

Exhibit No.:
Issue: Depreciation
Witness: Gregory E. Macias
Sponsoring Party: MoPSC Staff
Type of Exhibit: Direct Testimony
Case Nos.: ST-2003-0562 and
WT-2003-0563
(Consolidated)
Date Testimony Prepared: December 19, 2003

MISSOURI PUBLIC SERVICE COMMISSION
UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

GREGORY E. MACIAS

OSAGE WATER COMPANY

CASE NOS. ST-2003-0562 and WT-2003-0563
(CONSOLIDATED)

Jefferson City, Missouri
December 2003

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In The Matter of Sewer and Water Tariff
Filings made by Osage Water Company

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Case No. ST-2003-0562 and
Case No. WT-2003-0563
(Consolidated)

AFFIDAVIT OF GREGORY E. MACIAS

STATE OF MISSOURI


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ss.

COUNTY OF COLE

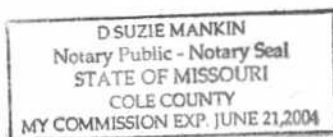
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Gregory E. Macias, being of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 4 pages to be presented in the above case; that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.



Gregory E. Macias

Subscribed and sworn to before me this 17th day of December 2003.





Notary

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Direct Testimony of
Gregory E. Macias

1 A. Yes. I have previously filed testimony in Case No. WR-2003-0500, Missouri-
2 American Water Company.

3 Q. What matters will you address in your testimony?

4 A. I will address the Commission Staff's (Staff's) recommendation regarding
5 depreciation rates.

6 Q. What knowledge, skill, experience, training or education do you have in these
7 matters?

8 A. I have made on-site visits to several Missouri regulated water and sewer
9 utilities. I have gained work related experience and training from the Engineering and
10 Management Services department's engineering staff regarding concepts of depreciation. I
11 have completed the NARUC Utility Rate School administered by the University of Florida
12 and The National Association of Regulatory Utility Commissioners Water Committee. I
13 have also completed the New Mexico State University Basic NARUC Course. I have
14 reviewed prior Commission decisions and portions of the testimony regarding this issue in
15 previous cases.

16 Q. What is the purpose of your testimony?

17 A. The purpose of my testimony is to propose depreciation rates that will allow
18 Osage Water Company (Company) to collect the original cost of capital investments over the
19 life of its assets.

20 Q. What depreciation rates do you recommend for Osage Water Company?

21 A. My proposed depreciation rates are presented in Schedule 1 attached to this
22 direct testimony, for the water plant accounts and Schedule 2 attached to this direct
23 testimony, for the sewer plant accounts. The proposed depreciation rates are designed to

Direct Testimony of
Gregory E. Macias

1 recover the original cost of capital investment over the average service lives (ASLs) of the
2 plant accounts, and are based on the Staff's standardized average service lives.

3 Q. Why have you chosen to develop depreciation rates based on the Staff's
4 standardized average service lives?

5 A. A full depreciation study of Osage Water Company would require that the
6 Company maintain and submit historical data on additions and retirements in a format
7 consistent with the Staff's depreciation software. Due to its size, Osage Water Company
8 does not have sufficient statistical data to perform a company specific study.

9 Q. How were the Staff's standardized average service lives developed?

10 A. The standardized ASLs were developed by the Engineering and Management
11 Services Department engineers from observation of plant lives at many companies, technical
12 experience and other sources including the expertise of the MoPSC Water and Sewer
13 Department Staff. The standardized ASLs are typical of what can be expected at most small
14 water and sewer companies.

15 Q. How has Staff addressed the cost of removing assets from service at the end of
16 their useful lives?

17 A. The recovery of the cost of removal net of salvage is addressed in the
18 testimony of Staff witness Janis E. Fischer.

19 Q. Do you have any further comments regarding the depreciation rates for this
20 Company?

21 A. Yes. The Company has recorded certain plant expenditures under the plant
22 account description of "Other." The Engineering and Management Services Department
23 attempts to audit these accounts and assign the capital dollars to specific capital accounts.

Direct Testimony of
Gregory E. Macias

1 Due to time constraints involved with this case and other Commission work, the Staff was
2 unable to audit the "Other" capital accounts. The Staff recommends that the "Other"
3 accounts be audited in the future and the dollars assigned to the appropriate capital accounts.

4 Q. Does this conclude your direct testimony?

5 A. Yes.

OSAGE WATER COMPANY DEPRECIATION RATES

(WATER)

WT-2003-563

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATE %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>
311	Structures & Improvements	2.5%	40
314	Wells & Springs	2.0%	50
316	Supply Mains	2.0%	50
325	Electric Pumping Equipment	10.0%	10
328	Other Pumping Equipment	4.0%	25
332	Water Treatment Equipment	2.9%	35
342	Distribution Reservoirs & Standpipes	2.5%	40
343	Transmission & Distribution Mains	2.0%	50
346	Meters	10.0%	10
349	Other Transmission and Distribution Plant	2.0%	50
392	Transportation Equipment	12.5%	8
396	Power Operated Equipment	6.7%	15

OSAGE WATER COMPANY DEPRECIATION RATES

(SEWER)

ST-2003-0562

<u>ACCOUNT NUMBER</u>	<u>ACCOUNT</u>	<u>DEPRECIATION RATE %</u>	<u>AVERAGE SERVICE LIFE (YEARS)</u>
351	Structures & Improvements	2.5%	40
352.1	Collection Sewers (Force)	2.0%	50
352.2	Collection Sewers (Gravity)	2.0%	50
353	Services	2.0%	50
372	Treatment & Disposal Facilities	5.0%	20
373	Plant Sewers	2.5%	40
375	Other Treatment and Disposal Plant Equipment	2.0%	50
391.1	Office Computer Equipment	14.3%	7
392	Transportation Equipment	12.5%	8
394	Tools, Shop, and Garage Equipment	5.0%	20
396	Power Operated Equipment	6.7%	15