

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
OKLAHOMA GAS AND ELECTRIC COMPANY)	DOCKET NO. 16-052-U
FOR APPROVAL OF A GENERAL CHANGE IN)	
RATES, CHARGES AND TARIFFS)	

SURREBUTTAL TESTIMONY

OF
BILL TAYLOR
PUBLIC UTILITY AUDIT SUPERVISOR
AUDITS SECTION

ON BEHALF OF THE GENERAL STAFF
OF THE ARKANSAS PUBLIC SERVICE COMMISSION

MARCH 30, 2017

1 **INTRODUCTION**

2 **Q. Please state your name.**

3 A. My name is Bill Taylor.

4 **Q. Are you the same Bill Taylor who previously filed testimony on January 31,**
5 **2017 on behalf of the General Staff (Staff) of the Arkansas Public Service**
6 **Commission (Commission)?**

7 A. Yes.

8 **PURPOSE OF TESTIMONY**

9 **Q. What is the purpose of your Surrebuttal Testimony in this docket?**

10 A. My Surrebuttal Testimony addresses the following: (1) a change I made to
11 working capital assets (WCA); (2) the updated interest payable amount of
12 current, accrued and other liabilities (CAOL); and (3) the updated amount of
13 accumulated deferred income taxes (ADIT) for the *pro forma* year. In so doing,
14 my Surrebuttal Testimony addresses the Rebuttal Testimony of Company
15 witnesses Malini Gandhi and Scott Forbes.

16 **WORKING CAPITAL ASSETS**

17 **Q. What change to WCA have you made since your Direct Testimony?**

18 A. In my Direct Testimony, I excluded \$11,483,165 from WCA related to plant
19 projects not in service. However, after reviewing the Rebuttal Testimony of
20 OG&E witness Forbes and further discussions with Company personnel, I agree
21 that part of the WCA amount that I previously excluded related to Retail
22 Allowance for Funds Used During Construction (AFUDC) on Transmission

1 Projects should be included in WCA because the projects related to this amount
2 are in service. In the Rebuttal Testimony of OG&E witness Forbes,¹ he explains
3 the reason for including AFUDC as a regulatory asset, rather than the normal
4 treatment as a component of plant. This accounting treatment insures that
5 FERC-jurisdictional customers will not be charged for both a return on
6 Construction Work-In-Progress (CWIP), which FERC allows, and capitalized
7 AFUDC as a component of plant. Because the projects associated with the
8 regulatory asset were completed and put into service, it is appropriate to allow
9 this return on AFUDC. Therefore, I have increased WCA by \$7,531,482 relating
10 to these amounts.

11 **Q. Did OG&E agree with your other reductions to WCA included in your Direct**
12 **Testimony?**

13 A. Although OG&E did not specifically address my WCA recommendations made in
14 Direct Testimony, other than Mr. Forbes discussion of Retail AFUDC on
15 Transmission Projects, Company witness Gandhi's Rebuttal Workpaper B-2
16 includes all of my other WCA adjustments. Therefore, my total WCA amount is
17 now \$440,490,777, which is the same as Company's WCA amount.

18 **CURRENT, ACCRUED AND OTHER LIABILITIES**

19 **Q. Have you updated CAOL?**

20 A. Yes. My determination of CAOL in my Direct Testimony comprehended
21 information through the end of the *pro forma* year with the exception of *pro forma*

¹ Rebuttal Testimony of Scott Forbes, p. 4, line 21 through p. 5, line 28.

1 debt and interest information. My determination of CAOL for my Surrebuttal
2 Testimony comprehends all *pro forma* year information including *pro forma* debt
3 and interest information provided by Staff witness Regis Powell, which decreased
4 accrued interest payable by \$63,109. I provided my recalculated CAOL of
5 \$302,661,812 to Staff witness Powell for inclusion in the capital structure at zero
6 cost.

7 The Company's amount of CAOL, \$365,245,153, does not include my
8 interest update and OG&E also excludes my adjustment to remove Asset
9 Retirement Obligations (ARO) in the amount of \$62,520,232. I continue to
10 exclude from CAOL the average balances for the 13 months ending June 30,
11 2016, of \$62,520,232 related to AROs, consistent with Staff witness William
12 Matthews's treatment in his plant in service adjustments. Therefore, my CAOL
13 amount is \$62,583,341 less than OG&E's.

14 While the Company and I continue to disagree on the ARO treatment,
15 OG&E included in its Rebuttal Schedule D-1.3 workpaper the three accounts I
16 had discussed and included in my Direct Testimony related to either non-retail or
17 Oklahoma. OG&E also included Dividends Payable, consistent with my Direct
18 Testimony.

19 **ACCUMULATED DEFERRED INCOME TAXES**

20 **Q. Did your amount of ADIT change based on the Company's updated ADIT**
21 **projection?**

1 A. Yes. The difference in my ADIT is due to using OG&E's updated *pro forma*
2 projection provided in response to Staff data request APSC-65.01, as noted in
3 Company witness Gandhi's Rebuttal Testimony.² The update reflects calendar
4 year 2016 information and a revision of the projections through the end of the *pro*
5 *forma* year. The revision excludes projections beyond the *pro forma* year, which
6 were inadvertently included in the Company's Application, and resulted in a
7 reduction of \$84,446,466 in the projection. Based on the Company's update to
8 calendar year 2016 information and a revision of the projections through the end
9 of the *pro forma* year, I decreased ADIT by \$64,316,407 to \$1,812,510,927. I
10 provided the updated ADIT amount to Staff witness Powell for inclusion in the
11 capital structure at zero cost.

12 My amount of ADIT comprehends *pro forma* plant additions of the
13 Company but differs from the Company's ADIT amount of \$1,629,639,012 by
14 \$182,871,915, which is the amount related to the two adjustments I made in my
15 Direct Testimony that included ADIT related to Windspeed and Transmission
16 costs recovered from other Load Serving Entities.

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

18 A. Yes.

² Rebuttal Testimony of Malini Gandhi, p. 4, lines 11-17.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served on all parties of record by electronic mail via the Electronic Filing System on this 30th day of March, 2017.

/s/ Justin A. Hinton
Justin A. Hinton