

Exhibit No.:
Issues: *Rate Base*
Witness: *Matthew R. Young*
Sponsoring Party: *MoPSC Staff*
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Case Nos.: *WR-2017-0343*
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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

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

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

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

9 Q. Is it appropriate to make a recommendation on depreciation rates without a
10 corresponding recommendation on the rate base value of the equipment?

11 A. No. Staff's recommendation incorporates three rate base-related items; the
12 equipment's "in-service" dates, the observed useful lives of the equipment and, the
13 depreciation rates produced by Staff's recommendation for the other two items. As such, the
14 depreciation rates, the "in-service" dates, and the useful lives of the equipment are issues that
15 are interrelated. Since these three issues are dependent on each other, it is not appropriate to
16 have a recommendation for an isolated portion of the total rate base issue.

17 Q. Did Gascony Water make a recommendation that considered all three rate
18 base-related issues?

19 A. No. The primary difference between Gascony Water and Staff's
20 recommendation regarding the rate base valuation of the equipment is the time the equipment
21 was placed "in-service". The depreciation rates recommended by Gascony Water were an
22 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.

1 depreciation rates recommended by Staff are dependent upon the “in-service” dates used
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
11 Water’s rate base on a “going-forward” basis (after this rate case is resolved). Also, the total
12 depreciation expense produced by the depreciation rates approved in this case have an effect
13 on Gascony Water’s current revenue requirement. The revenue requirement has a direct
14 correlation to approved depreciation rates (as depreciation rates increase, the revenue
15 requirement increases).

16 In contrast, the depreciation rates used to develop Gascony Water’s net rate base
17 apply to the time period prior to June 30, 2017. Prior to this date, depreciation rates are
18 used to accumulate depreciation reserve based on the level of plant-in-service. The level of
19 plant-in-service and the percentage of depreciation rates effect Gascony Water’s June 30,
20 2017 net rate base.

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

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1 A. Since Public Counsel's position is unclear regarding in-service dates of the
2 equipment, and Public Counsel did not have any workpapers to support its rebuttal testimony,
3 it is difficult to identify a revenue requirement impact of Public Counsel's recommendation.

4 Q. Does this conclude your rebuttal testimony?

5 A. Yes.

