

*Exhibit No.:*  
*Issue(s):* Depreciation  
*Witness:* Malachi Bowman  
*Sponsoring Party:* MoPSC Staff  
*Type of Exhibit:* Direct / Rebuttal  
Testimony  
*Case No.:* WR-2024-0320  
*Date Testimony Prepared:* December 6, 2024

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

2 A. The purpose of my rebuttal testimony is to respond to MAWC witness  
3 Jennifer Grisham regarding the depreciation rates for water account 315 and sewer account 361.

4 **DEPRECIATION RATES**

5 Q. What is depreciation?

6 A. Depreciation is defined as “the loss in service value not restored by current  
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.”<sup>1</sup>

12 The objective of depreciation is to determine the depreciation expense attributable to  
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?

17 A. No. However, MAWC used a few depreciation rates in its direct workpapers that  
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

---

<sup>1</sup> Definition from NARUC USOA for Class A and B Water Utilities 1973

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

4 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.<sup>3</sup> 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 Q. Which depreciation rates were utilized in MAWC's revenue requirement model  
18 that were not consistent with the rates ordered by the Commission in Case No. WR-2020-0344?

19 A. The inconsistent depreciation rates are listed below:

---

<sup>2</sup> 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

<sup>3</sup> 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%

1  
2 MAWC agreed to correct the depreciation rates used in its direct filing and utilize the  
3 Commission approved rates in its true up filing.<sup>4</sup>

4 **CONCLUSION**

5 Q. What are Staff's recommendations for this case regarding depreciation rates?

6 A. Staff is recommending the continued use of the depreciation rates that are  
7 currently in effect for MAWC as ordered in its last rate case, attached to my testimony in  
8 schedule MB-d2. Additionally, Staff recommends the Commission order MAWC to conduct a  
9 depreciation study prior to filing its next rate case.

10 Q. Does this conclude your direct testimony?

11 A. Yes it does.

---

<sup>4</sup> DR No. 0100.0, Attachment 2024 GRC - MoPSC 0100.pdf



**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.

**TESTIMONY FILED:**

<b>Case Number</b>	<b>Utility</b>	<b>Testimony</b>	<b>Issue</b>
ER-2021-0312	Empire District Electric Company	Staff Report	Renewable Energy Purchase Plan
EO-2024-0300	Eergy 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