

Exhibit No.:
Issue: Depreciation
Witness: Rosella L. Schad, PE, CPA
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: WR-2006-0425
Date Testimony Prepared: December 1, 2006

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

ROSELLA L. SCHAD, PE, CPA

ALGONQUIN WATER RESOURCES OF MISSOURI, LLC

CASE NO. WR-2006-0425

Jefferson City, Missouri
December 2006

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Tariff Filing Algonquin Water)
Resources of Missouri, LLC to Implement a)
General Rate Increase for Water and Sewer Service)
Provided to Customers in Its Missouri Service)
Areas.

Case No. WR-2006-0425

AFFIDAVIT OF ROSELLA L. SCHAD, PE, CPA

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

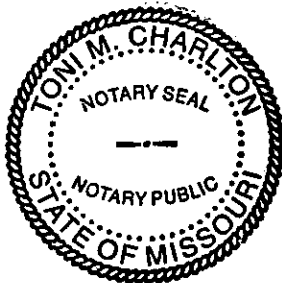
Rosella L. Schad, PE, CPA, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Direct Testimony in question and answer form, consisting of 3 pages to be presented in the above case; that the answers in the foregoing Direct Testimony were given by her; that 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 PE CPA
Rosella L. Schad, PE, CPA

Subscribed and sworn to before me this

29th day of November 2006.

Toni M. Charlton
Notary Public



TONI M. CHARLTON
Notary Public - State of Missouri
My Commission Expires December 28, 2008
Cole County
Commission #04474301

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ROSELLA L. SCHAD, PE, CPA

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DIRECT TESTIMONY

OF

ROSELLA L. SCHAD, PE, CPA

ALGONQUIN WATER RESOURCES OF MISSOURI, LLC

CASE NO. WR-2006-0425

Q. Please state your name and business address.

A. Rosella L. Schad, P.O. Box 360, Jefferson City, MO 65102.

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

A. I am employed by the Missouri Public Service Commission (Commission) as an Engineer in the Engineering & Management Services Department.

Q. Please describe your educational training and professional background.

A. I received a Bachelor of Science degree (1978) in Mechanical Engineering and a Masters of Public Administration (2004) from the University of Missouri-Columbia. I have completed accounting coursework from Columbia College. I am currently enrolled at the University of Missouri-Columbia in a Masters of Business Administration, with an emphasis in Finance. My anticipated completion is December 2008.

I am a Licensed Professional Engineer and Certified Public Accountant in the State of Missouri. I am a member of the National Society of Professional Engineers, the Society of Depreciation Professionals, and the Missouri Society of Certified Public Accountants. I was employed by Union Electric (now AmerenUE) as an Engineer Intern during the summer of 1977. I was employed as a Mechanical Engineer by Union Electric in its Nuclear Construction Department from 1978 to 1980. I have been with the Missouri Public Service Commission's Staff (Staff) since 1999. In my current position I have completed training in depreciation concepts, attended numerous industry seminars for electric, steam, natural gas, telecommunications, water, and wastewater regulatory matters and made on-site tours of

1 many of the facilities of the electric, steam, natural gas, telecommunications, water, and
2 wastewater utilities operating in the State of Missouri, which are regulated by the
3 Commission.

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

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

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

8 A. Yes. Schedule 1, attached to my testimony, shows a list of Commission cases
9 in which I have filed testimony and the issues that I addressed.

10 Q. What expert knowledge, skill, experience, training, or education do you have
11 in these matters?

12 A. I have acquired general knowledge of these topics through my experience and
13 analyses in prior rate cases before this Commission presented in Schedule 1 and I have
14 assisted Staff's depreciation rate filings in Case Nos. GR-2005-0284, ER-2001-672,
15 ER-2001-299, WR-2000-844 and GR-2000-512. I have also reviewed prior Commission
16 decisions with regard to depreciation issues. I have reviewed testimony, workpapers, and
17 responses to Staff's data requests addressing these issues in prior cases.

18 I have attended the PSC 2006 Water/Sewer Utility Roundtable. I have participated in
19 the National Conference of Regulatory Commission Engineers' meeting and symposiums
20 offered on current topics of regulation. I have received formal depreciation training offered
21 by Depreciation Programs, Inc. the Society of Depreciation Professionals, and Gannett
22 Fleming Valuation and Rate Consultants, Inc. I have had on-going discussions with Gannett
23 Fleming technical personnel regarding the functionality of the Gannett Fleming software,
24 including data input requirements, statistical analysis, and interpretation of results.

EXECUTIVE SUMMARY

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

A. The purpose of my testimony is to make recommendations for Algonquin Water Resources of Missouri, LLC (Company) concerning the depreciation rates that will allow the Company to collect the original cost of its investment over the life of these assets.

Q. Please describe Staff's position in this case.

A. Staff has determined the appropriate depreciation rates for the Company to use. These depreciation rates, shown in Schedule 2 to this direct testimony, reflect the current Commission's policy on cost of removal and salvage.

DEPRECIATION

Q. Are the depreciation rates as shown in Schedule 2 attached to this direct testimony, consistent with those recommended by Staff in Case No. WO-2005-0206?

A. Yes.

Q. What is Staff's recommendation for depreciation rates for Algonquin Water Resources of Missouri, LLC?

A. Staff recommends the Commission order the depreciation rates and average service lives for water and sewer (wastewater) plant accounts as shown in Schedule 2.

Q. Does this complete your direct testimony?

A. Yes, it does.

CASE PROCEEDING PARTICIPATION

ROSELLA L. SCHAD, PE, CPA

COMPANY	CASE NO./ FILING	ISSUES
Kansas City Power & Light Co.	ER-2006-0314 Direct and Surrebuttal	Depreciation
Silverleaf Resorts, Inc. and Algonquin Water Resources of Missouri, LLC	WO-2005-0206 Rebuttal	Depreciation
Laclede Gas Company	GR-99-315 Supplemental Rebuttal	Depreciation, Cost of Removal, and Net Salvage
Laclede Gas Company	GR-99-315 Supplemental Direct	Depreciation, Cost of Removal, and Net Salvage
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 Rebuttal	Depreciation Rates
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

ALGONQUIN WATER RESOURCES OF MISSOURI, LLC - (WATER)
DEPRECIATION RATES

(WATER)

WR-2006-0425

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATE %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>
314	Wells & Springs	2.0%	50
316	Supply Mains	2.0%	50
321	Structures & Improvements	2.5%	40
325	Electric Pumping Equipment	10.0%	10
325.2	High Service or Booster Pumping Equipment	6.7%	15
332	Water Treatment Equipment	2.9%	35
341	Structures & Improvements	2.5%	40
342	Distribution Reservoirs & Standpipes	2.5%	40
343	Transmission & Distribution Mains	2.0%	50
345	Services	2.5%	40
346.1	Meters	3.3%	30
348	Hydrants	2.0%	50
390	Structures & Improvements	2.5%	40
391	Office Furniture & Equipment	5.0%	20
391.1	Office Computer Equipment	14.3%	7
397	Communication Equipment	6.7%	15

ALGONQUIN WATER RESOURCES OF MISSOURI, LLC - (SEWER)
DEPRECIATION RATES

(SEWER)

WR-2006-0425 (SR-2006-0426)

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATE %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>
351	Structures & Improvements	2.5%	40
352.1	Collection Sewers (Force)	2.0%	50
352.2	Collection Sewers (Gravity)	2.0%	50
353	Services	2.0%	50
354	Flow Measurement Devices	3.3%	30
362	Receiving Wells	4.0%	25
363	Electric Pumping Equipment	10.0%	10
372	Treatment & Disposal Facilities	5.0%	20
373	Plant Sewers	2.5%	40
374	Outfall Sewer Lines	2.0%	50
391	Office Furniture & Equipment	5.0%	20
391.1	Office Computer Equipment	14.3%	7
397	Communication Equipment	6.7%	15