

# Exhibit No. 47

Exhibit No.: \_\_\_\_\_  
Issue: Depreciation Study  
Witness: Dane A. Watson  
Type of Exhibit: Surrebuttal Testimony  
Sponsoring Party: The Empire District  
Electric Company  
Case No.: ER-2021-0312  
Date Testimony Prepared: January 2022

**Before the Public Service Commission  
of the State of Missouri**

**Surrebuttal Testimony**

**of**

**Dane A. Watson**

**on behalf of**

**The Empire District Electric Company**

**January 2022**



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THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. ER-2021-0312

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Dane A. Watson. My business address is 101 E. Park Blvd, Suite 220,  
4 Plano, TX, 75074.

5 **Q. Are you the same Dane A. Watson who provided Direct and Rebuttal Testimony**  
6 **in this matter on behalf of The Empire District Electric Company (“Empire” or**  
7 **the “Company”)?**

8 A. Yes.

9 **Q. What is the purpose of your Surrebuttal Testimony in this proceeding before the**  
10 **Missouri Public Service Commission (“Commission”)?**

11 A. The purpose of my surrebuttal testimony is to respond to the rebuttal positions taken  
12 by Staff witness Cedric Cunigan, PE regarding depreciation rates for Empire. Mr.  
13 Cunigan’s rebuttal testimony was filed on December 20, 2021, the same day I filed my  
14 rebuttal in this case. In this testimony, I provide clarification on Mr. Cunigan’s rebuttal  
15 testimony in relation to my rebuttal testimony; and I address the remaining differences  
16 between Staff and the Company relating to depreciation rates.

17 **II. COMPANY POSITION**

18 **Q. Do you maintain the same position that you stated in your rebuttal?**

19 A. For most items at issue, yes. Before I filed my rebuttal testimony, I received an  
20 advance copy of Mr. Cunigan’s revised life and net salvage recommendations. In that  
21 information, I assumed that Mr. Cunigan recommended different net salvage

1 parameters than I did for accounts 345, Accessory Electric Equipment, and Account  
2 390, Structures and Improvements. When his rebuttal testimony was filed, those  
3 accounts used the same depreciation parameters that I did. With his acceptance of the  
4 two remaining net salvage recommendations, there is no need for the arguments made  
5 on page 47 through page 49, line 9, of my rebuttal testimony.

6 **III. REMAINING DIFFERENCES BETWEEN COMPANY AND STAFF**

7 **Q. What are the remaining differences between Staff’s recommendations and the**  
8 **Company’s?**

9 A. The position differences between the Company and Staff remain as follows:

- 10 • life parameters for different accounts;
- 11 • depreciation rates for AMI meters; and
- 12 • reserve reallocation of the Company’s accumulated depreciation accounts
- 13 within each function to rebalance the reserve within each function.

14 **Q. What differences remain between the Company’s life recommendations and**  
15 **Staff’s?**

16 A. The position differences are shown in the two tables below, which were presented in  
17 my rebuttal testimony.

18 **Table DAW-RR-1R**  
19 **Summary of Approved and Proposed Lives**  
20 **for Accounts Analyzed via Actuarial Analysis**  
21 **for Interim Retirements**  
22

<b>Account</b>	<b>Description</b>	<b>Empire Proposed Life</b>	<b>Staff Proposed Life</b>
311	Structures	90 R1.5	77 L1.5
312	Boiler Plant	55 R0.5	40 S0.5
314	Turbogenerators	60 L1	52 S1.5
331	Structures	100 R1.5	70 O3

332	Dams	85 R0.5	35 L1.5
334	Access. Electric	70 L2.5	60 L2.5
335	Misc. Equipment	45 R0.5	80 O4
343	Prime Movers	50 R1.5	50 R2
344	Generators	55 R1	50 R1
346	Misc. Equipment	55 R2.5	60 R2.5

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**Table DAW-RR-2R  
Summary of Approved and Proposed Lives  
for Transmission, Distribution, and General  
Accounts Analyzed via Actuarial Analysis**

<b>Account</b>	<b>Description</b>	<b>Empire Proposed Life</b>	<b>Staff Proposed Life</b>
352	Structure and Improvements	70 R2.5	80 R3
353	Station Equipment	50 R1.5	50 S1
356	OH Conductors and Devices	65 R3	70 L3
361	Structures and Improvements	52 R2	55 R1.5
362	Station Equipment	55 R1.5	51 R1.5
370.1	AMI Meters	20 R2	NA
392	Transportation Equipment	11 L3	13 L2
396	Power Operated Equipment	13 L3	17 L3

7

8 For the following accounts, I believe Staff's recommendations are also reasonable, and  
9 I am willing to accept Staff's lives for these accounts: Account 343, Prime Movers;  
10 Account 345, Generators; Account 346, Miscellaneous Equipment; Account 353,  
11 Transmission Station Equipment; and Account 362, Distribution Station Equipment, as  
12 shown in Table 2 of my rebuttal testimony, page 51.

13 For all other accounts, as discussed in my rebuttal testimony (including the  
14 treatment of AMI meters), the Company's proposal is a better representation of  
15 Empire's life characteristic estimates over the remaining lives of the accounts.  
16 Discussions on the rationale for why the Company's remaining recommendations are  
17 more appropriate are found in my rebuttal testimony.

1 **Q. What process did you go through to reach the life proposals you offer for each**  
2 **account?**

3 A. The process I used to conduct the depreciation study consists of extensive data analysis  
4 and reconciliation, interviews with Company subject matter experts, and data analysis  
5 of each account.<sup>1</sup> I explain more about these unique steps in my rebuttal testimony.<sup>2</sup>  
6 My analyses incorporate the best practices advocated by learned treatises such as  
7 *Depreciation Systems* and *Public Utility Depreciation Practices*. Therein, I performed  
8 actuarial analyses over many bands, incorporated input from Company experts, and  
9 exercised my professional judgement. Staff witness Mr. Cunigan makes no mention of  
10 performing these important steps. He presents curve fitting results from one band for  
11 most accounts<sup>3</sup> and does not speak to important steps in the depreciation study process  
12 such as incorporating information from Company subject matter experts, curve fitting,  
13 and the reason for only fitting the overall band for most accounts. His testimony only  
14 shows multiple bands for a few accounts: Account 314 Turbogenerator Equipment<sup>4</sup>,  
15 Account 343 Prime Movers<sup>5</sup>, and Account 344 Generators.<sup>6</sup> My analysis on behalf  
16 of the Company is more comprehensive and documented in my direct testimony,  
17 workpapers, and rebuttal testimony.<sup>7</sup>

18 **Q. Did Mr. Cunigan make any recommendation regarding reserve reallocation that**  
19 **you propose?**

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<sup>1</sup> Watson Direct, Pages 8-9, 15-16. Exhibit DAW-2, pages 17-19 of 137.

<sup>2</sup> Watson Rebuttal, p 6-11, 13-15.

<sup>3</sup> Cunigan Rebuttal, Pages 4-9.

<sup>4</sup> Id, p 5.

<sup>5</sup> Ibid.

<sup>6</sup> Id, p. 6.

<sup>7</sup> Watson Rebuttal, p. 18-46.

1 A. No, this recommendation on behalf of the Company was not opposed in any party's  
2 direct or rebuttal testimony. I advocate reserve reallocation as a way to rebalance  
3 accumulated depreciation after completion of a depreciation study and the adjudication  
4 process. I further elaborate on this recommendation in my direct testimony, pp. 23-  
5 25.

6 **Q. Do you have any concluding remarks in response to Staff's rebuttal testimony**  
7 **regarding depreciation rates for Empire?**

8 A. Yes. I conducted a complete depreciation study using standard depreciation processes  
9 and methodologies that resulted in the recommended parameters and depreciation rates.  
10 My recommended life and net salvage parameters are reasonable and specific to  
11 Empire's unique circumstances. The depreciation rates, as shown in Rebuttal Schedule  
12 DAW-2, and Appendices A, A-1, and B to my Direct Testimony, should be applied to  
13 Empire's plant in service. My depreciation rates, when applied to Empire's plant in  
14 service balances provide fair and reasonable recovery to both Empire and its customers  
15 and should be adopted by this Commission. The alternative shown in Rebuttal Schedule  
16 DAW-4 would also be an acceptable and reasonable result.

17 **Q. Does this conclude your Surrebuttal Testimony?**

18 A. Yes, at this time.



**VERIFICATION**

I, Dane A. Watson, under penalty of perjury, on this 20th day of January, 2022,  
declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Dane A. Watson