

Exhibit No.:
Issue: Depreciation
Witness: Jolie L. Mathis
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case No.: GR-2004-0209
Date Testimony Prepared: April 15, 2004

MISSOURI PUBLIC SERVICE COMMISSION
UTILITY SERVICES DIVISION

DIRECT TESTIMONY
OF

JOLIE L. MATHIS

FILED

JUL 13 2004

Missouri Public
Service Commission

MISSOURI GAS ENERGY

CASE NO. GR-2004-0209

Jefferson City, Missouri
April 2004

Exhibit No. 823
Case No(s). GR-2004-0209
Date 6-21-04 **Rptr**

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

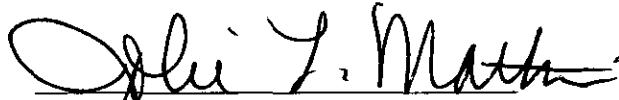
In the Matter of Missouri Gas Energy's)
Tariffs to Implement a General Rate)
Increase for Natural Gas Service)

Case No. GR-2004-0209

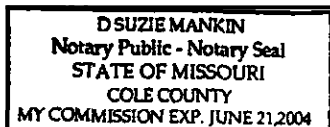
AFFIDAVIT OF JOLIE L. MATHIS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Jolie L. Mathis, being of lawful age, on her oath states: that she has participated in the preparation of the following direct testimony in question and answer form, consisting of 4 pages to be presented in the above case; that the answers in the following direct 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 14th day of April 2004.





DIRECT TESTIMONY
OF
JOLIE L. MATHIS
MISSOURI GAS ENERGY
CASE NO. GR-2004-0209

Q. Please state your name and business address.

A. Jolie L. Mathis, P.O. Box 360, Jefferson City, MO 65102.

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

A. I am employed by the Missouri Public Service Commission (Commission) as a Utility Engineering Specialist III in the Engineering and Management Services Department.

Q. What are your duties as a Utility Engineering Specialist III in the Engineering and Management Services Department?

A. I am responsible for depreciation calculations and studies of companies regulated by the Commission.

Q. Would you please state briefly your qualifications, educational background and experience?

A. I graduated from Prairie View A&M University of Texas in August of 1993, with a *Bachelor of Science degree in Electrical Engineering*. During my college years I had internships with Allied Signal Aerospace Company, Missouri Public Service Company and Sprint United Telephone Co. – Midwest Division. In 1994 I accepted my current position. I have received four weeks of formal training from Depreciation Programs, Inc., Kalamazoo, Michigan. Topics included actuarial and simulated service

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1 life analysis and techniques, forecasting life, forecasting salvage and cost of removal, and
2 models for analyzing both aged and unaged data.

3 Q. Have you previously filed testimony with the Commission?

4 A. Yes, I have. Attached as Schedule 1 to my direct testimony is a list of
5 cases in which I have previously filed testimony.

6 Q. What is the purpose of your testimony in this case?

7 A. The purpose of my testimony is to present the Commission Staff's
8 (Staff's) position on depreciation expense for Missouri Gas Energy (MGE).

9 Q. When were depreciation rates for MGE last ordered by the Commission?

10 A. Depreciation rates were last ordered in Case No. GR-2001-292 on
11 July 5, 2001. On that date the Commission issued an "Order Approving Second Revised
12 Stipulation and Agreement," which authorized depreciation rates for MGE's Distribution
13 Plant, General Plant – Direct, and General Plant – Corporate.

14 Q. Has the Staff conducted a depreciation study of the gas utility property of
15 MGE for this rate proceeding?

16 A. No. A sufficient retirement history does not yet exist to adequately
17 perform a survivor curve analysis.

18 Q. What is the reason for this data inadequacy?

19 A. When Southern Union Company acquired Missouri Gas Energy in 1994
20 from Western Resources, Inc. (WRI), WRI's plant retirement records were not available
21 to MGE. Missouri Gas Energy's depreciation consultant, Black & Veatch Corporation,
22 subsequently filed a depreciation study in 1995 as part of the Commission's five-year
23 filing requirement, where these data adequacy problems were discussed. Several

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1 methods were attempted to determine the Company's annual depreciation expense rates,
2 but the lack of retirement history made the outcome questionable. Those factors
3 hampered Staff's ability to perform an appropriate depreciation analysis as well, and in
4 Case No. GR-98-140 Staff reverted to the similar position, earlier advocated by Black
5 and Veatch, that the lack of data prevented a thorough analysis of depreciation rates.

6 Q. When will Staff be able to perform an appropriate depreciation analysis
7 for MGE gas utility property?

8 A. MGE has historical data from 1994 to present, or 9 years of data.
9 Typically, 30 years are required for a reliable database to accumulate. The Company is
10 due to file another depreciation study including an updated database in 2005. Staff will
11 review the data from that study and determine subsequently in the next rate case
12 proceeding whether sufficient information is available to develop average service lives.

13 Q. What is the basis for the currently authorized depreciation rates for
14 Missouri Gas Energy?

15 A. In Case No. GR-2001-292, Staff witness Paul W. Adam of the Engineering
16 and Management Services Department stated in his direct testimony, on page 3, lines 8
17 and 9, "The absence of Company-specific historical retirement data files prevents a study
18 of Company-specific average service lives (ASLs) account by account." Instead, Staff
19 witness Adam reviewed average service lives (ASLs) of similar gas plant regulated by
20 the Missouri Public Service Commission, and found that with his experience, familiarity
21 with similar plant, and engineering judgment, he was able to determine appropriate
22 average service lives for each account for MGE. Mr. Adam's proposed depreciation rates

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1 were agreed to by the parties in Case No. GR-2001-292, and were set forth in the
2 Stipulation And Agreement in that prior MGE rate case.

3 Q. Is net salvage cost included in those depreciation rates?

4 A. No. Net salvage cost is excluded in those depreciation rates. Staff witness
5 Charles R. Hyneman of the Auditing Department determined the appropriate level of cost
6 of removal to include as an expense in this case. Please refer to the direct testimony of
7 Staff witness Hyneman for a discussion of this matter.

8 Q. What are you recommending for the treatment of depreciation in this case?

9 A. I recommend no change to the currently authorized depreciation rates
10 determined in Case No. GR-2001-291, as listed on Schedule 2 of this direct testimony.

11 Q. Does this conclude your direct testimony?

12 A. Yes, it does.

Jolie Mathis

Schedule of Testimony Filings

<u>Case No.</u>	<u>Company</u>
GA-96-130	Missouri Pipeline Company
TO-96-147	Alltel Missouri, Inc.
GA-97-11	Missouri Pipeline Co.
GM-97-70	Atmos Energy Corp. & United Cities Gas
GR-97-272	Associated Natural Gas
HR-99-245	St. Joseph Light & Power
WR-99-326	United Water Missouri
WR-2000-281	Missouri-American Water Company
WR-2000-282	Missouri-American Water Company
EC-2002-1	Union Electric Company, d/b/a AmerenUE

Missouri Gas Energy
GR-2004-0209

Account # Account	(Year)		(^{\$})	(^{\$})
	Life	Depr. Rate	12/31/2003 Plant Balance	Annual Accrual
374.2 Land Rights	47.8	2.09%	1,374,600	28,729
375.1 Structures	60.5	1.65%	6,065,473	100,080
376.0 Mains & Mains - Cast Iron	44.0	2.27%	310,143,777	7,040,264
378.0 Measuring & Regulating Sta.	35.0	2.86%	11,162,207	319,239
379.0 City Gate Stations	47.0	2.13%	3,211,758	68,410
380.0 Services	44.0	2.27%	270,090,903	6,131,063
381.0 Meters	35.0	2.86%	29,207,668	835,339
382.0 Meter Installations	35.0	2.86%	59,476,816	1,701,037
383.0 House Regulators	41.0	2.44%	10,508,164	256,399
385.0 Electronic Gas Metering	30.0	3.33%	345,857	11,517
387.0 Other Equipment	21.7	4.60%	*	*
390.1 Structures	50.0	2.00%	599,202	11,984
391.0 Furniture & Fixtures	12.4	8.06%	4,794,856	386,465
392.0 Transportation Equipment	11.5	8.70%	4,589,780	399,311
393.0 Store Equipment	37.0	2.70%	541,448	14,619
394.0 Tools	42.0	2.38%	4,811,920	114,524
395.0 Laboratory Equipment	16.7	6.00%	*	*
396.0 Power Op. Equipment	12.0	8.33%	330,903	27,564
397.0 Communication Equipment	16.0	6.25%	2,831,250	176,953
397.1 Communication Equipment - AMR	20.0	5.00%	34,715,280	1,735,764
398.0 Miscellaneous Equipment	26.0	3.85%	196,359	7,560
				<u>19,366,823</u>

* Currently there is no equipment in this account

Southern Union Corporate
(MGE Allocated)

Account # Account	Life	Depr. Rate	(^{\$})	(^{\$})
			12/31/2003 Plant Balance	Annual Accrual
391.0 Furniture and Equipment	31.0	3.22%	61,365	1,976
391.1 Computer Equipment	10.0	10.00%	62,527	6,253
392.0 Transportation Equipment	10.0	10.00%	37,268	3,727
				<u>11,955</u>
Total Corporate Allocated				
MGE Total Including Corporate Allocated Plant				<u>19,378,778</u>