

Exhibit No.:

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

Rate Base/
Depreciation
Robinett/Surrebuttal
Public Counsel
WR-2017-0343

SURREBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

GASCONY WATER COMPANY, INC.

CASE NO. WR-2017-0343

February 8, 2018

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


In the Matter of the Requests for an Increase)
In Annual Water System Operating Revenues) Case No. WR-2017-0343
For Gascony Water Company, Inc.)

AFFIDAVIT OF JOHN A. ROBINETT

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

John A. Robinett, of lawful age and being first duly sworn, deposes and states:

1. My name is John A. Robinett. I am a Utility Engineering Specialist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.




John A. Robinett
Utility Engineering Specialist

Subscribed and sworn to me this 8th day of February 2018.



JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13754037



Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

**SURREBUTTAL TESTIMONY
OF
JOHN A. ROBINETT
GASCONY WATER COMPANY, INC.**

CASE NO. WR-2017-0343

1 **Q. What is your name and what is your business address?**

2 A. John A. Robinett, PO Box 2230, Jefferson City, Missouri 65102.

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

4 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Utility Engineering
5 Specialist.

6 **Q. Are you the same John A. Robinett that filed rebuttal testimony on behalf of the OPC
7 in this proceeding?**

8 A. Yes.

9 **Q. What is the purpose of your surrebuttal testimony?**

10 A. The purpose of this testimony is to address how Gascony Water Company, Inc. (“Gascony”
11 or “Company”) and the Missouri Public Service Commission Staff (“Staff”) applied
12 unauthorized depreciation rates to develop its rate base. Additionally, I will discuss the
13 Staff’s recommended treatment of land, the trencher, and the UTV/Gator.

14 **Q. Does OPC support the Staff position related to the treatment of Lot 27 and the shed
15 property?**

16 A. Yes. OPC supports Staff’s treatment and recommendations related to the land.

17 **Q. Does OPC support the Staff’s recommended in service date and original cost value
18 for the trencher?**

19 A. OPC is in agreement with Staff that the correct original cost for the trencher is \$10,800.
20 OPC recommends 1999 as the in service year for the trencher consistent with the approval
21 of the CCN.

1 **Q. Does OPC support the Staff's recommended in service date and original cost value**
2 **for the UTV/Gator?**

3 A. OPC is in agreement with Staff that the correct original cost for the UTV/Gator is \$4,200
4 based on Gascony's 2007 Annual Report. OPC recommends 2007 as the in service year
5 for the UTV/Gator.

6 **Q. Did Staff use unauthorized depreciation rates to develop its rate base in this case**
7 **related to the trencher and UTV?**

8 A. Yes. At page 30 lines 12 through page 31 line 2 of Staff witness Mr. Young's rebuttal
9 testimony, he states:

10 " Q. Did Staff accumulate depreciation reserve on the trencher and the UTV?

11 A. Yes. Staff concluded that the trencher and UTV still had economic value as of
12 the June 30, 2017, update period in this case. Staff assumed useful lives of 30 years
13 for the trencher and 15 years for the UTV and accumulated depreciation reserve
14 through the update period based on this useful life.

15 Q. Did the 1997 CCN Case result in approved depreciation rates that represented
16 30-year or 15-year useful lives?

17 A. No. The 1997 CCN Case did not result in a rate to depreciate utility assets over
18 30 or 15 years. Staff depreciated the trencher at a 30 year rate and the UTV at a 15
19 year rate in the current case to recognize that the trencher and UTV are still used
20 and useful in providing utility services. The trencher is used for the installation of
21 meter pits and repairs to the utility's infrastructure. The UTV is used for the
22 transportation of materials and supplies need for the installation of meter pits and
23 repairs to the utility's infrastructure and travel to customer's individual lots."

24
25 Staff attempts to rationalize the use of unauthorized depreciation rates with the statement
26 "to recognize that the trencher and UTV are still used and useful in providing utility
27 services."

28 **Q. Does an accumulated reserve that exceeds original cost indicate items are no longer**
29 **used or useful?**

30 A. No. Assets can become fully depreciated prior to the time they are retired. Depreciation
31 rates are developed to provide a return of the original investment plus net salvage to the
32 utility over the average service life of the asset account.

1 **Q. Do ordered depreciation rates always recover the investment over the life of an asset?**

2 A. No. Depreciation rates are based on average service lives. Inherently, this means some
3 assets will function shorter or longer than the estimated life of the account. Sometimes
4 accounts will be under or over-accrued, it's just the nature of how depreciation functions.
5 This just happens to be one of the cases where the assets have lasted longer than the
6 depreciation expert's recommendation in 1999. Depreciation rates are commonly reviewed
7 every 5 years for large utilities in Missouri. This small water utility has had the same
8 ordered depreciation rates since its CCN case. There has not been an opportunity to adjust
9 for depreciation rates, with one exception, a rate case that was withdrawn by the Company
10 in 2014.

11 **Q. Do the trencher and UTV still have value?**

12 A. Yes. If Gascony were to sell the trencher or UTV, the Company would receive a value
13 from the sale that should additionally be booked to the reserves as salvage. If the market
14 value as stated by Gascony exists, then even Staff's unauthorized depreciation rates have
15 already collected too much. The Company has estimated that the market value of the
16 trencher and UTV are still roughly 80 percent of original cost.

17 **Q. Does OPC agree with Staff that at page 31 of Mr. Young's rebuttal testimony that the
18 trencher would have been added to USoA Account 379 – Other General Equipment?**

19 A. No. Based on OPC's review of the Order Approving the Stipulation and Agreement from
20 Case No. WA-97-510, the Commission adopted Class C NARUC USoA account
21 depreciation rates. Therefore, based on the ordered depreciation schedule, the trencher
22 would have to be booked in one of two accounts – either account 394 Tools, Shop, Garage
23 Equipment or account 398 Miscellaneous Equipment. Attached as schedule JAR-S-1 is
24 schedule 3 from the Order Approving the Stipulation and agreement from Case No. WA-
25 97-510. Staff is recommending, as part of this case, a change in how the Company books
26 its plant by using Class D accounts as opposed to accounts for Class C as the Company has
27 previously done.

1 **Q. Based on Mr. Young’s testimony, does OPC have concerns about what NARUC USoA**
2 **Account Class that Staff is recommending the Company use?**

3 A. Yes. Mr. Young appears to recommend using two different NARUC USoA Classes. Based
4 on Mr. Young’s testimony at page 31 of rebuttal, Mr. Young states that the trencher should
5 be placed into account 379, which is a NARUC USoA Class “D” account. Mr. Young then
6 goes on to state that the UTV would have been added to account 392, which is an account
7 for Class “A and B” or Class “C” under NARUC USoA. In fact, the Class “D”
8 transportation equipment account is 373 rather than 392. Based on Mr. Young’s statements
9 on page 31 of his rebuttal testimony, Staff is recommending accounts for plant from two
10 different NARUC USoA Classes.

11 **Q. Does this conclude your surrebuttal testimony?**

12 A. Yes, it does.

GEORGE HOESCH DEPRECIATION RATES

(WATER)

Case No. WA-97-510

<u>Acct. No.</u>	<u>Description of Account</u>	<u>Annual Rate</u>
311	Structures & Improvements	2.5%
314	Wells & Springs	2.0%
316	Supply Mains	2.0%
317	Other Water Source Plant	2.0%
321	Structures & Improvements	2.5%
325	Electric Pumping Equipment	10.0%
328	Other Pumping Equipment	5.0%
331	Structures & Improvements	2.5%
332	Water Treatment Equipment	2.9%
341	Structures & Improvements	2.5%
343	Transmission & Distribution Mains	2.0%
345	Services	2.9%
346.2	Meters - Plastic Chamber (10 yr, 0 salv)	10.0%
346.3	Meter Installations (Services Rate)	2.9%
348	Hydrants	2.5%
349	Other Transmission & Distribution Plant	3.3%
390	Structures & Improvements	2.9%
391	Office Furniture & Equipment	5.0%
391.1	Office Computer Equipment	20.0%
392	Transportation Equipment (7 yr, +9% salv)	13.0%
394	Tools, Shop, Garage Equipment	5.0%
398	Miscellaneous Equipment	5.0%