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Exhibit No. 114

Staff – Exhibit 114
Coffer Rebuttal
File No. WR-2023-0006

Exhibit No.:
Issue(s): Depreciation
Witness: Amanda Coffe
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: WR-2023-0006
Date Testimony Prepared: June 29, 2023

MISSOURI PUBLIC SERVICE COMMISSION

INDUSTRY ANALYSIS DIVISION

ENGINEERING ANALYSIS DEPARTMENT

REBUTTAL TESTIMONY

Cost of Service

OF

AMANDA COFFER

CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.

CASE NO. WR-2023-0006

Jefferson City, Missouri
June 2023

1 **REBUTTAL TESTIMONY OF**

2 **AMANDA COFFER**

3 **CONFLUENCE RIVERS UTILITY OPERATING COMPANY, INC.**

4 **CASE NO. WR-2023-0006**

5 Q. Please state your name and business address.

6 A. My name is Amanda Coffe, and my business address is Missouri Public Service
7 Commission, P.O. Box 360, Jefferson City, Missouri, 65102.

8 Q. Are you the same Amanda Coffe who filed direct testimony in this case?

9 A. Yes I am.

10 **EXECUTIVE SUMMARY**

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

12 A. The purpose of my rebuttal testimony is to respond to the Direct testimony of
13 Ned Allis regarding his depreciation study and recommended depreciation rates.

14 **DEPRECIATION**

15 Q. What is depreciation?

16 A. Depreciation is defined as “the loss in service value not restored by current
17 maintenance, incurred in connection with the consumption or prospective retirement of utility
18 plant in the course of service from causes which are known to be in current operation and against
19 which the utility is not protected by insurance. Among the causes to be given consideration are
20 wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art,
21 changes in demand, and requirements of public authorities.”¹

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

1 Q. Did Confluence submit its depreciation study, database, and property unit
2 catalog in this case?

3 A. Confluence did submit a depreciation study, which was performed by
4 Gannett Fleming in 2022. Additionally, Confluence submitted its account balances updated
5 through December 31, 2021.

6 Q. Is Confluence requesting updated depreciation rates in this case?

7 A. Yes.

8 Q. Did Staff perform a depreciation study for this case?

9 A. No. Staff was unable to perform a depreciation study in this case due to lack of
10 retirement data.

11 Q. You previously stated that Confluence submitted a depreciation study that was
12 performed by Gannett Fleming. How was Gannett Fleming able to perform a depreciation study
13 if there was no retirement data?

14 A. In the absence of retirement data from the company, Gannett Fleming estimated
15 the service lives for and net salvage for each account. In his direct testimony, Ned Allis stated
16 that, "...statistical analyses of service life and net salvage in many instances did not provide
17 meaningful results, and factors such as the current estimates prescribed for Confluence and the
18 estimates for other similar utilities were used to determine appropriate estimates."²

19 Q. Do you agree with this approach?

20 A. No. Mr. Allis used data from "similar utilities" to estimate service life and net
21 salvage yet does not specify which utilities he used, show how these utilities are similar to
22 Confluence, what criteria he utilized to make the determination that these utilities are similar,

² Direct testimony of Ned Allis, page 5, lines 5-8.

1 or how he utilized the data from these “similar facilities” to determine the estimates that he used
2 for Confluence. In response to the Office of Public Counsel’s (“OPC”) Data Request No. 8504,
3 Confluence provided a list of the “similar utilities”, along with life, net salvage, and survivor
4 curve type for each account. There were a number of accounts that Confluence uses for which
5 there were life, net salvage, and survivor curve type data for these “similar utilities.” However,
6 no explanation was provided regarding what data was used to estimate service life and net
7 salvage for these accounts, and it was not apparent how the provided data was used to determine
8 the estimates used for the depreciation study. Staff requested additional justification
9 regarding the response to OPC Data Request No. 8504 in Staff Data Request No. 0265. No
10 quantitative explanation or additional workpapers were provided. The response stated
11 in part, “Each of the service life and net salvage estimates were determined based on
12 Mr. Allis’s experience and judgment...”

13 Q. What were your recommendations in your direct testimony and how are your
14 recommended depreciation rates more reasonable than that of Mr. Allis?

15 A. In my direct testimony I recommended the continued use of the current
16 depreciation rates for Confluence, with a few changes. As Confluence operating revenues for
17 water and sewer were both in excess of \$500,000 for 2022, I recommended a change to
18 align account numbers to the NARUC USOA Class A³ account numbers as detailed in the
19 following table:

³ 20 CSR 4240-50.030(2) distinguishes the four operating classes according to annual operating revenues: Class A—\$500,000 or more; (B) Class B—\$250,000 to \$500,000; (C) Class C—\$50,000 to \$250,000; and Class D—Less than \$50,000.

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Class D	Class A	Description
371	390	Structures & Improvements
372	391	Office Furniture & Equipment
372.1	391.1	Office Electronic & Computer Equip.
373	392	Transportation Equipment
379	394	Other General Equipment (tools, shop equip., backhoes, trenchers, etc.)
311/351	351	Structures & Improvements
372	370.1	Oxidation Lagoons
373	372	Treatment & Disposal Facilities
374	373	Plant Sewers
375	374	Outfall Sewer Lines

2

3 Additionally, there were multiple accounts that Confluence utilizes that were not listed
4 in the most recently ordered depreciation rate schedule as at the time of the last rate case these
5 accounts were not in use. I recommended the use of previously ordered depreciation rates from
6 Case No. WM-2021-0412 for water accounts 312, 316, 323, 328, 393, 395, 396, and 397; and
7 sewer account 372.1. This is reasonable because these rates were previously ordered by the
8 Commission to be used by Confluence for these accounts. Additionally, I recommended the
9 use of Missouri-American Water Company's (MAWC) current depreciation rates for water
10 accounts 317, 344, and 398; and sewer accounts 365 and 398.⁴ This is reasonable because
11 MAWC is also a Class A water and sewer utility. The following table summarizes these
12 updates:

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continued on next page

⁴ MAWC depreciation rates ordered in Case No. WR-2022-0303.

1

	Account	Description	Old Rate	New Rate	Source
Water	312	Collection Reservoirs	0%	2%	WM-2021-0412
	316	Supply Mains	0%	2%	WM-2021-0412
	317	Other Water Source Plant	0%	5.0%	MAWC current
	323	Other Power Equipment	0%	4%	WM-2021-0412
	328	Other Pumping Equipment	0%	4%	WM-2021-0412
	344	Fire Mains	0%	1.56%	MAWC current
	393	Other General Equipment/Stores Equipment	0%	10%	WM-2021-0412
	395	Lab Equipment	0%	5%	WM-2021-0412
	396	Power Operated Equipment	0%	6.7%	WM-2021-0412
	397	Communication Equipment	0%	6.7%	WM-2021-0412
	398	Miscellaneous Equipment	0%	6.43%	MAWC current
Sewer	365	Other Pumping Equipment	0%	4.31%	MAWC current
	372.1	Sewer Collection Tanks	0%	20%	WM-2021-0412
	398	Miscellaneous Equipment	0%	6.43%	MAWC current

2

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Q. Do you have any changes to make to your recommended depreciation rates at this time?

4

5

A. Yes. I have added sewer account 399 to the depreciation schedule and included the updated depreciation rates as Schedule AC-r1.

6

7

Q. Does Staff have any additional recommendations at this time?

8

A. Yes, Staff recommends the Commission order Confluence to maintain data using the Uniform System of Account (USOA) for all future additions, retirements, and net salvage as outlined in Commission Rule 20 CSR 4240-50.020, Preservation of Records.

10

11

Q. Does this conclude your rebuttal testimony?

12

A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Confluence Rivers Utility)
Operating Company, Inc.'s Request for)
Authority to Implement a General Rate)
Increase for Water Service and Sewer)
Service Provided in Missouri Service Areas)

Case No. WR-2023-0006

AFFIDAVIT OF AMANDA COFFER

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

COMES NOW AMANDA COFFER and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Rebuttal Testimony of Amanda Coffe*r; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.

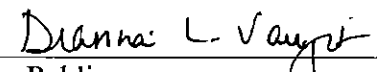


AMANDA COFFER

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 28th day of June 2023.

DIANNA L VAUGHT
Notary Public - Notary Seal
STATE OF MISSOURI
Cole County
My Commission Expires: July 18, 2023
Commission #: 15207377



Notary Public

Confluence Rivers Utility Operating Company
SCHEDULE of DEPRECIATION RATES, WATER Class A
WR-2023-0006

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATE
SOURCE OF SUPPLY		
311	Structures & Improvements	2.5%
312	Collection Reservoirs	2%*
314	Wells & Springs	2.0%
316	Supply Mains	2%*
317	Other Water Source Plant	5.0%
PUMPING PLANT		
321	Structures & Improvements	2.5%
323	Other Power Equipment	4%*
325	Electric Pumping Equipment	10.0%
325.1	Electric Submersible Pumping Equipment	10.0%
325.2	High Service or Booster Pumping Equip.	6.7%
328	Other Pumping Equipment	4%*
WATER TREATMENT EQUIPMENT		
331	Structures & Improvements	2.5%
332	Water Treatment Equipment	2.9%
TRANSMISSION & DISTRIBUTION MAINS		
341	Structures & Improvements	2.5%
342	Distribution Reservoirs & Standpipes	2.5%
343	Transmission & Distribution Mains	2.0%
344	Fire Mains	1.56%*
345	Customer Services	2.5%
346	Customer Meters, Bronze (Calibrate)	3.3%
346.1	Customer Meters, Plastic (Throw Aways)	10.0%
347	Customer Meter Pits & Installation	2.5%
348	Hydrants	2.0%
GENERAL PLANT		
390	Structures & Improvements	2.5%
391	Office Furniture & Equipment	5.0%
391.1	Office Electronic & Computer Equip.	20.0%
392	Transportation Equipment	13.0%
393	Other General Equipment/Stores Equipment	10%*
394	Tools/Shop/Garage Equip.	6.7%*
395	Lab Equipment	5%*
396	Power Operated Equipment	6.7%*
397	Communication Equipment	6.7%*
398	Miscellaneous Equipment	6.43%*

*Designates a rate proposed in this case, rather than a rate ordered by the Commission in a previous

Confluence Rivers Utility Operating Company
SCHEDULE OF DEPRECIATION RATES, SEWER Class A
WR-2023-0006

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	DEPRECIATION RATES
COLLECTION PLANT		
351	Structures & Improvements	4.0%
352.1	Collection Sewers (Force)	2.0%
352.2	Collection Sewers (Gravity)	2.0%
353	Services	2.0%
355	Flow Measurement Devices	3.3%
PUMPING PLANT		
361	Structures & Improvements	4.0%
362	Receiving Wells	4.0%
363	Electric Pumping Equipment	10.0%
365	Other Pumping Equipment	4.31%*
TREATMENT & DISPOSAL PLANT		
370.1	Oxidation Lagoons	4.0%
371	Structures and Improvements	4.0%
372	Treatment & Disposal Facilities	5.0%
372.1	Sewer Collection Tanks	20%*
373	Plant Sewers	2.5%
374	Outfall Sewer Lines	2.0%
GENERAL PLANT		
390	Structures & Improvements	4.0%
391	Office Furniture & Equipment	5.0%
391.1	Office Electronic & Computer Equip.	14.3%
392	Transportation Equipment	13.0%
393	Other General Equipment/Stores Equipment	10.0%
394	Tools/Shop/Garage Equip.	5.0%
395	Lab Equipment	5.0%
396	Power Operated Equipment	6.7%
397	Communication Equipment	6.7%
398	Miscellaneous Equipment	6.43%*
399	Other Tangible Property	3.00%

*Designates a rate proposed in this case, rather than a rate ordered by the Commission in a previous