

*Exhibit No.:*  
*Issues:*      *Depreciation*  
                    *Cost of Removal*  
*Witness:*      *Rosella L. Schad, PE*  
*Sponsoring Party:*      *MoPSC Staff*  
*Type of Exhibit:*      *Supplemental Direct*  
                                    *Testimony*  
*Case No.:*      *GR-99-315*  
*Date Testimony Prepared:*      *August 20, 2004*

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**SUPPLEMENTAL DIRECT TESTIMONY**

**OF**

**ROSELLA L. SCHAD, PE**

**LACLEDE GAS COMPANY**

**CASE NO. GR-99-315**

*Jefferson City, Missouri*  
*August 2004*

**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of Laclede Gas Company's )  
Tariffs to Revise Natural Gas Rate )  
Schedules. )

Case No. GR-99-315

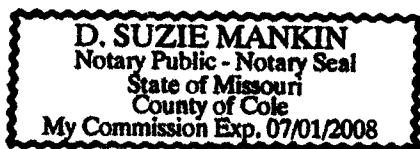
**AFFIDAVIT OF ROSELLA L. SCHAD, P E**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

Rosella L. Schad, P E, being of lawful age, on her oath states: that she has participated in the preparation of the following supplemental direct testimony in question and answer form, consisting of 3 pages to be presented in the above case; that the answers in the following supplemental direct testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

Rosella L. Schad, P.E.  
Rosella L. Schad, P E

Subscribed and sworn to before me this 20<sup>th</sup> day of August 2004.



D. Suzie Mankin  
Notary

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1                                   **SUPPLEMENTAL DIRECT TESTIMONY OF**

2                                   **ROSELLA L. SCHAD, PE**

3                                   **LACLEDE GAS COMPANY**

4                                   **CASE NO. GR-99-315**

5           Q.     Please state your name and business address.

6           A.     My name is Rosella L. Schad, P.O. Box 360, Jefferson City, MO 65102.

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

8           A.     I am employed by the Missouri Public Service Commission (PSC or  
9 Commission) as an Engineer in the Engineering and Management Services Department.

10          Q.     Please describe your educational training and professional background.

11          A.     I received a Bachelor of Science degree (1978) in Mechanical Engineering  
12 from the University of Missouri-Columbia. I received a Masters of Public Administration  
13 degree with an emphasis in Public Management in 2004 from the University of Missouri-  
14 Columbia. I am a Licensed Professional Engineer in the State of Missouri. I am a member  
15 of the National Society of Professional Engineers and the Society of Depreciation  
16 Professionals. I was employed by Union Electric (now AmerenUE) as an Engineer Intern  
17 during the summer of 1977. I was employed as a Mechanical Engineer by Union Electric in  
18 its Nuclear Construction Department from 1978 to 1980. I have been with the Missouri  
19 Public Service Commission's Staff since 1999. In my current position I have completed  
20 training in depreciation concepts, attended numerous industry seminars for electric, natural  
21 gas, telecommunications, water, and wastewater and made on-site tours of many of the  
22 electric, natural gas, telecommunications, water, and wastewater utilities operating in the  
23 State of Missouri.

Supplemental Direct Testimony

Rosella L. Schad

1 Q. Please describe your duties while employed by the Commission.

2 A. I am responsible for engineering analyses and depreciation rate determinations  
3 of companies regulated by the Commission.

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

5 A. Yes. As shown in Schedule 1, attached to my testimony, is a list in which I  
6 have previously filed testimony and the issues that I addressed.

7 **DEPRECIATION**

8 Q. Please state the purpose of your testimony in this case.

9 A. The purpose of my testimony in this case is to adopt the direct testimony,  
10 rebuttal testimony, and surrebuttal testimony of Staff witness, Paul Adam, in Case  
11 No. GR-99-315. These testimonies presented Staff's position on Laclede Gas  
12 Company's (Company's) depreciation rates.

13 Q. Can you explain why it is necessary to adopt Mr. Adam's testimonies in the  
14 GR-99-315 case?

15 A. Yes. Mr. Adam retired from state employment in April 2004.

16 **COST OF REMOVAL**

17 Q. Please describe Staff's position in GR-99-315?

18 A. The depreciation rates established in GR-99-315 were based on Laclede's cost  
19 of providing service to its customers. The issue that remains in this case is the appropriate  
20 cost to remove retired property, one that is known and measurable to a sufficient degree to be  
21 included in the rates charged to Laclede's customers. Staff's position is that cost of removal  
22 dollars included in rates should be reasonably certain to be expended to remove retired plant.

Supplemental Direct Testimony

Rosella L. Schad

1           Q       Is this the first time that Staff has proposed using a current level of cost of  
2 removal?

3           A.       No. In a Missouri Public Service Company ("MPS", now Aquila) Case No.  
4 ER-90-101, Staff's position for determining depreciation expense was that the magnitude of  
5 the accrual for net salvage (represented as either negative net salvage or positive cost of  
6 removal) be reduced to match the experience of the past and that a factor for terminal net  
7 salvage (again, represented as either negative net salvage or positive cost of removal) be  
8 excluded. The Commission used Staff's approach in deciding the case.

9           Q.       Does that conclude your Supplemental Direct Testimony?

10          A.       Yes.

## CASE PROCEEDING PARTICIPATION

**ROSELLA L. SCHAD**

COMPANY	CASE NO./ FILING	ISSUES
AQUILA, INC. d/b/a AQUILA NETWORKS-MPS (Electric) AND AQUILA NETWORKS – L&P (Electric and Steam)	ER-2004-0034 and HR-2004-0024 (Consolidated) Surrebuttal	Production Plant Retirement Dates; Accumulated Depreciation; Cost of Removal and Depreciation
AQUILA, INC. d/b/a AQUILA NETWORKS-MPS AND AQUILA NETWORKS-L&P	GR-2004-0072 Rebuttal	Depreciation; Accumulated Depreciation; Cost of Removal and Production Plant Retirement Dates
AQUILA, INC. d/b/a AQUILA NETWORKS-MPS (Electric) AND AQUILA NETWORKS – L&P (Electric and Steam)	ER-2004-0034 and HR-2004-0024 (Consolidated) Rebuttal	Production Plant Retirement Dates; Accumulated Depreciation Reserve Balances; Cost of Removal and Depreciation
AQUILA, INC. d/b/a AQUILA NETWORKS-MPS AND AQUILA NETWORKS-L&P	GR-2004-0072 Direct	Depreciation and Accumulated Depreciation Reserve
AQUILA, INC. d/b/a AQUILA NETWORKS-MPS (Electric) AND AQUILA NETWORKS – L&P (Electric and Steam)	ER-2004-0034 and HR-2004-0024 (Consolidated) Direct	Depreciation and Accumulated Depreciation Reserve
Laclede Gas Company	GR-2002-356 Rebuttal	Decommissioning
Laclede Gas Company	GR-2002-356 Direct	Depreciation
Union Electric Company d/b/a AmerenUE	EC-2002-1 Surrebuttal	Depreciation; Steam Production Plant Retirement Dates; Decommissioning Costs; Callaway Interim Additions
Laclede Gas Company	GR-2001-629 Direct	Depreciation
Ozark Telephone Company	TC-2001-402 Direct	Depreciation Rates
Northeast Missouri Rural Telephone Company	TR-2001-344 Direct, Surrebuttal	Depreciation Rates
Oregon Farmers Mutual Telephone Company	TT-2001-328 Rebuttal	Depreciation Rates
KLM Telephone Company	TT-2001-120 Rebuttal	Depreciation Rates
Holway Telephone Company	TT-2001-119	Depreciation Rates

<b>COMPANY</b>	<b>CASE NO./ FILING</b>	<b>ISSUES</b>
	Rebuttal	
Peace Valley Telephone Company	TT-2001-118 Rebuttal	Depreciation Rates
Iamo Telephone Company	TT-2001-116 Rebuttal	Depreciation Rates
Osage Water Company	WR-2000-557 Direct	Depreciation
Osage Water Company	SR-2000-556 Direct	Depreciation