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Public Counsel
WR-2024-0104

SURREBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

**LIBERTY UTILITIES (MISSOURI WATER) CORP.
D/B/A LIBERTY UTILITIES'**

FILE NO. WR-2024-0104

October 24, 2024

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**SURREBUTTAL TESTIMONY
OF
JOHN A. ROBINETT
LIBERTY UTILITIES (MISSOURI WATER) LLC d/b/a LIBERTY
CASE NO. WR-2024-0104**

1 **Q. What is your name and what is your business address?**

2 A. John A. Robinett, PO Box 2230, Jefferson City, Missouri 65102.

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

4 A. I am employed by the Missouri Office of the Public Counsel (“OPC”) as a Utility Engineering
5 Specialist.

6 **Q. Have you previously provided testimony before the Missouri Public Service
7 Commission?**

8 A. Yes. Both as a former member of Commission Staff and on behalf of the OPC.

9 **Q. Are you the same John A. Robinett that filed rebuttal testimony on behalf of the Office
10 of Public Counsel in this proceeding?**

11 A. Yes.

12 **Q. What is the purpose of your surrebuttal testimony?**

13 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Liberty
14 Utilities witness Mr. Dane A. Watson related to depreciation rates and net salvage
15 recommendations for Liberty water and wastewater assets.

16 **Rebuttal of Liberty Consultant**

17 **Q. Do you have concerns related to Liberty Utilities’ witness Mr. Watson’s claims that he
18 discussed plans with company engineers?**

19 A. Yes. OPC has issued additional data requests regarding Mr. Watson’s rebuttal testimony
20 related to his interviews conducted. First thing of note is that none of the individuals he has
21 identified as interviewing filed any testimony in this current water and wastewater case.

1 The experts he interviewed are not present in the case and it appears that the interviews
2 highly focused on financial employees and accountants as opposed to the field personnel
3 and engineers his testimony references. In fact, a different water and wastewater operations
4 manager than the one he interviewed filed testimony in this case. Attached as schedule
5 JAR-S-1 is the responsive data requests related to Mr. Watson's interviews.

6 **Q. What is your opinion of Mr. Watson's method for depreciation rates?**

7 A. Mr. Watson states that he believes his approach is better than what Staff and Holiday Inn
8 Club Vacation, Inc., recommended as part of their direct cases. Mr. Watson discusses how
9 he has recommended rates for each district as opposed to Staff's universal rate
10 recommendation.

11 **Q. What is your opinion of Mr. Watson's method description?**

12 A. Mr. Watson uses boiler plate language which is not how he arrived at his recommendations.
13 He says he used his information in combination with historical activity analysis at page 4
14 lines 1 through 4. Just the page prior, like in his direct testimony, Mr. Watson states: "There
15 was insufficient actuarial data to perform actuarial life analysis." Mr. Watson also discusses
16 the importance of his interview with subject matter experts for the utility, however, based on
17 Liberty's responses he only interviewed one person in the field and as stated earlier, it is not
18 the same individual who filed testimony in this case that discussed all the major projects that
19 have been started since the last rate proceeding. Throughout the study presented in direct and
20 rebuttal, Mr. Watson references the statements from Liberty subject matter experts (SMEs) and
21 frequently references an outside engineering consultant's net salvage recommendations. As the
22 Commission is aware from my rebuttal testimony in response to OPC data requests, the
23 Company provided only hard coded net salvage values in response to OPC data request 8508.

1 There is no supportive report that has been produced by Liberty or Mr. Watson, nor any
2 accompanying data that support the outside engineering consultants' (Anderson Engineering)
3 values that Mr. Watson has relied heavily on.

4 **Q. Is Mr. Watson's method for net salvage the same method he used for life rates?**

5 A. The only reason he is recommending district specific rates is because he has used remaining life rates
6 as he discussed in pages 5 through 9 of his rebuttal testimony. According to his depreciation study he
7 is recommending the same life and survivor curve for each district for an account. It is the plant-in-
8 service and accumulated reserves that are creating the difference in rates for each district. Additionally,
9 he is recommending the same net salvage percentage for each district as the data available, based on
10 my review of Mr. Watson's study, is not district specific.

11 **Q. What is your depreciation recommendation?**

12 A. I continue to recommend the Commission order the currently ordered depreciation rates as
13 recommended by Staff with the modification for miscalculations discussed in my rebuttal
14 testimony.

15 **General Plant Amortization**

16 **Q. Did Mr. Watson discuss General Plant Amortization or Vintage Year Accounting?**

17 A. No. Further review of his testimony and depreciation study leads me to understand he is
18 recommending rates consistent with the two methods discussed above. While he does not
19 discuss it in his testimony, there are recommended curves consistent with that methodology
20 in his recommendations even though the issue is not discussed. Mr. Watson discussed use
21 of accounting release-15 from the Federal Energy Regulatory Commission in his notes,
22 which is an accounting release that allowed for high volume low value assets to be tracked
23 by a vintage group of the additions for a given year and then retired when the vintage
24 exceeds the amortization period set for the account.

1 **Q. Has General Plant Amortization or Vintage Year Accounting been approved for Water**
2 **and Wastewater?**

3 A. Not that I am aware of. Unlike electric and natural gas companies I am unaware of an
4 accounting release or update on the water and wastewater accounting guidelines from the
5 National Association of Regulatory Utility Commissioners (“NARUC”) approving
6 General Plant Amortization or Vintage Year Accounting., It is not approved for use by the
7 Commission in the uniform system of accounts from NARUC (1973 version with revisions
8 in 1976 for water, and 1976 version for sewer).

9 **Q. What is General Plant Amortization or Vintage Year Accounting?**

10 A. General Plant Amortization and Vintage Year Accounting are just two names for the same
11 method of amortization of assets. However, this amortization method is distinct from
12 depreciation expense, which is calculated using the historical experience of the average lives
13 of the assets contained in an account. General Plant Amortization/Vintage Year Accounting,
14 by contrast, covers a defined period that the Company may recover costs for capital
15 investments in specific accounts which will not be tied to the actual life of the assets in the
16 future.

17 **Q. Has the Federal Energy Regulatory Commission (“FERC”) provided any guidance on**
18 **the issue of general plant amortization or vintage accounting?**

19 A. Yes. FERC issued Accounting Release Number 15 (AR-15), Vintage Year Accounting for
20 General Plant Accounts, effective January 1, 1997. AR-15 allows utilities to use a
21 simplified method of accounting for general plant assets, (referred to as “General
22 Property”) excluding structures and improvements. The AR-15 accounting release allows
23 high-volume, low-cost assets to be amortized over the associated useful life, eliminates the

1 need to track individual assets, and allows a retirement to be booked at the end of the
2 theoretical depreciable life. FERC's AR-15 lists certain general plant accounts for which
3 vintage year accounting might be reasonable. The FERC accounting release is for electric,
4 natural gas, oil, and hydropower companies. The FERC accounting release does not apply
5 to water and wastewater utilities. Missouri has prescribed the uniform system of accounts
6 from NARUC 1973 version with revisions in 1976 for water and 1976 version for
7 wastewater. I am not aware of an accounting release or other similar document for water
8 and wastewater utilities provided by NARUC and ordered by this Commission.

9 For example, the end of the update period for plant additions is April 30, 2024, and
10 Mr. Watson's recommended average service life for account 391, Office Furniture and
11 Equipment, is 20 years. Therefore, any remaining asset from account 391 that is on the
12 books must have been placed into service after April 30, 2004. So, if the Commission
13 approves General Plant Amortization, the in-service dates that need to be retired in this
14 account are for any plant that is older than April 30, 2004. Assets placed into service before
15 that date exceed the amortization period and the Company has fully recovered those
16 investments.

17 **Q. Do you recommend using General Plant Amortization or Vintage Year Accounting for**
18 **General Plant Accounts?**

19 A. No, I do not.

20 **Q. What concerns do you have regarding General Plant Amortization?**

21 A. General Plant Amortization threatens the Commission's ability to perform any sort of
22 prudence review of plant added into these accounts due to this amortization method failing
23 to track retirement units and original costs. Under the General Plant Amortization method,

1 only two values matter: 1) the total additions for an account in a vintage year and 2) the
2 amortization period over which the original investment can be recouped. The total
3 additions do not reflect the costs per retirement unit, which prevents parties from auditing
4 these additions based on cost per unit.

5 General Plant Amortization does not yield historical data for depreciation that will
6 differ from the amortization period for the select account. Therefore, any future
7 depreciation study could not properly analyze the actual lives of the asset and match the
8 actual lives with an appropriate depreciation rate. Under General Plant Amortization,
9 amortization periods are not necessarily related to the useful life of the assets. Instead, the
10 retirement booking relates to the retirement of dollars. Depreciation is designed to
11 determine the appropriate return of investment to the Company's shareholders based on
12 the useful lives of its assets. With General Plant Amortization, plant assets may actually
13 retire prior to the amortization period or may survive many years past the amortization
14 period. This method could mask the appropriate recovery period for the Company's assets.

15 **Q. Are there any other aspects of changing to General Plant Amortizations that may cause**
16 **concern?**

17 A. Yes. I understand that if the method is approved, Liberty Utilities (Missouri Water) Corp.
18 d/b/a/ Liberty ("Liberty" or "Company") should retire all assets in each requested account
19 that are older vintages than the amortization period. If the Company does not retire these
20 assets, it would allow the Company to continue to recover for assets that have already been
21 fully accrued when switching from depreciation to general plant amortization.

1 Also, I note that additional amortizations may be needed on an account-by-account
2 basis to correct for reserve imbalances if Liberty's request to use General Plant
3 Amortization is approved.

4 **Q. Do you have any recommendations if the Commission determines that general plant**
5 **amortization is appropriate?**

6 A. Yes. If the Commission approves Liberty's request for General Plant Amortization, I
7 recommend that the Commission order Liberty to continue specifying the original cost and
8 associated retirement units for all additions to the accounts where General Plant Amortization
9 accounting treatment will occur. Additionally, Liberty should retire all general plant that
10 exceeds the amortization period.

11 **Q. Please summarize your recommendation related to General Plant Amortization or**
12 **Vintage Year Accounting.**

13 A. I recommend the Commission deny Liberty's request for the reason discussed. I am not aware
14 of an accounting release or similar item from NARUC for water and wastewater systems, nor
15 has Liberty provided any such authority.

16 **Q. Does this conclude your surrebuttal testimony?**

17 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

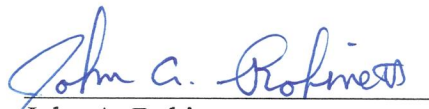
In the Matter of the Request of Liberty Utilities)
(Missouri Water) LLC d/b/a Liberty for Authority)
to Implement a General Rate Increase for Water)
and Wastewater Service Provided in its Missouri)
Service Areas)
Case No. WR-2024-0104

AFFIDAVIT OF JOHN A. ROBINETT

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

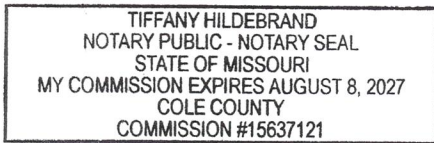
John A. Robinett, of lawful age and being first duly sworn, deposes and states:

1. My name is John A. Robinett. I am a Utility Engineering Specialist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.




John A. Robinett
Utility Engineering Specialist

Subscribed and sworn to me this 23rd day of October 2024.



My Commission expires August 8, 2027.



Tiffany Hildebrand
Notary Public