

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF )  
OKLAHOMA GAS AND ELECTRIC COMPANY )  
FOR AN ORDER OF THE COMMISSION )  
AUTHORIZING APPLICANT TO MODIFY ITS )  
RATES, CHARGES, AND TARIFFS FOR RETAIL )  
ELECTRIC SERVICE IN OKLAHOMA )

CAUSE NO. PUD 201700496

**FILED**  
MAY 07 2018

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CORPORATION COMMISSION  
OF OKLAHOMA



SUMMARY TESTIMONY

OF

ZACHARY QUINTERO

MAY 7, 2018

1 Zachary Quintero is employed by the Public Utility Division (“PUD”) of the Oklahoma  
2 Corporation Commission (“Commission”) as a Public Utility Regulatory Analyst. On  
3 January 16, 2018, Oklahoma Gas and Electric Company (“OG&E” or “Company”), filed  
4 its Application for an order of the Commission authorizing the Company to modify its rates,  
5 charges, and tariffs for retail electric service in Oklahoma. Mr. Quintero testified that PUD  
6 reviewed the Application, as well as the testimony and sponsored exhibits of Company  
7 witnesses. In addition, Mr. Quintero testified that PUD reviewed data requests and  
8 responses between all parties in this Cause and conducted onsite audits at the Company’s  
9 corporate office in Oklahoma City, Oklahoma. On May 2, 2018, Mr. Quintero filed  
10 Responsive Testimony explaining PUD’s review of Accumulated Deferred Income Taxes  
11 (“ADIT”), Cash Working Capital (“CWC”), Property / Ad Valorem Tax Expense,  
12 Interest Synchronization, and Current Income Tax Expense. Mr. Quintero also prepared  
13 and filed PUD’s Accounting Exhibit, which demonstrates the impact of all PUD  
14 adjustments on the Company’s requested Revenue Requirement. After his review, Mr.  
15 Quintero recommends the Commission accept the following PUD adjustments:

- 16 • **Rate Base ADIT:** PUD recommends an adjustment to update ADIT to the six-  
17 month post test year balance as of March 31, 2018. PUD’s recommended  
18 adjustment will increase ADIT, resulting in a decrease to Rate Base of \$16,837,746.
- 19 • **ADIT Amortization:** PUD recommends an adjustment to increase the amount of  
20 amortized ADIT to the six-month post test year amount as of March 31, 2018. This  
21 results in a reduction of \$24,980,135 to OG&E’s Operating Income.
- 22 • **Cash Working Capital:** PUD recommends an adjustment to CWC to reflect all of  
23 PUD’s recommended changes to the expenses included within the CWC calculation.  
24 PUD’s recommended adjustment will decrease OG&E’s pro forma CWC included  
25 in Rate Base by \$222,178.
- 26 • **Property / Ad Valorem Tax Expense:** PUD recommends an adjustment to current  
27 Property / Ad Valorem Taxes to reflect PUD’s recommended adjustments to the net

1 plant in service as of the six-month post test year of March 31, 2018, resulting in an  
2 increase of \$638,746.

- 3 • **Interest Synchronization:** PUD recommends an adjustment to interest expense  
4 within the income tax calculation to reflect changes to the rate of return and Rate  
5 Base. Interest Synchronization is a method that provides an interest expense  
6 deduction for regulatory income tax purposes equal to the ratepayers' contribution to  
7 OG&E for interest expense coverage. PUD recommends reducing the Company's  
8 interest expense in the amount of \$697,090. The effect on the Revenue Requirement  
9 is included below, in the Current Income Tax Expense recommended adjustment.
  
- 10 • **Current Income Tax Expense:** PUD recommends an adjustment to reduce  
11 OG&E's pro forma Current Income Taxes. PUD recommends net adjustments  
12 decreasing OG&E's pro forma operating income before income taxes, and therefore,  
13 the income taxes are reduced. PUD's recommended adjustment to Current Income  
14 Tax Expense is a reduction of \$19,486,071.

15 PUD believes these recommendations are fair, just, reasonable, and in the public interest.

CERTIFICATE OF SERVICE

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

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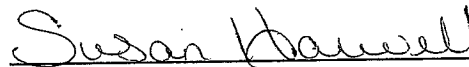
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