

Exhibit No.:
Issue(s): Depreciation
Witness: Cedric E. Cunigan
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: WR-2020-0344
Date Testimony Prepared: February 9, 2021

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENGINEERING ANALYSIS DEPARTMENT

SURREBUTTAL TESTIMONY

OF

CEDRIC E. CUNIGAN

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2020-0344

Jefferson City, Missouri
February 2021

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **CEDRIC E. CUNNIGAN**

4 **MISSOURI-AMERICAN WATER COMPANY**

5 **CASE NO. WR-2020-0344**

6 Q. Please state your name and business address.

7 A. Cedric E. Cunigan, 200 Madison Street, Jefferson City, Missouri 65102-0360.

8 Q. Are you the same Cedric E. Cunigan that contributed to the Staff Cost of Service
9 Report filed on November 24, 2020 and filed rebuttal testimony on January 15, 2021 in this
10 proceeding?

11 A. Yes, I am.

12 Q. What will your testimony address?

13 A. I will respond to Office of the Public Counsel (“OPC”) witness John A. Robinett
14 regarding depreciation and Missouri-American Water Company (MAWC or “Company”)
15 witness Brian W. LaGrand regarding Staff’s depreciation recommendation.

16 Q. What is Mr. Robinett’s position on depreciation?

17 A. Mr. Robinett supports Staff’s recommendation to continue using the current
18 existing depreciation rates agreed to and ordered in MAWC’s last rate case, Case No.
19 WR-2017-0285, though he raises concerns with Staff’s analysis.

20 Q. What concerns does Mr. Robinett raise?

21 A. Mr. Robinett states on page 2, line 17 through page 3, line 2 of his rebuttal
22 testimony:

23 Staff’s depreciation department should not see their sole role as simply
24 verifying the Company’s results. It is simply not enough for Staff to
25 run the same file of information provided by the Company through its

1 software, get the same results, and then declare that all is good and there
2 is no need to question rates. Staff should instead analyze the data to
3 develop their own independent retirement rates then input those
4 retirement rates, along with plant balances, reserve totals as of a certain
5 date, and the net salvage data, into the software for creating the
6 depreciation rates. However, since Staff is unable to verify MAWC's
7 results, the Commission should do as Staff recommends and keep
8 existing depreciation rates in place by reordering the depreciation rates
9 that resulted from Case No. WR-2017-0285 in lieu of accepting
10 MAWC's recommendation.

11 Staff agrees with Mr. Robinett's opinion that Staff should analyze the data and develop
12 an independent position from the Company and that is what Staff intended to do. However,
13 due to data issues, Staff was unable to complete an independent study prior to filing testimony.
14 Still, Mr. Robinett supports Staff's recommendation to use the currently ordered rates.

15 Q. Does Mr. Robinett raise any other concerns?

16 A. Yes. Mr. Robinett raises similar concerns regarding MAWC's use of general
17 plant amortization and the need to track the original cost of assets by retirement unit. He states
18 on page 4, lines 4 through 8:

19 Not reflecting the costs per retirement unit is concerning because it will
20 hamper the ability of parties to evaluate the prudence of capital
21 expenditures. This is because it is difficult to make any type of
22 prudence evaluation for a given asset when all the assets are lumped
23 together in one account instead of being broken out by asset (i.e. cost
24 per retirement unit).

25 As explained in the Staff Report, Staff continues to have this concern. An accurate
26 record of asset retirements is necessary for prudence evaluation.

27 Q. What does Mr. Robinett recommend?

28 A. Mr. Robinett recommends on page 5, lines 15 through 19 that the proposal to
29 change to general plant amortization be denied, and that MAWC continue to track retirements

1 and costs. Should the Commission approve MAWC's request for general plant amortization,
2 Mr. Robinett recommends on page 6, lines 3 through 6, that the Commission order MAWC to
3 continue specifying the original cost and associated retirement units for all additions to the
4 accounts where general plant amortization accounting treatment will occur.

5 Q. Does Staff agree with this recommendation?

6 A. Yes. Staff agrees with this recommendation for MAWC to report the original
7 cost and associated retirement units for all additions to accounts where general amortization
8 accounting treatment will occur. Tracking original cost and associated retirement units for the
9 amortized accounts would provide useful information for Staff to conduct prudency evaluations
10 and determine the accuracy of amortization rates.

11 Q. Mr. LaGrand, on page 34, lines 10 through 13 of his rebuttal testimony
12 summarizes Staff's recommendation. Does his summary include all of Staff's
13 recommendation?

14 A. No. Mr. LaGrand does not address Staff's recommendation that MAWC use the
15 version of the Universal System of Accounts (USOA) prescribed by the Commission.
16 The Commission adopts and prescribes for use the 1973 version of the USOA with 1976
17 revisions. MAWC uses the 1996 version of the USOA in its depreciation study. Using the
18 different versions adds a layer of difficulty when formatting data to complete the depreciation
19 study and when comparing study results.

20 Q. Does this conclude your surrebuttal testimony?

21 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) Case No. WR-2020-0344
Implement General Rate Increase for)
Water and Sewer Service Provided in)
Missouri Service Areas)

AFFIDAVIT OF CEDRIC E. CUNIGAN

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COME NOW CEDRIC E. CUNIGAN and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Surrebuttal Testimony of Cedric E. Cunigan*; and that the same is true and correct according to his best knowledge and belief, under penalty of perjury.

Further the Affiants sayeth not.

/s/ Cedric E. Cunigan
CEDRIC E. CUNIGAN