

*Exhibit No.:*  
*Issue(s):* Depreciation  
*Witness:* David Buttig  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Rebuttal Testimony  
*Case No.:* GR-2019-0077  
*Date Testimony Prepared:* June 7, 2019

**MISSOURI PUBLIC SERVICE COMMISSION**

**COMMISSION STAFF DIVISION**

**ENGINEERING ANALYSIS**

**REBUTTAL TESTIMONY**

**OF**

**DAVID BUTTIG**

**UNION ELECTRIC COMPANY,  
d/b/a AMEREN MISSOURI**

**CASE NO. GR-2019-0077**

*Jefferson City, Missouri  
June 2019*

3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14

**TABLE OF CONTENTS**  
**REBUTTAL TESTIMONY**  
**OF**  
**DAVID BUTTIG, PE**  
**UNION ELECTRIC COMPANY**  
**d/b/a AMEREN MISSOURI**  
**CASE NO. GR-2019-0077**

EXECUTIVE SUMMARY ..... 1  
RECOMMENDATION..... 4

3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

**REBUTTAL TESTIMONY**

**OF**

**DAVID BUTTIG, PE**

**UNION ELECTRIC COMPANY**

**d/b/a AMEREN MISSOURI**

**CASE NO. GR-2019-0077**

Q. Please state your name and business address.

A. My name is David Buttig and my business address is 200 Madison Street, Jefferson City, Missouri 65102.

Q. Who is your employer and what is your present position?

A. I am employed by the Missouri Public Service Commission (“Commission”) as a Utility Regulatory Engineer I in the Engineering Analysis Department of the Commission Staff Division.

Q. Are you the same David Buttig who prepared the Negative Accumulated Reserve section and the Depreciation Summary section of Staff’s Cost of Service Report?

A. Yes, I am.

**EXECUTIVE SUMMARY**

Q. What is the purpose of your Rebuttal Testimony?

A. The purpose of my rebuttal testimony is to state Staff’s position on the depreciation rates.

Q. Why was Staff’s position on depreciation not included in Staff’s direct report?

3 A. Staff submitted data requests on March 08, 2019 to collect the necessary data to run  
4 a depreciation study but did not receive the data until April 11, 2019 when Staff's direct  
5 testimony was due April 19, 2019. The due date for the data requests was  
6 March 28, 2019. Staff noted in its direct report that its position would be updated later.

7 Q. Have you been able to complete a depreciation study since then?

8 A. Yes, I have.

9 Q. What method of depreciation study did Staff use?

10 A. For the accounts in the transmission plant, distribution plant, and general plant  
11 accounts 390, 392, and 396 Staff used the straight line method, broad group-average life  
12 procedure, and whole life technique depreciation system for its depreciation study of the  
13 Company's capital assets. Staff has consistently used the whole life technique in  
14 developing depreciation rates that reflect expected average service lives. The whole life  
15 technique does not include an adjustment factor to address over- or under-accruals in the  
16 accumulated reserve for depreciation. Staff uses the following formula to calculate a  
17 depreciation rate for each plant account:

$$18 \quad \textit{Depreciation Rate} = \frac{100\% - \% \textit{ Net Salvage}}{\textit{Average Service Life (years)}}$$

19 This is consistent with the Commission's Depreciation Rate Formula from its  
20 Report and Order in The Empire District Electric Company Case No. ER-2004-0570. As  
21 shown in the formula, the average service life and net salvage percentage are the  
22 depreciation parameters used to determine the depreciation rate. Staff calculated  
23 depreciation rates for each plant account based on the average service life and net salvage  
24 percentage determined applicable to each account.

3 For the general plant accounts of 391 (Office Furniture & Equipment), 391.1  
4 (Office Furniture & Equipment – Mainframe Computers), 391.2 (Office Furniture &  
5 Equipment – Computers), 393 (Stores Equipment), 394 (Tools, Shop, and Garage  
6 Equipment), 395 (Laboratory Equipment), 397 (Communications Equipment),  
7 and 398 (Miscellaneous Equipment) Staff utilized vintage year amortization for  
8 depreciation accruals. This is the same methodology contained in the non-unanimous  
9 stipulation and agreement as to depreciation from Case No. ER-2014-0258. In this case,  
10 certain general plant assets were given an amortization period for the accounts. Staff  
11 recommended the same average life, net salvage, and depreciation rate for each of the  
12 previously mentioned general plant accounts. These depreciation rates and methodology  
13 were previously approved by the Commission. The assets in the accounts reach full accrual  
14 once the assets reach the end of their amortization period.

15 Q. Are Staff's recommended depreciation rates, average service life, and percent net  
16 salvage included with your testimony?

17 A. Yes. The depreciation rate, average service life, and percent net salvage for each  
18 account has been included in Schedule DTB-r1.

19 Q. Are there any differences between your Depreciation study and the study submitted  
20 by the Company?

21 A. Yes, there are.

22 Q. Will you explain them?

23 A. The first difference in the two studies is that Staff did its study with data through  
24 December of 2018 whereas the Company's study goes through December of 2014. Staff  
25 wanted to utilize the most up-to-date information for the accounts to have a better  
26 interpretation of the depreciation for the accounts.

3 Q. Is that the only difference?

4 A. No. Another difference in the studies is that the Company includes a remaining life  
5 component to the depreciation rates. The use of remaining life minimizes the time  
6 ratepayers have to return the Company's investment and net salvage by increasing  
7 depreciation rates.

8 Q. Are there any issues with using the Company's methodology?

9 A. The Commission gave direction in Case No. ER-2004-0570 (The Empire District  
10 Electric Company) regarding the parameters that should be part of the computation of  
11 depreciation for utilities. The parameters delineated by the Commission included the book  
12 value of an asset, average service life, and net salvage. The use of remaining life was not  
13 included in the direction given by the Commission.

14 Q. Are there any other differences?

15 A. No.

## 16 **RECOMMENDATION**

17 Q. What does Staff recommend on the issue of depreciation?

18 A. Staff recommends that the depreciation rates contained in Schedule DTB-r1 be  
19 approved by the Commission.

20 Q. Does this conclude your prepared rebuttal testimony?

21 A. Yes. It does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company            )  
d/b/a Ameren Missouri's Tariffs to Increase        )     Case No. GR-2019-0077  
its Revenues for Natural Gas Service            )

**AFFIDAVIT OF DAVID BUTTIG, PE**

STATE OF MISSOURI     )  
  )     ss.  
COUNTY OF COLE     )

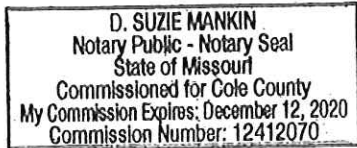
COMES NOW DAVID BUTTIG, PE and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Rebuttal Testimony*; and that the same is true and correct according to his best knowledge and belief.

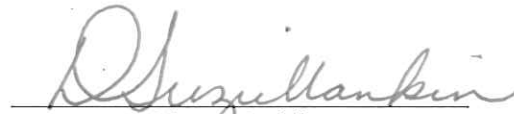
Further the Affiant sayeth not.

  
\_\_\_\_\_  
DAVID BUTTIG, PE

**JURAT**

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 5<sup>th</sup> day of June 2019.



  
\_\_\_\_\_  
Notary Public