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Witness: *Malachi Bowman*
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MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENGINEERING DEPARTMENT

REBUTTAL TESTIMONY

OF

MALACHI BOWMAN

UNION ELECTRIC COMPANY,
d/b/a Ameren Missouri

CASE NO. GR-2024-0369

Jefferson City, Missouri
April 2025

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CASE NO. GR-2024-0369

Q. Please state your name and business address.

A. My name is Malachi Bowman and my business address is 200 Madison St, Jefferson City, MO 65102.

Q. Are you the same Malachi Bowman that filed direct testimony in this proceeding on February 28, 2025.

A. Yes, I am.

EXECUTIVE SUMMARY

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond the Direct Testimony of OPC witness John A. Robinett filed on February 28, 2025 regarding the use of General Plant Amortization for this case and to respond to the Direct Testimony of Ameren Missouri Witness John Spanos regarding the adjustment of service lives for certain accounts. I also have a few corrections to my recommended depreciation rates.

Q. Did you provide input or work product to another Staff witness for development of an issue?

A. Yes. I provided my recommended depreciation rates, as corrected, to Staff's Auditing Department to use in the development of Staff's Accounting Schedules.

Q. Through your testimony, do you provide any recommendations that should specifically be reflected in the Commission's Report and Order in this case?

A. Yes. In this testimony I recommend that the Commission order the updated depreciation rates included as Schedule MB-r1.

RESPONSE TO JOHN A. ROBINETT DIRECT TESTIMONY

Q. What is General Plant Amortization?

A. General Plant Amortization, also referred to as Vintage Year Accounting, is an accounting method that simplifies the book keeping process for utilities by grouping assets by vintage year and retiring these assets based upon a pre-determined estimated service life instead of recording each addition and retirement transaction.

The Federal Energy Regulatory Commission ("FERC") states that it is permissible for a public utility to adopt and implement a vintage year accounting method "without obtaining specific authorization from the [FERC] Commission to do so"[1] if:

1) The account is one of the nine FERC approved general plant accounts that can use vintage year accounting, and

2) The FERC requirements to use vintage year accounting are met.

Q. What are the nine accounts that FERC states it is permissible to use vintage year accounting on?

A. On the following page are the nine accounts:

[1] Vintage year accounting for general plant accounts | Federal Energy Regulatory Commission

Account Number	Description
391	Office Furniture and Equipment
392	Transportation Equipment
393	Stores Equipment
394	Tools, Shop and Garage Equipment
395	Laboratory Equipment
396	Power Operated Equipment
397	Communication Equipment
398	Miscellaneous Equipment
399	Other Tangible Property

Q. What are the FERC requirements that must be met in order to use vintage year accounting?

A. Below are the FERC requirements which must be met[2]:

1. The individual classes of assets for which vintage year accounting is followed are high volume, low value items;

2. There is no change in existing retirement unit designations, for purposes of determining when expenditures are capital or expense;

3. The cost of the vintage groups is amortized to depreciation expense over their useful lives and there is no change in depreciation rates resulting from the adoption of the vintage year accounting;

4. Interim retirements are not recognized;

5. Salvage and removal cost relative to items in the vintage categories are included in the accumulated depreciation account and assigned to the oldest vintage first; and

[2] Vintage year accounting for general plant accounts | Federal Energy Regulatory Commission

6. Properties are retired from the affected accounts that, at the date of the adoption of vintage year accounting, meet or exceed the average service life of properties in that account.

Q. What are the accounts that Ameren Missouri is currently using vintage year accounting on in the current case?

A. Below are the accounts that Ameren Missouri is using vintage year accounting on:

Account Number	Description
391	Office Furniture and Equipment - Furniture
391.20	Office Furniture and Equipment – Personal Computers
394	Tools, Shop and Garage Equipment
395	Laboratory Equipment
397	Communication Equipment
398	Miscellaneous Equipment

Q. Has the Missouri Public Service Commission allowed Ameren Missouri to use vintage year accounting for these accounts in the past?

A. In File No. GR-2019-0077, a stipulation and agreement was approved that allowed Ameren Missouri to use general plant amortization for the development of depreciation rates on these accounts in that proceeding. The approved stipulation and agreement states:

> "Signatories recommend the Company's proposed depreciation rates, including general plant amortization, be approved and used to set rates in this proceeding, which are reflected in Exhibit C. Ameren Missouri shall record retirements related to general plant amortizations for all assets on the books that exceed the amortization periods for each account. The Company shall keep its books and records related to general plant amortization accounts consistent with the electric record keeping procedures as set forth in File No. ER-2014-0258."[3]

[3] GR-2019-0077, Item 156, Paragraph #16

This shows that general plant amortization was approved to be used in the proceeding. Ameren Missouri was also required to "record retirements related to general plant amortizations for all assets on the books that exceed the amortization periods for each account".

The use of general plant amortization was continued in GR-2021-0241, and Ameren Missouri agreed to "continue to regularly retire assets from the general plant amortization accounts that exceed the amortization period".[4]

Q. What are OPC witness John Robinett's concerns with the use of general plant amortization?

A. John Robinett stated that he sees problems with General Plant Amortization and these are that General Plant Amortization "without unitized record-keeping, hinders the Commission from performing an effective prudence review of plant added to these accounts" and it "does not yield actual historical data for the depreciation rate in the select account that differs from the period that is set."[5]

Q. Does Staff agree that the use of General Plant Amortization can hinder the Commission from performing an effective prudence review on these accounts?

A. Yes, because each retirement unit is no longer recorded individually but instead grouped by vintage year. In the Spire rate case conducted in 2021, the use of General Plant Amortization was not authorized. One of the factors this decision was based upon was the finding of fact that "General Plant account amortization threatens the ability to perform any sort of prudence review of plant added into these accounts because it fails to track retirement units and original costs."[6]

[4] GR-2021-0241, Item 129, stipulation and agreement, Paragraph #10
[5] GR-2024-0369, Item 59, Direct Testimony of John Robinett, Page 8, Line 8-22
[6] GR-2021-0108 - Item 327, Page 52, Paragraph 160

Q. Does Staff also agree that the use of General Plant Amortization does not yield actual historical data for the depreciation rate in the select account that differs from the period that is set?

A. Yes. For assets in accounts that do not use Vintage Year Accounting, installation and retirement dates would be recorded for each retirement unit and the retirement date would be dependent on when the asset no longer produces useful service. But for assets in accounts that do use Vintage Year Accounting that group of assets is retired from the Company's records at a predetermined time regardless of whether the assets contained within the vintage year group are still providing useful service.

Q. Why is actual historical data needed for the development of accurate depreciation rates?

A. Depreciation rates are calculated using each accounts' average service life which is estimated through actuarial analysis. Generally, the data used for the actuarial analysis is collected by the company from recording both installation and actual[7] retirement dates for each retirement unit. This is further supported by Commission rule 20 CSR 4240-40.040(3)(M) which requires gas corporations to "[k]eep mortality records of property and property retirement as will reflect the average life of retiring property and will aid actuarial analysis of the probable service life of annual additions and aged retirements…"

For example, consider a scenario where a chair is bought in 2010 and breaks in 2015. Let's also say that this chair is put into an account that has an average service life of 15 years. If this account is not using Vintage Year Accounting, the chair would be recorded to have a vintage year of 2010 and a retirement year of 2015 and we would say that this chair had a

[7] Meaning the date the asset is no longer able to provide useful service

service life of 5 years. In following depreciation studies, this data would influence the average service life of the account since the chair did not have a service life of 15 years and the average service life of the account would be adjusted which would also adjust the associated depreciation rate[8].

Alternatively, if Vintage Year Accounting is used in this same scenario, regardless of the chair breaking in 2015, it would not be considered retired until 2025, 15 years after the chair was purchased, and any assets with a vintage year of 2010 would show a 15-year lifespan even though the chair, in reality, only had a service life of 5 years. In following depreciation studies, the recorded data concerning the chair would confirm that the appropriate average service life of the account is 15 years and because of this, the data would provide no useful value to determining accurate depreciation rates.

In summary, Vintage Year Accounting would produce data that is not "true to life" and because of this, the data would not be useful in developing depreciation rates.

Q. If Vintage Year Accounting does not produce "true to life" data for the development of depreciation rates, why should Vintage Year Accounting ever be considered?

A. For accounts that consist of low-value-high-quantity items, this method of accounting can be beneficial for both the company and rate-payers.

Ideally a company would be able to keep track of the retirement dates for everything it purchases. But, small, mobile, and low unit cost assets, may get lost, misplaced, broken, or otherwise cease to be used and useful without the Company's property accounting team receiving notification. If the Company's property accounting team does not receive notification, the assets may remain on the books longer than they should. This can distort the service life

analysis and again yield data that is not "true to life" and not useful in setting accurate depreciation rates. Vintage Year Accounting would allow the company to instead set an estimated service life for an account and any asset that has a longer service life than the set service life for the account would be considered retired, even if it is still in use.

It is possible that this effort could increase costs for the company and as a result increase rates for rate-payers due to the cost of labor involved and it is unclear whether the results of doing this would be worth the investment which gives reasonable cause for the Commission to consider the continued use of Vintage Year Accounting for certain accounts. Method were approved but Staff has consistently held the position that the Whole Life method should be used when developing depreciation rates for utilities that do not have a planned retirement date such as gas utilities.

Q. Why should the Commission consider rates based upon the whole life method over the remaining life method?

A. Both methods hold the goal of the utility recovering its full investment. The only difference between these two methods is the consistency of the rates at which the utility recovers its full investment. The remaining life method will look at how much useful life is left in the account and adjust its rates based on that. But the whole life method will seek to adjust rates evenly over the account's entire useful life.

With utilities such as this one, there is no fixed retirement date, so the remaining useful life of the accounts used for this facility is constantly changing based on retirements and additions and rates based on the remaining life method will fluctuate up and down because of this. From the utility's perspective, these fluctuations are not a concern, as the company will

receive their return on investment regardless. But from the consumer's perspective, these fluctuations can be seen as unfair.

For example, one customer might move into an apartment today and pay a lesser portion of the utility's assets than another customer moving in five years later, who ends up paying more for the same assets.

This is why staff prefers the whole life method because it helps ensure that everyone pays their fair share for the company's assets without anyone being handed the short end of the stick.

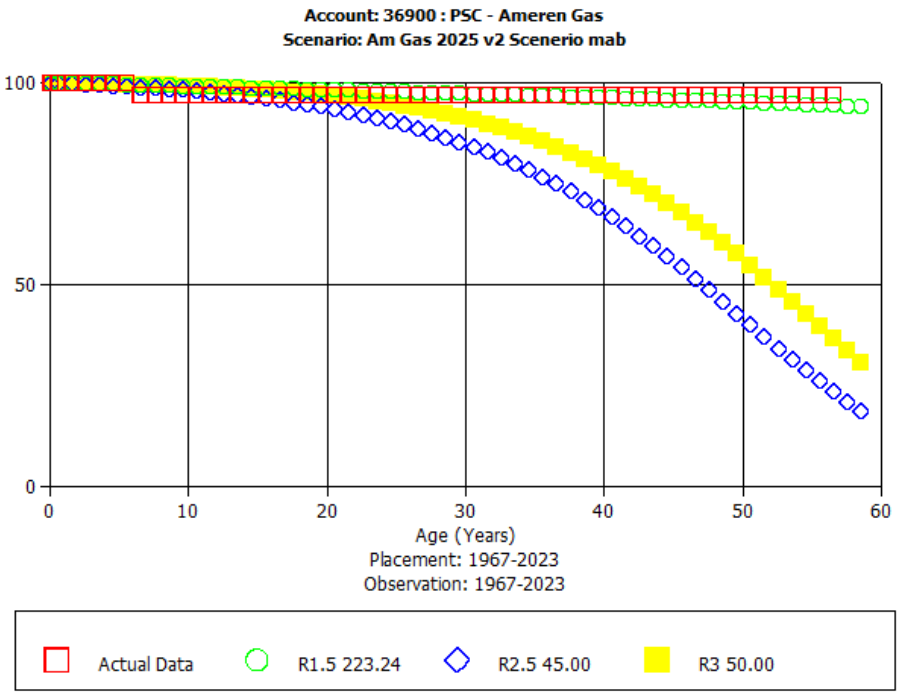
Q. Are there other differences that are caused by other reasons beside depreciation techniques?

A. Yes. Other differences come from the selection of service life curves for certain accounts. Staff did not see a justifiable reason for changing the service lives for the following accounts:

367	Mains
369	Meas. & Reg Station Equip.
378	Meas. & Reg. Station Equip - General
379	Meas. & Reg. Station Equip – City Gate

Q. Why these accounts specifically?

A. For these accounts, the data takes a form such that no existing survivor curves visually fit it accurately. For example, the service life curve for account 369 is below:



One aspect of fitting curves is selecting the best visual fit. For this account, none of the Iowa curves visually fits the data. The actual data is in red on the above graph. Ameren Missouri selected the blue survivor curve which is R2.5-45 while the currently ordered survivor curve is the yellow service life curve, which is R3-50. The green curve is the calculated best fit Staff found using PowerPlan. However, Staff avoids making changes to service lives when the reasoning for the difference is not justified to refrain from causing additional unnecessary fluctuations to depreciation rates. Staff would consider changing its position on service lives for these accounts if Ameren Missouri provided justifying reasoning beyond stating that the changes were based upon "informed judgement"[9].

[9] GR-2024-0369, Item 14, John Spanos, Page I-2, Paragraph #2

STAFF'S CORRECTION

Q. What corrections would staff like to make?

A. Upon further review of the depreciation rates Staff provided, Staff found an error in its depreciation calculations. An updated schedule is provided in schedule MB-r1.

CONCLUSION

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

A. Staff is recommending the use of the depreciation rates prepared by Staff and attached in Schedule MB-r1.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren Missouri's Tariffs to Adjust Its Revenues for Natural Gas Service	)))	Case No. GR-2024-0369

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 *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 31st day of March 2025.

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

Ameren Missouri (Gas)			
Schedule of Depreciation Rates			
GR-2024-0369			
Depreciable Plant		**Net Salvage**	**Depreciation Rate**
Transmission			
366	Structures and Improvements	-10%	1.69%
367	Mains	-10%	1.83%
369	Measuring and Regulating Station Equipment	-5%	2.10%
Distribution			
375	Structures and Improvements	-5%	2.10%
376	Mains	-5%	1.75%
378	Measuring and Regulating Station Equipment - General	-5%	2.33%
379	Measuring and Regulating Station Equipment - City Gate	-5%	2.33%
380	Services	-10%	1.83%
381	Meters	3%	3.23%
381.02	Meters - AMI	0%	5.00%
383	House Regulators	-25%	2.66%
385	Industrial Measuring and Regulating Station Equipment	0%	2.50%
General Plant			
390	Structures and Improvements	-5%	2.76%
391	Office Furniture and Equipment	0%	6.67%
391.2	Office Furniture and Equipment - Computers	0%	20.00%
392	Transportation Equipment	15%	6.54%
393[1]	Stores Equipment	0%	5.00%
394	Tools, Shop and Garage Equipment	0%	5.00%
395	Laboratory Equipment	0%	5.00%
396	Power Operated Equipment	20%	5.33%
387	Communication Equipment	0%	6.67%
398	Miscellaneous Equipment	0%	6.67%

[1] Ameren Missouri allocates general plant in account 393 to gas operations. Staff recommends aligning this depreciation rate to its recommendation in ER-2024-0319.