

**STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW
BEFORE HONORABLE IRENE JONES, ALJ**

I/M/O THE VERIFIED PETITION OF)	
ROCKLAND ELECTRIC COMPANY)	
FOR APPROVAL OF CHANGES IN)	
ELECTRIC RATES, ITS TARIFF FOR)	OAL DOCKET NO. PUC 17625-2013N
ELECTRIC SERVICE, AND ITS)	
DEPRECIATION RATES,)	BPU DOCKET NO. ER13111135
TERMINATION OF THE SMART)	
GRID SURCHARGE;)	
ESTABLISHMENT OF A STORM)	
HARDENING SURCHARGE; AND)	
FOR OTHER RELIEF)	

**DIRECT TESTIMONY OF JAMES S. GARREN
ON BEHALF OF THE
DIVISION OF RATE COUNSEL**

**STEFANIE A. BRAND, ESQ.
DIRECTOR, DIVISION OF RATE COUNSEL**

**DIVISION OF RATE COUNSEL
140 East Front Street-4th Floor
P. O. Box 003
Trenton, New Jersey 08625
Phone: 609-984-1460
Email: njratepaver@rpa.state.nj.us**

Dated: May 9, 2013

Table of Contents

	Page No.
I. Introduction	1
II. Purpose of Testimony	3
III. RECO’s Current Depreciation Rates	3
IV. RECO’s Depreciation Proposal	4
V. Service Lives	5
VI. Net Salvage	12
VIII. Recommendations	16
XIII. Summary of Recommendations	17

Direct Testimony
of
James S. Garren

1

2 **I. Introduction**

3 **Q. Please state your name.**

4 A. James S. Garren.

5 **Q. Who is your employer, and what is your position?**

6 A. I am a consultant with Snavely King Majoros & Associates, Inc. (“Snavely King
7 Majoros”), located at 4351 Garden City Drive, Suite 301, Landover, MD 20785.

8 **Q. Describe Snavely King Majoros.**

9 A. Snavely King Majoros is an economic consulting firm founded in 1970 to
10 conduct research on a consulting basis into the rates, revenues, costs, and
11 economic performance of regulated firms and industries. Snavely King Majoros
12 represents the interests of government agencies, businesses, and individuals who
13 consume telecom, public utility, and transportation services.

14 We have a professional staff of six economists, accountants, engineers and
15 cost analysts. Most of our work involves the development, preparation, and
16 presentation of expert witness testimony before Federal and state regulatory
17 agencies. Over the course of our 43-year history, members of the firm have
18 participated in more than 1,000 proceedings before almost all of the state
19 commissions and all Federal commissions that regulate utilities or transportation
20 industries. More information about Snavely King Majoros can be found on our
21 website www.Snavely-King.com.

22

Direct Testimony
of
James S. Garren

1 **Q. Have you prepared a summary of your qualifications and experience?**

2 A. Yes, I have. Appendix A is a summary of my qualifications and experience.
3 Appendix B is a tabulation of my appearances as an expert witness before state
4 and Federal regulatory agencies.

5 **Q. At whose request are you appearing in this proceeding?**

6 A. I am appearing at the request of the New Jersey Division of Rate Counsel (“Rate
7 Counsel”).

8 **Q. What is the subject of your testimony?**

9 A. My testimony addresses depreciation.

10 **Q. Do you have any specific experience in the field of public utility depreciation?**

11 A. I have been with Snavely King Majoros & Associates, Inc. for over four years.
12 My primary role has been to support Michael J. Majoros, Jr. and Charlie King in
13 their capacity as depreciation witnesses. To that end, I have assisted with
14 depreciation analysis and testimony in eighteen cases where depreciation
15 testimony was filed, as well as at least a dozen other projects where testimony
16 was not filed. In addition, I recently testified regarding depreciation on behalf of
17 the Georgia Public Interest Advocacy Staff in Georgia Power Company’s Rate
18 Case.

19 I have also recently attended the Society of Depreciation Professionals
20 (“SDP”) extended depreciation training seminar and passed the SDP’s
21 certification examination to become a Certified Depreciation Professional
22 (“CDP”). My application for CDP status is currently pending. I have also

Direct Testimony
of
James S. Garren

1 recently attended a technology forecasting and depreciation training seminar
2 conducted by Technology Futures, Inc. at their annual conference.

3 **Q. How many times have you addressed public utility depreciation in New**
4 **Jersey proceedings?**

5 A. This will be my first time appearing before the New Jersey Board of Public
6 Utilities.

7 **II. Purpose of Testimony**

8 **Q. Explain the purpose of your testimony.**

9 A. Rate Counsel asked Snavely King Majoros to review Rockland Electric
10 Company's ("RECO," "Rockland," or "the Company") depreciation-related
11 testimony and exhibits. Company witness Charles D. Hutcheson prepared
12 RECO's depreciation testimony and witness Richard A. Kane implements the
13 recommendations in Adjustment Nos. 15, 17 and 24. We have been asked to
14 express an opinion regarding the reasonableness of the Company's depreciation
15 proposal and, if warranted, make alternative recommendations.

16 **III. RECO's Current Depreciation Rates**

17 **Q. When were RECO's current depreciation rates approved?**

18 A. The Board approved a settlement agreement to adopt RECO's current
19 depreciation rates in BPU Docket No. ER09080668 Decision and Order issued
20 May 5, 2010. As with the current case, Mr. Hutcheson prepared the depreciation
21 study in that case and sponsored the results. Mr. Majoros testified on behalf of
22 Rate Counsel.

Direct Testimony
of
James S. Garren

1 **Q. Please explain the depreciation aspects of the most recent settlement**
2 **agreement.**

3 A. The settlement agreement, in Schedule D, stipulates the depreciation rates
4 currently used by the Company, which are reflected in Schedule 1 to Mr.
5 Hutcheson's testimony under the heading "Book Basis." Additionally, the
6 settlement stipulates that RECO may recover an annual amount of \$441,133 for
7 net salvage. At the same time, the settlement stipulates that RECO be allowed to
8 recover its Net Salvage Deficiency of \$1,461,029 over a 5-year amortization.¹

9 **IV. RECO's Depreciation Proposal**

10 **Q. Please describe RECO's depreciation-related proposal in the current case.**

11 A. Mr. Charles Hutcheson's proposal results in a \$218,428 increase in depreciation
12 expenses based on December 31, 2012 plant balances.² Mr. Hutcheson used
13 December 31, 2012 plant balances to calculate whole-life accruals and theoretical
14 reserves. He also based his life studies on plant in service as of December 31,
15 2012. These studies result in both longer and shorter plant lives.³

16 **Q. What does Mr. Hutcheson propose regarding net salvage?**

17 A. Mr. Hutcheson proposes retaining the net salvage allowance method; however he
18 is proposing a net salvage allowance based on a three year average. He is
19 proposing an increase of \$759,351 from the stipulated \$441,133 to \$1,200,484.⁴

20 In addition to an increase in the net salvage allowance, RECO has calculated a

¹ ER 09080668 Stipulation of Settlement, Page 7.

² Kane Exhibit P-2, Schedule 15, 12+0 Update.

³ Id.

⁴ Kane Exhibit P-2, Schedule 17, 12+0 Update.

Direct Testimony
of
James S. Garren

1 \$2,852,459 deficiency in collections for negative net salvage over the past three
2 years. The Company proposes to amortize this deficiency over 3 years - \$950,820
3 annually.⁵

4 **Q. Summarize each of the different dollar effects of Mr. Hutcheson’s proposals.**

5 A. The following table summarizes the annual adjustments due to Mr. Hutcheson’s
6 proposals. It also shows the proposed annual amortization for unrecovered cost of
7 removal.

RECO Depreciation Adjustments
Lives and Net Salvage⁶

Lives	\$ 218,428
Future Net Salvage Increase	759,351
Recovery of Past Cost of Removal	<u>950,820</u>
Total Adjustments	\$1,928,599

8

9 **Q. Do you agree with Mr. Hutcheson’s and Mr. Kane’s proposal?**

10 A. No. I have made adjustments to both Mr. Hutcheson’s proposed service lives and
11 the net salvage allowance and amortizations proposed by Mr. Kane.

12 **V. Service Lives**

13 **Q. Why do you disagree with Mr. Hutcheson’s service life estimates?**

14 A. Mr. Hutcheson’s proposals significantly underestimate the service lives for most
15 accounts. Of the 34 accounts, Mr. Hutcheson is proposing to increase the service
16 lives for two accounts, shorten the service life for three accounts, and maintain the

⁵ Id.

⁶ Exhibit P-2, Schedules 15 and 17, 12+0 Update

Direct Testimony
of
James S. Garren

1 current life for the remaining 29. In most cases Mr. Hutcheson's proposals are
2 not well supported by the life analysis that Mr. Hutcheson has put forward.

3 **Q. Please describe the life analysis put forward in Mr. Hutcheson's Exhibit P-6,**
4 **Schedule 2.**

5 A. Mr. Hutcheson is using a form of actuarial analysis referred to as the retirement
6 rate life method. The retirement rate method is an actuarial technique used to
7 study plant lives, much like the actuarial techniques used in the insurance industry
8 to study human lives. It requires a record of the dates of placement and retirement
9 for each asset unit studied. It is the most sophisticated and reliable statistical life
10 analysis method, in that it relies on the most refined level of data. Aged
11 retirements and exposures data from a company's records are used to construct
12 observed life tables ("OLT"). OLTs produce a declining "percent surviving" for
13 each vintage of data being studied.

14 Percent surviving data points are then fitted to h-curves to determine what
15 life and curve type are the best fit to the data. The measure of this analysis is the
16 Conformance Index. The lower the Conformance Index, the closer the fit of the
17 retirement data to the life and curve shape. A very high Conformance Index
18 indicates a very bad fit, but as we will see, can also indicate that there is
19 insufficient retirement data to study.

20

21 Mr. Hutcheson's software runs a very large number of rolling and
22 shrinking band analyses, and displays the best fit for each band analyzed. A

Direct Testimony
of
James S. Garren

1 rolling band analysis studies successive bands of equal length, starting at the
2 beginning of an accounts life, and continuing in equal length periods until the end
3 of the accounts life. A shrinking band analysis is one in which the starting period
4 of analysis represents the entirety of the available data, starting at the first year of
5 the account, and ending in the final year of the study. Successive bands each
6 begin one year later, until the last band studied is the final year of the study.

7 Such analyses are useful insofar as they allow you to detect trends in the
8 data. In the event where there is very consistent and substantial trend towards
9 shorter or longer lives, it may be appropriate to propose a service life that deviates
10 from the best fit for the full band of data. One must be cautious when viewing
11 such banding analysis, as it is not unusual for small trends to occur for periods
12 only to be reversed later in the history of the studied data. This is why it is
13 generally good policy to rely on the totality of the data. Overreliance on the most
14 recent data can cause you to be misled by temporary trends in the data.

15 **Q. Do you agree with the life analysis methods that Mr. Hutcheson has used?**

16 A. I agree with the method of life analysis that Mr. Hutcheson has utilized. In fact, I
17 have chosen to use Mr. Hutcheson's analysis as the basis for my own service life
18 proposals.

19 **Q. If you agree with his method, why do you disagree with his life proposals?**

20 A. The problem with Mr. Hutcheson's service life proposals is that in most cases, he
21 has not utilized the results provided by his own analysis. In some cases, Mr.
22 Hutcheson relies on a set of experience bands to support his position when there

Direct Testimony
of
James S. Garren

1 are other bands with better Conformance Indexes available. In other cases he uses
2 unreasonably narrow bands of data to support his position, when that result is out
3 of line with the preponderance of results. Mr. Hutcheson did provide helpful
4 notes in his workpapers, which attempt to explain his decisions. However, in
5 most cases, these explanations do not justify his departure from the historical
6 indications.

7

8 While judgment is an important element of reaching appropriate parameters to
9 calculate depreciation rates, it is important to remember that judgment cannot
10 supplant historical experience in determining appropriate service life estimates.

11 In Lindheimer v. Illinois Bell Company, the United States Supreme Court opined:

12 Confiscation being the issue, the company has the burden
13 of making a convincing showing that the amounts it has
14 charged to operating expenses for depreciation have not
15 been excessive. That burden is not sustained by proof that
16 its general accounting system has been correct. The
17 calculations are mathematical, but the predictions
18 underlying them are essentially matters of opinion. They
19 proceed from studies of the behavior of large groups of
20 items. These studies are beset with a host of perplexing
21 problems. Their determination involves the examination of
22 many variable elements and opportunities for excessive
23 allowances, even under a correct system of accounting,
24 [are] always present. The necessity of checking the results
25 is not questioned. The predictions must meet the
26 controlling test of experience.⁷

27

28 Here the controlling test of experience is the vast amount of depreciation data and

⁷ Lindheimer v. Illinois Bell Telephone Company, 292 U.S. 151, 168-170, 54 S.Ct. 658, 665-666 (1934). (Emphasis added; footnote deleted.)

Direct Testimony
of
James S. Garren

1 sophisticated statistical analysis that RECO has available to conduct a study.
2 While it is entirely appropriate and necessary to use judgment where that data is
3 either insufficient or provides conflicting results, we should adhere to analysis of
4 the data where possible. The first level of judgment is a rational demonstration
5 that the results of the statistical analysis are unreliable. In most cases where Mr.
6 Hutcheson has diverged from the best statistical indices, he has not provided such
7 a rationale.

8 **Q. How have you arrived at your service life proposals.**

9 A. In all but three cases, I have used the best fit of the three degrees from Mr.
10 Hutcheson's life analysis for the full band of experience data. The table below
11 summarizes my recommended lives.

	Company Proposed Life	Rate Counsel Proposed Life
Distribution		
360 - Land - Easements	0	0
360.10 - Land & Land Rights - Fee	0	0
361 - Structures and Improvements	55	55
362 - Station Eqpmt	40	46
364 - Poles Towers and Fixtures	55	68
365 - Overhead Conductors and Devices	65	80
365.1 - Overhead Conductors and Devices - CAPAC	30	75
366 - Underground Conduits	65	100
367 - Underground Conductors and Devices	65	68
367.10 Underground Conductors and Devices - Cable Cure	65	68
368.10 - Line Transformers - Overhead Purchases	45	53
368.2 - Line Transformers - Overhead Installs	45	53
368.30 - Line Transformers - Underground Purchases	45	53

Direct Testimony
of
James S. Garren

368.4 - Line Transformers - Underground Installs	45	53
369.10 - Services - Overhead	60	80
369.20 - Services - Underground	65	94
370.10 - Meters	25	32
370.110 - Meters - Solid State	20	32
370.20 - Meter Installs - Electro-mech	25	32
370.210 - Meter Installs Solid state	20	32
371 - Installations on Customer Premises	45	60
373.10 - Street Lighting - Overhead	40	47
373.20 Streetlighting - Underground	40	47

General

Buildings and Yards

389.10 - Land & Land Rights Fee	0	0
390 - Structures and Improvements	50	47
390.104 - Structures and Improvements - Lethbridge	0	0

General Equipment

391.10 - Office Furniture	20	21
391.20 - Office Machines	15	17
391.70 - Office EDP Equip	8	9
393 - Stores Equipment	20	25
394 - Tools and Work Equipment	20	26
394.20 - Garage Equipment	30	28
395 - Laboratory Equipment	25	28
396 - Power Operated Equipment	20	18
397 - Communication Equipment	15	19
397.10 Com Eq. - Tele System Computer	8	19
397.20 Com Eq. - Telephones	15	19
398.00 - Miscellaneous Equipment	20	25

1

2 **Q. What are the accounts where use of the statistical best fit was not**
3 **appropriate?**

4 A. There are three accounts where use of the statistical best fit is not appropriate.

5 These are:

Direct Testimony
of
James S. Garren

- 1 • Account 366.00 – Underground Conduits
- 2 • Account 367.00 – Underground Conductors and Devices
- 3 • Account 371.00 – Installations on Customer Premises
- 4

5 **a. Account 366.00 – Underground Conduits**

6 As noted by Mr. Hutcheson in his workpapers, the analysis of this account yielded

7 very high conformance indices, as well as very long service lives. Mr. Hutcheson

8 also notes that retirement data for this account is quite small relative to the

9 exposures at age 0, and this is certainly a factor in the high conformance indices.

10 Therefore, I have looked to industry statistics to determine an appropriate life.⁸

11 Given that the historical experience does indicate very long lives for the plant in

12 this account, I have used a life at the high end of the statistical range, which is 100

13 years.

14 **b. Account 367.00 – Underground Conductors and Devices**

15 Again, as noted in Mr. Hutcheson’s workpapers, and as can be seen from the

16 graph in Exhibit P-6, Schedule 3, page 8, this account has experienced no

17 retirements of exposures over 58 years. Data points after 58 years are therefore

18 distorting the statistical analysis. Making a T-cut (a “T-cut” is a cutoff point for

19 the fitting routine) at 58 years is entirely appropriate in this case, and doing so

20 yields a statistical best fit of 68 years, which is what I am recommending.

21 **c. Account 371.00 – Installations on Customer Premises**

⁸ AGA-EEI Survey of Depreciation Statistics 1998-1999.

Direct Testimony
of
James S. Garren

1 As with Account 366, this account lacks sufficient retirement experience to rely
2 on the statistical analysis. Once again, I have referred to industry statistics to
3 determine an appropriate life. Given that the best fit with the available data is 71
4 years, and given that the oldest exposures in this account, which are about 26.5
5 years old are still approximately 85% surviving, I have selected a life in the high
6 range of those in the industry, which is a 60 year life.

7 **Q. What is your opinion regarding Mr. Hutcheson's alternate proposal of a ten**
8 **year amortization of non-AMI meters?**

9 A. I am proposing a 32 year life for Meters and Meter Installs, both solid state and
10 electromechanical. That is my best estimate of the average service life based on
11 the historical experience available. My understanding is that the AMI issue is no
12 longer part of this base rate proceeding.

13

14 **VI. Net Salvage**

15

16 **Q. Please explain your firm's concerns about the growing amount of negative**
17 **net salvage in any prior testimony?**

18 A. These concerns were first expressed by my colleague, Mr. Majoros in the prior
19 RECO Base Rate Case, Docket No. ER06060483. He stated:

20 I am concerned because the amounts have increased substantially
21 over the past three years. The Company has considerable control
22 over the amount of expenditures it claims for cost of removal. In
23 fact, these charges generally result from allocations of replacement

Direct Testimony
of
James S. Garren

1 costs, and allocations are always somewhat arbitrary. Hence, I am
2 concerned when allocated numbers seem to increase precipitously.⁹
3

4 I believe these costs are controlled by RECO, and the increases may
5 be in part related to a change in cost of removal estimates. I also
6 believe that in part they are related to specific one-time projects, and
7 will not stay at this level.¹⁰
8

9 As I stated, a majority of RECO's retirements result from
10 replacements. RECO determines a need to replace assets in
11 conjunction with its obligation to provide service. When RECO
12 determines that assets should be replaced, it estimates the entire
13 replacement cost, and then allocates a portion of the replacement
14 cost to cost of removal.¹¹
15

16 Changes in accounting procedures impact the reported cost of
17 removal. Significant portions of the recorded cost of removal are
18 the results of allocations. Since all allocation factors are at least
19 somewhat arbitrary, it is reasonable to assume that two independent
20 estimators reviewing the same project could reach different
21 conclusions concerning the portion of a replacement project to be
22 allocated to cost of removal.¹²
23

24 **Q. Why do you disagree with RECO's future net salvage proposals?**

25 A. The Board adopted a net salvage allowance approach for RECO in Docket No.
26 ER02100724. In Docket No. ER06060483, RECO filed to increase the allowance
27 from \$150,000 to \$435,000 and to amortize the excess of net salvage expenditures
28 over the allowance.¹³ In the current docket, RECO has filed to increase the
29 allowance from \$441,133 to \$1,200,484 and to again amortize the excess of net
30 salvage expenditures over the allowance. This increase from \$150,000 to
31 \$12,000,484 represents an 800% increase in what RECO claims to be expending

⁹ Direct Testimony of Michael J. Majoros, Jr. BPU Docket No. ER06060483, p. 12.

¹⁰ Direct Testimony of Michael J. Majoros, Jr. BPU Docket No. ER06060483, p. 14.

¹¹ Id.

¹² Id.

¹³ Hutcheson Direct Testimony, pp. 7-8 and Exhibit P-6, Schedule 3 BPU Docket No. ER06060483.

Direct Testimony
of
James S. Garren

1 on cost of removal. The Company has made no effort to explain what has caused
2 this drastic increase.

3
4 With each filing, RECO's net salvage claims continue to increase as a result of
5 increases to the recorded cost of removal. It may be that a portion of the "actual
6 cost" of removal is in reality an allocation of a portion of plant replacement costs
7 to the cost of removal. In response to RCR-DEP1 Q. 25, Mr. Hutcheson states that
8 "such allocations are not part of the Company's accounting process." He also
9 states that "the Company's accounting for gross salvage and cost of removal is as
10 prescribed by the Board's Uniform System of Accounts." However, this does not
11 explain how the Company separates the cost of removing old plant from the cost
12 of installing new plant. RECO may be doing something different than most of the
13 other utilities, but again, I note that RECO's cost of removal proposals continue to
14 increase with each filing since the Board has adopted the current net salvage
15 allowance method, and the Company has not provided an adequate explanation as
16 to why this is so.

17
18 In my opinion, RECO should capitalize and depreciate all of the cost of
19 replacement. The FERC uniform system of accounts ("USoA") defines cost of
20 removal as follows:

21 10. *Cost of removal* means the cost of demolishing,
22 dismantling, tearing down or otherwise removing electric
23 plant, including the cost of transportation and handling

Direct Testimony
of
James S. Garren

1 incidental thereto. (18 CFR Ch.1, Subchapter C, Part 101,
2 Definition 10.)
3

4 This definition implies the inclusion of final end of life costs associated with the
5 retirement of electric plant in cost of removal.

6
7 **Q. Does the FERC USoA also define replacements?**

8
9 A. Yes, the FERC USoA defines replacements as follows:

10 31. A. *Replacing or replacement*, when not otherwise
11 indicated in the context, means the construction or
12 installation of electric plant, together with the removal of the
13 property retired. (Id., Definition 31.)
14

15 FERC's definition means that retirement costs incurred in connection with a
16 replacement are a component of the replacement cost.

17 **Q. Would capitalizing cost of removal along with replacements leave any cost of**
18 **removal to be recovered through an allowance?**

19 A. Yes. The Company would still have some amount of cost of removal on
20 retirements that are not related to replacements. However, this would be a very
21 limited amount of cost of removal, as the majority of retirements result in
22 replacements. Moreover, the cost of removal for retirements not related to
23 replacements is limited, as such retirements are often abandoned in place with
24 limited work.
25

Direct Testimony
of
James S. Garren

1 **VIII. Recommendations**

2 **Q. What do you recommend?**

3 A. The Board should make the Company whole for its reasonable and prudent
4 removal costs. However, given that RECO controls what that cost is, I
5 recommend that instead of continuously increasing service rates through its cost
6 of removal allowance, RECO should limit the amount it allocates to removal costs
7 to the allowed level of the allowance. In other words, RECO's present net
8 salvage allowance should remain at \$441,133 per year. Going forward, it should
9 allocate no more than \$441,133 of its replacement costs to cost of removal.

10 **Q. Are there any alternatives to this approach?**

11 A. Yes, the Board could order the company to capitalize 100% of replacement costs,
12 together with removal of the property retired at the end of the ongoing allowance..

13 **Q. Would RECO be "kept whole" using this approach?**

14 A. Yes, it would recover 100% of its replacements costs through depreciation
15 expense.

16 **Q. Do you have any other recommendations?**

17 A. Yes, Mr. Kane proposes to amortize over three years the excess of the allocated
18 cost of removal for the period May 2010 to December 2013. At this point, I do
19 not recommend that RECO be allowed to collect net salvage costs over the
20 amount allowed by the Board, and therefore do not recommend that the Board
21 approve this amortization.

22 **Q. Do you have any other concerns?**

Direct Testimony
of
James S. Garren

1 A. Yes. Mr. Hutcheson has calculated a 2.6 million dollar depreciation reserve
2 excess using his understated lives. This excess would be substantially larger if we
3 assume the propriety of my proposed lives. It does not seem reasonable to me to
4 create a recovery amortization for the relatively small cost of removal reserve
5 deficiency without similarly proposing to amortize this depreciation reserve
6 excess back to ratepayers.

7

8 **XIII. Summary of Recommendations**

9 **Q. Have you summarized your recommendations?**

10 A. Yes, my recommendations are summarized and compared to the Company's
11 recommendations on Exhibit___(JSG-1).

12 **Q. Does this conclude your testimony?**

13 A. Yes, it does.

Snavely King Majoros & Associates, Inc.
Rockland Electric Company Rate Case BPU Docket No. ER13111135
Calculation and comparison of Rate Counsel's proposed depreciation rates and accruals

Account - Description (1)	RECO Proposed					SK Proposed		
	Book Cost (2)	Accumulated Provision for Depreciation (3)	Life Table (4)	Average Service Life (5)	Annual Depreciation Expense (6)	Life Table (9)	Average Service Life (10)	Annual Depreciation Expense (11)
Intangible Plant								
301.00 - Organization	5,636	-	0					0
302.00 Franchise and Consents	442	-	h1.0	50	9	h1.0	50	9
303.820 - NJ Real Time Pricing	1,176,561	1,176,561	(B)			(B)		
Total Intangible Plant	1,182,639	1,176,561			9			-
Transmission								
350.00 - Land - Easements	1,440,975	-						
350.10 - Land & Land Rights	387,671	-						
352.00 - Structures and Improvements	1,907,596	397,456	h2.0	50	38,152	h1.5	50	38,152
353.00 - Station Equipment	14,125,021	3,187,426	h1.5	35	403,572	h2.0	35	403,572
354.00 - Towers and Fixtures	637,072	461,073	h3.0	60	10,618	h1.5	60	10,618
355.00 - Poles and Fixtures - Wood	2,835,069	979,044	h3.0	50	56,701	h1.5	50	56,701
355.10 - Poles and Fixtures - Steel	916,324	178,100	h3.0	50	18,326	h2.0	50	18,326
356.00 - Overhead Conductors and Devices	3,337,790	999,826	h2.0	60	55,630	h2.5	60	55,630
356.10 - Overhead Conductors and Devices - Clearing	397,992	95,302	h2.0	60	6,633	h1.5	60	6,633
357.00 - Underground Conduit	1,116,729	298,636	h2.0	50	22,335	h1.5	50	22,335
358.00 - Underground Conductors and Devices	1,073,009	354,099	h3.5	30	35,767	h1.5	30	35,767
359.00 - Roads and Trails	76,751	42,286	h3.0	60	1,279	h1.5	60	1,279
Total Transmission	28,251,999	6,993,248			649,013			649,013
Distribution								
360 - Land - Easements	180,609	-						
360.10 - Land & Land Rights - Fee	668,257	-						
361 - Structures and Improvements	3,756,125	719,826	h2.75	55	68,293	h2.75	55	68,293
362 - Station Eqpmt	39,281,639	8,640,648	h1.50	40	982,041	h1.50	46	853,949
364 - Poles Towers and Fixtures	36,536,231	8,314,732	h1.50	55	664,295	h0.25	68	537,298
365 - Overhead Conductors and Devices	42,075,411	9,307,510	h2.0	65	647,314	h1.30	80	525,943
365.1 - Overhead Conductors and Devices - CAPAC	994,230	314,192	h2.0	30	33,141	h0.00	75	13,256
366 - Underground Conduits	14,045,000	4,470,070	h2.0	65	216,077	h1.70	100	140,450
367 - Underground Conductors and Devices	39,876,808	10,304,679	h3.5	65	613,489	h4.00	68	586,424

367.10 Underground Conductors and Devices - Cable Cur	2,194,867	570,415	h3.5	65	33,767	h4.00	68	32,277
368.10 - Line Transformers - Overhead Purchases	12,265,980	3,426,204	h1.0	45	272,577	h0.75	53	231,434
368.2 - Line Transformers - Overhead Installs	6,750,674	1,258,158	h1.0	45	150,015	h0.75	53	127,371
368.30 - Line Transformers - Underground Purchases	9,750,174	2,682,928	h1.0	45	216,671	h0.75	53	183,966
368.4 - Line Transformers - Underground Installs	1,603,695	389,697	h1.0	45	35,638	h0.75	53	30,258
369.10 - Services - Overhead	5,268,199	2,368,251	h3.0	60	87,803	h1.80	80	65,852
369.20 - Services - Underground	13,416,986	4,527,064	h4.0	65	206,415	h3.0	94	142,734
370.10 - Meters	3,009,858	(413,081)	h1.0	25	120,394	h1.40	32	94,058
370.110 - Meters - Solid State	1,839,391	183,346	h1.0	20	91,970	h1.40	32	57,481
370.20 - Meter Installs - Electro-mech	1,490,561	114,691	h1.0	25	59,622	h1.40	32	46,580
370.210 - Meter Installs Solid state	1,843,639	229,574	h1.0	20	92,182	h1.40	32	57,614
371 - Installations on Customer Premises	582,740	143,944	h2.0	45	12,950	h0.50	60	9,712
373.10 - Street Lighting - Overhead	2,656,078	1,364,208	h1.0	40	66,402	h0.00	47	56,512
373.20 Streetlighting - Underground	1,256,153	510,799	h1.0	40	31,404	h0.00	47	26,727
Total Distribution	241,343,305	59,427,855			4,702,461			3,888,189

General

Buildings and Yards

389.10 - Land & Land Rights Fee	154,415	-						
390 - Structures and Improvements	479,980	204,975	h1.0	50	9,600	h1.40	47	10,212
390.104 - Structures and Improvements - Lethbridge	114,892	18,645	(b)					
Total Buildings and Yards	749,287	223,620			9,600			10,212

General Equipment

391.10 - Office Furniture	13,265	(12,875)	Amort	20	663	h1.40	21	632
391.20 - Office Machines	1,305	(9,254)	Amort	15	87	h1.20	17	77
391.70 - Office EDP Equip	162,699	60,896	Amort	8	20,337	hh1.75	9	18,078
393 - Stores Equipment	4,007	2,525	Amort	20	200	h1.70	25	160
394 - Tools and Work Equipment	53,055	24,409	Amort	20	2,653	h1.50	26	2,041
394.20 - Garage Equipment	95,094	57,000	Amort	30	3,170	h1.60	28	3,396
395 - Laboratory Equipment	142,786	10,717	Amort	25	5,711	h2.25	28	5,100
396 - Power Operated Equipment	-	(57,396)	Amort	20	-	h2.75	18	-
397 - Communication Equipment	2,673,753	914,297	Amort	15	178,250	h1.60	19	140,724
397.10 Com Eq. - Tele System Computer	48,607	37,041	Amort	8	6,076	h1.60	19	2,558
397.20 Com Eq. - Telephones	12,277	(11,344)	Amort	15	818	h1.60	19	646
398.00 - Miscellaneous Equipment	58,044	8,544	Amort	20	2,902	h1.60	25	2,322
Total General	3,264,892	1,024,560			220,869			175,733

Total	274,792,122	68,845,844		2.03%	5,581,951		1.72%	4,723,147
--------------	--------------------	-------------------	--	-------	------------------	--	-------	------------------

Net Salvage Allowance					1,200,000			441,133
-----------------------	--	--	--	--	-----------	--	--	---------

Total w/ Net Salvage					6,781,951			5,164,280
-----------------------------	--	--	--	--	------------------	--	--	------------------

Experience

Snavelly, King, Majoros, and Associates, Inc.

Analyst (2010-Present)

Mr. Garren provides analytical support to SK clients and principals. His responsibilities include quantitative and qualitative analysis, preparation of client presentations, and case management. Mr. Garren works primarily in the areas of depreciation and also supports company witnesses and prepares exhibits for use in the revenue requirement, cost-allocation, rate design, and rate of return aspects of regulatory proceedings.

Mr. Garren is a member of the Society of Depreciation Professionals, recently completed a week long Society of Depreciation Professionals training course, and has passed the examination to become a Certified Depreciation Professional.

Issue Advocacy Organization

State Policies Assistant 2009

Assisted with a wide variety of tasks including, but not limited to research, updating organization website with current news, extensive member/supporter communication, and database maintenance.

Binder and Binder, LLC

Client Advocate/Non-Attorney Representative 2007-2008

Mr. Garren's primary duties at Binder were legal writing; producing client and ALJ correspondence, case memoranda, expert witness interrogatories, and arguments in favor of appeal. From July 2007 acted as the company president's primary legal writer. In June of 2007, Mr. Garren became certified as a non-attorney representative. From that time, responsibilities included performing three to five Social Security Disability hearings per week.

Mr. Garren was also responsible for thoroughly developing medical and vocational evidence from the initial filing phase, through Administrative hearing.

Education

Marlboro College, Marlboro, Vermont, B.A. - Literature and Philosophy

Mr. Garren fulfilled Marlboro College's graduation requirement with a thesis on ethical issues in the works of Dostoevsky and Nietzsche. Exploring early post-modern ethical thinking in literature and philosophy.

James Shay Garren**PROJECTS AND APPEARANCES****Testified**

In the Matter of: Georgia Power Company's 2013 Rate Case - Docket No. 36989

Assisted with Analysis and Testimony

Pacific Gas and Electric Company (PG&E) submits for filing, for Federal Energy Regulatory Commission (FERC or Commission) acceptance, proposed rate changes for wholesale and retail electric transmission rates shown in Appendices I, II and III of PG&E's Transmission Owner (TO) Tariff, FERC Electric Tariff Volume No. 5. ER13-2022

Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Consolidated Edison Company of New York, Inc. for Electric Service. Case 13-E-0030, Case 13-G-0031 & Case 13-S-0032

In the matter of the Application of Rocky Mountain Power for an Order authorizing a change in depreciation rates applicable to its depreciable electric property. Docket No. 20000-427-EA-13.

In the Matter of the *Alberta Utilities Commission Act*, S.A. 2007, c. A-37.2 and in the Matter of ATCO Pipelines 2013-2014 General Rate Application Application 1609158; Proceeding ID 2322

Ameren Illinois Company Proposed Increase in Transmission Distribution Rates Docket Nos. ER13-312

Application of Kentucky Utilities Company for an Adjustment of its electric rates. Case No. 2012-00221

Application of Louisville Gas and Electric Company for an Adjustment of its electric and Gas rates, a certificant of public convenience and necessity, approval of ownership of gas service lines and risers, and a gas line surcharge. Case No. 2012-00222

In the matter of application of Michigan Consolidated Gas Company for approval of depreciation accrual rates proposed rates and charges for gas utility plant. Case No. U-16769

Petition of Bay State Gas Company d/b/a Columbia Gas of Massachusetts, pursuant to General Laws Chapter 164, § 94, and 220 C.M.R. §§5.00 et seq. D.P.U. 12-25

In the Matter of The Investigation Into The Reasonableness of Washington Gas Light Company's Existing Rates and Charges For Gas Service Formal Case No. 1093

New Jersey American Water Company - 2011 RATE CASE
BPU Docket No. WR11070460

In The Matter Of The Application Of Artesian Water Company, INC. For a Revision Of Rates
PSC Docket No. 11-207

Pacific Gas and Electric Company Type of Filing Code 80: Compliance Filing to Revise Rates Pursuant to Order Accepting and Suspending Proposed Tariff Changes PG&E FERC Electric

James Shay Garren

Tariff Volume Docket No. 5 ER12-2701-000

PENNSYLVANIA PUBLIC UTILITY COMMISSION v. CITY OF LANCASTER WATER FUND
Docket No. R-2010-2179103

IN THE MATTER OF THE PETITION OF SOUTH JERSEY GAS COMPANY FOR
APPROVAL OF INCREASED BASE TARIFF RATES AND CHARGES FOR GAS SERVICE
AND OTHER TARIFF REVISIONS BPU DOCKET NO. GR10010035

In the Matter of the Application of Hawaii Electric Light Company, Inc. For approval of
Changes in its Depreciation Rates, its CAIC Amortization Period and Approval of Vintage
Amortization Accounting. Dock No. 2009-0321.

In the Matter of the Application Maui Electric Company, Limited. For approval of Changes in
its Depreciation Rates, its CAIC Amortization Period and Approval of Vintage Amortization
Accounting. Dock No. 2009-0286.

In the Matter of the Application of KAUAI ISLAND UTILITY COOPERATIVE For
Approval of Rate Changes and Increases, Revised Rate Schedules and Rules, and
Other Ratemaking Matters. Docket No. 2009-0050.