

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

IN THE MATTER OF THE)
APPLICATION OF OKLAHOMA)
GAS AND ELECTRIC COMPANY)
FOR AN ORDER OF THE) CAUSE NO. PUD 201700496
COMMISSION AUTHORIZING)
APPLICANT TO MODIFY ITS)
RATES, CHARGES, AND TARIFFS)
FOR RETAIL ELECTRIC SERVICE)
IN OKLAHOMA)

Summary of
Responsive Testimony of

Brian C. Andrews

Senior Consultant

Brubaker & Associates, Inc.

On behalf of

Federal Executive Agencies

May 7, 2018

**Responsive Testimony Summary of Brian C. Andrews,
Consultant, Brubaker & Associates, Inc.
on behalf of Federal Executive Agencies
May 7, 2018**

My name is Brian Andrews, and I am a Senior Consultant at Brubaker & Associates, Inc. ("BAI"). I filed testimony in response to the application of Oklahoma Gas & Electric Company ("OG&E" or "Company") filed in the captioned cause. I hold a Bachelor of Science Degree in Electrical Engineering from the Washington University in St. Louis/University of Missouri - St. Louis Joint Engineering Program and Master of Science Degree in Applied Economics from Georgia Southern University. I am a member and the current Vice-President of the Society of Depreciation Professionals ("SPD"). I have been employed by BAI for more than six years and have filed expert testimony on a variety of topics including book depreciation, fuel and purchased power cost, transmission line routing, resource planning, class cost of service, and rate design.

My responsive testimony addressed OG&E's proposed depreciation rates and expense. I proposed adjustments to OG&E proposed depreciation rates for its steam production, other production, transmission, and distribution plant accounts. I presented my depreciation study on OG&E's Transmission, Distribution, and General ("TD&G") plant accounts, which was included as Exhibit BCA-3, recommended a reduction of dismantlement costs for the steam and other production plants by removing excessive contingency factors from the cost estimates, and recommended an alternate method for escalating the dismantlement cost to give current customers benefit for the time value of money. In total, these adjustments lower the Oklahoma jurisdictional test year depreciation expense by \$25.0 million.

The first area I addressed were the average service lives of OG&E's TD&G plant accounts. The TD&G book depreciation rates should be reduced for Accounts 350.2, 353, 355, 356, 360.2, 361, 362, 364, 365, 366, 367, 368, 369, 371, 373, 390, 392.6, and 396. The reduction to the depreciation rates for these accounts is achieved by increasing the average service life estimates such that the survivor curves produce a better statistical fit to OG&E's property retirement data relative to the survivor curves being proposed by Mr. Spanos. I also recommended a slight increase for Account 392.5. The support for these recommended changes is shown in Exhibit BCA-3 and my proposed depreciation rates are developed in Exhibit BCA-1. As shown in Exhibit BCA-2, the adjustment to the TD&G depreciation rates results in a reduction of \$18.7 million to the total OG&E depreciation expense.

Next, I presented an argument that the steam production net salvage rates used to calculate OG&E's proposed book depreciation rates should be reduced by removing any contingencies related to dismantlement costs of these plants. The inclusion of contingency costs in these dismantlement cost estimates is a safeguard for OG&E at the customers' expense. OG&E does not have a mandate to dismantle its production plants to a brownfield site as it is proposing. Further, some of the infrastructure in place at existing production sites could be utilized for the next generation of power plants and for maintaining the stability of the transmission system. Not only would this reduce dismantlement expenses for the current generation of power plants, it would also reduce the development costs of the next generation of power plants located at existing sites. The removal of the contingencies provides an opportunity to provide current customers with some cost protections, considering there is potential that some of the dismantlement expenses forecast may not be needed if the power plant sites are reused.

I also pointed out the fact that OG&E has re-used the existing Mustang Power Plant site for a new generation of power plants. This results in this site being used as a power plant site for over a century. OG&E testified the existing site offered reliability and cost benefits relative to a new site.

I estimated the impact of removing the contingencies from the decommissioning cost estimates to account for \$6.4 million of the total \$8.8 million reduction for the steam and other production plant accounts

Next, I presented an argument for the reduction to the escalation of dismantlement costs. This escalation should be reduced such that current customers are given benefit for the time value of money. The escalation procedure utilized by OG&E is not just and reasonable for current customers as it results in a greater price burden on current customers relative to future customers. I recommended an alternative method of the escalation of dismantlement costs, so that the value of the revenues provided from both current customers and future customers is more uniform than OG&E's proposal which favors future customers. I presented my Exhibit BCA-6 to demonstrate the intergenerational inequities created with OG&E's proposal, how my recommendation diminishes those inequities, and how the use of my proposal ultimately allows OG&E to collect the revenues it needs, but in a manner that more fairly allocates the cost burden to customers.

I estimated the impact of reducing the escalation of decommissioning cost estimates to account for \$2.4 million of the total \$8.8 million reduction for the steam and other production plant accounts

I presented my recommended depreciation rates in Exhibit BCA-1. These rates include all adjustments I propose regarding the TD&G plant account survivor curves, production plant decommissioning costs, and the escalation of decommissioning costs.

I provided a comparison of my proposed test year depreciation expense with OG&E's proposal in Exhibit BCA-2. My recommended adjustments to OG&E's depreciation rates reduced OG&E's test year depreciation expense by \$27.5 million, with \$25.0 million being the Oklahoma jurisdictional share.