

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 201700496

FILED
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CORPORATION COMMISSION
OF OKLAHOMA



RESPONSIVE TESTIMONY

OF

AMY TAYLOR

MAY 2, 2018

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INTRODUCTION

Q: Please state your name and your business address.

A: My name is Amy Taylor. My business address is Oklahoma Corporation Commission, Public Utility Division, Jim Thorpe Office Building, Room 580, 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105.

Q: Have you previously testified before the Oklahoma Corporation Commission (“OCC” or “Commission”) and were your qualifications accepted?

A: Yes. I have previously testified before the Commission and my qualifications were accepted at that time.

Q: Who employs you and what is your position?

A: I am employed by the Public Utility Division (“PUD”) of the Commission as a Public Utility Regulatory Analyst.

Q: How long have you been so employed?

A: I have been employed by the Commission since March 2013.

Q: What are your duties and responsibilities with PUD?

A: I conduct research and perform comparative analysis of utility applications, reports, financial records, and workpapers to ensure that PUD can make accurate, fair, just, and reasonable recommendations. I am also responsible for the review and analysis of certain monthly fuel submissions, along with leading the annual audits that follow. For a

1 complete list of my work history and educational background, please review the attached
2 curriculum vitae.¹

3 **PURPOSE**

4 **Q: What is the purpose of your Testimony regarding the Application filed by Oklahoma**
5 **Gas and Electric Company (“OG&E” or “Company”) for an Order of the**
6 **Commission authorizing Applicant to modify its rates, charges, and tariffs for retail**
7 **electric service in Oklahoma as filed in Cause No. PUD 201700496?**

8 **A:** The purpose of this Responsive Testimony is to present PUD’s recommendations regarding
9 Cause No. PUD 201700496 for the following areas:

- 10 • Administrative Expenses;
11 • Miscellaneous General Expenses;
12 • Employee Medical Benefits;
13 • Insurance / Self Insurance Expense;
14 • Miscellaneous Revenues;
15 • Bad Debt Expense; and
16 • Lease / Rent Expense.

17 **EXECUTIVE SUMMARY**

18 On January 16, 2018, Oklahoma Gas and Electric Company (“OG&E” or “Company”)
19 filed its Application for an adjustment in its rates, charges, and tariffs for retail electric
20 service in Oklahoma. The Public Utility Division (“PUD”) reviewed the Application,
21 Testimony of Company witnesses, and Company workpapers. PUD also reviewed the
22 data requests and responses issued by intervenors, including the Attorney General,
23 Oklahoma Cogeneration, LLC, and Oklahoma Industrial Energy Consumers. Lastly,

¹ Exhibit ART-1.

1 PUD spoke with Company personnel and conducted multiple onsite audits at the
2 Company's corporate office in Oklahoma City, Oklahoma. During the onsite audits,
3 PUD reviewed detailed journal entries, invoices, contracts, insurance policies, requested
4 bids, and other confidential information.

5 After conducting its review of OG&E's proposed adjustments and the aforementioned
6 documents, PUD believes the methodology used by OG&E pertaining to the assigned
7 areas was applied correctly, and the calculations were arithmetically accurate. PUD
8 recommends the Commission accept the following proposed adjustments as presented by
9 the Company:

- 10 • Miscellaneous General Expense – decrease of \$564,121;
- 11 • Employee Medical Benefits – increase of \$1,127,539;
- 12 • Insurance / Self Insurance Expense – decrease of \$53,337;
- 13 • Miscellaneous Revenues – decrease of \$1,162,598; and
- 14 • Bad Debt Expense – increase \$33,826.

15 With respect to Bad Debt Expense, PUD recommends an additional adjustment of
16 \$18,537 to increase its Bad Debt / Operating Expense. The purpose of this adjustment is
17 to include the six-month post test year data.

18 OG&E has not proposed any adjustments to Administrative Expense, or Lease / Rent
19 Expense. PUD reviewed supporting documentation for the test year and two years prior.
20 Documents that were reviewed included general ledgers, working copies of all computer
21 model spreadsheets, answers to data requests provided to PUD, answers to data requests
22 made by intervenors, and multiple meetings with Company witnesses regarding confidential
23 information. PUD did not uncover any areas that caused concern, and confirmed the

1 arithmetical accuracy. PUD recommends no adjustments to these assigned areas in this
2 Cause.

3 **PUD'S REVIEW PROCESS**

4 **Q: Please explain PUD's review process in this Cause.**

5 A: PUD reviewed the Application, Direct Testimony of Company witnesses, schedules,
6 workpapers, and sponsored exhibits filed by the Company. In addition, PUD reviewed
7 OG&E's prior workpapers, testimony, and sponsored exhibits, along with Final Order
8 No. 662059 in Cause No. PUD 201500273. PUD also reviewed the data requests and
9 responses issued by intervenors, including the Attorney General, Oklahoma
10 Cogeneration, LLC, and Oklahoma Industrial Energy Consumers. Lastly, PUD
11 conducted multiple onsite audits at the Company's division office in Oklahoma City,
12 Oklahoma. During the onsite audits, PUD reviewed confidential information and
13 conducted interviews with Company personnel who manage and perform the functions
14 under review.

15 **ANALYSIS OF ASSIGNED AREAS WITH PROPOSED ADJUSTMENTS**

16 **Q: In which of the seven assigned areas did OG&E propose adjustments?**

17 A: Of the seven areas assigned for review, OG&E proposed adjustments in the following
18 five areas:

- 19 • Miscellaneous General Expenses;
- 20 • Employee Medical Benefits;
- 21 • Insurance / Self Insurance Expense;
- 22 • Miscellaneous Revenues; and
- 23 • Bad Debt Expense.

Miscellaneous General Expense

Q: Please describe OG&E's proposed adjustment for Miscellaneous General Expenses.

A: OG&E proposed an adjustment in the amount of \$564,121 to decrease Miscellaneous General Expenses, thereby increasing its total Operating Income. The proposed adjustment to Miscellaneous General Expense involved adjustments to the accounts shown below in Figure 1.

Figure 1 – Miscellaneous General Expense²

Adjustment Workpaper and Description	Assigned PUD Witness	Adjustment Increase / (Decrease)
Workpaper H-2-22 (Payroll)	Geoffrey Rush	(\$20,368)
Workpaper H-2-24 (Demand Side Management)	Kathy Champion	-21,748
Workpaper H-2-34 (Non-Recoverable Expenses)	Andrew Scribner	-522,005
Total Miscellaneous General Expense Adjustment		(\$564,121)

PUD reviewed the general ledger and supporting documentation to verify that the amounts and classifications were prudent and arithmetically accurate. PUD also compared OG&E's proposed adjustment in this Cause to adjustments made in Cause No. PUD 201500273. The adjustments listed in Figure 1 will be addressed in greater detail in the Responsive Testimony filed by the assigned PUD witnesses in this Cause.

Employee Medical Benefits

Q: Please describe OG&E's proposed adjustment for Employee Medical Benefits.

A: OG&E has proposed an increase of \$1,127,539 to Employee Medical Benefits, thereby increasing its Operating Expense with respect to medical, dental, life, and long-term

² WP Misc Expense – 930.2 – TY.

1 disability benefits for its current employees.³ The Company indicated this adjustment is
2 necessary to normalize the 2016 Insurance Expenses to aid in future budgeting.

3 **Q: Does PUD agree with OG&E's proposed adjustment to Employee Medical Benefits?**

4 A: Yes. PUD reviewed supporting documentation for the test year, as well as supporting
5 documentation provided for the test years in the previous two rate cases. The review of
6 supporting documentation included the review of OG&E's Employee Insurance Expenses,
7 policies, premiums, and general ledger items, as well as a comparison of the Insurance
8 Expense for the test year and the previous two years. PUD determined the items listed in
9 the general ledger were items normally associated with providing employees healthcare
10 insurance. PUD also verified the arithmetical accuracy of all documentation provided
11 and was also able to confirm that in general healthcare costs are rising, and not only for
12 the Company, but for the nation as a whole. According to the Kaiser Family Foundation /
13 Health Research and Education Trust, employer-sponsored health coverage increased 3%
14 from 2016 to 2017.⁴ PUD recommends that the Commission accept OG&E's proposed
15 \$1,127,539 adjustment to increase Employee Medical Benefits.

³ Direct Testimony of Jason J. Thenmadathil, Page 8, Lines 19-23.

⁴ "2017 Employer Health Benefits Survey." *Kaiser Family Foundation/Health Research and Education Trust*, September 19, 2017, <https://www.kff.org/health-costs/report/2017-employer-health-benefits-survey>.

1 **Insurance / Self Insurance Expense**

2 **Q: Please describe OG&E's proposed adjustment to Insurance / Self Insurance**
3 **Expense.**

4 A: OG&E's employees are covered by Self Insurance medical plans for Medical and Dental
5 Insurance. Current employees and their dependents are eligible for coverage. OG&E has
6 proposed a \$53,337 adjustment to decrease Insurance Expense based on the difference
7 between actual costs during the test year and the projected levels.

8 **Q: Does PUD agree with OG&E's proposed adjustment to Insurance / Self Insurance**
9 **Expense?**

10 A: Yes. After conducting a review and analysis of all policies and general ledger line items
11 for the year, as well as creating a three-year comparative analysis, PUD agrees with
12 OG&E's adjustment.

13 **Miscellaneous Revenues**

14 **Q: Please describe OG&E's proposed adjustment to Miscellaneous Revenues.**

15 A: OG&E proposed an adjustment to decrease Miscellaneous Revenues in the amount of
16 \$1,162,598, thereby decreasing its total Operating Revenue. This adjustment reflects the
17 new rates that went into effect on May 1, 2017, per the Final Order No. 662059, in Cause
18 No. PUD 201500273. The rate change necessitates the rate recalculation adjustment in
19 order to reflect revenues consistent with prices in effect at the end of the test year.⁵

⁵ Direct Testimony of Seth Knight at Page 14, Lines 17-20.

Figure 2 – Miscellaneous Revenues⁶

Adjustment Workpaper and Description	Old Rate	New Rate	Adjustment Increase / (Decrease)
Workpaper H-2-12 (Service Initiation Fee)	\$25.00	\$22.50	\$ (290,937.00)
Workpaper H-2-12 (Reconnection Fee)	35.00	21.00	(872,111.00)
Workpaper H-2-12 (All Other Misc Revenue)	50.00	75.00	450.00
Total Miscellaneous General Revenue Adjustment			\$ (1,162,598)

Q: Does PUD agree with OG&E's proposed adjustment to Miscellaneous Revenues?

A: Yes. PUD reviewed supporting documentation and had multiple discussions with OG&E witnesses. PUD's review included general ledgers, working copies of all computer model spreadsheets, answers to data requests provided to PUD along with data requests made by intervenors, and multiple meetings with OG&E witnesses about procedural and confidential information. PUD reviewed OG&E's Miscellaneous Revenue in detail and confirmed that the adjustment was prudent and arithmetically accurate.

Bad Debt Expense

Q: Please describe OG&E's proposed adjustment to Bad Debt Expense.

A: OG&E proposed an increase to its Operating Expense by \$33,826 to reflect an expected increase to Bad Debt Expense.⁷ The Bad Debt pro forma adjustment includes cost for uncollectible revenues that the Company experienced, net of the fuel component in its customers' bills. The fuel component of Bad Debt flows through the fuel adjustment clause and is therefore not included in this calculation.

⁶ WP H-2-12 Rate Recalculation, filed with the Company's Application.

⁷ Direct Testimony of Jason Thenmadathil at Page 11, Lines 21-23.

1 To arrive at the proposed adjustment, the Company used the four-year average of its
2 uncollectible write-offs and Oklahoma jurisdictional operation's revenues to obtain its
3 uncollectable rate of 0.16%. The uncollectable rate is then multiplied by the four-year
4 average revenue. The difference between this number and Bad Debt Expense is the total
5 adjustment the Company proposes to ensure there is an adequate balance in this account.⁸

6 **Q: Does PUD agree with OG&E's proposed adjustment for Bad Debt Expense?**

7 A: No. Although PUD does agree with the method of arriving at the proposed amount, PUD
8 recommends including the six-month post test year data. With the inclusion of the six-
9 month post test year data, PUD recommends an increase of \$18,537 to Bad Debt
10 Expense, as shown in Figure 3.

11 **Figure 3 – Bad Debt Expense⁹**

OG&E's Proposed adjustment to Workpaper H-2-26	\$ 33,826
PUD's Proposed adjustment to six-month post test year	18,537
Total Bad Debt Expense	\$ 52,363

12 **RECOMMENDATION**

13 **Q: What is PUD's overall recommendation?**

14 A: PUD recommends that the Commission accept the following adjustments, as proposed by
15 OG&E:

- 16 • Miscellaneous General Expense – decrease of \$564,121;
- 17 • Employee Medical Benefits – increase of \$1,127,539;
- 18 • Insurance / Self Insurance Expense – decrease of \$53,337;
- 19 • Miscellaneous Revenues – decrease of \$1,162,598; and
- 20 • Bad Debt Expense - \$33,826.

⁸ WP H-2-26 Bad Debt Expense, filed with the Company's Application.

⁹ Data Response AG 12-3_Att 3 – Expenses.

1 In addition, PUD recommends the Commission accept PUD's adjustment, No. H-8 as
2 presented in this Testimony to increase Bad Debt Expense by an additional amount of
3 \$18,537, thereby creating a \$52,363 total increase to Bad Debt Expense.

4 After a review of the assigned areas, PUD does not recommend any adjustments for
5 Administrative Expense, or Lease / Rent Expense.

6 PUD believes that the recommendations made in this Testimony are fair, just, reasonable,
7 and in the public interest.

I state, under penalty of perjury under the laws of Oklahoma, that the foregoing is true and correct to the best of my knowledge and belief.

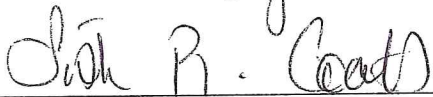


Amy Taylor

State of Oklahoma
County of Oklahoma

Subscribed and sworn to before me this 2nd day of May, 2018





NOTARY PUBLIC

(Seal, if any)

PUD Manager

Title

My Commission Number: 16005761

My Commission Expires: June 13, 2020

Oklahoma Gas and Electric Company – Cause No. PUD 201700496

LIST OF EXHIBITS

ART-1

Curriculum Vitae



Curriculum Vitae of Amy Taylor

Exhibit ART-1

Jim Thorpe Office Building, Room 580, 2101 N. Lincoln Blvd, Oklahoma City, OK 73105
(405) 521-4114, a.taylor@occcemail.com

Work Experience

Oklahoma Corporation Commission – March 2013 – Present

Public Utility Division (“PUD”) Regulatory Analyst

- Analysis of utility rates, expenses, revenues and services
- Preparation of recommendations concerning utility rate causes and other utility environments, and enforcement of Commission rules and orders
- Provide expert testimony in support of PUD recommendations
- **Lead Analyst for 2017 monthly fuel reports** for the following companies:
 - Energy: Canadian Valley Electric Cooperative, and Southwest Arkansas Electric Cooperative
- **Lead Analyst** in the following PUD causes:
 - Energy: 201700256, 201700261, 201600430, 201600358, 201600317, 201400020, 200800387, and 200800144
 - Telecom: Lead Auditor on more than 80 causes for Public Schools, Libraries, and Telemedicine
- **Assigned Analyst** in the following PUD causes:
 - Energy: 201700151, 201700079, 201700078, 201600494, 201600468, 201300033, and 201300032

American Cancer Society – February 2012 – February 2013

Staff Accountant

- Prepared daily and monthly bank reconciliations for several large accounts
- Prepared journal entries
- Worked closely with financial institutions
- Prepared and presented daily and monthly management reports

National Credit Union Administration – January 2010 – December 2012

Federal Field Examiner

- Supervised and conducted annual examinations of federally insured credit unions
 - Analyzed data to ensure regulatory insurability
 - Prepared comprehensive written and oral reports
 - Presented examination and provided recommendations and guidance to the Board of Directors
-

Education

- **University of Nevada, Reno**
 - Bachelor of Arts in Accounting – 2008
 - Beta Alpha Psi, Accounting Honor Society
-

Professional Training

- NARUC Practical Regulatory Training for the Electric Industry
- Fraud Detection
- Capital Market

CERTIFICATE OF SERVICE

I, the undersigned, do hereby certify that on the 2nd day of May, 2018, a true and correct copy of the above and foregoing was sent **electronically**, addressed to the following:

Katy Boren
Jared Haines
Victoria Korrekt
A. Chase Snodgrass
Jennifer Lewis
Office of Attorney General
313 NE 21st Street
Oklahoma City, OK 73105
katy.boren@oag.ok.gov
jared.haines@oag.ok.gov
victoria.korrekt@oag.ok.gov
chase.snodgrass@oag.ok.gov
jennifer.lewis@oag.ok.gov

Bill Bullard
Williams, Box, Foshee & Bullard, PC
522 Colcord Dr.
Oklahoma City, OK 73102
bullard@wbfbllaw.com

Kimber Shoop
Crooks, Stanford & Shoop, PLLC
171 Stone Bridge Blvd
Edmond, OK 73010
ks@crooksstanford.com

J. Eric Turner
DERRYBERRY & NAIFEH, LLP
4800 North Lincoln Blvd.
Oklahoma City, OK 73105
eturner@derryberrylaw.com

Cheryl A. Vaught
Vaught & Conner, PLLC
1900 NW Expressway, Suite 1300
Oklahoma City, OK 73118
cvaught@vcokc.com

William Humes
John D. Rhea
Dominic Williams
OG&E
Post Office Box 321
Oklahoma City, OK 73101-0321
humeswl@oge.com
rheajd@oge.com
williardo@oge.com

Curtis M. Long
Conner & Winters, LLP
4000 Williams Center
Tulsa, OK 74172
Clong@cwlaw.com

Jack G. "Chip" Clark, Jr.
Clark Wood & Patten PC
3545 N. W. 58th Street Suite 400
Oklahoma City, OK 73112
cclark@cswp-law.com

Thomas P. Schroedter
Hall Estill Hardwick Gable Golden & Nelson, PC
320 S. Boston
Suite 400
Tulsa, OK 74103
tschroedter@hallestill.com

Jon Laasch
Jacobson & Laasch
212 East Second Street
Edmond, OK 73034
jonlaasch@yahoo.com

Jack G. "Chip" Clark, Jr.
Clark Wood & Patten PC
3545 N. W. 58th Street Suite 400
Oklahoma City, OK 73112
cclark@cswp-law.com


Ronald E. Stakem
Cheek & Falcone, PLLC
6301 Waterford Blvd., Suite 320
Oklahoma City, OK 73118
rstakem@cheekfalcone.com

Rick D. Chamberlain
Behrens, Taylor, Wheeler & Chamberlain
Six Northeast 63rd, Suite 400
Oklahoma City, OK 73105
rchamberlain@okenergylaw.com

Deborah Thompson
OK Energy Firm, PLLC
PO Box 54632
Oklahoma City, OK 73154
dthompson@okenergyfirm.com

Jim Roth
Marc Edwards
C. Eric Davis
Phillips Murrah, P.C.
Corporate Tower, 13th Floor
101 N. Robinson
Oklahoma City, OK 73102
Jaroth@phillipsmurrah.com
medwards@phillipsmurrah.com
cedavis@phillipsmurrah.com

Andrew Unsicker
Lanny Zieman
Matthew Zellner
AFLOA/JACE-USFSC
139 Barnes Drive, Suite 1
Tyndall Air Force Base, FL 32403
Andrew.unsicker@us.af.mil
Lanny.zieman.1@us.af.mil
Matthew.zellner@us.af.mil


TISH COATS, Manager
BARBARA COLBERT, Administrative Assistant
SUSAN HARWELL, Regulatory Analyst
KELI WEBB, Administrative Assistant
OKLAHOMA CORPORATION COMMISSION