BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

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

DIRECT TESTIMONY

OF

MARK E. GARRETT

REVENUE REQUIREMENT ISSUES

ON BEHALF OF

ARKANSAS RIVER VALLEY ENERGY CONSUMERS ("ARVEC")

January 31, 2017

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I. WITNESS IDENTIFICATION AND PURPOSE OF TESTIMONY

Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A: My name is Mark E. Garrett. My business address is 50 Penn Place, 1900 N.W. Expressway, Suite 410, Oklahoma City, Oklahoma 73118.

Q: WHAT IS YOUR PRESENT OCCUPATION?

A: I am the President of Garrett Group, LLC, a firm specializing in public utility regulation, litigation and consulting services.

Q: WOULD YOU PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND YOUR PROFESSIONAL EXPERIENCE RELATED TO UTILITY REGULATION?

A: I received my bachelor's degree from the University of Oklahoma and completed post graduate hours at Stephen F. Austin State University and the University of Texas at Arlington and Pan American. I received my juris doctorate degree from Oklahoma City University Law School and was admitted to the Oklahoma Bar in 1997. I am a Certified Public Accountant licensed in the States of Texas and Oklahoma with a background in public accounting, private industry, and utility regulation. In public accounting, as a staff auditor for a firm in Dallas, I primarily audited financial institutions in the State of Texas. In private industry, as controller for a mid-sized corporation in Dallas, I managed the Company's accounting function, including general ledger, accounts payable, financial reporting, audits, tax returns, budgets, projections, and supervision of accounting personnel. In utility regulation, I served as an auditor in the Public Utility Division of the Oklahoma Corporation Commission from 1991 to 1995. In that position, I managed the audits of major gas and electric utility companies in Oklahoma.

Since leaving the Commission, I have worked on numerous rate cases and other regulatory proceedings on behalf of various consumers and consumer groups. I have provided both written and live oral testimony before public utility commissions in the states of Alaska, Arizona, Arkansas, Colorado, Massachusetts, Nevada, Oklahoma, Texas and Utah. My qualifications were accepted in each of those states. I have also provided written testimony in the state of Florida. My clients primarily include large industrial customers, large gaming customers in Nevada, large hospitals and hospital groups, universities, cities, and large commercial customers. I have also testified on behalf of the commission staff in Utah and the offices of attorneys general in Oklahoma and Florida. I have also served as a presenter at the NARUC subcommittee on Accounting and Finance, on the issue of incentive compensation, and as a regular instructor at the New Mexico State University's Center for Public Utilities course on basic utility regulation.

Q: HAVE YOUR QUALIFICATIONS BEEN ACCEPTED BY THIS COMMISSION IN PROCEEDINGS DEALING WITH REVENUE REQUIREMENT ISSUES?

A: Yes, they have. I have testified in several regulatory proceedings before the Arkansas Public Service Commission (APSC or Commission) and provided live testimony before the APSC in OG&E's last rate case (Docket No. 10-067-U) and Entergy's last litigated rate case, Docket No. 13-028-U. A more complete description of my qualifications and a list of the proceedings in which I have been involved are attached to this testimony.

Q: ON WHOSE BEHALF ARE YOU APPEARING IN THESE PROCEEDINGS?

A: I am appearing on behalf of Arkansas River Valley Energy Consumers ("ARVEC").

Q: WHO IS ARVEC?

A: ARVEC is an association, consisting of a diverse group of large consumers of energy located in and around Fort Smith, Arkansas, involved in regulatory matters involving natural gas and electric power.

Q: WHAT IS ARVEC'S INTEREST IN THIS PROCEEDING?

A: ARVEC members purchase substantial quantities of electric power which is essential to their operations. Electric power costs can constitute a significant percentage of industrial and other large consumers' operating costs. These electric power supplies are generally purchased from utilities such as OG&E pursuant to standard tariffs filed at the Commission. Industries served by OG&E often operate in highly competitive business environments and, thus, ARVEC is interested in the Commission determining cost of service based rates that will result in the delivery of reliable power at the lowest and most reasonable cost possible under the circumstances.

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A: My testimony addresses the significant (18%) base rate increase requested by the Company as testified to by ARVEC witness Larry Blank. My testimony addresses various revenue requirement issues identified in OG&E's application and provides the Commission with sound ratemaking recommendations for the resolution of these issues. I also sponsor *Exhibit MG 2* included with this testimony, in which the overall impact of ARVEC's revenue requirement recommendations is set forth. In total, ARVEC's recommendations result in a rate <u>decrease</u>, as outlined in the following section of testimony. While OG&E predicates its 18% increase on significant infrastructure additions since its last rate case, it is important to point out that ARVEC makes no adjustment to the Company's infrastructure investment levels and still recommends a meaningful, well-supported rate decrease in this case.

II. SUMMARY OF RECOMMENDATIONS

OG&E'S Proposed Rate Increase	**$ 16,797,898**
ARVEC Proposed Adjustments:	
Rate Base Adjustments	
Correct Wind Production Plant Jurisdictional Allocation	$ (1,155,795)
Cost of Capital	
Apply ARVEC's Return on Equity	$ (4,316,544)
Apply ARVEC's Capital Structure Adjustment	(1,898,752)
Revenue and Expense Adjustments	
Adjust Short-Term Annual Incentive Plan	$ (923,110)
Remove Long-Term Stock-Based Incentive Plan	(618,509)
Remove Supplemental Executive Retirement Plan	(181,344)
Adjust OG&E Payroll	(325,789)
Reverse OG&E Estimated Ad Valorem Adjustment	(316,156)
Limit Vegetation Management to Test Year Level	(879,716)
Reverse Corporate Allocation of Enable Costs to OG&E	(364,347)
Adjust Rate Case Expense	(156,000)
Adjust Storm Damage Cost Estimate	(548,629)
Depreciation and Amortization Expense Adjustments	
Adjust Expense for ARVEC's Depreciation Rates	$ (4,525,292)
Reverse OG&E Correction for 1986-2017 Under-recovery	(525,198)
Correct Wind Production Cost Jurisdictional Allocation	
Correct Wind Production Plant Jurisdictional Allocation – O&M	$ (287,428)
Correct Wind Production Plant Jurisdictional Allocation – Taxes	(242,241)
Correct Wind Production Plant Jurisdictional Allocation – Depreciation	(698,227)
Total of ARVEC Adjustments	**$ (17,963,077)**
ARVEC's Proposed Rate Decrease	**$ (1,165,179)**

III. OPERATING EXPENSE ADJUSTMENTS

III. A. ANNUAL INCENTIVE COMPENSATION EXPENSE ADJUSTMENT

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF OG&E'S ANNUAL INCENTIVE COMPENSATION PLAN.

A. OG&E provides an annual cash incentive compensation plan to all employees called the Teamshare plan. The Company seeks to include $18.880 million in rates for annual incentive plan costs, which represents 100% of its test year expenditures of $13.712 million plus an additional $5.168 million for projected increases.[1]

Q: DID THE COMPANY PROVIDE ANY TESTIMONY TO SUPPORT THE INCLUSION OF ITS SHORT-TERM INCENTIVE PLAN COSTS IN RATES?

A: No. The Company provided no testimony to support the inclusion of the incentive plan costs in rates.

Q: WHAT ADJUSTMENT ARE YOU PROPOSING WITH RESPECT TO THE COMPANY'S ANNUAL TEAMSHARE INCENTIVE PLAN?

A: I am proposing to exclude from rates 50% of the annual incentive plan expense. This is consistent with the treatment of annual incentive compensation plan costs by this Commission in recent cases involving Entergy Arkansas.[2] It is also consistent with the Oklahoma Corporation Commission's treatment of these costs for OG&E in that state.[3]

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[1] See W/P C 2-37.

[2] See Docket No. 13-028-U, Order No. 21, and Order No. 35 and Docket No. 15-015-U, Order No. 18.

[3] OG&E Cause No. PUD 05-151

This recommended sharing of Teamshare costs between the Company and its customers reflects the fact that a major purpose of the Teamshare payments is to increase the financial performance of the Company. As a general rule, regulatory commissions exclude incentive compensation associated with financial performance.[4]

Q: WHAT IS THE GENERAL RATIONALE FOR EXCLUDING INCENTIVE COMPENSATION TIED TO FINANCIAL PERFORMANCE?

A: In most jurisdictions, the cost of incentive plans which are tied to financial performance measures are excluded for ratemaking purposes. When the costs associated with these plans are excluded, the rationale used by the regulators is generally based on one or more of the following reasons:

(1) Payment is uncertain. Often, payment of incentive compensation is conditioned upon meeting some predetermined financial goal such as achieving a certain increase in earnings, reaching a targeted stock price or meeting budget objectives. If the predetermined goals are not met, the incentive payment is not made, or payment is made at some lesser amount. Therefore, one cannot know from year to year what the level of the payment may be or whether the payment will be made at all. It is generally considered inappropriate to set rates to recover a tentative level of expense.[5]

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[4] See the ALJ's Proposal for Decision in Texas PUC Docket No. 28840, Footnote 284, in reference to the CCR Initial Brief at 25, in which the following list of cases showing that incentives are disallowed in many states as a matter of policy is found. See, *U.S. West Communications, Inc. v. Public Service Comm'n*, 901 P.2d 270, 276-77 (Utah 1995); *Central Illinois Public Service Company Proposed General Increase In Natural Gas Rates*, Docket No. 02-0798 (Cons.), 2003 Ill. PUC LEXIS 824, p. 115 (Illinois Commerce Comm'n 2003); *Application of Wisconsin Power and Light Company as an Electric, Natural Gas and Water Utility for Authority to Change Electric, Natural Gas, and Water Rates*, Docket No. 6680-UR-113, 2003 Wisc. PUC LEXIS 822, pp. 40-41 (Wisconsin Public Service Comm'n 2003); *Petition of Northern States Power Company's Gas Utility for Authority to Change its Schedule of Gas Rates for Retail Customers Within the State of Minnesota*, 146 P.U.R.4th 1, pp. 40-43 (Minnesota Public Util. Comm'n 1993); *Application of Minnegasco, a Division of NorAm Energy Corp., for Authority to Increase its Natural Gas Rates in Minnesota*, 170 P.U.R.4th 193, pp. 69-77 (Minnesota Public Util. Comm'n 1996). Also, see the results of the Incentive Survey conducted by the Garrett Group which are provided in this testimony.

[5] An example of this problem can be found in the 2008 rate case proceeding of Public Service Company of Oklahoma ("PSO"), Oklahoma PUD 08-144. In 2009, the below-target earnings per share of its parent company,

(2) **Many of the factors that significantly impact earnings are outside the control of most company employees and have limited value to customers.** For example, an unusually hot summer can easily trigger an incentive payment based on company earnings for an electric utility, as a cold winter can for a gas utility. Obviously, weather conditions are outside the control of utility employees and customers receive no benefit from the higher utility bills that result from an unusually hot or cold weather. Similarly, company earnings may increase, thus triggering incentive payments, as a result of customer growth, which commonly occurs without significant influence from company personnel. In fairness, since shareholders enjoy the benefits of customer growth between rate cases, shareholders should also bear the cost of any incentive payments such growth may trigger. Finally, utility earnings may increase substantially if the utility is able to successfully argue for a higher ROE in a rate case proceeding. Utility efforts to maximize ROE in a rate proceeding, however, have little to do with improving overall employee performance across the company. If utility employees gear their efforts toward securing an *unreasonably* high ROE in a rate proceeding, the incentive mechanism actually would work to the detriment of the utility customers.

(3) **Earnings-based incentive plans can discourage conservation.** When incentive payments are based on earnings, employees may not support conservation programs designed to reduce usage if they perceive these programs could adversely impact incentive payment levels. To the extent that earnings-based incentive plans discourage conservation and demand-side management programs, these plans do not serve the public interest. The growing focus on energy efficiency at both the national and state level renders this point especially important.

(4) **The utility and its stockholders assume none of the financial risks associated with incentive payments.** Ratepayers assume the risk that the utility will instead retain the amounts collected through rates for incentive payments whenever targeted increases are not reached. Employees assume the risk that the incentive payments will not be made in a given year. The utility and its stockholders, however, assume no risk associated with these payments. Instead, the company's only responsibility is to decide who gets the money, the stockholders or the employees.[6]

AEP, reduced the funding available for PSO's incentive compensation payments by 76.9%. Although in the Company's 2008 rate case, the Commission had included more than $4 million in rates for incentives, the Company chose not to use all of that money to pay incentives, but instead retained some of those funds for its shareholders to help bolster the Company's lower earnings that year.

[6] This occurred in PSO's 2008 rate case, Oklahoma PUD 08-144. In 2009, when AEP's EPS fell below targeted levels, the Company simply retained for its stockholders the funds that had been provided in rates for incentive plans.

(5) **Incentive payments based on financial performance measures should be made out of increased earnings.** Whatever the targets or goals may be that trigger an incentive payment, when the plan is based in whole or in part on financial performance measures the company always obtains a financial benefit from achieving these objectives. This financial benefit should provide ample funds from which to make the payment. If not, the incentive plan was poorly conceived in the first place. As such, employees should be compensated out of the increased earnings, and not through rates.

(6) **Incentive payments embedded in rates shelter the utility against the risk of earnings erosion through attrition.** When utilities are allowed to embed amounts for incentive payments in rates, that money is available to the utility not only to pay the incentive payment when financial performance goals are met but also to supplement earnings in those years when the company does not perform well. In those years when financial performance measures are met, the increased earnings of the company provide ample additional funds from which to make the incentive payments to employees, and the incentive payment amount embedded in rates is not needed. In those years when financial performance measures are not met and the incentive payments are not made, the amount embedded in rates for incentive payments acts as a financial hedge to shelter the poor financial performance of the company.

Q: HOW DO OTHER JURISDICTIONS TREAT INCENTIVE COMPENSATION?

A: The results of an Incentive Compensation Survey of the 24 Western States taken by the Garrett Group in 2007, and updated in 2009, 2011, and 2015, shows that a clear majority of the states follow the financial-performance rule, in which incentive payments associated with financial performance are excluded from rates. Some states disallow incentive pay using other criteria. None of the jurisdictions surveyed allow full recovery of incentive compensation through rates as a general rule. The results of the survey are set forth below.

<u>States that follow the Financial-Performance Rule:</u>

Arizona The Commission deals with incentive compensation plans on a case by case basis. Evaluation centers on the criteria of benefit to customers. This treatment tends to make long-term programs harder to justify, but the same criteria are used to evaluate all plans including those for executives. This treatment is set forth in the most recent Epcor Water rate case.[7] In practice, this means that the costs of long-term plans are generally excluded altogether and the costs of the short term annual cash plans are shared 50/50 between shareholders and ratepayers.[8]

Arkansas Generally excludes 100% of the long-term, equity-based plans. Short-term incentive plans are evaluated to determine if they are based on financial or operational measures. Operational-based plans are allowed. 50% of plans containing financial measures are disallowed. Any plans based solely on the discretion of the company are seen as having no direct benefit to ratepayers and are disallowed 100%. Settlements in recent cases have upheld this treatment.[9] Commission rulings on Incentive Compensation have remained generally consistent, excluding 100% of long-term plans and 50% of the portion of short-term plans that are financially based. This treatment has been qualified in recent cases based on differing plan structures. In the most recent contested Entergy rate case (Docket No. 13-028-U), 50% of all short-term incentive compensation was excluded because the plans included a financially-based multiplier.

California The Commission has established precedence for evaluating plans based on who benefits from the plans goals, ratepayer or shareholders. In CPUC Decision 00-02-046, the Commission established that utilities could recover 50% of the regular employee's incentive compensation costs in rates. In the Southern California Edison litigated rate case Decision 09-03-025, the Commission decided that Edison's non-executive plans and 50% of the short-term executive plans would be funded in rates and that 100% of the executive long-term stock plans would be disallowed.[10] In a recent case, A.10-07-007, staff recommended that, "customer funding should be limited to the portion of the incentive plan payments that are aligned with operational objective that provide customer benefits. This means that 70% of AIP be funded by shareholders, and 30% be funded by ratepayers." In the settlement, the Commission disallowed 50% of the plan's expense.

Hawaii Incentive compensation of all types is excluded from rates. The Commission upholds the position stated in Docket No. 6531 that incentives tied to company income and earnings benefit stockholders, not ratepayers. The Commission further stated, "...we believe that a utility employee, especially at the executive level, should perform at an optimum level without additional compensation. Ratepayers should not be burdened with additional costs for expected levels of

[7] Epcor Water, Docket No. WS-01303A-14-0010. See also APS 2008 rate case, Decision 70360, Southwest Gas 2008 rate case, Decision 70665 and UNS Gas 2008 rate case, Decision 70011.
[8] *See* for example, APS 2008 rate case, Decision 70360, Southwest Gas 2008 rate case, Decision 70665 and UNS Gas 2008 rate case, Decision 70011. See also Staff's testimony in the 2016 APS rate case, Docket No. E-1345A-16-0036.
[9] Entergy Arkansas, Docket No. 06-101-U, Order No. 10 and Docket No. 13-028-U, Order No. 21.
[10] Southern California Edison (Application No. 07-11-011; Decision No. 09-03-025).

service."[11] Utilities in Hawaii no longer petition to have incentive compensation expense included in rates.

Idaho The Commission's policy for evaluating incentive compensation plans involves determining who benefits, the customer or the company. This treatment was refined in the Idaho Power rate case, IPC-E-08-10, for plans which benefit the customer but require a financial trigger to be paid. For these plans the Commission reduced the percentage allowed in rates. The Commission does not include executive compensation in rates.[12]

Kansas For officer level incentives plans, the financially-based portion is borne by the shareholders and the portion supporting operational goals is allowed in rates. Non-officer incentive compensation plans for workers are allowed in rates.[13] The consumer advocacy branch, Citizens' Utility Ratepayer Board (CURB) has consistently recommended applying the same financial/operational criteria to non-officer plans as well. In the current KCPL rate case the company has voluntarily excluded 100% of the performance-based plans and 50% of the short-term plans with an earnings-per-share qualifier. The Company also removed the earnings-per-share portion of their plan for all employees.

Louisiana Traditionally incentive compensation for upper level management and officers is excluded, while costs for lower level managers and employees are allowed. The criteria used to evaluate plan design consider whether the goals of each plan directly benefit ratepayers or shareholders. Stock based compensation plans at all levels are excluded.

Minnesota Minnesota continues to distinguish between incentive plans tied to financial triggers (such as a threshold ROE) and plans tied to criteria benefitting the ratepayer. Plans based on goals which benefit ratepayers are generally allowed in rates, but their costs are frequently capped at a percentage of base salaries such as 15% or 25%.[14] Utilities are usually required to return to ratepayers any portion of incentive pay that was allowed into rates and is not subsequently paid out to employees. Executive and long-term IC measures are frequently more

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[11] Hawaii's policy is set forth in Docket No. 6531 in the October 17, 1991 Order No. 11317. Prior Dockets in which the Commission disallowed incentive compensation include No. 3216, No. 4215, No. 4588 and No. 5114.

[12] The Commission's focus on customer benefit is reflected in the direct testimony of Staff witness Leckie, and in the final order for the recent IPC General Rate Case IPC-E-08-10. For earlier examples of the basic policy, see Idaho Power Company Rate Case IPC-E-05-28, Corrected Motion for Approval of Stipulation 3/1/06, 6e, p. 4; Idaho Power Company IPC-05-28, Order No. 30035, p. 4/10.

[13] This treatment is based on the 2012 KCPL rate case (12-KCPE-764-RTS) in which the short-term plan was split 50:50, and for the long-term incentives, the Commission excluded 100% of the portion based on stockholder return and 50% of the time-based restricted stock portion of the plan. Time-based plans which vest solely on the passage of time are seen as being neutral and therefore split 50:50 between shareholders and ratepayers.

[14] This general policy is demonstrated in the Minnesota Power and Ottertail rate cases: E002/GR-09-1151 and E002/GR-10-239 respectively.

closely aligned with shareholder interests and thus are not usually allowed in rates.[15]

Missouri Plans are analyzed to determine who benefits. Plans that can show a direct benefit to customers and that are found to be prudent are allowed in rates. Plans that benefit shareholders are excluded. The Commission also allows only the amounts actually paid, not those accrued. The same criteria are used for executive plans and few are allowed.[16]

Montana Due to the low volume of litigated cases in the past 10 to 15 years in Montana, incentive compensation has not been an important issue before the Commission. However, the Commission tends to become more concerned by incentive plans that are tilted toward financial performance instead of operational goals.

Nebraska Nebraska does not have rules regarding incentive compensation and considers the issue on a case by case basis. In a 2007 rate case, NG-0041, the Commission disallowed 50%, directing that cost should follow benefit and stating, "However, the Commission further finds that the nature of the objectives appear to benefit both ratepayers and shareholders and it would be improper for the ratepayers to bear the full cost of this benefit." The Commission also allowed in rates only the actual amounts paid. In NG-0060 the Commission disallowed the entire amount requested by SourceGas for cash incentives.

Nevada The Commission excludes 100% of the long-term plans and all short-term plan costs directly related to financial performance.[17] Utilities in Nevada generally do not seek to include long-term incentives in rates.

New Mexico Incentive programs tied to measures that benefit ratepayers (such as operation and safety) are allowed in rates. Programs tied to the financial performance of the utility (e.g. stock price or ROE) are not allowed in rates. . This standard is applied to all levels of utility employees and tends to eliminate the greater portion of executive plans.[18] Executive incentive plans receive more scrutiny as

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[15] Minnesota's general policy is demonstrated in CenterPoint Energy rate case G-008/GR-13-316 and the Minnesota Power and Ottertail rate cases: E002/GR-09-1151 and E002/GR-10-239 respectively. See also Minnesota Power General Rate Case E002/GR/05/1428.

[16] *See e.g.*, in the Missouri American rate case (WR-2010-0131), not only were plans based on financial goals disallowed, but incentive payments based on customer satisfaction were disallowed due to the unreasonably small sample size used to establish a positive rating (a phone survey of 927 of roughly 450,000 customers). The Commission also removed incentive payments tied to lobbying and charitable activity. In the most recent case processed, the Ameren UE rate case, the company did not seek even short-term incentive compensation tied to earnings, providing further indication that staff's practice of disallowing financial performance based incentives is accepted by the companies. All incentive compensation adjustments were made not only to expense charges, but to construction charges as well. *See also* Kansas City Power and Light and Empire Electric District orders on the Commission's website.

[17] *See e.g.*, PUCN's final order in Docket 11-06006.

[18] *See* Docket 07-00077-UT.

they are more likely to have financial measures. They can also be challenged if the overall percentage is out of line. One major utility in New Mexico no longer includes the compensation of its top 5 executives in rate applications.

N. Dakota In North Dakota, the general policy is the portion that relates to earnings of the shareholders is disallowed and the rest is included. In the past, the Commission has limited incentives to 15% of salary. The general approach is to determine if incentive compensation is reasonable and fair based on market analysis. Historically, executive incentive compensation is not allowed in rates, and is typically not sought by the company.

Oklahoma The Commission excludes incentive payments tied to financial performance. From a practical perspective this means that all long-term plans are excluded and some portion of the annual short-term cash plan are excluded. The Commission does not determine the precise portion of the annual plans tied to financial measures but instead excludes 50% of the annual plans. 100% of the long-term executive stock-based plans are excluded.[19]

Oregon The Commission's general policy is based on the idea that customers should not have to pay for incentive compensation based on financial goals such as rate of return. For short-term plans, the portion based on financial measures is excluded from rates. The only long-term plans are for officers, and 100% of officer incentives are excluded from rates.

S. Dakota South Dakota considers incentive compensation on a case by case basis. Their general policy is to evaluate each plan and disallow the portion based on financial performance indicators. This treatment is set forth in the recent case EL14-026 in which the order specifically excluded the amount "tied to the Company's financial results."[20] Current treatment also includes disallowing both executive and non-executive management incentive compensation. Several utilities have whole incentive programs that hinge on whether or not the company earns a certain return. These financial prerequisites cause the whole plans to be excluded from rates.

Texas The general rule is that incentive payments designed to improve the financial performance of the utility are excluded. For example, in PUC Docket No.

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[19] *See e.g.*, AEP-PSO Cause Nos. PUD 06-285 and PUD 08-144; AEP-PSO 15-208; OG&E Cause No. PUD 05-151; and ONG Cause No. PUD 04-610.

[20] In Docket No. EL 08-030 the settlement excluded bonuses related to "stockholder-benefitting financial goals." The settlement in Xcel rate case Docket No. EL09-009 removed payments based on financial performance indicators. In the settlement agreement signed July 7, 2010 in the Black Hills Power rate case Docket No. EL09-018 the *Staff Memorandum* states, "The settlement removes financial based incentive payments that were included in the capitalized labor costs for plant. Shareholders are the overwhelming beneficiaries of incentive plans that promote the financial performance of the Company and therefore should be responsible for the cost of such compensation."

28840,[21] the Commission disallowed sixty-six percent (66%) of AEP-Texas Central's test year incentive payments in the amount of $4.2 million. This was the portion of the utility's incentive payments that were based on financial performance measures.[22] Long-term stock incentives are strictly excluded.[23] At the RRC, financial incentives are generally excluded and customer-related incentives are allowed. Examples include: Atmos 9670 Order and Order on Rehearing, Texas Gas Service Company 9988 Final Order, Centerpoint 9902 Final Order and Centerpoint 10106 Final Order. In Docket 9670 both the executive and employee plans for Atmos Mid-Tex were found not to be just and reasonable because they, "advanced the interest of shareholders, and [are] driven by Company earnings." None of the costs of these programs were allowed in rates. In TGS Docket 9988, the RRC found 100% of long-term and 90% of short-term incentives expense was "unreasonable" because it was related to the financial performance of ONEOK Inc. 10% of the short-term plan was allowed in rates because it was based on safety metrics.

Utah The Commission's general policy is to allow in rates the parts of a plan that are tied to ratepayer benefit and disallow the parts tied to financial goals. Equity-based incentive compensation is excluded from rates.[24]

Washington Incentive plans are evaluated on a case by case basis. Incentives tied to operational efficiency or other measures which benefit ratepayers are allowed in rates and incentives based on return on earnings or other measures that benefit the shareholders are disallowed.[25]

Wyoming Historically, employee incentive compensation plans are evaluated on a case by case basis, distinguishing between employee programs that benefit the ratepayer or the stockholders and requiring the benefitting party to pay. Executive incentive compensation plans are generally excluded from rates.

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[21] *Application of AEP Texas Central Company for Authority to Change Rates*, Docket No. 28840; SOAH Docket No. 473-04-1033, Final Order (August 15, 2005).

[22] *See* ALJ's Proposal for Decision at page 113 in PUC Docket No. 28840, SOAH Docket No. 473-04-1033, issued July 1, 2004. The PFD with respect to the treatment of incentive compensation was adopted by the Commission in its Final Order.

[23] See Docket No. 39896 where the PUC disallowed $730,734 in Entergy's rate case expense for including Long-Term incentives in its rate application.

[24] The recent final order in Docket 09-035-23 follows this general policy as does the order in Docket 07-35-93. See also Missouri Corp. Rate Case Docket 97-035-01, pp. 10-12; US West Communications Rate Case Docket 95-049-05.

[25] *See* the Order in Pacific Power and Light Docket 061546.

States that use another approach

Alaska	Incentive compensation is not an issue in rate cases in Alaska. There is no relevant regulation or policy.
Colorado	Executive incentives are excluded from rates and typically no longer sought in company filings. With respect to annual incentive pay (AIP), Colorado used to evaluate incentive plans based on which stakeholder group benefited from the goals of a plan. In the most recent rate case for Public Service Company of Colorado, however, staff recommended that the Commission, "limit reimbursement of incentive pay to no more than 15 percent of employee base salary." In this proceeding, No. 14AL-0660E / Order C15-0292, the Settlement Agreement included the statement, "the Settling Parties agree AIP incentive payment recovery in the 2017 Rate Case will be capped at 15% of an employee's salary."
Iowa	Incentive Compensation has not been an issue in Iowa. There are no specific treatments in place and the Commission will review the merits and prudence of a proposed plan on a case-by-case basis.

Q: IN YOUR EXPERIENCE, WHEN REGULATORS EXCLUDE THE PORTION OF A UTILITY'S INCENTIVE PLAN TIED TO FINANCIAL PERFORMANCE MEASURES, DOES THE UTILITY STOP OFFERING INCENTIVE COMPENSATION TO HELP ACHIEVE ITS FINANCIAL GOALS?

No. Even though regulators generally disallow incentive compensation tied to financial performance for ratemaking purposes, utilities continue to include financial performance as a key component of their plans. In my opinion, utilities continue to tie incentive payments to financial performance because by doing so they achieve the primary objective of the incentive plans: to increase corporate earnings and, thereby, earnings per share (EPS). However, since the utility retains the increased earnings these plans help achieve, payments for the plans should be made from a portion of these increased earnings. Thus, ratepayers need not subsidize properly designed incentive compensation plans.

Q: WHAT STATES USE A SHARING APPROACH FOR ANNUAL INCENTIVE PLANS, SIMILAR TO THE 50/50 APPROACH YOU SUGGEST?

A: Yes. Several states have used a sharing approach to allocate the benefits derived from incentives plans between shareholders and ratepayers, when incentive plans contain both financial and operational measures. Some examples include:

Arizona: The commission follows the general rule that costs associated with financial performance are excluded. In practice, this means that the costs of long-term plans are excluded altogether and the costs of the short term annual cash plans are shared 50/50 between shareholders and ratepayers.[26]

Arkansas: In the 2013 Entergy Arkansas rate case (Docket No. 13-028-U), the Arkansas Commission disallowed 50% of the Company's annul incentive plan[27] In the 2015 Entergy rate case (Docket No. 15-015-U), the parties settled the case, but the Arkansas Commission rejected the stipulation because it would have allowed more than 50% of the Company's incentive costs in rates.[28]

Kansas: Plans based solely on financial goals are not allowed. For executive incentive programs, the Commission also disallows 100% of plans based on financial measures and 50% for plans using a balance of financial and operational measures.

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[26] *See* for example, APS 2008 rate case, Decision 70360, Southwest Gas 2008 rate case, Decision 70665 and UNS Gas 2008 rate case, Decision 70011. See also Staff's testimony in the 2016 APS rate case, Docket No. E-1345A-16-0036.

[27] Docket No. 13-028-U.

28 Docket No. 15-015-U, Order No. 21.

Oklahoma: In Oklahoma, the Commission had generally excluded 50% of annual incentive plans, except for the two ONG rate cases mentioned earlier when the Commission excluded 100% of the plans because of the ONEOK funding mechanism.[29]

Oregon: Customer-based plans involving reliability, response speed, *etc.* are called "merit" (operational) plans. Company-based plans which track increases to the bottom line, ROE, etc. are called "performance" (financial) plans. 50% of the cost of merit plans is disallowed and 75% of the performance plans is disallowed.

Q: WHY IS THE DISTINCTION BETWEEN FINANCIAL PERFORMANCE MEASURES AND OPERATIONAL MEASURES AN IMPORTANT DISTINCTION FOR INCENTIVE COMPENSATION ANALYSIS?

A: When incentive compensation payments are based on financial performance measures, the compensation agreement between shareholders and employees could be loosely stated in this manner: "if you will help increase shareholder earnings, we will pay you a bonus." The intended beneficiaries to this agreement are the shareholders and the employees. Ratepayers have no stake in this agreement; therefore, they should bear none of the costs that result from such an agreement. If, instead, the agreement were stated in this manner: "if you will help increase reliability and quality of service to the customers, we will pay you a bonus," then, ratepayers would have a stake in the agreement, and could share in a portion of the costs. However, so long as some portion of the incentive

[29] *See e.g.*, AEP-PSO Oklahoma Cause Nos. PUD 06-285 and PUD 08-144; OG&E Oklahoma Cause No. PUD 05-151; and ONG Oklahoma Cause No. PUD 04-610.

plan is designed to increase earnings, that portion of the plan should be funded out of the increased earnings the plan helps produce.

Q: ARE OG&E's INCENTIVE PAYMENTS BASED ON FINANCIAL PERFORMANCE MEASURES?

A: Yes. A review of the Company's incentive plan measures provided in the Company's response to APSC1.20, shows that Teamshare incentive payments are associated with the following four categories:

- Earnings per Share
- Operating and Maintenance Expense
- Customer Satisfaction
- Recordable Incidents (Safety Measures)

A breakdown of the requested level of Teamshare expense between these categories also was provided in the response to APSC 1.20. This breakdown shows that *more* than 50% of the payout is related to financial performance measures and *less* than 50% is related to operational measures. For the 2016 plan, the breakdown between financial and operational measures is as follows:

	Non-Exempt	Exempt	Executive	Officer	Select Officer
Financial	50%	55%	65%	70%	80%
Operational	50%	45%	36%	30%	20%

Q: PLEASE ADDRESS THE ASSERTION THAT INCENTIVE PLANS SHOULD BE INCLUDED IN RATES BECAUSE THEY ARE PART OF A TOTAL COMPENSATION PACKAGE THAT IS COMPARABLE WITH THE

COMPENSATION PAID BY OTHER UTILITIES AND ARE NEEDED TO ATTRACT AND RETAIN QUALIFIED PERSONNEL?

A: In my experience, this is the argument typically raised by utilities seeking to justify inclusion of incentive pay in rates. The argument, however, is problematic. First, it misses the point. The question for regulators is not about what the company should pay; the question is about what ratepayers should pay. The utility is free to offer whatever compensation package it wants to offer, but most commissions agree that ratepayers should not pay the costs of plans designed to increase corporate earnings. Also, as stated above, because incentive pay related to financial performance is generally disallowed, most of the utilities that OG&E competes with for talent generally do not recover all of their incentive compensation in rates. Therefore, OG&E is not put at a competitive disadvantage when its incentive pay is similarly adjusted.

The other common problem with the Company's "total compensation package" argument is that when an incentive payment is based on achieving financial performance goals there should be a financial benefit to the company that comes from achieving these goals. This financial benefit should provide ample additional funds from which to make the incentive payments. If not, the plan was poorly conceived. Thus, a utility is not placed at a competitive disadvantage when incentive payments tied to financial performance are not collected through rates, because the funding for these payments should come out of the additional earnings the incentive plans help achieve.

Q: WHAT ARE YOU RECOMMENDING WITH RESPECT TO THE COMPANY'S TEAMSHARE INCENTIVE EXPENSE?

A: I am recommending a 50/50 sharing of these costs between shareholders and ratepayers. This recommendation is based on the recognition that more than 50% of the Company's incentive compensation plan goals are related to financial performance measures, while a smaller percentage relates to customer satisfaction and reliability. Because ratepayers receive at least some benefit from these customer-related goals, some portion of the plan costs could be allowed.

Q: HAS THE ARKANSAS COMMISSION ADDRESSED SHORT TERM INCENTIVE COMPENSATION PLANS IN PAST ORDERS?

A: Yes. In the most recent contested Entergy rate case, Docket No. 13-028-U, the Arkansas Commission disallowed 50% of the utility's short-term incentives. In Entergy's subsequent rate case, Docket No. 15-015-U, the case settled but the Commission refused to accept the settlement in its Order No. 18, unless 50% of Entergy's short-term incentive costs were excluded.

Q: HAS THE OKLAHOMA COMMISSION ADDRESSED OG&E'S RECOVERY OF INCENTIVE COMPENSATION PAYMENTS IN PAST ORDERS?

A: Yes. In OG&E's last litigated rate case in Oklahoma, PUD 200500151, the Commission's final order disallowed 60% of the Teamshare expense.

> **Incentive Compensation.** OG&E presents $9,308,619 in expense for incentive compensation under the "TeamShare" plan. The

Referee does not accept the full amount as proposed by the company but reduces the expense by $5,582,192.

Q: HOW IS YOUR ADJUSTMENT CALCULATED?

A: My Teamshare incentive analysis requires a two-part adjustment to set an appropriate level for recovery of incentive compensation. The first part of the adjustment reverses the Company's request to increase test year incentive expense to reflect a 4-year average of these costs. The Company's proposed 4-year average includes 2012 and 2013, which have much higher incentive payments due to unusually higher Earnings Per Share (EPS) payouts.

In my analysis, I used a two-year average of 2014 and 2015. These years are more consistent with actual test year levels. Moreover, the incentive payments related to higher EPS payments that occurred in 2012 and 2013 are not in line with the financial performance rule, and therefore should not be used to normalize the test year incentive amounts. After computing the normalized incentive level based upon the two year average of 2014 and 2015, the second part of my adjustment eliminates 50% of the normalized incentive level to reflect the portion of the incentive payments that are related to financial performance measures. This recommendation is consistent with the position on incentive compensation adopted by the Commission.

ARVEC's short-term incentive adjustments are set forth below. The detailed calculations supporting the incentive adjustments can be seen at *Exhibit MG 2.2.*

Description	ARVEC Adjustment Total Company	Arkansas Jurisdictional Amount
Adjust to 2-Year Average Incentive Plan Costs	$ (4,465,557)	$ (435,343)
Adjust to Eliminate 50% of Incentive Plan Costs	$ (4,353,357)	$ (424,404)
ARVEC Adjustments to Short Term Incentives	**$ (8,818,914)**	**$ (859,747)**

Payroll Tax on Short Term Incentives	$ (649,954)	$ (63,363)
ARVEC Total Adjustments to ST Incentives and Payroll Tax		**$ (923,110)**

III. B. LONG-TERM STOCK INCENTIVE PLAN ADJUSTMENT

Q: WHAT HAS OG&E PROPOSED WITH RESPECT TO THE RECOVERY OF LONG-TERM STOCK-BASED INCENTIVES?

A: The Company is proposing to include $5,908,911[30] in pro forma operating expense for its long-term stock-based incentive plans, which represents 100% of the plan costs.

Q: WHAT SUPPORT DOES THE COMPANY PROVIDE IN TESTIMONY FOR THE RECOVERY OF LONG-TERM INCENTIVE PLAN COSTS?

A: The Company provides no testimony to support the inclusion of its long-term stock-based incentive plan cost in rates. Since the Company has the burden of proving that these costs are recoverable costs, the fact that they provided no evidence to support the inclusion of these costs should be sufficient grounds for excluding them altogether.

[30] See W/P C 2-38.

Q: WHAT TYPES OF LONG-TERM INCENTIVES ARE PROVIDED TO EXECUTIVES AT OG&E?

A: The Company provides a stock-based incentive plan to the officers, directors and selected senior management of the Company. Officers and employees who contribute to the management, growth and profitability of the Company are eligible for awards under the plan.

Q: DO YOU RECOMMEND THE INCLUSION OF THE LONG-TERM INCENTIVE EXPENSE IN RATES?

A: No. Incentive compensation payments to officers, executives and key employees of a utility are generally excluded for ratemaking purposes. Since officers of any corporation have a duty of loyalty to the corporation itself and not to the customers of the company, these individuals typically put the interests of the company first. Undoubtedly, the interests of the company and the interests of the customer are not always the same, and at times, can be quite divergent. This natural divergence of interests creates a situation where not every cost associated with executive compensation is presumed to be a necessary cost of providing utility service. Many regulators exclude executive bonuses, incentive compensation and supplemental benefits from utility rates, understanding that these costs would be better borne by the utility shareholders.

It has been my experience that some utilities treat long-term executive incentive compensation costs as a below-the-line item even without a Commission order directing them to do so. Further, long-term executive incentive plans are specifically designed to tie executive compensation to the financial performance of the company. This is done to further align the interest of the employee with those of the shareholder. Since the compensation of the employee is tied over a long period of time to the company's stock price, it motivates employees to make business decisions from the perspective of long-term shareholders. This intentional alignment of employee and shareholder interests means the costs of these plans should be borne solely by the shareholders. It would be inappropriate to require ratepayers to bear the costs of incentive plans designed to encourage employees to put the interests of the shareholders first.

Q: HAS THIS COMMISSION ADDRESSED THE RECOVERY OF EXECUTIVE INCENTIVE COMPENSATION PLANS IN PAST ORDERS?

A: Yes. In the most recent contested Entergy rate case, Docket No. 13-028-U, the Arkansas Commission disallowed 100% of the utility's long-term incentives. In the Company's subsequent rate case filing, Entergy did not seek to recover long-term incentive costs.

Q: HOW IS LONG-TERM INCENTIVE COMPENSATION TREATED IN OTHER STATES?

A: The results of the Garrett Group Incentive Survey, discussed in the previous section of this testimony, show that most states follow the general rule that incentive pay associated with financial performance is not allowed in rates. This means that long-term, stock-based incentives are <u>not allowed</u> in most states. In the synopsis of the incentive survey results from each state that was included in the prior section of this testimony, the treatment of long-term stock-based incentives in each state was underlined. According to the survey, 20 of the 24 western states tend to exclude all or virtually all long-term stock-based incentive pay, either through an outright ban on stock-based incentives or through applying the *financial performance* rule, which has the effect of excluding long-term earnings-based and stock-based awards. These states include Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Kansas, Louisiana, Minnesota, Missouri, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington and Wyoming. In the other four states, Alaska, Iowa, Montana and Nebraska, the issue just has not been addressed.

Q: WHEN UTILITIES INCLUDE LONG-TERM INCENTIVE COMPENSATION IN RATES, WHAT RATIONALE IS GENERALLY PROVIDED?

A: Generally, utilities argue that executive incentives are part of an overall compensation package that is designed to attract and retain qualified personnel. Since other utilities offer incentive plans to their executives, a company would run the risk of not being able to compete for key personnel if it did not offer a comparable plan.

Q: IS THIS ARGUMENT PLAUSIBLE?

A: No. The problem with the "total compensation package" argument is that when an incentive payment is based on achieving financial performance goals there should be a financial benefit to the company that comes from achieving these goals. This financial benefit should provide ample additional funds from which to make the incentive payments. If not, the plan was poorly conceived. Thus, a utility is not placed at a competitive disadvantage when incentive payments tied to financial performance are not collected through rates, because the funding for these payments should come out of the additional earnings the incentive plans help achieve.

Further, when utilities, such as OG&E, compete with other utilities for qualified executives, and the executive incentive compensation plans of those other utilities are not being recovered through rates, OG&E is not placed in a competitive disadvantage when its executive incentive compensation is excluded as well. Since most states exclude long-term incentive pay as a matter of course and most other states exclude long-term incentives as a practical matter, OG&E would actually be given an unfair advantage if its executive plans were included in rates. The fact that other utilities offer executive incentive plans is not relevant; what is relevant is the fact that other utilities are not recovering the costs of these plans in rates. In an order disallowing Nevada Power's long-term incentive plan, the Nevada Commission articulated this important ratemaking concept as follows:

> Therefore the Commission accepts BCP's and SNHG's recommendations to disallow recovery of expenses associated with LTIP. Both parties provide a valid argument that this type of incentive plan is mainly for the benefit of shareholders. Further, both BCP and SNHG provide examples of numerous other jurisdictions that do not allow the recovery of these costs and, therefore, disallowance in this instance would not place NPC in a competitive disadvantage.[31] (Emphasis added).

[31] See Final Order in Docket 08-12002 at paragraph 549.

Q: HAS THIS COMMISSION ADDRESSED LONG-TERM INCENTIVE COMPENSATION IN RECENT RATE PROCEEDINGS?

A: Yes. In Entergy's last litigated rate case, Docket No. 13-028-U, this Commission disallowed 100% of Entergy's long-term incentive plan. In Order No. 21, starting at page 54, the Commission states:

> With regard to EM'S stock-based and long-term incentive costs, the Commission agrees that EAI's long-term incentives do not provide material ratepayer benefits, or align the interest of shareholders and ratepayers because the focus of the incentives is on stock prices and earnings per share rather on the provision of utility service. In this regard, the Commission finds no reason to deviate from its past policy of disallowing all of long-term stock-based incentive compensation. In making this finding, the Commission agrees with both the AG and HHEG that EAI's long-term and stock-based incentive plans are based entirely on the financial performance of EAI and therefore entirely benefit shareholders, rather than ratepayers. Therefore, the Commission finds that $7,036,188, and any other related payroll costs, should be disallowed and removed from EM'S operating expenses in this proceeding

Q: WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE COMPANY'S RECOVERY OF STOCK INCENTIVE COMPENSATION?

A: For the reasons outlined above, and based upon prior Commission orders, I am recommending that 100% of the Company's stock incentive expense be excluded for ratemaking purposes. This adjustment is set forth below and at *Exhibit MG 2.3*.

Description	ARVEC Adjustment Total Company	Arkansas Jurisdictional Amount
Adjustment to Eliminate 100% of the Stock Incentive Plan Costs	$ (5,908,911)	$ (576,054)
Adjustment to Exclude Associated Payroll Taxes	$ (435,487)	$ (42,455)
ARVEC Total Adjustments to LT Incentives and Payroll Tax		**$ (618,509)**

III. C. <u>SUPPLEMENTAL EMPLOYEE RETIREMENT PLANS ("SERP")</u>

Q: PLEASE DESCRIBE THE SUPPLEMENTAL EMPLOYEE PENSION PLAN.

A: The Company provides supplemental retirement plan benefits to certain highly-compensated individuals at the Company. These supplemental retirement plans for highly compensated individuals are provided because benefits under the general retirement plans are subject to limitations under the Internal Revenue Code. Benefits payable under these supplemental plans are typically equivalent to the amounts that would have been paid but for the limitations imposed by the Code. In general, the limitations imposed by the Code allow for the computation of benefits on annual compensation levels of up to $265,000 for 2016. Retirement benefits on compensation levels in excess of annual compensation limits are paid through supplemental plans. Thus, supplemental retirement plans for highly compensated employees are designed to provide benefits in addition to the benefits provided under the general pension plans of the company. These plans are referred to as *non-qualified* plans because they do not qualify as a deductible tax expense under the code.

Q: WHAT AMOUNTS WERE INCLUDED IN PRO FORMA OPERATING EXPENSE FOR THE SUPPLEMENTAL EMPLOYEE RETIREMENT PLANS?

A: In the test year, the Company paid $1,860,147 for non-qualified plans to highly compensated employees of the Company.

Q: WHAT DO YOU RECOMMEND WITH RESPECT TO OG&E'S PROPOSED RECOVERY OF SUPPLEMENTAL EXECUTIVE RETIREMENT COSTS?

A: I recommend that SERP costs be disallowed as a matter of principle. If SERP costs are disallowed, ratepayers will pay for all of the executive benefits included in the Company's regular pension plans, and shareholders will pay for the additional executive benefits included in the supplemental plan. For ratemaking purposes, shareholders should bear the additional costs associated with supplemental benefits to highly compensated executives, since these costs are not necessary for the provision of utility service, but are instead discretionary costs of the shareholders designed to attract, retain and reward highly compensated employees. Further, because officers of any corporation have a duty of loyalty to the corporation, these individuals are required to put the interest of the company first. This creates a situation where not every cost associated with executive compensation is presumed to be a cost appropriately passed on to ratepayers. Many regulators are inclined to exclude executive bonuses, incentive compensation and supplemental benefits from utility rates, understanding that these costs would be better borne by the utility shareholders.

Q: HAS THE ARKANSAS COMMISSION ADDRESSED SERP IN PRIOR ORDERS?

A: Yes. The Commission disallowed SERP expense in Entergy's last litigated rate case, Docket No. 13-028-U. The Commission agreed with my testimony that shareholders, not ratepayers, should pay for the cost of Entergy Supplemental Executive Retirement Plans. In Commission Order No. 21 in that Docket, the Arkansas Commission determined that SERP expenses are not necessary to provide utility service, but rather are discretionary costs implemented by Entergy Arkansas that should be disallowed. At page 56 of the order, the Commission states:

> The Commission agrees that the question before the Commission is whether the Commission should force captive customers to fund extra benefits for highly compensated employees. The Commission's answer to that question is no. The Commission finds that these costs are not necessary to provide utility service, rather these costs are discretionary costs implemented by EAI and adopts HHEG witness Garrett's methodology regarding these costs. Therefore such benefits shall be disallowed for salary levels which exceed *$255,000.*

Q: HOW HAS SERP EXPENSE BEEN TREATED IN OTHER JURISDICTIONS WHERE YOU HAVE TESTIFIED ON THE ISSUE?

A: As summarized below, SERP expenses have been disallowed as follows:

In <u>Texas</u>, in Entergy's rate case, Docket No. 39896, the Texas PUC disallowed all of the Company's SERP costs.

> 140. ETI provides non-qualified supplemental executive retirement plans for highly compensated individuals such as key managerial employees and executives that, because of limitations imposed under the Internal Revenue Code, would otherwise not receive retirement benefits on their annual compensation over $245,000 per year.

> 141. ETI's non-qualified supplemental executive retirement plans are discretionary costs designed to attract, retain, and reward highly compensated employees whose interests are more closely aligned with those of the shareholders than the customers.
>
> 142. ETI's non-qualified executive retirement benefits in the amount of $2,114,931 are not reasonable or necessary to provide utility service to the public, not in the public interest, and should not be included in ETI's cost of service.

In Oklahoma, the Commission disallowed 100% of AEP/PSO's SERP expense in PSO's 2006 rate case, Cause No. PUD 200600285. Specifically, the Commission stated:

> q. **Employee Benefits-Supplemental Executive Retirement Plan ("SERP").**
>
> PSO included $596,081 as Supplemental Executive Retirement Plan ("SERP") in its cost-of-service. The Commission adopts OIEC's proposal to remove the SERP Expense from the revenue requirement in this proceeding. The Commission adopts OIEC's recommendation that ratepayers pay for all of the executive benefits included in PSO's regular pension plans and that shareholders pay for the additional executive benefits included in the supplemental plan.

Again, in PSO's 2008 rate case, Cause No. PUD 200800144, the Commission disallowed 100% of the Company's SERP expense.

> **11. Supplemental Executive Retirement Plan ("SERP").**
>
> The AG and OIEC recommend reductions to reflect the elimination of SERP expense from PSO's cost of service. Staff proposed no adjustment to PSO's recommendation. SERP is AEP's non-qualified defined benefit retirement plan that PSO argued allows AEP the flexibility to attract and retain key employees and provides benefits that cannot be provided under AEP's qualified defined benefit plans. PSO stated that the combined plans, of which SERP is a part, allow employees to accumulate an appropriate level of replacement income upon retirement. According to PSO, SERP plans and other benefits are

> part of a market competitive benefits program for the utility industry and large employers in general. The Commission finds that the SERP expenses do not provide a benefit to the ratepayers of PSO and therefore adopts the recommendation of the AG and OIEC to deny recovery of these costs from PSO's ratepayers.

In Nevada, the Commission disallowed SERP expense in Docket Nos. 01-10001, 03-10001, 06-11022, 08-12002, and 11-06006.

Q: HOW IS SERP TREATED IN OTHER STATES?

A: It is my understanding that SERP is also disallowed in the states of Oregon,[32] Idaho[33] and Arizona.[34]

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[32] See Oregon Public Utilities Commission, Order No. 01-787, September 7, 2001, page 44.

> The Commission has not allowed recovery of SERP expenses in other utility rate cases. PacifiCorp has not persuaded us that it is necessary to pay SERP to hire and retain executive officers. The SERP costs are not allowed."

[33] See Idaho Public Utilities Commission Order No. 32196 issued February 28, 2011 in Rocky Mountain Power's rate case, Case No. Pac-E-10-07:

> The Commission finds Staffs argument persuasive and finds it reasonable to disallow Company recovery of SERP costs of $2.6 million (total Company) in this case. The Company has not demonstrated that the costs are related to providing services to southeast Idaho. The responsibility for generous severance benefits for executives, we find, is the responsibility of the Company and its shareholders, not Idaho customers.

[34] The Arizona Corporation Commission has issued several decisions in which it denied rate recovery for SERP expenses. See 258 PUR 4th 353 (2007) Re Arizona Public Service Company, 247 PUR 4th 243 (2006), In Re Southwest Gas Corp., 2008 WL 2332953 (Ariz Corp Comm Decision 70360, May 27, 2008), In the Matter of the Application of UNS Electric, and 2007 WL 4731250 (Ariz Corp Comm Decision 70011, November 27, 2007) Re UNS Gas, Inc.

Q: WHAT IS THE IMPACT OF YOUR ADJUSTMENT?

A: The impact of this adjustment is set forth below, and shown at *Exhibit MG 2.4*.

Description	ARVEC Adjustment Total Company	Arkansas Jurisdictional Amount
Adjustment to Remove Supplemental Retirement Plan Costs	$ (1,860,147)	$ (181,344)

III. D. PAYROLL EXPENSE

Q: PLEASE DESCRIBE OG&E'S PROPOSED PAYROLL ADJUSTMENT.

A: OG&E's updated proposed payroll adjustment is a two-part adjustment. The first part annualizes payroll expense at test year end by multiplying the final two-week pay period in June 2016 by 26 to arrive at an annualized payroll level. The second part of the adjustment then increases that amount by another 3% approximately for pay raises that OG&E expects will be awarded in 2017. Payroll taxes are then added to the adjustment to arrive at a total requested increase in payroll costs of $4,636,175.[35]

Q: DO YOU AGREE WITH THE COMPANY'S APPROACH?

A: No. Regarding the first part of the adjustment, an annualization that multiplies a final pay period by 12 or 26 is only appropriate if the final pay period is representative of ongoing levels. Regarding the second part of the adjustment, an additional increase for pay raises based on the nominal pay increase rate is almost never appropriate because payroll levels almost never increase by the amount of the nominal increase. In other

[35] See Direct Testimony of Jason Thenmadathil page 11, lines 15-30, and C Workpapers-Updated, tab WP C-2-16. The $4,636,175 is comprised of $4,317,943 in payroll expense plus $318,232 in payroll taxes. These amounts and calculations can be seen at *Exhibit MG 2.5*.

words, a 3% pay raise will almost never result in a 3% increase in payroll expense levels. The actual increase amount associated with a nominal pay raise is not known and measurable because too many other factors impact the overall change in payroll expense. These factors include: (1) the normal turnover of employees that occurs when employees come onto and leave the payroll registers on a regular basis, with retiring employees taking higher salaries levels off the system and new employees coming on at lower pay scale levels; (2) workforce reorganizations, where significant reductions in the workforce levels are achieved through new technologies or other innovations; (3) productivity gains, where smaller reductions in the workforce levels are achieved on an ongoing basis through increased employee efficiencies; and (4) capitalization ratio changes, where more payroll costs are capitalized (rather than expensed) during a period of capital expansion – such as OG&E is experiencing now.[36] All of these factors impact overall payroll cost levels as much or more than pay raises do. Yet, regulated utilities in rate cases, often only acknowledge the pay raise impacts, while ignoring the impacts of these other important changes.

Q: HOW SHOULD TEST YEAR PAYROLL LEVELS BE ADJUSTED?

A: In the absence of post-test year data, historic payroll costs can be reviewed to determine how payroll expenses have increased over the past few years. The historic data reflects not only the pay increases for employees but also the savings that are realized through

[36] As utilities add plant, a portion of the payroll costs are capitalized into the cost of the new plant. The rest of the payroll costs are expensed and that expense level is what we use to set rates. If a utility is in a capital expansion phase, its capitalization ratio will generally increase. This will make expense levels go down, even if overall payroll costs are going up. Thus, a 3% increase in the capitalization ratio alone can offset a nominal 3% pay raise.

turnover and productivity improvements.

Q: DOES THE COMPANY ACCOUNT FOR PRODUCTIVITY GAINS OR OTHER SAVINGS REALIZED THROUGH PRODUCTIVITY IMPROVEMENTS?

A: No. However, the Company's projected increases should be adjusted for these offsets. According to the Bureau of Labor Statistics, productivity gains in the manufacturing sector have averaged about 2.1% from 2007 - 2015.[37] This means that any projected payroll cost increases from an annualization at June 30, 2016 would have to be offset with a comparable reduction for productivity gains, which would effectively eliminate most of the annualization increase. If OG&E's nominal pay raises of 3% were offset with reasonable productivity gains the resulting increase would be very close to the 4-year average increase from 2011-2015 which is calculated below.

Q: DID YOU REVIEW PAST PAYROLL INCREASES FOR OG&E?

A: Yes. The discovery response APSC 001.25_Att provides payroll levels for OG&E and OGE Energy from 2011 to the middle of 2016 on both a total company basis and an Arkansas jurisdictional basis. An analysis of the jurisdictional amounts shows a four year average annual base pay expense increase for OG&E of 0.78%[38] and a four average

[37] Bureau of Labor Statistics: Productivity change in the manufacturing sector from 1987-2015 is as follows:

1987-1990	1.5
1990-2000	4.1
2000-2007	4.7
2007-2015	2.1

Updated: March 3, 2016.

[38] See APSC 001.25_Att: ((11,984,584/11,619,298)^(1/4)-1)*100% = 0.78%.

annual base pay expense increase for OGE Energy of 0.68%.[39]

Q: PLEASE DESCRIBE YOUR PROPOSED ADJUSTMENT.

A: My adjustment increases the updated test year costs from OG&E's workpaper WP C 2-16 by multiplying the utility and holding company payroll amounts by the average annual increase in rates. This increases the proposed payroll expense based on OG&E actual experience in Arkansas, and is a reasonable method of calculating known and measurable payroll changes for the June 2017 period.

Q: IS A PAYROLL ANNUALIZATION BASED ON OG&E'S PAST PAY INCREASES APPROPRIATE IN THIS CASE?

A: Yes. Even though OG&E has proposed to include prospective pay increases at nominal rates, the Company's method does not take into account the many other changes in the payroll levels discussed above. At a minimum, productivity gains would have to be incorporated into a payroll projection.

Q: WHAT IS THE IMPACT OF ARVEC'S PAYROLL ADJUSTMENT?

A: This adjustment reduces OG&E's updated expenses by $3,341,801, which is comprised of $3,112,416 for payroll expense and $229,385 for payroll taxes. These adjustments and the applicable Oklahoma jurisdictional amounts are set forth below. The calculations can be seen at *Exhibit MG 2.5*.

[39] See APSC 001.25_Att: ((3,536,490/3,441,382)^(1/4)-1)*100% = 0.68%.

Description of Adjustment	ARVEC Adjustment	Arkansas Jurisdictional Amount
Adjustment to OG&E's Proposed Payroll Expense	$ (3,112,416)	$ (303,426)
Adjustment to OG&E's Proposed Payroll Taxes	$ (229,385)	$ (22,363)
ARVEC Total Payroll Adjustment	$ (3,341,801)	**$ (325,789)**

III. E. AD VALOREM TAX EXPENSE ADJUSTMENT

Q: WHAT IS THE COMPANY PROPOSING WITH RESPECT TO ITS AD VALOREM TAX EXPENSE?

A: The Company is proposing to increase test year ad valorem tax expense by the average percentage increase experienced in this account over the past 4-year period.[40]

Q: DO YOU AGREE WITH THE COMPANY'S APPROACH?

A: No. The Company's approach is not an appropriate method for quantifying a *known and measurable change* to ad valorem tax. Ad valorem taxes cannot be accurately estimated based on average annual increases in the expense level over the past several years, as there is no relationship between the amount of ad valorem tax paid in the past and the amount of tax expense that will be assessed during the rate-effective period. The expense increase for the rate-effective period, if any, cannot simply be predicted by past increases as proposed by the Company. The bottom line is the Company's proposed increase in ad valorem taxes is neither known, nor measurable.

Q: WHAT ADJUSTMENT DO YOU RECOMMEND?

A: Since the Company's proposed adjustment for ad valorem tax expense is based on a flawed methodology, I recommend the Commission reject the adjustment as shown below and set forth at *Exhibit MG 2.7*.

Description of Adjustment	ARVEC Adjustment	Arkansas Jurisdictional Amount
Adjustment to Reverse OG&E's Ad Valorem Tax Adjustment	$ (3,242,996)	$ (316,156)

III. F. VEGETATION MANAGEMENT COST INCREASE

Q: WHAT IS OG&E PROPOSING WITH RESPECT TO ITS VEGETATION MANAGEMENT COSTS?

A: OG&E is proposing significant increases in its vegetation management costs. In all, OG&E is proposing an increase of $879,716 over test year levels,[41] $816,850 for distribution system costs and $62,866 for transmission system costs. This amounts to a 40% overall increase in vegetation management costs. Most of the increase is in *distribution* system management costs. It is important to note that OG&E's test year level for distribution vegetation management costs were already 25% higher than the 2015 level and 37% higher than the 5-year average level from 2011-2015.[42] This means that OG&E's requested level for distribution system management costs are 79% higher than the 2015 level, and 96% higher than the 5-year average from 2011-2015. In effect, OG&E is asking to double its vegetation management cost levels.

[40] See Direct Testimony of Jason Thenmadathil, at page 7, and WP C 2-29.

Q: DOES OG&E PROVIDE ADEQUATE SUPPORT FOR THESE INCREASES?

A: No. While OG&E provides testimony as to higher contractor costs, NRRI requirements, more miles of line to clear and the higher costs of moving to a 4-year cycle,[43] the Company provides no meaningful testimony specifically supporting its adjustment to vegetation management cost recovery. Also, all of the above factors existed during the test year. While these factors may help explain why OG&E's costs were 37% higher in the test year, they do not explain why the costs will be even higher going forward.

Q: WHY HAS OG&E FALLEN BEHIND ON ITS CYCLE REQUIREMENTS?

A: It appears that OG&E significantly under-spent on its vegetation management costs in 2013 and 2014. This is important because OG&E is obligated to adequately maintain its system. It cannot simply choose to forgo making necessary maintenance expenditures and keep those funds to improve its bottom line. In other words, OG&E cannot choose to forgo necessary maintenance expenditures in order to send more money to the shareholders – and then ask ratepayers to help "catch up" the foregone maintenance costs.

Q: WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?

A: In my opinion, the Commission should set the vegetation management expense at the test year level. The test year level represents a 25% increase in vegetation management costs over the 2015 level and a 37% increase over the average level for the period 2011-

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[41] See W/P C 2-22, Updated.
[42] See OG&E response to APSC 39.01.

2015. However, I reserve the right to update this recommendations based on the responsive testimony filed by other witnesses and the rebuttal testimony filed by OG&E.

Q: WHAT IS YOUR ADJUSTMENT?

A: My adjustment merely reverses the Company's requested $879,716 increase over the test year level. The adjustment is set forth below and can be seen in more detail at *Exhibit MG 2.10.*

Description of Adjustment	Arkansas Amount
Adjustment to Vegetation Management Expense	$ (879,716)

III. G. <u>CORPORATE COST ALLOCATION INCREASE</u>

Q: WHAT IS OG&E PROPOSING WITH RESPECT TO ITS CORPORATE COST ALLOCATIONS FROM THE HOLDING COMPANY?

A: OG&E is proposing to increase rates by $3,737,315 for costs the Holding Company will no longer be able to allocate to Enable Midstream Partners, because Enable is a stand-alone company providing these services for itself. These costs include costs for central functions such as Accounting, Human Resources and Information Technology. OG&E gives the impression that these costs are OG&E's costs that it shares with Enable. That, however, is not quite right. Actually, these costs are parent company costs (OGE Energy Corporation Holding Company) that are being allocated to its two subsidiaries (and affiliates) OG&E and Enable. Beginning in 2016, OGE Energy Corporation will no

[43] See Direct Testimony of J. Cassada.

longer be able to allocate these costs to Enable. Thus, going forward, it plans to allocate all of the costs to OG&E instead.

Q: DO YOU AGREE WITH THIS ADJUSTMENT?

A: No, for several reasons. For recovery in rates, costs must be both necessary and reasonable – necessary for the provision of service and reasonable in amount. The costs that OGE Energy Corporation wants to allocate to OG&E may be the type of costs that are necessary for the provision of electric service, but the amount is not a reasonable amount for OG&E. The reasonable amount of these costs allocable to OG&E is the amount the Company was paying when some the costs were being allocated to Enable. Now that Enable is no longer obligated to pay its share of these costs, OGE Energy Corporation cannot simply slough off the excess costs onto OG&E and expect ratepayers to pay the higher levels. Further, if these costs are included in rates, OGE Energy will have little incentive to operate its business in a prudent manner and either reduce or eliminate these excess costs. The bottom line is that these costs are the responsibility of OGE Energy Corporation, the parent company, not OG&E, the utility.

Q: WHAT ADJUSTMENT ARE YOU PROPOSING?

A: I am proposing to reverse OG&E's proposed adjustment to increase rates for costs the parent company will no longer be able to allocate to Enable Midstream Partners. The adjustment reduces pro forma operating expense by $3,737,862, on a total company basis, as shown at *Exhibit MG 2.6.*

Description of Adjustment	ARVEC Adjustment	Arkansas Jurisdictional Amount
Adjustment to Reverse OG&E's Affiliate Expense Adjustment	$ (3,737,315)	$ (364,347)

III. H. RATE CASE EXPENSE ADJUSTMENT

Q: WHAT IS OG&E PROPOSING WITH RESPECT TO ITS RATE CASE EXPENSE?

A: OG&E is proposing to recover its rate case expense from this case over a 2-year period. The Company estimates that it will incur $520,000 in rate case costs for this case and wants to recover these costs over a 2-year period at $260,000 a year.[44]

Q: DO YOU AGREE WITH THIS ADJUSTMENT?

A: No. In my opinion, the estimated rate case costs for this case should be trued-up to actual expenditures and the balance should be recovered over the 5-year period that the Company's Formula Rate Plan is in effect before it next full rate case review. This 5-year period is the rate-effective period for the major ratemaking decisions made in this case and is also the term of OG&E's FRP, if approved by this Commission. Using the Company's estimate of $520,000, the annual expense would be $104,000, not $260,000. The resulting adjustment would be a decrease of $156,000, as set forth at *Exhibit MG 2.8.*

Description of Adjustment	Arkansas Amount
Adjustment to Amortize Rate Case Expense over 5 Years	$ (156,000)

V. I. STORM DAMAGE COST ADJUSTMENT

Q: WHAT IS OG&E PROPOSING WITH RESPECT TO ITS STORM DAMAGE COSTS?

A: OG&E is proposing to increase its test year storm damage costs of $372,079 by $694,635 to arrive at a 4-year average spend for storm damage costs of $1,066,714.[45] This represents a 187% increase in these costs.

Q: DO YOU AGREE WITH THIS ADJUSTMENT?

A: No. The Company's 4-year average from 2012-2015 includes an abnormally high storm cost year of 2013, where the Company incurred storm costs of $2,857,329. The average cost for the period 2012 through the test year, without the unusually high costs incurred in 2013, is $397,687, which is very consistent with the test year level. Thus, I do not agree that the Company needs to increase ongoing storm damage expense by $694,635. If the Company has another abnormally high storm cost year during the 5-year Formula Rate Plan period going forward, that unusual circumstance can be addressed in the Company's annual Formula Rate Plan review.

Q: WHAT DO YOU RECOMMEND?

A: I recommend that storm damage expense be adjusted to a 2-year average level of $518,085. A 2-year average, using 2014 and 2015, eliminates the unusually high year of 2013 and the unusually lower cost year of 2012 as well. To set the storm damage

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[44] See W/P C 2-18-2.

expense level to $518,085 requires an adjustment in the amount of $(548,629), as is set forth on *Exhibit MG 2.9*.

Description of Adjustment	Arkansas Amount
Adjustment to Storm Damage Expense	$ (548,629)

Q: WHAT ELSE IS THE COMPANY PROPOSING WITH RESPECT TO STORM COSTS?

A: The Company is proposing that the Commission authorize a Storm Damage Recovery Rider ("SDR") to collect the costs associated with any major storms that occur in the future.[46]

Q: DO YOU AGREE WITH THIS PROPOSAL?

A: No. If the Company implements a Formula Rate Plan, the Commission should terminate all riders not statutorily required. With the FRP, riders and other tracker mechanisms used to reduce regulatory lag are no longer needed, and should not be allowed by the Commission. If utilities such as OG&E seek to implement an FRP, they must operate within the 4% rate increase boundaries established by Act 725 for FRPs. Otherwise, utilities should continue to operate under a traditional rate regulation approach. In other words, utilities should not be allowed to take advantage of the exceptional ratemaking treatment provided by the FRP and still take advantage of exceptional treatment under the traditional approach as well. If a utility wants to take advantage of the FRP, it should be limited to the statutory 4% cap in annual revenue increases. The Company

[45] See W/P C 2-32.

should not be allowed to extract certain costs out from under the FRP limitations, such as large capital investments or unusual storms, and collect such costs through riders not subject to the 4% annual revenue cap

IV. DEPRECIATION AND AMORTIZATION EXPENSE ADJUSTMENTS

IV. A. ADJUSTMENT TO APPLY ARVEC DEPRECIATION

Q: DOES ARVEC PROPOSE CHANGES TO DEPRECIATION EXPENSE?

A: Yes. ARVEC witness Mr. David Garrett proposes numerous changes to the Company's depreciation study resulting in new proposed depreciation rates for many of the Company's plant accounts. The impact of his adjustments is set forth below. The calculations can be seen at *Exhibit MG 2.*

ARVEC Adjustment to Depreciation Expense	
Description	Adjustment
Depreciation Expense Adjustment	$49,948,043
Arkansas Juris Allocator	9.06%
Total Adjustment	$4,525,292

IV. B. RESTATED ACCUMULATED DEPRECIATION BALANCES 1986 - 2017

Q: WHAT IS THE ISSUE WITH RESPECT TO THE COMPANY'S ACCUMULATED DEPRECIATION BALANCES FROM 1986 THROUGH 2017?

A: OG&E determined that it erred in the calculation of depreciation amounts in the Company's 2010 rate case in Arkansas, and as a result the Company overstated the

[46] See Direct Testimony of G. Cash at page 23.

depreciation difference on Schedule B 2-5-2 in Docket No. 10-067-U. The error overstated Arkansas accumulated depreciation, thereby, understating rate base for the last five years, according to OG&E witness, Mr. Scott Forbes. The Company has corrected the amounts for Book Accruals and Arkansas Rate Recoveries for years 1986 through 2006 that were presented by OG&E in Docket No. 10-067-U. The corrected amounts are shown in Chart 1 in Mr. Forbes direct testimony.

When the 1986-2006 difference of $31,657,966 of higher depreciation is combined with the $97,561,704 of lower depreciation for the period 2011-2017, a net difference of approximately $65,903,739 results. OG&E is trying to correct this difference in order to align the Oklahoma and Arkansas jurisdiction depreciation amounts. The Company proposes to take the Arkansas jurisdictional difference of $65,903,739, and to amortize the recovery over 10 years. This results in an increase of $525,198 in amortization expenses, which is explained in WP C 2-40.

Q: DO YOU AGREE WITH THE COMPANY'S PROPOSED TREATMENT?

A: No. The Company's proposal appears to be retroactive ratemaking. According to Mr. Forbes, the Company is netting the difference between the higher depreciation for the years 1986-2006 with the lower depreciation for the years 2011-2017. In essence, OG&E wants to collect the net past under-recovery of these costs in future rates.

In general terms, retroactive ratemaking is the attempt to recover in future rates perceived insufficiencies in past rates. The ***prohibition against retroactive ratemaking*** is generally seen as the counterpart to the ***filed-rate doctrine.*** The filed-rate doctrine is typically used to protect regulated utilities against customers who might complain that past rates were set too high and the utility should refund its over-earnings. The prohibition against retroactive ratemaking is typically used to protect customers against a utility that might claim its current or past rates were set too low to fully recover a particular cost, and that customers should make up the difference in future rates.

Here, the utility is asking to collect in future rates a perceived insufficiency in its current and past rates. In effect, OG&E is asserting that its rates were insufficient to recover the differences in Oklahoma and Arkansas depreciation rates for the period 1986 through 2017, so these costs should be recovered in future rates. That is retroactive ratemaking.

Q: WHAT IS THE IMPACT OF THIS ADJUSTMENT?

A: The adjustment reverses the Company's proposed amortization of the under-recovered plant costs for the years 2011 through 2017 in the amount of $525,198. The adjustment can be seen at *Exhibit MG 2.11.*

Description of Adjustment	Arkansas Amount
Adjustment to Remove OG&E's amortization of under-recovered costs.	$ (525,198)

V. ADJUSTMENTS PROPOSED BY OTHER ARVEC WITNESSES

Q: PLEASE PROVIDE A LIST OF THE ISSUES SPONSORED BY THE OTHER ARVEC WITNESSES.

A: The recommendations of the other ARVEC witnesses are set forth below:

1) **Cost of Capital Recommendations of Mr. David Garrett**

Mr. David Garrett addresses the cost of capital issues. Specifically he recommends a Return on Equity ("ROE") of 9.0%. He also recommends a capital structure of 48% equity and 52% debt. The impact of his recommended ROE on the Arkansas revenue requirement is a reduction of **$(4,316,544)**. His capital structure adjust is a reduction in the requested revenue requirement of **$(1,898,752)**.

2) **Depreciation Recommendations of Mr. David Garrett**

David Garrett proposes new depreciation rates for several OG&E plant accounts. Mr. Garrett's recommendations result in a decrease in Arkansas depreciation expense of **$(4,525,292)**.

3) **Jurisdictional Allocation Recommendations of Dr. Larry Blank**

Dr. Blank recommends corrections to the Company's jurisdictional allocation of the wind generation assets OG&E owns. The revenue requirement impacts of his recommendations are set forth below and are included in *Exhibit MG-2*.

Wind generation costs in rate base	**$(1,155,795)**
Wind O&M costs	**$(287,428)**
Wind other taxes costs	**$(242,241)**
Wind Depreciation costs	**$(698,227)**

VI. CONCLUSION

Q: DO YOU HAVE ANY FURTHER COMMENTS?

A: Yes. My testimony does not address every potential issue. The fact that I do not express an opinion on a particular issue is not to be interpreted as agreement with the Company's position on that issue.

Q: DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

A: Yes, it does.

CERTIFICATE OF SERVICE

I, Thomas P. Schroedter, do hereby certify that a copy of the foregoing has been served upon all parties of record by forwarding the same by electronic mail this 31st day of January 2017.

Thomas P. Schroedter

DIRECT EXHIBIT MG-1

MARK E. GARRETT

CONTACT INFORMATION:

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EDUCATION:

Juris Doctor Degree, With Honors, Oklahoma City University Law School, 1997
Post Graduate Hours in Accounting, Finance and Economics, 1984-85:
University of Texas at Arlington; University of Texas at Pan American;
Stephen F. Austin State University
Bachelor of Arts Degree, University of Oklahoma, 1978

CREDENTIALS:

Member Oklahoma Bar Association, 1997, License No. 017629
Certified Public Accountant in Oklahoma, 1992, Certificate No. 11707-R
Certified Public Accountant in Texas, 1986, Certificate No. 48514

WORK HISTORY:

GARRETT GROUP, LLC – Regulatory Consulting Practice (1996 - Present) Participates as a consultant and expert witness in electric utility, natural gas distribution company, and natural gas pipeline matters before regulatory agencies making recommendations related to cost-based rates. Reviews management decisions of regulated utility companies for reasonableness from a ratemaking perspective especially regarding the reasonableness of prices paid for natural gas supplies and transportation, coal supplies and transportation, purchased power and renewable energy projects. Participates in gas gathering, gas transportation, gas contract and royalty valuation disputes to determine pricing and damage calculations and to make recommendations concerning the reasonableness of charges to royalty and working interest owners and other interested parties. Participates in regulatory proceedings to restructure the electric and natural gas utility industries. Participates as an Instructor at NMSU Center for Public Utilities and as a Speaker at NARUC Staff Subcommittee on Accounting and Finance.

OKLAHOMA CORPORATION COMMISSION – Aide to Commissioner Bob Anthony (1995)

OKLAHOMA CORPORATION COMMISSION - Coordinator of Accounting and Financial Analysis (1991 - 1994) Planned and supervised the audits of major public utility companies doing business Oklahoma for the purpose of determining revenue requirements. Presented both oral and written testimony as an expert witness for Staff in defense of numerous accounting and financial recommendations related to cost-of-service based rates. Audit work and testimony covered all areas of rate base and operating expense. Supervised, trained and reviewed the audit work of numerous Staff CPAs and auditors. Promoted from Supervisor of Audits to Coordinator in 1992.

FREEDOM FINANCIAL CORPORATION - Controller (1987 - 1990) Responsible for all financial reporting including monthly and annual financial statements, cash flow statements, budget reports, long-term financial planning, tax planning and personnel development. Managed the General Ledger and Accounts Payable departments and supervised a staff of seven CPAs and accountants. Reviewed all subsidiary state and federal tax returns and facilitated the annual independent financial audit and all state or federal tax audits. Received promotion from Assistant Controller in September 1988.

SHELBY, RUCKSDASHEL & JONES, CPAs - Auditor (1986 - 1987) Audited the financial statements of businesses in the state of Texas, with an emphasis in financial institutions.

Previous Experience Related to Cost-of-Service, Rate Design, Pricing and Energy-Related Issues

1. **Caesars Enterprise Service, LLC, 2016 (704B Exit Application)** – Participating as an expert witness on behalf of Caesars before the Nevada PUC. Sponsoring written and oral testimony in Caesar's application to purchase energy and capacity from a provider other than Nevada Power.

2. **Southwestern Electric Power Company, 2016 (PUC Docket No. 46449) –** Participating as an expert witness on behalf of Cities Advocating Reasonable Deregulation ("CARD Cities") before the Texas Public Utility Commission in SWEPCO's general rate case proceeding to provide testimony on various cost of service issues and on the utility's revenue requirement.

3. **CenterPoint Texas, 2016 (Docket No. 10567)** – Participating as an expert witness on behalf of City of Houston before the Texas Railroad Commission in CenterPoint's general rate case application, sponsoring testimony to address the utility's overall revenue requirement and various rate design proposals.

4. **Entergy Texas, Inc., 2016 (Docket No. 46357)** – Participating as an expert witness on behalf Cities Served by Applicant before the Texas PUC in ETI's application to amend its Transmission Cost Recovery Factor.

5. **Anchorage Municipal Light and Power, 2016 (Docket No. U-16-060) –** Participating as an expert witness before the Regulatory Commission of Alaska on behalf of Providence Health and Services to provide testimony on the ratemaking treatment of ML&P's acquired interest in the Beluga River Unit gas field with ratepayer funds.

6. **Arizona Public Service Company, 2016 (Docket No. E-01345A-16-0036)** – Participating as an expert witness before the Arizona Corporation Commission in APS's General Rate Case application on behalf of Energy Freedom Coalition of America to provide written and oral testimony to address various revenue requirement issues.

7. **Oklahoma Gas & Electric Co. (Arkansas), 2016 (Docket No. 16-052-U** – Participating as an expert witness on behalf of the Arkansas River Valley Energy Consumers ("ARVEC")[1] before the Arkansas Public Service Commission in OG&E's general rate case application to provide testimony on various revenue requirement, cost of service and rate design issues.

8. **Sierra Pacific Power Company, 2016 (Docket No. 16-06006)** – Participated as an expert witness on behalf of the Northern Nevada Utility Customers[2] before the Nevada PUC in SPPC's general rate case proceeding. Sponsored testimony on various revenue requirement, depreciation, and rate design issues.

9. **Tucson Electric Power, 2016 (Docket No. E-01933A-15-0322)** – Participating as an expert witness before the Arizona Corporation Commission in TEP's General Rate Case application, on behalf of Energy Freedom Coalition of America providing written and oral testimony to address the utility's cost of service study and rate design proposals.

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[1] ARVEC is an association of industrial manufacturing facilities in northwest Arkansas.

[2] The Northern Nevada Utility Consumers is a group of large commercial and industrial customers in the SPPC service territory.

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10. **Texas Gas Service, 2016 (Docket No. 10506)** – Participated as an expert witness on behalf of El Paso before the Texas Railroad Commission in TGS's General Rate Case application, sponsoring testimony to address the utility's overall revenue requirement and various rate design proposals.

11. **Texas Gas Service, 2016 (Docket No. 10488)** – Participated as an expert witness on behalf of South Jefferson County Service Area ("SJCSA") before the Texas Railroad Commission in TGS's General Rate Case application, sponsoring testimony to address the utility's overall revenue requirement and various rate design proposals.

12. **Oklahoma Gas and Electric Company, 2016 (Cause No. PUD 201500273)** – Participating as an expert witness on behalf of Oklahoma Industrial Energy Consumers ("OIEC") before the Oklahoma Corporation Commission in OG&E's General Rate Case application. Sponsoring testimony to address the utility's overall revenue requirement and rate design proposals.

13. **Oklahoma Gas & Electric Company, 2016 (Cause No. PUD 201500273)** – Participated as an expert witness on behalf of The Alliance for Solar Choice ("TASC") before the Oklahoma Corporation Commission to address OG&E's proposed Distributed Generation ("DG") rates for solar DG customers.

14. **Anchorage Municipal Light and Power, 2016 (Docket No. U-13-097)** – Participated as an expert witness before the Regulatory Commission of Alaska on behalf of Providence Health and Services to provide testimony on rates and tariffs proposed for customer-owned combined heat and power plant generation.

15. **Oklahoma Natural Gas Company, 2015 (Cause No. PUD 201500213)** – Participated as an expert witness on behalf of the OIEC before the Oklahoma Corporation Commission in ONG's General Rate Case application. Sponsored testimony to address the utility's overall revenue requirement and rate design proposals.

16. **Oklahoma Gas & Electric Company, 2015 (Cause No. PUD 201500274)** – Participated as an expert witness on behalf of The Alliance for Solar Choice ("TASC") before the Oklahoma Corporation Commission to address OG&E's proposed Distributed Generation ("DG") rates for solar DG customers.

17. **Nevada Power Company, 2015** (Docket No. 15-07004) – Participated as an expert witness on behalf of the Southern Nevada Hotel Group ("SNHG")[3] before the Nevada PUC. Sponsoring written and oral testimony in NPC's 2015 Integrated Resource Plan to provide analysis of the On Line transmission line allocation, the Siverhawk plant acquisition, and the Griffith contract termination.

18. **Oklahoma Gas & Electric Company, 2015 (Docket No. 15-034-U)** – Participated as an expert witness on behalf of the Arkansas River Valley Energy Consumers ("ARVEC")[4] before the Arkansas Public Service Commission in OG&E's Act 310 application to implement a rider to recover environmental compliance costs.

19. **MGM Resorts, LLC, 2015** (Docket No. 15-05017) – Participated as an expert witness on behalf of the MGM Resorts, LLC before the Nevada PUC. Sponsoring written and oral testimony in MGM's

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[3] The Southern Nevada Hotel Group is comprised of Boyd Gaming, Caesars Entertainment, MGM Resorts, Station Casinos, Venetian Casino Resort, and Wynn Las Vegas.
[4] ARVEC is an association of industrial manufacturing facilities in northwest Arkansas.

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application to purchase energy and capacity from a provider other than Nevada Power.

20. **Entergy Arkansas, 2015 (Docket No. 15-015-U)** – Participated as an expert witness on behalf of the Hospital and Higher Education Group ("HHEG") an intervener group that includes the University of Arkansas and several hospitals before the Arkansas PSC in Entergy's general rate case to provide testimony on various revenue requirement issues.

21. **Public Service Company of Oklahoma, 2015 (Cause No. PUD 201500208)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO's general rate case application to provide testimony on various cost-of-service issues and on the utility's overall revenue requirement and rate design proposals.

22. **Nevada Power Company, 2014** (Docket No. 14-05003) – Participated as an expert witness on behalf of the Southern Nevada Hotel Group ("SNHG") before the Nevada PUC. Sponsored written and oral testimony in NPC environmental compliance case, called the Emissions Reduction and Capacity Replacement case. The main focus of our testimony was our recommendation to eliminate the $438M Moapa solar project from the compliance plan.

23. **Nevada Power Company, 2014** (Docket No. 14-05004) – Participated as an expert witness on behalf of the Southern Nevada Hotel Group before the Nevada PUC to sponsor written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.

24. **Oklahoma Gas and Electric Co., 2014 (Cause No. PUD 201400229)** – Participated as an expert witness on behalf of Oklahoma Industrial Energy Consumers ("OIEC")[5] in OG&E's Environmental Compliance and Mustang Modernization Plan before the Oklahoma Corporation Commission to provide testimony addressing the economics and rate impacts of the plan.

25. **Sourcegas Arkansas, Inc., 2014 (Docket No. 13-079-U)** Participated as an expert witness on behalf of the Hospital and Higher Education Group ("HHEG"), an intervener group that includes the University of Arkansas and several hospitals before the Arkansas PSC in SGA's general rate case to provide testimony on various revenue requirement issues.

26. **Anchorage Municipal Light and Power, 2014 (Docket No. U-13-184)** – Participated as an expert witness before the Alaska Regulatory Utility Commission on behalf of Providence Health and Services to provide testimony on various revenue requirement and cost of service issues.

27. **Public Service Company of Oklahoma, 2014 (Cause No. PUD 201300217)** – Participated as an expert witness on behalf of OIEC before the OCC in AEP/PSO's general rate case application to provide testimony on various cost-of-service issues and on the utility's overall revenue requirement and rate design proposals.

28. **Entergy Texas Inc., 2013 (PUC Docket No. 41791)** – Participated as an expert witness on behalf of the Cities[6] in ETI's general rate case to provide testimony on various cost of service issues and on the utility's overall revenue requirement.

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[5] OIEC is an association of approximately 25 large commercial and industrial customers in Oklahoma.
[6] The Cities include Beaumont, Conroe, Groves, Houston, Huntsville, Orange, Navasota, Nederland, Pine Forest, Pinehurst, Port Arthur, Port Neches, Rose City, Shenandoah, Silsbee, Sour Lake, Vidor, and West Orange.

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29. **MidAmerican/NV Energy Merger, 2013 (Docket No. 13-07021) –** Participated as an expert witness on behalf of the Southern Nevada Hotel Group ("SNHG") before the Nevada PUC. Sponsored testimony to address various issues raised in the proposed acquisition of NV Energy by MidAmerican Energy Holdings Company, including capital structure and acquisition premium recovery issues.

30. **Entergy Arkansas, 2013 (Docket No. 13-028-U) –** Participated as an expert witness on behalf of the Hospital and Higher Education Group ("HHEG") an intervener group that includes the University of Arkansas and several hospitals before the Arkansas PSC in Entergy's general rate case to provide testimony on various revenue requirement issues.

31. **Sierra Pacific Power Company, 2013 (Docket No. 13-06002) –** Participated as an expert witness on behalf of the Northern Nevada Utility Customers[7] before the Nevada PUC in SPPC's general rate case proceeding to provide testimony on various cost of service and revenue requirement issues. Sponsored written and oral testimony in the depreciation phase, the revenue requirement phase and the rate design phase of these proceedings.

32. **Gulf Power Company, 2013 (Docket No. 130140-EI) –** Participated as an expert witness on behalf of the Office of Public Counsel before the Florida Commission in Gulf Power's general rate case proceeding to provide testimony on various revenue requirement issues.

33. **Public Service Company of Oklahoma, 2013 (Cause No. PUD 201200054) –** Participated as an expert witness on behalf of the OIEC before the Oklahoma Corporation Commission ("OCC") to provide testimony in PSO's application seeking Commission approval of its settlement agreement with EPA.

34. **Southwestern Electric Power Company, 2012 (PUC Docket No. 40443) –** Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation ("CARD Cities") before the Texas Public Utility Commission in SWEPCO's general rate case proceeding to provide testimony on various cost of service issues and on the utility's overall revenue requirement.

35. **Doyon Utilities, 2012 Alaska Rate Case** (Docket No. TA7-717) – Participated as an expert witness consultant on behalf of the Department of Defense to provide expert testimony in twelve rate case reviews for the utility systems of Fort Wainwright, Fort Greely and Joint Base Elmendorf-Richardson before the Regulatory Commission of Alaska.

36. **University of Oklahoma, 2012** – Participated as an expert witness on behalf of the University of Oklahoma to provide expert testimony on various revenue requirement issues in the University's general rate case with the Corix Group, which provides utility services to the University.

37. **Public Service Company of Oklahoma, 2012 (Cause No. PUD 201200079) –** Participated as an expert witness on behalf of the OIEC before the Oklahoma Corporation Commission to provide expert testimony addressing the utility's request to earn additional compensation on a 510MW purchased power agreement with Exelon

38. **Centerpoint Energy Texas Gas, 2012 (Docket No.** GUD 10182) – Participated as an expert witness on behalf of the Steering Committee of Cities before the Texas Railroad Commission to provide expert testimony on various revenue requirement issues.

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[7] The Northern Nevada Utility Consumers is a group of large commercial and industrial customers in the SPPC service territory.

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39. **Entergy Texas Inc., 2012 (PUC Docket No. 39896) –** Participated as an expert witness on behalf of the Cities in ETI's general rate case to provide testimony on various cost of service issues and on the utility's overall revenue requirement.

40. **Oklahoma Natural Gas Company, 2012 (Cause No. PUD 2012-029)** – Participated as an expert witness on behalf of the OIEC before the OCC in ONG's Performance Based Rate ("PBR") application seeking Commission approval of a requested rate increase based upon formula results for 2011.

41. **University of Oklahoma, 2012** – Assisted the University of Oklahoma with an audit of the costs associated with its six utility operations and its contract with the Corix Group to provide utility services to the university.

42. **Oklahoma Gas and Electric Company, 2012 (Cause No. PUD 2011-186)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E's application seeking Commission approval of a special contract with Oklahoma State University and a wind energy purchase agreement in connection therewith.

43. **Empire Electric Company, 2011, (Cause No. PUD 11-082) –** Participated as an expert witness on behalf of Enbridge before the OCC in Empire's rate case to provided testimony in both the revenue requirement and rate design phases of the proceedings to establish prospective cost-of-service based rates for the power company.

44. **Nevada Power Company, 2011, (Docket No. 11-04010)** - Participated as an expert witness on behalf of the Southern Nevada Hotel Group ("SNHG") before the Nevada PUC. Sponsored written and oral testimony to address proposed changes to the Company's customer deposit rules.

45. **Nevada Power Company, 2011, (Docket No. 11-06006)** - Participated as an expert witness on behalf of the Southern Nevada Hotel Group before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.

46. **Public Service Company of Oklahoma, 2011 (Cause No. PUD 2011-106)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO's application seeking rider recovery of third party SPP transmission costs and fees.

47. **Oklahoma Gas and Electric Company, 2011 (Cause No. PUD 2011-087) –** Participated as an expert witness on behalf of OIEC before the OCC in OG&E's rate case to provided testimony in both the revenue requirement and rate design phases of the proceedings to establish prospective cost-of-service based rates for the power company.

48. **Oklahoma Gas & Electric Company, 2011 (Docket No. 10-109-U)** – Participated as an expert witness on behalf of Gerdau Macsteel before the Arkansas Public Service Commission in OG&E's application to recover Smart Grid costs to make recommendations regarding the allocation of the Smart Grid costs.

49. **Oklahoma Gas & Electric Company, 2011 (Cause No. PUD 2011-027)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E's application seeking to include retiree medical expense in the Company's pension tracker mechanism.

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50. **Public Service Company of Oklahoma, 2011 (Cause No. PUD 2010-50)** – Participated as an expert witness on behalf of OIEC before the Oklahoma Corporation Commission in AEP/PSO's application to recover ice storm O&M expenses through a regulatory asset/rider mechanism to address tax impact and return issues in the proposed rider.

51. **Public Service Company of Colorado, 2011 (Docket No. 10AL-908E)** – Participated as an expert witness on behalf of the Colorado Retail Council ("CRC") before the Colorado Public Utilities Commission providing written and live testimony to address PSCo's proposed Environmental Tariff.

52. **Oklahoma Gas & Electric Company, 2011 (Docket No. 10-067-U)** – Participated as an expert witness on behalf of the Northwest Arkansas Industrial Energy Consumers ("NWIEC")[8] before the Arkansas Public Service Commission in OG&E's general rate case application to provide testimony on various revenue requirement, cost of service and rate design issues.

53. **Oklahoma Gas & Electric Company, 2010 (Cause No. PUD 2010-146)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E's application seeking rider recovery of third party SPP transmission costs and SPP administration fees.

54. **Massachusetts Electric Co. & Nantucket Electric Co. d/b/a National Grid, 2010 (Docket No. DPU 10-54)** – Participated as an expert witness providing both written and live testimony before the Massachusetts Department of Public Utilities on behalf of the Associated Industries of Massachusetts ("AIM") to address the Company's proposed participation in the 438MW Cape Wind project in Nantucket Sound.

55. **Public Service Company of Oklahoma, 2010 (Cause No. PUD 2010-50)** – Participated as an expert witness on behalf of the OIEC before the OCC in AEP/PSO's general rate case application to provide testimony on various cost-of-service issues and on the utility's overall revenue requirement and rate design proposals.

56. **Texas-New Mexico Power Co., 2010 (Docket 38480)** – Participated as an expert witness on behalf of the Alliance of Texas Municipalities ("ATM") before the Texas PUC in TMNP's general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.

57. **Southwestern Public Service Co., 2010 (PUCT Docket No. 38147)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities ("AXM") in the SPS general rate case application to provide testimony before the Texas Public Utility Commission regarding rate base and operating expense issues and sponsor the AXM Accounting Exhibits.

58. **Oklahoma Gas & Electric Company, 2010 (Cause No. PUD 2010-37)** – Participated as an expert witness on behalf of OIEC before the OCC to address the preapproval and ratemaking treatment of OG&E's 220MW self-build wind project.

59. **Oklahoma Gas & Electric Company, 2010 (Cause No. PUD 2010-29)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E's application seeking pre-approval of deployment of smart-grid technology and rider-recovery of the associated costs. Sponsored written testimony to address smart-grid deployment and time-differentiated fuel rates.

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[8] NWIEC is an association of industrial manufacturing facilities in northwest Arkansas.

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60. **Public Service Company of Oklahoma, 2010 (Cause No. PUD 2010-01)** – Participated as an expert witness on behalf of the OIEC before the OCC in the Company's proposed Green Energy Choice Tariff. Sponsored testimony to address the pricing and ratemaking treatment of the Company's proposed wind subscription tariff.

61. **Nevada Power Company, 2010 (Docket No. 10-02009)** – Participated as an expert witness on behalf of the Southern Nevada Hotel Group ("SNHG") before the Nevada PUC to provide testimony in NPC's Internal Resource Plan to address the ratemaking treatment of the proposed ON Line transmission line.

62. **Entergy Texas Inc., 2010 (PUC Docket No. 37744)** – Participated as an expert witness on behalf of the Cities in ETI's general rate case to provide testimony on various cost of service issues and on the utility's overall revenue requirement.

63. **El Paso Electric Company, 2010 (PUC Docket No. 37690)** – Participated as an expert witness on behalf of the City of El Paso in the EPI general rate case to provide testimony on various cost of service issues and on the utility's overall revenue requirement.

64. **Public Service Company of Oklahoma, 2009 (Cause No. 09-196)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO's application for approval of DSM programs and cost recovery. Sponsored testimony to address program costs, lost revenue recovery, cost allocations and incentives.

65. **Oklahoma Gas and Electric Company, 2009 (Cause No. PUD 09-230 and 09-231)** – Participated as an expert witness on behalf of OIEC before the OCC in OG&E's application to add wind resources from two purchased power contracts. Sponsored written testimony to address the proper ratemaking treatment of the contract costs and the renewable energy certificates.

66. **Oklahoma Gas and Electric Company, 2009 (Cause No. PUD 08-398)** – Participated as an expert witness on behalf of OIEC before the OCC in OG&E's rate case. Provided testimony in both the revenue requirement and rate design phases of the proceedings to establish prospective cost-of-service based rates for the power company.

67. **Nevada Power Company, 2009, (Docket No. 08-12002)** - Participated as an expert witness on behalf of the Southern Nevada Hotel Group before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.

68. **Public Service Company of Oklahoma, 2009 (Cause No. 09-031)** – Participated as an expert witness on behalf of OIEC before the OCC in PSO's application to add wind resources from two purchased power contracts. Sponsored written testimony to address the proper ratemaking treatment of the contract costs and the renewable energy certificates.

69. **Oklahoma Natural Gas Co., 2009 (Cause No. PUD 08-348)** – Participated as an expert witness on witness on behalf of the OIEC before the OCC in ONG's application to establish a Performance Based Rate tariff. Sponsored both written and oral testimony to address the merits of the utility's proposed PBR.

70. **Rocky Mountain Power, 2009 (Docket No. 08-035-38)** – Participated as an expert witness on behalf

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of the Division of Public Utilities (Staff) in PacifiCorp's general rate case to provide testimony on various revenue requirement issues.

71. **Texas-New Mexico Power Co., 2008 (Docket 36025)** – Participated as an expert witness on behalf of the Alliance of Texas Municipalities ("ATM") before the Texas PUC in TMNP's general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.

72. **Public Service Company of Oklahoma, 2008 (Cause No. 08-144)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO's general rate case application to address revenue requirement and rate design issues to establish prospective cost-of-service based rates.

73. **Public Service Company of Oklahoma, 2008 (Cause No. 08-150)** – Participated as an expert witness on behalf of the OIEC before the OCC to address PSO's calculation of its Fuel Clause Adjustment for 2008.

74. **Oklahoma Gas and Electric Company, 2008 (Cause No. PUD 08-059)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E's application seeking authorization of its Demand Side Management ("DSM") programs and the establishment of a DSM Rider to recover program costs, lost revenues and utility incentives.

75. **Entergy Gulf States, 2008 (PUC Docket No. 34800, SOAH Docket No. 473-08-0334)** – Participated as an expert witness on behalf of the Cities in EGSI's general rate case to provide testimony on various cost of service issues and on the utility's overall revenue requirement.

76. **Public Service Company of Oklahoma, 2008 (Cause No. 07-465)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO's application to recover the pre-construction costs of the cancelled Red Rock coal generation facility.

77. **Oklahoma Gas and Electric Company, 2008 (Cause No. 07-447)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E's application seeking authorization to recover the pre-construction costs of the cancelled Red Rock coal generation facility using proceeds from sales of excess SO_2 allowances.

78. **Rocky Mountain Power, 2008 (Docket No. 07-035-93)** – Participated as an expert witness on behalf of Division of Public Utilities (Staff) in PacifiCorp's general rate case to provide testimony on various revenue requirement issues.

79. **Public Service Company of Oklahoma, 2008 (Cause No. PUD 07-449)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO's application seeking authorization of its Demand Side Management ("DSM") programs and the establishment of a DSM Rider to recover program costs, lost revenues and utility incentives.

80. **Public Service Company of Oklahoma, 2008 (Cause No. PUD 07-397)** – Participated as an expert witness on behalf of OIEC before the OCC in PSO's application seeking authorization to defer storm damage costs in a regulatory asset account and to recover the costs using the proceeds from sales of excess SO_2 allowances.

81. **Oklahoma Gas & Electric Co., 2007 (Cause No. PUD 07-012)** – Participated as an expert witness on behalf of OIEC before the OCC in OG&E's application seeking pre-approval to construct the Red

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Rock coal plant to address the Company's proposed rider recovery mechanism.

82. **Oklahoma Natural Gas Co., 2007 (Cause No. PUD 07-335)** – Participated as an expert witness on behalf of the OIEC before the OCC in ONG's application proposing alternative cost recovery for the Company's ongoing capital expenditures through the proposed Capital Investment Mechanism Rider ("CIM Rider"). Sponsored testimony to address ONG's proposal.

83. **Public Service Company of Oklahoma, 2007 (Cause No. PUD 06-030)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO's application seeking a used and useful determination for its planned addition of the Red Rock coal plant to address the Company's use of debt equivalency in the competitive bidding process for new resources.

84. **Public Service Company of Oklahoma, 2006 (Cause No. PUD 06-285)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO's general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.

85. **Nevada Power Company, 2007, (Docket No. 07-01022)** - Participated as an expert witness on behalf of the MGM MIRAGE before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power.

86. **Nevada Power Company, 2006, (Docket No. 06-11022)** - Participated as an expert witness on behalf of the MGM MIRAGE properties before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.

87. **Southwestern Public Service Co., 2006 (PUCT Docket No. 37766)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities ("AXM") in the SPS general rate case application. Provided testimony before the Texas Public Utility Commission regarding rate base and operating expense issues and sponsored the Accounting Exhibits on behalf of AXM.

88. **Atmos Energy Corp., Mid-Tex Division, 2006 (Texas GUD 9676)** – Participated as an expert witness in the Atmos Mid-Tex general rate case application on behalf of the Atmos Texas Municipalities ("ATM"). Provided written and oral testimony before the Railroad Commission of Texas regarding the revenue requirements of Mid-Tex including various rate base, operating expense, depreciation and tax issues. Sponsored the Accounting Exhibits for ATM.

89. **Nevada Power Company, 2006 (Docket No. 06-06007)** – Participated as an expert witness on behalf of the MGM MIRAGE in the Sinatra Substation Electric Line Extension and Service Contract case. Provided both written and oral testimony before the Nevada Public Utility Commission to provide the Commission with information as to why the application is consistent with the line extension requirements of Rule 9 and why the cost recovery proposals set forth in the application provide a least cost approach to adding necessary new capacity in the Las Vegas strip area.

90. **Public Service Co. of Oklahoma, 2006 (Cause No. PUD 05-00516)** - Participated as an expert witness on behalf of the OIEC to review PSO's application for a "used and useful" determination of its proposed peaking facility.

91. **Oklahoma Gas and Electric Co., 2006 (Cause No. PUD 06-00041)** – Participated as an expert witness on behalf of the OIEC in OG&E's application to propose an incentive sharing mechanism for

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SO_2 allowance proceeds.

92. **Chermac Energy Corporation, 2006 (Cause No. PUD 05-00059 and 05-00177)** – Participated as an expert witness on behalf of the OIEC in Chermac's PURPA application. Sponsored written responsive and rebuttal testimony to address various rate design issues arising under the application.

93. **Oklahoma Gas and Electric Co., 2006 (Cause No. PUD 05-00140)** – Participated as an expert witness on behalf of the OIEC in OG&E's 2003 an 2004 Fuel Clause reviews. Sponsored written testimony to address the purchasing practices of the Company, it transactions with affiliates, and the prices paid for natural gas, coal and purchased power.

94. **Nevada Power Company, 2006, (Docket No. 06-01016)** - Participated as an expert witness on behalf of the MGM MIRAGE properties before the Nevada PUC. Sponsored written testimony in NPC's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power.

95. **Oklahoma Gas and Electric Co., 2005 (Cause No. PUD 05-151)** – Participated as an expert witness on behalf of the OIEC in OG&E's general rate case application. Sponsored both written and oral testimony before the OCC to address various revenue requirement and rate design issues for the purpose of setting prospective cost-of-service based rates.

96. **Oklahoma Natural Gas Co., 2005 (Cause No. PUD 04-610)** – Participated as an expert witness on behalf of the Attorney General of Oklahoma. Sponsored written and oral testimony to address numerous rate base, operating expense and depreciation issues for the purpose of setting prospective cost-of-service based rates.

97. **CenterPoint Energy Arkla, 2004 (Cause No. PUD 04-0187)** – Participated as an expert witness on behalf of the Attorney General of Oklahoma: Sponsored written testimony to provide the OCC with analysis from an accounting and ratemaking perspective of the Co.'s proposed change in depreciation rates from an Average Life Group to an Equal Life Group methodology. Addressed the Co.'s proposed increase in depreciation rates associated with increased negative salvage value calculations.

98. **Public Service Co. of Oklahoma, 2004 (Cause No. PUD 02-0754)** – Participated as an expert witness on behalf of the OIEC. Sponsored written testimony (1) making adjustments to PSO's requested recovery of an ICR programming error, (2) correcting errors in the allocation of trading margins on off-system sales of electricity from AEP East to West and among the AEP West utilities and (3) recommending an annual rather than a quarterly change in the FAC rates.

99. **PowerSmith Cogeneration Project, 2004 (Cause No. PUD 03-0564)** - Participated as an expert witness on behalf of the OIEC to provide the OCC with direction in setting an avoided cost for the PowerSmith Cogeneration project under PURPA requirements. Provided both written and oral testimony on the provisions of the proposed contract under PURPA:

100. **Electric Utility Rules for Affiliate Transactions, 2004 (Cause No. RM 03-0003)** – Participated as a consultant on behalf of the OIEC to draft comments to assist the OCC in developing rules for affiliate transactions. Assisted in drafting the proposed rules. Successful in having the Lower of Cost or Market rule adopted for affiliate transactions in Oklahoma.

101. **Nevada Power Company, 2003, (Docket No. 03-10001)** - Participated as an expert witness on behalf of the MGM MIRAGE properties before the Nevada PUC. Sponsored written and oral

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testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.

102. **Nevada Power Company, 2003, (Docket No. 03-11019)** - Participated as an expert witness on behalf of the MGM MIRAGE before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power.

103. **Public Service Company of Oklahoma, 2003 (Cause No. PUD 03-0076)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO's general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.

104. **Oklahoma Gas & Electric Co., 2003 (Cause No. PUD 03-0226)** – Participated as an expert witness on behalf of the OIEC. Provided both written and oral testimony before the OCC to determine the appropriate level to include in rates for natural gas transportation and storage services acquired from an affiliated company.

105. **Nevada Power Company, 2003 (Docket No. 02-5003-5007)** - Participated as an expert witness on behalf of the MGM Mirage before the Nevada PUC. Sponsored written and oral testimony to calculate the appropriate exit fee in MGM Mirage's 661 Application to leave the system.

106. **McCarthy Family Farms, 2003** – Participated as a consultant to assist McCarthy Family Farms in converting a biomass and biosolids composting process into a renewable energy power producing business in California.

107. **Bice v. Petro Hunt, 2003 (ND, Supreme Court No. 20030306)** - Participated as an expert witness in a class certification proceeding to provide cost-of-service calculations for royalty valuation deductions for natural gas gathering, dehydration, compression, treatment and processing fees in North Dakota.

108. **Nevada Power Company, 2003 (Docket No. 03-11019)** - Participated as a consulting expert on behalf of the MGM Mirage before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power. Provided written and oral testimony on the reasonableness of the cost allocations to the utility's various customer classes.

109. **Wind River Reservation, 2003 (Fed. Claims Ct. No. 458-79L, 459-79L)** – Participated as a consulting expert on behalf of the Shoshone and Arapaho Tribes to provide cost-of-service calculations for royalty valuation deductions for gathering, dehydration, treatment and compression of natural gas and the reasonableness of deductions for gas transportation.

110. **Oklahoma Gas & Electric Co., 2002 (Cause No. PUD 01-0455)** – Participated as an expert witness on behalf of the OIEC before the OCC. Sponsored written and oral testimony on numerous revenue requirement issues including rate base, operating expense and rate design issues to establish prospective cost-of-service based rates.

111. **Nevada Power Company, 2002 (Docket No. 02-11021)** - Participated as an expert witness on behalf of the MGM Mirage before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power and to make recommendations with respect to rate design.

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112. **Nevada Power Company, 2002 (Docket No. 01-11029)** - Participated as a consulting expert on behalf of the MGM Mirage before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power included in the Company's $928 million deferred energy balances.

113. **Nevada Power Company, 2002 (Docket No. 01-10001)** - Participated as an expert witness on behalf of the MGM Mirage before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.

114. **Chesapeake v. Kinder Morgan, 2001 (CIV-00-397L)** - Participated as an expert witness on behalf of Chesapeake Energy in a gas gathering dispute. Sponsored testimony to calculate and support a reasonable rate on the gas gathering system. Performed necessary calculations to determine appropriate levels of operating expense, depreciation and cost of capital to include in a reasonable gathering charge and developed an appropriate rate design to recover these costs.

115. **Southern Union Gas Company, 2001** - Participated as a consultant to the City of El Paso in its review of SUG's gas purchasing practices, gas storage position, and potential use of financial hedging instruments and ratemaking incentives to devise strategies to help shelter customers from the risk of high commodity price spikes during the winter months.

116. **Nevada Power Company, 2001** - Participated as an expert witness on behalf of the MGM-Mirage, Park Place and Mandalay Bay Group before the Nevada Public Utility Commission to review NPC's Comprehensive Energy Plan (CEP) for the State of Nevada and make recommendations regarding the appropriate level of additional costs to include in rates for the Company's prospective power costs associated with natural gas and gas transportation, coal and coal transportation and purchased power.

117. **Bridenstine v. Kaiser-Francis Oil Co. et al., 2001 (CJ-95-54)** - Participated as an expert witness on behalf of royalty owner plaintiffs in a valuation dispute regarding gathering, dehydration, metering, compression, and marketing costs. Provided cost-of-service calculations to determine the reasonableness of the gathering rate charged to the royalty interest. Also provided calculations as to the average price available in the field based upon a study of royalty payments received on other wells in the area.

118. **Klatt v. Hunt et al., 2000 (ND)** - Participated as an expert witness and filed report in United States District Court for the District of North Dakota in a natural gas gathering contract dispute to calculate charges and allocations for processing, sour gas compression, treatment, overhead, depreciation expense, use of residue gas, purchase price allocations, and risk capital.

119. **Oklahoma Gas and Electric Co., 2000 (Cause No. PUD 00-0020)** - Participated as an expert witness on behalf of the OIEC before the OCC. Sponsored testimony on OG&E's proposed Generation Efficiency Performance Rider (GEPR). Provided a list of criteria with which to measure a utility's proposal for alternative ratemaking. Recommended modifications to the Company's proposed GEPR to bring it within the boundaries of an acceptable alternative ratemaking formula.

120. **Oklahoma Gas and Electric Co., 1999** - Participated as an expert witness on behalf of the OIEC before the OCC. Sponsored testimony on OG&E's proposed Performance Based Ratemaking (PBR) proposal including analysis of the Company's regulated return on equity, fluctuations in the capital investment and operating expense accounts of the Company and the impact that various rate base,

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operating expense and cost of capital adjustments would have on the Company's proposal.

121. **Nevada Power Company, 1999 (Docket No. 99-7035) -** Participated as an expert witness on behalf of the Mirage, Park Place and Mandalay Bay Group before the Nevada PUC. Sponsored written and oral testimony addressing the appropriate ratemaking treatment of the Company's deferred energy balances, prospective power costs for natural gas, coal and purchased power and deferred capacity payments for purchased power.

122. **Nevada Power Company, 1999 (Docket No. 99-4005) -** Participated as an expert witness on behalf of the Mirage, Park Place and Mandalay Bay Group before the Nevada PUC. Sponsored written and oral testimony to unbundle the utility services of the NPC and to establish the appropriate cost-of-service allocations and rate design for the utility in Nevada's new competitive electric utility industry.

123. **Nevada Power Company, 1999 (Docket No. 99-4005) -** Participated as an expert witness on behalf of the Mirage, Park Place and Mandalay Bay Group before the Nevada PUC. Sponsored written and oral testimony to establish the cost-of-service revenue requirement of the Company.

124. **Nevada Power/Sierra Pacific Merger, 1998 (Docket No. 98-7023) -** Participated as an expert witness on behalf of the Mirage and MGM Grand before the Nevada PUC. Sponsored written and oral testimony to establish (1) appropriate conditions on the merger (2) the proper sequence of regulatory events to unbundle utility services and deregulate the electric utility industry in Nevada (3) the proper accounting treatment of the acquisition premium and the gain on divestiture of generation assets. The recommendations regarding conditions on the merger, the sequence of regulatory events to unbundle and deregulate, and the accounting treatment of the acquisition premium were specifically adopted in the Commission's final order.

125. **Oklahoma Natural Gas Company, 1998 (Cause No. PUD 98-0177) -** Participated as an expert witness in ONG's unbundling proceedings before the OCC. Sponsored written and oral testimony on behalf of Transok, LLC to establish the cost of ONG's unbundled upstream gas services. Substantially all of the cost-of-service recommendations to unbundle ONG's gas services were adopted in the Commission's interim order.

126. **Public Service Company of Oklahoma, 1997 (Cause No. PUD 96-0214) -** Audited both rate base investment and operating revenue and expense to determine the Company's revenue requirement and cost-of-service. Sponsored written testimony before the OCC on behalf of the OIEC.

127. **Oklahoma Natural Gas /Western Resources Merger, 1997 (Cause No. PUD 97-0106) -** Sponsored testimony on behalf of the OIEC regarding the appropriate accounting treatment of acquisition premiums resulting from the purchase of regulated assets.

128. **Oklahoma Gas and Electric Co., 1996 (Cause No. PUD 96-0116) -** Audited both rate base investment and operating income. Sponsored testimony on behalf of the OIEC for the purpose of determining the Company's revenue requirement and cost-of-service allocations.

129. **Oklahoma Corporation Commission, 1996 -** Provided technical assistance to Commissioner Anthony's office in analyzing gas contracts and related legal proceedings involving ONG and certain of its gas supply contracts. Assignment included comparison of pricing terms of subject gas contracts to portfolio of gas contracts and other data obtained through annual fuel audits analyzing ONG's gas purchasing practices.

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130. **Tenkiller Water Company, 1996** - Provided technical assistance to the Attorney General of Oklahoma in his review of the Company's regulated cost-of-service for the purpose of setting prospective utility rates.

131. **Arkansas Oklahoma Gas Company, 1995 (Cause No. PUD 95-0134)** - Sponsored written and oral testimony before the OCC on behalf of the Attorney General of Oklahoma regarding the price of natural gas on AOG's system and the impact of AOG's proposed cost of gas allocations and gas transportation rates and tariffs on AOG's various customer classes.

132. **Enogex, Inc., 1995 (FERC 95-10-000)** - Analyzed Enogex's application before the FERC to increase gas transportation rates for the Oklahoma Independent Petroleum Association and made recommendations regarding revenue requirement, cost-of-service and rate design on behalf of independent producers and shippers.

133. **Oklahoma Natural Gas Company, 1995 (Cause No. PUD 94-0477)** - Analyzed a portfolio of ONG's gas purchase contracts in the Company's Payment-In-Kind (PIC) gas purchase program and made recommendations to the OCC Staff on behalf of Terra Nitrogen, Inc. regarding the inappropriate profits made by ONG on the sale of the gas commodity through the PIC program pricing formula. Also analyzed the price of gas on ONG's system, ONG's cost-of-service based rates, and certain class cross-subsidizations in ONG's existing rate design.

134. **Arkansas Louisiana Gas Company, 1994 (Cause No. PUD 94-0354)** - Planned and supervised the rate case audit for the OCC Staff and reviewed the workpapers and testimony of the other auditors on the case. Sponsored cost-of-service testimony on cash working capital and developed policy recommendations on post test year adjustments.

135. **Empire District Electric Company, 1994 (Cause No. PUD 94-0343)** - Planned and supervised the rate case audit for the OCC Staff and reviewed the workpapers and testimony of other auditors. Sponsored cost-of-service testimony on rate base investment areas including cash working capital.

136. **Oklahoma Natural Gas Company, 1992 through 1993 (Cause No. PUD 92-1190)** - Planned and supervised the rate case audit of ONG for the OCC Staff. Reviewed all workpapers and testimony of the other auditors on the case. Sponsored written and oral testimony on numerous cost-of-service adjustments. Analyzed ONG's gas supply contracts under the Company's PIC program.

137. **Oklahoma Gas and Electric Company, 1991 through 1992 (Cause No. PUD 91-1055)** - Audited the rate base, operating revenue and operating expense accounts of OG&E on behalf of the OCC Staff. Sponsored written and oral testimony on numerous revenue requirement adjustments to establish the appropriate level of costs to include for the purpose of setting prospective rates.

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OKLAHOMA GAS & ELECTRIC COMPANY
ARVEC WORKPAPERS - SUMMARY OF PROPOSED ADJUSTMENTS
Pro Forma Test Year Ended June 30, 2017
Docket No. 16-052-U

Ln	Descriptions	Witness	Ref.			Rate Base Items	ROR W/Tax		Arkansas Impact
1	**OG&E Proposed Rate Increase**		Sch. A					$	16,797,898
2	**Pro Forma Rate Base and Adjustments**				$	543,930,992			
3	To Adjust Jurisdictional Wind Asset Allocation	M. Garrett	MG 2.1			(13,359,341)	8.652%		(1,155,795)
4	Total Rate Base Adjustments				$	(13,359,341)		$	(1,155,795)
5	**Cost of Capital**								
6	To Adjust Return on Equity to	M. Garrett	MG 2.12	9.000%	$	530,571,651	-0.814%	$	(4,316,544)
7	To Adjust Equity % in Capital Structure to			48.000%			-0.358%	$	(1,898,752)
8	Total Cost of Capital Adjustments							$	(6,215,296)
9	**Revenue and Expense Adjustments**								
10	To Remove 50% of Annual Incentive Plan	M. Garrett	MG 2.2						(859,747)
11	To Remove Payroll Tax on Annual Plan	M. Garrett	MG 2.2						(63,363)
12	To Remove 100% of Executive Incentive Plan	M. Garrett	MG 2.3						(576,054)
13	To Remove Payroll Tax Executive Incentive Plan	M. Garrett	MG 2.3						(42,455)
14	To Remove Supplemental Executive Retirement Plan	M. Garrett	MG 2.4						(181,344)
15	To Adjust OG&E Payroll	M. Garrett	MG 2.5						(303,426)
16	To Adjust Payroll Taxes	M. Garrett	MG 2.5						(22,363)
17	To Adjust Affiliate Expense Allocation	M. Garrett	MG 2.6						(364,347)
18	To Adjust OG&E Estimated Ad Valorem	M. Garrett	MG 2.7						(316,156)
19	To Adjust Rate Case Expense	M. Garrett	MG 2.8						(156,000)
20	To Adjust Storm Damage Expense	M. Garrett	MG 2.9						(548,629)
21	To Limit Vegetation Management 45% Increase	M. Garrett	MG 2.10						(879,716)
22	Total Operating Revenue & Expense Adjustments							$	(4,313,600)
23	**Depreciation and Amortization Expense Adjustments**								
25	To Adjust Depreciation Rates	D. Garrett						$	(4,525,292)
24	To Reverse OG&E Restatement of 1986 Depreciation Costs	M. Garrett	MG 2.11						(525,198)
26	Total Depreciation and Amortization Expense Adjustments							$	(5,050,490)
27	**Jurisdictional Mis-Allocation of Wind Production Costs**								
28	To Adjust Jurisdictional Wind Allocation O&M	L. Blank	MG 2.1						(287,428)
29	To Adjust Jurisdictional Wind Allocation Taxes-Other	L. Blank	MG 2.1						(242,241)
30	To Adjust Jurisdictional Wind Allocation Depreciation	L. Blank	MG 2.1						(698,227)
31	Total Jurisdictional Wind Allocation Expense Adjustments							$	(1,227,896)
32	**Total ARVEC Adjustments**							$	(17,963,077)
33	**Rate Decrease after ARVEC Adjustments**							**$**	**(1,165,179)**

DIRECT EXHIBIT MG 2.1

OKLAHOMA GAS & ELECTRIC COMPANY
ARVEC WORKPAPERS - ADJUSTMENTS TO WIND ASSET ALLOCATIONS
Pro Forma Test Year Ended June 30, 2017
Docket No. 16-052-U

Line No.	Description	Ref.	Rate Base	%	Amounts
				[Sch B-2] MG 2.12	
1	Jurisdictional Wind Asset Allocation in Rate Base	Dr. Larry Blank	(13,359,341)	8.652%	$ (1,155,795)
2	To Adjust Jurisdictional Wind Allocation O&M				(287,428)
3	To Adjust Jurisdictional Wind Allocation Taxes-Other				(242,241)
4	To Adjust Jurisdictional Wind Allocation Depreciation				(698,227)
5	Sub-Total Jurisdictional Wind Allocation Expense Adjustments				$ (1,227,896)
6	**ARVEC Total Wind Asset Allocation Adjustment**				**$ (2,383,691)**

OKLAHOMA GAS AND ELECTRIC COMPANY
ARVEC WORKPAPERS - PRO FORMA ADJUSTMENT -TEAMSHARE
Pro Forma Test Year Ending JUNE 30, 2017
DOCKET NO. 16-052-U

Description	Source	Actual Test Year	Pro Forma Year Payroll (4 yr. Avg.)(a)		$ Increase
OG&E Proposed Payroll - Source: WP C2-37					
Holding Company Team Share	WP C 2-37	$4,407,402	$6,151,292	(a)	$1,743,890
% Expensed	WP C 2-16			(b)	77.75%
Pro Forma Adjustment					$ 1,355,875
Utility Teamshare	WP C 2-37	$9,304,421	$12,728,936	(a)	$ 3,424,515
% Expensed	WP C 2-16			(b)	65.91%
Pro Forma Adjustment		$13,711,823	$18,880,228		$ 2,257,098
Pro Forma Adjustment TeamShare					$ 3,612,972
Payroll Tax %	WP C 2-17				7.37%
Payroll Tax Adjustment					$ 266,276

(a) Pro Forma Year Amounts are based on 4 Year Average (2012 - 2015 payout)
(b) 4 year Average O&M percentage (2012 - 2015) [WP C 2-16]

Source:
APSC 48.01
Teamshare History 2004-TY June 2016.xlsx

Yearly TeamShare Pay out By GL Account	Utility	Holding CO.	
2006	9,665,933	5,600,865	
2007	10,379,862	6,607,032	
2008	8,504,692	3,571,317	
2009	12,501,137	7,353,100	
2010	7,766,621	4,517,514	
2011	13,193,169	7,132,262	
2012	19,028,150	8,214,658	
2013	15,757,474	7,667,596	
2014	8,358,442	4,802,514	
2015	7,771,678	3,920,401	
Test Year	7,492,854	3,666,176	
4 YR Average	12,728,936	6,151,292	<- Avg. 2012-2015 proposed by OG&E
2 YR Average	8,065,060	4,361,458	<- Avg. 2014-2015 proposed by ARVEC

ARVEC Proposed Payroll (as Adjusted)	Pro Forma Year Payroll (4 yr. Avg.)	Two Year Average	Adjustment to Two Year Average	Adjustment to Share the Cost of STI	ARVEC TOTAL ADJ.
				50.0%	
Holding Company Team Share (from above)	$6,151,292	$ 4,361,458	($1,789,835)	($2,180,729)	
% Expensed [WP C 2-16]			77.75%	77.75%	
Pro Forma Adjustment			$ (1,391,596)	$ (1,695,517)	$ (3,087,113)
Utility Teamshare	$12,728,936	$ 8,065,060	($4,663,876)	($4,032,530)	
% Expensed			65.91%	65.91%	
Pro Forma Adjustment			$ (3,073,961)	$ (2,657,840)	$ (5,731,801)
Pro Forma Adjustment TeamShare		$ 12,426,517.48	**$ (4,465,557)**	**$ (4,353,357)**	**$ (8,818,914)**
Arkansas Jurisdictional (O&M%)			9.74890%	9.74890%	9.74890%
ARVEC ADJUSTMENT TO SHORT TERM INCENTIVES			**$ (435,343)**	**$(424,404)**	**$ (859,747)**
Payroll Tax % [WP C 2-17]			7.37%	7.37%	
Payroll Tax Adjustment			**$ (329,112)**	**$ (320,842)**	**$ (649,954)**
Arkansas Jurisdictional (O&M%)			9.74890%	9.74890%	9.74890%
ARVEC ADJUSTMENT PAYROLL TAXES ON SHORT TERM INCENTIVES			**$ (32,085)**	**$ (31,279)**	**$ (63,363)**
Total Adjustment					**$ (923,110)**

DIRECT EXHIBIT MG 2.3

OKLAHOMA GAS AND ELECTRIC COMPANY
PRO FORMA ADJUSTMENT - LONG TERM INCENTIVES
TEST YEAR ENDING JUNE 30, 2016
DOCKET NO. 16-052-U

Description	Actual Test Year	Pro Forma Year Payroll (4 yr. average)(a)		$ Increase
Holding Company LTI [WP C 2-38]	$4,149,770.46	$5,334,421	(a)	$ 1,184,651
% Expensed			(b)	77.75%
Pro Forma Adjustment				$ 921,066
Utility LTI	$2,560,643.33	$2,672,430	(a)	$ 111,787
% Expensed			(b)	65.91%
Pro Forma Adjustment	$6,710,413.79	$8,006,851.00		$ 73,679
Pro Forma Adjustment LTI				$ 994,745
Payroll Tax %				7.37%
Payroll Tax Adjustment				$ 73,313

(a) Pro Forma Year Amounts are based on 4 Year average (2012 - 2015 payout)
(b) 4 year average O&M percentage (2012 - 2015)

ARVEC Adjustments to Remove Long Term Incentive Compensation

Holding Company LTI [WP C 2-38]	$ (5,334,421)
% Expensed	77.75%
Pro Forma Adjustment	$ (4,147,512)
Utility LTI	$ (2,672,430)
% Expensed	65.91%
Pro Forma Adjustment	($1,761,399)
Pro Forma LONG TERM INCENTIVES	**$ (5,908,911)**
Arkansas Jurisdictional (O&M%)	9.74890%
ARVEC ADJUSTMENT TO REMOVE PRO FORMA LT INCENTIVES	**$ (576,054)**
Payroll Tax %	7.37%
Payroll Tax Adjustment	**$ (435,487)**
Arkansas Jurisdictional (O&M%)	9.74890%
ARVEC ADJUSTMENT TO REMOVE PAYROLL TAX ON LT INCENTIVES	**$ (42,455)**

DIRECT EXHIBIT MG 2.4

OKLAHOMA GAS & ELECTRIC COMPANY
ARVEC WORKPAPERS - ADJUSTMENT TO SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN EXPENSE
Pro Forma Test Year Ended June 30, 2017
Docket No. 16-052-U

Line No.	Description	OGE Parent Holding Co.	OG&E Utility Co.	Ref.	Total
1	Supplemental Executive Retirement Plan Costs	$ 1,642,899	$ 217,248	AG 2-34_Att	$ 1,860,147
2	Expense %				100.00%
3	Total Company SERP in Cost of Service				$ 1,860,147
4	ARVEC Adjustment to Remove SERP Expense				$ (1,860,147)
5	Arkansas Jurisdictional %				9.748899%
6	ARVEC Adjustment to Remove SERP Expense				**$ (181,344)**

OKLAHOMA GAS & ELECTRIC COMPANY
ARVEC WORKPAPERS - ADJUSTMENT TO OG&E'S PRO FORMA PAYROLL EXPENSE
Pro Forma Test Year Ended June 30, 2017
Docket No. 16-052-U

Line No.	Description	Projected TY Total Payroll 6/30/2016	Increase Factor	Total Adjusted Payroll 6/30/2017	Difference	Arkansas Juris. % (O&M%)	Arkansas Amount
	HOLDING COMPANY						
	Source: WP C 2-16						
1	Payroll	$ 41,576,648	1.0068	$ 41,859,369			
2	Overtime	732,255	1.0068	737,234			
3	Sub Total Labor Costs - HOLDING COMPANY	$ 42,308,903		$ 42,731,992	$ 423,089		
4	4 year average O&M percent				77.75%		
5	Holding Company payroll allocated to Utility increase				$ 328,952		
	UTILITY						
6	Payroll	$ 155,668,604	1.0078	$ 156,882,819			
7	Overtime	18,325,304	1.0078	18,468,241			
8	Total Labor Costs	$ 173,993,908		$ 175,351,060	$ 1,357,152		
9	4 year average O&M percent				65.91%		
10	Percent of Utility increase O&M				$894,499		
11	Less partners share from RB/MC	(2,297,903)	1.0078	(2,315,827)	(17,924)		
12	Total O&M Salaries and Wages Less Partners Share				$ 876,576		
13	**ARVEC Proposed Increase to Test-Year Operating Expenses**				**$ 1,205,527**	9.74890%	$ 117,526
14	OG&E's updated proposed increase to payroll expense				4,317,943	9.74890%	420,952
15	**ARVEC adjustment to OG&E's requested payroll expense**				**$ (3,112,416)**	9.74890%	**$ (303,426)**
16	Payroll tax effective rate (from WP C 2-17)				7.37%		7.37%
17	**ARVEC adjustment to payroll taxes**				**$ (229,385)**	9.74890%	**$ (22,363)**
18	**ARVEC Total adjustment to OG&E's payroll expense**				**$ (3,341,801)**		**$ (325,789)**

OKLAHOMA GAS & ELECTRIC CO
ARVEC WORKPAPERS - Affiliate Expense Adjustment
Pro Forma Test Year Ended June 30, 2017
Docket No. 16-052-U

PRO FORMA ADJUSTMENT - ENABLE REIMBURSEMENT
UPDATED FOR ACTUALS TEST YEAR ENDING JUNE 30, 2016

Line No.	Description	Source	Projected Test Year	Pro Forma Jun 16 - Jul 17	Total Co. Adjustment	Arkansas Juris %	Arkansas Jurisdiction Amount
1	OGE Corporate Services	WP C 2-39	140,530,844	140,530,844			
2	Reimbursement from Enable		9,251,798	4,764,552	$ 4,487,246		
3	Increase to Utility				$ (4,487,246)		
4	Increase to Utility (O&M Only)*				$ 3,737,315	9.74890%	**$ 364,347**
	(OG&E Adjustment Based on Overhead allocations to O&M based on the Test Year forecast ratio)						

OKLAHOMA GAS & ELECTRIC COMPANY
ARVEC WORKPAPERS - ADJUSTMENT TO AD VALOREM TAXES
Pro Forma Test Year Ended June 30, 2017
Docket No. 16-052-U

SOURCE: WP C 2-29

Line No.	Description	Fair Cash Value	Assessment Ratio	Assessed Valuation	Millage Rate	% Change in Millage Rate	Historical & Proposed Tax	
1	Oklahoma:							
2	2011	2,891,390,045	22.85%	660,682,625	0.09291	2.35%	61,381,288.00	
3	2012	3,095,058,622	22.85%	707,220,895	0.09273	-0.19%	65,578,802.00	
4	2013	3,382,312,471	22.85%	772,858,400	0.09211	-0.67%	71,021,467.00	
5	2014	3,374,513,154	22.85%	771,076,256	0.09263	0.56%	71,421,089.00	
6	2015	3,575,713,218	22.85%	817,050,470	0.09259	-0.04%	75,666,951.00	
7	2016 estimated	3,468,723,896	22.85%	792,603,410	0.09259	0.00%	73,387,150.00	
							Avg % increase	3.00%
8	Arkansas:							
9	2011	230,625,000	20.00%	46,125,000	0.04935	-0.52%	2,276,360.00	
10	2012	254,350,000	20.00%	50,870,000	0.04923	-0.24%	2,504,141.00	
11	2013	279,300,000	20.00%	55,860,000	0.04965	0.85%	2,773,491.00	
12	2014	307,500,000	20.00%	61,500,000	0.04949	-0.32%	3,043,821.00	
13	2015	309,145,000	20.00%	61,829,000	0.05011	1.25%	3,098,251.00	
14	2016 estimated	324,602,250	20.00%	65,000,000	0.05011	0.00%	3,257,150.00	
							Avg % increase	7.50%
15	Total Requested Ad Valorem Tax for Pro forma year (Line 7+ 14)						**$ 76,644,300.00**	
16	Plus Adjustments:							
17	Average Increases in Valuation & Millages due to operating income & plant growth						2,445,901	
18	Total Adjustments						2,445,901	
19	Total Requested Ad Valorem Tax (Line 15 + 18)						$ 79,090,201	
20	Ad Valorem Tax for Test Year (per books)		FERC Form 1 Pg. 263 Col. i ln. 28 & 34				75,847,205	
21	Less McClain Amortization C 2-31						-	
22	Adj. Test Year						75,847,205	
23	OG&E Pro Forma Adjustment # 29				408.1		$ 3,242,996	
24	**ARVEC Adjustment to Ad Valorem Taxes (Total Company)**						$ (3,242,996)	
25	**Arkansas Jurisdictional (O&M%)**						9.74890%	
26	**ARVEC Adjustment to Ad Valorem Taxes**						**$ (316,156)**	
	To reverse OG&E's increases to ad valorem taxes for estimated amounts not known and measurable.							

OKLAHOMA GAS & ELECTRIC CO
ARVEC WORKPAPERS - PRO FORMA ADJUSTMENT TO REGULATORY EXPENSE
Pro Forma Test Year Ended June 30, 2017
Docket No. 16-052-U

Line No.	Description	Account	Ref.	Adjustment
1	Estimated Rate Case Expenses	928	WP C 2-18-3	$ 520,000
2	Pro Forma Adjustment - OG&E proposed 2 year Amortization			260,000
3	Estimated Rate Case Expenses	928	WP C 2-18-3	$ 520,000
4	Pro Forma Adjustment - ARVEC proposed 5 year Amortization			104,000
5	**ARVEC Adjustment to Amortize Regulatory Expense over 5 Years**			**$ (156,000)**

DIRECT EXHIBIT MG 2.9

OKLAHOMA GAS & ELECTRIC COMPANY
ARVEC WORKPAPERS - ADJUSTMENT TO STORM COST RECOVERY
Pro Forma Test Year Ended June 30,2017
Docket No. 16-052-U

Line No.	Description	Source: OG&E WP C 2-32 Reference	FERC Account	Test Year Jun 30 2016
1	Total Company Storm Cost (less OK Storm in Reg Asset)	WP C 2-32-2		3,248,064
2	Remove Ok Storm Cost	WP C 2-32-2		(2,739,341)
3	Arkansas Test Year Direct Assigned	WP C 2-32-2		372,079
4	Arkansas 4 Year Average	WP C 2-32-3a		1,066,714
5	Adjustment to Arkansas Storms	WP C 2-32-3a		694,635
	Adjustment by FERC			
	Distribution	WP C 2-32-3a	FERC Account	
	Power Supply		593	707,627
	Substations - Distribution		513	(7,344)
	Substations - Transmission		592	8,047
	Transmission		570	(8,744)
	Total		571	(4,951)
				694,635

OG&E Adjustment:
To direct assign Arkansas storm costs for the cost of service model and to increase storm costs to a 4-year average.

Source: WP C 2-32-3a ARKANSAS STORM	Test Year	2015	2014	2013	2012	4 Year AVERAGE
AR Distribution Lines	$ 206,153	$ 437,028	$ 496,627	$ 2,777,813	$ 178,407	$ 979,405
OK & AR Power Supply	81,204	53,023	2,893	21,565	(728)	39,671
AR Substations - Dist.	3,068	6,100	5,849	29,518	42	11,134
OK & AR Substations - Tran	41,530	13,867	789	12,431	1,064	17,154
OK & AR Transmission	41,405	16,884	3,110	16,002	2,432	19,350
Total AR	$ 373,360	$ 526,902	$ 509,268	$ 2,857,329	$ 181,217	$ 1,066,714

ARKANSAS STORM	2015	2014	2 Year AVERAGE
AR Distribution Lines	$ 437,028	$ 496,627	466,828
OK & AR Power Supply	53,023	2,893	27,958
AR Substations - Dist.	6,100	5,849	5,975
OK & AR Substations - Tran	13,867	789	7,328
OK & AR Transmission	16,884	3,110	9,997
Total AR	$ 526,902	$ 509,268	518,085

Arkansas Test Year Direct Assigned	WP C 2-32-2	372,079
Arkansas 2 Year Average	(See Above)	518,085
ARVEC Adjustment To Increase Test Year to 2 Year Average		146,006
Company's Adjustment Amount		694,635
ARVEC Adjustment to remove Excess Storm Damage Costs		**(548,629)**

DIRECT EXHIBIT MG 2.10

OKLAHOMA GAS & ELECTRIC CO
ARVEC WORKPAPERS - ADJUSTMENT FOR VEGETATION MANAGEMENT
Pro Forma Test Year Ended June 30, 2017
Docket No. 16-052-U

Line No.	Source: WP C 2-22 Description	FERC Account	July - Dec 2015 Test Year Actual		Jan - Jun 2016 Test Year Actual		Total Test Year Amount
1	OK Vegetation Mgmt. costs Distribution Cycle	593	8,464,012	$	8,248,597	$	16,712,609
2	OK Vegetation Mgmt. costs Distribution Non-Cycle	593	1,516,917		718,394		2,235,311
3	OK Vegetation Mgmt. costs Distribution- System Harde	593	0		-		-
4	tation Mgmt. costs Distribution Subs	592	578,478		134,450		712,928
5	OK Vegetation Mgmt. costs Transmission Lines/Subs	570/571	2,444,412		1,213,095		3,657,507
6	Oklahoma Vegetation Mgmt. TYE 6/2016	Various	13,003,819		10,314,536	$	23,318,355
7	AR Vegetation Mgmt. costs Distribution Cycle	593	665,846		596,355	$	1,262,201
8	AR Vegetation Mgmt. costs Distribution Non-Cycle	593	407,750		145,245		552,995
9	AR Vegetation Mgmt. costs Transmission	570/571	175,193		86,944		262,137
10	AR Vegetation Mgmt. costs Distribution Subs	592	55,076		44,397		99,473
11	**Arkansas Vegetation Mgmt. TYE 6/2016**	Various	**1,303,865**		**872,941**	$	**2,176,806**
12	Total Vegetation Management Cost	Various				**$**	**25,495,161**
13	AR Vegetation Mgmt. costs Distribution Cycle	593					2,528,693
14	AR Vegetation Mgmt. costs Distribution Non-Cycle	593					103,171
15	AR Vegetation Mgmt. costs Transmission	570/571					325,003
16	AR Vegetation Mgmt. costs Distribution Subs	592					99,655
17	Total 4 Yr. Cycle Ave	Various					3,056,522
18	AR Vegetation Mgmt. costs Distribution Cycle	593					1,266,492
19	AR Vegetation Mgmt. costs Distribution Non-Cycle	593					(449,824)
20	AR Vegetation Mgmt. costs Transmission	570/571					62,866
21	AR Vegetation Mgmt. costs Distribution Subs	592					182
23	Pro Forma Adjustment # 22					**$**	**879,716**

OG&E's proposed adjustment to increase Vegetation Management expenses for the Arkansas jurisdiction to a 4-year cycle.

ARVEC Adjustment to Remove OG&E Increase to Vegetation Management Expense	**$**	**(879,716)**

DIRECT EXHIBIT MG 2.11

OKLAHOMA GAS & ELECTRIC CO
ARVEC WORKPAPERS - ADJUSTMENT TO REMOVE OG&E'S ACCUMULATED DEPRECIATION DIFFERENTIAL ADJ.
Pro Forma Test Year Ended June 30, 2017
Docket No. 16-052-U

Line	Description	Reference	Amount	
	Source: WP C 2-40			
1	Accumulated Depreciation (1986-2006)	WP B 2-5	$ 31,657,965	
2	Accumulated Depreciation (2011-2017)	WP B 2-7	(97,561,704)	
3	Net reduction to Accumulated Depreciation		$ (65,903,739)	
4	Total Company Amortization		$ 65,903,739	
5	Amortization Period		10	
6	Amortization Amount		$ 6,590,374	
7	**Arkansas Jurisdiction**			
8	Total Company Depreciation Expense to Amortize		$ 65,903,739	
9	Amortization Period		10	
10	Total Co. Amortization Amount		$ 6,590,374	
11	AR Jurisdictional %		7.97%	
12	Arkansas Direct assigned Amortization		$ 525,198	1
13	**ARVEC Adjustment**		**$ (525,198)**	
	To remove OG&E Increase to Arkansas Accumulated Depreciation			

Note: OG&E's Updated WP C 2-40 contains an immaterial footing error. It appears the calculated value of the jurisdictional amount should be $525,253 instead of $525,198.

OKLAHOMA GAS & ELECTRIC COMPANY
ARVEC WORKPAPERS - COST OF CAPITAL
Pro Forma Test Year Ended June 30, 2017
Docket No. 16-052-U

Pro Forma Year of 6/30/2017

	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
Line No	Description	Amont Beginning of Pro Forma Year (a)	Pro Forma Adjustments	Amount End of Pro Forma Year	Proportion (Amount/Total)	Rate % (b)	Weighted Cost % (Col 6 x Col 7		
1	Long Term Debt	$ 2,545,795,641	$ 337,473,946	$ 2,883,269,587	35 06%	5.47%	1 92%		1.92%
2	Common Equity	3,131,138,240	134,635,501	3,265,773,741	39.71%	10 25%	4.07%	1.6490380	6.71%
3	ADIT	2,096,229,421	(382,327,722)	1,713,901,699	20 84%	0.00%	0.00%		0.00%
4	Pre-1971 ADITC				0.00%		0 00%		0 00%
5	Post-1970 ADITC - Long Term Debt	1,113,202	(6,212)	1,106,990	0.01%	5 47%	0.00%		0.00%
6	Post-1970 ADITC - Short Term Debt	(8,660)	8,660		0 00%	0.76%	0 00%		0 00%
7	Post-1970 ADITC - Equity	1,369,790	(115,957)	...	0 02%	10.25%	0.00%		0.00%
8	Customer Deposits	77,925,617		77,925,617	0 96%	1.39%	0 01%		0 01%
9	Short-Term/Interim Debt	(19,888,203)	19,888,203		0.00%	0 76%	0.00%		0.00%
10	Current Accrued and Other Liabilities	643,516,325	(373,388,816)	270,127,509	3.28%	0 00%	0.00%		0.00%
11	Other Capital Items	9,633,870	87,577	9,721,446	0.12%	9.00%	0 01%		0 01%
12	Totals	$ 8,486,825,243	$ (263,744,819)	$ 8,223,080,424	100 00%	(A)	6 01%		$\boxed{8.652\%}$

	(2)	(3)	(4)	(5)		(6)	(7)	(8)			
	Description	Amont Beginning of Pro Forma Year (a)	Pro Forma Adjustments	Amount End of Pro Forma Year	**ARVEC Adjustments**	Proportion (Amount/Total)	Rate % (b)	Weighted Cost % (Col 6 x Col 7			
13	Long Term Debt	$ 2,545,795,641	$ 337,473,946	$ 2,883,269,587		35 06%	5.47%	1 92%		1.92%	
14	Common Equity	3,131,138,240	134,635,501	3,265,773,741		39.71%	9.00%	3.57%	1 6490380	5 89%	
15	ADIT	2,096,229,421	(382,327,722)	1,713,901,699		20 84%	0.00%	0.00%		0 00%	
16	Pre-1971 ADITC					0 00%		0.00%		0 00%	
17	Post-1970 ADITC - Long Term Debt	1,113,202	(6,212)	1,106,990		0.01%	5 47%	0 00%		0.00%	
18	Post-1970 ADITC - Short Term Debt	(8,660)	8,660			0 00%	0.76%	0 00%		0.00%	
19	Post-1970 ADITC - Equity	1,369,790	(115,957)	1,253,834		0 02%	10 25%	0 00%		0 00%	
20	Customer Deposits	77,925,617		77,925,617		0.96%	1 39%	0.01%		0 01%	
21	Short-Term/Interim Debt	(19,888,203)	19,888,203			0 00%	0.76%	0 00%		0 00%	
22	Current Accrued and Other Liabilities	643,516,325	(373,388,816)	270,127,509		3.28%	0.00%	0.00%		0 00%	
23	Other Capital Items	9,633,870	87,577	9,721,446		0 12%	9.00%	0 01%		0 01%	
24	Totals	$ 8,486,825,243	$ (263,744,819)	$ 8,223,080,424		100 00%	(A)	5 52%		7 84%	$\boxed{-0.814\%}$

	(2)	(3)	(4)	(5)			(6)	(7)	(8)			
Line No.	Description	Amont Beginning of Pro Forma Year (a)	Pro Forma Adjustments	Amount End of Pro Forma Year			Proportion (Amount/Total)	Rate % (b)	Weighted Cost % (Col 6 x Col 7			
25	Long Term Debt	$ 2,545,795,641	$ 337,473,946	$ 2,883,269,587	$ 314,232,944	$ 3,197,502,531	**38.88%**	5.47%	2 13%		2.13%	$ 3,197,502,531
26	Common Equity	3,131,138,240	134,635,501	3,265,773,741	$ (314,232,944)	2,951,540,797	**35.89%**	**9.00%**	3.23%	1 6490380	5 33%	2,951,540,797
27	ADIT	2,096,229,421	(382,327,722)	1,713,901,699		1,713,901,699	**20.84%**	0 00%	0.00%		0 00%	6,149,043,328
28	Pre-1971 ADITC						**0.00%**		0.00%		0 00%	
29	Post-1970 ADITC - Long Term Debt	1,113,202	(6,212)	1,106,990		1,106,990	**0.01%**	5 47%	0.00%		0 00%	
30	Post-1970 ADITC - Short Term Debt	(8,660)	8,660			0	**0.00%**	0.76%	0 00%		0.00%	
31	Post-1970 ADITC - Equity	1,369,790	(115,957)	1,253,834		1,253,834	**0.02%**	10 25%	0 00%		0.00%	
32	Customer Deposits	77,925,617		77,925,617		77,925,617	**0.95%**	1 39%	0 01%		0 01%	
33	Short-Term/Interim Debt	(19,888,203)	19,888,203			0	**0.00%**	0 76%	0.00%		0.00%	
34	Current Accrued and Other Liabilities	643,516,325	(373,388,816)	270,127,509		270,127,509	**3.28%**	0 00%	0 00%		0.00%	
35	Other Capital Items	9,633,870	87,577	9,721,446		9,721,446	**0.12%**	9 00%	0 01%		0 01%	
36	Totals	$ 8,486,825,243	$ (263,744,819)	$ 8,223,080,424		$ 8,223,080,423	100 00%	(A)	5 38%		7 48%	$\boxed{-0.358\%}$