

Exhibit No.:
Issue: Depreciation of Plant
Witness: Jolie L. Mathis
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case Nos.: ER-2001-672 and EC-2002-265
Date Testimony Prepared: January 22, 2002

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

JOLIE L. MATHIS

FILED³

JAN 22 2002

**Missouri Public
Service Commission**

**UTILICORP UNITED INC.
d/b/a MISSOURI PUBLIC SERVICE**

CASE NOS. ER-2001-672 and EC-2002-265

*Jefferson City, Missouri
January 2002*

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JOLIE L. MATHIS

UTILICORP UNITED INC.

d/b/a MISSOURI PUBLIC SERVICE

CASE NO. ER-2001-672 and EC-2002-265

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DEPRECIATION DATA

Q. Is it reasonable for the Company to expect that Staff will request the Company to provide mortality retirement data in the Gannett-Fleming format whenever the Company files a rate case?

A. Yes. The Company has been aware that the Staff uses the system of Gannett-Fleming programs. UtiliCorp previously provided that data in the requested format in its last general rate case filing in 1997, Case No. ER-97-394. Although there is no mention in Commission Rule 4 CSR 240-20.030 of providing the information in Gannett-Fleming format, UtiliCorp has sufficient experience with the Staff in rate case filings to know that Staff would request and want the most recent plant mortality data information to develop depreciation rates. While UtiliCorp had not planned on preparing a depreciation study until the year 2002, the Company still has a responsibility to maintain its depreciation database. Staff usually performs a depreciation study whenever a rate case is filed, regardless of when the Company files its depreciation study, and needs the mortality data in the Gannett-Fleming format.

Q. Would you please address your statement regarding other companies providing Staff with data in the Gannett-Fleming format as addressed at page 10, lines 12 through 22 of the rebuttal testimony of UtiliCorp witness McKinney?

A. Yes. I stated in my direct testimony that Ameren UE, Kansas City Power & Light Co., Empire District Electric Co., and St. Joseph Light & Power Co. have provided data in the Gannett-Fleming format. This was not to imply that UtiliCorp is the only utility that does not provide information as requested. It was to simply to illustrate that Staff is not requesting anything out of the ordinary, and that the same standards are

1 held to other comparable electric utility companies. In Case No. ER-2001-299 Empire
2 District Electric Co., Gannett-Fleming data was submitted for the Transmission,
3 Distribution, and General plant accounts.

4 **DEPRECIATION SCHEDULE**

5 Q. What are the changes presented in your proposed depreciation
6 calculations, which are presented in the attached Schedule 1 as compared to those
7 presented in your direct testimony?

8 A. The attached Schedule 1 provides a revision to Staff's proposed
9 depreciation rates. The difference in Staff's revised depreciation rates, as presented in
10 the attached Schedule 1, compared to those presented in Staff's direct testimony are due
11 to Staff's acknowledgement that the currently ordered depreciation rates were not tied to
12 average service lives (ASL) determined from an actuarial study of the Company's
13 mortality data. A Staff determination of appropriate ASL will be performed after the
14 Company provides updated plant mortality data. The average service lives for production
15 plant presented in my direct testimony were not ordered by the Commission, but instead
16 were a result of Staff's depreciation study prepared in Case No. ER-97-394. The
17 Company has indicated that it plans to provide such data during 2002. In addition, the
18 total amount of accrued reserve is \$430,999,552, not \$28,247,783 as previously filed in
19 my direct testimony.

20 Q. What is the change to Staff's recommended annual accrual for the
21 Company due to the depreciation rates given in Schedule 1?

22 A. The change is an increase in Staff's proposed annual depreciation accrual
23 for the Company, from \$28,288,381 to \$35,518,625. This is approximately seven million

1 dollars greater than the proposed annual depreciation accrual given in my direct
2 testimony.

3 Q. Do Staff's proposed depreciation rates include a net salvage component?

4 A. No. Consistent with the recommended treatment of net salvage costs in
5 previous cases, Staff recommends that net salvage costs of \$876,629 be included as an
6 annual expense by Staff auditors, as presented in Staff witness Cary G. Featherstone's
7 direct testimony (pages 5 and 6).

8 Q. How was Staff's proposed net salvage component determined?

9 A. The net salvage component that Staff provided in direct testimony was
10 presented in Attachment 1 in the **Second Status Report of Staff** filed March 27th, 1998.
11 It was Staff's opinion that these net salvage percentages were agreed upon by both
12 Company and Staff. Staff has issued Data Request Nos. 4705 and 4706 to verify that in
13 fact this agreement is true. Staff's estimated amount of net salvage percentage from my
14 direct testimony has remained unchallenged by the Company during this case. This is
15 Staff's estimate of the net salvage percentage from Case No. ER-97-394.

16 Q. How did Staff determine the proposed depreciation rates in this case?

17 A. The net salvage percentage was deducted from the ordered depreciation
18 rate:

19
$$(100\% - \text{NS\%})/\text{ASL} = \text{Ordered Depreciation Rate}$$

20
$$\text{ASL} = (100\% - \text{NS\%})/\text{Ordered Depreciation Rate}$$

21 The average service life (ASL) was calculated given the net salvage percentage
22 and ordered depreciation rate. Using Staff's currently proposed method of determining
23 depreciation rates as a recovery of original investment cost only, the formula for

1 calculating the depreciation rate is 1/ASL. This application of Staff's treatment of the
2 removal of the net salvage component from depreciation rates is reflected in the rates
3 shown in Schedule 1, in the column titled "Staff Proposed Depreciation Rate". As
4 previously stated, a Staff determination of appropriate ASL will be performed after the
5 Company provides updated plant mortality data.

6 **DEPRECIATION CONCEPTS**

7 Q. Mr. McKinney states on page 8, lines 3 through 6 of his rebuttal testimony
8 that "the concepts recently used by the Staff and accepted by the Commission have
9 greatly extended the period of time investors must wait to have their investments returned
10 and have put at risk the actual recovery of the cost to remove assets when required." Do
11 you agree with his statement?

12 A. No. Staff's proposed treatment of depreciation in this case seeks to match
13 current utility cost of removal to the amount of money the Company receives from its
14 customers for such costs. Rather than including unknown, future costs as a component of
15 the depreciation rate, current costs are now paid by utility customers in customer utility
16 rates. Staff's depreciation rates in this rate case as presented in Schedule 1 are the same
17 rates that were adopted by the Commission in Case No. ER-97-394. There will be no
18 loss to investors due to the collection of net salvage cost because the Company will be
19 calculating the current level of net salvage cost through the expense calculation of Staff
20 auditors.

21 Mr. McKinney's statement that the "concepts recently used by the Staff and
22 accepted by the Commission have greatly extended the period of time investors must wait
23 to have their investments returned..." is not correct. Staff has not recommended longer

Surrebuttal Testimony of
Jolie Mathis

1 average service lives in this case, as is evident that it is recommending the previously
2 ordered depreciation rates, with the net salvage portion of each rate removed. Staff's
3 proposed treatment of net salvage for Missouri Public Service, as indicated by
4 Mr. McKinney in his rebuttal testimony, is consistent with its previous recommendations
5 in The Empire District Electric Co., Laclede Gas Company and the St. Louis Water
6 Company rate cases.

7 Q. Does this conclude your surrebuttal testimony?

8 A. Yes, it does.

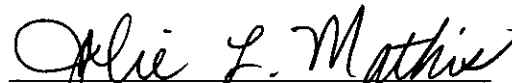
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of the Tariff)	
Filing of Missouri Public Service (MPS))	
A Division of UtiliCorp United Inc., to)	Case No. ER-2001-672
Implement a General Rate Increase for Retail)	
Electric Service Provided to Customers in the)	
Missouri Service Area of MPS)	

AFFIDAVIT OF JOLIE L. MATHIS

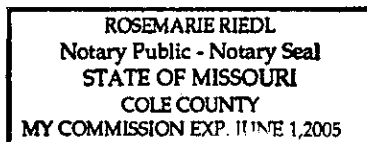
STATE OF MISSOURI)	
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COUNTY OF COLE)	

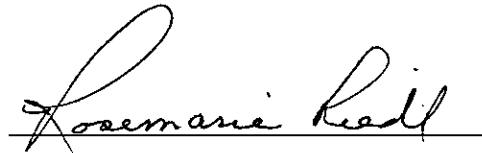
Jolie L. Mathis, being of lawful age, on her oath states: that she has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.



Jolie L. Mathis

Subscribed and sworn to before me this 22nd day of January 2002.





UTILICORP UNITED INC d/b/a MISSOURI PUBLIC SERVICE (ER-2001-672)

DEPRECIATION DETERMINATION SPREADSHEET

Account	Account Title	Plant	Ordered	Net Salv	*Staff Prop	Staff Prop	Ordered	Company	Accrued
No.		Original Cost	Dep Rate	%	Dep Rate	Ann Dep	Ann Dep	Ann Acc	Reserve
		Dec-00	%		%	Acc	Acc	Inc./ Dec.	
	Production - Steam								
311.11	Structures & Improvements - JEC	18,078,177	4.5382	(13)	4.02	726,039	820,424	94,385	11,716,567
311.12	Structures & Improvements - Sibley	39,588,264	5.7182	(13)	5.06	2,003,306	2,263,736	260,430	21,077,849
312.11	Boiler Plant Equipment - JEC	58,099,345	4.5982	(9)	4.22	2,450,940	2,671,524	220,585	36,257,764
312.12	Boiler Plant Equipment - Sibley	128,707,020	5.2782	(9)	4.84	6,232,490	6,793,414	560,924	60,168,263
314.11	Turbogenerator Units - JEC	16,751,536	4.4382	(7)	4.15	694,829	743,467	48,638	6,714,033
314.12	Turbogenerator Units - Sibley	43,473,502	4.6482	(15)	4.04	1,757,161	2,020,735	263,574	27,070,488
315.11	Accessory Electric Equipment - JEC	5,743,116	4.5582	(20)	3.80	218,152	261,783	43,630	3,565,189
315.12	Accessory Electric Equipment - Sibley	17,401,442	5.6082	(20)	4.67	813,256	975,908	162,651	7,678,873
316.11	Misc. Power Plant Equipment - JEC	1,310,158	4.3882	(1)	4.34	56,923	57,492	569	342,313
316.12	Misc. Power Plant Equipment - Sibley	632,272	4.6782	(1)	4.63	29,286	29,579	293	351,101
	Production Plant - Other								
341.00	Structures and Improvements	2,116,970	6.6482	(6)	6.27	132,774	140,740	7,966	812,213
342.00	Fuel Holders, Producers, and Access.	1,286,981	6.5182	0	6.52	83,888	83,888	0	901,936
343.00	Prime Movers	8,564,608	8.1682	(1)	8.09	692,648	699,574	6,926	2,190,096
344.00	Generators	11,286,798	7.0982	(5)	6.76	763,009	801,160	38,150	5,177,540
345.00	Accessory Electric Equipment	3,049,611	7.3982	(5)	7.05	214,873	225,616	10,744	1,266,667
346.00	Miscellaneous Power Plant Equipment	20,410	8.6482	(5)	8.24	1,681	1,765	84	(38,971)
	Transmission Plant								
352.00	Structures and Improvements	2,542,201	2.3300	(5)	2.22	56,413	59,233	2,821	958,867
353.00	Station Equipment	66,217,353	2.1000	(5)	2.00	1,324,347	1,390,564	66,217	21,578,726
354.00	Towers & Fixtures	332,143	2.9100	(60)	1.82	6,041	9,665	3,625	256,208
355.00	Poles & Fixtures	37,393,984	3.3300	(60)	2.08	778,262	1,245,220	466,957	12,551,205
356.00	Overhead Conductors & Devices	34,355,154	2.5900	(40)	1.85	635,570	889,798	254,228	14,702,171
358.00	Underground Conductors & Devices	57,959	3.9100	(25)	3.13	1,813	2,266	453	35,336
	Distribution Plant								
361.00	Structures and Improvements	3,358,505	2.4400	(5)	2.32	78,045	81,948	3,902	870,726
362.00	Station Equipment	51,106,979	2.2700	0	2.27	1,160,128	1,160,128	0	15,883,214
364.00	Poles, Towers, and Fixtures	92,065,702	4.2500	(70)	2.50	2,301,643	3,912,792	1,611,150	42,613,374
365.00	Overhead Conductors and Devices	57,371,601	2.6000	(30)	2.00	1,147,432	1,491,662	344,230	22,104,049
366.00	Underground Conduit	21,222,403	2.0000	(10)	1.82	385,862	424,448	38,586	3,968,229
367.00	Underground Conductors and Devices	63,294,293	3.3800	(25)	2.70	1,711,478	2,139,347	427,869	16,407,099
368.00	Line Transformers	93,401,295	4.3100	(25)	3.45	3,220,477	4,025,596	805,119	28,632,163
369.10	Overhead Services	11,578,164	7.2900	(250)	2.08	241,157	844,048	602,892	8,590,890
369.02	Underground Services	34,729,771	4.1100	(15)	3.57	1,241,212	1,427,394	186,182	13,583,330
370.00	Meters	20,575,016	2.5500	(2)	2.50	514,375	524,663	10,288	9,828,174
370.01	Meters - PURPA Load Research	2,045,596	10.0000	0	10.00	204,560	204,560	0	876,806
371.00	Installations on Customer Premises	11,348,008	7.0000	(40)	5.00	567,400	794,361	226,960	4,410,581
373.00	Street Lighting and Signal Systems	17,469,827	4.6300	(25)	3.70	647,082	808,853	161,771	5,355,085

UTILICORP UNITED INC d/b/a MISSOURI PUBLIC SERVICE (ER-2001-672)									
DEPRECIATION DETERMINATION SPREADSHEET									
Account	Account Title	Plant	Ordered	Net Salv	*Staff Prop	Staff Prop	Ordered	Company	Accrued
No.		Original Cost	Dep Rate	%	Dep Rate	Ann Dep	Ann Dep	Ann Acc	Reserve
		Dec-00	%		%	Acc	Acc	Inc./ Dec.	
	General Plant								
390.00	Structures and Improvements	7,398,142	2.4400	(10)	2.22	164,104	180,515	16,410	605,819
391.00	Office Furniture and Equipment	613,831	3.6000	5	3.79	23,261	22,098	(1,163)	72,665
391.01	Off F & E Computer - PURPA	0	10.0000	0	10.00	0	0	0	0
391.02	Off F & E Computer	2,153,555	10.0000	0	10.00	215,356	215,356	0	89,650
391.03	Off F & E Computer - SCADA	0	0.0000	0	0.00	0	0	0	0
392.00	Transportation Equipment	0	0.0000	0	0.00	0	0	0	136,146
393.00	Stores Equipment	64,311	5.5600	0	5.56	3,576	3,576	0	54,908
394.00	Tools, Shop and Garage Equipment	2,685,198	6.5600	(5)	6.25	167,761	176,149	8,388	2,260,266
395.00	Laboratory Equipment	1,403,653	4.0000	0	4.00	56,146	56,146	0	909,735
396.00	Power Operated Equipment	1,685,995	0.0000	(5)	0.00	0	0	0	1,013,031
397.00	Communication Equipment	5,520,478	6.2500	0	6.25	345,030	345,030	0	4,759,771
398.00	Miscellaneous Equipment	229,406	5.0000	0	5.00	11,470	11,470	0	110,906
	General Common Plant								
390.00	Structures and Improvements	7,281,121	2.4400	(0)	2.22	161,508	177,659	16,151	1,090,590
391.00	Office Furniture & Equipment	1,327,022	7.3100	0	7.69	102,111	97,005	(5,106)	879,768
391.01	Off Furn & Equipment - Computer - New	87,811	11.1100	0	0.00	0	9,756	9,756	105,840
391.02	Off Furn & Equipment - Computer	0	0.0000	0	0.00	0	0	0	0
392.01	Trans Equip Car Small	3,326,759	10.5600	0	11.12	369,796	351,306	(18,490)	2,519,126
392.02	Trans Equip Car Medium	45,148	10.5600	0	11.12	5,019	4,768	(251)	42,295
392.03	Trans Equip	127,755	5.0000	0	5.00	6,388	6,388	0	66,555
392.04	Trans Equip - Truck Light	2,207,124	10.5600	0	11.12	245,339	233,072	(12,267)	1,798,490
392.05	Trans Equip - Truck - Heavy	3,584,559	7.3100	0	7.69	275,822	262,031	(13,791)	2,801,188
392.06	Trans Equip - Trailer	696,639	6.0000	0	6.67	46,443	41,798	(4,644)	531,472
393.00	Stores Equipment	82,717	5.5600	0	5.56	4,599	4,599	0	4,256
396.07	Power Operated Equip - Short Life	1,019,400	12.8600	0	0.00	0	131,095	131,095	1,019,400
396.08	Power Operated Equip - Long Life	1,056,258	6.3300	0	6.66	70,380	66,861	(3,519)	552,560
397.00	Communications Equipment	2,748,712	5.5000	(0)	5.00	137,436	151,179	13,744	1,074,604
398.00	Miscellaneous Equipment	225,360	5.5600	0	5.56	12,530	12,530	0	42,557
Column Totals		1,022,147,116				35,518,625	42,587,738	7,089,113	430,999,552

* Revised Staff Proposed Depreciation Rates

