Exhibit No.: _____
Issues: Depreciation Study
Witness: Dane A. Watson
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Sponsoring Party: Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty
Case No.: GR-2024-0106
Date Testimony Prepared: September 2024

Before the Public Service Commission of the State of Missouri

Surrebuttal Testimony

of

Dane A. Watson

on behalf of

Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty

September 19, 2024

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FOR THE SURREBUTTAL TESTIMONY OF DANE A. WATSON
LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP. D/B/A LIBERTY
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
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SUBJECT **PAGE**

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I. INTRODUCTION

Q. Please state your name and business address.

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

Q. Are you the same Dane A. Watson who provided direct and rebuttal testimony in this matter on behalf of Liberty Utilities (Midstates Natural Gas) Corp. ("Liberty" or the "Company")?

A. Yes.

Q. Are you sponsoring any schedules with your surrebuttal testimony?

A. Yes. I am sponsoring the following schedules: **Surrebuttal Schedule DAW-1**, which is the retirement unit listing for 3760 and **Surrebuttal Schedule DAW-2**, which is the revised accrual rates.

II. PURPOSE AND SUMMARY OF REBUTTAL TESTIMONY

Q. What is the purpose of your surrebuttal testimony in this proceeding before the Missouri Public Service Commission ("Commission")?

A. I will be addressing the rebuttal testimonies of Staff witness Amanda Coffer and Missouri Office of the Public Counsel ("OPC") witness John Robinett.

Q. What specific issues are you addressing in this testimony?

A. The purpose of my testimony is to:

- Discuss the process I followed in my depreciation study and address the fact that neither Staff nor OPC incorporated any information from Company Subject

Matter Experts ("SMEs") that would contradict my recommendation;

- Respond to and explain the differences I have with Commission Staff's and OPC's proposal for life parameters for Liberty;
- Respond to and explain differences I have with Commission Staff's proposal for net salvage parameters for Liberty assets;
- Discuss the advantages of the remaining life depreciation system which the commission has adopted in recent decisions, rather than the whole life depreciation system proposed by Commission Staff;
- Point out that the Commission has adopted the remaining life depreciation system in recent decisions, rather than the whole life depreciation system used in Case GR-2018-0013;
- Respond to Mr. Robinett's remarks on reserve reallocation; and
- Discuss Shared Services depreciation rates and life parameters.[1]

Q. Is there another issue that you have mentioned in a prior testimony regarding the proposed depreciation rates?

A. As stated my rebuttal testimony, I continue to recommend adoption of the vintage group amortization system for general accounts 391, 393-395, and 397-399.

Q. What is the source of the Company's depreciation rates?

A. The existing depreciation rates were approved by settlement in Case No. GR-2018-0013. The approved depreciation rates incorporate the whole-life depreciation system.

[1] Staff is recommending the same net salvage parameters as the Company for Shared Services assets.

III. DEPRECIATION STUDY PROCESS

Q. Please describe your depreciation study approach.

A. The purpose of a depreciation study is to forecast the life and net salvage characteristics associated with assets currently in service. In my decades of experience, I have found that the necessary activities can be categorized into four phases. The four phases, as stated in my Direct Testimony are: Data Collection, Analysis, Evaluation, and Calculation.[2] I began each of the studies by collecting the historical data to be used in the analysis. After the data had been assembled, I performed analyses to determine the life and net salvage percentage for the different property groups being studied. As part of this process, I conferred with field personnel, engineers, and managers responsible for the installation, operation, and removal of the assets to gain their input into the operation, maintenance, and salvage of the assets. The information obtained from field personnel, engineers, and managerial personnel, combined with the analytical results, is then evaluated to determine how the results of the historical asset activity analysis, in conjunction with Liberty's operational experience, should be applied. In addition, I also brought to the results my nearly 40 years of experience as an engineer and depreciation analyst in selecting rational lives and net salvage for utility assets. Using all these resources, I determined the most appropriate lives and net salvage factors, and then calculated the depreciation rate for each plant account.

Q. Please explain the importance of reflecting the input from SMEs in the results and observing activities in the field.

A. As stated above, as part of the depreciation study process, I conferred with field personnel, engineers, and managers responsible for the installation, operation, and

[2] Direct Testimony of Dane A. Watson at 16-17.

removal of the assets to gain their input into the operation, maintenance, removal, and salvage of the assets. The information obtained from field personnel, engineers, and managerial personnel, combined with the study results, is then evaluated to determine how the results of the historical asset activity analysis, in conjunction with Liberty's current and future expectations for the operation of the assets, should be applied. The determination of the life and net salvage parameters of assets is not simply done by a simplistic evaluation of history. Characteristics may change over time, recent history may not be fully reflected in the statistics, and the past may not always be the same as the future. The goal of determining the life and net salvage for an account is to project as accurately as possible the future life and net salvage (i.e. the life and net salvage characteristics the assets will exhibit over their remaining lives), not simply the historical activity. With that said, care must be given to ensure that the projection of recent and future changes does not cross the line into speculation. In my depreciation study, I only used known activities and facts to guide my recommendations, and I did not speculate on improbable future outcomes to set depreciation rates.

Understanding how the system is operated and the characteristics of the specific assets is important for an analyst to get a better understanding of the assets that are being studied and an understanding of the actual drivers "behind" the accounting information being analyzed. Key information from SMEs or recent and future changes in operations can be pivotal for a depreciation analyst.

In its 1996 edition of the publication *Public Utility Depreciation Practices*, the National Association of Regulatory Utility Commissioners ("NARUC") advises against strict reliance on historical data and fitting, stating:

> Depreciation analysts should avoid becoming ensnared in the historical life study and relying solely on mathematical solutions. The reason for making an historic life analysis is to develop a sufficient understanding of history in order to evaluate whether it is a reasonable predictor of the future. The importance of being aware of circumstances having direct bearing on the reason for making an historical life analysis cannot be understated. The analyst should become familiar with the physical plant under study and its operating environment, including talking with the field people who use the equipment being studied.[3]

Q. Did Staff or OPC witnesses appear to incorporate information from Company SMEs in forming their life recommendations?

A. While Staff did not provide any narrative on why specific lives were selected, their workpapers would suggest the recommendation are solely based on the actuarial results. This belief is also based on reviewing Staff recommendation in certain accounts where the underlying operational information would strongly suggest a different life than the long-term historical analysis would show. One of the most telling is Account 3760 – Cathodic Protection. Historically, that account was modeled as part of the overall distribution mains account. In my study, I separated the life for mains from the life for cathodic protection which by the very nature of the equipment will not last as long as the mains they are protecting. Ms. Coffer left this account at the same life as the underlying mains.

Another account where Company expert operational experience influenced by recommendations is Account 382 Meter Installations. Company operations personnel confirmed that they use primarily prefab meters and have done so since the mid-1990s. From an operations perspective, they anticipate meter bars operationally would last nearly as long as the life of Account 380 Services[4], however, there might be more

[3] NARUC, *Public Utility Depreciation Practices*, at 126 (1996).
[4] Both Staff and I propose a life of 45 years for Account 380 Services.

corrosion from weed-eaters, sprinklers, and other intrusions. Company SMEs report they use a loop blanket in planning capital expenditures for this account. They use a SSD (Single Source Document) to indicate a loop retirement, then they would retire off the blanket. My recommendation of 42 years for this account incorporates these changing operational factors, whereas Staff's proposed 25 years only examines overall band in the actuarial analysis.

IV. LIFE ESTIMATION

Q. Would you describe the global concerns you have with the Staff and OPC's analyses?

A. Yes. I am concerned with the following issues with the Staff and OPC's recommended life positions. Staff and OPC appear to have ignored both Company-specific operational information and reasonable engineering expectations for the life of a number of asset groups and Staff specifically does not provide narrative explanation of on how they derived their recommended results.

Sufficient Data for Life Analysis

Q. Are there accounts where there is not sufficient history (i.e., not a statistically valid sample)?

A. Yes. Those are noted in the Depreciation Study report and in the following account discussions, as appropriate. When there is not a statistically valid sample, as is the case for some accounts for Liberty, some of the benefits to performing an actuarial analysis are mitigated or absent. In those cases, operational information is critical in making reasonable recommendations. In contrast, Staff simply chose to leave the lives at the

previously approved lives[5] instead of considering differences in operations that would suggest adjusting lives.

Q. Did Staff or OPC present actuarial analysis results to support their recommendations?

A. Mr. Robinett only stated that he "would support Staff's recommendation to continue utilization of the depreciation rates ordered in Case Number GR-2018-0013"[6] (although Staff had changed its position in its rebuttal testimony). While Staff's workpapers presented some limited actuarial information, nowhere in presentation or workpapers did they discuss the rationale for their life recommendations. As such, my ability to review and critique Ms. Coffer's recommendations is somewhat limited.

V. SPECIFIC PROPOSED LIFE PARAMETERS TRANSMISSION, DISTRIBUTION, AND GENERAL ACCOUNTS

Q. Are there some accounts where the Company is willing to accept Staff's recommendation?

A. Yes. There are some accounts where the change in recommendations between the two positions is very small. In examining the actuarial results, many are almost indistinguishable. I still feel that my recommendations are a better model for the future. However, to eliminate contested issues in this proceeding, the Company is willing to accept Staff's recommendations in the following accounts as shown in the Table below.

[5] Ms. Coffer Rebuttal, page 4, lines 3-5.
[6] Mr. Robinett Rebuttal, page 7, lines 6-7.

Life Parameters Company is Willing to Accept

Acct	Description	Existing Life	Company Proposed Life	Staff Proposed Life[7] Accepted by Company
3670	Transmission Mains – Cathodic Protection	70	63 S6	61.05 S6
3780	Measuring and Reg Eqpt	47	46 R3	44 R2.5
3830	House regulators	44	45 R3	44 R3
3840	House Regulatory installations	44	45 R3	44 R3
3850	Industrial measuring & reg stn eqt	45	44 L2	45 L2
3970	Communications Equipment	16	17 SQ	16 SQ
3971	GEN-Comm Eq. Mob Radios	16	17 SQ	16 SQ
3972	GEN-Comm Eq. Fixed Radios	16	17 SQ	16 SQ
3973	Comm Eq. Telemetering	16	17 SQ	16 SQ
3980	Misc. Equipment	20	23 R1.5	20 SQ
3993	Oth Tang Prop - Network - H/W	8	7 SQ	8 SQ

For accounts where Staff does not specify a dispersion curve, I am adding one, based on my workpapers, Staff workpapers, or judgment. I still recommend the remaining life depreciation technique, which I will discuss at a later point in this testimony. In using the remaining life technique, it is necessary to specify a dispersion type curve.

Q. What differences in position still exist between Staff and the Company in this proceeding after accepting some of Staff's recommendations?

A. The Table below shows differences by plant account between the parties.

Life Parameters Differences

Acct	Description	Existing Life	Company Proposed Life	Staff Proposed Life[8]
3700	Communication Equipment	23	15 R2	23
3760	Mains-Cathodic Protection	68	35 R4	68

[7] The dispersion curve Staff uses is not stated in testimony or workpapers for some accounts.
[8] The dispersion curve Staff uses is not stated in testimony or workpapers for some accounts.

3810	Meters	28	15 L0	17 O2
3820	Meters Installations	25	42 R0.5	25 L0.5
3910	Office Furniture & Improvement	22	18 SQ	22
3940	Tools, Shop, and Garage Equipment	18	16 SQ	18
3960	Power Operated Equipment	12	11 L5	12
3961	GEN- Ditchers	12	11 L5	12
3962	GEN-Backhoes	12	11 L5	12

In some accounts where there are different positions, Staff has retained the existing life parameter. In other accounts, we have different positions. I will discuss all accounts with different positions in the next portion of this testimony below.

Account 3700

Q. What assets are in this account?

A. This account consists of microwave and radio communication equipment and related assets. There is currently $16 thousand in total plant for Liberty at December 31, 2021. The average age of investment is 10.36 years.[9]

Q. What are the various life proposals being proposed by the Company and Staff?

A. The proposed lives recommended by the Company and Staff are shown in the table below.

Account 3700

Existing	Company Proposed	Staff Proposed
23	15 R2	23

Q. Has Staff offered any explanation for their proposed life parameter?

A. No. Ms. Coffer has retained the existing life. In her rebuttal testimony, Ms. Coffer states: "there were multiple accounts for which the Company utilized generic life

[9] These amounts are shown in my direct workpapers in the folder averages.

curves due to insufficient data; for these accounts Staff is recommending the continued use of the previously ordered depreciation rates."[10]

Q. Do you agree with her characterization of the situation?

A. No. In accounts where I use generic curves, I am incorporating the input from the Company's SMEs to illustrate my recommendation. Since the Company's last case, technology and operations continue to impact the life of this account. Operations personnel understand that communication equipment is impacted by technology change which is occurring at a faster rate. Company SMEs recommend moving to a 15-year operational life for this account instead of a 23-year operational life. Additionally, for Account 397, General Plant Communications Equipment (with similar types of equipment), Ms. Coffer recommends a 16-year life. For this account to have a life of 23 years in conjunction with her recommendation for Account 397 Communication Equipment to only be 16 years is inconsistent and unreasonable.

Account 3760

Q. What assets are in this account?

A. This account consists of cathodic protection equipment, such as anodes, valves, clamps, rectifiers, and groundbeds associated with distribution mains. There is currently $2.7 million in total plant for Liberty at December 31, 2021. The average age of investment is 15.76 years.[11]

Q. What are the various life proposals being proposed by the Company and Staff?

A. The proposed lives recommended by the Company and Staff are shown in the table below.

[10] Coffer Rebuttal, page 3, lines 3-5.
[11] These amounts are shown in my direct workpapers in the folder averages.

Account 3760

Existing	Company Proposed	Staff Proposed
68	35 R4	68

Q. How was the life for this account determined?

A. In the last study, the life was determined from a combination of Accounts 3760 and 3761. In this study, the accounts are separated for life evaluations. There is no retirement experience for this account available.

Q. Do you agree with Staff's proposal to retain the existing life for this account?

A. No. The assets in this account are materially different than the Steel Distribution Mains in Account 3761. Company personnel report that cathodic protection equipment in this account is a combination of rectifiers and anodes. Company personnel state that the operational life of rectifiers would be in the 35-year range. Company personnel do not expect cathodic protection to last as long as the mains in Accounts 376.1. A listing of the assets in this account is found in **Surrebuttal Schedule DAW-1** showing that these items are anodes, groundbeds, and clamps, not steel mains. Based on the assets in this account and the reality that the assets in this account will not last as long as the mains themselves, I recommend adoption of the Company's proposed life for this account.

Account 3810

Q. What assets are in this account?

A. This account consists of meters and meter reading equipment. There is currently $13.4 million in this account at December 31, 2021. The average age of investment is 5.53 years and the average age of retirements is 10.51 years.[12]

Q. What are the various life proposals being proposed by the Company and Staff?

[12] These amounts are shown in my direct workpapers in the folder averages.

A. The proposed lives recommended by the Company and Staff are shown in the table below.

Account 3810

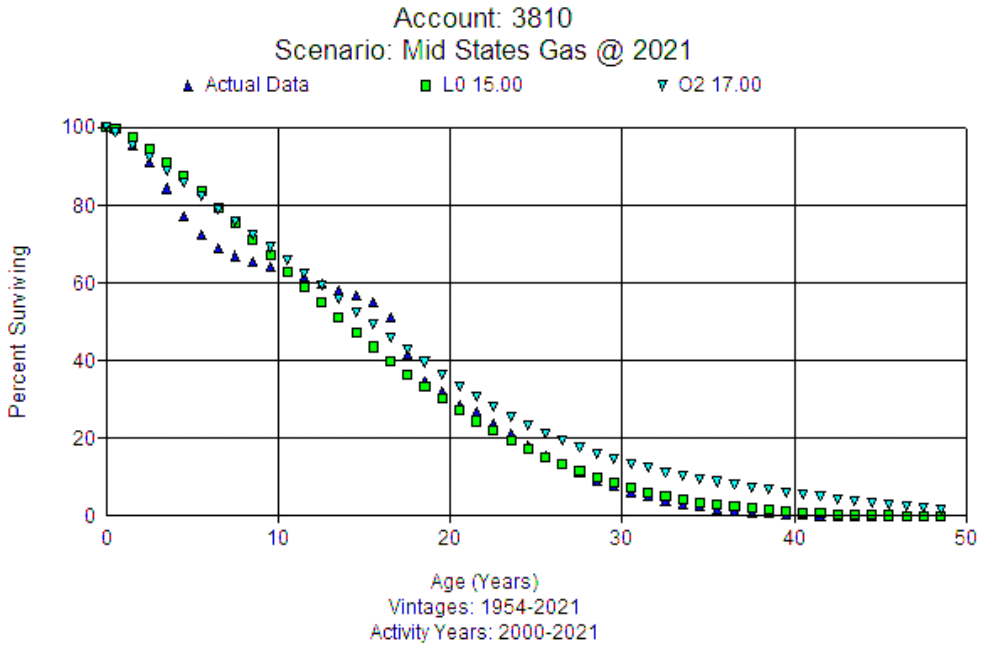
Existing	Company Proposed	Staff Proposed
28	15 L0	17 O2

Q. What placement and experience bands does Staff present in workpapers?

A. Staff presents the placement band 1954-2021 and experience band 2000-2021 and placement band 1954-2021 and experience band 1954-2021. Direct Schedule DAW-2 shows placement band 1954-2021 and experience band 2000-2021.

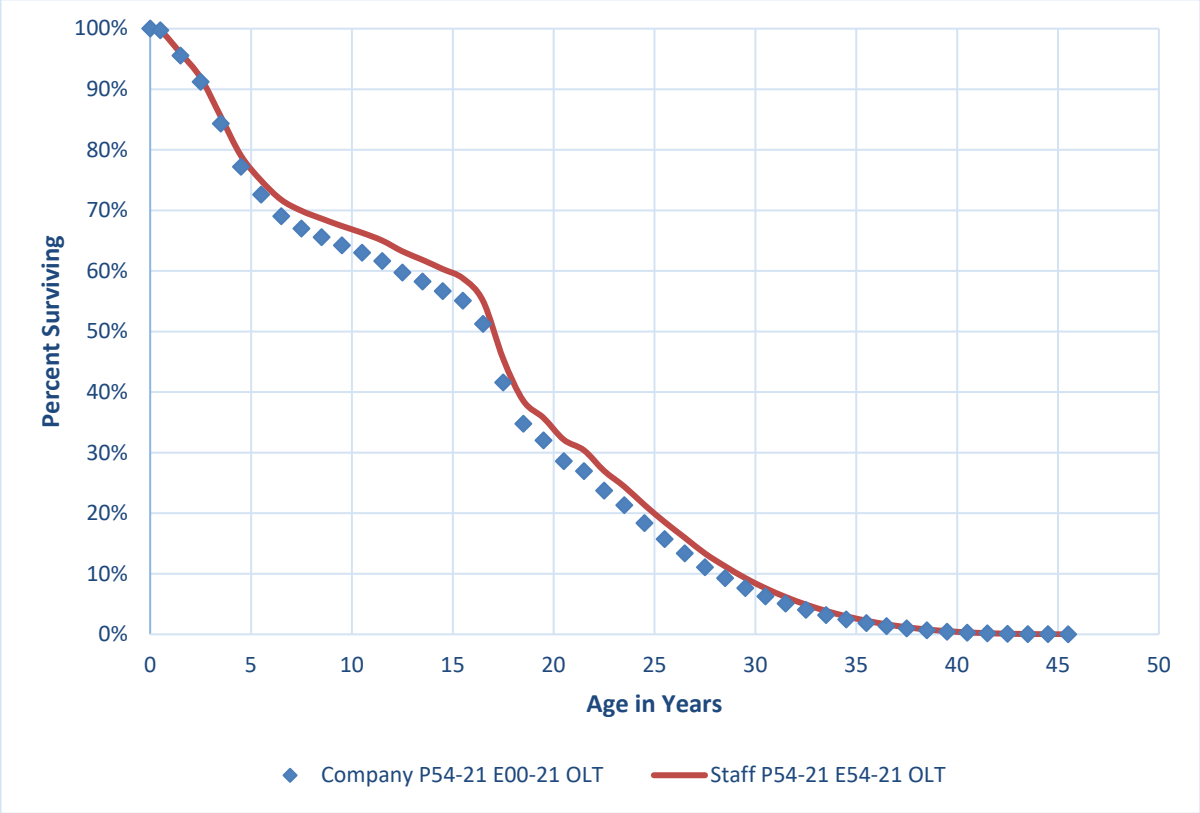
Q. What does a visual comparison between the proposed curves reveal?

A. The first curve is the overall band. The dark blue triangles show the actuarial history for this account over the period in question. The green rectangles represent the Company's recommended life and the aqua upside down triangles show Staff's proposal for this account. The first curve shows an excellent visual match to my proposed curve as compared to Staff's.



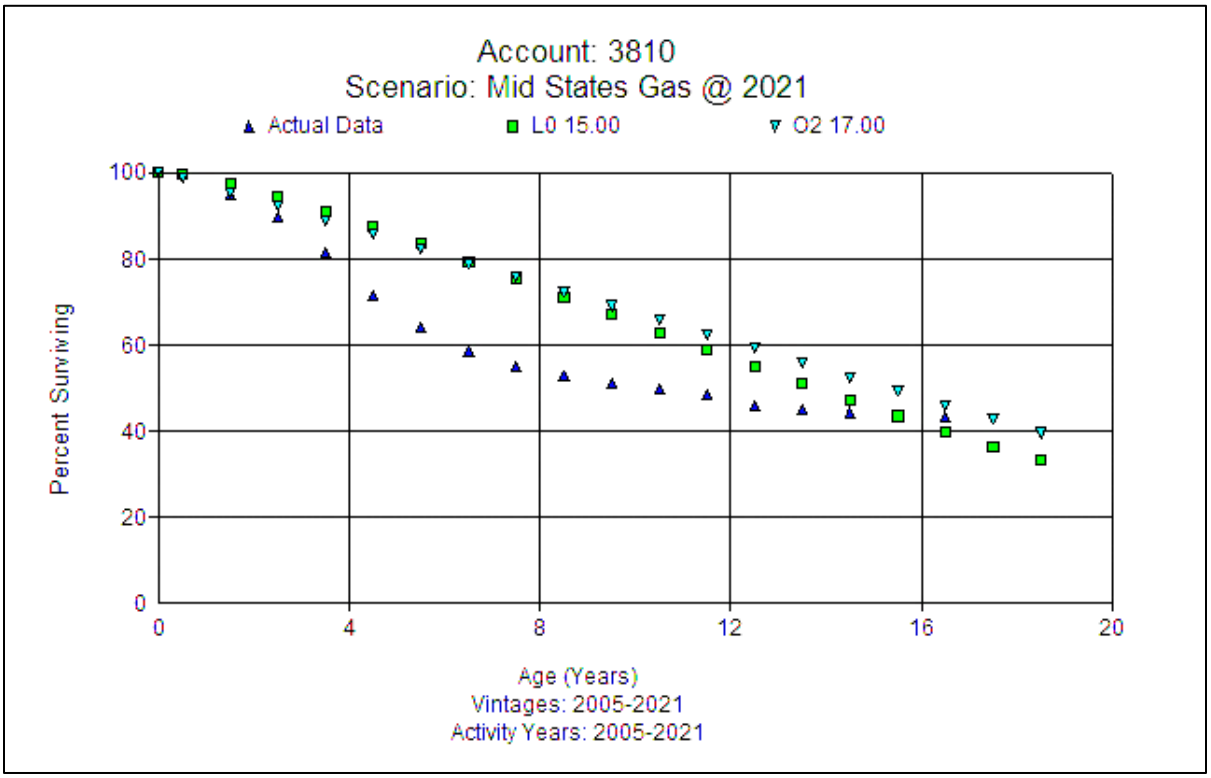
It should be noted that Staff calculated an erroneous Observed Life curve (OLT) for the second band shown in Staff workpapers, placement and experience band 1954-2021. They used an experience band (labeled as Activity years in the graph above) from 1954-2021 when in reality, no retirement data exists prior to 2000. This created the difference shown below between a correct OLT graph and the one they used. Although there doesn't appear to be a large difference, in reality, this renders their analysis of no use since they would be comparing an incorrect OLT graph to the standardized Iowa curves.

Comparison of Company and Staff Observed Life Tables



While the two curves look fairly similar, Staff recommends a two year longer life (17 year) for this account with an O2 dispersion – which can be accounted for by the shift in the curve.

Below is a more recent curve showing that the current experience is shorter than either proposal, making the 15-year life a more appropriate choice from more recent experience.



Therefore, I recommend adoption of the Company's proposed life for this account to better reflect actual experience.

Account 3820

Q. What assets are in this account?

A. This account consists of meter installation equipment. There is currently $20.4 million in total plant million in this account at December 31, 2021. The average age of investment is 11.70 years and the average age of retirements is 12.08 years.[13]

Q. What are the various life proposals being proposed by the Company and Staff?

[13] These amounts are shown in my direct workpapers in the folder averages.

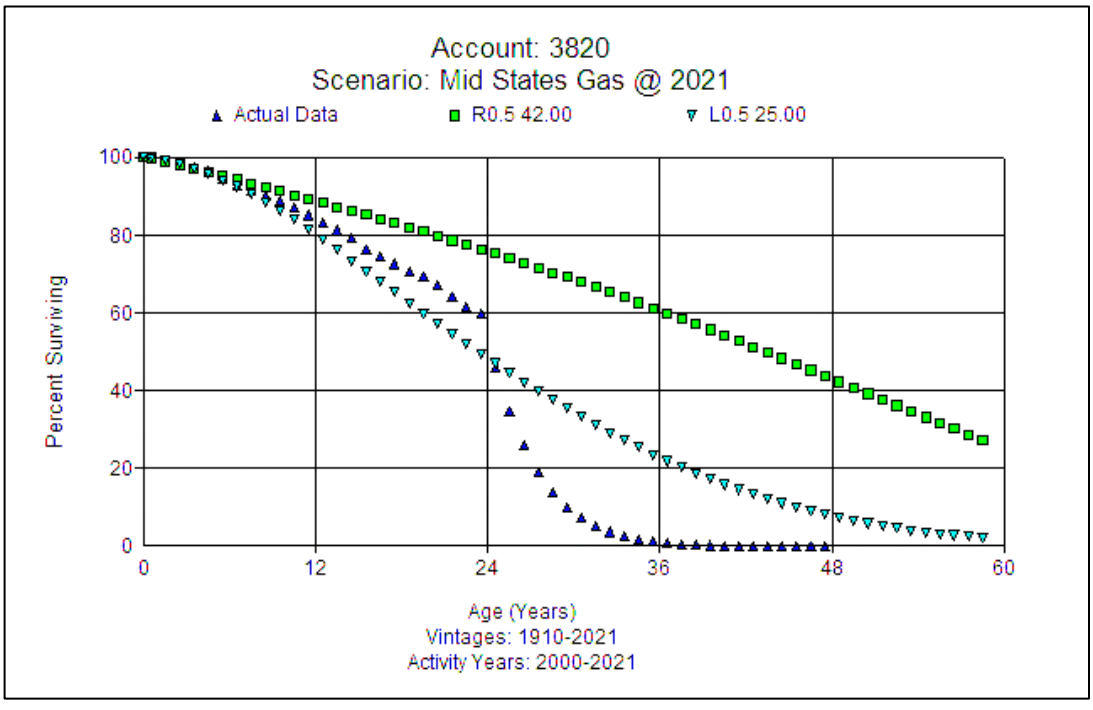
A. The proposed lives recommended by the Company and Staff are shown in the table below.

Account 3820

Existing	Company Proposed	Staff Proposed
25	42 R0.5	25 L0.5

Q. What placement and experience bands does Staff present in workpapers?

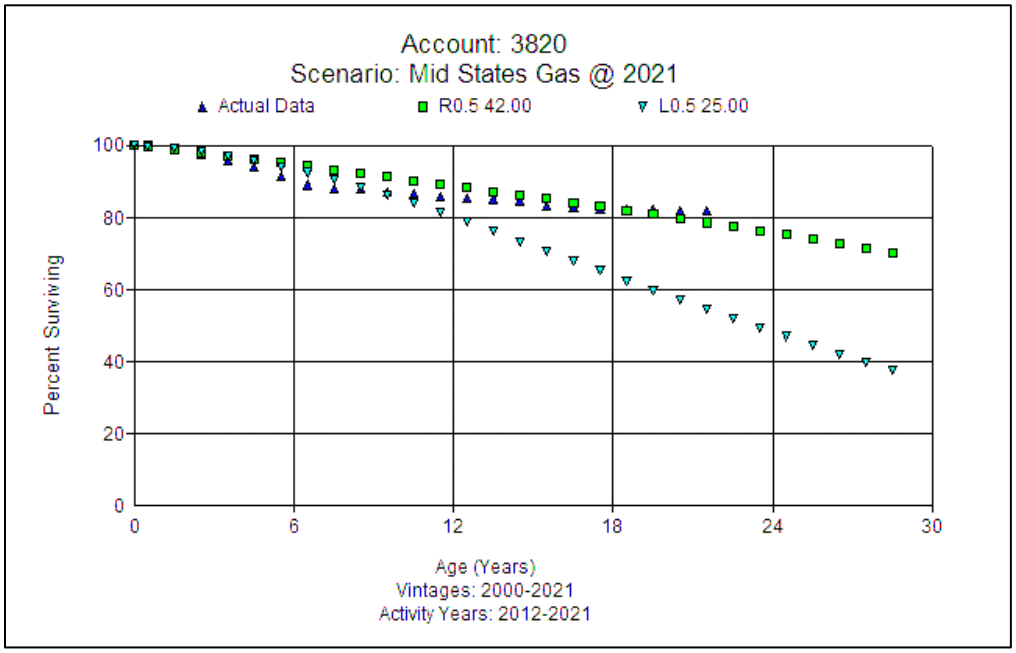
A. Staff presents the placement band 1910-2021 and experience band 2000-2021 as well as placement band 1910-2021 and experience band 1910-2021.[14] Direct Schedule DAW-2 shows placement band 1955-2021 and experience band 2000-2021 as well as placement band 2000-2021 and experience band 2012-2021. As with Account 381, Staff's workpapers for this account use an erroneous experience band of 1910-2021 when, in fact, there is no transactional experience prior to 2000. In this instance, other factors are more important in the life determination for this account.



[14] The second band Staff presents for Account 382 is erroneous including periods where no Company history exists.

As the above graph demonstrates, the overall band shows a much shorter life than our recommendation. It is more in line with the Staff recommendation. However, there is additional information from Company SMEs that I considered beyond actuarial analytics.

Company operations personnel have used primarily prefab meter bars since the mid-1990s. From an operations perspective, since prefab meter bars are premanufactured, not built on site, and effectively one piece, they anticipate meter bars, operationally, would last nearly as long as the life of Account 380 Services.[15] There might be more corrosion from weed-eaters, sprinklers, and other intrusions that would make the life somewhat less than services. When looking at the actuarial analysis for a shorter band containing a placement period of 2000-2021 (which would incorporate the period where prefab meter bars were installed) and an experience band which incorporated Liberty's ownership of those facilities from 2012-2021, the longer life I recommended is indicated. This graph is shown below.



[15] Both Staff and I propose a life of 45 years for Account 380 Services.

Based on recent experience and input from Company SMEs, I believe my proposal for this account is more reasonable for this account.

Account 3910

Q. What assets are in this account?

A. This account consists of general office furniture and equipment. There is currently $734 thousand in plant for Liberty. After retirement of fully accrued assets, the plant balance will be $665 thousand at December 31, 2021. The average age of investment is 8.70 years.[16]

Q. What are the various life proposals being proposed by the Company and Staff?

A. The proposed lives recommended by the Company and Staff are shown in the table below.

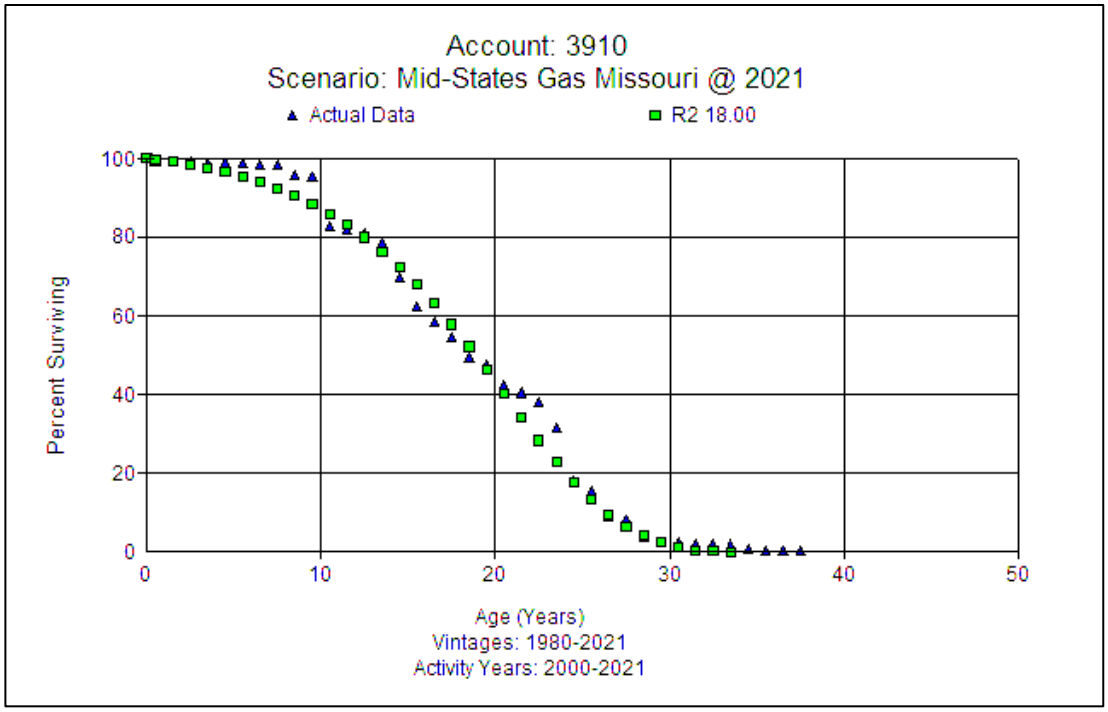
Account 3910

Existing	Company Proposed	Staff Proposed
22	18 SQ	22

Q. What does actuarial analysis show for this account?

A. This account shows a shorter life than the current parameter. Shown below is one of the fits of the history for my recommendation for this account. Neither Staff testimony nor work papers speak to why it ignored the actuarial results in favor of retaining the existing life.

[16] These amounts are shown in my direct workpapers in the folder averages.



Given the very solid match found in the actuarial analysis, I continue to recommend adoption of my proposed 18-year life for this account.

Account 3940

Q. What assets are in this account?

A. This account consists of various tools and shop equipment. There is currently $1.5 million in total plant for Liberty in this account. After the retirement of fully accrued plant, the balance in this account will be $1.4 million. The average age of investment is 700 years.[17]

Q. What are the various life proposals being proposed by the Company and Staff?

A. The proposed lives recommended by the Company and Staff are shown in the table below.

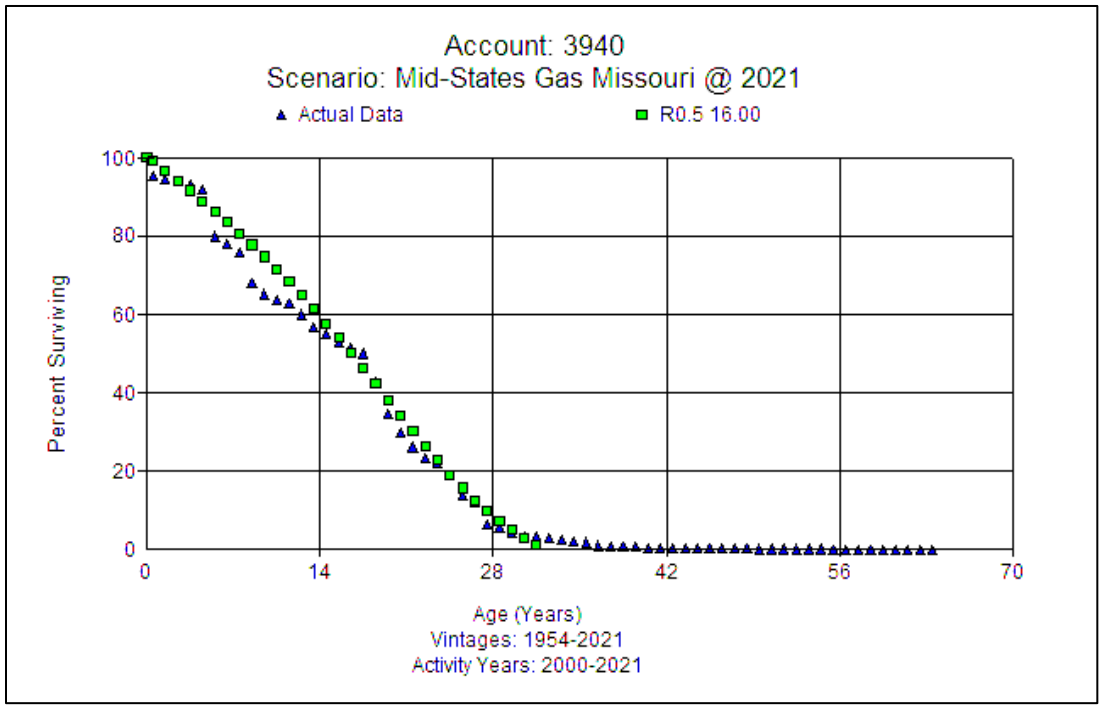
[17] These amounts are shown in my direct workpapers in the folder averages.

Account 3940

Existing	Company Proposed	Staff Proposed
18	16 SQ	18

Q. What does actuarial analysis show for this account?

A. This account shows a shorter life than the current parameter. Shown below is one of the fits of the history for my recommendation for this account. Neither Staff testimony nor workpapers speak to why it ignored the actuarial results in favor of retaining the existing life.



Given the very solid match found in the actuarial analysis, I continue to recommend adoption of my proposed 16-year life for this account.

Account 3960

Q. What assets are in this account?

A. This account consists of power operated equipment. There is currently $2.0 million in total plant for all 396 accounts at December 31, 2021. The average age of investment is 4.89 and the average age of retirements is 15.08 years.[18]

Q. What are the various life proposals being proposed by the Company and Staff?

A. The proposed lives recommended by the Company and Staff are shown in the table below.

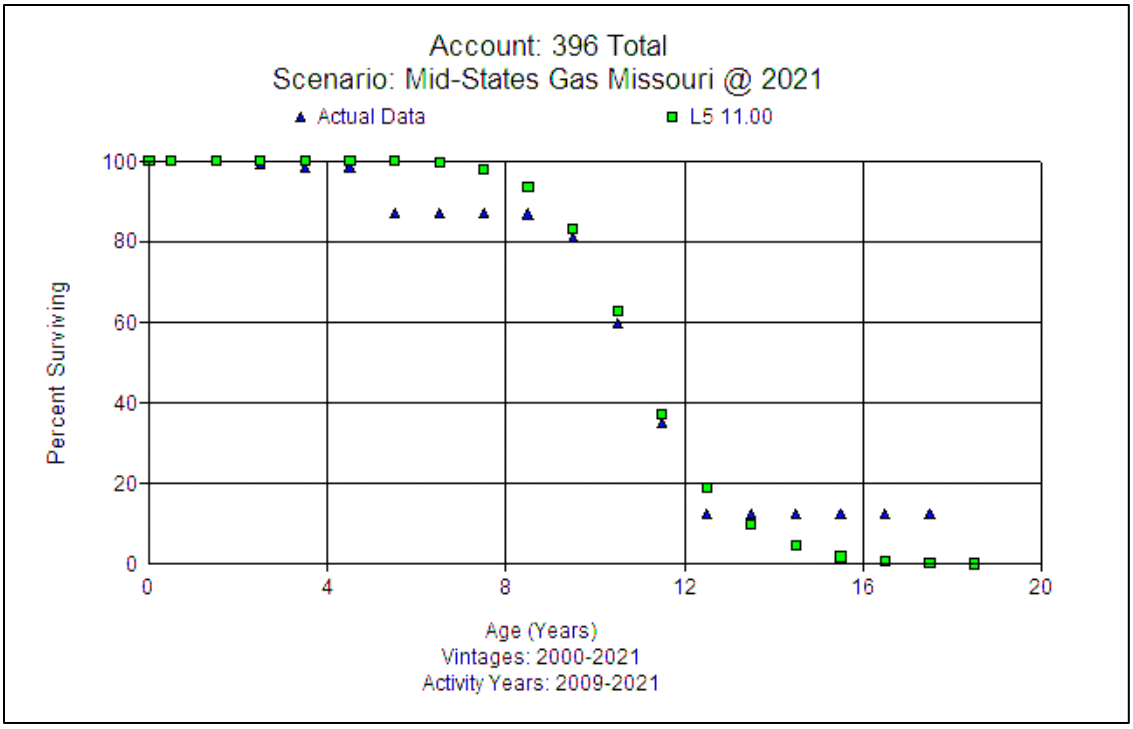
Account 3960

Existing	Company Proposed	Staff Proposed
12	11 L5	12[19]

Q. What placement and experience bands does Staff present in workpapers?

A. Staff presents the placement band 1961-2021 and experience band 2000-2021 in addition to the representation in Direct Schedule DAW-2. However, Staff's workpaper specifies a life of 12 years. Given the average age of survivors in this account is 4.89 years means the average vintage year of the asset is 2016. In my opinion, it does not make sense to base the life of the account going back to 1961. Below is the graph which appears in Direct Schedule DAW-2 showing a good visual match and is also supported by Company SME's operational experience. The blue triangles are the Company's actual experience, and the green rectangles represent the Company's proposed curve. In the absence of Staff specifying a dispersion curve, I have not included that in the graph.

[18] These amounts are shown in my direct workpapers in the folder averages.
[19] For Account 396, no dispersion curve matching the 12-year life is given in workpapers.



I recommend adoption of the Company's proposed life for this account.

VI. NET SALVAGE RECOMMENDATIONS

Q. Are there some accounts where the Company is willing to accept Staff's net salvage recommendations?

A. Yes. There are some accounts where the change in recommendations between the two positions is very small. In examining the net salvage recommendations, many are almost indistinguishable. I still feel that my recommendations are a better model for the future. However, to eliminate contested issues in this proceeding, the Company is willing to accept Staff's recommendations in the following accounts as shown in the Table below.

Life Parameters Company is Willing to Accept

Acct	Description	Existing Life	Company Proposed Net Salvage	Staff Proposed Net Salvage Accepted by Company
3760	Mains	-34%	-30%	-34%
3780	Measuring & regulating stn eqt-General	-25%	-40%	-38%
3850	Industrial measuring & regulating stn eqt	-2%	-25%	-28%

Q. How did you determine the net salvage rates that you used in your study for Transmission, Distribution, and General property?

A. I examined the experience realized by Liberty by observing the average net salvage rates for various bands (or combinations) of years. Using averages (such as the 5-year average band) allows the smoothing of timing differences between when retirements, removal cost, and salvage are booked and smooths the natural variations between years. By looking at successive average bands, or "rolling bands," an analyst can see trends in the data that would signal the future net salvage in the account. This examination, in combination with the feedback of Liberty's personnel related to any changes in operations or maintenance that would affect the future net salvage of Liberty, allowed for the selection of the best estimate of future net salvage for each account.

Q. Is this a reasonable method for determining net salvage rates?

A. Yes. This methodology is commonly employed throughout the industry and is the method recommended in authoritative texts.[20]

Q. How did Staff compute the proposed net salvage rate for each account?

[20] Public Utility Depreciation Practices, pp. 157-164. Depreciation Systems, p. 260-273.

A. Ms. Coffer provides no narrative explanation of her methodology. In her workpaper file, some accounts[21] show a computation from Staff's software that takes an arithmetic average of years 2001 through 2021. Some of the data during that period is not available. During 2001-2004, the prior owner Atmos Energy had a different plant account software system than the Power Plan system they converted to in 2005. When Alliance Consulting was first founded in 2004, I worked with Atmos Energy to convert their old software into the Power Plan module. Data during the legacy period from 2001-2004 was not converted. Later in 2011 and 2012, Atmos Energy still owned the assets and the plant accounting transactions for net salvage were not provided to Liberty after they acquired the assets. Thus, the years 2001-2004 and 2011-2012 show no transactional data in my Direct Schedule DAW-2, Appendix D. This summary is the same as that presented in the Company's last depreciation study with the addition of additional transaction years.

Q. How do the proposed net salvage recommendations compare?

A. The proposed net salvage rates by the Company and Commission Staff are shown in the table below. In contrast to Ms. Coffer's arithmetic averages, the actual historical and the trends exhibited by moving averages for net salvage indications are used in my recommendations. I have omitted accounts where we have the same recommendation from the table below.

[21] Accounts where Staff shows computations in workpapers are 3670, 367.1, 369. 376.1. 378, 380, 381, 385, 390. and 392 Total.

Net Salvage Parameter Differences

Account	Description	Existing Net Salvage	Company Net Salvage	Staff Proposed Net Salvage
3672	T&D-Mains-PLST	-10%	-25%	-10%
3800	Services	-50%	-75%	-35%
3810	Meters	-35%	-15%	-26%
3960	Power Operated Equipment	18%	11%	18%
3961	GEN- Ditchers	18%	11%	18%
3962	GEN-Backhoes	18%	11%	18%
3963	GEN- Welders	18%	11%	18%

Q. Of the accounts listed above, are there some plant accounts where Staff retains the current net salvage parameter?

A. Yes. Some of those accounts meet the criteria of insufficient data that Ms. Coffer cites in her rebuttal testimony.[22] From the net salvage perspective, there is insufficient data for Account 3672. All other accounts listed above have sufficient life and net salvage data for analysis.

Q. Was there data available to analyze for those accounts?

A. Yes, in all but one account. In Account 3672 Plastic Mains, there was only removal cost charged with no corresponding retirements. For that account, I recommended net salvage percentage of -25%, the same as proposed for 3671, Steel Mains.

Account 396 Power Operated equipment, the net salvage analysis combined all the subaccounts together. Ms. Coffer reviewed the life analysis in her workpapers but did not show any evaluation for that account's net salvage.

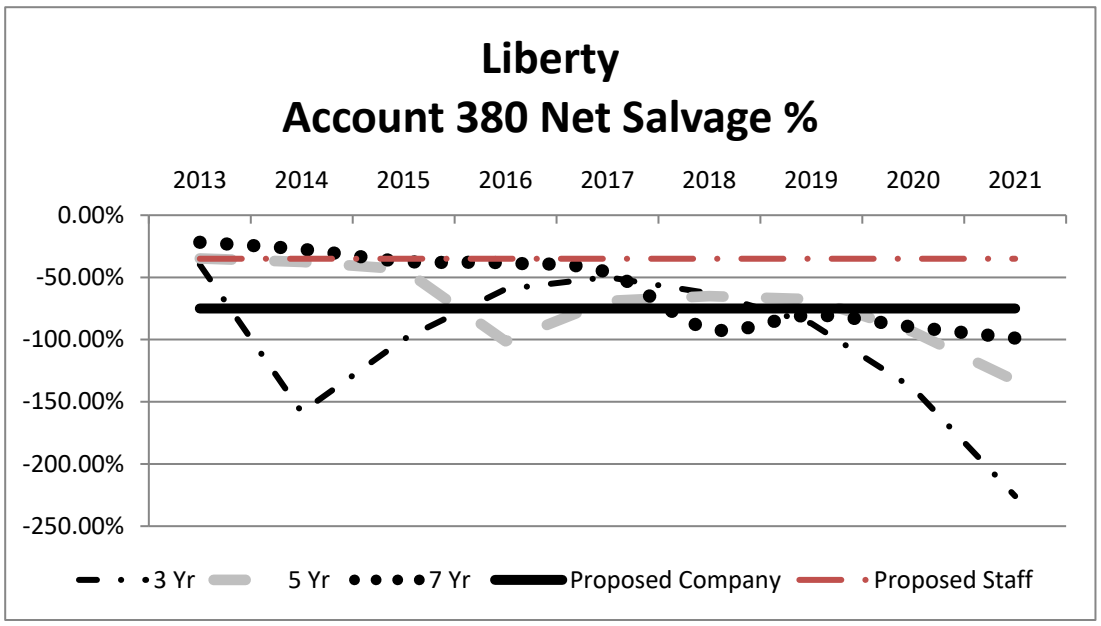
Q. For the remaining accounts, what approach did you take compared to Staff?

[22] Coffer Rebuttal, page 3, lines 3-5.

A. For most of the remaining accounts: 380, 381, and 396 subaccounts, Staff recommends a different net salvage percentage than I propose, I relied on moving averages over time, shown in Direct Schedule DAW-2, Appendix D to make my recommendations. I provided a narrative discussion for every account in Direct Schedule DAW-2. Staff provided no explanation of the net salvage parameter discussion. From the workpapers, I conclude that Staff relies on an arithmetic average over time, which does not show trends over time. It is questionable whether sparce data from up to 20 years ago would necessarily be representative of ongoing net salvage activity.

Q. Please provide a comparison of your proposal and Staff's for Account 380.

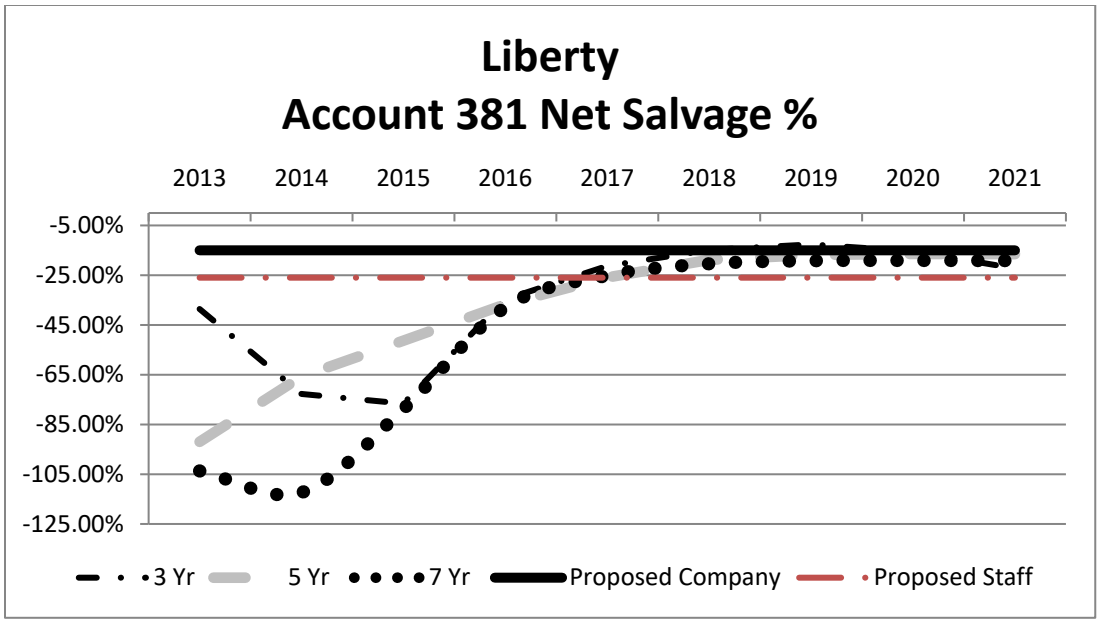
A. There is a trend to increasing negative net salvage. Actual experience for each account is shown in Direct Schedule DAW-2, Appendix D in tabular form. I have taken that data and put it in chart form for various accounts to show how Company experience compares to the Company's proposed net salvage. The solid black line is my proposal. The other various dark dotted lines show the recent 3-, 5-, and 7-year averages. For account 380, my recommendation is negative 75 percent and Staff's is negative 35 percent. The chart below shows how net salvage has become more negative in recent years compared to Staff's proposal.



It is important to look at moving averages, rather than an arithmetic average as Ms. Coffer has done. Moving averages provide the best indication of recent trends and future expectations.

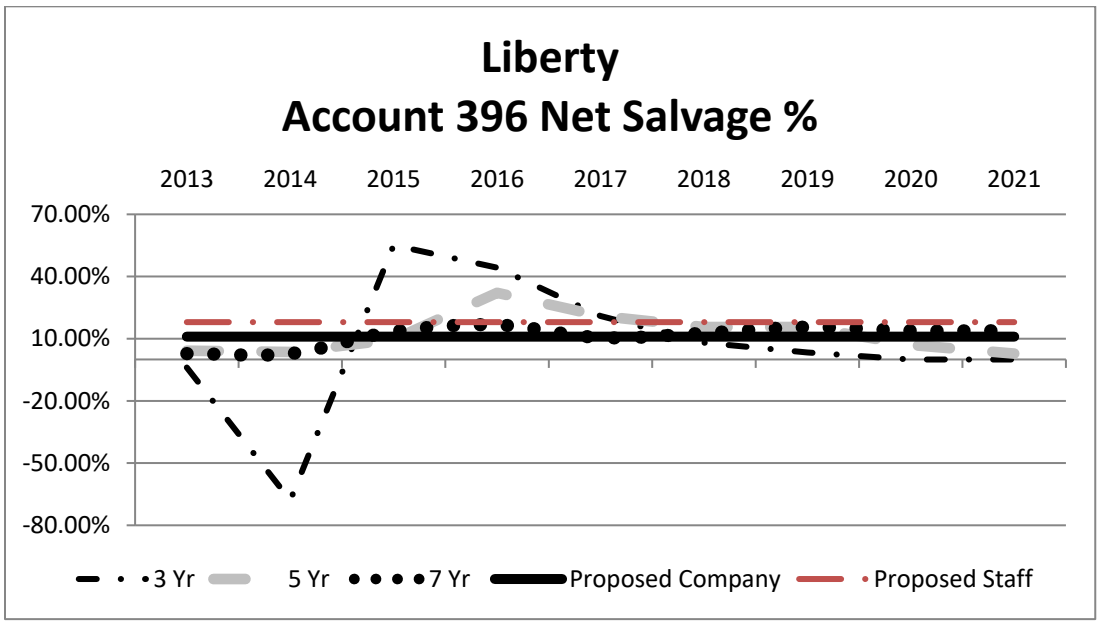
Q. How does your approach differ from Staff's for Account 381?

A. For Account 381, my recommendation is negative 15 percent and Staff's is negative 26 percent. In this account, moving averages show a different result than an overall average that Staff has used. Looking at the detail in Direct Schedule DAW-2, Appendix D, large negative net salvage percentages in transaction years 2006-2008 cause the overall average to be more negative than more recent experience. I continue to recommend my proposed net salvage parameter for this account.



Q. Please provide a comparison of your proposal and Staff's for Account 396.

A. For Account 396, my recommendation is positive 11 percent and Staff's is positive 18 percent. The chart below shows how net salvage has changed in recent years. Staff offers no narrative or workpaper for their proposal. Given the lack of support, I recommend adoption of my proposed net salvage parameter.



It is important to look at moving averages, rather than an arithmetic averages as Ms. Coffer has done. Moving averages provide the best indication of recent trends and future expectations.

VII. REMAINING LIFE DEPRECIATION SYSTEM

Q. What is the difference between the whole life depreciation system and the remaining life depreciation system?

A. The whole life deprecation system allocates the original cost of the assets less the estimated net salvage over the total estimated life of the assets. The whole life formula for the accrual rate is as follows:

$$\text{Proposed Annual Depreciation Rate} = \frac{\text{1-Net Salvage Rate)}}{\text{Average Service Life}}$$

For example, if a capital asset has an average service life of 10 years and a net salvage rate of 20 percent, the whole life accrual rate would be calculated as follows:

$$\text{Proposed Annual Depreciation Rate} = \frac{(1-.0.2)}{10} = 8\% \text{ annual accrual rate}$$

This accrual rate would result in collecting 80% of the original asset value over the 10-year depreciable life of the asset with the remaining 20% of the asset's original cost realized through its salvage value.

Using the same example, if after five years of the asset's life the accumulated depreciation was $60, then applying a 10% whole life depreciation rate for each of the remaining five years of the asset's life would result in a total recovery through depreciation of $110 (the $60 in accumulated depreciation plus $10 per year for five years). As a result, the whole life system would, without an adjustment, result in the recovery of the incorrect amount of depreciation expense. Such situations can, and

do, arise regularly because depreciation is, by nature, a forecast of the future for thousands of individual assets.

The remaining life system addresses the issue described in the previous paragraph by taking a prospective approach of allocating unrecovered costs over the expected time the related assets will remain in service. Rather than calculating depreciation based on the whole service life, the remaining life system allocates the amount remaining to be recovered (which is the original cost for a depreciable group less net salvage less accumulated depreciation) over its estimated remaining life. As a result, the remaining life system ensures that the full service value (original cost less net salvage) will be recovered through depreciation expense – no more or no less. In part for this reason, the remaining life system is used in the vast majority of U.S. regulatory jurisdictions and for most depreciation studies. Its use is recommended in the Depreciation Study.

The remaining life system recovers the undepreciated original cost less the net salvage over the remaining life of the asset. That is, the original less current book depreciation is used as the depreciable cost and the average remaining life is used in the denominator to calculate the annual depreciation accrual rate. The formulas for both the remaining life depreciation amount and the corresponding rate are shown follows[23]:

$$\text{Annual Depreciation Expense} = \frac{\text{Original Cost – Book Reserve-Future Net Salvage}}{\text{Composite Remaining Life}}$$

$$\text{Proposed Annual Depreciation Rate} = \frac{\text{Proposed Annual Depreciation Expense}}{\text{Original Cost}}$$

[23] *Public Utility Depreciation Practices*, p. 64.

Q. Why is the remaining life system superior to the whole life method?

A. A simple example will explain why the remaining life methodology is superior. Assume that there is a single asset with a cost of $100, an estimated service life of 10 years and no net salvage. The depreciation rate would be 10% and the annual depreciation expense would be $10. After five years, a new depreciation study is performed and the service life is determined to be 15 years. Using the whole life system, the depreciation rate would be changed to 6.67% and the annual depreciation expense would be $6.67. If the whole life system were used, then over the full 15-year service life, a total of $116.70 would be recovered through depreciation expense ($10 per year for the first five years and $6.67 per year for the final ten years). However, this means that too much depreciation expense is recovered over the service life, as more than the $100 cost of the asset is recovered through depreciation expense.

When using the remaining life system, the depreciation expense would be the same $10 per year for the first five years. However, when the updated depreciation study is performed after year five and the 15-year life is determined, the depreciation rate is calculated to incorporate the amount of depreciation recovered to date. That is, the remaining life system recognizes that $50 of the $100 has been recovered allocates the remaining $50 (i.e., $100 - $50) in future depreciation expense over the 10-year remaining life, for a depreciation rate of 5% and an annual depreciation expense of $5. Over the 15-year service life of the asset, $100 is recovered through depreciation expense ($10 per year for the first five years and $5 per year for the last ten years). Thus, the remaining life system corrects the issue that arises from the use of the whole life system, for which too much depreciation expense would be recovered.

Q. What has been approved by the Commission in recent proceedings?

A. In recent proceedings, the remaining life depreciation system has been adopted by Missouri regulated utilities in: Case No. ER-2022-0337 (Ameren Electric); Case No. ER-2021-0312 (The Empire District Electric Company); and Cases No. WR-2020-0344 and WR-2022-0303 (Missouri-American Water Company).[24] I see no reason that the Commission should shift from remaining life back to whole life in this proceeding.

Q. What does OPC's witness say about the remaining life depreciation system?

A. OPC witness Robinett states:[25]

> The Company's recommended use of remaining life rates should correct any perceived imbalances by adjusted the depreciation rate to collect all of plant in service plus cost of removal less salvage over the expected remaining life of the assets in the account. So theoretically, if an account was over-accrued, the utility would collect less for that asset over the remaining lie than with other methods. However, if an account was under-accrued, the remaining life rates would increase the depreciation expense for an account over the remaining life to catch the account back up.

I interpret Mr. Robinett's remarks to mean the remaining life depreciation system has features that are not present in whole life that may provide an advantage, given the self-correcting nature of the remaining life depreciation system. I agree.

VIII. WHOLE LIFE RATES COMPUTED WITH TRUE UP

Q. What is the typical representation of a whole life depreciation rate?

A. The usual formula for a whole life rate is the shown below:

$$\text{Proposed Annual Depreciation Rate} = \frac{\text{1-Net Salvage Rate)}}{\text{Average Service Life}}$$

[24] Missouri American Water cases were approved via a stipulation agreement.
[25] Robinett, Rebuttal, page 5, lines 13-19.

This is the way the current depreciation accrual rates were determined in Case No. GR-2018-0370.

Q. Can an additional component be included in a whole life accrual rate?

A. Yes. In some cases, some jurisdictions include a true-up for the difference between the theoretical reserve and the book reserve, as shown below:

$$\text{Proposed Annual Depreciation Rate} = \frac{\text{1-Net Salvage Rate)}}{\text{Average Service Life}} + \text{True-Up}$$

Where the True-up is

$$\text{True-Up} = \frac{\text{Book accumulated depreciation} - \text{Theoretical Depreciation Reserve)}}{\text{Amortization Period}}$$

The amortization period can be a fixed interval like the period between depreciation studies or remaining life given the recommended life and dispersion for the account.

Q. What is the practice for regulatory commissions using the whole life technique regarding a true-up adjustment?

A. Some regulatory authorities using whole life depreciation rates systems do include a true-up, whereas others do not. Those that include a true-up adjustment compute the adjustment based on the difference between the theoretical reserve and book reserve as the amount to recover over a period determined by the Commission. I prefer the remaining life technique, because it has a self-correcting mechanism and no true-up is necessary.

Q. Do authoritative treatises about utility depreciation recommend a certain method of adjustment?

A. *Public Utility Depreciation Practices*[26] mentions the whole life depreciation computation can include a variance adjustment by determining "the variance between the theoretical depreciation reserve and the actual book accumulated depreciation." *Depreciation Systems* states, "Whole life depreciation commonly, but not necessarily, implies the use of the amortization method of adjustment. As previously discussed, the amortization method of adjustment requires calculation of the variation between the calculated accumulated depreciation and accumulated provision for depreciation. *Reserve requirement* and *theoretical reserve* are synonymous with the term *calculated accumulated depreciation*."[27] The true-up computed by Staff does not appear to incorporate these principles advocated by these often-cited publications.

Q. Has Staff included a true-up for some plant accounts?

A. Yes, for some accounts. It is unclear why Staff added a true-up to some accounts and why others were not given that treatment. However, for many of the Company's largest accounts, Staff included a true up for some accounts, but for some accounts such as 3762, no true-up is included. Staff provides no explanation why certain accounts do not include that component.

Accounts Where Whole Life Staff Rates Include a True-Up Adjustment

Account	Description	Staff Life	Staff Net Salvage	Staff Accrual Rate	Staff Accrual Rate without True-Up
3671	T&D-Mains-STL	70	-25%	1.44%	1.79%
3690	T&D-M&R Station Equipment	52	0%	1.91%	1.92%
3780	Measuring & regulating stn eqt-General	44	-38%	3.13%	3.14%
3800	Services	45	-35%	2.98%	3.00%
3810	Meters	17	-26%	6.85%	7.41%
3850	Industrial measuring & regulating stn eqt	45	-28%	2.83%	2.84%

[26] NARUC, *Public Utility Depreciation Practices*, at 168-169.
[27] *Depreciation Systems*, by Drs. F.K. Wolf and W.C. Fitch, Iowa State Press (1994), p. 176.

3920	Transportation Equipment	10	10%	8.66%	9.00%
3921	Transportation Equip<12,000 LB	10	10%	8.66%	9.00%

Q. How does Staff compute the true-up?

A. Ms. Coffer uses Staff's software to make this computation. I don't use this feature, because I prefer to validate computations using Excel models. The software does not appear to incorporate any deviation between theoretical and book depreciation reserves. I cannot follow the computations produced by the software. I will illustrate using Account 381. The software output provided in Staff's workpapers is shown below:

Whole Life Depreciation Accrual

Account: 3810 : PSC - Liberty Mid-States
Dispersion: 17 - O2

Average Net Salvage Rate: -26.00%
Future Net Salvage Rate: -26.00%

Broad Group Procedure

January 1 , 2022

	Plant Amt	Period (Years)	Accrual (Dollars)	Accrual Rate (Percent)
Pre-2022 Additions	$19,499,341.04		$1,336,164.68	6.852361
Whole Life		17	$1,445,245.28	
Amortization		14.89	($78,399.42)	
Retirements	$827,904.94	17	$30,681.18	
2022 Additions	$0.00		$0.00	0.000000
Whole Life		0.00	$0.00	
Retirements	$0.00	0.00	$0.00	
Total:	$19,499,341.04 *		$1,336,164.68	6.852363
Average:	$19,085,388.57		$1,336,164.68	7.000982
Grand Total:	$19,499,341.04 *		$1,336,164.68	6.852363

* Excluding 2022 Retirements

Q. What items do you find unusual?

A. I cannot get the pre-2022 additions to match the per book plant at December 31, 2021. In Direct Schedule DAW-2, I show plant in service of $19,577,331.54 as compared to the total above. I do not know the origin of the whole life number $1,445,245.28, the negative amortization and the retirements, and those values do not tie to totals for the account specific data. I have contacted the software vendor to determine what logic is used in the code. At this time, I have not received a response.

IX. RESERVE REALLOCATION

Q. What is reserve reallocation?

A. Reserve reallocation is when the book reserve is respread within a functional group based on the theoretical reserve within each function.

Q. As part of your depreciation analysis, have you taken any action to properly align the Company's depreciation reserve with the life and net salvage characteristics of the transmission, distribution, and general plant functions?

A. Yes. In the process of analyzing the Company's depreciation reserve, I observed that the depreciation reserve positions of the accounts were generally not in line with the life characteristics found in the analysis of the Company's assets. To allow the relative reserve positions of each account within a function to mirror the life characteristics of the underlying assets, I reallocated the depreciation reserves for all accounts within each function. Since the basis of the current depreciation rates is unknown, I believe reserve reallocation is the best solution to the differences in reserve position.

Q. Does the reallocation of the depreciation reserve change the total reserve?

A. No. The depreciation reserve represents the amounts that customers have contributed to the return of the investment. The reallocation process does not change the total

reserve for each function; rather, it simply reallocates the reserve between accounts in the function.

Q. Is depreciation reserve reallocation a sound depreciation practice?

A. Yes. The practice of depreciation reserve allocation is endorsed in NARUC's 1968 publication of "Public Utility Depreciation Practices," which explains that reallocation of the depreciation reserve is appropriate "…where the change in the view concerning the life of property is so drastic as to indicate a serious difference between the theoretical and the book reserve."[28] Additionally, the 1996 edition of the NARUC publication states that "theoretical reserve studies also have been conducted for the purpose of allocating an existing reserve among operating units or accounts."[29] My depreciation study demonstrates that there have been significant changes in the life of the property since the approved accrual rates were authorized. These changes have created a significant difference between the theoretical and book reserve within each functional group that make the reallocation of the depreciation reserve appropriate in this instance. For example, if a function consists of two accounts A and B with book reserves of 1 and 9, the reallocated reserve will reach the same total of 10 but respread the 10 between the two accounts based on the theoretical reserves of each account.

Q. Why is it important for the depreciation reserve to conform to the theoretical reserve?

A. This is important because it sets the reserve at a level necessary to sustain the regulatory concept of intergenerational equity among Liberty's customers, as well as set the

[28] Public Utility Depreciation Practices, 1968, NARUC Committee on Engineering, Depreciation, and Valuation of the National Association of Regulatory Utility Commissioners, p. 48.
[29] Public Utility Depreciation Practices, 1996, National Association of Regulatory Utility Commissioners, p. 188.

depreciation rates at the appropriate level based on current parameters and expectations.

Q. Has the Commission approved reserve reallocation on other cases?

A. Yes. The Commission approved this action in The Empire District Electric Company's general rate case in Case No. ER-2021-0312.

Q. Did Staff and OPC witnesses address this concept?

A. Staff witness Coffer made no remarks on reserve reallocation. OPC witness Robinett believes that the Company's use of remaining life depreciation rates should make it unnecessary to reallocate depreciation reserves.[30]

Q. Do you concur?

A. No. As I stated earlier, to allow the relative reserve positions of each account within a function to mirror the life characteristics of the underlying assets, I reallocated the depreciation reserves for all accounts within each function. Since the basis of the current depreciation rates is unknown, I believe reserve reallocation is the best solution to the differences in reserve position.

Q. Mr. Robinett points out that that your Appendix E in your direct testimony is not correct. Do you concur?

A. Yes, I agree that Appendix E needs to be corrected. The spreadsheet in the accrual rate computation shows it corrected. When the items were separated into different files, the links were broken, and incorrect values were shown for total reallocated reserve for Accounts 3690 and 3700. This also ties to the values used in my Direct Schedule, Appendix A. The corrected version of Appendix E is shown as **Surrebuttal Schedule DAW-2.**

[30] Robinett Rebuttal, page 5, lines 12-19.

X. SPECIFIC ACCOUNT SHARED SERVICES DEPRECIATION RATES AND PROPOSED LIFE PARAMETERS

Q. Did you perform a separate depreciation study for Liberty's Shared Services assets?

A. Yes. I performed a separate depreciation study for Liberty's Shared Services assets as shown in Direct Schedule DAW-3. This plant and equipment in shared services serve all Liberty divisions in Missouri, Iowa, and Illinois. The assets are general plant items: software, buildings, small general plant accounts, and various types of computer equipment. The type of assets and retirement experience at a corporate headquarter differs from that of Liberty's Missouri Gas general plant. My Shared Services depreciation study addresses that situation and provides specific Shared Services accrual rates, as well as life and net salvage estimates.

Q. Did any party make a different recommendation for Shared Services assets?

A. Yes, Commission Staff recommended the same accrual rate, average service life, and net salvage parameters for both entities. They also used the whole life depreciation rates system that I have discussed in an earlier portion of this testimony. OPC recommends retention of current rates. Retention of current rates could be acceptable for most assets, but I continue to support my proposed rates. However, it is necessary to establish a life for a new assets category - Account 3030 Software. Liberty has installed a new Customer First information system. Since this is a new asset class, we request that the Commission review and approve a proposed life for that category of plant. The Company is proposing a 20-year life for the new system. No party has provided an alternative recommendation for that asset category for that asset class, and

the Company's requested approval of a 5.00% depreciation accrual rate should be approved.

Q. How do the depreciation accrual rate recommendations compare?

A. The accrual rates that I propose are based on my proposed depreciation parameters, reserve reallocation and the remaining life depreciation system. Staff's proposal is based on MidStates' Gas experience and the whole life depreciation system. Some of the life parameters differ quite a bit. The proposed net salvage parameters are the same between Staff and me. Thus, the Company accepts Staff's net salvage proposals.

Q. What are the plant accounts and life recommendations for each?

A. The table below shows the various life positions for each account in the Shared Services category.

Shared Service Life Parameters (Excluding 303)

Acct	Description	Existing Life	Company Proposed Life[31]	Staff Proposed[32] Life
3900	General Structures & Improvmnt	40 R2	40 R2	39
3910	Office Furniture & Improvement	20 SQ	15 SQ	22
3921	Transportation Equip<12,000 LB	10 L5	10 L5	10
3940	Tools, Shop, and Garage Equipment	20 SQ	20 SQ	18
3980	Misc. Equipment	20 SQ	20 SQ	20
3990	OTH-Other Tangible Property	7 SQ	7 SQ	21
3993	Other Tangible Property - Network H/W	7 SQ	7 SQ	8
3994	Other Tangible Property - PC Hardware	5 SQ	5 SQ	7

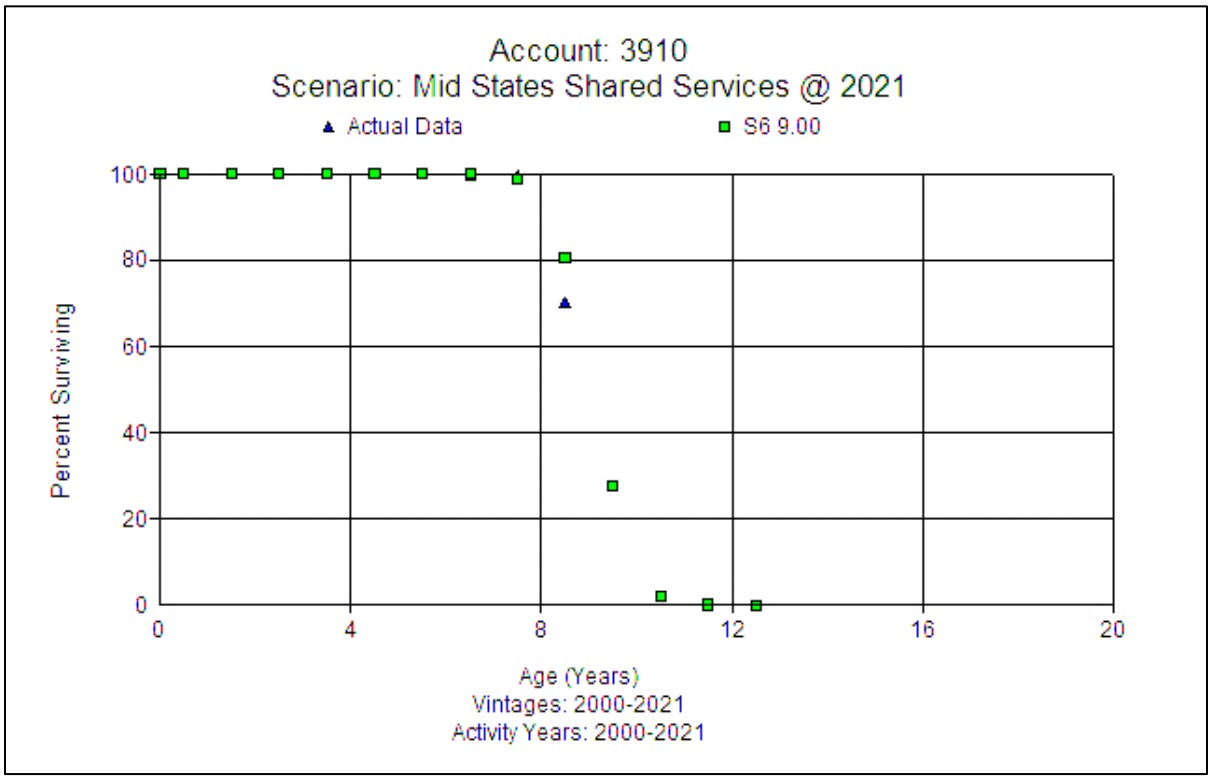
[31] Watson Direct Schedule DAW-3.
[32] Coffer Rebuttal, Schedule AC-r1.

Q. Are there any of Staff's proposed lives that the Company could accept?

A. Staff's recommendation for the following accounts: 3900, 3921, 3940, 3980, and 3993 could be acceptable, but I continue to support my proposed rates. However, I disagree with Staff's recommendations for Accounts 3910, 3990, and 3994.

Q. Please discuss the life recommendations for Account 3910, Office Furniture and Equipment.

A. The current life for this account is 20 years. After I performed actuarial analysis on this account, the results showed a much shorter life in the 9- to 10-year range. A graph of recent experience is shown below with a match to a 9 S6 curve.



I want to employ gradualism in life changes. Hence, I recommend a move to 15 years for this account, which splits the difference between the current life and the life indicated by recent actuarial experience.

Q. Please discuss the life recommendations for Account 3990, Other Tangible Property.

A. Staff recommends a 21-year life for this account. The current approved life is 7 years and I propose to retain 7 years. The components in this account are small software implementation costs as shown in the table below.

Account	Retirement Unit	Plant at 12/31/21
3990	OTH-WEBSITE IMPLEMENTATION	104,445.45
3990	OTH-LU UNIFORM IMPLEMENTATION	79,534.15
3990	OTH-SS EQUIPMENT IMPLEMENTATION	65,575.68
3990	**Total**	**249,555.28**

I believe that retention of the current 7-year life is the most reasonable course of action.

Q. Please discuss the life recommendations for Account 3994, PC Hardware.

A. Staff recommends a 7-year life for this account. The current approved life is 5 years, which I propose to retain. The components in this account are small software implementation costs as shown in the table below. As can be seen from the below asset listing, this account includes laptops, docking stations, monitors, and various hardware. I believe that retention of the current 5-year life is the most reasonable course of action for these assets.

Account	Retirement Unit	Plant at 12/31/21
3994	OTH-INFRASTRUCTURE HARDWR PCS & CONF RM	894,076.93
3994	OTH-GAS CONTROL HARDWARE	698,531.30
3994	OTH-ITRON HARDWARE	417,270.05
3994	OTH-3994-Panasonic Toughbooks,veh dock s	223,601.45
3994	OTH-3994-Sm Enhancements-2019	92,530.49

3994	OTH-3994-Dell Latitude 7490 Laptops	73,600.99
3994	OTH-ARCGIS HARDWARE	59,519.84
3994	IVR Phone System Hardware	53,577.51
3994	OTH-3994-Panasonic Toughbook	24,183.35
3994	OTH-3994-Toughbooks, Dock Sta & Pedistal	22,911.08
3994	OTH-3994-Dell Latitude E7470	16,562.10
3994	OTH-3994-Dell Latitude & Docking Station	12,103.03
3994	OTH-3994-DELL LATITUDE COMPUTERS	12,067.88
3994	OTH-3994-Dell Latitude & Dock S	10,868.18
3994	OTH-3994-Pana Toughbook & Sta	10,340.28
3994	OTH-3994-PANASONIC TOUGHBOOKS	8,364.39
3994	OTH-Dell Latitude Laptop	6,971.17
3994	OTH-3994-Vehicle Docking Sta	6,001.19
3994	OTH-3994-Dell Latitude Laptops	4,861.40
3994	OTH-3994-Optiplex Computers	4,477.01
3994	OTH-3994-Water Printer	3,759.17
3994	OTH-3994-55 in LED TV-Iowa Conf Room	2,670.76
3994	OTH-3994-Dell Docking Stations	2,596.17
3994	OTH-3994-DELL 24 INCH MONITORS	2,358.88
3994	OTH-3994 DELL LATITUDE	2,324.65
3994	OTH-3994-DELL LATITUDE COMPUTER	2,127.98
3994	OTH-3994-DELL LATITUDE LAPTOP & DOCK STA	1,787.18
3994	OTH-3994-Dell 23" Monitors	1,641.43

3994	OTH-3994-DELL LATITUDE	1,599.42
3994	OTH-3994-E-Port Plus Docks w/ Power Supp	1,188.64
3994	OTH-3994-HR Badge Backup Printer	1,049.11
3994	OTH-3994-Dell 24" Monitors	713.24
3994	OTH-3994-E-Port Plus Docks	694.44
3994	OTH-3994 Dell 23" Monitors	637.81
3994	OTH-3994-HP Color LJ Pro	491.52
3994	OTH-3994-BROTHER LASER PRINTER	334.16
3994	OTH-3994-OTH-3994-TV-BREAK ROOM	294.62
3994	OTH-3994-LASER PRINTER	230.46
3994 Total		**2,678,919.26**

Q. Have you made an alternative calculation for Shared Services assets?

A. No. Given the small amount of plant in Shared services and the timing of surrebuttal, I will wait to perform any reallocation or remaining life computation until the Commission has made its decisions on life and net salvage estimates for the Shared Services business unit.

XI. CONCLUSION

Q. Are you making any revisions to your recommendations?

A. Yes. I have revised my proposed depreciation rates to reflect Staff's positions that I agree to incorporate. The changes made are very small differences in the accrual rates. I am providing revised versions of Appendices A, B, C, and E from the versions shown in my Direct Schedules. **Surrebuttal Schedule DAW-2** shows the revised computations.

Q. What do you recommend?

A. I recommend that my proposed depreciation rates as amended by my acceptance of some of Staff's positions be approved by the Commission.

The rates incorporate recent rulings on the remaining life depreciation system. As of filing this testimony, no party has presented a detailed description of findings and results.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

VERIFICATION

I, Dane A. Watson, under penalty of perjury, on this 19th day of September, 2024, declare that the foregoing is true and correct to the best of my knowledge and belief.

/s/ Dane A. Watson