

**BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION**

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

## Rebuttal Testimony

of

# Malini Gandhi

on behalf of

Oklahoma Gas and Electric Company

Malini Gandhi  
*Rebuttal Testimony*

I. INTRODUCTION

Q. **Please state your name and business address.**

A. My name is Malini Gandhi. My business address is 321 North Harvey Avenue, Oklahoma City, Oklahoma 73101.

Q. **Are you the same Malini Gandhi who filed Direct Testimony in this Docket?**

A. Yes.

Q. **Did the Staff conduct an onsite audit of the books and records of the Company?**

A. Yes. The Staff not only accessed the Company's accounting systems through remote login, they also traveled to OG&E's corporate headquarters and conducted an onsite audit. The Company believes that the Staff's willingness to balance the interests of all stakeholders is reflected in Staff's direct testimony.

Q. **What is the purpose of your Rebuttal Testimony?**

A. The purpose of my testimony is to discuss issues related to certain ratebase items discussed by Staff, they are: Plant Held for Future Use, Allowance for Funds Used During Construction ("AFUDC") related to Act 310 recovery through the Environmental Compliance Plan ("ECP") Rider, Updated Plant in Service amounts, and Accumulated Deferred Income Tax ("ADIT").

Q. **Do you agree that several of the adjustments mentioned below will be subject to further updates?**

A. Yes.

II. PLANT HELD FOR FUTURE USE

Q. **Please explain Staff's adjustment RB-12, Plant Held for Future Use.**

A. Staff witness Matthews made adjustment RB-12 to remove all of Plant Held for Future Use, his reason being that the real property in the accounts referenced are not used and useful at this time.

1 Q. **Do you agree with Staff witness Matthews' recommendation?**

2 A. No. These assets were purchased based on long range planning considerations for the  
3 benefit of the Company's customers, to be available when needed in the future; with the  
4 express plan to incorporate that land in its plans for in-service "used and useful" plant.  
5

6 Q. **Are there risks associated with the Company not purchasing assets based upon long  
7 range planning?**

8 A. Yes. OG&E believes that failure to purchase the best locations in advance, particularly in  
9 growth areas, creates risk of higher costs to customers associated with rerouting of  
10 transmission lines and access easements to build substations. The Company felt its  
11 proposed treatment of these assets struck an appropriate balance between providing  
12 customers the benefits of advanced planning while addressing concerns over funding  
13 property which may not be needed in the foreseeable future.  
14

15 Q. **What is the Company recommending?**

16 A. The Company is recommending a return on the assets purchased in last 10 years. This  
17 treatment is consistent with that allowed by FERC in OG&E's transmission formula rate.  
18

19 **III. AFUDC RELATED TO ACT 310 RECOVERY**

20 Q. **Please explain Staff's adjustment RB-14, AFUDC related to Act 310.**

21 A. Staff witness Matthews' adjustment RB-14 reduces the total Company general plant in  
22 service by \$964,264 for the AFUDC accrued on Construction Work in Progress  
23 ("CWIP") for those projects being recovered under Act 310, the Company's ECP Rider  
24 in Docket No. 15-034-U.  
25

26 Q. **Do you agree with Staff witness Matthews' adjustment?**

27 A. No. The Company made an accounting entry to book the ACT 310 expense related to  
28 AFUDC as a "negative asset", which represents a reduction to the AFUDC in the current  
29 filing. Since those entries are reflected in the total plant, they are already included in the  
30 filing. As a result, Staff's adjustment effectively removes the related AFUDC twice.

1 IV. UPDATED PLANT IN SERVICE

2 Q. **Does the Company agree that the Staff's updated Plant in Service amount is**  
3 **appropriate?**

4 A. Yes. Company agrees that the adjustment to reflect the actual plant balances through  
5 October 2016 by Staff is appropriate. Staff has also made adjustments to reflect  
6 reasonable known changes for the *pro forma* test year capital additions. The Company  
7 will continue to provide the staff and other parties the most current updated information  
8 for the actual plant in service completed and documented by Company's books and  
9 records, as soon as it becomes available for the *pro forma* test year ending June 2017.

10  
11 V. ACCUMULATED DEFERRED INCOME TAX ("ADIT")

12 Q. **Does the Company agree that the updated Staff ADIT amount is appropriate?**

13 A. Yes, the Company believes that Staff witness Taylor's calculation of the *pro forma* level  
14 of ADIT is correct, based upon Staff's recommended plant addition. However, as with  
15 Plant in Service, the Company has updated ADIT information for the *pro forma* year and  
16 reflected in the summary of cost of capital in Schedule D-1.3. The same ADIT update is  
17 provided to Staff and other Intervenors as a response to data request **APSC 65.01**.

18  
19 Q. **Does this conclude your rebuttal testimony?**

20 A. Yes.