

Exhibit No.:
Issue(s): Depreciation
Witness: Amanda Coffey
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: GR-2024-0106
Date Testimony Prepared: July 18, 2024

MISSOURI PUBLIC SERVICE COMMISSION
INDUSTRY ANALYSIS DIVISION
ENGINEERING ANALYSIS DEPARTMENT

DIRECT TESTIMONY
OF
AMANDA COFFER

LIBERTY UTILITIES (Midstates Natural Gas) CORP.,
d/b/a Liberty

CASE NO. GR-2024-0106

Jefferson City, Missouri
July 2024

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DIRECT TESTIMONY

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CASE NO. GR-2024-0106

Q. Please state your name and business address.

A. My name is Amanda Coffe. My business address is 200 Madison Street, Jefferson City, MO 65101

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

A. I am employed by the Missouri Public Service Commission (“Commission”) as an Associate Engineer in the Engineering Analysis Department, Industry Analysis Division.

Q. Please describe your educational background and work experience.

A. Please refer to Schedule AC-d1 attached to this direct testimony for my credentials and a list of cases in which I have filed testimony or recommendations.

Q. Have you previously testified in proceedings before the Missouri Public Service Commission?

A. Yes. I have provided written testimony and reports before the Missouri Public Service Commission. Please see Schedule AC-d1.

EXECUTIVE SUMMARY

Q. What is the purpose of your direct testimony?

A. I will be providing Staff’s recommendations regarding depreciation rates for Liberty Utilities (Midstates Natural Gas) d/b/a Liberty (“Liberty Midstates”), plant in service.

1 Q. Do you provide input or work product to another Staff witness for development
2 of an issue?

3 A. Yes. I provided my recommended depreciation rates to Staff witnesses
4 Lisa M. Ferguson and Blair Hardin to use in the development of Staff's accounting schedules
5 and to calculate capitalized depreciation adjustments.

6 Q. Through this testimony, do you provide any recommendations that should
7 specifically be reflected in the Commission's Report and Order in this case?

8 A. Yes. In this testimony Staff recommends that the Commission order the
9 depreciation rates that Staff has prepared and recommended. Staff's depreciation rates have
10 been included as Schedule AC-d2.

11 **DEPRECIATION**

12 Q. Please explain what depreciation is.

13 A. The purpose of depreciation in a regulatory setting is to recover the cost of
14 capital assets over the useful lives of the assets.

15 Depreciation, as applied to depreciable gas plant, means the loss in
16 service value not restored by current maintenance, incurred in
17 connection with the consumption or prospective retirement of gas plant
18 in the course of service from causes which are known to be in current
19 operation and against which the utility is not protected by insurance.
20 Among the causes to be given consideration are wear and tear, decay,
21 action of the elements, inadequacy, obsolescence, changes in the art,
22 changes in demand and requirements of public authorities, and, in the
23 case of natural gas companies, the exhaustion of natural resources.¹

¹ National Association of Regulatory Utility Commissioners (NARUC), Uniform System of Accounts for Gas Utilities as of April 1, 2004, page 547.

1 Q. How is depreciation calculated?

2 A. Each plant account is assigned a depreciation rate which is designed to recover,
3 over the average service life of the assets in that account, the original cost of the assets, plus an
4 estimate for any cost of removal less scrap value. Annual depreciation expense for a plant
5 account is the amount that is recovered over that year based on the depreciation rate for that
6 account and the balance of plant in that account.

7 Q. How are depreciation rates determined?

8 A. Depreciation rates are determined by performing a depreciation study to
9 determine the average service life of assets in plant accounts. Staff performs depreciation
10 studies using the straight-line method, broad group, average life procedure and whole life
11 technique and uses the following calculation to determine depreciation rates:

12
$$\text{Depreciation Rate} = (100\% - \text{Net Salvage\%}) / (\text{Average Service Life})$$

13 Q. Has the Company proposed any changes to its currently ordered
14 depreciation rates?

15 A. Yes. Company witness Dane Watson provided a depreciation study with
16 updated depreciation rates in his direct testimony.

17 Q. What are Staff's recommendations regarding depreciation rates?

18 A. Due to ongoing issues with Staff's depreciation software, Staff has been unable
19 to complete a depreciation study. Therefore, Staff is currently recommending the continued
20 use of the depreciation rates that were ordered in Liberty Midstates last rate case, Case No.
21 GR-2018-0013. Staff is continuing to work on resolving these issues and may provide updated
22 depreciation rates in rebuttal testimony.

1 Q. Liberty Midstates is requesting to use Vintage Year Accounting for Accounts
2 391, 393-395, and 397-399.² What is Vintage Year Accounting?

3 A. It is an accounting method that allows for companies to record only the total cost
4 of plant additions for the year as a vintage group for general plant accounts³ instead of recording
5 individual items of property, providing the following requirements are met:

6 1. The individual classes of assets for which Vintage Year Accounting is followed
7 are high volume, low value items;

8 2. There is no change in existing retirement unit designations, for purposes of
9 determining when expenditures are capital or expense;

10 3. The cost of the vintage groups is amortized to depreciation expense over their
11 useful lives and there is no change in depreciation rates resulting from the adoption of
12 the Vintage Year Accounting;

13 4. Interim retirements are not recognized;

14 5. Salvage and removal cost relative to items in the vintage categories are included
15 in the accumulated depreciation account and assigned to the oldest vintage first; and,

16 6. Properties are retired from the affected accounts that, at the date of the adoption
17 of vintage year accounting, meet or exceed the average service life of properties in
18 that account.

19 In this method, assets that will be retired first are the ones whose age are greater than the
20 recommended service life for each group. After those assets are retired, the remaining plant in

² Direct Testimony of Company witness Dane Watson, page 16, lines 1-4.

³ Account 391 - Office Furniture and Equipment; Account 392 -Transportation Equipment; Account 393 - Stores Equipment; Account 394 - Tools, Shop and Garage Equipment; Account 395 - Laboratory Equipment; Account 396 - Power Operated Equipment; Account 397 - Communication Equipment; Account 398 - Miscellaneous Equipment; and Account 399 - Other Tangible Property.

1 service for each account is amortized. Annually, assets which reach the average service life of
2 each account are retired when the assets reach their average service life. This method was
3 adopted by the Federal Energy Regulatory Commission (“FERC”) for use in Accounting
4 Release 15, effective January 1, 1997.

5 Q. Does this method comply with Commission’s Rules?

6 A. Although it was adopted by FERC, it may not comply with Commission’s Rules.
7 As a requirement of Commission Rule 20 CSR 4240-40.090, each gas utility company must
8 submit a depreciation study, database, and property unit catalog. The database is required to
9 contain annual dollar additions and retirements by vintage year and year retired.⁴ Each gas
10 utility is required to maintain plant records of the year of each unit’s retirement as part of the
11 continuing plant inventory record⁵, and keep its work order system so as to show the nature of
12 each addition to or retirement of gas plant by vintage year⁶.

13 Q. Does Staff support this method?

14 A. At this point based on the Commission’s decision in ER-2022-0337, Staff cannot
15 yet state whether it supports this method. Staff will reserve a final decision based upon further
16 company testimony, discovery, and discussions with the Company.

17 Q. Is Staff recommending any reserve balance adjustments?

18 A. Yes. In its review, Staff noted several issues with reserve balances and is
19 recommending some adjustments within the following accounts which will be detailed in
20 Staff’s accounting schedules. Additionally, Staff is submitting data requests to address

⁴ 20 CSR 4240-40.090(1)(A)2.A.

⁵ 20 CSR 4240-40.040(3)(A)

⁶ 20 CSR 4240-40.040(3)(H)

1 questions regarding the Company's reserve balance adjustments and may address this further
2 in rebuttal.

3

Total	SEMO	NEMO WEMO
374	376.1	374
381	381	365
365	399.3	390.3
399.5	367.1	376.1
367.1	399.5	366
376.1		399
366.1		399.5

4

5 Q. In conclusion, what are Staff's recommendations?

6 A. Staff is currently recommending the continued use of the depreciation rates
7 ordered in the last rate case, as provided in Schedule AC-d2.

8 Q. Does this conclude your direct testimony?

9 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Request of Liberty)
Utilities (Midstates Natural Gas) Corp.)
d/b/a Liberty to Implement a General Rate)
Increase for Natural Gas Service in the)
Missouri Service Areas of the Company)

Case No. GR-2024-0106

AFFIDAVIT OF AMANDA COFFER

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW AMANDA COFFER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony of Amanda Coffe*r; and that the same is true and correct according to her best knowledge and belief.

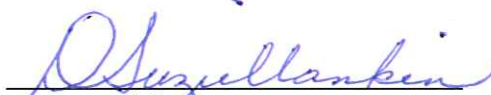
Further the Affiant sayeth not.


_____)
AMANDA COFFER

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 15th day of July 2024.

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

Amanda Coffey

Present Position:

I am an Associate Engineer in the Engineering Analysis Department, of the Industry Analysis Division of the Missouri Public Service Commission.

Educational Background and Work Experience:

I received my Bachelor of Science in Chemical Engineering from the University of Missouri in 2012. I was employed by the Missouri Department of Natural Resources as an Environmental Engineer from 2015 through 2018. I have been employed by the Commission since 2018.

Case History:

Case Number	Utility	Type	Issue
EC-2020-0252	Evergy West	Electric	Formal Complaint
EO-2019-0315	KCPL	Electric	RES Compliance Report
EO-2019-0317	KCPL	Electric	RES Compliance Plan
EO-2019-0396	City of Gallatin	Electric	Addendum to Territorial Agreement
EO-2020-0060	Farmers' Electric	Electric	Territorial Agreement
EO-2020-0329	Evergy Metro	Electric	RES Compliance
EO-2020-0331	Evergy Metro	Electric	RES Compliance
EO-2020-0341	Evergy Metro	Electric	Vegetation Management Report
EO-2020-0342	Evergy West	Electric	Vegetation Management Report
EO-2021-0001	Empire	Electric	Reliability Compliance Report
ET-2021-0082	Ameren	Electric	Surge Protection Program
SA-2019-0161	United Services	Sewer	Depreciation
SR-2019-0157	S.K.&M.	Sewer	Depreciation
EA-2020-0371	Ameren	Electric	CCN Application Requirements
EO-2021-0163	SEMO	Electric	Change of Supplier
EO-2021-0345	Evergy Metro	Electric	RES Compliance
EO-2021-0346	Evergy West	Electric	RES Compliance
EO-2021-0347	Evergy Metro	Electric	RES Compliance
EO-2021-0348	Evergy West	Electric	RES Compliance
SA-2022-0014	Elm Hills	Sewer	Depreciation

SA-2022-0029	Mid Mo Sanitation	Sewer	Depreciation
EE-2022-0074	Ameren	Electric	Variance Request
WA-2021-0391/SA-2021-0392	Missouri American Water	Water/Sewer	Depreciation
WA-2022-0049	Missouri American Water	Water/Sewer	Depreciation
ER-2021-0240	Ameren	Electric	Rate Case
ER-2021-0312	Empire	Electric	Rate Case
ER-2022-0129	Evergy	Electric	Rate Case – Green Pricing Plan
WA-2023-0003	Confluence Rivers	Water/Sewer	Depreciation
GR-2022-0179	Spire	Gas	Depreciation
EA-2022-0244	Ameren	Electric	Renewable Energy
WR-2022-0303	Missouri American Water	Water/Sewer	Depreciation
ER-2022-0337	Ameren	Electric	Solar Rebate Tariff, Landfill and Solar In-Service Criteria
ET-2023-0197	Empire	Electric	Solar Rebate Tariff
EO-2023-0361	Evergy Metro	Electric	RES Compliance
EO-2023-0362	Evergy West	Electric	RES Compliance
EE-2024-0007	Ameren	Electric	Variance
EO-2024-0301	Evergy Metro	Electric	RES Compliance Report
EO-2024-0299	Evergy Metro	Electric	RES Compliance Plan

Liberty Utilities (Midstates Natural Gas) Corp.
Depreciation Rates GR-2018-0013

Account Number	Plant Description	Depreciation Rate (WEMO, SEMO, and NEMO)	Average Service Life	Net Salvage Rate
365.00	Land - Transmission	0.00%		
365.10	Land and Land Rights	0.00%		
365.20	Rights-of-Way	0.00%		
366.00	Structures and Improvements	2.10%	50	-5%
366.10	Structures and Improvements (T&D other structures)	2.10%	50	-5%
367.00	Mains - Transmission - Cathodic Protection	1.57%	70	-10%
367.10	Mains - Transmission - Steel	1.57%	70	-10%
367.20	Mains - Transmission - Plastic	1.57%	70	-10%
369.00	Measuring & Regulating Station Equipment	2.04%	49	0
370.00	Communication Equipment	4.35%	23	0
374.00	Land and Land Rights	0.00%		
375.00	Structures and Improvements	2.22%	45	0
376.00	Mains - Distribution - Cathodic Protection	1.97%	68	-34%
376.10	Mains - Distribution - Steel	1.97%	68	-34%
376.20	Mains - Distribution - Plastic	1.92%	64	-23%
377.00	Compressor Station Equipment	0.00%		
378.00	Measuring & Regulating Station Equipment- General	2.66%	47	-25%
379.00	Measuring & Regulating Station Equipment- City Gate	2.78%	45	-25%
380.00	Services	4.55%	33	-50%
381.00	Meters	4.82%	28	-35%
382.00	Meter Installations	5.40%	25	-35%
383.00	House Regulators	2.27%	44	0
384.00	House Regulators Installations	2.27%	44	0
385.00	Industrial Measuring & Regulating Station Equipment	2.27%	45	-2%
387.00	Other Equipment	4.55%	22	0
389.00	Land and Land Rights	0.00%		
390.00	Structures and Improvements	2.56%	39	0
390.10	Structures and Improvements - Structure Frame	2.56%	39	0
390.20	Structures and Improvements - General Improvements	2.56%	39	0
390.30	Structures and Improvements - Improvements Leased Premises	2.56%	39	0
391.00	Office Furniture and Equipment	4.55%	22	0
392.00	Transportation Equipment	11.75%	8	0.06
392.10	Transportation Equipment less than 12,000 lbs.	11.75%	8	0.06

393.00	Stores Equipment	4.35%	23	0
394.00	Tools, Shop, and Garage Equipment	5.56%	18	0
395.00	Laboratory Equipment	3.57%	28	0
396.00	Power Operated Equipment	6.83%	12	0.18
396.10	Power Operated Equipment - Ditchers	6.83%	12	0.18
396.20	Power Operated Equipment - Backhoes	6.83%	12	0.18
396.30	Power Operated Equipment - Welders	6.83%	12	0.18
397.00	Communication Equipment	6.25%	16	0
397.10	Communication Equipment - Mobile Radios	6.25%	16	0
397.20	Communication Equipment - Fixed Radios	6.25%	16	0
397.30	Communication Equipment - Telemetry	6.25%	16	0
397.50	Communication Equipment	6.25%	16	0
398.00	Miscellaneous Equipment	5.00%	20	0
399.00	Other Tangible Property	4.76%	21	0
399.30	Other Tangible Prop - Network - H/W	12.50%	8	0
399.40	Other Tangible Prop - PC Hardware	14.29%	7	0
399.50	Other Tangible Prop - Software	12.50%	8	0
Corporate Allocated Plant Depreciation Rates				
374.00	Land and Land Rights - Corporate	0.00%		
390.00	Structures and Improvements - Corporate	2.50%	40	0.00%
391.00	Office Furniture and Equipment - Corporate	5.00%	20	0.00%
392.10	Transportation Equipment less than 12,000 lbs - Corporate	9.40%	10	6.00%
394.00	Tools, Shop, and Garage Equipment - Corporate	5.00%	20	0.00%
398.00	Miscellaneous Equipment - Corporate	5.00%	20	0.00%
399.00	Other Tangible Property - Corporate	14.29%	7	0.00%
399.10	Other Tangible Property - Servers - H/W - Corporate	20.00%	5	0.00%
399.30	Other Tangible Property - Network - H/W - Corporate	14.29%	7	0.00%
399.40	Other Tangible Property - PC Hardware - Corporate	20.00%	5	0.00%
399.50	Other Tangible Property - Software - Corporate	14.29%	7	0.00%