

Exhibit No.:
Issue(s): Depreciation
Witness: Amanda Coffey
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: GR-2024-0106
Date Testimony Prepared: August 22, 2024

MISSOURI PUBLIC SERVICE COMMISSION
INDUSTRY ANALYSIS DIVISION
ENGINEERING ANALYSIS DEPARTMENT

REBUTTAL TESTIMONY

OF

AMANDA COFFER

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

CASE NO. GR-2024-0106

Jefferson City, Missouri
August 22, 2024

1
2
3
4
5
6
7
8

**TABLE OF CONTENTS OF
REBUTTAL TESTIMONY OF
AMANDA COFFER
LIBERTY UTILITIES (Midstates Natural Gas) CORP.,
d/b/a Liberty
CASE NO. GR-2024-0106**

DEPRECIATION STUDY1
CONCLUSION.....4

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **AMANDA COFFER**

4 **LIBERTY UTILITIES (Midstates Natural Gas) CORP.,**

5 **d/b/a Liberty**

6 **CASE NO. GR-2024-0106**

7 Q. Please state your name and business address.

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

10 Q. Are you the same Amanda Coffe that filed Direct Testimony in this case?

11 A. Yes.

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

13 A. The purpose of my rebuttal testimony is to update Staff's recommended
14 depreciation rate schedule.

15 **DEPRECIATION STUDY**

16 Q. Why is Staff changing its recommended depreciation rates in rebuttal?

17 A. As previously stated in my direct testimony, Staff was unable to perform a
18 depreciation study at the time due to technical difficulties with its depreciation software. These
19 issues have since been resolved and Staff was able to move forward with its depreciation study.

20 Q. Did Staff conduct its own depreciation study?

21 A. Yes. Staff conducted its own depreciation study for the capital assets of Liberty
22 Utilities (Midstates Natural Gas) d/b/a Liberty ("Liberty Midstates") using the straight-line

1 method¹, broad group-average life procedure², and whole life technique³. For each account
2 examined, Staff estimated the average service life and net salvage rate. Staff's recommendation
3 is informed by statistical analysis of plant retirements as described below. Staff also relied on
4 its experience and judgment to prepare recommended rates. Staff used available data from the
5 Company's depreciation study and workpapers, along with the Company's responses to Data
6 Requests to prepare estimates of service life and net salvage for each account.

7 Staff conducted statistical analysis of retirements using Powerplan depreciation analysis
8 software to prepare survival curves for plant accounts. Survival curves describe the amount of
9 plant in an account, expressed as a percent that is still in service, at various ages. For an account
10 in which all plant is retired, the average service life can be calculated as the area under the
11 curve. Because there is surviving plant in these accounts, the curves produced are partial and
12 are called stub curves.

13 In order to estimate average service life, Staff fitted an Iowa curve to the stub curve for
14 each account. Iowa curves are model curves widely used among depreciation experts as
15 depictions of the life characteristics of utility plant. Staff also used the Powerplan software to
16 assist in mathematical and visual fitting of the stub curves to Iowa curves. Average service
17 lives for these accounts were drawn from the fitted Iowa curves.

18 In addition, Staff determined the net salvage rates. This is the net salvage cost, including
19 gross salvage and cost of removal, of retired plant for an account divided by the book cost of
20 that plant.

¹ The straight-line method of depreciation calculates the depreciation rate as the cost less net salvage, divided by the useful service life in years. Net salvage is the difference between the amount received from the retirement of property and the cost of removal.

² In the broad group-average life procedure, all units of plant within a particular account or subaccount are considered to be one group. This procedure utilizes the average life of the broad group in its calculation.

³ Whole life technique means that the depreciation rate is based on the entire average service life of plant.

1 These estimates of average life and net salvage were used in Powerplan to calculate the
2 depreciation rates. In addition to the analysis of statistics, Staff's recommended rates are
3 informed by judgment and previous orders of the Commission. Staff's updated recommended
4 depreciation rates are included as Schedule AC-r1.

5 Q. Please explain the differences between Staff's recommended depreciation rates
6 and the Company's.

7 A. While Staff has utilized the whole-life depreciation method, the Company
8 utilized the remaining life depreciation method, which calculates the depreciation rate based on
9 the remaining life of plant rather than the average life. This difference in technique does not
10 constitute a major discrepancy in how life and salvage parameters are determined, but rather
11 how depreciation rates are calculated using those parameters. In addition to using the whole
12 life method in this depreciation study, Staff has consistently used this method in its other
13 depreciation studies, including the Company's last rate case, GR-2018-0013. Accounts without
14 a probable retirement date can reasonably be assumed to remain in use over the economic life
15 of the utility, with a continual cycle of retirement of plant from accounts, and acquisition of
16 plant into the accounts. By using the remaining life for these accounts, new investments could
17 accrue depreciation at a faster or slower rate than if the whole life method were used. This can
18 lead to the accounts being over or under accrued and lead to more fluctuations in the calculated
19 depreciation rates in the future⁴. Another major difference between the whole life method and
20 remaining life method is that the reserve balances, which Staff has seen fluctuate greatly

⁴ See Case No. ER-2022-0129, Rebuttal Testimony of David T. Buttig, P.E., pg 2, lines 13-19.

1 between the last rate case and this filing, are not used in calculating the depreciation rates when
2 using the whole life method.⁵

3 Additionally, there were multiple accounts for which the Company utilized generic life
4 curves due to insufficient data; for these accounts Staff is recommending the continued use of
5 the previously ordered depreciation rates.

6 Q. Can you provide an example of an account where Staff's recommended
7 depreciation rate differs from the Company's?

8 A. Yes. For example, in account 381, Meters, The Company requested the
9 depreciation rate be changed from the previously ordered 4.82% to 7.65%. On analysis of this
10 account Staff recommends that the depreciation rate should be set at 6.85%.

11 **CONCLUSION**

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

13 A. Staff is recommending the use of the depreciation rates prepared by staff and
14 attached in Schedule AC-r1.

15 Q. Does this conclude your Rebuttal testimony?

16 A. Yes it does.

⁵ Account 381, Meters, had a balance of about \$556 k at the end of the last rate case and currently has a balance of -\$1.6 M before adjustments.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Request of Liberty)
Utilities (Midstates Natural Gas) Corp.) Case No. GR-2024-0106
d/b/a Liberty to Implement a General Rate)
Increase for Natural Gas Service in the)
Missouri Service Areas of the Company)

AFFIDAVIT OF AMANDA COFFER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

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

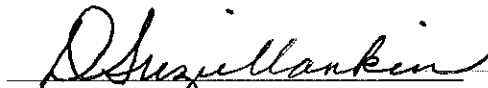
Further the Affiant sayeth not.


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 16th day of August 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

Liberty Utilities (Midstates Natural Gas) Corp.

Schedule of Depreciation Rates

GR-2024-0106

Account Number	Plant Description	Depreciation Rate	Average Service Life	Net Salvage Rate
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	1.64%	61.05	0%
367.10	Mains - Transmission - Steel	1.44%	70	-25%
367.20	Mains - Transmission - Plastic	1.57%	70	-10%
369.00	Measuring & Regulating Station Equipment	1.91%	52	0%
370.00	Communication Equipment	4.35%	23	0%
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%
378.00	Measuring & Regulating Station Equipment-General	3.13%	44	-38%
379.00	Measuring & Regulating Station Equipment- City Gate	2.78%	45	-25%
380.00	Services	2.98%	45	-35%
381.00	Meters	6.85%	17	-26%
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	2.83%	45	-28%
387.00	Other Equipment	4.55%	22	0%
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	0.00%	-	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	8.66%	10	10%
392.10	Transportation Equipment less than 12,000 lbs.	8.66%	10	10%
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	18%
396.10	Power Operated Equipment - Ditchers	6.83%	12	18%
396.20	Power Operated Equipment - Backhoes	6.83%	12	18%
396.30	Power Operated Equipment - Welders	0.00%	-	-
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	0.00%	-	-
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%