

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)

DIRECT TESTIMONY

OF

JOY BROOKS
PUBLIC UTILITY AUDITOR
AUDITS SECTION

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

JANUARY 31, 2017

OKLAHOMA GAS AND ELECTRIC COMPANY
DOCKET NO. 16-052-U
DIRECT TESTIMONY OF JOY BROOKS

INTRODUCTION

Q. What is your name and business address?

A. My name is Joy Brooks. My business address is Arkansas Public Service Commission (Commission), 1000 Center, P.O. Box 400, Little Rock, Arkansas 72203-0400.

Q. By whom are you employed and in what capacity?

A. I am employed by the General Staff (Staff) of the Commission as a Public Utility Auditor in the Audits Section. In that capacity, I analyze utility company filings, conduct field audits, identify and evaluate accounting issues, develop positions on those issues and present those positions when necessary in written and oral testimony before the Commission, and perform other duties as assigned.

Q. Would you please describe your educational background and experience?

A. I graduated from the University of Arkansas at Pine Bluff with a Bachelor of Science degree in accounting. Prior to joining Staff in April 2015, I was employed in accounting and audit professional roles at the Arkansas State Highway and Transportation Department for approximately twelve years. During that time, I obtained experience as an Internal Auditor, Utility Auditor, and as a Federal Aid Billing Accountant. Since joining Staff, I have attended "The Basics, Practical Regulatory Training" sponsored by New Mexico State University Center for Public Utilities. I have previously filed testimony before this Commission on matters concerning utility company rate cases.

OKLAHOMA GAS AND ELECTRIC COMPANY
DOCKET NO. 16-052-U
DIRECT TESTIMONY OF JOY BROOKS

PURPOSE OF TESTIMONY

Q. What is the purpose of your Direct Testimony in this Docket?

A. The purpose of my Direct Testimony is to address certain revenue and expense adjustments made by Oklahoma Gas and Electric Company (OG&E or Company) in its Application for Approval of changes in Rates for retail electric service (Application) filed on August 25, 2016, and revised on September 2, 2016. I address the removal of rider revenues and certain revenue adjustments sponsored by Company witness Gwin Cash. I will address the removal of certain rider and transmission expenses sponsored by Company witness Malini R. Gandhi. I will also address the removal of fuel rider expenses, entertainment items, gifts, industry dues and sponsorships, and the elimination of Southwest Power Pool (SPP) revenues and expenses to and from OG&E that are sponsored by Company witness Jason Thenmadathil. Specifically, I sponsor the Staff adjustments shown below in Tables 1 and 2. In Table 1, the differences between Staff's and the Company's uncontested adjustment amounts are due solely to my updating the adjustments to actual test year amounts. Table 2 addresses adjustments in which the Company and I differ in methodology, or where additional explanation is required.

OKLAHOMA GAS AND ELECTRIC COMPANY
DOCKET NO. 16-052-U
DIRECT TESTIMONY OF JOY BROOKS

1
2

Table 1
Summary of Uncontested Adjustments

Staff Adj. No.	OG&E Adj. No.	Description		Staff Adj. Amount	OG&E Adj. Amount	Difference
IS-1	IS-1	Removal of Over/Under Recovery Amounts	Arkansas	\$8,818,280	\$9,948,025	(\$1,129,745)
			Other Jurisdiction	(\$18,716,228)	\$91,382,683	(\$110,098,911)
			Total Company	(\$9,897,948)	\$101,330,708	(\$111,228,656)
IS-2	IS-2	Removal of Energy Cost Recovery Rider (ECR) Revenues	Arkansas	(\$76,656,281)	(\$76,656,281)	\$0
			Other Jurisdiction(s)	(\$609,269,730)	(\$730,527,009)	\$121,257,279
			Total Company	(\$685,926,011)	(\$807,183,290)	\$121,257,279
IS-3	IS-3	Removal of Non-ECR Rider Revenues	Arkansas	(\$16,308,467)	(\$16,308,467)	\$0
			Other Jurisdiction(s)	(\$115,100,277)	(\$121,748,400)	\$6,648,123
			Total Company	(\$131,408,744)	(\$138,056,867)	\$6,648,123
IS-10	IS-10	Removal of Jurisdictions Not at Issue		(\$266,584,586)	(\$286,316,783)	\$19,732,197
IS-23	IS-23	Removal of Demand Program Rider Expenses for Oklahoma Jurisdiction		(\$25,048,642)	(\$21,019,660)	(\$4,028,982)
IS-24	IS-24	Removal of Transmission Cost Recovery Rider Expenses	Revenue	(\$8,853,838)	(\$8,967,679)	\$113,841
			Expense	(\$53,279,456)	(\$53,089,276)	(\$190,180)
			Total	(\$62,133,294)	(\$62,056,955)	(\$76,339)
IS-31	IS-31	Removal of Energy Efficiency Cost Recovery Rider Expenses		(\$5,729,531)	(\$6,113,569)	\$384,038
IS-34	IS-34	Transmission Expenses Recovered from SPP Load Serving Entities		(\$39,410,616)	(\$39,410,616)	\$0
IS-35	IS-35	Eliminate SPP Revenues & Expenses To/From OG&E		(\$132,531,673)	(\$132,495,507)	(\$36,166)

OKLAHOMA GAS AND ELECTRIC COMPANY
DOCKET NO. 16-052-U
DIRECT TESTIMONY OF JOY BROOKS

Table 2
Summary of Contested Adjustments

Staff Adj. No.	OG&E Adj. No	Description	Staff Adj. Amount	OG&E Adj. Amount	Difference
IS-25	IS-25	Removal of ECR Rider (Fuel and Purchase Power) costs	(\$771,841,858)	(\$785,414,467)	\$13,572,609
IS-33	IS-33	Removal of Entertainment, Gifts and Other	(\$1,253,518)	(\$1,112,363)	(\$141,155)
IS-45	N/A	Reduction in Customer Activity Charges	(\$310,792)	N/A	(\$310,792)

OPERATING REVENUES

Q. What is the purpose of the Company's Adjustment IS-1 related to the removal of Over/Under Recovery amounts?

A. The Over/Under Fuel and Rider Recovery Adjustment was sponsored by Company witness Cash to remove an over-recovery accounting adjustment of fuel and rider revenue collections which has the effect of increasing the Arkansas jurisdictional revenue by an amount of \$9,948,025.

Q. Would you please describe the Over/Under Recovery Account and why its book balance is removed from base rates?

A. As stated by Company witness Cash,

The over/under fuel and rider revenue recovery book balance includes accounting entries that track historical billed fuel cost adjustment revenues based on projections versus actual fuel expense. In addition, the rider collections over/under recoveries reflect accounting entries that track historical rider revenue balances versus actual annual revenue requirements. Since rider adjustments to the test year should be made based on billed

OKLAHOMA GAS AND ELECTRIC COMPANY
DOCKET NO. 16-052-U
DIRECT TESTIMONY OF JOY BROOKS

1 revenues, these entries must also be removed. In the test year,
2 there was a net over recovery of fuel and rider revenue. The
3 accounting entry credit for this over recovery is adjusted back up to
4 make the normalized revenues seem like this over-recovery did not
5 occur.¹

6 Removing non-base rate revenue from the test-year financial data provides the
7 basis for rate design, Staff witness Robert H. Swaim will address rate design in
8 his Direct Testimony.

9 **Q. Does your Adjustment IS-1 to remove Over/Under Recovery also contain an**
10 **amount for the removal of Unbilled Revenues?**

11 A. Yes it does. Unbilled revenue is the estimated revenue accrued for service
12 provided but not yet billed. The actual test year book total contained \$600,000 of
13 unbilled revenues which I removed in this adjustment.

14 **Q. Do you agree with the Company's Adjustment IS-1 to remove \$9,948,025?**

15 A. Yes, however in my Adjustment IS-1, I removed the Arkansas-jurisdictional
16 amount which consists of the actual test year balance for Unbilled Revenues of
17 \$600,000 and the Over/Under Recovery book balance of \$9,418,280, which is a
18 net adjustment of \$8,818,280.

19 **Q What is the purpose of the Company's Adjustments IS-2 and IS-3 related to**
20 **the removal of the Energy Cost Recovery (ECR) rider and non-ECR rider**
21 **revenues?**

¹ Direct Testimony of Gwin Cash, page 4, lines 20 – 28.

OKLAHOMA GAS AND ELECTRIC COMPANY
DOCKET NO. 16-052-U
DIRECT TESTIMONY OF JOY BROOKS

1 A. In Arkansas, general base rates are designed exclusive of fuel costs and other
2 riders' revenue and expenses. In Adjustment IS-2, I removed \$76,656,281 of
3 Arkansas-jurisdictional ECR rider revenues and in Adjustment IS-3, I removed a
4 total of \$16,308,467 in Arkansas-jurisdictional Non-ECR rider revenues. These
5 adjustments are consistent with the Company's Adjustments IS-2 and IS-3.

6 **Q. What is the purpose of the Company's Adjustment IS-10 related to**
7 **Jurisdictions Not at Issue?**

8 A. The Jurisdictions Not at Issue Adjustment removes revenues for the Oklahoma
9 and FERC jurisdictions.

10 **Q. Did Company witness Cash's Direct Testimony address Jurisdictions Not**
11 **at Issue in adjustment IS-10?**

12 A. No. On page 8 of his Direct Testimony, Company witness Cash described
13 adjustment IS-10 as adding "to the test year revenues the revenue requirements
14 associated with riders that have expenses rolling into base rates." These
15 revenues were actually included on OG&E's Schedule C-2 as Adjustment IS-11,
16 which will be addressed in Staff witness Jeff Hilton's Direct Testimony.

17 **Q. Do you agree with the Company's making an adjustment for Jurisdiction**
18 **Not at Issue?**

19 A. Yes, I do. However, I removed the actual test year amount of \$266,584,586
20 versus the \$286,316,783 proposed by the Company which resulted in a
21 difference of \$19,732,197 as shown in Table 1.

OKLAHOMA GAS AND ELECTRIC COMPANY
DOCKET NO. 16-052-U
DIRECT TESTIMONY OF JOY BROOKS

1 **Q. Does the Company include an adjustment related to changes in customer**
2 **activity charges?**

3 A. No, but it does recognize the effect of the change in designing rates. Company
4 witness Cash made several recommendations in his Direct Testimony related to
5 Customer Activity Charges, and reflected a \$215,030 reduction in Other
6 Revenues on the Company's H Schedules, which increases the Rate Schedule
7 Revenue Requirement to offset the proposed decline in Other Revenues.
8 However, the Company did not include an adjustment to its Other Revenues in
9 either the C Schedules or its Class Cost of Service Study. Staff witness Judy
10 Kay Lindholm, in her Direct Testimony, addresses Company witness Cash's
11 proposed fee changes and has provided the supporting information for my
12 Adjustment IS-45, which is a reduction of \$ 310,792 from test year revenues.

OKLAHOMA GAS AND ELECTRIC COMPANY
DOCKET NO. 16-052-U
DIRECT TESTIMONY OF JOY BROOKS

OPERATING EXPENSES

Q. Do you agree with the Company that adjustments should be made to remove the Oklahoma Demand Program Rider Expense and to remove the Arkansas Energy Efficiency Cost Recovery Rider?

A. Yes, but I disagree with the amounts proposed by the Company. The Company's Adjustments IS-23 and IS-31 are sponsored by Company witness Gandhi. The Oklahoma demand side management programs and the Arkansas Energy Efficiency (EE) program expenses are recovered through riders, which are not included in base rates. In my Adjustment IS-23, I removed the Demand Program Rider expense actual updated test year amount of \$25,048,642 versus the Company's proposed amount of \$21,019,660 for a difference of \$4,028,982. In Adjustment IS-31, I removed the EE cost recovery expense actual updated test year amount of \$5,729,531 versus the \$6,113,569 proposed by the Company for a difference of \$384,038.

Q. Do you agree with the Company that an adjustment to remove the expenses recovered through the Transmission Cost Recovery Rider (TCR Rider) is necessary?

A. Yes, I do, but disagree as to the amount. Company witness Gandhi sponsored this adjustment for the TCR Rider expense. The Company's removal amount was \$62,056,955, whereas my Adjustment IS-24 removes the updated test year amount of \$62,133,294, which is a difference of \$76,339.

OKLAHOMA GAS AND ELECTRIC COMPANY
DOCKET NO. 16-052-U
DIRECT TESTIMONY OF JOY BROOKS

1 **Q. Do you agree with the Company's Adjustment IS-25 to remove ECR Rider**
2 **expenses in the amount of \$785,414,467 from base rates?**

3 A. In part. As shown in Table 2, above, the Company's proposed adjustment
4 amount removes the expense total of \$785,414,467. My adjustment updates the
5 total to the actual test year amount of \$774,574,267, reduced by the curtailment
6 costs related to the Arkansas Load Reduction Rider of \$2,732,409 as discussed
7 by Staff witness Lindholm, for a total adjustment of \$771,841,858.

8 **Q. Do you agree with the Company's Adjustment IS-33 to remove**
9 **entertainment expenses, gifts, and other non-recoverable costs that were**
10 **included in various "above the line" FERC accounts included in the test**
11 **year?**

12 A. In part. The Company's adjustment amount removed a total of \$1,112,363;
13 however, the updated test year amount was \$1,224,330. My Adjustment IS-33
14 uses the updated amount less \$29,188 from FERC Account 930.2,
15 Miscellaneous General Expenses which I detail below, for a total adjustment of
16 \$1,253,518.

17 **Q. Would you please describe the additional expense removal?**

18 A. For Community Development expenses and Chamber of Commerce Dues, the
19 Company proposes removing 100% for Oklahoma and 50% for Arkansas. My
20 adjustment removes 100% for both Oklahoma and Arkansas, which removed an
21 additional amount of \$1,250 from Community Development expenses and a total

OKLAHOMA GAS AND ELECTRIC COMPANY
DOCKET NO. 16-052-U
DIRECT TESTIMONY OF JOY BROOKS

1 of \$12,938 from the Chamber of Commerce Dues removal amount.

2 For Industry Dues, I agree with the Company's removal of the annual
3 Edison Electric Institute Dues related to influencing legislation by booking those
4 expenses below the line; however, my adjustment includes the removal of an
5 additional \$15,000 contribution to the Edison Foundation which is described as
6 an educational and charitable organization. Staff removed similar additional
7 adjustments in the last OG&E general rate case, Docket No. 10-067-U. My
8 Adjustment IS-33 removes a total of \$1,253,518.

9 **Q. Do you agree with the Company's Adjustment IS-34 to remove the**
10 **transmission expenses recovered from other Load Serving Entities (LSEs)?**

11 A. Yes, I do. Company witness Gandhi sponsored this adjustment to remove
12 transmission operations and maintenance expenses, administration and general
13 expenses, depreciation expenses, and taxes other than income related to the
14 excluded portion of transmission plant constructed as SPP Base Plan upgrades
15 calculated using the FERC Transmission Formula Rate True-Up Adjustment for 2015.

16 **Q. Do you agree with the Company's Adjustment IS-35 to remove intra-**
17 **company SPP fees?**

18 A. I agree that an adjustment should be made, but disagree with the amount.
19 Company witness Jason Thenmadathil sponsored this adjustment to eliminate
20 expenses received by OG&E from SPP for network transmission service

OKLAHOMA GAS AND ELECTRIC COMPANY
DOCKET NO. 16-052-U
DIRECT TESTIMONY OF JOY BROOKS

1 provided by OG&E.² The Company's proposed adjustment removed
2 \$132,495,507. However, in my IS-35 Adjustment, I removed the updated actual
3 test year amount of \$132,531,673 which is a difference of \$36,166.

4 **.Q. Does this conclude your Direct Testimony?**

5 A. Yes, it does.

² Direct Testimony of Jason Thenmadathil, page 8, lines 10 – 14.

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 31st day of January, 2017.

/s/ Justin A. Hinton
Justin A. Hinton