

Exhibit No.: 128
Issue: Depreciation Rates
Witness: Keenan B. Patterson, PE
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: WR-2017-0285
Date Testimony Prepared: February 9, 2018

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

OPERATIONAL ANALYSIS DEPARTMENT

SURREBUTTAL TESTIMONY

OF

KEENAN B. PATTERSON, PE

MISSOURI-AMERICAN WATER COMPANY

CASE NO. WR-2017-0285

*Jefferson City, Missouri
February 2018*

Exhibit No. 128
Date 3/8/18 Reporter nr
File No. WR-2017-0285

Surrebuttal Testimony of
Keenan B. Patterson, PE

1 Commission require MAWC to submit the report of an independent audit to determine the
2 sources and practices that led to negative depreciation reserves.

3 Q. Does Staff agree with OPC's request to add a depreciation rate of 5 percent for
4 sewer Account No. 390.9?

5 A. Staff has no objection to this request. A depreciation rate of 0 percent was
6 assigned to this account in Case No. WR-2015-0301 because there was no plant in the
7 account at that time. Since then, MAWC has added plant to this account. MAWC witness
8 Mr. LaGrand also agreed to this change in his Rebuttal Testimony.

9 Staff recommends that the Commission order MAWC to use the sewer depreciation
10 rates shown in Schedule KBP-s1. This schedule adds the 5 percent deprecation rate to
11 Account No. 390.9, but it is otherwise the same as the depreciation rate schedule approved by
12 the Commission in Case No. WR-2015-0301. Staff recommends that the Commission order
13 MAWC to continue to use the water depreciation rates ordered in Case No. WR-2015-0301
14 for all other accounts.

15 Q. Does Staff agree that MAWC should be ordered to submit the report of an
16 external independent audit that addresses negative depreciation reserves as described by
17 OPC?

18 A. Staff has no objection to such an audit and report. Staff recommends that such
19 a report be submitted as part of or in conjunction with the next depreciation study. In
20 addition, Staff recommends that the commission order MAWC to report on the potential
21 plant, depreciation reserve and depreciation rate impacts of its transition from automated
22 meter reading (AMR) to automated metering infrastructure (AMI) in addition to the sources
23 of negative depreciation reserves. Staff recommends that the Commission order MAWC to

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1 | propose methods to address these issues, including adjustments to deprecation reserves and
2 | depreciation rates, and incorporate these proposals into its next depreciation study.

3 | Q. What depreciation rate-related requests were made by MAWC?

4 | A. MAWC reiterated its request to change the depreciation rate for Account No.
5 | 391.4—BT Initial Investment from 5 percent to 14.3 percent.

6 | Q. Does Staff agree with MAWC's request to change the depreciation rate for
7 | Account No. 391.4?

8 | A. No. Staff's reasons for disagreeing with this request are described in my
9 | Rebuttal Testimony. Staff recommends that the Commission order MAWC to use the sewer
10 | depreciation rates appearing in Schedule KBP-s1 and to continue to use the water depreciation
11 | rates ordered in WR-2015-0301.

12 | Q. Does this complete your Surrebuttal Testimony?

13 | A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Missouri-American Water)
Company's Request for Authority to) Case No. WR-2017-0285
Implement General Rate Increase for Water)
and Sewer Service Provided in Missouri)
Service Areas)

AFFIDAVIT OF KEENAN B. PATTERSON, PE

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

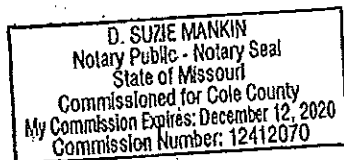
COMES NOW KEENAN B. PATTERSON, PE and on his oath declares that he is of sound mind and lawful age; that he contributed to the foregoing Surrebuttal Testimony; and that the same is true and correct according to his best knowledge and belief.

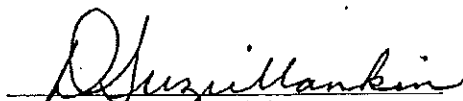
Further the Affiant sayeth not.


KEENAN B. PATTERSON, PE

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 8th day of February, 2018.




Notary Public

MISSOURI-AMERICAN WATER COMPANY- Sewer
SCHEDULE of DEPRECIATION RATES
DIVISIONS: All
WR-2017-0285

NARUC ACCOUNT NUMBER	<u>ACCOUNT DESCRIPTION</u>	% Remaining Life DEPRECIATION	AVERAGE SERVICE LIFE (YEARS)	IOWA Curves	% NET SALVAGE
COLLECTION PLANT					
351	Structures & Improvements	2.03%	50	R3	-5%
352.1	Collection Sewers (Force)	1.64%	60	R2.5	-10%
352.2	Collection Sewers (Gravity)	1.58%	70	R3	-20%
353	Services To Customers	2.87%	55	R2.0	-40%
354	Flow Measuring Devices	3.38%	25	S2.5	0%
356	Other Collection Equipment	3.15%	50		0%
357	Communication Equipment	6.67%	15	SQ	0%
PUMPING PLANT					
361	Structures & Improvements	2.17%	45	R3	0%
362	Receiving Wells	2.87%	30	L2.5	0%
363	Electric Pumping Equip, (Includes Generators)	4.31%	15	L1.5	-5%
364	Diesel Pumping Equipment	4.31%	15	L1.5	-5%
365	Other Pumping Equipment	4.31%	15	L1.5	-5%
TREATMENT & DISPOSAL PLANT					
371	Structures & Improvements Treatment & Disposal Equipment,	1.43%	60	R2.5	-5%
372	(Includes pumps, blowers, generators)	3.97%	30	S0.5	-20%
373	Plant Sewers	1.60%	50	R2.5	0%
374	Outfall Sewer Lines	3.04%	35	L2.0	0%
GENERAL PLANT					
390.0	Structures & Improve - General	3.11%	35	R2.5	-5%
390.9	Structures & Improve - Leasehold	5.00%	20	R4	0%
391.0	Office Furniture	5.00%	20	SQ	0%
391.1	Computer & Peripheral Equipment	20.00%	5	SQ	0%
391.2	Computer Hardware & Software	20.00%	5	SQ	0%
391.25	Computer Software	5.00%	20	SQ	0%
391.26	Personal Computer Software	10.00%	10	SQ	0%
391.3	Other Office Equipment	6.67%	15		0%
391.4	BTS Initial Investment	5.00%	20		0%
392.0	WW Transortation Equipmt	3.45%	10	L2.5	5%
392.1	Transportation Equipment - Light trucks	3.45%	10	L2.5	5%
392.2	Transportation Equipment - Heavy trucks	3.45%	10	L2.5	5%
392.3	Transportation Equipment - Autos	3.45%	10	L2.5	5%
392.4	Transportation Equipment - Other	3.45%	10	L2.5	5%
393.0	Stores Equipment	4.00%	25	SQ	0%
394.0	Tools, Shop, Garage Equipment	5.00%	20	SQ	0%
395.0	Laboratory Equipment	6.67%	15	SQ	0%
396.0	Power Operated Equipment	7.71%	15	L2.5	0%
397.1	Communication Equip - Non Telephone	6.67%	15	SQ	0%
397.2	Communication Equip - Telephone	6.67%	15	SQ	0%
398.0	Miscellaneous Equip	6.43%	15	SQ	0%
399.0	Other Tangible Equipment	0.00%	30	R2.0	0%