

Exhibit No.:

Issue(s):

Witness/Type of Exhibit:

Sponsoring Party:

Case No.:

Depreciation Expense

Robinett/Rebuttal

Public Counsel

WR-2020-0344

REBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2020-0344

January 15, 2021

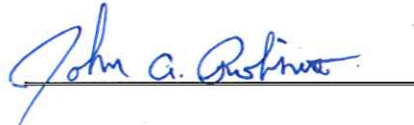
**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Missouri-American)
Water Company's Request for)
Authority to Implement General Rate) Case No. WR-2020-0344
Increase for Water and Sewer Service)
Provided in Missouri Service Areas)

VERIFICATION OF JOHN A. ROBINETT

John A. Robinett, under penalty of perjury, states:

1. Attached hereto and made a part hereof for all purposes is my rebuttal testimony in the above-captioned case.
2. My answer to each question in the attached rebuttal testimony is true and correct to the best of my knowledge, information, and belief.



John A. Robinett
Utility Engineering Specialist
Office of the Public Counsel

**REBUTTAL TESTIMONY
OF
JOHN A. ROBINETT
MISSOURI AMERICAN WATER COMPANY**

CASE NO. WR-2020-0344

1 **Q. Please state your name and 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. Have you previously provided testimony before the Missouri Public Service
7 Commission?**

8 A. Yes, both as a member of Commission Staff and the Office of the Public Counsel.

9 **Q. Please describe your work and educational background.**

10 A. A copy of my work and educational experience is attached to this testimony as Schedule
11 JAR-R-1.

12 **Q. What is the purpose of your rebuttal testimony?**

13 A. The purpose of this testimony is to address the appropriate depreciation rates the
14 Commission should use for Missouri American Water Company (“MAWC”).

15 **MAWC Depreciation Recommendation**

16 **Q. What is your position regarding the depreciation rates to be used for MAWC?**

17 A. I support Staff’s recommendation of continued use of currently existing depreciation rates
18 agreed to and ordered in Case No. WR-2017-0285.

19 **Q. Why are you supporting Staff’s position on depreciation rates?**

20 A. Staff’s position in direct testimony to continue the use of currently ordered depreciation
21 rates from Case No. WR-2017-0285 results in the lowest cost annually for depreciation

1 expense when compared to MAWC's recommended rates, and is the only option that the
2 Commission should consider since Staff was unable to verify MAWC's results.

3 **Q. Do you nonetheless have a concern with Staff's analysis?**

4 A. Yes, Staff is the only party besides the Company that is currently capable of performing a
5 depreciation study on the utility assets. Staff appears to have not performed its own study
6 independent from the Company's study though. I do not know why Staff would not perform
7 its own depreciation analysis.

8 It also concerns me that Staff depreciation witness states:

9 Staff also requested the source data for this depreciation study in Staff Data
10 Request No. 0093. Staff analyzed the data submitted, but was unable to verify
11 the results of the depreciation study with the data submitted. Staff requested
12 additional data in Staff Data Request No. 0093.1 on November 4, 2020, and
13 received a response from MAWC on November 19, 2020. Staff is still in the
14 process of reviewing the additional information provided by MAWC, and is
15 thus unable to confirm the results of MAWC's depreciation study as of the
16 filing date of this report.¹

17 Staff's depreciation department should not see their sole role as simply verifying the
18 Company's results. It is simply not enough for Staff to run the same file of information
19 provided by the Company through its software, get the same results, and then declare that
20 all is good and there is no need to question rates. Staff should instead analyze the data to
21 develop their own independent retirement rates then input those retirement rates, along
22 with plant balances, reserve totals as of a certain date, and the net salvage data, into the
23 software for creating the depreciation rates. However, since Staff is unable to verify
24 MAWC's results, the Commission should do as Staff recommends and keep existing

¹ WR-2020-0344 Staff Cost of Service Report page 47 lines 13-19.

1 depreciation rates in place by reordering the depreciation rates that resulted from Case No.
2 WR-2017-0285 in lieu of accepting MAWC's recommendation.

3 **Q. What is Staff's position on general plant amortization requested by MAWC?**

4 A. Staff states at page 49 lines 4-6 of the Cost of Service Report:

5 Amortizations do not track the expense to the useful life of the asset and pose a risk of
6 early recovery. Therefore, Staff recommends that mass property depreciation be applied
7 to these accounts at the rates included in Appendix 3, Schedule CEC-d1.

8 **Q. Do you agree with Staff's position on general plant amortization requested by MAWC?**

9 A. In part yes; I must also acknowledge that this type of accounting has been previously ordered
10 for electric utilities in Missouri: Ameren Missouri and Evergy. Additionally, the useful lives
11 that have been selected for General Plant Amortization, at least for electric utilities, use the
12 historical depreciation rates previously ordered for those accounts. Therefore, while it is true
13 that the amortization periods do not track the useful life of an asset or the asset, they do
14 represent the collection of assets in the account that have been historically experienced.

15 **Q. Do you recommend using General Plant Amortization or Vintage Year Accounting for
16 General Plant Accounts?**

17 A. No. I recommend that the Commission not take either approach.

18 **Q. Why?**

19 A. General Plant Amortization threatens the ability to perform any sort of prudence review of
20 plant added into these accounts because it fails to track retirement units and original costs.
21 Under the General Plant Amortization method, or Vintage Amortization method, only two
22 values matter: the total additions for an account in a vintage year and the amortization
23 period over which the original investments are to be recouped. Because only these two

1 values are tracked, the method does not require the recording of the original cost of any
2 particular asset. Stated differently, the total additions do not reflect the costs per retirement
3 unit (a “retirement unit” being the smallest measurable breakdown of a particular type of
4 asset to be recorded as capital). Not reflecting the costs per retirement unit is concerning
5 because it will hamper the ability of parties to evaluate the prudence of capital
6 expenditures. This is because it is difficult to make any type of prudence evaluation for a
7 given asset when all the assets are lumped together in one account instead of being broken
8 out by asset (*i.e.* cost per retirement unit).

9 In addition, General Plant Amortization will only produce historical data for
10 depreciation that matches the amortization period for the selected account. This is a
11 problem because the amortization periods may or may not match the useful life of the
12 assets. In other words, the data will only show the retirements booked in strictly dollar
13 amounts and will not show retirement of any actual physical assets unless the Commission
14 orders otherwise. Therefore, any future depreciation study cannot properly analyze the
15 lives of the assets, since they are not being tracked, to develop the appropriate depreciation
16 rate. Depreciation is designed to determine a return of investment to the Company based
17 on the useful lives of its assets. With General Plant Amortization, plant assets may actually
18 retire prior to the amortization period or may survive many years past the amortization
19 period. Moving to General Plant Amortization removes the need for asset experience data,
20 as the data will only match the authorized amortization period on a going forward basis.
21 Under General Plant Amortization plant recovery will be the same percentage of recovery

1 per year for the whole amortization period, rather than recovery based on historical data
2 experienced.

3 **Q. Are there any other aspects of General Plant Amortizations that cause concern?**

4 A. Yes. I understand that if the method is approved, MAWC should retire all assets in each
5 requested account that are older vintages than the amortization period. Moving to General
6 Plant Amortization will consequently mean that any assets that are of an older vintage than
7 the amortization period would be considered fully recovered. Leaving these assets in
8 service would lead to a higher initial recovery and the possibility, but not guarantee, of an
9 over collection occurring by the next rate case.

10 Also, I note that additional amortizations may be needed on an account-by-account
11 basis to correct for reserve imbalances if MAWC's request to use General Plant
12 Amortization is approved.

13 **Q. Is denying the Company's proposal to change to General Plant Amortization in the
14 public interest?**

15 A. Yes. Denying MAWC's proposed change, and continuing the Company's current
16 methodology, is in the public interest because it enables the Commission, Staff, and OPC
17 to conduct prudence reviews after the fact. MAWC will continue to track retirements and
18 costs, and it will provide data useful for conducting future depreciation studies that would
19 otherwise be unavailable.

1 **Q. Do you have any recommendations if the Commission determines that General Plant**
2 **Amortization is appropriate?**

3 A. Yes. If the Commission approves MAWC's request for General Plant Amortization, I
4 recommend that the Commission order MAWC to continue specifying the original cost
5 and associated retirement units for all additions to the accounts where General Plant
6 Amortization accounting treatment will occur. Additionally, MAWC should be placed
7 under a standing order to treat all general plant that exceeds the amortization period as
8 retired for ratemaking purposes.

9 **Q. If the Commission approves General Plant Amortization despite your concerns, what**
10 **amount of retirements do you recommend?**

11 A. At this time I do not have specific numbers for the required retirements for water and sewer
12 assets. However, MAWC should retire all plant in each requested account that exceeds the
13 amortization period. Consider, for example, an item in the general amortization account of 10
14 years that actually came into service in 2009. MAWC may still be using the 2009 piece of
15 equipment; however, under General Plant Amortization, the dollars associated with the 2009
16 asset need to be retired from the account since the asset is older than 10 years. This would be
17 true for all assets in the general plant accounts that are older than the recommended period for
18 MAWC. More discovery is required for me to identify the values that would need to be retired.

19 **Q. Does this conclude your rebuttal testimony?**

20 A. Yes, it does.

John A. Robinett

I am employed as a Utility Engineering Specialist for The Missouri Office of the Public Counsel (OPC). I began employment with OPC in August of 2016. In May of 2008, I graduated from the University of Missouri-Rolla (now Missouri University of Science and Technology) with a Bachelor of Science degree in Mechanical Engineering.

During my time as an undergraduate, I was employed as an engineering intern for the Missouri Department of Transportation (MoDOT) in their Central Laboratory located in Jefferson City, Missouri for three consecutive summers. During my time with MoDOT, I performed various qualification tests on materials for the Soil, Aggregate, and General Materials sections. A list of duties and tests performed are below:

- Compressive strength testing of 4" and 6" concrete cylinders and fracture analysis
- Graduations of soil, aggregate, and reflective glass beads
- Sample preparations of soil, aggregate, concrete, and steel
- Flat and elongated testing of aggregate
- Micro-deval and LA testing of aggregate
- Bend testing of welded wire and rebar
- Tensile testing of welded, braided cable, and rebar
- Hardness testing of fasteners (plain black and galvanized washers, nuts, and bolts)
- Proof loading and tensile testing of bolts
- Sample collection from active road constructions sites
- Set up and performed the initial testing on a new piece of equipment called a Linear Traverse / Image Analysis
- Wrote operators manual for the Linear Traverse / Image Analysis Machine
- Trained a fulltime employee on how to operate the machine prior to my return to school
- Assisted in batching concrete mixes for testing, mixing the concrete, slump cone testing, percent air testing, and specimen molding of cylinders and beams

Upon graduation, I accepted a position as an Engineer I in the Product Evaluation Group for Hughes Christensen Company, a division of Baker Hughes, Inc. (Baker), an oil field service company. During my employment with Baker, I performed failure analysis on oil field drill bits as well as composed findings reports which were forwarded to the field engineers in order for them to report to the company the conclusions of the failure causes.

I previously was employed as a Utility Engineering Specialist I, II, III for the Missouri Public Service Commission (Commission). My employment with the Commission spanned from April of 2010 to August of 2016. My duties involved analyzing depreciation rates and studies for utility companies and presenting expert testimony in rate cases before the Commission.

JOHN A. ROBINETT
SUMMARY OF CASE PARTICIPATION

Listed below are the cases in which I have supplied testimony, comments, and/or depreciation rates accompanied by a signed affidavit.

Company	Case Number	Issue	Party
Ameren Missouri	EO-2021-0069	IRP Special issues	Office of the Public Counsel (OPC)
Empire District Electric Company	EO-2021-0066	IRP Special issues	OPC
Evergy Missouri West Evergy Missouri Metro	EO-2021-0067 EO-2021-0068	IRP Special issues	OPC
Evergy Missouri West	EO-2020-0281	Integrated Resource Plan Comments	OPC
Evergy Missouri Metro	EO-2020-0280	Integrated Resource Plan Comments	OPC
Spire Missouri	GO-2020-0416	Depreciation Authority Order	OPC
Empire District Electric Company	EO-2020-0284	Integrated Resource Plan Comments	OPC
Spire Missouri East Spire Missouri West	GO-2018-0309 GO-2018-0310	On Remand Direct and Rebuttal Testimony ISRS Refund	OPC
Empire District Electric Company	ER-2019-0374	Direct, Rebuttal, Surrebuttal, and True-up Direct Testimony Depreciation, Operations and Maintenance Expense	OPC
Ameren Missouri	ER-2019-0355	Direct Testimony Depreciation	OPC
Summit Natural Gas of Missouri	GE-2020-0009	Depreciation Study Waiver	OPC
Spire Missouri East Spire Missouri West	GO-2019-0356 GO-2019-0357	Direct and Live Rebuttal Testimony ISRS	OPC
Ameren Missouri Gas Company	GR-2019-0077	Rebuttal Testimony Depreciation and General Plant Amortization	OPC
Spire Missouri East Spire Missouri West	GO-2019-0115 GO-2019-0116	Direct and Live Rebuttal Testimony ISRS	OPC
Empire District Electric Company	EA-2019-0010	Rebuttal, Surrebuttal, and Live Testimony CCN Application	OPC
Kansas City Power & Light Company Greater Missouri Operations	EU-2019-0197 EC-2019-0200	Affidavit for an Accounting Order for plant retirement	OPC
Ameren Missouri	EA-2018-0202	Surrebuttal Testimony Depreciation Life	OPC
Spire Missouri East Spire Missouri West	GO-2018-0309 GO-2018-0310	Direct and Live Rebuttal Testimony ISRS	OPC
Kansas City Power & Light Company	ER-2018-0145	Direct and Rebuttal, Surrebuttal, and True-up direct Testimony, Depreciation and O&M expense related to retired generation units, ONE CIS Allocation	OPC

JOHN A. ROBINETT
SUMMARY OF CASE PARTICIPATION

Company	Case Number	Issue	Party
Kansas City Power & Light Company Greater Missouri Operations	ER-2018-0146	Direct and Rebuttal, Surrebuttal, and True-up direct Testimony, Depreciation and O&M expense related to retired generation units, ONE CIS Allocation, Removal of Additional Amortization	OPC
Empire District Electric Company	EO-2018-0092	Rebuttal, Surrebuttal, Affidavit in Opposition, additional Affidavit and Live Testimony	OPC
Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities	GR-2018-0013	Rebuttal and Surrebuttal Testimony depreciation, general plant amortization	OPC
Laclede Gas Company Missouri Gas Energy Spire Missouri East Spire Missouri West	GO-2016-0332 GO-2016-0333 GO-2017-0201 GO-2017-0202 GR-2017-0215 GR-2017-0216	ISRS Over collection of depreciation expense and ROE based on Western District Opinion Docket No. WD80544	OPC
Gascony Water Company, Inc.	WR-2017-0343	Rebuttal, Surrebuttal, and Live Testimony rate base, depreciation NARUC USoA Class designation	OPC
Missouri American Water Company	WR-2017-0285	Direct, Rebuttal, Surrebuttal, and Live Testimony depreciation, ami, negative reserve, Lead Line	OPC
Indian Hills Utility Operating Company, Inc.	WR-2017-0259	Direct, Rebuttal, Surrebuttal, and Live Testimony Rate Base (extension of electric service, leak repairs)	OPC
Laclede Gas Company Missouri Gas Energy	GR-2017-0215 GR-2017-0216	Direct, Rebuttal, Surrebuttal, True-up Rebuttal, and Live Testimony depreciation, retirement work in progress, combined heat and power, ISRS	OPC
Empire District Electric Company	EO-2018-0048	IRP Special issues	OPC
Kansas City Power & Light Company	EO-2018-0046	IRP Special issues	OPC
Kansas City Power & Light Company Greater Missouri Operations	EO-2018-0045	IRP Special issues	OPC
Kansas City Power & Light Company Greater Missouri Operations	EO-2017-0230	2017 IRP annual update comments	OPC
Empire District Electric Company	EO-2017-0065	Direct, Rebuttal, Surrebuttal, and Live Testimony FAC Prudence Review Heat Rate	OPC
Ameren Missouri	ER-2016-0179	Direct, Rebuttal, Testimony Heat Rate Testing & Depreciation	OPC

JOHN A. ROBINETT
SUMMARY OF CASE PARTICIPATION

Company	Case Number	Issue	Party
Kansas City Power & Light Company	ER-2016-0285	Direct, Rebuttal, Surrebuttal, and Live Testimony Heat Rate Testing & Depreciation	OPC
Empire District Electric Company Merger with Liberty	EM-2016-0213	Rebuttal Testimony	Missouri Public Service Commission (MOPSC)
Empire District Electric Company	ER-2016-0023	Depreciation Study, Direct, Rebuttal, and Surrebuttal Testimony	MOPSC
Hillcrest Utility Operating Company, Inc.	SR-2016-0065	Depreciation Review	MOPSC
Hillcrest Utility Operating Company, Inc.	WR-2016-0064	Depreciation Review	MOPSC
Missouri American Water Company	WR-2015-0301	Depreciation Study, Direct, Rebuttal, and Surrebuttal Testimony	MOPSC
Bilyeu Ridge Water Company, LLC Midland Water Company, Inc. Moore Bend Water Utility, LLC Riverfork Water Company Taney County Water, LLC Valley Woods Utility, LLC(Water) Valley Woods Utility, LLC(Sewer) Consolidated into Ozark International, Inc.	WR-2015-0192 WR-2015-0193 WR-2015-0194 WR-2015-0195 WR-2015-0196 WR-2015-0197 SR-2015-0198 Consolidated into WR-2015-0192	Depreciation Review *filed depreciation rates not accompanied by signed affidavit	MOPSC
I. H. Utilities, Inc. sale to Indian Hills Utility Operating Company, Inc.	WO-2016-0045	Depreciation Rate Adoption CCN	MOPSC
Missouri American Water Company CCN City of Arnold	SA-2015-0150	Depreciation Rate Adoption CCN	MOPSC
Empire District Electric Company	ER-2014-0351	Direct, Rebuttal, and Surrebuttal Testimony	MOPSC
West 16th Street Sewer Company, W.P.C. Sewer Company, Village Water and Sewer Company, Inc. and Raccoon Creek Utility Operating Company, Inc.	SM-2015-0014	Depreciation Rate Adoption	MOPSC
Brandco Investments LLC and Hillcrest Utility Operating Company, Inc.	WO-2014-0340	Depreciation Rate Adoption, Rebuttal Testimony	MOPSC
Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty Utilities	GR-2014-0152	Direct, Rebuttal, Surrebuttal and Live Testimony	MOPSC
Summit Natural Gas of Missouri, Inc	GR-2014-0086	Depreciation Study, Direct and Rebuttal Testimony	MOPSC
P.C.B., Inc.	SR-2014-0068	Depreciation Review	MOPSC
M.P.B., Inc.	SR-2014-0067	Depreciation Review	MOPSC
Roy-L Utilities	WR-2013-0543	Depreciation Review	MOPSC
Roy-L Utilities	SR-2013-0544	Depreciation Review	MOPSC
Missouri Gas Energy Division of Laclede Gas Company	GR-2014-0007	Depreciation Study, Direct and Rebuttal Testimony	MOPSC
Central Rivers Wastewater Utility, Inc.	SA-2014-00005	Depreciation Rate Adoption	MOPSC

JOHN A. ROBINETT
SUMMARY OF CASE PARTICIPATION

Company	Case Number	Issue	Party
Empire District Electric Company	ER-2012-0345	Depreciation Study, Direct, Rebuttal, and Surrebuttal Testimony	MOPSC
Empire District Electric Company	WR-2012-0300	Depreciation Review	MOPSC
Laclede Gas Company	GO-2012-0363	Depreciation Authority Order Rebuttal, Surrebuttal and Live Testimony	MOPSC
Moore Bend Water Company, Inc. sale to Moore Bend Water Utility, LLC (Water)	WM-2012-0335	Depreciation Rate Adoption	MOPSC
Oakbrier Water Company, Inc.	WR-2012-0267	Depreciation Review	MOPSC
Lakeland Heights Water Co., Inc.	WR-2012-0266	Depreciation Review	MOPSC
R.D. Sewer Co., L.L.C.	SR-2012-0263	Depreciation Review	MOPSC
Canyon Treatment Facility, LLC	SA-2010-0219	Depreciation Rate Adoption-CCN	MOPSC
Taney County Water, LLC	WR-2012-0163	Depreciation Review	MOPSC
Sale of Saddlebrooke Water and Sewer Infrastructure, LLC to Missouri American Water Company (Sewer)	SA-2012-0067	Rebuttal Testimony	MOPSC
Sale of Saddlebrooke Water and Sewer Infrastructure, LLC to Missouri American Water Company (Water)	WA-2012-0066	Rebuttal Testimony	MOPSC
Midland Water Company, Inc.	WR-2012-0031	Depreciation Review	MOPSC
Sale of KMB Utility Corporation to Algonquin Water Resources of Missouri, LLC, d/b/a Liberty Water (Sewer)	SO-2011-0351	Depreciation Rate Adoption	MOPSC
Sale of KMB Utility Corporation to Algonquin Water Resources of Missouri, LLC, d/b/a Liberty Water (Water)	WO-2011-0350	Depreciation Rate Adoption	MOPSC
Sale of Noel Water Company, Inc. to Algonquin Water Resources of Missouri, LLC, d/b/a Liberty Water (Water)	WO-2011-0328	Depreciation Rate Adoption	MOPSC
Sale of Taney County Utilities Corporation to Taney County Water, LLC (Water)	WM-2011-0143	Depreciation Rate Adoption	MOPSC
Empire District Electric Company	ER-2011-0004	Depreciation Study, Direct, Rebuttal, and Surrebuttal Testimony	MOPSC
Rex Deffenderfer Enterprises, Inc.	WR-2011-0056	Depreciation Review	MOPSC
Tri-States Utility, Inc	WR-2011-0037	Depreciation Review	MOPSC
Southern Missouri Gas Company, L.P.	GE-2011-0096	Depreciation Study Waiver	MOPSC
Southern Missouri Gas Company, L.P.	GR-2010-0347	Depreciation Review	MOPSC
KMB Utility Corporation (Sewer)	SR-2010-0346	Depreciation Review	MOPSC
KMB Utility Corporation (Water)	WR-2010-0345	Depreciation Review	MOPSC
Middlefork Water Company	WR-2010-0309	Depreciation Review	MOPSC