Exhibit No.: Issues: Witness: Sponsoring Party: Type of Exhibit: Case Nos.: Date Testimony Prepared:

Rate Base Matthew R. Young MoPSC Staff Surrebuttal Testimony WR-2017-0343 February 8, 2018

MISSOURI PUBLIC SERVICE COMMISSION

COMMISSION STAFF DIVISION

AUDITING

SURREBUTTAL TESTIMONY

OF

MATTHEW R. YOUNG

GASCONY WATER COMPANY, INC.

CASE NO. WR-2017-0343

Jefferson City, Missouri February, 2018

1		SURREBUTTAL TESTIMONY	
2		OF	
3		MATTHEW R. YOUNG	
4		GASCONY WATER COMPANY, INC.	
5 6		CASE NO. WR-2017-0343	
7	Q.	Please state your name and business address.	
8	A.	Matthew R. Young, Fletcher Daniels State Office Building,	
9	615 East 13 th	Street, Room 201, Kansas City, Missouri 64106.	
10	Q.	Are you the same Matthew R. Young that filed rebuttal testimony in this case?	
11	А.	Yes.	
12	Q.	What is the purpose of your surrebuttal testimony?	
13	А.	I will respond to The Office of the Public Council's ("Public Council")	
14	witness John	A. Robinett's rebuttal testimony regarding Gascony Water Company's	
15	("Gascony Water") rate base.		
16	Q.	What is Public Council's testimony regarding Gascony Water's position on	
17	rate base?		
18	А.	Public Council's rebuttal testimony states the following:	
19 20		Q. Did Gascony use unauthorized depreciation rates to develop its rate base in this case?	
21 22 23 24		A. Based on the work papers provided with Gascony's direct testimony attached as Schedule JAR-R-3, it appears that the Company has used or is recommending different depreciation rates than the ordered rates from WA-97-510. ¹	

¹ Robinett rebuttal testimony, page 2, lines 3-6.

Surrebuttal Testimony of Matthew R. Young

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Q. Did Public Counsel's rebuttal testimony present a methodology to value Gascony Water's rate base?

A. No. While Public Counsel stated in its rebuttal testimony a recommendation for the "continued used of the current ordered depreciation rates ordered in WA-97-510"² as its position on depreciation rates, that testimony does not present a position regarding the value of Gascony Water's trencher and Utility Task Vehicle ("UTV"). The rate base treatment of these two pieces of equipment is an outstanding issue in this case in addition to the depreciation rates used to accumulate depreciation reserve through June 30, 2017.

- Q. Is it appropriate to make a recommendation on depreciation rates without a corresponding recommendation on the rate base value of the equipment?
- A. No. Staff's recommendation incorporates three rate base-related items; the equipment's "in-service" dates, the observed useful lives of the equipment and, the depreciation rates produced by Staff's recommendation for the other two items. As such, the depreciation rates, the "in-service" dates, and the useful lives of the equipment are issues that are interrelated. Since these three issues are dependent on each other, it is not appropriate to have a recommendation for an isolated portion of the total rate base issue.

Q. Did Gascony Water make a recommendation that considered all three ratebase-related issues?

A. No. The primary difference between Gascony Water and Staff's
recommendation regarding the rate base valuation of the equipment is the time the equipment
was placed "in-service". The depreciation rates recommended by Gascony Water were an
adoption of Staff's recommendation. However, as I explained in my rebuttal testimony, the

² Robinett rebuttal testimony, page 1, line 17 through page 2, line 1.

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depreciation rates recommended by Staff are dependent upon the "in-service" dates used 1 2 by Staff.

3 **Q**. If the Commission finds that Staff's methodology does not lead to just and 4 reasonable rates, what on-going depreciation rates would Staff recommend?

5 A. If the Commission disagrees with Staff's in-service date of 1995 for the 6 trencher and 2007 for the UTV, Staff would agree with Public Counsel that the depreciation 7 rates established in WA-97-510 should be used going-forward.

8 Q. Is there a distinction between depreciation rates established in this case and the 9 depreciation rates that were used to develop Gascony Water's current rate base?

10 A. Yes. The depreciation rates established in this case will be applied to Gascony Water's rate base on a "going-forward" basis (after this rate case is resolved). Also, the total depreciation expense produced by the depreciation rates approved in this case have an effect on Gascony Water's current revenue requirement. The revenue requirement has a direct correlation to approved depreciation rates (as depreciation rates increase, the revenue requirement increases).

In contrast, the depreciation rates used to develop Gascony Water's net rate base apply to the time period prior to June 30, 2017. Prior to this date, depreciation rates are used to accumulate depreciation reserve based on the level of plant-in-service. The level of plant-in-service and the percentage of depreciation rates effect Gascony Water's June 30, 2017 net rate base.

21 Q. What effect would Public Counsel's recommendation for depreciation rates 22 have on Gascony Water's revenue requirement?

Surrebuttal Testimony of Matthew R. Young

- A. Since Public Counsel's position is unclear regarding in-service dates of the
 equipment, and Public Counsel did not have any workpapers to support its rebuttal testimony,
 it is difficult to identify a revenue requirement impact of Public Counsel's recommendation.
 Q. Does this conclude your rebuttal testimony?
 - A. Yes.

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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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In the Matter of the Request for an Increase In Annual Water System Operating Revenues for Gascony Water Company, Inc.

Case No. WR-2017-0343

AFFIDAVIT OF MATTHEW R. YOUNG

STATE OF MISSOURI)	
)	SS.
COUNTY OF JACKSON)	

COMES NOW MATTHEW R. YOUNG, 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.

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Jackson, State of Missouri, at my office in Kansas City, on this 6^{+-} day of February, 2018.

Notary Public



BEVERLY M. WEBB My Commission Expires April 14, 2020 Clay County Commission #12464070