

Exhibit No.:
Issue(s): Depreciation
Witness: David T. Buttig, PE
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: GR-2021-0108
Date Testimony Prepared: July 14, 2021

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENGINEERING ANALYSIS DEPARTMENT

SURREBUTTAL TESTIMONY

OF

DAVID T. BUTTIG, PE

**SPIRE MISSOURI INC., d/b/a SPIRE
SPIRE EAST and SPIRE WEST
GENERAL RATE CASE**

CASE NO. GR-2021-0108

*Jefferson City, Missouri
July 2021*

1
2
3
4
5
6
7
8
9
10
11
12

TABLE OF CONTENTS
SURREBUTTAL TESTIMONY
OF
DAVID T. BUTTIG, PE
SPIRE MISSOURI INC., d/b/a SPIRE
SPIRE EAST and SPIRE WEST
GENERAL RATE CASE
CASE NO. GR-2021-0108

INTRODUCTION..... 1
GENERAL PLANT ACCOUNTS..... 2
ENTERPRISE SOFTWARE 6
SMART METERS 8

1 **SURREBUTTAL TESTIMONY**
2 **OF**
3 **DAVID T. BUTTIG, PE**
4 **SPIRE MISSOURI INC., d/b/a SPIRE**
5 **SPIRE EAST and SPIRE WEST**
6 **GENERAL RATE CASE**
7 **CASE NO. GR-2021-0108**

8 **INTRODUCTION**

9 Q. Please state your name and business address.

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

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

13 A. I am employed by the Missouri Public Service Commission (“Commission”)
14 as a Professional Engineer in the Engineering Analysis Department of the Industry
15 Analysis Division.

16 Q. Are you the same David T. Buttig, PE who sponsored part of the Staff Report –
17 Cost of Service, which was filed on May 12, 2021?

18 A. Yes, I am.

19 Q. What is the purpose of your Surrebuttal Testimony?

20 A. The purpose of my Surrebuttal Testimony is to respond to the Rebuttal
21 Testimony of Spire Missouri, Inc., d/b/a Spire (“Spire” or “Company”) witness John J. Spanos,
22 Office of The Public Counsel (“OPC”) witness John A. Robinett, and to make corrections to
23 Staff’s recommended depreciation rates included in the Staff Report – Cost of Service, filed on
24 May 12, 2021. I will also address the differences between the Company’s proposed depreciation

1 rates as submitted in the Direct Testimony and Attachments of Company witness
2 Mr. Wesley E. Selinger whose testimony has been adopted by Company witness
3 Mr. Scott A. Weitzel, and those included in the Company's latest depreciation study.

4 Q. What differences will you specifically address?

5 A. I will address the differences with the amortized general plant accounts,
6 enterprise software account, and the smart meter accounts.

7 **GENERAL PLANT ACCOUNTS**

8 Q. Which amortized general plant accounts were discussed in the Rebuttal
9 Testimony of Mr. Spanos?

10 A. Mr. Spanos discussed the following general plant accounts in his rebuttal:

11 391.00 – Office Furniture & Equipment,
12 391.10 – Mechanical Office Equipment,
13 391.20 – Data Processing Software/Systems,
14 391.30 – Data Processing Equipment,
15 393.00 – Stores Equipment,
16 394.00 – Tools, Shop, and Garage Equipment,
17 395.00 – Laboratory Equipment,
18 397.00 – Communication Equipment,
19 397.10 – Communication Equipment - ERT, and
20 398.00 – Miscellaneous Equipment.

21 Q. Did Mr. Spanos file Direct Testimony in this case?

22 A. No.

23 Q. What depreciation rates is Spire proposing to use in this proceeding?

1 A. The Company is proposing to use the depreciation rates included in the Direct
2 Testimony of Mr. Selinger.

3 Q. How were the depreciation rates submitted?

4 A. The depreciation rates proposed by Mr. Selinger were attached to his Direct
5 Testimony in Schedule WES-1 H11-Depr Adj.

6 Q. In his Rebuttal Testimony, did Mr. Spanos include different depreciation rates
7 than those previously submitted by the Company?

8 A. Yes. The depreciation rates of Mr. Spanos are included in the depreciation study
9 included with his Rebuttal Testimony and in the Depreciation study the Company provided per
10 rule 20 CSR 4240-40.090. The depreciation rates as submitted are included in the table below:
11

Account Name		Spanos			Selinger	Staff
		Fully Accrued*	Amortized*	Total Account*		
391.00	Office Furniture & Equipment	0	5	4.71	4.71	4.71
391.10	Mechanical Office Equipment	0	6.67	5.47	5.47	5.47
391.20	Data Processing Software/Systems	0	20	12.12	12.12	12.12
391.30	Data Processing Equipment	0	10	9.89	10	6.44
393.00	Stores Equipment	0	3.33	2.16	2.16	2.16
394.00	Tools, Shop, & Garage Equipment	0	4	3.62	3.62	3.62
395.00	Laboratory Equipment	0	5	3.62	3.63	3.62
397.00	Communication Equipment	0	6.67	5.81	6.24	5.81
397.10	Communication Equipment - ERT	0	6.67	5.67	5.67	5.67
398.00	Miscellaneous Equipment	0	5	4.58	4.58	4.58

*Fully Accrued: Assets that have fully recovered and reached the end of the amortization period.

Amortized: Assets that have not fully recovered and within the amortization period.

Total Account: Weighted average of the account as a whole (both fully recovered and not).

1 Q. Is a company required to use the depreciation rates that a depreciation study
2 recommends?

3 A. No, they are not. A company can use a depreciation study in order to support
4 the depreciation rates it is recommending in a rate case, but it is not required to use them as
5 their recommended depreciation rates.

6 Q. Has the Company indicated that it is changing its originally proposed
7 depreciation rates as included in the Direct Testimony of Mr. Selinger?

8 A. No. The Company has not changed its proposed depreciation rates since it filed
9 direct testimony.

10 Q. Are the rates for the general plant accounts proposed by Mr. Selinger supported
11 in the depreciation study performed by Mr. Spanos?

12 A. Yes, they are. Mr. Selinger proposed depreciation rates that were calculated for
13 the entirety of the accounts.

14 Q. What is the difference between the proposed depreciation rates in Selinger's
15 Direct Testimony and the depreciation rates mentioned by Spanos in his Rebuttal Testimony?

16 A. Mr. Spanos has recommended a depreciation rate of 0.00% for the portion of the
17 assets in the accounts that have fully accrued and a different rate for the portion of the accounts
18 that have yet to fully amortize. These rates are based off a square curve and a 0.00% salvage
19 rate for the remaining amortized portion of the assets.

20 Q. Can you further explain Mr. Spanos' recommendation regarding general plant
21 accounts?

22 A. Mr. Spanos is recommending amortization for these general plant accounts.
23 This means that the assets would have a predetermined life in which it would recover its cost.

1 When the asset has reached its life span it would then need to be retired so as to no longer
2 recover additional depreciation beyond its original cost. After the asset has reached its life span,
3 Mr. Spanos is recommending that those assets would have a 0% depreciation rate in order to
4 no longer have any depreciation expense. Mr. Spanos also included a weighted average
5 depreciation rate for the entirety of the individual general plant accounts. This rate could be
6 applied to the plant account as a whole and still have the same depreciation expense as the
7 combined fully accrued and amortized portions.

8 Q. How is this different than what Staff has proposed?

9 A. Staff has proposed to use the weighted average value for the depreciation rate.
10 Since the Company does not have an account set up for the assets that have fully accrued, those
11 assets amounts are still included in the amortized values. Staff proposed the depreciation rate
12 in its Direct Testimony so as to not over-recover on the assets. The depreciation rates proposed
13 by Staff are similar to those proposed by the Company and used in the Company's revenue
14 requirement as shown in the above table.

15 Q. Why should the Commission order the depreciation rates proposed by Staff in
16 this case?

17 A. The Commission should order the rates proposed by Staff since they would not
18 lead to an over-recovery of the assets. Since the Company maintains assets in the general plant
19 accounts past their amortization period, an over-recovery has and will occur. Staff's proposed
20 depreciation rates assume Spire files a rate case every three to four years. If Spire deviates from
21 this rate case timing, the rates as proposed by Staff may lead to an under-recovery of the assets,
22 however, Staff anticipates reviewing the amortization of these accounts in each future rate case.

1 A. If the Commission were to order the depreciation rates as recommended by
2 Mr. Spanos, do you have additional recommendations for the Commission?

3 Q. Yes. If the Commission orders the amortized depreciation rates of Mr. Spanos,
4 I recommend the Commission order Spire to regularly retire all assets that have reached the
5 end of the amortization period. By ensuring assets are retired at the end of the amortization
6 period, any over-accrual from maintaining assets in rate base past their amortization period will
7 be minimized.

8 **ENTERPRISE SOFTWARE**

9 Q. What is the Enterprise Software?

10 A. As taken from the Commission's Report and Order in Case No. GO-2012-0363,

11 EIMS [enterprise information management system] is intended to
12 be a fully integrated and comprehensive information management
13 system that will be capable of providing enhanced accounting
14 tools, cross-functional communication, data tracking and analysis,
15 and other essential business processes in the areas of customer
16 service, billing and information, financial performance, supply
17 chain/inventory, human resources and asset management.¹

18 Q. What depreciation rate is Mr. Spanos recommending for Account 391.95
19 Enterprise Software?

20 A. Mr. Spanos is recommending that the depreciation rate be ten percent with a
21 ten year average life and zero percent net salvage. This change is included in Mr. Spanos'
22 Rebuttal Testimony and his Depreciation Study.

23 Q. What is Staff's recommendation for this account?

¹ GO-2012-0363 Commission Report and Order, Page 4, Filed October 03, 2012.

1 A. Staff's recommendation is to maintain the currently ordered depreciation rate
2 for this account.

3 Q. When was the depreciation rate for this account established?

4 A. The depreciation rate for this account was established in Case No.
5 GO-2012-0363 and has remained the same since that order.

6 Q. What are some details about Case No. GO-2012-0363?

7 A. Case No. GO-2012-0363 was an application submitted by Laclede Gas
8 Company, the predecessor company to Spire Missouri, Inc., to establish a depreciation rate for
9 the Company's new Enterprise Software. In that case a new subaccount in Account 391 was
10 established to record the depreciation related to these assets. In that case, the Commission
11 ordered Laclede Gas Company to have the assets assigned a depreciation rate of 7% and to have
12 the new subaccount and its depreciation rate reviewed at the next general rate case. Laclede
13 Gas Company was also to submit a depreciation study with its next general rate case. This order
14 went into effect on October 13, 2012.

15 In Laclede Gas Company's next general rate case (GR-2013-0171) a
16 depreciation study was submitted and the depreciation rates were evaluated. In that rate case
17 the depreciation rate for the Enterprise Software was agreed upon. The order for this case went
18 into effect July 8, 2013.

19 Q. Does Staff propose a change to the depreciation rate of this account?

20 A. No. Staff recommends maintaining the current depreciation rate as previously
21 ordered. The depreciation study as provided by the Company does not provide the evidence for
22 a shortened average life for these assets.

1 **SMART METERS**

2 Q. Does Staff have any changes to make to the depreciation rates of Accounts 381.1
3 and 382.2 (Smart Meters and Smart Meter Installations) as previously filed?

4 A. Yes. Account 381.1 and Account 382.1 should each have an average life of
5 twenty years, a zero percent net salvage, and a resulting five percent depreciation rate. This
6 depreciation rate was established in Case No. GO-2020-0416. The Commission Order for this
7 case became effective on October 16, 2020.

8 Q. What was the depreciation rate for these accounts that Staff recommended in its
9 Direct Testimony?

10 A. Staff recommended a 15-year average life with 0% net salvage and a resultant
11 6.67% depreciation rate.

12 Q. Why is this change being made?

13 A. Staff is correcting an inadvertent error made in its Direct filing. Staff
14 became aware of the need for this correction in the Rebuttal Testimony of OPC witness
15 John A. Robinett.

16 Q. With this correction do you suspect that Mr. Robinett's comment is no longer
17 an issue?

18 A. Yes. With this correction I suspect that the issue has been resolved.

19 Q. Why should the Commission maintain this previously ordered depreciation rate?

20 A. In Case GO-2020-0416, Spire Missouri requested a Depreciation Authority
21 Order for the smart meters and smart meter installations. The depreciation rate was established
22 on the basis of the smart meters having a battery life of 20 years. Since the depreciation

1 authority order, no evidence or data has been provided to Staff that would suggest differing or
2 modifying the depreciation as previously ordered.

3 Q. What depreciation rates for these accounts are the Company proposing?

4 A. The Direct Testimony of Mr. Selinger, Schedule H-11, includes the proposed
5 rates for Spire Missouri. According to this schedule, the Company is proposing the same rates
6 as established in the depreciation authority order.

7 Q. Are these the same rates as Mr. Spanos included in his depreciation study?

8 In the Company's most recent Depreciation Study, Company witness
9 Mr. Spanos suggests that the rates for these accounts should have a 15 year average service life,
10 with a 0.00% net salvage, and a resulting 6.67% depreciation rate.

11 Q. Has Mr. Spanos provided any reasoning or evidence for this change?

12 A. He has not.

13 Q. Has the Company proposed to change the depreciation rate for these accounts?

14 A. No. According to the testimony and attached schedule of Mr. Selinger, the
15 Company is proposing to maintain the currently ordered depreciation rates from Case No.
16 GO-2020-0416.

17 Q. Does this conclude your surrebuttal testimony?

18 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

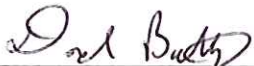
In the Matter of Spire Missouri Inc.'s d/b/a)
Spire Request for Authority to Implement a) Case No. GR-2021-0108
General Rate Increase for Natural Gas)
Service Provided in the Company's)
Missouri Service Areas)

AFFIDAVIT OF DAVID T. BUTTIG, PE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

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

Further the Affiant sayeth not.

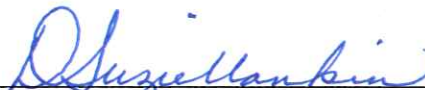


DAVID T. BUTTIG, PE

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 12th day of July 2021.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070



Notary Public