

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. E-7, SUB 1146

In the Matter of)	TESTIMONY OF
Application of Duke Energy Carolinas,)	ROXIE MCCULLAR ON
LLC, for Adjustment of Rates and)	BEHALF OF
Charges Applicable to Electric Utility)	PUBLIC STAFF – NORTH
Service in North Carolina)	CAROLINA UTILITIES
)	COMMISSION

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TESTIMONY OF ROXIE MCCULLAR
ON BEHALF OF THE PUBLIC STAFF
NORTH CAROLINA UTILITIES COMMISSION

JANUARY 23, 2018

1 I. Introduction

2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Roxie McCullar. My business address is 8625
4 Farmington Cemetery Road, 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
7 William Dunkel and Associates and have regularly provided
8 consulting services in regulatory proceedings throughout the
9 country.

10 Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND
11 PROFESSIONAL BACKGROUND.

12 A. I am a Certified Public Accountant licensed in the state of Illinois. I
13 received my Master of Arts degree in Accounting from the University

1 of Illinois in Springfield. I received my Bachelor of Science degree in
2 Mathematics from Illinois State University in Normal.

3 **Q. HAVE YOU PREPARED AN EXHIBIT THAT DESCRIBES YOUR**
4 **QUALIFICATIONS?**

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

7 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

8 A. I am testifying on behalf of the Public Staff of the North Carolina
9 Utilities Commission ("Public Staff").

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. The purpose of my testimony is to address the depreciation rates to
12 be used by Duke Energy Carolinas, LLC ("DEC" or "Company") in
13 North Carolina.

14 **Q. DID YOU PARTICIPATE IN A FIELD VISIT OF DEC'S FACILITIES**
15 **IN NORTH CAROLINA?**

16 A. Yes. On December 11-13, 2017, I participated in field visits of several
17 different DEC facilities or project locations.¹ At each location,

¹ I visited the Marshall Steam Station, Buck Combined Cycle Station, Lincoln Combustion Turbine Station, and the Wiley and Botanical Retail Substations. I also visited two sites where active aerial and underground projects were underway.

1 Company personnel or outside contractors discussed the facilities
2 and ongoing projects with me.

3 **Q. PLEASE SUMMARIZE THE PUBLIC STAFF'S POSITION ON**
4 **DEC'S PROPOSED DEPRECIATION ANNUAL ACCRUAL.**

5 A. DEC is proposing a depreciation annual accrual increase of
6 \$81,480,296 based on December 31, 2016, investments.² The
7 Public Staff's adjustments to DEC's filed depreciation rates result in
8 a \$60,770,730 reduction to DEC's filed depreciation annual accrual,
9 or an increase of \$20,709,566 to the depreciation annual accrual
10 compared to the current approved depreciation rates.³

11 The annualized accrual based on December 31, 2016 investments
12 using the Public Staff's proposed depreciation rates compared to
13 DEC's proposed depreciation rates is summarized below:

² Page 1 of NC-1002(B) of the December 18, 2017 Revised Supplemental filing. These amounts are prior to any jurisdictional allocations.

³ These amounts are based on December 31, 2016, investments and prior to any jurisdictional allocations.

1 **Table 1: Comparison of Annual Depreciation Accrual Amount**

Functional Category	12/31/16 Investment	DEC Proposed Accrual Amount	Public Staff Proposed Accrual Amount
A	B	C	D
Steam Production Plant	\$7,518,734,377	\$257,903,850	\$249,526,005
Nuclear Production Plant	8,194,624,407	276,930,302	276,930,302
Hydraulic Production Plant	2,020,241,874	38,645,733	36,779,860
Other Production Plant	2,402,486,431	74,038,831	70,900,391
Transmission Plant	3,378,331,816	68,734,964	68,734,964
Distribution Plant	10,689,243,520	275,074,036	227,685,464
General Plant	869,489,777	48,082,112	48,082,112
Land Rights	196,940,245	2,152,094	2,152,094
General Plant Res. Amort.		(10,159,236)	(10,159,236)
Ret. Prod. Plant Recovery	494,267	0	0
Total Depreciable Plant	\$35,300,586,714	\$1,031,402,686	\$970,631,956

- 2 The Public Staff's proposed depreciation rates compared to DEC's
- 3 proposed depreciation rates are summarized below:

4 **Table 2: Comparison of Depreciation Accrual Rates**

Functional Category	12/31/16 Investment	Current Approved Depreciation Rate	DEC Proposed Depreciation Rate	Public Staff Proposed Depreciation Rate
A	B	C	D	E
Steam Production Plant	\$7,518,734,377	3.26%	3.43%	3.32%
Nuclear Production Plant	8,194,624,407	2.72%	3.38%	3.38%
Hydraulic Production Plant	2,020,241,874	1.87%	1.88%	1.79%
Other Production Plant	2,402,486,431	2.97%	3.08%	2.95%
Transmission Plant	3,378,331,816	2.12%	2.03%	2.03%
Distribution Plant	10,689,243,520	2.22%	2.57%	2.13%
General Plant	869,489,777	6.97%	5.53%	5.53%
Land Rights	196,940,245	1.22%	1.09%	1.09%
General Plant Res. Amort.		0.00%	0.00%	0.00%
Ret. Prod. Plant Recovery	494,267	0.00%	0.00%	2.22%
Total Depreciable Plant	\$35,300,586,714	2.69%	2.92%	2.75%

1 Q. PLEASE DESCRIBE YOUR EXHIBIT RMM-1.

2 A. Exhibit RMM-1 contains the calculations of the Public Staff's
3 proposed depreciation rates for DEC's Electric Plant in North
4 Carolina.

5 II. Definition of Depreciation

6 Q. COULD YOU PLEASE PROVIDE THE DEFINITION OF
7 DEPRECIATION?

8 A. Yes. The Federal Energy Regulatory Commission ("FERC")
9 definitions contained in the FERC Uniform System of Accounts (18
10 CFR part 101 ("FERC USOA")) state:

11 12. *Depreciation*, as applied to depreciable electric
12 plant, means the loss in service value not restored by
13 current maintenance, incurred in connection with the
14 consumption or prospective retirement of electric plant
15 in the course of service from causes which are known
16 to be in current operation and against which the utility
17 is not protected by insurance. Among the causes to be
18 given consideration are wear and tear, decay, action of
19 the elements, inadequacy, obsolescence, changes in
20 the art, changes in demand and requirements of public
21 authorities.⁴

22 The FERC USOA definition of "depreciation" specifically states
23 depreciation is a "loss in service value." FERC defines service value

⁴ FERC Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act. (18 CFR part 101).

1 as “the difference between original cost and net salvage value of
2 electric plant.”⁵

3 Since this is a utility regulation proceeding, I rely on the FERC USOA
4 definition of “depreciation” which focuses on the “loss of service
5 value.”

6 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF HOW**
7 **REMAINING LIFE DEPRECIATION RATES ARE CALCULATED.**

8 A. The remaining life depreciation rate formula is:

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

9 In the formula above, the book reserve percent is the actual reserve
10 on the Company's books divided by the actual plant in service
11 investment on the Company's books. The book reserve percent is
12 based on actual data from the Company's books and is not estimated
13 in the depreciation study.

14 The future net salvage percent and the average remaining life are
15 estimates proposed in the Depreciation Study. The Depreciation
16 Study estimates the projected average service life of the assets, the
17 retirement pattern of those assets, and the cost of removing or
18 retiring those assets less any expected salvage from the sale, scrap,

⁵ FERC USOA Definition 37 (18 CFR part 101).

1 insurance, reimbursements, etc. of those assets. These estimates
2 are referred to as depreciation parameters. The projected average
3 service life and retirement pattern (survivor curve) are used to
4 calculate the average remaining life. The estimated future net
5 salvage percent is the estimated future cost of removing or retiring
6 less any estimated future salvage from sale, scrap, insurance,
7 reimbursements, etc.

8 **III. Estimated Terminal Net Salvage Costs**
9 **(Decommissioning or Dismantlement Costs)**

10 **Q. DID YOU REVIEW THE TERMINAL NET SALVAGE COSTS FOR**
11 **POWER PRODUCTION PLANTS INCLUDED IN DEC'S**
12 **PROPOSED DEPRECIATION RATES?**

13 A. Yes. The estimated future terminal net salvage costs for power
14 production plants included in DEC's proposed depreciation rates are
15 supported by the Burns & McDonnell *Decommissioning Cost*
16 *Estimate Study* (Decommissioning Cost Estimate Study) provided as
17 Doss Exhibit 4.

18 **Q. WHAT ARE TERMINAL NET SALVAGE COSTS?**

19 A. Terminal net salvage costs are estimated future costs associated
20 with the closure of a production plant that has ceased operations.

1 These costs are also referred to as decommissioning or
2 dismantlement costs.

3 **Q. ARE YOU PROPOSING ADJUSTMENTS TO DEC’S ESTIMATED**
4 **FUTURE TERMINAL NET SALVAGE COSTS?**

5 A. Yes. I am proposing two adjustments to DEC’s estimate of future
6 terminal net salvage costs included in the calculation of the
7 depreciation rates. I propose to eliminate the contingency for future
8 “unknowns” and to reduce the amount of future inflation included in
9 DEC’s estimate of future terminal net salvage costs.

10 **A. Contingency Factor for Future Unknown Costs**

11 **Q. PEASE DISCUSS DEC’S INCLUSION OF A CONTINGENCY**
12 **FACTOR IN THE FUTURE ESTIMATED TERMINAL NET**
13 **SALVAGE COSTS.**

14 A. DEC includes a 20% contingency factor “to cover unknowns”⁶ which
15 escalates the estimated terminal net salvage costs in the
16 depreciation rate calculation. This inclusion of a 20% contingency
17 factor for future unknowns protects DEC from these future *unknowns*
18 while putting the risk of these future *unknowns* on the current
19 ratepayer.

⁶ Doss Exhibit 4, page 25 (Decommissioning Cost Estimate Study).

1 **Q. HAS DEC IDENTIFIED ACTUAL FUTURE COSTS THAT WILL BE**
2 **COVERED BY THIS 20% CONTINGENCY FACTOR?**

3 A. No. Page 25 of the Decommissioning Cost Estimate Study states: “A
4 20 percent contingency was included on the direct costs in the
5 estimates prepared as part of this Study to cover unknowns.”⁷
6 (Emphasis added.)

7 The estimated future terminal net salvage costs (prior to the addition
8 of the 20% contingency factor for unknowns) are “prepared with the
9 intent” to represent the anticipated “contractors bidding to dismantle
10 the equipment, address environmental issues, and restore the site
11 through a competitive bidding process, based on performing known
12 dismantlement tasks under ideal conditions.”⁸

13 The 20% contingency factor is then added to those estimated future
14 terminal net salvage costs for *unknown* future costs DEC cannot
15 specifically identify.

16 DEC’s inclusion of the 20% contingency factor in the depreciation
17 rates places all the risk of these unidentified unknown future costs
18 on the current ratepayer.

⁷ Doss Exhibit 4, page 25 (Decommissioning Cost Estimate Study).

⁸ DEC response to Public Staff Data Request 17-4 (Attached as Exhibit RMM-4).

1 Q. WHAT DO YOU RECOMMEND REGARDING THE
2 CONTINGENCY FACTOR?

3 A. I recommend using a 0% contingency factor for the future estimated
4 terminal net salvage costs included in the calculation of the
5 depreciation rate.

6 As stated above, the estimated future terminal net salvage costs in
7 the Decommissioning Cost Estimate Study *prior* to the addition of the
8 contingency factor are intended to represent the anticipated
9 contractor's bid for dismantlement.

10 The addition of the contingency included by DEC to the estimated
11 future terminal net salvage costs inappropriately puts all the risk of
12 the estimated future unknown unidentified costs on the current
13 ratepayers.

14 B. Inflation of Electric Production Plant Estimated Future
15 Terminal Net Salvage Costs

16 Q. DO YOU HAVE A RECOMMENDATION REGARDING THE
17 AMOUNT OF FUTURE INFLATION DEC INCLUDED IN THE
18 ESTIMATED FUTURE TERMINAL NET SALVAGE COSTS?

19 A. Yes. DEC is inflating the estimated future terminal net salvage costs
20 to the assumed year of final retirement. The terminal net salvage
21 costs are estimated in the DEC Decommissioning Cost Estimate

1 Study. These estimated future terminal net salvage costs are in year-
2 2016 dollars.⁹ In the Depreciation Study, DEC inflates these
3 estimated future terminal net salvage costs to the year of the
4 assumed retirement of the production plant and proposes to collect
5 a portion of these future inflated estimated costs from the current
6 ratepayers in today's more valuable dollars.

7 **Q. PLEASE EXPLAIN HOW DEC IS INFLATING THE ESTIMATED**
8 **FUTURE TERMINAL NET SALVAGE COSTS.**

9 A. Attached as Exhibit RMM-2 are pages from the DEC Depreciation
10 Study showing the calculation of the terminal net salvage costs
11 included in the calculation of DEC's proposed depreciation rates.

12 Looking at the row for Cliffside, the estimated terminal net salvage
13 cost of \$48,075,000 shown in columns (3) is in year-2016 dollars
14 from the Decommissioning Cost Estimate Study.¹⁰ In the
15 Depreciation Study this \$48,075,000 in year-2016 dollars is inflated
16 to \$105,945,615 in year-2048 dollars. This \$105,945,615 is
17 calculated assuming an inflation rate 2.5% per year to the year 2048,
18 since Cliffside is estimated to retire in 2048. This \$105,945,615
19 inflated amount is 2.2 times the estimated terminal net salvage cost

⁹ Doss Exhibit 4, page 8 (Decommissioning Cost Estimate Study).

¹⁰ Doss Exhibit 4 (Decommissioning Cost Estimate Study) page 86.

1 from the Decommissioning Cost Estimate Study.¹¹ DEC includes this
2 inflated \$105,945,615 in year-2048 dollars in its calculation of the
3 depreciation rates to be collected from ratepayers starting in 2018.

4 In the Depreciation Study, DEC uses year-2048 dollars since
5 Cliffside is estimated to retire in year 2048. The inflated
6 \$105,945,615 amount is in year-2048 dollars and is included in
7 DEC's calculation of the depreciation accrual.¹² However, the
8 amount in year-2048 dollars is also used to calculate the amount to
9 be collected from ratepayers in the more valuable year-2018 dollars.
10 The issue is not that year-2048 dollars are worth less than current
11 dollars. Rather, determining the cost of removal in year-2048 dollars
12 and then collecting the inflated costs from current customers in more
13 valuable current dollars is unreasonable in this case, since it imposes
14 on today's ratepayers too much of the risk associated with a
15 significantly long period of inflation at an estimated projected rate.

16 **Q. PLEASE EXPLAIN WHAT YOU MEAN BY MORE VALUABLE**
17 **CURRENT DOLLARS.**

18 A. Due to inflation, the year-2048 dollar will have a lower purchasing
19 power than the year-2018 dollar.

¹¹ Doss Exhibit 3 (2016 Depreciation Study) page 300. \$105,945,615 in year-2048 dollars/ \$48,075,000 in year-2016 dollars = 2.2 times.

¹² The inflated amounts are spread over the remaining life, but current customers are still paying with the more valuable current dollars.

1 **Q. DOES THE ANNUAL INFLATION RATE OF 2.5% ASSUMED IN**
2 **DEC'S INFLATION OF TERMINAL NET SALVAGE COSTS**
3 **INCLUDE A CHANGE IN THE PURCHASING POWER OF A**
4 **DOLLAR?**

5 **A. Yes. DEC is assuming that a year-2048 dollar is worth only 45¢**
6 **compared to a year-2016 dollar.¹³**

7 The problem of paying year-2048 dollars today can be explained by
8 a simple example. Assume a savings bond worth \$106,000 matures
9 in 32 years. Assuming a 2.5% interest rate, that savings bond has a
10 present market value of \$48,000.¹⁴ No reasonable investor would
11 pay \$106,000 using today's dollars for a savings bond that would
12 return \$106,000 in 32 years.

13 Similarly, charging current ratepayers' depreciation expense on the
14 basis of estimated terminal net salvage costs calculated in year-2048
15 dollars places too high a burden of future inflation on those
16 ratepayers.

¹³ $\$48,075,000 / \$105,945,615 = \$0.454$

¹⁴ Assuming 2.5% interest for 32 years. $\$106,000 / (1+2.5\%)^{32} = \$48,099$.

1 Q. WHAT INFLATION YEAR DO YOU RECOMMEND WITH
2 RESPECT TO ESTIMATED TERMINAL NET SALVAGE COSTS?

3 A. I recommend inflating the estimated terminal net salvage costs to
4 year-2023 dollars.¹⁵

5 Q. PLEASE EXPLAIN WHY YOU PROPOSE TO USE YEAR-2023
6 DOLLARS.

7 A. DEC stated in discovery that five years is “generally consistent with
8 the period of time before the next rate case.”¹⁶ Since the depreciation
9 rates approved in this proceeding are expected to go into effect in
10 2018, the year 2023 would be five years later, by which time
11 depreciation rates would have been reviewed in a new base rate
12 case.

13 My recommendation in this case is to inflate the terminal net salvage
14 costs to the level of the dollars collected from the ratepayers for the
15 time period the rates set in this proceeding are expected to be
16 effective. This reduces the risk placed on today’s ratepayers, without
17 exposing the Company to a risk that it will not be able to collect its
18 actual net salvage costs over the long-term.

¹⁵ I propose inflating to year-2023 dollars or the retirement year, whichever is earlier.

¹⁶ DEC response to Public Staff Data Request 17-1 (Attached as Exhibit RMM-5).

1 DEC's proposal, on the other hand, collects the more valuable
2 current dollars to pay for the full amount of the inflated future
3 estimated terminal net salvage costs and thus places more of the risk
4 of future inflation onto today's ratepayers.

5 **Q. WHAT ESTIMATED TERMINAL NET SALVAGE COSTS ARE**
6 **INCLUDED IN THE PUBLIC STAFF'S PROPOSED**
7 **DEPRECIATION RATES?**

8 A. The estimated terminal net salvage costs are included in the Public
9 Staff's proposed depreciation rates shown on Table 7 (page 39) of
10 Exhibit RMM-1.

11 **IV. Other Production Plant Interim Net Salvage**

12 **Q. WHAT ARE PRODUCTION PLANT INTERIM NET SALVAGE**
13 **COSTS?**

14 A. Interim net salvage costs are estimated future costs associated with
15 the retirements that occur prior to the closure of a production plant
16 that has ceased operations. These interim net salvage costs are in
17 addition to any estimated terminal net salvage costs.

1 **Q. DID YOU REVIEW THE INTERIM NET SALVAGE PERCENTAGES**
2 **FOR PRODUCTION PLANTS INCLUDED IN DEC’S PROPOSED**
3 **DEPRECIATION RATES?**

4 A. Yes. Attached as RMM-3 is the DEC response to discovery showing
5 the interim net salvage percentages DEC proposes for the Steam
6 Production Accounts.¹⁷

7 **Q. ARE YOU PROPOSING ADJUSTMENTS TO DEC’S ESTIMATED**
8 **INTERIM NET SALVAGE PERCENTAGES?**

9 A. Yes. For Other Production Accounts 342, 343, 344, 345, and 346,
10 DEC proposes a -5% interim net salvage percentage. However, the
11 historical analyses for these accounts show that on average the net
12 salvage has been a positive \$12,891,310 per year for the last 3 years
13 and a positive \$8,649,160 per year for the last 5 years.¹⁸ A positive
14 net salvage amount means that DEC has booked gross salvage
15 amounts that have more than covered the incurred cost of removal
16 costs.

¹⁷ DEC response to Public Staff Data Request 71-2 (Attached as Exhibit RMM-3).

¹⁸ Doss Exhibit 3 (2016 Depreciation Study) pages 319-324, attached as Exhibit RMM-6. DEC response to Public Staff Data Request 9-12, Attachment 2 indicates that the net salvage costs related to final retirements have been excluded from the historical net salvage data shown on pages 319-324 of Doss Exhibit 3.

1 In other words, DEC does not need to collect interim removal costs
2 from the ratepayers for these accounts, since it has more than
3 recovered those interim removal costs in its booked gross salvage.

4 I am proposing a 0% interim net salvage since in DEC's actual
5 experience it has not incurred interim net removal costs. This 0%
6 interim net salvage does not include the final decommissioning
7 costs; these are just the net salvage costs of retirements that occur
8 prior to the final decommissioning of the plants.

9 **V. DEC's AMI Meter Deployment Program**

10 **A. AMI Meter Average Service Life**

11 **Q. WHAT SERVICE LIFE DOES DEC RECOMMEND FOR THE AMI**
12 **METERS?**

13 A. DEC is proposing a 15-year average service life for AMI Meters.

14 **Q. WHAT IS THE LIFE RANGE INDICATED BY THE**
15 **MANUFACTURER OF THE AMI METERS?**

16 A. In response to discovery, DEC stated that the manufacturers
17 estimate a 15-20 year life for the AMI meters.¹⁹

¹⁹ DEC response to Public Staff Data Request 9-25, attached to this testimony as Exhibit RMM-7.

1 DEC is proposing to use the low end of that range. DEC's proposal
2 to use the low end of the life range increases the depreciation
3 expense, all other things being equal.

4 **Q. WHAT LIFE DO YOU RECOMMEND FOR AMI METERS?**

5 A. Since DEC does not have much actual experience with AMI meters,
6 I recommend a 17-year life that is in the middle of the manufacturer's
7 range. Using a life in the middle of the range is a reasonable estimate
8 based on the manufacturer's expected life of the AMI meters and is
9 fair to both the Company and the ratepayer.

10 **B. Remaining Life of Meters Being Replaced During the AMI**
11 **Deployment Program**

12 **Q. IS THE PUBLIC STAFF PROPOSING AN ADJUSTMENT TO**
13 **DEC'S PROPOSED REMAINING LIFE FOR THE METERS DEC IS**
14 **PLANNING TO REPLACE DURING THE AMI DEPLOYMENT**
15 **PROGRAM?**

16 A. Yes. DEC proposes to recover the remaining net book value of the
17 meters it plans to retire due to the AMI meter deployment program
18 over 2.8 years. The testimony of Public Staff Witness Michael C.
19 Maness discusses the Public Staff's position to recover the
20 remaining net book value based on the remaining life of the meters
21 absent the accelerated retirement proposed in DEC's AMI meter
22 deployment program.

1 In response to discovery, DEC stated that, absent the accelerated
2 retirement in DEC's AMI meter deployment program, the estimated
3 remaining life for these meters is 15.4 years.²⁰ I have used this 15.4-
4 year remaining life in the calculation of the Public Staff's proposed
5 depreciation rate for Account 370.01, Meters.

6 **VI. Mass Property Projected Average Service Life**

7 **Q. DID YOU REVIEW THE AVERAGE SERVICE LIFE FOR OTHER**
8 **MASS PROPERTY ACCOUNTS?**

9 A. Yes, I have reviewed the DEC proposed lives of several accounts
10 and do not oppose DEC's proposed projected average service lives.

11 The historical data for several mass property accounts indicates that
12 the assets are living longer than assumed in the current approved
13 average service life. DEC proposes longer average service life for
14 these accounts, which is reasonable.

15 For example, the historical life analysis for Account 369, Services
16 indicates the plant is living longer than the current approved 40-year
17 projected average service life. DEC proposes a 10-year increase to
18 the projected average service life. This proposed increase to a 50-
19 year average service life is reasonable.

²⁰ DEC response to Public Staff Data Request 117-1, attached to this testimony as Exhibit RMM-8.

1 **VII. Mass Property Future Net Salvage**

2 **Q. DID YOU REVIEW THE FUTURE NET SALVAGE FOR MASS**
3 **PROPERTY ACCOUNTS?**

4 A. Yes, I have reviewed the DEC proposed future net salvage for
5 several accounts and do not oppose DEC's proposal.

6 The historical data for several mass property accounts indicates that
7 the actual net salvage costs have been more positive than indicated
8 by the current approved net salvage rates. DEC proposes to
9 decrease the amount of future net salvage collected in the
10 depreciation expense, which is reasonable based on my review of
11 the historical net salvage data and the company retirement practices.

12 **VIII. Conclusion**

13 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

14 A. For the reasons stated above, I recommend that the Public Staff's
15 proposed depreciation rates shown on Exhibit RMM-1 be approved
16 for DEC.

17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 A. Yes.