

**Exhibit No.:** \_\_\_\_\_  
**Issue:** Depreciation  
**Witness:** John J. Spanos  
**Sponsoring Party:** Ameren Missouri  
**File No.:** GR-2024-0369

**MISSOURI PUBLIC SERVICE COMMISSION**

**FILE NO. GR-2024-0369**

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**SURREBUTTAL TESTIMONY OF**

**JOHN J. SPANOS**

**ON BEHALF OF**

**AMEREN MISSOURI**

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**Mechanicsburg, Pennsylvania**

**May 2, 2025**

**JOHN J. SPANOS SURREBUTTAL**

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1                                   **I. INTRODUCTION AND PURPOSE**

2   **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

3   A. My name is John J. Spanos. My business address is 300 Sterling Parkway,  
4       Mechanicsburg, Pennsylvania (formerly 207 Senate Avenue, Camp Hill,  
5       Pennsylvania).

6   **Q. ARE YOU THE SAME JOHN J. SPANOS WHO FILED DIRECT AND**  
7       **REBUTTAL TESTIMONY IN THIS MATTER?**

8   A. Yes.

9   **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

10   A. The purpose of my surrebuttal testimony is to address the rebuttal testimony filed by  
11       Missouri Public Service Commission Staff (“Staff”) witness Malachi Bowman and  
12       Office of the Public Counsel (“OPC”) witness John A. Robinett related to  
13       depreciation.

14   **Q. WHAT IS THE SUBJECT OF YOUR SURREBUTTAL TESTIMONY?**

15   A. The subjects of my testimony are depreciation concepts and methodology for  
16       achieving the most appropriate depreciation rates. Specifically, I will further address  
17       Staff’s position to use the whole life technique instead of the currently utilized and  
18       most commonly used remaining life technique. This discussion will include Staff’s  
19       flawed adjustment of the depreciation rates to incorporate a reserve imbalance which  
20       leads to inappropriate recovery patterns. I will further address the alternative life  
21       estimates that Staff proposes for five accounts. As for the subjects related to OPC  
22       witness Robinett, I will further address his testimony related to general plant  
23       amortization.

1                   **II.     WHOLE LIFE VERSUS REMAINING LIFE TECHNIQUE**

2   **Q.     DOES STAFF CONTINUE TO RECOMMEND   CHANGING TO THE**  
3           **WHOLE   LIFE   DEPRECIATION   TECHNIQUE   FOR   CALCULATING**  
4           **DEPRECIATION RATES?**

5   A.     Yes. In his rebuttal testimony, page 8, line 12 through page 9, line 8, Staff witness  
6           Bowman discusses why changing to whole life method should be considered by the  
7           Commission. However, his concepts are not completely correct as it does not properly  
8           address the weaknesses of the whole life technique. First and foremost, the whole life  
9           technique ONLY recovers its full investment if the service life stays the same the  
10          entire time all assets stay in service AND every asset lives exactly the same time. This  
11          in itself in not going to happen. Every asset class has a dispersion of life characteristics  
12          and the average service life/survivor curve combination change over time. The  
13          concept is not isolated to a retirement date as Witness Bowman tries to explain.

14   **Q.     ARE FLUCTUATIONS IN RECOVERY GREATER OR LESSER WITH THE**  
15           **REMAINING LIFE TECHNIQUE?**

16   A.     By design, the remaining life technique smooths the recovery pattern over the life of  
17           each asset within an account which is not consistent with Witness Bowman's  
18           testimony. As discussed in my rebuttal, a change in whole life can result in  
19           depreciation-related recoveries that are inappropriately greater than remaining life  
20           particularly when the service life changes over time which we know will occur.

21   **Q.     ARE THE RESERVE ADJUSTMENTS PROPOSED BY WITNESS BOWMAN**  
22           **APPROPRIATE   AND   DO   THE   RECOMMENDED   RESERVE**

1           **ADJUSTMENTS      ACTUALLY      CAUSE      INTERGENERATIONAL**  
2           **INEQUITY?**

3    A.    The reserve adjustments that Witness Bowman recommends by moving reserve across  
4           functions is not appropriate. The reserve imbalance is created by changes in life  
5           characteristics of one function of accounts and then moving the reserve to other types  
6           of accounts that had different recovery patterns actually attempts to pass recovery to  
7           different types of customers that may not have any impact of the assets the reserve is  
8           being moved from or to. This need to move reserve is only a necessity for the whole  
9           life technique because it does not have a mechanism to ensure full recovery of all  
10          service value of all assets. Therefore, moving the reserve from one function to another  
11          creates an intergenerational inequity.

12                           **III.      STAFF'S ALTERNATIVE LIFE ESTIMATES**

13   **Q.      PLEASE ADDRESS STAFF'S CONTINUED POSITION TO RECOMMEND**  
14           **ALTERNATIVE LIFE ESTIMATES FOR FOUR ACCOUNTS?**

15   A.    Staff recommends maintaining the current service lives for a select four accounts  
16          without justification as to why these accounts should not utilize all the information  
17          obtained during the depreciation study as was done for all other accounts. Staff's  
18          decision to maintain the current estimates is based on the opinion that there was no  
19          justification for changing the lives because the data did not change. Staff's  
20          recommendations ignore future expectations.

21   **Q.      WHICH ACCOUNTS HAS STAFF MAINTAINED NO CHANGE FROM THE**  
22           **CURRENT LIFE ESTIMATE?**

1 A. The four accounts that Staff recommends different life estimates from the Company  
2 are Account 367.00, Mains; Account 369.00, Measuring and Regulating Station  
3 Equipment; Account 378.00, Measuring and Regulating Station Equipment – General;  
4 and Account 379.00, Measuring and Regulating Station Equipment – City Gate.

5 **Q. IS THE STATISTICAL ANALYSES THE ONLY FACTOR TO CONSIDER?**

6 A. No. All the asset classes should incorporate all the new historical data and informed  
7 judgment obtained while conducting the updated depreciation study. This is  
8 consistent with the practices of all authoritative texts in the field of depreciation. Even  
9 if the new historical data are consistent with past studies, the current life estimates  
10 would need to consider informed judgment and current practices and plans. For the  
11 four accounts, there is informed judgment that was utilized in the study that Staff does  
12 not consider that explains why an updated estimate for each of the accounts supports  
13 the survivor curve in the Depreciation Study to be most appropriate.

14 **Q. PLEASE ELABORATE ON THE INFORMED JUDGMENT THAT WAS**  
15 **APPLIED TO EACH ACCOUNT THAT STAFF DOES NOT CONSIDER.**

16 A. For Account 367.00, Mains, the Depreciation Study supports a 65-R3 survivor curve  
17 while Staff maintains the 60-R3. First, there is five years of additional data that does  
18 support extending the life from the currently approved 60 year average life. However,  
19 the key factors for extending the life is that the type of pipe and preventative measures  
20 taken for monitoring pipe integrity, allows for detecting issues before replacement is  
21 needed. Additionally, a 60 year average is shorter than this type of pipe is expected  
22 to last as compared to others in the industry.

1           For Account 369.00, Measuring and Regulating Station Equipment, the  
2           Depreciation Study supports the 45-R2.5 survivor curve while Staff maintains the 50-  
3           R3 survivor curve. First, Staff does not consider that second band of statistical  
4           analysis which emphasizes the statistical analyses of the most recent 20 year  
5           experience band. Additionally, the slightly shorter average life and R2.5 moded curve  
6           reflect the need to replace some of the regulators and measuring equipment more  
7           consistent with Company practices. The 50-R3 survivor curve estimates too few  
8           retirements to occur in the first 25 ages that is not consistent with the nature of all  
9           assets in the account.

10           For the combined analysis of Account 378.00, Measuring and Regulating  
11           Station Equipment and Account 379.00, Measuring and Regulating Station Equipment  
12           – City Gate, the Depreciation Study supports the 50-R2 survivor curve while Staff  
13           supports maintaining the 45-R2 survivor curve. The primary factor that lead to the  
14           lengthening of the average service life is understanding the causes of retirements in  
15           the last few years. Many of the retirements in recent years was replacing some  
16           younger regulator stations due to some of the main replacements which are not  
17           expected to continue at the same level in the future. There will be more of a focus on  
18           retiring/replacing older assets in the future. When considering the pace those  
19           retirements will occur the 50-R2 survivor curve is a better estimate of future life  
20           characteristics. These components of informed judgment must be considered for these  
21           accounts just like all the other accounts which Staff does not consider when  
22           maintaining the currently approved estimate. Staff's estimates are not unreasonable

1 for these accounts, but the estimates do not consider all the key factors consistent with  
2 all the other accounts and there is no justification of isolating these accounts.

3 **IV. GENERAL PLANT AMORTIZATION**

4 **Q. DOES OPC ACTUALLY CHALLENGE THE CURRENT USE OF GENERAL**  
5 **PLANT AMORTIZATION?**

6 A. No. OPC appears to be challenging the CPR records and corresponding application  
7 of general plant amortization.

8 **Q. HAS AMEREN PROPERLY APPLIED THE CONCEPT OF**  
9 **AMORTIZATION ACCOUNTING FOR THE APPROPRIATE ACCOUNTS?**

10 A. Yes. For Accounts 391.00, 391.10, 394.00, 395.00, 397.00 and 398.00 in the  
11 Depreciation Study, the property records have retired the original cost of the assets  
12 that exceed the amortization period.

13 **Q. DO ASSETS WITH ZERO VALUE ACCUMULATE DEPRECIATION OR**  
14 **HAVE A DEPRECIATION RATE?**

15 A. No. If the original cost is zero then the depreciation expense will be zero and the  
16 accumulated depreciation will be zero. Therefore, there is no accumulated  
17 depreciation being missed.

18 **Q. IS THERE ANY BASIS FOR THE COMMISSION TO DENY GENERAL**  
19 **PLANT AMORTIZATION DUE TO OPC WITNESS ROBINETT'S CLAIM**  
20 **REGARDING ZERO VALUE ASSETS?**

21 A. No. First, on page 3 of his testimony, he appears to be trying to declare that some  
22 assets should be reclassified from a longer amortization period in Account 397.00 to  
23 a shorter amortization period in Account 391.10. That in itself is a completely



1 different discussion then his position of reversing the use of amortization accounting  
2 for these general plant accounts. The entries with zero value have had the dollars  
3 retired and any associated accumulated depreciation has been properly recovered.  
4 Assets with zero value have no impact on depreciation.

5 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

6 **A. Yes.**


In the Matter of Union Electric Company d/b/a )  
Ameren Missouri's Tariffs to Adjust Its ) File No.: GR-2024-0369  
Revenues for Natural Gas Service. )

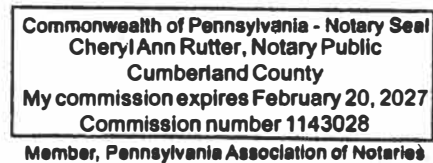
COMMONWEALTH OF PENNSYLVANIA )  
 ) ss  
COUNTY OF CUMBERLAND )

My name is John J. Spanos, and hereby declare on oath that I am of sound mind and lawful age; that I have prepared the foregoing *Surrebuttal Testimony*; and further, under the penalty of perjury, that the same is true and correct to the best of my knowledge and belief.

John J. Spanos  
John J. Spanos

Sworn to me this 1st day of May 2025.

  
Notary Public



My Commission Expires: February 20, 2027