EXHIBIT

Exhibit No.:	201
Issue(s):	Rate Base/ Depreciation
Witness/Type of Exhibit:	Robinett/Surrebuttal
Sponsoring Party:	Public Counsel
Case No.:	WR-2017-0343

SURREBUTTAL TESTIMONY

OF

JOHN A. ROBINETT

Submitted on Behalf of the Office of the Public Counsel

GASCONY WATER COMPANY, INC.

CASE NO. WR-2017-0343

February 8, 2018

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Requests for an Increase In Annual Water System Operating Revenues For Gascony Water Company, Inc.	)))	Case No. WR-2017-0343

AFFIDAVIT OF JOHN A. ROBINETT

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

John A. Robinett, of lawful age and being first duly sworn, deposes and states:

1. My name is John A. Robinett. I am a Utility Engineering Specialist for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

John A. Robinett
Utility Engineering Specialist

Subscribed and sworn to me this 8th day of February 2018.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

JERENE A. BUCKMAN
My Commission Expires
August 23, 2021
Cole County
Commission #13764037

Jerene A. Buckman
Notary Public

My Commission expires August 23, 2021.

SURREBUTTAL TESTIMONY
OF
JOHN A. ROBINETT
GASCONY WATER COMPANY, INC.

CASE NO. WR-2017-0343

Q. What is your name and what is your business address?

A. John A. Robinett, PO Box 2230, Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Office of the Public Counsel ("OPC") as a Utility Engineering Specialist.

Q. Are you the same John A. Robinett that filed rebuttal testimony on behalf of the OPC in this proceeding?

A. Yes.

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of this testimony is to address how Gascony Water Company, Inc. ("Gascony" or "Company") and the Missouri Public Service Commission Staff ("Staff") applied unauthorized depreciation rates to develop its rate base. Additionally, I will discuss the Staff's recommended treatment of land, the trencher, and the UTV/Gator.

Q. Does OPC support the Staff position related to the treatment of Lot 27 and the shed property?

A. Yes. OPC supports Staff's treatment and recommendations related to the land.

Q. Does OPC support the Staff's recommended in service date and original cost value for the trencher?

A. OPC is in agreement with Staff that the correct original cost for the trencher is $10,800. OPC recommends 1999 as the in service year for the trencher consistent with the approval of the CCN.

Q. Does OPC support the Staff's recommended in service date and original cost value for the UTV/Gator?

A. OPC is in agreement with Staff that the correct original cost for the UTV/Gator is $4,200 based on Gascony's 2007 Annual Report. OPC recommends 2007 as the in service year for the UTV/Gator.

Q. Did Staff use unauthorized depreciation rates to develop its rate base in this case related to the trencher and UTV?

A. Yes. At page 30 lines 12 through page 31 line 2 of Staff witness Mr. Young's rebuttal testimony, he states:

> " Q. Did Staff accumulate depreciation reserve on the trencher and the UTV?
> A. Yes. Staff concluded that the trencher and UTV still had economic value as of the June 30, 2017, update period in this case. Staff assumed useful lives of 30 years for the trencher and 15 years for the UTV and accumulated depreciation reserve through the update period based on this useful life.
> Q. Did the 1997 CCN Case result in approved depreciation rates that represented 30-year or 15-year useful lives?
> A. No. The 1997 CCN Case did not result in a rate to depreciate utility assets over 30 or 15 years. Staff depreciated the trencher at a 30 year rate and the UTV at a 15 year rate in the current case to recognize that the trencher and UTV are still used and useful in providing utility services. The trencher is used for the installation of meter pits and repairs to the utility's infrastructure. The UTV is used for the transportation of materials and supplies need for the installation of meter pits and repairs to the utility's infrastructure and travel to customer's individual lots."

Staff attempts to rationalize the use of unauthorized depreciation rates with the statement "to recognize that the trencher and UTV are still used and useful in providing utility services."

Q. Does an accumulated reserve that exceeds original cost indicate items are no longer used or useful?

A. No. Assets can become fully depreciated prior to the time they are retired. Depreciation rates are developed to provide a return of the original investment plus net salvage to the utility over the average service life of the asset account.

Q. Do ordered depreciation rates always recover the investment over the life of an asset?

A. No. Depreciation rates are based on average service lives. Inherently, this means some assets will function shorter or longer than the estimated life of the account. Sometimes accounts will be under or over-accrued, it's just the nature of how depreciation functions. This just happens to be one of the cases where the assets have lasted longer than the depreciation expert's recommendation in 1999. Depreciation rates are commonly reviewed every 5 years for large utilities in Missouri. This small water utility has had the same ordered depreciation rates since its CCN case. There has not been an opportunity to adjust for depreciation rates, with one exception, a rate case that was withdrawn by the Company in 2014.

Q. Do the trencher and UTV still have value?

A. Yes. If Gascony were to sell the trencher or UTV, the Company would receive a value from the sale that should additionally be booked to the reserves as salvage. If the market value as stated by Gascony exists, then even Staff's unauthorized depreciation rates have already collected too much. The Company has estimated that the market value of the trencher and UTV are still roughly 80 percent of original cost.

Q. Does OPC agree with Staff that at page 31 of Mr. Young's rebuttal testimony that the trencher would have been added to USoA Account 379 – Other General Equipment?

A. No. Based on OPC's review of the Order Approving the Stipulation and Agreement from Case No. WA-97-510, the Commission adopted Class C NARUC USoA account depreciation rates. Therefore, based on the ordered depreciation schedule, the trencher would have to be booked in one of two accounts – either account 394 Tools, Shop, Garage Equipment or account 398 Miscellaneous Equipment. Attached as schedule JAR-S-1 is schedule 3 from the Order Approving the Stipulation and agreement from Case No. WA-97-510. Staff is recommending, as part of this case, a change in how the Company books its plant by using Class D accounts as opposed to accounts for Class C as the Company has previously done.

Q. Based on Mr. Young's testimony, does OPC have concerns about what NARUC USoA Account Class that Staff is recommending the Company use?

A. Yes. Mr. Young appears to recommend using two different NARUC USoA Classes. Based on Mr. Young's testimony at page 31 of rebuttal, Mr. Young states that the trencher should be placed into account 379, which is a NARUC USoA Class "D" account. Mr. Young then goes on to state that the UTV would have been added to account 392, which is an account for Class "A and B" or Class "C" under NARUC USoA. In fact, the Class "D" transportation equipment account is 373 rather than 392. Based on Mr. Young's statements on page 31 of his rebuttal testimony, Staff is recommending accounts for plant from two different NARUC USoA Classes.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

GEORGE HOESCH
DEPRECIATION RATES
(WATER)
Case No. WA-97-510

Acct. No.	Description of Account		Annual Rate
311	Structures & Improvements		2.5%
314	Wells & Springs		2.0%
316	Supply Mains		2.0%
317	Other Water Source Plant		2.0%
321	Structures & Improvements		2.5%
325	Electric Pumping Equipment		10.0%
328	Other Pumping Equipment		5.0%
331	Structures & Improvements		2.5%
332	Water Treatment Equipment		2.9%
341	Structures & Improvements		2.5%
343	Transmission & Distribution Mains		2.0%
345	Services		2.9%
346.2	Meters - Plastic Chamber	(10 yr, 0 salv)	10.0%
346.3	Meter Installations	(Services Rate)	2.9%
348	Hydrants		2.5%
349	Other Transmission & Distribution Plant		3.3%
390	Structures & Improvements		2.9%
391	Office Furniture & Equipment		5.0%
391.1	Office Computer Equipment		20.0%
392	Transportation Equipment	(7 yr, +9% salv)	13.0%
394	Tools, Shop, Garage Equipment		5.0%
398	Miscellaneous Equipment		5.0%