

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF NEBRASKA

IN THE MATTER OF THE APPLICATION OF )  
SOURCEGAS DISTRIBUTION LLC, GOLDEN, )  
COLORADO, SEEKING AUTHORITY TO REFLECT )  
CHANGED DEPRECIATION RATES ON ITS )  
NEBRASKA BOOKS OF ACCOUNT EFFECTIVE )  
MAY 1, 2014, WITHOUT IMPACTING EXISTING RATES )

DOCKET NO. NG-0079

PREFILED DIRECT TESTIMONY

OF

DANE A. WATSON, PE CDP

PARTNER,

ALLIANCE CONSULTING GROUP

ON BEHALF OF

SOURCEGAS DISTRIBUTION LLC

**INDEX TO THE PREFILED DIRECT TESTIMONY**  
**OF DANE A. WATSON, WITNESS FOR**  
**SOURCEGAS DISTRIBUTION LLC**

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EXHIBITS:

DAW-1- LIST OF TESTIMONY APPEARANCES DANE A. WATSON

DAW-2 – SOURCEGAS DISTRIBUTION LLC – NEBRASKA PROPERTIES -  
DEPRECIATION RATE STUDY – AS OF DECEMBER 31, 2013 AS FILED ON MAY 1,  
2014

DAW-3 – REDLINE VERSION OF SOURCEGAS DISTRIBUTION LLC – NEBRASKA  
PROPERTIES - DEPRECIATION RATE STUDY – AS OF DECEMBER 31, 2013  
REFLECTS REVISIONS AS OF JULY 11, 2014

DAW-4 – CLEAN VERSION OF SOURCEGAS DISTRIBUTION LLC – NEBRASKA  
PROPERTIES - DEPRECIATION RATE STUDY – AS OF DECEMBER 31, 2013  
REFLECTS REVISIONS AS OF JULY 11, 2014

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**DIRECT TESTIMONY OF DANE A. WATSON**

**I. POSITION AND QUALIFICATIONS**

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

A. My name is Dane A. Watson, and my business address is 1410 Avenue K, Suite 1105B, Plano, Texas 75074. I am a Partner of Alliance Consulting Group. Alliance Consulting Group provides consulting and expert services to the utility industry.

**Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

A. I hold a Bachelor of Science degree in Electrical Engineering from the University of Arkansas at Fayetteville and a Master's Degree in Business Administration from Amberton University.

**Q. DO YOU HOLD ANY SPECIAL CERTIFICATION AS A DEPRECIATION EXPERT?**

A. Yes. The Society of Depreciation Professionals ("the Society") has established national standards for depreciation professionals. The Society administers an examination and has certain required qualifications to become certified in this field. I met all requirements and have become a Certified Depreciation Professional ("CDP").

**Q. PLEASE OUTLINE YOUR EXPERIENCE IN THE FIELD OF DEPRECIATION.**

A. Since graduation from college in 1985, I have worked in the area of depreciation and valuation. I founded Alliance Consulting Group in 2004 and am responsible for conducting depreciation, valuation and certain accounting-related studies for utilities in various industries. My duties related to depreciation studies include the assembly and analysis of historical and simulated data, conducting field reviews, determining service life and net salvage estimates, calculating annual

1 depreciation, presenting recommended depreciation rates to utility management  
2 for its consideration, and supporting such rates before regulatory bodies. Since  
3 founding Alliance Consulting Group, I have performed more than one hundred  
4 depreciation studies and presented testimony before more than 25 regulatory  
5 bodies. A list of my testimony appearances is found in Exhibit DAW-1.

6 My prior employment from 1985 to 2004 was with Texas Utilities ("TXU").  
7 During my tenure with TXU, I was responsible for, among other things,  
8 conducting valuation and depreciation studies for the domestic TXU companies.  
9 During that time, I served as Manager of Property Accounting Services and  
10 Records Management in addition to my depreciation responsibilities.

11 I have twice been Chair of the Edison Electric Institute ("EEI") Property  
12 Accounting and Valuation Committee and have been Chairman of EEI's  
13 Depreciation and Economic Issues Subcommittee. I was the Industry Project  
14 Manager for the EEI/AGA effort around the electric and gas industry adoption of  
15 FAS 143 and testified before FERC in the hearings leading up to the release of  
16 FERC Order 631. I was also the Project Leader for the EEI/AGA "Introduction to  
17 Depreciation" textbook update. I am a Registered Professional Engineer ("PE")  
18 in the State of Texas and a Certified Depreciation Professional. I am a Senior  
19 Member of the Institute of Electrical and Electronics Engineers ("IEEE") and am  
20 currently Secretary/Treasurer of IEEE-USA. I am also a past President of the  
21 Society of Depreciation Professionals and teach as part of their annual training  
22 program as well as teaching depreciation in multiple venues for EEI/AGA.

23

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**II. PURPOSE OF DIRECT TESTIMONY**

2 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**  
3 **PROCEEDING?**

4 A. SourceGas LLC (the "Company") engaged Alliance Consulting Group to conduct  
5 a depreciation rate study of the major Distribution accounts of SourceGas  
6 Distribution LLC's ("SGD") Nebraska Properties ("SGDNE") natural gas  
7 operations depreciable assets as of fiscal year end December 31, 2013. I  
8 sponsor and support the depreciation rate study performed by Alliance  
9 Consulting Group and filed by the Company in this docket on May 1, 2014, as  
10 Appendix 1 to the Application (the "Depreciation Rate Study" or the "Study").  
11 Exhibit DAW-2 is the Depreciation Rate Study as filed on May 1, 2014. In the  
12 process of discovery, certain minor changes have been identified. Those  
13 changes do not affect the recommended results for SGDNE. I am including two  
14 additional Exhibits that identify those items: Exhibit DAW-3, Redlined Version of  
15 Depreciation Rate Study to Reflect Revisions- July 11, 2014, and Exhibit DAW-4,  
16 Clean Version of Depreciation Rate Study to Reflect Revisions- July 11, 2014.

17 **Q. PLEASE SUMMARIZE THE DEPRECIATION RATE STUDY, WHICH IS**  
18 **EXHIBITS DAW-3 and DAW-4.**

19 A. SGDNE's existing depreciation rates are based on a survey of rates of  
20 comparable utilities. The Depreciation Rate Study uses Company specific  
21 information incorporating the straight-line method, average life group ("ALG")  
22 procedure, and remaining-life technique. That depreciation system is the  
23 standard used by most utilities and commissions across the United States.

24 The Depreciation Rate Study recommends a decrease of approximately  
25 \$1.8 million in annual depreciation expense when compared to the depreciation

1 rates currently in effect for the accounts included in the Study. Due to the data  
2 and approach used in the prior study, there is no way to make a comparison of  
3 the life and net salvage parameters. The Study includes Distribution Accounts  
4 376, 380, 381.1, 382, and 383, which account for over 90% of SGDNE's  
5 depreciable Distribution plant in Nebraska. The existing rates for all accounts  
6 with the exception of 381.1 were based on a functional rate of 3.0% compared to  
7 the Study where individual life and net salvage parameters as well as individual  
8 account depreciation rate recommendations are recommended. These changes  
9 can be seen in detail in Appendix A to Exhibits DAW-3 and DAW-4.

### 10 11 **III. DEPRECIATION RATE STUDY**

#### 12 **Q. DID YOU PREPARE THE DEPRECIATION RATE STUDY?**

13 A. Yes. The Depreciation Rate Study in Exhibits DAW-3 and DAW-4 analyzes the  
14 life and net salvage percentage for the six Distribution Accounts that account for  
15 over 90% of SGDNE's depreciable Distribution plant in Nebraska.

#### 16 **Q. WHAT IS THE PURPOSE OF THE DEPRECIATION RATE STUDY?**

17 A. The purpose of the Depreciation Rate Study is to develop depreciation rates for  
18 the depreciable property as recorded on SGD's books for SGDNE at December  
19 31, 2013. The account based depreciation rates were designed to recover the  
20 total remaining undepreciated investment, adjusted for net salvage, over the  
21 remaining life of SGDNE's property on a straight-line basis. The Study focuses  
22 on the major Distribution accounts, and all other non-depreciable and  
23 depreciable property and property which is amortized such as intangible assets  
24 were excluded from the Depreciation Rate Study.

25 SGDNE provides local gas distribution service to approximately 88,000  
26 customers across nearly 200 communities in Nebraska. The Study evaluates the

1 major Distribution assets, which comprise both steel and plastic gas distribution  
2 mains, services and various types of meters located across the service area.

3 **Q. HAVE YOU CALCULATED THE ANNUAL DEPRECIATION EXPENSE FOR**  
4 **SGDNE ASSETS?**

5 A. Yes. The proposed annual depreciation expense, based on plant balances at  
6 December 31, 2013, for SGDNE is \$3.157 million for the six accounts. Using the  
7 existing approved rates for SGDNE Direct accounts applied to December 31,  
8 2013 balances, the annual equivalent depreciation expense calculated by the  
9 same method using the currently approved rates would be \$4.947 million for the  
10 same accounts. Comparing the existing and proposed rates results in a  
11 decrease of approximately \$1.791 million in annual depreciation expense. The  
12 complete account comparison is shown in my Exhibits DAW-3 and DAW-4,  
13 Appendix B. The calculation of the annual expense and rates is shown in  
14 Appendix A of Exhibits DAW-3 and DAW-4. A listing of the life and net salvage  
15 parameters used are shown in Appendix C of Exhibit DAW-3 and DAW-4.

16 **Q. WHAT DEFINITION OF DEPRECIATION HAVE YOU USED FOR THE**  
17 **PURPOSES OF CONDUCTING THE DEPRECIATION RATE STUDY AND**  
18 **PREPARING YOUR TESTIMONY?**

19 A. The term "depreciation," as used herein and in the Depreciation Rate Study, is  
20 considered in the accounting sense; that is, a system of accounting that  
21 distributes the cost of assets, less net salvage (if any), over the estimated useful  
22 life of the assets in a systematic and rational manner. Depreciation is a process  
23 of allocation, not valuation. Depreciation expense is systematically allocated to  
24 accounting periods over the life of the properties. The amount allocated to any  
25 one accounting period does not necessarily represent the loss or decrease in  
26 value that will occur during that particular period. Thus, depreciation is

1 considered an expense or cost, rather than a loss or decrease in value.  
2 SourceGas accrues depreciation based on the original cost of all property  
3 included in each depreciable plant account. On retirement, the full cost of  
4 depreciable property, less the net salvage amount, if any, is charged to the  
5 depreciation reserve.

6 **Q. PLEASE DESCRIBE YOUR DEPRECIATION RATE STUDY APPROACH.**

7 A. I conducted the Depreciation Rate Study in four phases as described in the  
8 Depreciation Study Process section of my Exhibits DAW-3 and DAW-4. The four  
9 phases are: Data Collection, Analysis, Evaluation, and Calculation. During the  
10 initial phase of the Study, I collected historical data to be used in the analysis.  
11 After the data was assembled, I performed analyses to determine the life and net  
12 salvage percentage for the different property groups being studied. As part of  
13 this process, I conferred with field personnel, engineers, and managers  
14 responsible for the installation, operation, and removal of the assets to gain their  
15 input into the operation, maintenance, and salvage of the assets. The  
16 information obtained from field personnel, engineers, and managers, combined  
17 with the Study results, was then evaluated to determine how the results of the  
18 historical asset activity analysis, in conjunction with the Company's expected  
19 future plans, should be applied. Using all of these resources, I then calculated  
20 the depreciation rate for each function.

21 **Q. WHAT DEPRECIATION METHODOLOGY DID YOU USE?**

22 A. The straight-line, ALG remaining-life depreciation system was employed to  
23 calculate annual and accrued depreciation in the Study. This methodology is the  
24 standard across the utility industry. The existing depreciation rates are based on  
25 a survey of comparable utilities which was performed nearly 10 years ago. I

1 believe the ALG, company specific information provided in my Depreciation Rate  
2 Study provides better matching of capital recovery for SGDNE's assets.

3 **Q. HOW ARE DEPRECIATION RATES DETERMINED UNDER THE ALG**  
4 **PROCEDURE?**

5 A. In this system, the annual depreciation expense for each group was computed by  
6 dividing the original cost of the asset, less allocated depreciation reserve, less  
7 estimated net salvage, by its respective average life group remaining life. The  
8 resulting annual accrual amounts of all depreciable property within an account  
9 were accumulated, and the total was divided by the original cost of all  
10 depreciable property within the account to determine the depreciation rate. The  
11 calculated remaining lives and annual depreciation accrual rates were based on  
12 attained ages of plant in service and the estimated service life and salvage  
13 characteristics of each depreciable group. The computations of the annual  
14 depreciation rates are shown in Appendix A of my Exhibits DAW-3 and DAW-4.  
15 The remaining life calculations are discussed below and are also shown in  
16 Appendix A of my Exhibits DAW-3 and DAW-4 and in my workpapers.

17 **Q. WHAT TIME PERIOD DID YOU USE TO DEVELOP THE PROPOSED**  
18 **DEPRECIATION RATES?**

19 A. The account level depreciation rates were developed based on the depreciable  
20 property recorded on the Company's books at December 31, 2013.

21 **Q. IN DEVELOPING THE PROPOSED DEPRECIATION RATES, DID YOU ALSO**  
22 **CONSIDER THE COMPANY'S CURRENT ASSET ACCOUNTING**  
23 **PRACTICES?**

24 A. Yes. In developing the proposed depreciation rates, the Depreciation Rate Study  
25 analysis focused not only on historical data but also considered the current asset

1 accounting practices used by the Company. The results of this analysis  
 2 confirmed that the historical accounting and operational data was generally  
 3 representative of ongoing SGDNE practices.

4 **Q. WHAT IS THE BASIS OF THE COMPANY'S CURRENT DEPRECIATION**  
 5 **ACCRUAL RATES?**

6 A. The current depreciation accrual rates are based upon a survey of accrual rates  
 7 for comparable utilities. No underlying life or net salvage parameters were  
 8 developed in adoption of those accrual rates. The Company specific data  
 9 incorporated in the Depreciation Rate Study are calculated using the depreciation  
 10 system that is the standard used by most utilities and commissions across the  
 11 United States.

12 **Q. PLEASE SUMMARIZE THE DEPRECIATION RATE STUDY RESULTS WITH**  
 13 **RESPECT TO DEPRECIATION RATES.**

14 A. Table 1 shows the approved and recommended depreciation rates for each  
 15 account.

16 Table 1

Acct	Description	Existing Accrual Rate	Proposed Accrual Rate
376	Distribution Mains	3.00%	1.19%
380	Distribution Services	3.00%	3.97%
381	House Meters	3.00%	3.44%
381.1	AMR Equipment	5.00%	3.72%
382	Meter Installations	3.00%	1.85%
383	House Regulators	3.00%	2.02%

1 **Q. WHAT FACTORS INFLUENCE THE DEPRECIATION RATES FOR AN**  
2 **ACCOUNT?**

3 A. The primary factors that influence the depreciation rate for an account are: 1. the  
4 remaining investment to be recovered in the account, 2. the depreciable life of  
5 the account, and 3. the net salvage for the account.

6 **Q. WHAT METHOD DID YOU USE TO ANALYZE HISTORICAL DATA TO**  
7 **DETERMINE LIFE CHARACTERISTICS?**

8 A. All accounts were analyzed using an actuarial analysis method to estimate the  
9 life of property. In much the same manner as human mortality is analyzed by  
10 actuaries, depreciation analysts use models of property mortality characteristics  
11 that have been validated in research and empirical applications. Further detail is  
12 found in the Life Analysis section of Exhibits DAW-3- and DAW-4.

13 **Q. WHAT IS THE SIGNIFICANCE OF AN ASSET'S USEFUL LIFE IN THE**  
14 **DEPRECIATION RATE STUDY?**

15 A. An asset's useful life was used to determine the remaining life over which the  
16 remaining cost (original cost plus or minus net salvage, minus accumulated  
17 depreciation) can be allocated ratably over future periods.

18 **Q. HOW DID YOU DETERMINE THE AVERAGE SERVICE LIVES FOR EACH**  
19 **ASSET GROUP?**

20 A. The establishment of appropriate average service lives for each account was  
21 determined by using actuarial life analysis. The remaining life, by account, is  
22 shown in Appendix A of my Exhibits DAW-3 and DAW-4. Details showing the  
23 computation of remaining life are shown in the workpapers. Graphs and tables  
24 supporting the actuarial analysis and the chosen Iowa Curves used to determine  
25 the average service lives for analyzed accounts are found in the Life Analysis

1 section of my Exhibits DAW-3 and DAW-4. A summary of the depreciable life for  
2 each account is shown in Table 2.

3 Table 2

Acct	Description	Proposed Life and Curve
376	Distribution Mains	65 R3
380	Distribution Services	35 R1.5
381	House Meters	30 R4
381.1	AMR Equipment	15 R4
382	Meter Installations	45 R1.5
383	House Regulators	40 R4

4

5 **Q. HOW DOES THIS DIFFER FROM THE ORIGINAL FILING ON MAY 1, 2014?**

6 A. During discovery, I identified that the life shown in Appendix C of Exhibit DAW-2  
7 for account 381.1 was incorrect. The life for that account should be 15 R4 and  
8 was incorrectly shown as 40 R4. The correct parameter is shown in Exhibits  
9 DAW-3 and DAW-4. This does not change the computations of the proposed  
10 depreciation rates.

11 **Q. WHAT IS NET SALVAGE?**

12 A. While discussed more fully in the Study itself, net salvage is the difference  
13 between the gross salvage (what the asset was sold for) and the removal cost  
14 (cost to remove and dispose of the asset). Salvage and removal cost  
15 percentages are calculated by dividing the current cost of salvage or removal by  
16 the original installed cost of the asset. Some plant assets can experience  
17 significant negative removal cost percentages due to the amount of removal cost  
18 and the timing of the addition versus the retirement. For example, a Distribution

1 asset in FERC Account 376 Steel Mains with a current installed cost of \$500  
2 (2013) would have had an installed cost of \$17.57<sup>1</sup> in 1948. A removal cost of  
3 \$50 for the asset calculated (incorrectly) on current installed cost would only  
4 have a negative 10 percent removal cost ( $\$50/\$500$ ). However, a correct  
5 removal cost calculation would show a negative 284 percent removal cost for that  
6 asset ( $\$50/\$17.57$ ). Inflation from the time of installation of the asset until the  
7 time of its removal must be taken into account in the calculation of the removal  
8 cost percentage because the depreciation rate, which includes the removal cost  
9 percentage, will be applied to the original installed cost of assets.

10 **Q. HOW DID YOU DETERMINE THE NET SALVAGE PERCENTAGES FOR**  
11 **EACH ASSET GROUP?**

12 A. I examined the experience realized by the Company by observing the actual net  
13 salvage percentages for each year. The analysis also looks at various bands (or  
14 combinations) of these years, such as 2-year, 3-year etc., up to 5-years.  
15 Evaluating these moving averages allows the smoothing of the timing differences  
16 between when retirements, removal cost and salvage are booked. By looking at  
17 successive average bands ("rolling bands"), an analyst can also see trends in the  
18 data that would indicate the future net salvage in the account. This examination,  
19 in combination with the feedback of Company engineers related to any changes  
20 in operations or maintenance that would affect the future net salvage of the  
21 asset, allowed the selection of the best estimate of future net salvage for each  
22 account. The net salvage as a percent of retirements for each year and various  
23 bands, for each account, is shown in my Exhibits DAW-3 and DAW-4, Appendix  
24 D. As with any analysis of this type, expert judgment was applied in order to

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<sup>1</sup> Using the Handy-Whitman Bulletin No. 178, G-3, line 44,  $\$17.571 = \$500 \times 29/825$ .

1 select a net salvage percentage reflective of the future expectations for each  
2 account.

3 **Q. IS THIS A REASONABLE METHOD FOR DETERMINING NET SALVAGE**  
4 **RATES?**

5 A. Yes. The method used to establish appropriate net salvage percentages for  
6 each account is the methodology commonly employed throughout the industry  
7 and is the method recommended in authoritative texts such as *The Estimation of*  
8 *Depreciation*, by Drs. Fitch, Wolf and Bissinger and the National Association of  
9 Regulatory Utility Commissioners' *Public Utility Depreciation Practices*.

10 **Q. IS THE COMPANY'S RECENT EXPERIENCE SUFFICIENT TO PROJECT**  
11 **FUTURE NET SALVAGE FOR THESE ACCOUNTS?**

12 A. No. In discussing net salvage with Company personnel, I determined that  
13 removal cost for accounts 376, 380, and 382 has been understated. The  
14 Company is converting to Power Plan software in 2015, which will lead to  
15 changes in net salvage charges and a more negative future expectation for net  
16 salvage than was experienced in the past. To reflect this reality, I used judgment  
17 and experience in numerous natural gas depreciation studies, based on  
18 accepted industry principles for depreciation studies, to forecast future net  
19 salvage rates.

20 **Q. USING YOUR STUDY ANALYSIS, WHAT ARE YOUR NET SALVAGE**  
21 **RECOMMENDATIONS?**

22 A. The detailed net salvage analysis of each account is described fully in Exhibits  
23 DAW-3 and DAW-4. The proposed net salvage percentage for each account is  
24 shown in Table 3. The net salvage rates in the exhibit are calculated using one  
25 consistent approach, are appropriate, and should be accepted by the  
26 Commission.

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Table 3

Acct	Description	Proposed Net Salvage
376	Distribution Mains	-10%
380	Distribution Services	-40%
381	House Meters	0%
381.1	AMR Equipment	0%
382	Meter Installations	-10%
383	House Regulators	0%

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3 **Q. WHAT CAUSES NEGATIVE NET SALVAGE RATES?**

4 A. Negative net salvage rates occur when the cost to remove or retire assets is  
5 greater than the salvage received for those assets. The activities related to  
6 retiring assets (generally including cutting, capping, and purging of gas for the  
7 abandonment of pipe) are increasing across the country, in part due to the  
8 increasing cost of labor and more stringent work rules. Performing these  
9 activities today is more expensive than in the past and is definitely more  
10 expensive than the retirement costs reflected in the existing depreciation rates.  
11 Additionally, there has been very limited or no salvage recorded due to the  
12 Company's practice of abandoning pipe in place. This practice, which is common  
13 today in the industry, is expected to continue, so there will be little, if any, salvage  
14 recorded for scrap pipe in the future.

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**IV. CONCLUSION{tc "VIII. CONCLUSION"}**

**Q. WHAT ACCOUNT DEPRECIATION RATES ARE YOU PROPOSING, AND HOW DO THEY COMPARE WITH THE CURRENT RATES?**

A. The current depreciation rates and the rates I am now proposing are found in my Exhibits DAW-3 and DAW-4. Detailed comparisons and calculations of these rates are found in Appendices A and B of my Exhibits DAW-3 and DAW-4.

**Q. MR. WATSON, DO YOU HAVE ANY CONCLUDING REMARKS?**

A. Yes. The Depreciation Rate Study, which was conducted in accordance with industry standards that have been accepted by regulatory commissions throughout the United States, fully supports setting depreciation rates at the level I have indicated in my testimony. The Study for SGDNE depreciable property as of December 31, 2013 describes the extensive analysis performed and the resulting rates that are now appropriate for Company property. For the reasons explained in my testimony and the Study, it is my opinion that the Company's depreciation rates should be set at my recommended amounts.

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

A. Yes, it does. I will conclude by offering into evidence Exhibits DAW-1, DAW-2, DAW-3, and DAW-4.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF NEBRASKA

IN THE MATTER OF THE APPLICATION OF )  
SOURCEGAS DISTRIBUTION LLC, GOLDEN, )  
COLORADO, SEEKING AUTHORITY TO )  
REFLECT CHANGED DEPRECIATION RATES )  
ON ITS NEBRASKA BOOKS OF ACCOUNT )  
EFFECTIVE MAY 1, 2014, WITHOUT )  
IMPACTING EXISTING RATES )

DOCKET NO. NG-0079

State of Texas )

Affidavit Adopting Prefiled Direct  
Testimony and Exhibits

County of Collin )

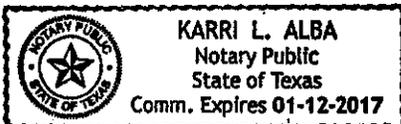
Dane A. Watson being first duly sworn on oath, states that he is the Dane A. Watson whose Prefiled Direct Testimony and Exhibits in the above-captioned docket accompanies this Affidavit.

Dane A. Watson further states that such Prefiled Direct Testimony is a true and accurate statement of his answers to the questions contained therein, and that he does adopt those answers as his sworn Testimony in this proceeding. Dane A. Watson further states that such exhibits that accompany his Prefiled Direct Testimony are true and accurate.

*Dane A. Watson*

Dane A. Watson

8th SUBSCRIBED AND SWORN TO before me, the undersigned Notary Public, this day of July, 2014.



*Karri L. Alba*  
Notary Public

My commission expires: 1/12/17

Address of Notary:

1201 E. 14th St.  
Plano, Texas 75074