

BEFORE THE  
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

In the Matter of the Application of SUEZ  
Water Rhode Island Inc. to Revise and  
Increase in Rates Charged for Water  
Service

Docket No. 4800

DIRECT TESTIMONY AND SCHEDULES  
OF  
ROXIE MCCULLAR  
ON BEHALF OF THE  
DIVISION OF PUBLIC UTILITIES AND CARRIERS

ADDRESSING DEPRECIATION

June 8, 2018

**Table of Contents**

I. Introduction ..... 1

II. Summary ..... 2

III. Definition of Depreciation ..... 3

IV. Overview of Depreciation Rate Calculation..... 4

V. Mass Property Future Net Salvage..... 5

    A. Some Retirements are Not Included in Company’s Net Salvage Historical Analysis..... 14

    B. Account 311, Pumping Equipment Future Net Salvage Percent ..... 16

    C. Account 331, Mains Future Net Salvage Percent ..... 18

VI. Conclusion ..... 20

1 **I. Introduction**

2 **Q. Please state your name and business address?**

3 A. My name is Roxie McCullar. My business address is 8625 Farmington Cemetery Road,  
4 Pleasant Plains, Illinois 62677.

5 **Q. What is your present occupation?**

6 A. Since 1997, I have been employed as a consultant with the firm of William Dunkel and  
7 Associates and have regularly provided consulting services in regulatory proceedings  
8 throughout the country.

9 **Q. Please describe your educational and professional background.**

10 A. I am a Certified Public Accountant licensed in the state of Illinois. I am a Certified  
11 Depreciation Professional through the Society of Depreciation Professionals. I received  
12 my Master of Arts degree in Accounting from the University of Illinois in Springfield. I  
13 received my Bachelor of Science degree in Mathematics from Illinois State University in  
14 Normal.

15 **Q. Have you prepared an appendix that describes your qualifications?**

16 A. Yes. My qualifications and previous experiences are shown on the attached Appendix A.

17 **Q. On whose behalf are you testifying?**

18 A. I am testifying on behalf of the Division of Public Utilities and Carriers (“Division”).

19 **Q. What is the purpose of your testimony?**

20 A. The purpose of my testimony is to address the depreciation rates for water plant filed by  
21 SUEZ Water Rhode Island (“SUEZ” or the “Company”) in this proceeding.

**II. Summary**

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**Q. Can you summarize your recommendations?**

A. Yes. I recommend that the Division proposed depreciation rates shown on Schedule RMM-1 be approved for SUEZ in Rhode Island.

**Q. Can you summarize the Division proposed depreciation rates?**

A. Yes. The Division proposed depreciation rates compared to the SUEZ proposed depreciation rates are summarized below:

**Table 1: Comparison of Composite Annual Accrual Rates**

Functional Category	12/31/16 Investment	Current Approved Accrual Rate	SUEZ Proposed Accrual Rate	Division Proposed Accrual Rate
A				
<b>Total Water Plant</b>	<b>29,973,284</b>	<b>1.86%</b>	<b>2.46%</b>	<b>2.43%</b>

The annualized accrual based on December 31, 2016, investments using the Division proposed depreciation rates compared to SUEZ’s proposed depreciation rates are summarized below:<sup>1</sup>

**Table 2: Comparison of Annual Accrual Based on December 31, 2016 Investments**

Functional Category	12/31/16 Investment	SUEZ Proposed Accrual Amount	Division Proposed Accrual Amount	Difference from Company
<b>Total Water Plant</b>	<b>29,973,284</b>	<b>738,397</b>	<b>727,895</b>	<b>(10,502)</b>

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<sup>1</sup> Schedule RMM-1 shows the annual accruals based on the 12/31/16 investment levels. However, in the future as the investments change, the depreciation rates will be applied to the then current investments, which will produce a different annual accrual amount.

1 **III. Definition of Depreciation**

2 **Q. Could you please provide the definition of depreciation?**

3 A. Yes. The definition for depreciation in NARUC's USOA for Water Utilities states:

4 "12. '**Depreciation**', as applied to depreciable utility plant, means the loss  
5 in service value not restored by current maintenance, incurred in  
6 connection with the consumption or prospective retirement of utility plant  
7 in the course of providing service from causes which are known to be in  
8 current operation and against which the utility is not protected by  
9 insurance. Among the causes to be given consideration are wear and tear,  
10 decay, action of the elements, inadequacy, obsolescence, changes in the  
11 art, changes in demand, and requirements of public authorities."<sup>2</sup>

12 **Q. Is this the same definition in SUEZ Witness Spanos testimony?**

13 A. No, the difference is found in the section of the definition on page 2, lines 17-18 of  
14 Witness Spanos's testimony which states: "...prospective retirement of utility plant in the  
15 course of service from causes which can be reasonably anticipated or contemplated..."<sup>3</sup>  
16 (emphasis added).

17 The NARUC definition specifically states: "...prospective retirement of utility plant in  
18 the course of providing service from causes which are known to be in current  
19 operation..."<sup>4</sup> (emphasis added).

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<sup>2</sup> *Uniform System of Accounts for Class A Water Utilities* by the National Association of Regulatory Utility Commissioners (NARUC), 1996. A similar definition is found on page 318, *Public Utilities Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

<sup>3</sup> Spanos Direct Testimony page 2, lines 15-21.

<sup>4</sup> *Uniform System of Accounts for Class A Water Utilities* by the National Association of Regulatory Utility Commissioners (NARUC), 1996. A similar definition is found on page 318, *Public Utilities Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

1 **Q. In discovery did SUEZ Witness Spanos provide a “more appropriate definition of**  
2 **depreciation”?**

3 A. Yes. In response to discovery the Company stated:

4 “However, the more appropriate definition of depreciation for this study as  
5 applied by Mr. Spanos from the Uniform System of Accounts and the  
6 NARUC manual is as follows:

7 ‘Depreciation refers to the loss in service value not restored by  
8 current maintenance, incurred in connection with the consumption  
9 or prospective retirement of utility plant in the course of service  
10 from causes which are known to be current operation and against  
11 which the utility is not protected by insurance. Among the courses  
12 to be given consideration are wear and tear, decay, action of the  
13 elements, inadequacy, obsolescence, changes in the art, changes in  
14 demand, and requirements of public authorities.’<sup>5</sup> (emphasis  
15 added).

16 In response to discovery the definition was changed to appropriately include retirements  
17 from causes which are known to be in current operations, not “which can be reasonably  
18 anticipated or contemplated” as originally stated in SUEZ Witness Spanos’s testimony.

19 In this testimony, I rely on the NARUC USOA definition of “depreciation”.

20 **IV. Overview of Depreciation Rate Calculation**

21 **Q. Please provide a brief description of how remaining life depreciation rates are**  
22 **calculated.**

23 A. The remaining life depreciation rate formula is:

$$\text{Depreciation Rate} = \frac{(100\% - \text{Book Reserve \%} - \text{Future Net Salvage \%})}{\text{Average Remaining Life}}$$

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<sup>5</sup> SUEZ response to DPUC 4-1, attached as Schedule RMM-2.

1 In the formula above, the book reserve percent is the actual reserve on the Company's  
2 books divided by the actual plant in service investment on the Company's books. The  
3 book reserve percent is based on actual data from the Company's books and is not  
4 estimated in the depreciation study.

5 The future net salvage percent and the average remaining life are estimates proposed in  
6 the Depreciation Study. The Depreciation Study estimates the projected average service  
7 life of the assets, the retirement pattern of those assets, and the cost of removing or  
8 retiring those assets less any expected salvage from the sale, scrap, insurance,  
9 reimbursements, etc. of those assets. These estimates are referred to as depreciation  
10 parameters. The projected average service life and retirement pattern (survivor curve) are  
11 used to calculate the average remaining life. The estimated future net salvage percent is  
12 the estimated future cost of removing or retiring less any estimated future salvage from  
13 sale, scrap, insurance, reimbursements, etc.

14 **V. Mass Property Future Net Salvage**

15 **Q. Do you have a recommendation regarding SUEZ's proposed future net salvage**  
16 **percents?**

17 **A.** Yes, for Account 311, Pumping Equipment and Account 331, Mains, I recommend future  
18 net salvage percents that differ from SUEZ's proposal as shown in Table 3 below:

**Table 3: Comparison of Distribution Plant Future Net Salvage  
(“FNS”) Percent Proposals**

Account	Current Approved FNS%	SUEZ’s Proposed FNS%	Division’s Proposed FNS%
Account 311, Pumping Equipment	-10%	-10%	-5%
Account 331, Mains	-25%	-25%	-20%

3 **Q. Please explain what is meant by net salvage.**

4 A. In NARUC USOA, net salvage value is defined as “the salvage value of property retired  
5 less the cost of removal.”<sup>6</sup> Salvage value is defined as “the amount received for property  
6 retired, less any expenses incurred in connection with the sale or in preparing the  
7 property for sale, or, if retained, the amount at which the material recoverable is  
8 chargeable to materials and supplies, or other appropriate account.”<sup>7</sup> Cost of removal is  
9 defined as “the cost of demolishing, dismantling, tearing down or otherwise removing  
10 utility plant, including the cost of transportation and handling incidental thereto.”<sup>8</sup>

11 **Q. What impact does net salvage have on depreciation rates?**

12 A. Positive net salvage results in a lower depreciation rate, all other things being equal.  
13 Negative net salvage results in a higher depreciation rate, all other things being equal.

14 As stated in NARUC’s *Public Utilities Depreciation Practices*:

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<sup>6</sup> *Uniform System of Accounts for Class A Water Utilities* by the National Association of Regulatory Utility Commissioners (NARUC), 1996. A similar definition is found on page 322, *Public Utilities Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

<sup>7</sup> *Uniform System of Accounts for Class A Water Utilities* by the National Association of Regulatory Utility Commissioners (NARUC), 1996. A similar definition is found on page 320, *Public Utilities Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

<sup>8</sup> *Uniform System of Accounts for Class A Water Utilities* by the National Association of Regulatory Utility Commissioners (NARUC), 1996. A similar definition is found on page 317, *Public Utilities Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.



1                   “Positive net salvage occurs when gross salvage exceeds cost of  
2                   retirement, and negative net salvage occurs when cost of retirement  
3                   exceeds gross salvage.”<sup>9</sup>

4                   The estimated future net salvage is part of the annual depreciation accrual, which is  
5                   credited to the depreciation reserve to cover the estimated future net salvage costs the  
6                   Company may incur associated with plant asset’s retirement.

7   **Q.     What factors did SUEZ consider in estimating the future net salvage percent?**

8   A.     The depreciation study states:

9                   “The estimates of salvage were based primarily on judgment which  
10                  considered a number of factors. The primary factors were the analyses of  
11                  historical data; a knowledge of management's plans and operating policies;  
12                  and net salvage estimates from previous studies of this company and other  
13                  water companies.”<sup>10</sup>

14 **Q.     What “statistical analyses of historical data” did SUEZ include in the depreciation  
15            study?**

16 A.     In the depreciation study the statistical analyses of historical data are included in Section  
17           VIII. Regarding the statistical analyses, the depreciation study state:

18                  “Cost of removal and salvage were expressed as percents of the original cost  
19                  of plant retired, both on annual and three-year moving average bases. The most  
20                  recent five-year average also was calculated for consideration. The net  
21                  salvage estimates by account are expressed as a percent of the original cost of  
22                  plant retired.”<sup>11</sup>

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<sup>9</sup> Page 18, *Public Utilities Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

<sup>10</sup> Page IV-2 of Schedule JJS-2.

<sup>11</sup> Page IV-2 of Schedule JJS-2.

1 The historical net salvage ratios in SUEZ’s statistical analyses of historic data are  
2 calculated by dividing the actual net salvage amount by the historic original cost of the  
3 plant.

4 **Q. Are the historical net salvage ratios in SUEZ’s statistical analyses impacted by past**  
5 **inflation rates?**

6 A. Yes. As pointed out in Wolf and Fitch’s *Depreciation Systems*:

7 “Salvage ratios are a function of inflation.”<sup>12</sup>

8 The calculation of the historic net salvage ratio includes the impact of high historic  
9 inflation rates, since the net salvage amount in the numerator is in current dollars and the  
10 cost of the plant in the denominator which may have been installed decades before are in  
11 historic dollars. In other words, due to inflation the amounts in numerator and  
12 denominator of the net salvage ratio are in different price levels.<sup>13</sup>

13 **Q. Please explain what is meant by high historical inflation in SUEZ’s net salvage**  
14 **analyses.**

15 A. For these accounts the high historic inflation levels in the mid 1970’s and early 1980’s  
16 impacts the net salvage ratio. For example, the inflation rate according to the U.S. Bureau  
17 of Labor Statistics in 1979 was 11.3%, in 1980 was 13.5%, and in 1981 was 10.3%.<sup>14</sup>

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<sup>12</sup> Page 267, Wolf, Frank K. and W. Chester Fitch, *Depreciation Systems* Iowa State University Press, 1994.

<sup>13</sup> Page 53, Wolf, Frank K. and W. Chester Fitch, *Depreciation Systems* Iowa State University Press, 1994.

<sup>14</sup> Table 24 of U.S. Bureau of Labor Statistic’s “Consumer Price Index – December 2017.” (Attached as Schedule RMM-3)

1 SUEZ's use of the net salvage analyses which includes these high historical inflation  
2 rates assumes that the same high inflation rates will continue in the future. This is not a  
3 reasonable assumption.

4 **Q. Is the fact that historic inflation is included in the net salvage ratio recognized in**  
5 **depreciation texts?**

6 A. Yes. NARUC's *Public Utilities Depreciation Practices*, regarding inflation states:

7 "The sensitivity of salvage and cost of retirement to the age of the  
8 property retired is also troublesome. Due to inflation and other factors,  
9 there is a tendency for costs of retirement, typically labor, to increase more  
10 rapidly than material prices."<sup>15</sup>

11 NARUC concludes that careful consideration should be given to the net salvage estimate  
12 stating:

13 "Cost of retirement, however, must be given careful thought and attention,  
14 since for certain types of plant, it can be the most critical component of the  
15 depreciation rate."<sup>16</sup>

16 Additionally, Wolf and Fitch's *Depreciation Systems*, also points out that using a net  
17 salvage ratio that includes inflated dollars in the numerator and historic dollars in the  
18 denominator is a ratio using different units, stating:

19 "One inherent characteristic of the salvage ratio is that the numerator and  
20 denominator are measured in different units; the numerator is measured in  
21 dollars at the time of retirement, while the denominator is measured in  
22 dollars at the time of installation. Inflation is an economic fact of life and  
23 although both numerator and denominator are measured in dollars, the  
24 timing of the cash flows reflects different price levels."<sup>17</sup>

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<sup>15</sup> Page 19, *Public Utilities Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

<sup>16</sup> Page 19, *Public Utilities Depreciation Practices*, published by National Association of Regulatory Commissioners (NARUC), 1996.

<sup>17</sup> Page 53, Wolf, Frank K. and W. Chester Fitch, *Depreciation Systems* Iowa State University Press, 1994.

1 **Q. Have other jurisdictions considered the impact of inflation in the setting of the**  
2 **future net salvage percent?**

3 A. I am aware a several jurisdictions that have adopted future net salvage percents that  
4 recognize the inflated dollars included in the historic net salvage ratio. The Commissions  
5 in Connecticut,<sup>18</sup> District of Columbia,<sup>19</sup> Maryland,<sup>20</sup> New Jersey,<sup>21</sup> and Pennsylvania<sup>22</sup>

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<sup>18</sup> Connecticut Docket No. 16-06-04. In the December 14, 2016 Commission “Decision” the Commission accepted net salvage depreciation rates that produced “an annual accrual that is 1.2 times the annual incurred distribution plant net salvage costs” stating that the “distribution net salvage depreciation rates still comfortably cover the actual incurred net salvage costs.” (p. 46 of the December 14, 2016 “Decision”).

<sup>19</sup> Formal Case No. 1076, paragraph 252 of Order No. 15710.

<sup>20</sup> Maryland Case No. 9092. In Order No. 81517 the Commission stated: “The Commission has carefully reviewed the record and finds that the Present Value Method should be adopted for the recovery of removal costs. The Straight Line Method recovers the same annual cost in nominal dollars from ratepayers today as it does at the time plant is removed from service. However, a dollar is worth substantially more today than it will be 20 to 40 years from now. Consequently, today’s ratepayers would pay more in “real” dollars under the Straight Line Method for the recovery costs of the plant they consume than would future ratepayers when net salvage is negative, as everyone projects.” (page 30 of Order No. 81517).

<sup>21</sup> New Jersey Docket No. ER02080506. In the May 17, 2004 Final Order the Board found: “As a result of this data and the underlying concept of FASB 143 as discussed in this matter, the Board FINDS it appropriate to revisit the concept of including estimated future net salvage in current depreciation rates. The Board HEREBY FINDS the recommendation of the Ratepayer Advocate and Staff to exclude estimated net salvage from depreciation rates to be appropriate. The Board FURTHER FINDS that the Ratepayer Advocate and Staff’s proposed utilization of a five-year average of actual salvage expense in depreciation expense is reasonable as it more closely aligns the amount recovered in base rates with the historical level of expenses incurred. The Board concurs with Staff that the ten-year window of actual experience rather than the five-year rolling average proposed by the Ratepayer Advocate is appropriate.” (page 129-130 of the May 14, 2004 Final Order)

<sup>22</sup> Pennsylvania, Superior Court of Pennsylvania in Penn Sheraton Hotel v. Pennsylvania Public Utility Commission, 184 A.2d 324, 329 (Pa. Super. Ct. 1962). The court found: “Negative salvage attributed to existing plant is purely prospective; it is a cost which has not yet been incurred; it is uncertain when and if it will be incurred; and it is not a part of the original cost of construction of the facilities when first devoted to public service. To permit the recovery of prospective negative salvage is to permit the recovery of a total amount in excess of the original cost of construction prior to the actual expenditure of those costs and, in our opinion, represents the recovery of something in the nature of a future reproduction cost. The established law in this Commonwealth does not permit the recovery by annual depreciation of any such prospective excess. It is therefore the prospective nature of future negative salvage that prevents it from being considered either in accrued depreciation or in the allowance for annual depreciation; they must have a consistent basis under our law. Although prospective negative salvage is not entitled to consideration, the negative salvage actually incurred by the utility either upon the actual retirement of a property without replacement or upon the replacement of an item of property is of course entitled to consideration in a rate proceeding. It is then no longer prospective but actual. If the utility retires and removes a property without replacing it or replaces it after removal and incurs actual negative salvage in doing so, the expenditure should be capitalized and amortized by some reasonable method and for and over a reasonable length of time.”

1 have adopted methods of setting the future net salvage percent that recognizes the time  
2 value of cost of removal due to inflation.

3 For example, the Public Service Commission of the District of Columbia stated:  
4 “Fairness and equity require that the Commission adopt a methodology that, to the extent  
5 possible, balances the interest of current and future ratepayers.” And went on to state:  
6 “Pepco should not be allowed to charge current customers for future inflation, nor should  
7 Pepco be allowed to charge current customers in higher-value current dollars for a future  
8 cost of removal amount that is calculated in lower-value future dollars.”<sup>23</sup>

9 **Q. What is an analysis method discussed in the depreciation texts that addresses the**  
10 **historic inflation inherent in the salvage ratio?**

11 A. Wolf and Fitch’s *Depreciation Systems*, discusses a method that first converts “the  
12 observed dollars to constant dollars”<sup>24</sup> which removes the high historic inflation rates.

13 In *Depreciation Systems* it is suggested to first convert the salvage ratio to constant  
14 dollars by using the consumer price index (“CPI”)<sup>25</sup> to deflate the actual net salvage  
15 amounts to the year the related retired plant was first installed. The deflation of the net  
16 salvage amounts results in a salvage ratio in which both the numerator and denominator  
17 are “measured in dollars of the same price level.”<sup>26</sup>

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<sup>23</sup> Formal Case No. 1076, paragraph 252 of Order No. 15710.

<sup>24</sup> Page 61, Wolf, Frank K. and W. Chester Fitch, *Depreciation Systems* Iowa State University Press, 1994.

<sup>25</sup> Page 61, Wolf, Frank K. and W. Chester Fitch, *Depreciation Systems* Iowa State University Press, 1994. The consumer price index is published by the U.S. Bureau of Labor Statistic, see Schedule RMM-3.

<sup>26</sup> Pages 263-264, Wolf, Frank K. and W. Chester Fitch, *Depreciation Systems* Iowa State University Press, 1994.

1 **Q. Once the high historic inflation levels have been removed from the historic net**  
2 **salvage data, what is the next step in your analysis of the historic net salvage?**

3 A. Once the impact of the high historic inflation has been removed, the next step is to use a  
4 more reasonable level of annual inflation to provide an analysis of the historic data. The  
5 use of a more reasonable level of inflation in the analysis of the historic net salvage data  
6 provides a more reasonable net salvage ratio to consider as part of estimating the future  
7 net salvage percent.

8 As pointed out in Wolf and Fitch's *Depreciation Systems*:

9 "Recognition of the effect of inflation on salvage will influence the  
10 analysis and forecasting of salvage."<sup>27</sup>

11 **Q. What is a reasonable estimate of inflation to use in statistical analyses of net**  
12 **salvage?**

13 A. A reasonable estimate of inflation is 2%, which is significantly lower than the inflation  
14 assumed in the unadjusted historical net salvage analysis included in the Company's  
15 depreciation study.

16 As can be seen on Schedule RMM-3, the CPI has averaged around 2% per year for at  
17 least the last 20 years.<sup>28</sup> This 2% inflation rate is consistent with current monetary  
18 policies.

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<sup>27</sup> Page 55, Wolf, Frank K. and W. Chester Fitch, *Depreciation Systems* Iowa State University Press, 1994.

<sup>28</sup> The average inflation rate from 1998 to 2017 is 2.06%. Using the 1998 CPI of 163 and the 2017 CPI of 245.120 as shown in Schedule RMM-3.  $(163.0 * (1+2.06\%)^{20\text{years}} = 245.12)$ .

1 The Federal Open Market Committee (“FOMC”), which is a key entity of the Federal  
2 Reserve System,<sup>29</sup> is mandated by the U.S. Congress to promote “maximum employment,  
3 stable prices, and moderate long-term interest rates.”<sup>30</sup>

4 FOMC has determined that setting monetary policies to achieve a 2% inflation rate  
5 fulfills its goals. FOMC states:

6 “The inflation rate over the longer run is primarily determined by  
7 monetary policy, and hence the Committee has the ability to specify a  
8 longer-run goal for inflation. The Committee reaffirms its judgment that  
9 inflation at the rate of 2 percent, as measured by the annual change in the  
10 price index for personal consumption expenditures, is most consistent over  
11 the longer run with the Federal Reserve’s statutory mandate.”<sup>31</sup>

12 **Q. For Account 311, Pumping Equipment and Account 331, Mains in which you**  
13 **recommend a future net salvage different than SUEZ’s recommendation, did you**  
14 **conduct this net salvage analysis described in *Depreciation Systems* that you just**  
15 **discussed?**

16 A. Yes. I did consider the amount of high historic inflation incorporated in Company’s  
17 historic net salvage analysis. I also considered the information provided during discovery  
18 process, the average actual net salvage expense incurred over the most recent time  
19 periods, and my previous experience in evaluating depreciation studies.

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<sup>29</sup> Page 2 of the October 2016 *The Federal Reserve System Purpose & Functions* (10<sup>th</sup> edition) states: “There are three key entities in the Federal Reserve System: the Board of Governors, the Federal Reserve Banks (Reserve Banks), and the Federal Open Market Committee (FOMC).”

<sup>30</sup> Federal Open Market Committee January 30, 2018 “Statement of Longer-Run Goals and Monetary Policy Strategy.” (Attached as Schedule RMM-4).

<sup>31</sup> Federal Open Market Committee January 30, 2018 “Statement of Longer-Run Goals and Monetary Policy Strategy.” (Attached as Schedule RMM-4)

**A. Some Retirements are Not Included in Company's Net Salvage Historical  
Analysis**

3 **Q. Is there an issue with the retirement amounts used in the historic net salvage**  
4 **analysis in the SUEZ depreciation study?**

5 A. Yes. There are retirements included in the Company's historic service life analysis in Part  
6 VII of the SUEZ depreciation study that are not included in the Company's historic net  
7 salvage analysis in Part VIII of the same SUEZ depreciation study.

8 **Q. Did the Company explain this difference in the retirements used in the analysis in**  
9 **testimony or in the depreciation study?**

10 A. No. The differences in retirements used in the historic service life analysis and the  
11 historic net salvage analysis were not discussed in the depreciation study or direct  
12 testimony. The differences were identified during the discovery process.

13 In response to discovery regarding the different retirement amounts in the historical  
14 analysis, the Company stated:

15 "The difference in retirements for 2016 between Part VIII, Net Salvage  
16 Statistics, of SWRI Exhibit JJS-1 and the service life data provided in the  
17 Excel file "DPUC4-5ServiceLife" in response to DPUC 4-5 relate to  
18 assets that were identified as being retired but had not been recorded on  
19 the books as of December 31, 2016. These were assets that had been  
20 replaced within the last five years and identified during the conduct of the  
21 depreciation study. Since the retirement had not been identified, there had  
22 not been any associated cost of removal or salvage recorded. Therefore, it  
23 was not appropriate in the net salvage analyses to show only retirements  
24 without the corresponding cost of removal and salvage."<sup>32</sup>

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<sup>32</sup> SUEZ response to DPUC 8-1, attached as Schedule RMM-5.



1 **Q. Are “associated cost of removal or salvage” always recorded in the same year as the**  
2 **retirement?**

3 A. No. As can be seen on page VIII-6 of the deprecation study, the historical net salvage  
4 data for Account 330, Distribution Reservoirs and Standpipes shows a \$75,000 cost of  
5 removal in 2014, however, there is no retirement amount shown in 2014.

6 The fact that the cost of removal or gross salvage amounts can be recorded in a year  
7 different than the retirements is why the analysis of historical net salvage looks at the  
8 average over several years. As stated in the Direct Testimony of John Spanos:

9 “The use of averages smooths the annual fluctuations and assists in  
10 identifying underlying trends.”<sup>33</sup>

11 **Q. What impact does the exclusion of some retirements in the historical net salvage**  
12 **analysis have on the historic net salvage ratios?**

13 A. The exclusion of some retirements in the net salvage ratio calculation increases the  
14 historic net salvage ratio.

15 The historic net salvage ratio is found by dividing the cost of removal less the salvage by  
16 the retirement amount. Since the retirement amount is in the denominator, excluding  
17 retirement amounts from the denominator increases the historic net salvage ratio.

18 **Q. Are you aware of another jurisdiction in which a depreciation study supported by**  
19 **Mr. Spanos included undisclosed adjustments to the historic data?**

20 A. Yes, a recent order in Oklahoma rejected the depreciation study filed by Mr. Spanos  
21 stating:

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<sup>33</sup> Direct Testimony of John J. Spanos page 6, lines 16-18.

1           “THE COMMISSION FURTHER FINDS that the depreciation study  
2           proposed by PSO is rejected.”<sup>34</sup>

3           In that proceeding it was found that:

4           “THE COMMISSION FURTHER FINDS that it is clear that PSO's  
5           witness Mr. Spanos made changes to the historic data in Account 367 and  
6           did not disclose these unusual changes. It is also clear that Mr. Spanos did  
7           not disclose that he had altered the data until the Attorney General had  
8           discovered the alteration and asked about it in discovery.”<sup>35</sup>

9           **Q.     What is Schedule RMM-5?**

10          A.     Schedule RMM-5 are the historic net salvage analysis similar to part VIII of the SUEZ  
11          depreciation study, however the net salvage analysis includes the retirements that were  
12          also used in the service life analysis in part VII of the SUEZ depreciation study.

13          The historic net salvage data in Schedule RMM-5 using the same retirements used in the  
14          service life analysis is the data I used in my review of the Company’s net salvage history.

15                   **B. Account 311, Pumping Equipment Future Net Salvage Percent**

16          **Q.     Can you discuss the estimated future net salvage for Account 311, Pumping**  
17          **Equipment?**

18          A.     Yes. SUEZ proposes a -10% based “in part on the historical data compiled for the years  
19          2005 through 2016.”<sup>36</sup>

20          The historical net salvage data relied on in the depreciation study does not include all of  
21          the retirements as discussed in the previous section. The historical net salvage data

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<sup>34</sup> Paragraph 106 of “Report and Recommendation of the Administrative Law Judge” and adopted in Order No. 672864 in Oklahoma Cause No. PUD 201700151.

<sup>35</sup> Paragraph 105 of “Report and Recommendation of the Administrative Law Judge” and adopted in Order No. 672864 in Oklahoma Cause No. PUD 201700151.

<sup>36</sup> Page IV-2 of Exhibit JJS-2.

1 included the filed depreciation study that does not include some retirement amounts  
2 shows a -6% overall net salvage ratio, and a -6% net salvage ratio for the last five years.<sup>37</sup>

3 As shown in Schedule RMM-5, when the retirements are included in the net salvage ratio  
4 calculation results in a -4% overall net salvage ratio, and a -4% net salvage ratio for the  
5 last five years.<sup>38</sup>

6 Both of the net salvage ratio calculations in the depreciation study and the response to  
7 discovery include the impact of the historically high inflation rates discussed in the  
8 previous section of this testimony

9 **Q. Have you performed a net salvage analysis that removes the historic high inflation**  
10 **rates?**

11 A. Yes. As is shown on Schedule RMM-6 when a more reasonable rate of inflation is used  
12 to analyze the historic net salvage, the overall net salvage ratio is -2%, and the net  
13 salvage ratio for the last five years is -2%.

<b>Table 4: Account 311, Pumping Station</b>			
Historic Data Including Retirements and Adjusted for Reasonable Inflation Rate		Proposed Future Net Salvage Percent	
Overall	5-Year Average	SUEZ Water	Division
-2%	-2%	-10%	-5%

<sup>37</sup> Page VIII-4 of Exhibit JJS-2.

<sup>38</sup> SUEZ response to DPUC 8-1, attached as Schedule RMM-5.

1 **Q. Does your proposed -5% future net salvage percent provide a reasonable annual**  
2 **accrual related to the recovery of possible future net removal costs?**

3 A. Yes. As shown in the depreciation study the company has averaged \$874 net cost of  
4 removal per year over the last five years. The proposed -5% future net salvage percent  
5 results in a \$1,264 annual accrual for cost of removal which not only covers the actual  
6 cost of removal amount the company has incurred on average over the last five years, but  
7 it also contributes to building the reserve for possible future increases in the annual cost  
8 of removal amounts.

9 **C. Account 331, Mains Future Net Salvage Percent**

10 **Q. Can you discuss the estimated future net salvage for Account 331, Mains?**

11 A. Yes. SUEZ proposes a -25% based “in part on the historical data compiled for the years  
12 2005 through 2016.”<sup>39</sup>

13 This historical net salvage data that does not include some retirement amounts shows  
14 a -48% overall net salvage ratio, and a -49% net salvage ratio for the last five years.<sup>40</sup>

15 The net salvage ratio calculations in the depreciation study includes the impact of the  
16 historically high inflation rates discussed in the previous section of this testimony

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<sup>39</sup> Page IV-2 of Exhibit JJS-2.

<sup>40</sup> Page VIII-7 of Exhibit JJS-2.

1 **Q. Have you performed a net salvage analysis that removes the historic high inflation**  
2 **rates?**

3 A. Yes. As is shown on Schedule RMM-7 when a more reasonable rate of inflation is used  
4 to analyze the historic net salvage, the overall net salvage ratio is -17%, and the net  
5 salvage ratio for the last five years is -18%.

Historic Data Adjusted for Reasonable Inflation Rate		Proposed Future Net Salvage Percent	
Overall	5-Year Average	SUEZ Water	Division
-17%	-18%	-25%	-20%

6 **Q. Does your proposed -20% future net salvage percent provide a reasonable annual**  
7 **accrual related to the recovery of possible future net removal costs?**

8 A. Yes. As shown in the depreciation study the company has averaged \$1,477 net cost of  
9 removal per year over the last five years. The proposed -20% future net salvage percent  
10 results in a \$25,378 annual accrual for cost of removal which not only covers the actual  
11 cost of removal amount the company has incurred on average over the last five years, but  
12 it also contributes to building the reserve for possible future increases in the annual cost  
13 of removal amounts.

14 **Q. What information received from SUEZ did you considered in your recommendation**  
15 **of a future net salvage for Account 331, Mains?**

16 A. In response to discovery, the Company stated:

1 “It is correct that most mains in Account 331 are generally retired in place,  
2 however, this does not mean there are not significant costs or effort  
3 required to retire these mains from service”<sup>41</sup>

4 Since the mains are generally retired in place, the cost of retiring the old main would not  
5 include the high cost of removing all of the old mains and minimize the cost of restoring  
6 roads and landscape. This practice is consistent with the net salvage data discussed  
7 above.

8 **VI. Conclusion**

9 **Q. What are your recommendations?**

10 A. For the reasons stated above, I recommend the Division proposed depreciation rates  
11 shown on Schedule RMM-1 for SUEZ in Rhode Island. The Division proposed  
12 depreciation rates shown on Schedule RMM-1 incorporate the adjustments supported by  
13 this testimony.

14 **Q. Does this conclude your direct testimony?**

15 A. Yes.

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<sup>41</sup> SUEZ response to DPUC 4-13, attached as Schedule RMM-8.

Roxie McCullar, CPA, CDP  
8625 Farmington Cemetery Road  
Pleasant Plains, IL 62677

Roxie McCullar is a regulatory consultant. She is a licensed Certified Public Account in the state of Illinois. She is a licensed Certified Depreciation Professional through the Society of Depreciation Professionals. She is a member of the American Institute of Certified Public Accountants, the Illinois CPA Society, and the Society of Depreciation Professionals. She received her Master of Arts degree in Accounting from the University of Illinois-Springfield. She received her Bachelor of Science degree in Mathematics from Illinois State University. Over the past 20 years Ms. McCullar has filed testimony in over 50 state regulatory proceedings on depreciation issues and cost allocation for universal service. In addition, Ms. McCullar has assisted Mr. Dunkel in numerous other proceedings.

### **PRESENT POSITION**

William Dunkel and Associates  
Position: Consultant

- Prefiled testimony on behalf of the Division of Public Utilities and Carriers in a general rate proceeding, Rhode Island Docket No. 4770 in which I addressed electric depreciation issues.
- Prefiled testimony on behalf of the Public Staff of the North Carolina Utilities Commission in a general rate proceeding, North Carolina Docket No. E-7, Sub 1146 in which I addressed electric depreciation issues.
- Prefiled testimony on behalf of the Public Staff of the North Carolina Utilities Commission in a general rate proceeding, North Carolina Docket No. E-2, Sub 1142 in which I addressed electric depreciation issues.
- Prefiled testimony on behalf of Washington State Office of the Attorney General in a general rate proceeding, Washington Docket Nos. UE-170033 & UG-170034 (Consolidated) in which I addressed electric and natural gas depreciation issues.
- Prefiled testimony on behalf of Florida's Office of Public Counsel in a general rate proceeding, Florida Docket No. 160170-EI/160186-EI in which I addressed electric depreciation issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding involving Kansas Gas Service, Docket No. 16-KGSG-491-RTS in which I addressed natural gas depreciation rate issues.
- Prefiled testimony on behalf Arizona Corporation Commission Utilities Division Staff in a general rate proceeding involving Tucson Electric Power Company, Arizona Docket No. E-01933A-1-0322 in which I addressed electric depreciation issues.
- Testified on behalf Public Interest Advocacy Staff of the Georgia Public Service Commission in Georgia Power Company's 2016 Integrated Resource Plan, Georgia

Docket No. 40161 in which I addressed depreciation issues.

- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding involving Atmos Energy, Docket No. 16-ATMG-079-RTS in which I addressed natural gas depreciation rate issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in an audit involving Twin Valley Telephone, Inc., Docket No. 15-TWVT-213-AUD in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Testified on behalf of the Kansas Corporation Commission Staff in a general rate proceeding involving Kansas City Power Light Company, Docket No. 15-KCPE-116-RTS in which I addressed electric depreciation rate issues.
- Testified on behalf of the Kansas Corporation Commission Staff in an audit involving Moundridge Telephone Company, Inc., Docket No. 15-MRGT-097-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in an audit involving S&T Telephone Cooperative, Inc., Docket No. 14-S&TT-525-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Co-Sponsored Bench Report on Depreciation in Maine Docket No. 2013-00443 regarding Bangor Hydro Electric Company and Maine Public Service Company (Emera-Maine) depreciation rates in a general rate proceeding.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in an audit involving Wamego Telecommunications Company, Inc., Docket No. 14-WTCT-142-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in an audit involving People Telecommunication LLC, Docket No. 13-PLTT-678-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in an audit involving J.B.N. Telephone Company, Inc., Docket No. 13-JBNT-437-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in an audit involving Zenda Telephone Company, Inc., Docket No. 13-ZENT-065-AUD in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in an audit involving Craw-Kan Telephone Cooperative, Inc., Docket No. 13-CRKT-268-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in an audit



involving LaHarpe Telephone Company, Inc., Docket No. 12-LHPT-875-AUD in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.

- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in an audit involving Gorham Telephone Company, Docket No. 12-GRHT-633-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in an audit involving S&T Telephone Cooperative Association, Inc., Docket No. 12-S&TT-234-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Cunningham Telephone Company, Inc., Docket No. 11-CNHT-659-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Rainbow Telephone Association, Docket No. 11-RNBT-608-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Pioneer Telephone Association, Docket No. 11-PNRT-315-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Assisted Kansas Corporation Staff in audit involving Golden Belt Telephone Association, Docket No. 10-GNBT-526-KSF in which I addressed cost study issues and support fund adjustments.
- Assisted Kansas Corporation Staff in audit involving United Telephone Association, Docket No. 10-UTAT-525-KSF in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Haviland Telephone Company, Inc., Docket No. 10-HVDT-288-KSF in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Blue Valley Tele-Communications, Inc., Docket No. 09-BLVT-913-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Assisted Kansas Corporation Staff in audit involving Twin Valley Telephone Company, Docket No. 09-TVWT-069-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Mutual Telephone Company, Docket No. 09-MLTL-091-KSF in which I addressed cost study issues and support fund adjustments.

- Assisted Kansas Corporation Staff in audit involving Columbus Telephone Company, Docket No. 08-CBST-400-KSF in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Moundridge Telephone Company, Docket No. 08-MRGT-221-KSF in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Peoples Telecommunications, LLC, Docket No. 07-PLTT-1289-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Madison Telephone, LLC, Docket No. 07-MDTT-195-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Rainbow Telecommunications Association, Inc., Docket No. 06-RNBT-1322-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Wamego Telecommunications Company, Inc., Docket No. 06-WCTC-1020-AUD in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving H&B Communications, Inc., Docket No. 06-H&BT-1007-AUD in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Elkhart Telephone Company, Inc., Docket No. 06-ELKT-365-AUD in which I addressed cost study issues, allocation of FTTH equipment, and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving South Central Telephone Association, Inc., Docket No. 05-SCNT-1048-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Utah Committee of Consumer Services in general rate case involving Carbon/Emery Telecom, Inc., Docket No. 05-2302-01 in which I addressed cost study issues and depreciation rates.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Totah Communications, Inc., Docket No. 05-TTHT-895-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Maine Office of Public Advocate in Docket No. 2005-155, an investigation of Verizon's alternative form of regulation in which I addressed depreciation calculations.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate

proceeding and audit involving Tri-County Telephone Association, Docket No. 05-TRCT-607-KSF in which I addressed cost study issues and support fund adjustments.

- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving KanOkla Telephone Association, Inc, Docket No. 05-KOKT-060-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Cunningham Telephone, Inc, Docket No. 05-CNHT-020-AUD in which I addressed cost study issues and support fund adjustments.
- Testified on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving United Telephone Association, Inc, Docket No. 04-UTAT-690-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Council Grove Telephone Company, Docket No. 04-CGTT-679-KSF in which I addressed cost study issues and support fund adjustments.
- Testified on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Golden Belt Telephone Association, Docket No. 04-GNBT-130-AUD in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Twin Valley Telephone, Inc., Docket No. 03-TWVT-1031-AUD in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Haviland Telephone Company, Docket No. 03-HVDT-664-RTS in which I addressed cost study issues and support fund adjustments.
- Testified on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving Wheat State Telephone Company, Docket No. 03-WHST-503-AUD, in which I addressed cost study issues and support fund adjustments.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in general rate proceeding and audit involving S&A Telephone Company, Docket No. 03-S&AT-160-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving JBN Telephone Company, Docket No. 02-JBNT-846-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving Blue Valley Telephone Company, Inc., Docket No. 02-BLVT-377-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving S&T Telephone Cooperative Association, Inc., Docket No. 02-S&TT-390-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving Craw-Kan Telephone Cooperative, Docket No. 01-CRKT-713-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general

rate proceeding and audit involving Sunflower Telephone Company, Inc., Docket No. 01-SFLT-879-AUD, in which I addressed cost study issues.

- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving Bluestem Telephone Company, Inc., Docket No. 01-BSST-878-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving Pioneer Telephone Company, Docket No. 01-PNRT-929-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving Southern Kansas Telephone Company, Docket No. 01-SNKT-544-AUD, in which I addressed cost study issues.
- Prefiled testimony on behalf of the Kansas Corporation Commission Staff in a general rate proceeding and audit involving Rural Telephone Company, Docket No. 01-RRLT-518-KSF, in which I addressed cost study issues.
- Testified on behalf of the Government and Consumers Intervenors (GCI) before the Illinois Commerce Commission in an Alternative Regulation case involving Ameritech Illinois, Docket No. 98-0252, in which I addressed cost study issues.

Participated in, but did not testify in, the following proceedings:

- Oklahoma Cause No. PUD 201700495 (Oklahoma Gas & Electric Company Depreciation Rate Issues)
- Indiana Cause No. 44992 (Indiana-American Water Company Depreciation Issues)
- Maine Docket No. 2017-00065 (Northern Utilities, Inc. (Unitil) Depreciation Issues)
- Oklahoma Cause No. PUD 201700151 (Public Service Company of Oklahoma Electric Depreciation Rate Issues)
- Massachusetts Case No. D.P.U. 17-005 (Eversource Energy (NSTAR Electric Company and Western Massachusetts Electric Company) Depreciation Issues)
- California Public Utilities Commission Docket No. 16-09-001 (Southern California Edison Company General Rate Proceeding)
- New Jersey BPU Docket No. ER16050428 (Rockland Electric Company General Rate Proceeding)
- DC Formal Case No. 1139 (Potomac Electric Company General Rate Proceeding)
- DC Formal Case No. 1137 (Washington Gas Light General Rate Proceeding)
- New Jersey BPU Docket No. GR15111304 (New Jersey Natural Gas General Rate Proceeding)
- Massachusetts Case No. D.P.U. 15-155 (National Grid (Massachusetts Electric Company/Nantucket Electric Company) Depreciation Issues)
- New Mexico Case No. 15-00261-UT (Public Service Company of New Mexico General Rate Proceeding)
- Alaska Docket No. U-15-089 (College Utilities Corporation and Golden Heart Utilities, Inc. Water and Wastewater Depreciation Issues)

- Maryland Case No. 9355 (Baltimore Gas Electric Depreciation Rate Proceeding)
- Nebraska Application NG-0079 (SourceGas Depreciation Rate Proceeding)
- Maine Docket No. 2013-00168 (Central Maine Power Company General Rate Proceeding)
- New Jersey BPU Docket No. GR13111137 (South Jersey Gas Company General Rate Proceeding)
- Utah Docket No. 13-057-19 (Questar Gas Company Depreciation Rate Proceeding)
- DC Formal Case No. 1103 (Potomac Electric Company General Rate Proceeding)
- New Jersey BPU Docket No. ER12121071 and OAL Docket No. PUC00617-13 (Atlantic City Electric Company General Rate Proceeding)
- Utah Docket No. 13-035-02 (Rocky Mountain Power Depreciation Rate Proceeding)
- Alaska Docket No. U-12-149 (ML&P Depreciation Rate Proceeding)
- DC Formal Case No. 1093 (Washington Gas Light General Rate Proceeding)
- Kansas Docket No. 12-KGSG-835-RTS (Kansas Gas Rate Proceeding)
- Kansas Docket No. 12-KCPE-764-RTS (Kansas City Power & Light General Rate Proceeding)
- Indiana Cause No. 44075 (Indiana Michigan Power Company General Rate Proceeding)
- Kansas Docket No. 12-ATMG-564-RTS (Atmos Energy General Rate Proceeding)
- Maryland Case No. 9286 (Potomac Electric Power Company General Rate Proceeding)
- Maryland Case No. 9285 (Delmarva Power & Light Company General Rate Proceeding)
- Kansas Docket No. 12-WSEE-112-RTS (Westar Energy, Inc. General Rate Proceeding)
- Kansas Docket No. 11-MDWE-609-RTS (Midwest Energy General Rate Proceeding)
- Kansas Docket No. 08-GIMX-1142-GIV (Generic Depreciation Docket)
- New Mexico Case No. 10-00086-UT (Public Service Company of New Mexico General Rate Proceeding)
- Georgia Public Service Commission Docket No. 31647 (Atlanta Gas Light Company Rate Proceeding)
- Kansas Docket No. 10-KCPE-415-RTS (Kansas City Power & Light General Rate Proceeding)
- DC Formal Case No. 1076 (PEPCO General Rate Proceeding)
- Missouri Case No. ER-2010-0036 (AmerenUE Electric Rate Proceeding)
- Michigan Case No. U-15981 (Wisconsin Electric Power Company Depreciation Rate Proceeding)
- Alaska Docket No. U-09-097 (Chugach Electric Association, Inc. Depreciation Rate Proceeding)
- Alaska Docket No. U-09-077 (Homer Electric Association, Inc. Depreciation Rate Proceeding)
- Alaska Docket No. U-09-029 (TDX Sand Point Generating, Inc. Depreciation Rate Proceeding)
- Michigan Case No. U-15778 (SEMCO Energy Gas Company Depreciation Rate Proceeding)

- Michigan Case No. U-15699 (Michigan Consolidated Gas Company Depreciation Rate Proceeding)
- Michigan Case No. U-15629 (Consumers Energy Company Depreciation Rate Proceeding)
- New Mexico Case No. 08-00273-UT (Public Service Company of New Mexico General Rate Proceeding)
- Missouri Case No. ER-2008-0318 (AmerenUE Electric Rate Proceeding)
- Missouri Case No. ER-2008-0093 (Empire District Electric Company General Rate Proceeding)
- Kansas Docket No. 08-MDWE-594-RTS (Midwest Energy General Rate Proceeding)
- Alaska Docket No. U-07-174 (Enstar Natural Gas Company and Alaska Pipeline Company Depreciation Rate Proceeding)
- Alaska Docket No. U-08-004 (Anchorage Water and Wastewater Utility Depreciation Rate Proceeding)
- Kansas Case No. 08-ATMG-280-RTS (Atmos Energy General Rate Proceeding)
- Kansas Case No. 08-SEPE-257-DRS (Sunflower Electric Depreciation Rate Proceeding)
- Maryland Case No. 9103 (WGL Depreciation Rate Proceeding)
- Maryland Case No. 9096 (BGE Depreciation Rate Proceeding)
- Maryland Case No. 9092 (PEPCO General Rate Proceeding)
- Missouri Case No. ER-2007-0002 (AmerenUE Electric Rate Proceeding)
- Maryland Case No. 9062 (Chesapeake Utility Corporation General Rate Proceeding)
- Indiana Cause No. 42959 (Indiana Michigan Power Company Depreciation Rate Case)
- Arizona Docket No. T-0151B-03-0454 (Qwest Renewed Price Regulation Plan)
- Illinois Docket No. 04-0461 (SBC Imputation Requirements)
- Utah Docket No. 04-049-62 (Qwest Price Cap Compliance Filing)
- Utah Docket No. 03-049-49 (Qwest Price Flexibility-Residential)
- Utah Docket No. 03-049-50 (Qwest Price Flexibility-Business)
- Alaska Docket Nos. U-1-83, U-01-85, U-01-87 (General Rate Proceeding)
- Maryland Case No. 8960 (Washington Gas Light Company Depreciation Rate Proceeding)
- Pennsylvania Docket Nos. C-200271905 (Access Charge Complaint Proceeding)
- Illinois Docket No. 03-0323 (IL UNE Law Proceeding)
- Illinois Docket No. 02-0864 (SBC UNE Rate Proceeding)
- Pennsylvania Docket Nos. A-310200F0002, A-311350F0002, A-310222F0002, A-310291F0003 (Verizon for Approval of Agreement and Plan of Merger)
- California Docket A.02-01-004 (Kerman General Rate Case)
- Pennsylvania Docket Nos. P-00991649, P-00991648, M-00021596 (Joint Petition for Global Resolution of Telecommunications Proceedings)
- Illinois Docket No. 02-0560 (Verizon Advanced Services Waiver)
- Utah Docket No. 01-2383-01 (Qwest Price Flexibility-Residential)

- Utah Docket No. 02-049-82 (Qwest Price Flexibility-Business)
- Missouri Docket No. TR-2001-65 (Cost of Access Proceeding)
- Kansas Docket No. 02-WLST-210-AUD (Audit and General Rate Proceeding)
- Kansas Docket No. 02-HOMT-209-AUD (Audit and General Rate Proceeding)
- New Mexico Case No. 3223 (Universal service fund proceeding)
- Arizona Docket No. T-00000A-00-0194 (Wholesale cost/UNE proceeding of Qwest)
- Arizona TX 98-00716 (Tax Case of Citizens Telecommunications Company of White Mountain, et. al.)
- Maryland Case No. 8862 (PIC change charge case of Verizon Maryland)
- Maryland Case No. 8745 (Universal Service Proceeding of Verizon-Maryland)
- Arizona Docket No. T-01051B-99-0105 (General rate case of Qwest)
- New Mexico Case No. 3300 (Subsidy case of VALOR)
- New Mexico Case No. 3325 (Subsidy case of Qwest)
- New Mexico Case No. 3008 (General Rate/Depreciation case of USWest)
- Arizona Docket No. T-02724A-00-0595 (Earnings Review of Table Top Telephone Co.)
- Arizona Docket No. T-01051B-97-0689 (Depreciation case of US West)
- Illinois Docket No. 99-0412 (EAS case involving Geneseo Telephone Company)
- Kansas Docket No. 00-UTDT-455-GIT (Universal Service Fund case involving Sprint)
- Kansas Docket No. 98-SWBT-677-GIT (Universal Service Fund case involving SWBT)
- Illinois Docket Nos. 98-0200/98-0537 (Consolidated) (Usage sensitive service of GTE)
- Kansas Docket No.98-SWBT-431-DRS (Depreciation case of SWBT)
- Florida Undocketed Special Project (Fair and Reasonable Rates of GTE, BellSouth, and Sprint)
- Pennsylvania Docket No. A-310125F002 (GTE North Interconnection Proceeding)
- Oklahoma Cause No. PUD 96-0000214 (Public Service of Oklahoma Depreciation Case)
- Hawaii Docket No. 7702 (GTE Hawaiian Tel Interconnection/avoided cost proceeding)
- Washington Docket No. UT-960369 (US West avoided cost proceeding)

Participation in the above proceeding included some or all of the following:

Developing analyses, preparing data requests, analyzing issues, writing draft testimony, preparing data responses, preparing draft questions for cross examination, drafting briefs, and developed various quantitative models.

## **EDUCATION**

Master of Arts in Accounting from the University of Illinois-Springfield, Springfield, Illinois.

12 hours of Business and Management classes at Benedictine University-Springfield College in Illinois, Springfield, Illinois.

27 hours of Graduate Studies in Mathematics at Illinois State University, Normal, Illinois.

Bachelor of Science in Mathematics from Illinois State University, Normal, Illinois.

Completed the Depreciation Fundamentals training course offered by the Society of Depreciation Professionals.

Relevant Coursework:

- |                                      |   |
|--------------------------------------|---|
| -Calculus                            | -Discrete Mathematics                   |
| -Number Theory                       | -Mathematical Statistics                |
| -Linear Programming                  | -Differential Equations                 |
| -Finite Sampling                     | -Statistics for Business and Economics  |
| -Introduction to Micro Economics     | -Introduction to Macro Economics        |
| -Principles of MIS                   | -Introduction to Financial Accounting   |
| -Intermediate Managerial Accounting  | -Introduction to Managerial Accounting  |
| -Intermediate Financial Accounting I | -Intermediate Financial Accounting II   |
| -Advanced Financial Accounting       | -Auditing Concepts/Responsibilities     |
| -Accounting Information Systems      | -Federal Income Tax                     |
| -Fraud Forensic Accounting           | -Accounting for Government & Non-Profit |
| -Commercial Law                      | -Advanced Utilities Regulation          |
| -Advanced Auditing                   | -Advanced Corp & Partnership Taxation   |



**SUEZ Water Rhode Island**  
**Table 1: Summary of Depreciation Rates and Annual Accrual Amounts**  
**As of December 31, 2016**

Account	Description	12/31/16 Investment	Current Approved		SUEZ Proposed			Division Proposed			
			Accrual Rate	Accrual Amount	Accrual Rate	Accrual Amount	Difference from Current	Accrual Rate	Accrual Amount	Difference from Current	Difference from Company
	A	B	C	D	E	F	G	H	I	J	K
<b>DEPRECIABLE PLANT</b>											
	Structures and Improvements										
304.10	Source of Supply	746,416	2.00%	14,928	2.20%	16,401	1,473	2.20%	16,401	1,473	0
304.30	Treatment	17,106	2.00%	342	2.30%	394	52	2.30%	394	52	0
304.40	Transmission and Distribution	139,985	3.00%	4,200	1.66%	2,326	(1,874)	1.66%	2,326	(1,874)	0
304.50	General	205,021	5.00%	10,251	1.45%	2,969	(7,282)	1.45%	2,969	(7,282)	0
	Total Structures and Improvements	1,108,528	2.68%	29,721	1.99%	22,090	(7,631)	1.99%	22,090	(7,631)	0
307.00	Wells and Springs	452,461	2.00%	9,049	3.98%	18,022	8,973	3.98%	18,022	8,973	0
308.00	Infiltration Galleries and Tunnels	1,601	0.00%	0	1.94%	31	31	1.94%	31	31	0
309.00	Supply Mains	51,099	1.25%	639	2.87%	1,468	829	2.87%	1,468	829	0
311.00	Pumping Equipment	1,533,834	4.00%	61,353	1.90%	29,092	(32,261)	1.73%	26,535	(34,818)	(2,557)
320.00	Water Treatment Equipment	540,063	5.00%	27,003	2.08%	11,213	(15,790)	2.08%	11,213	(15,790)	0
330.00	Distrib. Reservoirs & Standpipes	4,335,552	1.33%	57,663	2.93%	127,209	69,546	2.93%	127,209	69,546	0
331.00	Mains	12,379,420	1.25%	154,743	1.29%	160,212	5,469	1.23%	152,267	(2,476)	(7,945)
333.00	Services	3,816,708	2.00%	76,334	1.76%	67,267	(9,067)	1.76%	67,267	(9,067)	0
334.00	Meters and Meter Installations	2,949,830	3.00%	88,495	2.56%	75,627	(12,868)	2.56%	75,627	(12,868)	0
335.00	Hydrants	1,058,166	2.00%	21,163	1.73%	18,333	(2,830)	1.73%	18,333	(2,830)	0
339.10	Miscellaneous Intangible Plant	231,444	0.00%	0	8.63%	19,983	19,983	8.63%	19,983	19,983	0
339.20	Misc Intangible Plant - Other Equip	108,067	4.00%	4,323	2.05%	2,214	(2,109)	2.05%	2,214	(2,109)	0
340.00	Office Furniture and Equipment										
	Hardware	103,385	2.00%	2,068	20.02%	20,698	18,630	20.02%	20,698	18,630	0
	Software	223,846	2.00%	4,477	25.66%	57,429	52,952	25.66%	57,429	52,952	0
	CC & B - Lighthouse	552,856	2.00%	11,057	11.38%	62,908	51,851	11.38%	62,908	51,851	0
	Furniture and Equipment	62,632	2.00%	1,253	12.58%	7,881	6,628	12.58%	7,881	6,628	0
	Total Office Furniture and Equipment	942,719	2.00%	18,855	15.80%	148,916	130,061	15.80%	148,916	130,061	0
341.00	Transportation Equipment	3,451	2.00%	69	12.87%	444	375	12.87%	444	375	0
343.00	Tools, Shop and Garage Equipment	74,007	2.00%	1,480	2.33%	1,728	248	2.33%	1,728	248	0
345.00	Power Operated Equipment	15,685	2.00%	314	4.33%	679	365	4.33%	679	365	0

**SUEZ Water Rhode Island**  
**Table 1: Summary of Depreciation Rates and Annual Accrual Amounts**  
**As of December 31, 2016**

Account	Description	12/31/16 Investment	Current Approved		SUEZ Proposed			Division Proposed			
			Accrual Rate	Accrual Amount	Accrual Rate	Accrual Amount	Difference from Current	Accrual Rate	Accrual Amount	Difference from Current	Difference from Company
	A	B	C	D	E	F	G	H	I	J	K
346.00	Communication Equipment	290,972	2.00%	5,819	10.05%	29,246	23,427	10.05%	29,246	23,427	0
347.00	Miscellaneous Equipment	79,677	2.00%	1,594	5.80%	4,623	3,029	5.80%	4,623	3,029	0
<b>TOTAL DEPRECIABLE PLANT</b>		<b>29,973,284</b>	<b>1.86%</b>	<b>558,617</b>	<b>2.46%</b>	<b>738,397</b>	<b>179,780</b>	<b>2.43%</b>	<b>727,895</b>	<b>169,278</b>	<b>(10,502)</b>
<b>NONDEPRECIABLE PLANT</b>											
301.00	Organization	963									
303.10	Land and Land Rights	33,319									
303.20	Land and Land Rights	1,862									
<b>TOTAL NONDEPRECIABLE PLANT</b>		<b>36,143</b>									
<b>TOTAL WATER PLANT</b>		<b>30,009,427</b>		<b>558,617</b>		<b>738,397</b>	<b>179,780</b>		<b>727,895</b>	<b>169,278</b>	<b>(10,502)</b>

**SUEZ Water Rhode Island**  
**Table 2: Calculation of Depreciation Rates**  
**As of December 31, 2016**

Account	Description	12/31/16	12/31/16	Percent Reserve	Future	Net	Remaining Life	Total Annual	
		Investment	Book Reserve		Net Salvage Percent	Plant to be Recovered		Rate	Accrual
	A	B	C	D=C/B	E	F	G	H	I
<b>DEPRECIABLE PLANT</b>									
	Structures and Improvements								
304.10	Source of Supply	746,416	168,030	22.51%	-5%	615,707	37.5	2.20%	16,419
304.30	Treatment	17,106	10,006	58.49%	-5%	7,955	20.2	2.30%	394
304.40	Transmission and Distribution	139,985	40,498	28.93%	-5%	106,486	45.8	1.66%	2,325
304.50	General	205,021	90,293	44.04%	-5%	124,979	42.1	1.45%	2,969
	Total Structures and Improvements	1,108,528	308,828	27.86%	5%	855,126	38.7	1.99%	22,106
307.00	Wells and Springs	452,461	138,455	30.60%	-5%	336,629	18.7	3.98%	18,002
308.00	Infiltration Galleries and Tunnels	1,601	88	5.48%	0%	1,513	48.8	1.94%	31
309.00	Supply Mains	51,099	13,317	26.06%	0%	37,782	25.7	2.88%	1,470
311.00	Pumping Equipment	1,533,834	819,534	53.43%	-5%	790,992	29.8	1.73%	26,543
320.00	Water Treatment Equipment	540,063	243,064	45.01%	-10%	351,005	31.3	2.08%	11,214
330.00	Distrib. Reservoirs & Standpipes	4,335,552	263,873	6.09%	-30%	5,372,345	42.2	2.94%	127,307
331.00	Mains	12,379,420	2,422,420	19.57%	-20%	12,432,884	81.5	1.23%	152,551
333.00	Services	3,816,708	1,221,315	32.00%	-45%	4,312,911	64.1	1.76%	67,284
334.00	Meters and Meter Installations	2,949,830	913,858	30.98%	0%	2,035,972	26.9	2.57%	75,687
335.00	Hydrants	1,058,166	425,382	40.20%	-20%	844,417	46.1	1.73%	18,317
339.10	Miscellaneous Intangible Plant	231,444	0	0.00%	0%	231,444	11.6	8.62%	19,952
339.20	Misc Intangible Plant - Other Equip	108,067	60,823	56.28%	0%	47,244	21.3	2.05%	2,218
340.00	Office Furniture and Equipment								
	Hardware	103,385	71,118	68.79%	0%	32,267	1.6	19.51%	20,167
	Software	223,846	142,743	63.77%	0%	81,103	1.4	25.88%	57,931
	CC & B - Lighthouse	552,856	395,586	71.55%	0%	157,270	2.5	11.38%	62,908
	Furniture and Equipment	62,632	7,441	11.88%	0%	55,191	7.0	12.59%	7,884

**SUEZ Water Rhode Island**  
**Table 2: Calculation of Depreciation Rates**  
**As of December 31, 2016**

Account	Description	12/31/16	12/31/16	Percent Reserve	Future	Net	Remaining	Total Annual	
		Investment	Book Reserve		Salvage	Plant		Life	Rate
	A	B	C	D=C/B	E	F	G	H	I
	Total Office Furniture and Equipment	942,719	616,888	65.44%	0%	325,830	2.2	15.79%	148,890
341.00	Transportation Equipment	3,451	460	13.33%	0%	2,991	6.7	12.94%	446
343.00	Tools, Shop and Garage Equipment	74,007	39,151	52.90%	0%	34,856	20.2	2.33%	1,726
345.00	Power Operated Equipment	15,685	8,210	52.34%	0%	7,475	11.0	4.33%	680
346.00	Communication Equipment	290,972	55,799	19.18%	0%	235,174	8.0	10.10%	29,397
347.00	Miscellaneous Equipment	79,677	16,881	21.19%	0%	62,797	13.6	5.80%	4,617
	<b>TOTAL DEPRECIABLE PLANT</b>	<b>29,973,284</b>	<b>7,568,345</b>	<b>25.25%</b>	<b>20%</b>	<b>28,319,387</b>	<b>38.9</b>	<b>2.43%</b>	<b>728,437</b>

**SUEZ Water Rhode Island**  
**Table 3: Current and Proposed Parameters**  
**As of December 31, 2016**

Account	Description	Current			SUEZ Proposed				Division Proposed			
		Proj Life	lowa Curve Shape	Future Net Salvage	Proj Life	lowa Curve Shape	Avg Rem Life	Future Net Salvage	Proj Life	lowa Curve Shape	Avg Rem Life	Future Net Salvage
	A	C	D	E	G	H	I	J	L	M	N	O
<b>DEPRECIABLE PLANT</b>												
	Structures and Improvements											
304.10	Source of Supply	50	R3	-5%	50	R3	37.5	-5%	50	R3	37.5	-5%
304.30	Treatment	50	R3	-5%	50	R3	20.2	-5%	50	R3	20.2	-5%
304.40	Transmission and Distribution	50	R3	-5%	50	R3	45.8	-5%	50	R3	45.8	-5%
304.50	General	50	R3	-5%	50	R3	42.1	-5%	50	R3	42.1	-5%
	Total Structures and Improvements											
307.00	Wells and Springs	35	S1	-5%	35	S1	18.7	-5%	35	S1	18.7	-5%
308.00	Infiltration Galleries and Tunnels	55	R2.5	0%	55	R2.5	48.8	0%	55	R2.5	48.8	0%
309.00	Supply Mains	55	S2	0%	55	S2	25.7	0%	55	S2	25.7	0%
311.00	Pumping Equipment	45	R4	-10%	45	R4	29.8	-10%	45	R4	29.8	-5%
320.00	Water Treatment Equipment	40	S0.5	-10%	40	S0.5	31.3	-10%	40	S0.5	31.3	-10%
330.00	Distrib. Reservoirs & Standpipes	50	R4	-30%	50	R4	42.2	-30%	50	R4	42.2	-30%
331.00	Mains	110	R3	-25%	110	R3	81.5	-25%	110	R3	81.5	-20%
333.00	Services	80	R4	-45%	80	R4	64.1	-45%	80	R4	64.1	-45%
334.00	Meters and Meter Installations	37	R3	0%	37	R3	26.9	0%	37	R3	26.9	0%
335.00	Hydrants	65	R4	-20%	65	R4	46.1	-20%	65	R4	46.1	-20%
339.10	Miscellaneous Intangible Plant	20	SQ	0%	20	SQ	11.6	0%	20	SQ	11.6	0%
339.20	Misc Intangible Plant - Other Equip	30	S2.5	0%	30	S2.5	21.3	0%	30	S2.5	21.3	0%
340.00	Office Furniture and Equipment											
	Hardware	5	SQ	0%	5	SQ	1.6	0%	5	SQ	1.6	0%

**SUEZ Water Rhode Island**  
**Table 3: Current and Proposed Parameters**  
**As of December 31, 2016**

Account	Description	Current			SUEZ Proposed				Division Proposed			
		Proj	lowa Curve	Future Net	Proj	lowa Curve	Avg Rem	Future Net	Proj	lowa Curve	Avg Rem	Future Net
		Life	Shape	Salvage	Life	Shape	Life	Salvage	Life	Shape	Life	Salvage
	A	C	D	E	G	H	I	J	L	M	N	O
	Software	5	SQ	0%	5	SQ	1.4	0%	5	SQ	1.4	0%
	CC & B - Lighthouse	8	SQ	0%	8	SQ	2.5	0%	8	SQ	2.5	0%
	Furniture and Equipment	15	SQ	0%	15	SQ	7.0	0%	15	SQ	7.0	0%
	Total Office Furniture and Equipment											
341.00	Transportation Equipment	12	L3	0%	12	L3	6.7	0%	12	L3	6.7	0%
343.00	Tools, Shop and Garage Equipment	25	SQ	0%	25	SQ	20.2	0%	25	SQ	20.2	0%
345.00	Power Operated Equipment	18	L2.5	0%	18	L2.5	11.0	0%	18	L2.5	11.0	0%
346.00	Communication Equipment	15	SQ	0%	15	SQ	8.0	0%	15	SQ	8.0	0%
347.00	Miscellaneous Equipment	25	SQ	0%	25	SQ	13.6	0%	25	SQ	13.6	0%

**TOTAL DEPRECIABLE PLANT**

**SUEZ WATER RHODE ISLAND, INC.**  
**Docket No. 4800**  
**Fourth Set of Data Requests of the**  
**Division of Public Utilities and Carriers**  
**March 9, 2018**

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**4-1**  
**(Spanos)**

**4-1** The Direct Testimony of John Spanos on page 2, lines 15-21, provides a definition of depreciation in quotes. Please provide the source of the definition of depreciation quoted on page 2, lines 15-21

**Response:** The definition of depreciation supplied in the Direct Testimony of John J. Spanos on page 2 was provided in the NARUC manual based on the Interstate Commerce Commission definition. However, the more appropriate definition of depreciation for this study as applied by Mr. Spanos from the Uniform System of Accounts and the NARUC manual is as follows:

“Depreciation refers to the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of service from causes which are known to be current operation and against which the utility is not protected by insurance. Among the courses to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.”

# NEWS RELEASE

## BUREAU OF LABOR STATISTICS

U. S. D E P A R T M E N T O F L A B O R



**Transmission of material in this release is embargoed until  
 8:30 a.m. (EST) January 12, 2018**

USDL-18-0039

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### CONSUMER PRICE INDEX – DECEMBER 2017

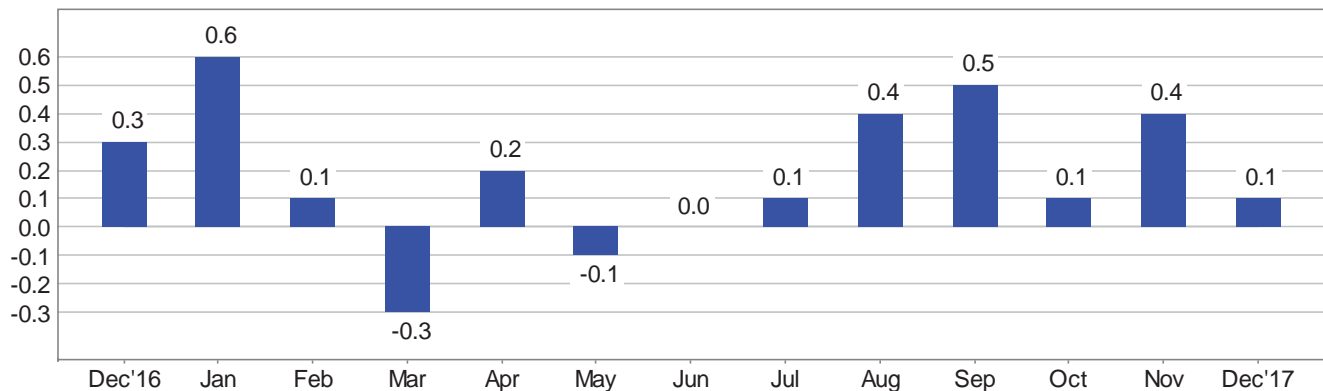
The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent in December on a seasonally adjusted basis, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index rose 2.1 percent before seasonal adjustment.

An increase of 0.4 percent in the shelter index accounted for almost 80 percent of the 1-month all items increase. The food index rose in December, with the indexes for food at home and food away from home both increasing. The energy index, which rose sharply in November, declined in December as the gasoline index decreased.

The index for all items less food and energy increased 0.3 percent in December, its largest increase since January 2017. Along with the shelter index, the indexes for medical care, used cars and trucks, new vehicles, and motor vehicle insurance were among those that increased in December. The indexes for apparel, airline fares, and tobacco all declined over the month.

The all items index rose 2.1 percent for the 12 months ending December, compared to 2.2 percent for the 12 months ending November. The index for all items less food and energy increased 1.8 percent over the last year; the 12-month change has now been either 1.7 or 1.8 percent for eight consecutive months. The food index rose 1.6 percent over the past year; the index for energy increased 6.9 percent, with all of its major component indexes rising during 2017.

**Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, Dec. 2016 - Dec. 2017**  
 Percent change





**Table 24. Historical Consumer Price Index for All Urban Consumers (CPI-U): U. S. city average, all items-Continued**

(1982-84=100, unless otherwise noted)

Year	Semiannual averages		Annual avg.	Percent change from previous	
	1st half	2nd half		Dec.	Annual avg.
1913	-	-	9.9	-	-
1914	-	-	10.0	1.0	1.0
1915	-	-	10.1	2.0	1.0
1916	-	-	10.9	12.6	7.9
1917	-	-	12.8	18.1	17.4
1918	-	-	15.1	20.4	18.0
1919	-	-	17.3	14.5	14.6
1920	-	-	20.0	2.6	15.6
1921	-	-	17.9	-10.8	-10.5
1922	-	-	16.8	-2.3	-6.1
1923	-	-	17.1	2.4	1.8
1924	-	-	17.1	.0	.0
1925	-	-	17.5	3.5	2.3
1926	-	-	17.7	-1.1	1.1
1927	-	-	17.4	-2.3	-1.7
1928	-	-	17.1	-1.2	-1.7
1929	-	-	17.1	.6	.0
1930	-	-	16.7	-6.4	-2.3
1931	-	-	15.2	-9.3	-9.0
1932	-	-	13.7	-10.3	-9.9
1933	-	-	13.0	.8	-5.1
1934	-	-	13.4	1.5	3.1
1935	-	-	13.7	3.0	2.2
1936	-	-	13.9	1.4	1.5
1937	-	-	14.4	2.9	3.6
1938	-	-	14.1	-2.8	-2.1
1939	-	-	13.9	.0	-1.4
1940	-	-	14.0	.7	.7
1941	-	-	14.7	9.9	5.0
1942	-	-	16.3	9.0	10.9
1943	-	-	17.3	3.0	6.1
1944	-	-	17.6	2.3	1.7
1945	-	-	18.0	2.2	2.3
1946	-	-	19.5	18.1	8.3
1947	-	-	22.3	8.8	14.4
1948	-	-	24.1	3.0	8.1
1949	-	-	23.8	-2.1	-1.2
1950	-	-	24.1	5.9	1.3
1951	-	-	26.0	6.0	7.9
1952	-	-	26.5	.8	1.9
1953	-	-	26.7	.7	.8
1954	-	-	26.9	-.7	.7
1955	-	-	26.8	.4	-.4
1956	-	-	27.2	3.0	1.5
1957	-	-	28.1	2.9	3.3
1958	-	-	28.9	1.8	2.8
1959	-	-	29.1	1.7	.7
1960	-	-	29.6	1.4	1.7
1961	-	-	29.9	.7	1.0
1962	-	-	30.2	1.3	1.0
1963	-	-	30.6	1.6	1.3
1964	-	-	31.0	1.0	1.3
1965	-	-	31.5	1.9	1.6
1966	-	-	32.4	3.5	2.9
1967	-	-	33.4	3.0	3.1
1968	-	-	34.8	4.7	4.2
1969	-	-	36.7	6.2	5.5

See footnotes at end of table.

**Table 24. Historical Consumer Price Index for All Urban Consumers (CPI-U): U. S. city average, all items-Continued**

(1982-84=100, unless otherwise noted)

Year	Semiannual averages		Annual avg.	Percent change from previous	
	1st half	2nd half		Dec.	Annual avg.
1970	-	-	38.8	5.6	5.7
1971	-	-	40.5	3.3	4.4
1972	-	-	41.8	3.4	3.2
1973	-	-	44.4	8.7	6.2
1974	-	-	49.3	12.3	11.0
1975	-	-	53.8	6.9	9.1
1976	-	-	56.9	4.9	5.8
1977	-	-	60.6	6.7	6.5
1978	-	-	65.2	9.0	7.6
1979	-	-	72.6	13.3	11.3
1980	-	-	82.4	12.5	13.5
1981	-	-	90.9	8.9	10.3
1982	-	-	96.5	3.8	6.2
1983	-	-	99.6	3.8	3.2
1984	102.9	104.9	103.9	3.9	4.3
1985	106.6	108.5	107.6	3.8	3.6
1986	109.1	110.1	109.6	1.1	1.9
1987	112.4	114.9	113.6	4.4	3.6
1988	116.8	119.7	118.3	4.4	4.1
1989	122.7	125.3	124.0	4.6	4.8
1990	128.7	132.6	130.7	6.1	5.4
1991	135.2	137.2	136.2	3.1	4.2
1992	139.2	141.4	140.3	2.9	3.0
1993	143.7	145.3	144.5	2.7	3.0
1994	147.2	149.3	148.2	2.7	2.6
1995	151.5	153.2	152.4	2.5	2.8
1996	155.8	157.9	156.9	3.3	3.0
1997	159.9	161.2	160.5	1.7	2.3
1998	162.3	163.7	163.0	1.6	1.6
1999	165.4	167.8	166.6	2.7	2.2
2000	170.8	173.6	172.2	3.4	3.4
2001	176.6	177.5	177.1	1.6	2.8
2002	178.9	180.9	179.9	2.4	1.6
2003	183.3	184.6	184.0	1.9	2.3
2004	187.6	190.2	188.9	3.3	2.7
2005	193.2	197.4	195.3	3.4	3.4
2006	200.6	202.6	201.6	2.5	3.2
2007	205.709	208.976	207.342	4.1	2.8
2008	214.429	216.177	215.303	.1	3.8
2009	213.139	215.935	214.537	2.7	-.4
2010	217.535	218.576	218.056	1.5	1.6
2011	223.598	226.280	224.939	3.0	3.2
2012	228.850	230.338	229.594	1.7	2.1
2013	232.366	233.548	232.957	1.5	1.5
2014	236.384	237.088	236.736	.8	1.6
2015	236.265	237.769	237.017	.7	.1
2016	238.778	241.237	240.007	2.1	1.3
2017	244.076	246.163	245.120	2.1	2.1

- Data not available.

NOTE: Index applies to a month as a whole, not to any specific date.

## Statement on Longer-Run Goals and Monetary Policy Strategy

Adopted effective January 24, 2012; as amended effective January 30, 2018

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The Federal Open Market Committee (FOMC) is firmly committed to fulfilling its statutory mandate from the Congress of promoting maximum employment, stable prices, and moderate long-term interest rates. The Committee seeks to explain its monetary policy decisions to the public as clearly as possible. Such clarity facilitates well-informed decisionmaking by households and businesses, reduces economic and financial uncertainty, increases the effectiveness of monetary policy, and enhances transparency and accountability, which are essential in a democratic society.

Inflation, employment, and long-term interest rates fluctuate over time in response to economic and financial disturbances. Moreover, monetary policy actions tend to influence economic activity and prices with a lag. Therefore, the Committee's policy decisions reflect its longer-run goals, its medium-term outlook, and its assessments of the balance of risks, including risks to the financial system that could impede the attainment of the Committee's goals.

The inflation rate over the longer run is primarily determined by monetary policy, and hence the Committee has the ability to specify a longer-run goal for inflation. The Committee reaffirms its judgment that inflation at the rate of 2 percent, as measured by the annual change in the price index for personal consumption expenditures, is most consistent over the longer run with the Federal Reserve's statutory mandate. The Committee would be concerned if inflation were running persistently above or below this objective. Communicating this symmetric inflation goal clearly to the public helps keep longer-term inflation expectations firmly anchored, thereby fostering price stability and moderate long-term interest rates and enhancing the Committee's ability to promote maximum employment in the face of significant

economic disturbances. The maximum level of employment is largely determined by nonmonetary factors that affect the structure and dynamics of the labor market. These factors may change over time and may not be directly measurable. Consequently, it would not be appropriate to specify a fixed goal for employment; rather, the Committee's policy decisions must be informed by assessments of the maximum level of employment, recognizing that such assessments are necessarily uncertain and subject to revision. The Committee considers a wide range of indicators in making these assessments. Information about Committee participants' estimates of the longer-run normal rates of output growth and unemployment is published four times per year in the FOMC's Summary of Economic Projections. For example, in the most recent projections, the median of FOMC participants' estimates of the longer-run normal rate of unemployment was 4.6 percent.

In setting monetary policy, the Committee seeks to mitigate deviations of inflation from its longer-run goal and deviations of employment from the Committee's assessments of its maximum level. These objectives are generally complementary. However, under circumstances in which the Committee judges that the objectives are not complementary, it follows a balanced approach in promoting them, taking into account the magnitude of the deviations and the potentially different time horizons over which employment and inflation are projected to return to levels judged consistent with its mandate.

The Committee intends to reaffirm these principles and to make adjustments as appropriate at its annual organizational meeting each January.

**SUEZ WATER RHODE ISLAND, INC.**  
**Docket No. 4800**  
**Eighth Set of Data Requests of the**  
**Division of Public Utilities and Carriers**  
**May 4, 2018**

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**8-1**  
**(Spanos)**

**8-1** Please explain the following differences between the retirements shown in “Part VIII. Net Salvage Statistics” of SWRI Exhibit JJS-1 and the service life data file provided in the Excel file “DPUC 4-5 Service Life” in response to DPUC 4-5:

- (a) For Account 304.1 through 304.5, Structures and Improvements, page VIII-2 of SWRI Exhibit JJS-1 shows \$0 retirements in the year 2016. However, the service life data file provided in the Excel file “DPUC 4-5 Service Life” shows \$39,562 in retirements in the year 2016. Please explain why the \$39,562 in retirements in the year 2016 provided in the service life data is not included in the historic book net salvage included in the Depreciation Study.
- (b) For Account 307, Wells and Springs, page VIII-3 of SWRI Exhibit JJS-1 shows \$0 retirements in the year 2016. However, the service life data file provided in the Excel file “DPUC 4-5 Service Life” shows \$38,963 in retirements in the year 2016. Please explain why the \$38,963 in retirements in the year 2016 provided in the service life data is not included in the historic book net salvage included in the Depreciation Study.
- (c) For Account 311, Pumping Equipment, page VIII-4 of SWRI Exhibit JJS-1 shows \$21,465 retirements in the year 2016. However, the service life data file provided in the Excel file “DPUC 4-5 Service Life” shows \$60,887 in retirements in the year 2016. Please explain why the total retirements in the year 2016 provided in the service life data are not included in the historic book net salvage included in the Depreciation Study.
- (d) For Account 320, Water Treatment Equipment, page VIII-5 of SWRI Exhibit JJS-1 shows \$750 retirements in the year 2016. However, the service life data file provided in the Excel file “DPUC 4-5 Service Life” shows \$12,186 in retirements in the year 2016. Please explain why the total retirements in the year 2016 provided in the service life data are not included in the historic book net salvage included in the Depreciation Study.
- (e) For Account 330, Distribution Reservoirs and Standpipes, page VIII-6 of SWRI Exhibit JJS-1 shows \$0 retirements in the year 2016. However, the service life data file provided in the Excel file “DPUC 4-5 Service Life” shows \$7,471 in retirements in the year 2016. Please explain why the \$7,471 in retirements in the year 2016 provided in the service life data is not included in the historic book net salvage included in the Depreciation Study.
- (f) For Account 339.2, Miscellaneous Intangible Plant-Other Equipment, page VIII-11 of SWRI Exhibit JJS-1 shows \$0 retirements in the year 2016. However, the service life data file provided in the Excel file “DPUC 4-5 Service Life” shows \$810 in retirements in the year 2016. Please explain why the \$810 in retirements in the year 2016 provided in the service life data is not included in the historic book net salvage included in the Depreciation Study.

**SUEZ WATER RHODE ISLAND, INC.**  
**Docket No. 4800**  
**Eighth Set of Data Requests of the**  
**Division of Public Utilities and Carriers**  
**May 4, 2018**

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- (g) Please provide the historic book salvage pages using the retirement amounts for 2016 that are included in the Excel file “DPUC 4-5 Service Life.”
- (h) Does the use of the retirement amounts for 2016 that are included in the Excel file “DPUC 4-5 Service Life” in the historic book salvage change the proposed future net salvage percents shown on pages VI-5 to VI-6 of the Depreciation Study (SWRI Exhibit JJS-1)? If so, please provide the revised depreciation rates in a table similar to pages VI-5 to VI-6 of the Depreciation Study. If not, please explain why not.

**Response:**

- a-f) The difference in retirements for 2016 between Part VIII, Net Salvage Statistics, of SWRI Exhibit JJS-1 and the service life data provided in the Excel file “DPUC4-5ServiceLife” in response to DPUC 4-5 relate to assets that were identified as being retired but had not been recorded on the books as of December 31, 2016. These were assets that had been replaced within the last five years and identified during the conduct of the depreciation study. Since the retirement had not been identified, there had not been any associated cost of removal or salvage recorded. Therefore, it was not appropriate in the net salvage analyses to show only retirements without the corresponding cost of removal and salvage.
- g) The attached file, DPUC-8-1g.docx, sets forth the net salvage statistics including the additional 2016 retirement amounts. There is no corresponding cost of removal and gross salvage shown for these entries.
- h) As discussed in Part IV, Net Salvage Considerations, of SWRI Exhibit JJS-1, the net salvage estimates were based primarily on judgment. The statistical analyses was only one of the factors and with limited data to analyze for most accounts, the statistical analyses was not a strong indicator. Therefore, the inclusion of the additional 2016 retirements does not change the proposed future net salvage percentages shown on pages VI-5 and VI-6 of the Depreciation Study.

SUEZ WATER RHODE ISLAND

ACCOUNTS 304.1 THROUGH 304.5 STRUCTURES AND IMPROVEMENTS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
2009	5,837		0		0		0
2010							
2011							
2012							
2013							
2014	3,967		0		0		0
2015	4,068		0		0		0
2016	39,562		0		0		0
TOTAL	53,434		0		0		0

THREE-YEAR MOVING AVERAGES

09-11	1,946		0		0		0
10-12							
11-13							
12-14	1,322		0		0		0
13-15	2,678		0		0		0
14-16	15,866		0		0		0

FIVE-YEAR AVERAGE

12-16	9,519		0		0		0
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SUEZ WATER RHODE ISLAND  
ACCOUNT 307 WELLS AND SPRINGS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
2013	4,250		0		0		0
2014	10,000		0		0		0
2015	57,577		0		0		0
2016	38,963		0		0		0
TOTAL	110,790		0		0		0
THREE-YEAR MOVING AVERAGES							
13-15	23,942		0		0		0
14-16	35,513		0		0		0

SUEZ WATER RHODE ISLAND  
ACCOUNT 311 PUMPING EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
2012	8,000		0		0		0
2013	15,029		0		0		0
2014	15,380	3,244	21		0	3,244-	21-
2015	16,683		0		0		0
2016	60,887	1,124	2		0	1,124-	2-
TOTAL	115,979	4,368	4		0	4,368-	4-

THREE-YEAR MOVING AVERAGES

12-14	12,803	1,081	8		0	1,081-	8-
13-15	15,697	1,081	7		0	1,081-	7-
14-16	30,983	1,456	5		0	1,456-	5-

FIVE-YEAR AVERAGE

12-16	23,196	874	4		0	874-	4-
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SUEZ WATER RHODE ISLAND

ACCOUNT 320 WATER TREATMENT EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
2009	2,500		0		0		0
2010							
2011	2,838		0		0		0
2012	8,867		0		0		0
2013	5,167		0		0		0
2014	3,000		0		0		0
2015	3,080		0		0		0
2016	12,186	1	0		0	1-	0
TOTAL	37,638	1	0		0	1-	0

THREE-YEAR MOVING AVERAGES

09-11	1,779		0		0		0
10-12	3,901		0		0		0
11-13	5,624		0		0		0
12-14	5,678		0		0		0
13-15	3,749		0		0		0
14-16	6,089		0		0		0

FIVE-YEAR AVERAGE

12-16	6,460		0		0		0
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SUEZ WATER RHODE ISLAND

ACCOUNT 330 DISTRIBUTION RESERVOIRS AND STANDPIPES

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
2009	1,500		0		0		0
2010							
2011	8,485		0		0		0
2012	27,535		0		0		0
2013	101,305	19,500	19		0	19,500-	19-
2014		75,000				75,000-	
2015	5,961		0		0		0
2016	7,471		0		0		0
TOTAL	152,258	94,500	62		0	94,500-	62-

THREE-YEAR MOVING AVERAGES

09-11	3,328		0		0		0
10-12	12,007		0		0		0
11-13	45,775	6,500	14		0	6,500-	14-
12-14	42,947	31,500	73		0	31,500-	73-
13-15	35,755	31,500	88		0	31,500-	88-
14-16	4,477	25,000	558		0	25,000-	558-

FIVE-YEAR AVERAGE

12-16	28,454	18,900	66		0	18,900-	66-
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SUEZ WATER RHODE ISLAND

ACCOUNT 331 MAINS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
2007	250		0		0		0
2008	200		0		0		0
2009							
2010							
2011							
2012							
2013	8,524		0		0		0
2014	2,991		0		0		0
2015	800	2,980	372		0	2,980-	372-
2016	2,637	4,406	167		0	4,406-	167-
TOTAL	15,402	7,386	48		0	7,386-	48-

THREE-YEAR MOVING AVERAGES

07-09	150		0		0		0
08-10	67		0		0		0
09-11							
10-12							
11-13	2,841		0		0		0
12-14	3,838		0		0		0
13-15	4,105	993	24		0	993-	24-
14-16	2,143	2,462	115		0	2,462-	115-

FIVE-YEAR AVERAGE

12-16	2,990	1,477	49		0	1,477-	49-
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SUEZ WATER RHODE ISLAND

ACCOUNT 333 SERVICES

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
2005	2,400		0		0		0
2006							
2007	3,220		0		0		0
2008	1,625		0		0		0
2009	200		0		0		0
2010	775		0		0		0
2011							
2012							
2013							
2014							
2015	130	707	544-		0	707	544
2016	6,149	7,002	114		0	7,002-	114-
TOTAL	14,499	6,294	43		0	6,294-	43-

THREE-YEAR MOVING AVERAGES

05-07	1,873		0		0		0
06-08	1,615		0		0		0
07-09	1,682		0		0		0
08-10	867		0		0		0
09-11	325		0		0		0
10-12	258		0		0		0
11-13							
12-14							
13-15	43	236	544-		0	236	544
14-16	2,093	2,098	100		0	2,098-	100-

FIVE-YEAR AVERAGE

12-16	1,256	1,259	100		0	1,259-	100-
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SUEZ WATER RHODE ISLAND

ACCOUNT 334 METER AND METER INSTALLATIONS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
2005	3,177	46	1		0	46-	1-
2006							
2007	28,151		0		0		0
2008	7,065		0		0		0
2009	6,160		0		0		0
2010	6,240	46-	1-	1,638	26	1,684	27
2011							
2012							
2013				3,246		3,246	
2014	98,408		0		0		0
2015	69,787	8	0		0	8-	0
2016	96,052	1,441	2		0	1,441-	2-
TOTAL	315,040	1,449	0	4,884	2	3,435	1

THREE-YEAR MOVING AVERAGES

05-07	10,443	15	0		0	15-	0
06-08	11,739		0		0		0
07-09	13,792		0		0		0
08-10	6,488	15-	0	546	8	561	9
09-11	4,133	15-	0	546	13	561	14
10-12	2,080	15-	1-	546	26	561	27
11-13				1,082		1,082	
12-14	32,803		0	1,082	3	1,082	3
13-15	56,065	3	0	1,082	2	1,079	2
14-16	88,082	483	1		0	483-	1-

FIVE-YEAR AVERAGE

12-16	52,849	290	1	649	1	359	1
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SUEZ WATER RHODE ISLAND

ACCOUNT 335 HYDRANTS

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
2007	1,050		0		0		0
2008	3,115		0		0		0
2009	750		0		0		0
2010	1,350		0		0		0
2011	2,275		0		0		0
2012	3,925		0		0		0
2013				4,534		4,534	
2014							
2015	500		0		0		0
2016	2,446	7,060	289		0	7,060-	289-
TOTAL	15,411	7,060	46	4,534	29	2,526-	16-

THREE-YEAR MOVING AVERAGES

07-09	1,638		0		0		0
08-10	1,738		0		0		0
09-11	1,458		0		0		0
10-12	2,517		0		0		0
11-13	2,067		0	1,511	73	1,511	73
12-14	1,308		0	1,511	116	1,511	116
13-15	167		0	1,511	907	1,511	907
14-16	982	2,353	240		0	2,353-	240-

FIVE-YEAR AVERAGE

12-16	1,374	1,412	103	907	66	505-	37-
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SUEZ WATER RHODE ISLAND

ACCOUNT 339.2 MISCELLANEOUS INTANGIBLE PLANT - OTHER EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
2013	4,250		0		0		0
2014							
2015							
2016	810		0		0		0
TOTAL	5,060		0		0		0
THREE-YEAR MOVING AVERAGES							
13-15	1,417		0		0		0
14-16	270		0		0		0

SUEZ WATER RHODE ISLAND

ACCOUNT 341 TRANSPORTATION EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
2009	24,910		0		0		0
2010							
2011							
2012							
2013							
2014							
2015							
2016							
TOTAL	24,910		0		0		0
THREE-YEAR MOVING AVERAGES							
09-11	8,303		0		0		0
10-12							
11-13							
12-14							
13-15							
14-16							
FIVE-YEAR AVERAGE							
12-16							



SUEZ WATER RHODE ISLAND

ACCOUNT 345 POWER OPERATED EQUIPMENT

SUMMARY OF BOOK SALVAGE

YEAR	REGULAR RETIREMENTS	COST OF REMOVAL		GROSS SALVAGE		NET SALVAGE	
		AMOUNT	PCT	AMOUNT	PCT	AMOUNT	PCT
2009	51,951		0		0		0
2010							
2011							
2012							
2013							
2014							
2015							
2016							
TOTAL	51,951		0		0		0
THREE-YEAR MOVING AVERAGES							
09-11	17,317		0		0		0
10-12							
11-13							
12-14							
13-15							
14-16							
FIVE-YEAR AVERAGE							
12-16							

**SUEZ Water Rhode Island**  
**Account 31100**  
**NET SALVAGE INFLATED FROM INSTALL YEAR TO RETIRMENT YEAR**  
**Using Annual Inflation Rate of 2%**

Year	Regular	Cost of Removal		Gross Salvage		Net Salvage	
	Retirements	Amount	Percent	Amount	Percent	Amount	Percent
A	B	C	D=C/B	E	F=E/B	G=E-C	H=G/B
2012	8,000	0	0%	0	0%	0	0%
2013	15,029	0	0%	0	0%	0	0%
2014	15,380	1,459	9%	0	0%	(1,459)	-9%
2015	16,683	0	0%	0	0%	0	0%
2016	60,887	414	1%	0	0%	(414)	-1%
<b>Total</b>	115,979	1,873	2%	0	0%	(1,873)	-2%

**Three-Year Moving Averages**

2012-2014	12,803	486	4%	0	0%	(486)	-4%
2013-2015	15,697	486	3%	0	0%	(486)	-3%
2014-2016	30,983	624	2%	0	0%	(624)	-2%

**Five-Year Average**

2012-2016	23,196	375	2%	0	0%	(375)	-2%
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Sources:

Table 24 of CPI Detailed Report published by U.S. Bureau of Labor Statistics

(CPI-U current standard reference base period is 1982-1984=100)

Federal Open Market Committee January 30, 2018

“Statement of Longer-Run Goals and Monetary Policy Strategy.”

SUEZ response to DPUC 8-1

**SUEZ Water Rhode Island**  
**Account 33100**  
**NET SALVAGE INFLATED FROM INSTALL YEAR TO RETIRMENT YEAR**  
**Using Annual Inflation Rate of 2%**

Year	Regular	Cost of Removal		Gross Salvage		Net Salvage	
	Retirements	Amount	Percent	Amount	Percent	Amount	Percent
A	B	C	D=C/B	E	F=E/B	G=E-C	H=G/B
2007	250	0	0%	0	0%	0	0%
2008	200	0	0%	0	0%	0	0%
2009	0	0	0%	0	0%	0	0%
2010	0	0	0%	0	0%	0	0%
2011	0	0	0%	0	0%	0	0%
2012	0	0	0%	0	0%	0	0%
2013	8,524	0	0%	0	0%	0	0%
2014	2,991	0	0%	0	0%	0	0%
2015	800	1,052	131%	0	0%	(1,052)	-131%
2016	2,637	1,573	60%	0	0%	(1,573)	-60%
<b>Total</b>	15,402	2,625	17%	0	0%	(2,625)	-17%

**Three-Year Moving Averages**

2007-2009	150	0	0%	0	0%	0	0%
2008-2010	67	0	0%	0	0%	0	0%
2009-2011	0	0	0%	0	0%	0	0%
2010-2012	0	0	0%	0	0%	0	0%
2011-2013	2,841	0	0%	0	0%	0	0%
2012-2014	3,838	0	0%	0	0%	0	0%
2013-2015	4,105	351	9%	0	0%	(351)	-9%
2014-2016	2,143	875	41%	0	0%	(875)	-41%

**Five-Year Average**

2012-2016	2,990	525	18%	0	0%	(525)	-18%
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Sources:

Table 24 of CPI Detailed Report published by U.S. Bureau of Labor Statistics  
(CPI-U current standard reference base period is 1982-1984=100)

Federal Open Market Committee January 30, 2018

“Statement of Longer-Run Goals and Monetary Policy Strategy.”

SUEZ response to DPUC 8-1

**SUEZ WATER RHODE ISLAND, INC.**  
**Docket No. 4800**  
**Fourth Set of Data Requests of the**  
**Division of Public Utilities and Carriers**  
**March 9, 2018**

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**4-13**  
**(Spanos)**

**4-13** SWRI Exhibit JJS-1 (2016 Depreciation Study) includes the net salvage history for Account 331 - Mains.

- (a) Is it a correct statement that the mains in account 331 are generally retired in place? If this is not a correct statement, provide the corrected statement and the support for the corrected statement.
- (b) In total for the years 2012-2016 were at least 75% of the mains in account 331 that retired during those years retired in place? If this is not a correct statement, provide the corrected statement and the support for the corrected statement.
- (c) In total for the years 2012-2016 what percent of the mains in account 331 that were retired during those years retired in place?
- (d) If the response to part (b) is other than an unqualified affirmative, explain the most frequent reason that the mains were not retired in place, and explain how they were physically retired (for example dug up the entire length and physically removed).

**Response:**

- a) It is correct that most mains in Account 331 are generally retired in place, however, this does not mean there are not significant costs or effort required to retire these mains from service.
- b) A specific percentage of mains from 2012-2016 are not identified as to retired in place or removed. The Company does not monitor this percentage.
- c) See part b).
- d) If the replacement of mains requires the use of the same right-of-way then the retired main must be removed. Also in some instances, the main cannot be retired in place because future damage to the area cannot be insured.