Exhibit No.: Issue(s): Witness: Sponsoring Party: Type of Exhibit: Case No.: Date Testimony Prepared: December 6, 2024

Depreciation Malachi Bowman MoPSC Staff Direct / Rebuttal Testimony WR-2024-0320

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENGINEERING ANALYSIS DEPARTMENT

DIRECT / REBUTTAL TESTIMONY

OF

MALACHI BOWMAN

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2024-0320

Jefferson City, Missouri December 2024

1	DIRECT / REBUTTAL TESTIMONY				
2	OF				
3	MALACHI BOWMAN				
4	MISSOURI-AMERICAN WATER COMPANY				
5	CASE NO. WR-2024-0320				
6	Q. Please state your name and business address.				
7	A. My name is Malachi Bowman, and my business address is Missouri Public				
8	Service Commission, P.O. Box 360, Jefferson City, Missouri, 65102.				
9	Q. By whom are you employed and in what capacity?				
10	A. I am employed by the Missouri Public Service Commission ("Commission") as				
11	an Associate Engineer in the Engineering Analysis Department of the Industry				
12	Analysis Division.				
13	Q. Please describe your educational background and relevant work experience.				
14	A. I received my Bachelors of Science degree in Mechanical Engineering from the				
15	University of Kansas in 2020. I was employed as a Sales Engineer in the commercial heating,				
16	ventilation, & air conditioning (HVAC) industry from 2022-2024. I have been employed by the				
17	Commission since May of 2024 as an Associate Engineer. A list of my case participation is				
18	included in schedule MB-d1.				
19	EXECUTIVE SUMMARY				
20	Q. What is the purpose of your direct testimony?				
21	A. The purpose of my direct testimony is to recommend the continued use of the				
22	depreciation rates which were ordered in Missouri American Water Company's ("MAWC's")				
23	last rate case, Case No. WR-2022-0303.				

Direct / Rebuttal Testimony of Malachi Bowman

What is the purpose of your rebuttal testimony? 1 Q. 2 The purpose of my rebuttal testimony is to respond to MAWC witness A. 3 Jennifer Grisham regarding the depreciation rates for water account 315 and sewer account 361. 4 **DEPRECIATION RATES** 5 Q. What is depreciation? Depreciation is defined as "the loss in service value not restored by current 6 A. 7 maintenance, incurred in connection with the consumption or prospective retirement of utility 8 plant in the course of service from causes which are known to be in current operation and against 9 which the utility is not protected by insurance. Among the causes to be given consideration are 10 wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, 11 changes in demand, and requirements of public authorities."¹ The objective of depreciation is to determine the depreciation expense attributable to 12 13 each year's operation and for the utility to recover the capital invested in depreciable plant over 14 its useful life. The most common method of allocation, the straight-line method, distributes an 15 equal amount between review periods, thus a depreciation rate (%) is used. 16 Q. Is MAWC requesting updated depreciation rates in this case? No. However, MAWC used a few depreciation rates in its direct workpapers that 17 A. 18 were not reflective of the previously ordered rates. 19 Q. Did MAWC submit its depreciation study, database, and property unit catalog 20 in this case? 21 A. No. However, MAWC submitted these items in MAWC's rate case conducted 22 in 2020, Case No. WR-2020-0344. MAWC generally conducts a depreciation study every three

¹ Definition from NARUC USOA for Class A and B Water Utilities 1973

to five years.² Although four years have passed since MAWC conducted its last depreciation
study, it is within reason for MAWC to wait until its next rate case to perform a new
depreciation study.

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Q. Did Staff perform a depreciation study for this case? If no, why not?

5 A. No. Staff last performed a depreciation study for MAWC during its rate case 6 conducted in 2020, Case No. WR-2020-0344. As stated above, MAWC generally submits its 7 depreciation study, database, and property unit catalog once every three to five years. 8 At such time, Staff typically performs a depreciation study. Depreciation rates are calculated 9 from estimated average service life of assets (or groups of assets), based on an analysis of 10 historical data and knowledge of the utility and industry. Based on Staff's experience across 11 industries and utilities, five years between depreciation studies is generally reasonable. 12 However, according to MAWC witness Linam, MAWC's plant additions in this case include 13 approximately \$1 billion for water and sewer distribution and collection system infrastructure 14 asset replacements that are near the end of their useful lives.³ These asset replacements may 15 influence depreciation rates in the future. Staff recommends the Commission order MAWC to 16 conduct a depreciation study prior to filing its next rate case.

17 18 Q. Which depreciation rates were utilized in MAWC's revenue requirement model that were not consistent with the rates ordered by the Commission in Case No. WR-2020-0344?

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A. The inconsistent depreciation rates are listed below:

² There are no rules related to how often water and sewer companies are required to submit their depreciation studies, databases, and property unit catalogs. 20 CSR 4240-40.090(1)(B) for gas utilities, and 20 CSR 4240-3.175(1)(B)2 for electric utilities require gas and electric utilities to submit these items every three to five years. Staff believes that this timeframe is also appropriate for water and sewer utilities

³ WR-2024-0320 Direct testimony of MAWC witness Derek Linam, Pg. 9, Lines 14-16

Account Number	Account Name	Account Type	MAWC Utilized Rate	Commission Ordered Rate		
315	Infiltration Galleries and Tunnels	Water	2.52%	1.77%		
361	Structures & Improvements	Sewer	2.03%	2.17%		
	VC agreed to correct the depreciation approved rates in its true up filing. ⁴	n rates used i	in its direct fili	ng and utilize t		
CONCLUS	ION					
Q. What are Staff's recommendations for this case regarding depreciation rates?						
A. Staff is recommending the continued use of the depreciation rates that are						
currently in effect for MAWC as ordered in its last rate case, attached to my testimony in						
schedule ME	B-d2. Additionally, Staff recommends	s the Commis	ssion order MA	AWC to conduct		
depreciation	study prior to filing its next rate case					
Q.	Q. Does this conclude your direct testimony?					
А.	Yes it does.					

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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In the Matter of Missouri-American Water Company's Request for Authority to Implement a General Rate Increase for Water and Sewer Service Provided in Missouri Service Areas

Case No. WR-2024-0320

AFFIDAVIT OF MALACHI BOWMAN

STATE OF MISSOURI)	
)	SS.
COUNTY OF COLE)	

COMES NOW MALACHI BOWMAN and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing *Direct / Rebuttal Testimony of Malachi Bowman*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.

MALACHI BOWMAN

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 26% day of November 2024.

Ausiellankin Notary Public

D. SUZIE MANKIN Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: April 04, 2025 Commission Number: 12412070

CREDENTIALS AND CASE PARTICIPATION OF MALACHI A. BOWMAN

PRESENT POSITION:

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

EDUCATIONAL BACKGROUND AND WORK EXPERIENCE:

I received my Bachelors of Science degree in Mechanical Engineering from the University of Kansas in 2020. I was employed as a Sales Engineer in the commercial heating, ventilation, & air conditioning (HVAC) industry from 2022-2024. I have been employed by the Commission since May of 2024 as an Associate Engineer.

Case Number	Utility	Testimony	Issue
ER-2021-0312	Empire District Electric Company	Staff Report	Renewable Energy Purchase Plan
EO-2024-0300	Evergy Missouri West	Staff Report	Renewable Energy Standard Compliance Report
EO-2024-0231	Union Electric Company	Staff Report	Renewable Energy Standard Compliance Plan
WR-2024-0343	Holtgrewe Farms Water Company	Staff Report	Rate Case
EA-2024-0237	Ameren Missouri	Staff Report	Application for Certificate

TESTIMONY FILED:

Case No. WR-2024-0320 Schedule MB-d1 Page 1 of 1