BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF OKLAHOMA GAS AND ELECTRIC COMPANY FOR AN ORDER OF THE COMMISSION AUTHORIZING APPLICANT TO MODIFY ITS RATES, CHARGES, AND TARIFFS FOR RETAIL ELECTRIC SERVICE IN OKLAHOMA	)	CAUSE NO. PUD 201800140

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CORPORATION COMMISSION
OF OKLAHOMA

Direct Testimony

of

Donald R. Rowlett

on behalf of

Oklahoma Gas and Electric Company

December 31, 2018

Q. **Please state your name, position, by whom you are employed, and your business address.**

A. My name is Donald R. Rowlett. I am the Managing Director of Regulatory Affairs for Oklahoma Gas and Electric Company ("OG&E"). My business address is 321 N. Harvey Avenue, Oklahoma City, Oklahoma 73102.

Q. **Please state your educational qualifications and employment history.**

A. I earned a Bachelor of Science degree in Business with an accounting emphasis (1980) and a Master's in Business Administration (1992), from Oklahoma City University. I have also completed all work, except for the dissertation, on a Ph.D. from Oklahoma State University in Business Administration. I joined OG&E in 1989. I currently serve as Managing Director of Regulatory Affairs where I am responsible for overseeing the Company's economic regulatory activities with the Oklahoma Corporation Commission, the Arkansas Public Service Commission and the Federal Energy Regulatory Commission. I have served in various financial roles in the Company including ten years as Vice President, Controller and Chief Accountant. As the Company's Controller I was responsible for financial and operations accounting, federal, state and local income and property taxes and budgeting. I have also made investor presentations and participated in numerous public equity and debt offerings. Prior to joining OG&E, I was employed by Arthur Andersen & Co. as a financial consultant and audit manager. During my employment, I performed audits of financial statements in a variety of industries. Additionally, I prepared filings with the Securities and Exchange Commission ("SEC") and provided clients with guidance on the financial reporting requirements of the SEC and Generally Accepted Accounting Principles ("GAAP").

Q. Have you previously testified before this Commission?

A. Yes. In addition to testifying before the Commission, I have testified on behalf of the Company before the Arkansas Public Service Commission and the Environmental and Public Works Committee in the United States Senate. I have also filed testimony before the Federal Energy Regulatory Commission.

Q. What is the purpose of your direct testimony?

A. The purpose of my testimony is to discuss the relief requested and explain why OG&E is seeking a $77.6 million increase at this time. In addition, I discuss some of the key issues in the Company's application, including the addition of the Sooner Scrubbers and Muskogee Conversion projects. Finally, I will introduce each of the Company witnesses in this proceeding.

Q. Please state the relief sought from the Commission through this application.

A. OG&E is requesting a general rate change[1] pursuant to the Commission Rules, including Chapter 70 Minimum Standard Filing Requirements. The accounting exhibits, schedules, testimony and evidence that support the general rate change are included in the Application Package[2] filed in this cause.

Q. Did OG&E provide the Commission advance notice of the Company's Application?

A. Yes. A utility is required to provide the Commission a 45 day notice of its intent to file an Application for a general rate change[3]. The notice is required to be in writing and filed with the Commission's Court Clerk. On November 14, 2018, OG&E filed a Notice of

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[1] 165:70-1-2. Definitions. "**General Rate Change**" means a change in rates and charges which exceeds three percent (3%) based on the previous twelve (12) months revenue generated by the existing rates for an association or electric cooperative subject to the Commission's jurisdiction pursuant to 17 O.S. Section 158.27 et seq; or a change in rates resulting in more than a one percent (1%) increase in a utility's jurisdictional annual gross operating revenues unless otherwise allowed by law. A change mandated by regulation or legislation, a change in the terms and conditions of service, a request for a special contract, or a request for a new and/or optional service does not constitute a general rate change.

[2] 165:70-1-2. Definitions. "**Application package**" means the required schedules and testimony filed by a Class A or B utility to initiate a general rate change. See 165:70-3-1 and 165:70-5-4.

[3] 165:70-3-7(a)

Intent that the Company would be filing an application on or about December 31, 2018 requesting a modification to its rates and charges for its Oklahoma jurisdiction customers.

Q. **What test year was utilized in developing the Application Package?**

A. The Company's exhibits are based on the financial results of the test year[4] ended September 30, 2018. The Application Package contains *pro forma* adjustments to rate base[5] and *pro forma* adjustments to operating income.[6] *Pro forma* adjustments reflect reasonably known and measurable changes that occur during and after the test year.

DISCUSSION OF RELIEF REQUESTED

Q. **Please generally describe OG&E's request for a general rate change in this filing.**

A. OG&E is requesting an overall increase in rates of $77.6 million annually which reflects a 4.4% increase over the rates last set in July of 2018. The Company expects the new rates to go into effect no later than July of 2019.

Q. **Why is OG&E asking for a rate increase?**

A. The primary reason OG&E is seeking a rate increase is to begin recovering the costs associated with the Sooner Scrubber and the Muskogee Conversion projects. These projects involved adding two (2) new scrubbers at the existing Sooner plant and converting two of the Muskogee coal fired units to burn natural gas. The increase also includes an increase on the Company's allowed return on equity, and depreciation expense based on an updated depreciation study, including recovery of the cost of decommissioning retired generation plant. In addition, OG&E is requesting full recovery of its cash compensation costs (base salary and short term incentive ("STI").

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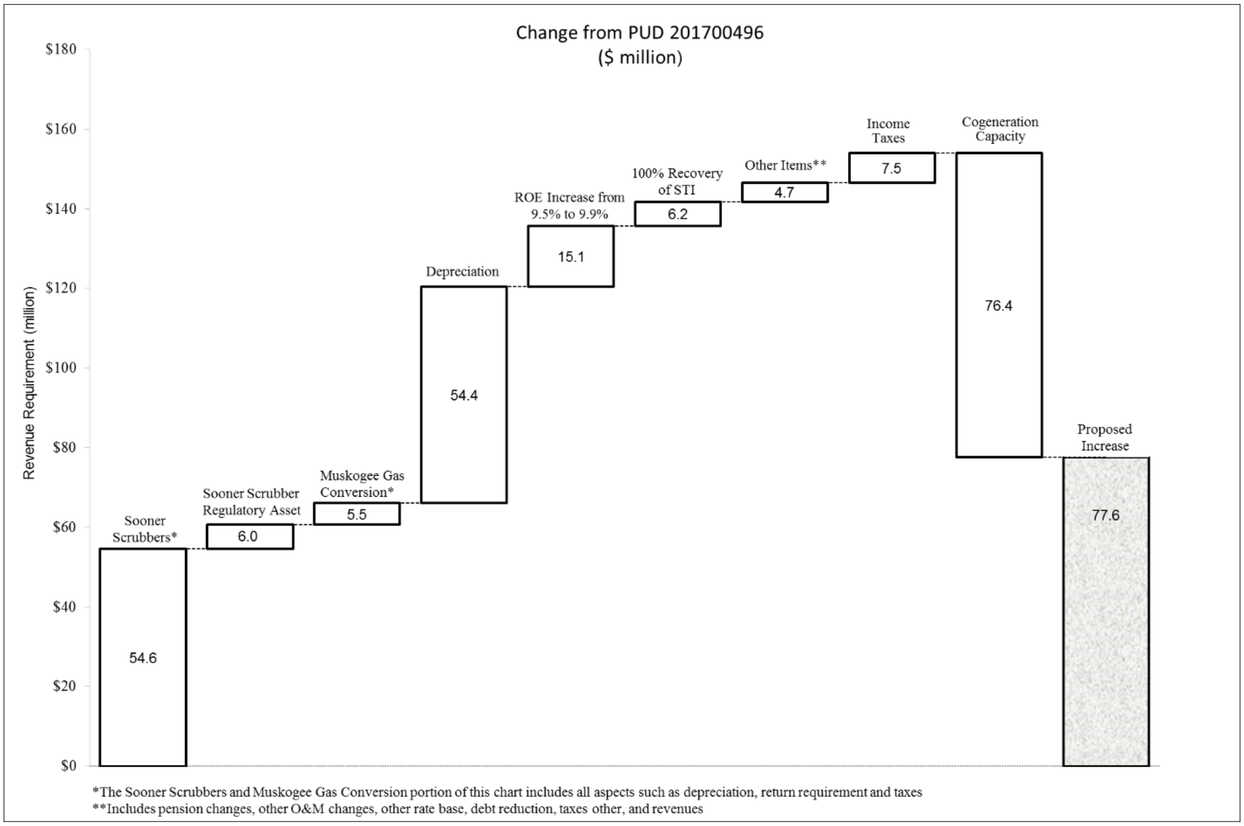
[4] 165:70-1-2. Definitions. "**Test Year**" means the twelve (12) month period used in determining rate base, operating income and rate of return.

[5] Application Package, Volume II, Section B, Schedule B-4.

[6] Application Package, Volume II, Section H, Schedule H-3.

Chart 1: Visual Depiction of Rate Increase Drivers



Q. **What impact will the proposed rate increase have on monthly residential electric bills?**

A. All things considered, the average residential customer will see an increase in their bills of $7.58 when compared to current rates.

Q. **Will the increase in rates as proposed by the Company result in all customer classes paying their full cost of service?**

A. No. OG&E has proposed that the revenue allocation among customer classes generally follow the allocation approved by the Commission in PUD 201700496, Order 679358. Witnesses Scott and Wai more fully describe the Company's revenue allocation and rate design.

Q. **Does OG&E support moving towards each customer class paying its full cost of service?**

A. Yes. OG&E believes that moving towards setting each customer class' rates to recover 100% of its cost of service is appropriate. Witness Scott discusses the difference between full cost of service allocation for each class and the allocation proposed by the Company in this cause. The Company encourages the Commission to begin moving each customer class rate toward its total cost and therefore reduce subsidies that may exist in current rates. OG&E looks forward to working with the Commission Staff, AG's office and other interveners in this case to develop a plan to move OG&E's rate design towards this goal.

Q. **How will OG&E's rates compare to the national average after the proposed changes?**

A. OG&E's overall retail rates advantage remains approximately the same. OG&E's rates are currently well below the national average and will continue to be so even with the proposed change. Currently, OG&E's overall retail rates are 31% below that national average and residential rates specifically are 27% percent below the national average. [7]

Q. **Is there a connection between the Company's need for additional revenues and customer satisfaction?**

A. Yes. The challenges in maintaining reliability are becoming tougher as OG&E faces increasingly stringent reliability standards, a growing and aging power delivery system, and increasing cyber security costs. OG&E's customers expect the Company to rise to meet these challenges.

DISCUSSION OF KEY ISSUES

Cogeneration Credit Rider

Q. **Has OG&E experienced any changes in its cogeneration purchased power agreements?**

A. Yes. OG&E's cogeneration purchase power agreement with AES Shady Point will expire in January 2019. The Company's contract with Oklahoma Cogeneration will expire at the

[7] Edison Electric Institute Typical Bills and Average Rates Report, Summer 2018.

end of August 2019. The Company is currently recovering the capacity and Operation and Maintenance ("O&M") payments associated with these contracts in its base rates.

Q. **Is there a mechanism in place for customers' rates to be adjusted to recognize the reduction of cost that result from the expiration of these contracts?**

A. Yes, OG&E has a rider, the Cogeneration Credit Rider ("CCR"), in place that will pass these savings on to customers. On November 9, 2018, the Company submitted an updated factor for the CCR which will become effective on January 1, 2019 and begin to refund to customers the cost savings resulting from expiration of the PPAs.

Q. **Please explain the CCR.**

A. The CCR is designed to return to customers purchased capacity cost reductions and any change in O&M costs related to the Company's cogeneration purchase power agreements ("PPA").

Q. **Is the Company recommending a change to the CCR?**

A. Yes. The Company is recommending terminating the CCR in this Cause.

Q. **Why is this change being sought?**

A. The two PPAs that flow through the CCR expire in January of 2019 and in August of 2019, respectively.

Sooner Scrubbers

Q. **Why is OG&E installing dry Scrubbers at its Sooner plant?**

A. OG&E is subject to numerous federal and state laws and regulations governing environmental protection relating to air quality, water quality, waste management, natural resources and wildlife conservation. OG&E is installing Scrubbers on Sooner Units 1 and 2 to comply with the federal Regional Haze Rule ("RHR"), as part of the environmental compliance plan. In 2014 OG&E updated its Integrated Resource Plan ("IRP"). The 2014 IRP Update was necessary to evaluate the various alternatives available to the Company to meet its generation capacity obligation while complying with the newly established environmental requirements. Within the IRP process, OG&E considered five compliance scenarios. After considering these five scenarios or alternatives, OG&E selected the Scrub/Convert alternative because it best addresses the objectives of the RHR and produces the lowest reasonable cost with due consideration to the uncertainty associated with the SPP IM energy prices, fuel prices and future regulatory risks. It is the lowest cost alternative in the 2014 IRP Update base case and provides a compromise between the "Scrub" alternative with its CO_2 risk and the "Convert" alternative with its high natural gas price risks discussed in greater detail by Company witnesses Burch, Turner and Howell.

Q. **What is the current status of the Company's scrubber installation?**

A. The scrubber on Sooner Unit No. 1 is complete and is in service. The scrubber being installed on Unit No. 2 is well underway and should be complete and in service January 2019.

Q. **Does the Company have an estimate of the cost of the Sooner Scrubbers?**

A. The Company currently estimates the cost of the Sooner Scrubbers to be $534 million, including capitalized AFUDC and ad valorem taxes. As discussed by Company witness Burch, the current direct cost estimate (excluding AFUDC and ad valorem taxes) of $450 million is approximately $80 million below the initial direct cost estimate of $530 million.

Q. **Has the Company estimated the Revenue Requirement associated with the Sooner Scrubbers?**

A. Yes. Utilizing a total cost of approximately $534 million, OG&E estimates the Oklahoma jurisdictional revenue requirement to be approximately $54.6 million.

Q. **Has the Company determined the depreciation rates for the new Sooner Scrubbers?**

A. Yes. In Cause No. PUD 201700496, the Company asked for depreciation rates associated with the Sooner Scrubbers. The Company is proposing to use those approved rates in this Cause.

Muskogee Conversion

Q. **Why is OG&E converting two Muskogee units from coal-fired to natural gas fired units?**

A. As discussed above, the conversion of two of the Muskogee units to natural gas was chosen as part of the Scrub/Convert alternative to address the RHR.

Q. **Does the Company have an estimate of the cost of the Muskogee Conversion?**

A. The Company currently estimates the direct cost of the Muskogee Conversion to be below the original direct cost estimate (excluding capitalized AFUDC and ad valorem) of $72 million. Including capitalized AFUDC and Ad Valorem taxes, the total cost is estimated to be approximately $75 million.

Q. **Has the Company estimated the Revenue Requirement associated with the Muskogee Conversion?**

A. Yes. Utilizing a total cost of approximately $75 million, OG&E estimates the Oklahoma jurisdictional revenue requirement to be approximately $5.5 million.

Return on Equity

Q. **What Return on Equity ("ROE") is OG&E seeking in this proceeding?**

A. OG&E witness Morin's recommendation is an ROE of 9.90% which is consistent with the national average for vertically integrated electric utilities. Dr. Morin's recommendation fairly compensates investors, maintains OG&E's credit strength, and based on current market conditions attracts the capital required for investments.

Q. **What will be OG&E's cost of capital based on the recommended ROE and capital structure?**

A. OG&E's current capital structure includes 47% long-term debt with a weighted average cost of 4.8% and 53% equity. At the recommended 9.90% ROE the overall rate of return ("ROR") would be 7.52%.

Q. **Why is a reasonable ROE important?**

A. Investing in infrastructure is a long-term commitment that typically serves customers for many decades. Stable and predictable authorized ROEs are important to investors who are committing a significant amount of capital to these investments. In exchange for this capital commitment, investors require adequate and stable returns over the life of these investments.

Investors have many options when it comes to investing their capital, and OG&E must compete with other companies with similar risk profiles for that capital. A reasonable authorized ROE is a key factor in keeping our cost of capital from escalating. A reasonable ROE is needed to obtain new financing and maintain a company's financial integrity, which helps keep debt costs low, therefore, benefiting customers. An authorized ROE affects a company's cash flows, credit metrics, and indicate regulatory support in the jurisdiction it operates in. A reasonable ROE gives investors' confidence in investing in that regulatory environment because it supports a utility's ability to attract capital efficiently.

It is essential that the process of determining the allowed ROE provide stable, predictable and adequate returns that are needed to attract the investment necessary to provide quality, reliable service to customers. From the Company's perspective it allows OG&E to successfully compete for capital. Investors have a choice whether to invest in OG&E or other companies with similar risk profiles. OG&E is competing against other utilities across the country; utilities with good credit ratings like OG&E.

Q. **Does a reasonable ROE benefit customers?**

A. Yes, in several ways. First it helps keep an Oklahoma City headquartered company strong and financially viable, which allows the Company to continue to invest in infrastructure and technology in a timely and sustainable manner. Also, OG&E, believes that our growth is closely aligned with the growth of the communities we serve. A financially healthy utility will be a more active sustainer of corporate citizenship with an emphasis on volunteerism, philanthropy and other community involvement. Also, customers know where the Company is located and have more accessibility than a company not located here.

Q. **Does the State of Oklahoma benefit when Oklahoma utilities have an opportunity to earn reasonable ROEs?**

A. The investment community closely follows the business climate in Oklahoma including regulatory actions. Their ultimate aim is to provide guidance to investors across the nation and around the globe. By authorizing an ROE that is consistent with similarly rated utilities and regulatory jurisdictions, the Commission sends a clear message that investors will be treated fairly as compared to other similar investment opportunities. Awarding a reasonable ROE sends a positive message while a lower ROE sends a negative message. Prudent investors do not expect ROE's that are higher than appropriate at the expense of customers since that would not be sustainable. At the same time investors are not interested in providing capital for below market returns.

Q. **What happens if the Commission authorizes an ROE that is below market expectations?**

A. The market will adjust the market value of OG&E's equity to reflect its expected earnings as adjusted by the Commissions decisions. As Dr. Morin explains in his testimony, if a utility is authorized a ROE below the level required by equity investors, the utility or its parent will find it difficult to access equity capital. Investors will not provide equity capital at the current market price if the earnable return on equity is below the level they require given the risks of an equity investment in the utility. The ultimate effect increases the cost from both debt and equity financing, thus increases the cost to customers.

Q. **Are there other ways customers benefit from a reasonable ROE?**

A. Yes, as witness Morin discusses in his testimony there is a favorable relationship between ROE and bond ratings and the ultimate financial impact on customers.

<u>Depreciation</u>

Q. **Are there any changes to OG&E's depreciation rate schedules that you would like to address?**

A. Yes. OG&E is recommending a change in depreciation expense to account for the increased level of plant requested in this case as well as new depreciation rates. OG&E

manages and operates its utility plant assets on a daily basis. Along with managing the assets the Company makes daily decisions on replacements and retirements of these assets as they reach the end of their useful lives. Together with our deprecation expert John Spanos, who has over 20 years of developing OG&E deprecation rates for the Company's assets, we believe that the depreciation rates set in the Company's most recent rate cases were too low. We believe these rates are not reflective of the actual useful lives of the assets that are in service and underestimated the appropriate level of depreciation expense. The reason for these low depreciation rates stem from unreasonably long service lives for certain accounts adopted in these recent rate cases. OG&E Witness Spanos discusses the reasons why these service lives are unreasonably long. The effect of those inappropriately low depreciation rates is to increase customer costs in the long run. When depreciation rates are too low there remains an unrecovered investment as exhausted utility assets are retired. Future customers are then forced to pay rates that include the investment for new plant as well as the unrecovered old investment. OG&E believes that now is the time to return to more reasonable and realistic service lives so that customers will not incur higher long term costs.

In addition to the depreciation study sponsored by OG&E witness Spanos, OG&E is also providing a Fleet Decommissioning Study, which was originally conducted in 2017 and updated in 2018 by Burns & McDonnell and utilized in Mr. Spanos' analysis. Overall the change in depreciation rate (including the impact on the addition of new capital), the inclusion of the periodic cost of decommissioning, and the escalation of decommissioning costs to reflect those that will ultimately be incurred increase Oklahoma jurisdictional depreciation expenses by approximately $54.4 million, excluding the Sooner Scrubbers and the Muskogee Conversion.

Q. **Why is depreciation important?**

A. Depreciation is how the Company recovers its capital investment over the actual period of time those capital assets will be serving customers. It is an important and essential factor in informing investors the pace at which they be paid back though the Company's periodic income. Depreciation decisions by the Commission impact future costs to customers, future cost recovery and cash flows to the Company. Costs should be allocated over the service lives of the assets so that customers' rates reflect the costs of the assets over the time that those assets are used to serve those customers.

Witness Spanos analogizes unreasonably long service lives to the extension of a mortgage on a home — the longer lives ultimately increase the overall cost to customers; reducing the monthly payment, but dramatically increasing the financing cost over time. When service lives are overestimated and assets stay in rate base for too long a period, the Company continues to earn a return on those assets and, just like paying more mortgage interest, this increases the costs paid by customers over time. Based on the longer service lives approved in the last rate case, the Company has calculated that customers will pay significantly more than if the Commission had adopted the Company's more realistic service lives for transmission and distribution assets.

Another analogy could be financing a car for an unreasonably long amount of time. If you finance a car too long, you may continue to pay for the car when you also have to begin paying for your next car. It is important to have your depreciation rates reflect the actual life of the assets so customers do not have to pay for a return on assets that are retired, obsolete or replaced. That is, longer depreciable lives increase the risk of assets failing (or becoming functionally obsolete) prior to being recovered, thus creating potential stranded cost issues with which both the Company and the Commission will have to address at a later date.

Q. **Why is it important to reflect decommissioning costs in this depreciation study?**

A. Retirement of OG&E's generating plants is inevitable and the decommissioning costs to dismantle are reasonable costs to include in rates. By collecting these costs slowly over time, OG&E can mitigate the impact on customers. Delaying the recovery of decommissioning costs will only increase the burden for customers in the future when the plants are no longer providing benefits.

Q. **What is the estimated annual cost of decommissioning, as demonstrated by the Burns & McDonnell Fleet Decommissioning Study and reflected in OG&E witness Spanos Depreciation Study?**

A. The estimated annual Oklahoma jurisdictional cost of decommissioning is approximately $9.3 million.

Q. **What is escalation, as it relates to decommissioning?**

A. Escalation is the annual amount of the difference between the present value of the cost to dismantle plant and the cost that will ultimately be incurred. Escalation accounts for inflation each year of the cost of decommissioning.

Q. **What is the estimated cost of escalation?**

A. The estimated annual Oklahoma jurisdictional cost of escalation is approximately $6 million.

Pension Tracker

Q. **Does OG&E have a mechanism to recognize the variability of pension expense?**

A. Yes. In Cause No. PUD 200500151, the Commission directed OG&E to establish a "pension tracker" which compares OG&E's actual pension expense with the level authorized by the Commission in rates. In other words, OG&E is directed to track the actual level of pension expense and compare it with the level our customers pay on their bills. Retiree medical expense is also treated the same way as pension expense, and included in the "pension tracker".

The difference between the pension expense level in rates and the actual expense level is "tracked," and the over/under recovery recorded on the balance sheet. The amount accumulated in the tracker to be amortized, and returned to or collected from customers, over a set amount of years determined by the Commission.

Q. **Are there any changes to the Pension Tracker that OG&E is recommending?**

A. Yes. OG&E proposes to amend the Pension Tracker to allow for the inclusion of defined contribution costs that replace defined benefit costs currently included in the pension tracker. This would allow the Company greater flexibility to take advantage of opportunities that would lower customer costs. The number of participants in the Company's defined benefit pension plan continues to decline. OG&E froze the defined benefit retirement plan to new participants in 2000. For new employees, OG&E replaced the defined benefit pension plan with a defined contribution plan, more commonly known as a 401k plan. The Company continues to evaluate its benefit programs for opportunities to lower costs while maintaining commitments that have been made to employees.

<u>Incentive Compensation</u>

Q. **Does the Company believe it should be able to recover the costs of all compensation that it pays to its employees?**

A. Yes. OG&E pays its employees a total compensation package composed of a base salary and incentive compensation. An attractive total compensation package allows OG&E to be competitive in the job market and attract and retain the necessary people to provide excellent service to our customers. OG&E must provide market-based compensation, which includes attractive incentive compensation.

Q. **Could remain competitive if it increased base salaries and removed incentive compensation from its compensation packages altogether?**

A. Yes, but this is not a very attractive option. We strongly believe that it is important to link a portion of compensation to performance. Incentive compensation allows individual employees to be rewarded when they help the Company succeed in operating under safe conditions, achieving improvements in customer satisfaction, managing O&M costs, and generally running the utility well. While OG&E could just pay a base salary at a higher level, it would remove this important link between employee compensation and individual and Company performance.

Q. **Does it make sense that the Commission has continually excluded incentive compensation from rates?**

A. No. In every rate case, OG&E has recommended recovery of the total amount of compensation that it pays OG&E employees. Despite evidence that this incentive compensation is necessary to attract and retain employees and to keep up with market compensation practices, the Commission routinely disallows 100% of long-term incentive compensation and 50% of the short-term incentive compensation. No party has ever even taken issue with the level of total compensation or has challenged OG&E's need to pay incentive compensation. Those parties just do not want incentive compensation included in rates. The rationale for exclusion these reasonable and necessary costs comes from the Company's inclusion of some financial metrics in assessing performance.

Q. **Does the Company agree with the rationale for such a disallowance of incentive compensation from rates?**

A. No. Incentive compensation is a very necessary and reasonable expense for the utility. It makes little sense to disallow those necessary expenses because some of the metrics are financial in nature and involve a review of the Company's financial performance. As OG&E Witness Halloran discusses, these financial metrics simply indicate how well run the Company is and they end up benefiting customers as well. Disallowance simply penalizes the Company for paying its employees compensation amounts that are required by the market.

Q. **Is the Commission's historical disallowance of 50% of the short-term incentive compensation performance measures consistent with the contribution of financial metrics to the level of cost?**

A. No. Even if the Commission were to exclude financial metrics from the amount of short-term incentives included in rates, 50% reduction does not reflect the amount of financial metrics used in the performance measures. The target breakdown, for the majority of OG&E Members, between operational and financial metrics is 70% and 30%, respectively. Over the last six years the actual results have been in line with the Company targets.

Q. **What is OG&E requesting with regard to the recovery of incentive compensation in this proceeding?**

A. The Company is recommending the inclusion of 100% of its short term incentive compensation in rates. The Company is not seeking inclusion of long term incentive compensation ("LTI") in rates in this proceeding. While OG&E believes that recovery of costs associated with LTI is appropriate, the Company is not requesting recovery of LTI at this time. The Company may seek recovery of LTI in future rate review proceedings.

Southwest Power Pool Cost Tracker

Q. **Is there a need for the continuation of the Southwest Power Pool Cost Tracker ("SPPCT")?**

A. Yes. As demonstrated by the Direct Testimony of Company witness Thenmadathil, the SPPCT costs have varied over time, which makes these costs ideal for a tracker and not an addition to base rates. In addition, Company witness McAuley discusses the rigorous SPP process that each project undergoes to determine the necessity and cost.

Q. **Does the SPPCT allow the Company the flexibility to make changes benefitting the customer?**

A. Yes. A current example is the factor update the Company recently submitted to the PUD Staff. This update was an out of period adjustment that the Company made to decrease the SPPCT factor by approximately $37 million. Lower income tax expense levels are beginning to be reflected in SPP transmission rates as a result of the Tax Cuts and Jobs Act of 2017. This adjustment allows for a reduction to customer bills without a general rate review and illustrates a need for continuing the SPPCT.

INTRODUCTION OF OG&E WITNESSES

Q. **Please identify the OG&E witnesses and purposes of their testimonies.**

A. Table 2 lists OG&E's witnesses and a brief description of the purpose of each testimony.

Table 2: OG&E Witness List

Witness	Title	Purpose of Testimony
Donald R. Rowlett	Managing Director, Regulatory	Identifies each of the Company witnesses, outlines the relief requested, explains why OG&E is seeking a rate increase at this time and discusses key issues such as environmental compliance, customer options, and ROE.
Roger Morin, Ph.D.	Emeritus Professor of Finance at the Robinson College of Business, Georgia State University and Professor of Finance for Regulated Industry at the Center for the Study of Regulated Industry at Georgia State	Provides independent analysis of the Company's cost of equity and recommends an allowed rate of return on equity ("ROE") in the range of 9.1% to 10.7% to

	University. Principal in Utility Research International.	allow the Company to both attract capital on reasonable terms and maintain financial strength.
Robert J. Burch	Managing Director, Utility Technical Support	Describes the Company's decision on the technology chosen to install Scrubbers at the Sooner Generating Facility and the conversion of two of the Muskogee units to gas, and the Company's contracting and construction progress to date.
Leon Howell	Director, Resource Planning & Investment	Describes the 2014 Integrated Resource Planning process that was relied upon to develop OG&E's generation plan for resource needs
Usha Turner	Director, Environmental Affairs & Federal Public Policy	Discusses the environmental requirements the Company must follow and the history leading up to the decision to Scrub/Convert.
John Spanos	Senior Vice President, Gannett Fleming Valuation and Rate Consultants, LLC	Sponsors the Company's Depreciation Study.
Michael Halloren	Senior Partner, Mercer (US) Inc.	Supports the reasonableness of OG&E's compensation plans and practices.
Gregory McAuley	Director, RTO Policy & Development	Sponsors the continuation of the Southwest Power Pool Cost Tracker
Jason J. Thenmadathil	Manager Regulatory Accounting	Sponsors the Company's *pro forma* adjustments to operating expense and to remove rider cost from the test year in Schedule H.
Robbie Trett	Senior Regulatory Accountant	Sponsors the Company's *pro forma* adjustments to rate base in Schedule B.
Seth Knight	Senior Cost analyst	Sponsors the *pro forma* revenue and sales adjustments to Schedule H
Shawna Satterwhite	Lead Cost Analyst	Supports the Company's development of the jurisdictional and class allocations and class cost of service studies.
Gwin Cash	Manager, Cost of Service and Rate Administration	Supports tariff changes, modifications, and additions.
Bryan J. Scott	Director, Pricing and Load Research	Describes the goals, principles and information sources that impact development of OG&E's rate design.
William H. Wai	Manager, Pricing	Sponsors OG&E's proof of revenue (Schedule M-4) and updated tariffs (Schedule N).

CONCLUSION

Q. **Do you have any concluding remarks?**

A. Yes. OG&E is a company with rates well below the national average, offers electric service that is highly reliable and has customers who repeatedly rank the Company as the best in the region and among the best in the nation. For a relatively small investor-owned electric utility, OG&E is recognized in the electric utility industry as being a leader. The Company gained those distinctions through hard work, good planning, innovative thinking and a strong focus on the customer in all that it does.

OG&E comes before the Oklahoma Corporation Commission with the request to increase rates and I believe the requested rate increase is fair, just and reasonable and in the public interest, OG&E respectfully requests that this increase in rates be granted.

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

A. Yes.