepayers who did not receive the benefit of the facility could be paying  
8 the excess reserves.

9 Q. When would that reserve transfer take place?

10 A. If necessary to cover a deficiency, this transfer would take place after the  
11 treatment facility is removed from service and disposed of, the actual retired equipment  
12 identified, and the cost of removal and salvage amounts are known.

13 Q. Has the Commission ordered MAWC to utilize state-wide depreciation rates  
14 for its multiple districts?

15 A. Yes. Depreciation rates for MAWC have been consistent across all districts  
16 since the Commission ordered depreciation rates, effective January 1, 2008, in Case No.  
17 WR-2007-0216.

18 Q. Is the use of existing over-accruals to mitigate potential reserve shortfalls  
19 appropriate where MAWC uses state-wide depreciation rates?

20 A. Yes.

21 Q. Why?

22 A. All of the depreciation expense dollars collected are booked to account 108 the  
23 NARUC USOA account for accumulated provision for depreciation of utility plant in service.

1 **General Plant Amortization**

2 Q. Has Staff previously used or stipulated to General Plant Amortization for  
3 electric utilities?

4 A. Yes. Staff stipulated to General Plant Amortization for Union Electric  
5 Company d/b/a Ameren Missouri in Case Nos. ER-2012-0166 and ER-2014-0258,  
6 Kansas City Power & Light Company in Case Nos. ER-2010-0355, ER-2012-0174,  
7 and ER-2014-0370, and KCP&L Greater Missouri Operations Company in Case Nos.  
8 ER-2010-0356 and ER-2012-0175.

9 Q. Why was Staff willing to move to General Plant Amortization for those  
10 utilities?

11 A. Like in the last two MAWC cases, Staff had issues finding plant items that  
12 were in the continuing property record. The move to General Plant Amortization forced the  
13 retirements of tens of millions of dollars at these companies that had been on the books for  
14 many years more than their useful life.

15 MAWC retired a large amount of property in 2014 before filing this case, so the move  
16 to General Plant Amortization is unnecessary for this case.

17 Q. Does Staff agree with the benefits of General Plant Amortization discussed on  
18 page 32 beginning at line 9 of Mr. Spanos' rebuttal testimony?

19 A. No. Mr. Spanos listed five benefits of General Plant Amortization. Staff does  
20 not agree with all of these statements, nor does Staff agree that all of these items are  
21 necessarily benefits.

22 1. The depreciation expense for each asset class will not likely be stable  
23 over time. The only way expense is stable over time is if the exact same amount is  
24 added to plant each year. It is up to MAWC when to invest in equipment. Some years

1 will have larger investments than others, so yearly expense will vary. However, the  
2 rate at which it is recovered will not change under MAWC's proposal for General  
3 Plant Amortization treatment.

4 2. The recovery of assets will not change once the amortization period is  
5 approved because this method eliminates the need for historical analysis. The only  
6 way to get it changed is if MAWC does a regional analysis. A historical analysis of  
7 the data will only point to the approved rate and life going forward.

8 3. Once MAWC gets the depreciation reserves set at the appropriate  
9 amount in the account to balance the over- and under-accruals, there should be no  
10 need for an adjustment going forward. However, that does not preclude MAWC from  
11 coming in for a rate case to increase its rate base when the balances in those accounts  
12 are the highest.

13 4. Staff agrees that General Plant Amortization forces retirements of  
14 dollars associated with plant once it reaches full accrual, so only the exact cost of the  
15 asset will be recovered. It does not, however, force retirements of the assets  
16 themselves. Although Mass Asset / Whole Life may allow for over- or under- accrual  
17 of costs for individual assets, the dollars are all tracked, and the total account is a  
18 "living account" which balances any over- or under-accruals over time. Adjustments  
19 can be made during the lives of the assets to account for these over- or under- accruals.  
20 It would be up to an expert to determine how adjustments should be made.

21 5. Staff disagrees that the elimination of the need for extensive record  
22 keeping is a benefit, because it threatens the ability to perform prudence reviews, as  
23 discussed below.

1 Q. Does Staff agree with Mr. Spanos' characterization that the General Plant  
2 Amortization method ensures that assets are retired at the end of their assigned life?

3 A. No. General Plant Amortization retires dollars, not assets. It eliminates  
4 extensive recordkeeping by not requiring the dollars to be tracked by retirement unit; only the  
5 dollars themselves are being tracked to a vintage period. The assets may still be in service at  
6 end of the vintage period.

7 Q. Was the use of the Mass Property method of depreciation the reason assets  
8 were on the books longer than truly utilized?

9 A. No. The lack of internal inventory records and internal plant audits or reviews  
10 caused assets to remain on the books past the end of their useful lives.

11 Q. Does Staff have additional concerns about MAWC's proposal for General  
12 Plant Amortization accounting?

13 A. Yes. General Plant Amortization threatens Staff's ability to perform prudence  
14 reviews of plant added into these accounts because it only requires booking a yearly total of  
15 assets going into service per account. It does not necessarily require booking the original  
16 costs of individual assets or their associated retirements. Retirement units are essential to  
17 understanding what assets are booked to certain accounts. This would give a breakdown of  
18 how the Company spends its dollars and therefore enable a review for reasonableness and  
19 prudence. It would also help Staff to determine if assets are being correctly booked according  
20 to the NARUC USOA.

21 Q. Did MAWC recommend retirements as part of its direct case?

22 A. Yes. In the depreciation study, Mr. Spanos indicated plant-in-service on the  
23 total company level that would need to be retired since it reached full accrual status under the

1 General Plant Amortization request proposal. MAWC and its consultant did not analyze the  
2 retirement effects on the district level, as indicated by its response to Staff Data Request  
3 Nos. 0175 and 0176. Mr. Spanos did not allocate retirements to individual districts, nor did  
4 he analyze if the allocation of retirements would cause reserves in an account to go negative.  
5 Instead, Mr. Spanos recommended total company retirement values.

6 Q. What would Staff recommend the Commission do in order to alleviate  
7 concerns related to prudence in the general plant accounts, if the use of General Plant  
8 Amortization is granted to MAWC?

9 A. If the Commission approves MAWC's request for General Plant Amortization,  
10 Staff recommends the Commission order MAWC to continue specifying the original cost and  
11 associated retirement units for all additions to the accounts where General Plant Amortization  
12 accounting treatment will occur.

13 **General Plant Amortization – Amortization Adjustment**

14 Q. If the Commission approves the General Plant Amortization method  
15 recommended by MAWC, does the Staff recommend any adjustments be made to mitigate the  
16 concerns identified above?

17 A. Yes. Staff has made adjustments related to General Plant Amortization  
18 to guide the Commission in the event it approves MAWC's recommendation as part of the  
19 direct filing.

20 Q. Does Staff have adjustments that will need to be removed from the  
21 amortization adjustment at time of true-up of this case?

1           A.     Yes. Due to the timing of this case, the true-up will encompass the pro forma  
2 amortization adjustments previously discussed. The only adjustments that remain will be the  
3 retirements of fully accrued plant as of January 1, 2016.

4           Q.     What is Staff's recommendation for adjustments if the Commission approves  
5 the Mass Property method recommended by Staff in this case?

6           A.     If the Commission approves Staff's recommended use of Mass Property, it  
7 should look at Staff's true-up filing, in which all adjustments from direct have been removed  
8 regarding retirements and amortization adjustments.

9           **Ozark Meadows Sewer Reserve Issue**

10          Q.     Does the issue related to Ozark Meadows sewer still exist in the True-up data  
11 provided by MAWC?

12          A.     Yes. Ozark Meadows has a negative reserve balance, which means retirements  
13 have exceeded the rate of depreciation expense accrual.

14          Q.     What does Staff recommend to correct this issue?

15          A.     To correct this issue, because sufficient value is not available in this district to  
16 correct the reserve by transferring within the district, Staff recommends a positive \$23,555  
17 reserve adjustment to be applied to NARUC USOA Account 362, Receiving Wells.  
18 This reserve adjustment will be a rate base offset;

19          Q.     What does Staff request the Commission order?

20          A.     Staff requests the Commission authorize MAWC to amortize the rate base  
21 offset of \$23,555 over a five-year period.

22           **Staff Recommendations**

23          Q.     What are Staff's Recommendations for depreciation related issues in this case?

Surrebuttal Testimony of  
John A. Robinett

- 1           A.     Staff recommends the following related to depreciation and reserve issues:
- 2                     1. Continued use of the ordered depreciation rates from Case No.
- 3                     WR-2011-0337 and the use of Mass Property Depreciation Rates for the
- 4                     General Plant accounts.
- 5                     2. Adjustments to correct negative reserve balances for accounts in numerous
- 6                     water and sewer districts that are shown in Staff's Accounting Schedules
- 7                     filed in Direct Testimony.
- 8                     3. Staff requests the Commission authorize MAWC to amortize the rate base
- 9                     offset of \$23,555 over a five-year period for Ozark Meadows district.
- 10                    4. Staff recommends the Commission order MAWC to use CIAC rates for the
- 11                    Water and Sewer districts that are the ordered depreciation rates for the
- 12                    assets that CIAC represents.
- 13            Q.     Does this conclude your surrebuttal testimony?
- 14            A.     Yes.



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

In the Matter of Missouri-American Water            )  
Company's Request for Authority to Implement    )  
a General Rate Increase for Water and Sewer    )  
Service Provided in Missouri Service Areas      )                    Case No. WR-2015-0301

**AFFIDAVIT OF JOHN A. ROBINETT**

STATE OF MISSOURI    )  
                                  )                    ss.  
COUNTY OF COLE     )

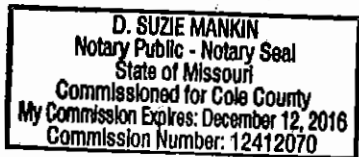
**COMES NOW JOHN A. ROBINETT** and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing **SURREBUTTAL TESTIMONY**; and that the same is true and correct according to his best knowledge and belief.

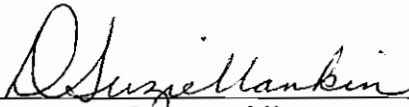
Further the Affiant sayeth not.

  
\_\_\_\_\_  
**JOHN A. ROBINETT**

**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   3<sup>rd</sup>   day of March, 2016.



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

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December 28, 2015

**VIA ELECTRONIC MAIL**

Mr. Kevin Thompson  
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**RE: Case No. WR-2015-0301**  
**Missouri Public Service Commission**

Dear Kevin:

We are in receipt of Data Requests from the Staff of the Missouri Public Service Commission (Staff) related to the above-referenced case that were served on December 17, 2015.

This letter should be considered an objection on behalf of Missouri-American Water Company (MAWC) to the identified data requests, in accordance with Commission Rule 4 CSR 240-2.090(2), for the reasons described in the following paragraphs.

**DR 0378** – DR 0378 requests that MAWC *provide the ordered depreciation rates for the jurisdictions other than Missouri in which American Water operates water and sewer facilities.*

MAWC objects to this data request for the following reasons: a) the responsive information is neither relevant to the subject proceeding nor reasonably calculated to lead to the discovery of admissible evidence; b) the request is unduly burdensome and overbroad; c) the request seeks information about companies that are not regulated by the Missouri Public Service Commission; and, d) much of the information is beyond MAWC's possession, custody, and control.

**DR 0379** – DR 0379 requests that MAWC *provide the State Jurisdictions where general plant amortization has been approved for American Water and where general plant amortizations have been approved, to provide the accounts and ordered amortization periods.*

Mr. Kevin Thompson  
Missouri Public Service Commission  
Page 2 of 2  
December 28, 2015

MAWC objects to this data request for the following reasons: a) the responsive information is neither relevant to the subject proceeding nor reasonably calculated to lead to the discovery of admissible evidence; b) the request is unduly burdensome and overbroad; c) the request seeks information about companies that are not regulated by the Missouri Public Service Commission; and, d) much of the information is beyond MAWC's possession, custody, and control.

**DR 0380** – DR 0380 requests that MAWC *provide the State Jurisdictions where Remaining Life Depreciation Accrual has been approved for American Water and the State Jurisdictions where Remaining Life Depreciation Accrual has been requested for American Water.*

MAWC objects to this data request for the following reasons: a) the responsive information is neither relevant to the subject proceeding nor reasonably calculated to lead to the discovery of admissible evidence; b) the request is unduly burdensome and overbroad; c) the request seeks information about companies that are not regulated by the Missouri Public Service Commission; and, d) much of the information is beyond MAWC's possession, custody, and control.

If you have any questions, please contact me.

BRYDON, SWEARENGEN & ENGLAND P.C.

By: 

Dean L. Cooper

Cc: Timothy Luft  
Counsel for Parties to WR-2015-0301