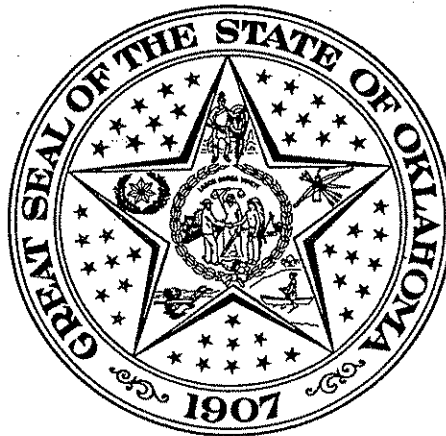


BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

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 200800398
)
)
)



FILED
JUN 22 2009

COURT CLERK'S OFFICE — OKC
CORPORATION COMMISSION
OF OKLAHOMA

PRE-FILED RESPONSIVE TESTIMONY OF
BRANDY LOYD WREATH

June 22, 2009

PRE-FILED RESPONSIVE TESTIMONY

OF

BRANDY LOYD WREATH

June 22, 2009

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INTRODUCTION

1 **Q: Would you please state your name?**

2 A: My name is Brandy Loyd Wreath.

3

4 **Q: What is your business address?**

5 A: My business address is 2101 N. Lincoln Blvd., Jim Thorpe Office Building, Suite
6 580, Oklahoma City, Oklahoma 73105.

7

8 **Q: By whom are you employed and in what capacity?**

9 A: I am employed by the Public Utility Division ("PUD") of the Oklahoma Corporation
10 Commission ("OCC" or the "Commission") as chief of energy and water.

11

12 **Q: What is your educational background and professional experience?**

13 A: I have a bachelor of science degree from Mid-America University of Oklahoma
14 City with a major in business management. Please see my attached curriculum
15 vitae, which includes a more complete listing of my professional credentials.

16

17 **Q: Please explain your duties and responsibilities with the PUD.**

18 A: My responsibilities with the PUD include serving as chief of the energy and water
19 department. In that capacity, I am responsible for managing assigned general
20 rate change applications, fuel audits, general filings, and some research projects.

21

1 **Q: Have you testified before this Commission in the past and have your**
2 **credentials been accepted?**

3 A: Yes, I have previously testified before this Commission and my credentials have
4 been accepted.

5
6 **PURPOSE**
7

8 **Q : In connection with Oklahoma Gas and Electric ("OG&E" or "the Company")**
9 **Cause Number PUD 200800398, application for approval of an adjustment**
10 **in its rates and charges for electric service, what were your**
11 **responsibilities?**

12 A: It was my responsibility to oversee the management related to this filing,
13 establish the scope of review, and review testimony to support the Staff's
14 quantification of OG&E's current revenue requirement based upon a test year
15 ended September 30, 2008.

16
17 **Q: Could you please list the areas assigned to each member of Staff?**

18 A: Yes. The following Staff assignments were made for this cause:

19	Brandy Wreath	Case Management Oversight
20		Policy Issues
21		Office Staff Training
22		
23		
24		
25	Fairo Mitchell	Review Team Members Work Papers
26		Office Staff Training
27		Capital Structure
28		Rate of Return
29		Rate of Return Methods and Studies

1		Return on Equity Methods and Standards
2		Return on Equity
3		
4	Bob Thompson	Cause Administrator
5		Work Papers and Accounting Exhibit Review
6		Accumulated Deferred Income Taxes
7		Cash Working Capital
8		Current Income Taxes
9		Deferred Income Taxes
10		Interest Synchronization
11		Investment Tax Credits
12		
13	Marvin Vaughn	Cause Controller
14		Review Team Members Work Papers
15		Staff Accounting Exhibit
16		Maintain Staff Adjustment Log
17		Coordinate Field Work
18		Transmission (All Related Items)
19		Ad Valorem Taxes
20		Enogex Issues
21		All Affiliate Transactions
22		Gas-in-Storage Level & Rate Base Treatment
23		Natural Gas Transportation
24		Red Rock Amortization
25		
26		
27	Scott Grass	Fuel Inventories (Coal/Oil)
28		Materials and Supplies
29		Prepayments
30		Fuel and Purchased Power Expense
31		Generation Expenses
32		Lost and Unaccounted for Expense
33		Off-System Sales Revenue
34		Off-System Fuel Expense
35		
36		
37	Thomas Lains	Depreciation
38		Accumulated Depreciation
39		Salvage Values
40		Backup for All Issues Relating to Engineering
41		Intangible Plant
42		
43	George Kiser	Production Maintenance
44		Other Operations and Maintenance (O&M)
45		Expenses

1		O&M Reclassification
2		Non-recurring Expense Adjustment
3		Capitalized Maintenance
4		Repairs and Maintenance
5		
6	Jason Thenmadathil	Plant in Service
7		Construction Works in Progress (CWIP)
8		Plant Held for Future Use
9		Non-investor-Supplied Capital
10		Non-utility Activities
11		Non-utility Expense
12		Redbud O&M Expense
13		Regulatory Assets
14		Regulatory Expense
15		Regulatory Liabilities
16		
17	Debbie Prater	Rate Case Expenses
18		Postage
19		Moving/Relocation Expense
20		Miscellaneous General Expense
21		Federal Energy Regulatory Commission
22		(FERC) Assessment
23		Utility Assessment Expense
24		Sale of Assets
25		Lobbying Expense
26		Legislative Advocacy
27		Research and Development
28		Consumer Fees
29		
30	Kiran Patel	Maintain Data Request Logs
31		Maintain Staff Adjustment Log
32		Miscellaneous Taxes
33		Customer Advances
34		Interest on Customer Deposits
35		Customer Deposits
36		Donations and Contributions Expense
37		Civic Dues and Community Activities
38		Marketing and Promotional Expenses
39		Advertising Expenses
40		Bad Debts Expense
41		Outside Service/Attorney Fees
42		
43	Javad Seyedoff	Lease/Rent Expenses
44		Insurance/Self Insurance Expense
45		Injuries and Damage Expenses

1		Southwest Power Pool Revenues
2		Southwest Power Pool Expenses
3		Corporate Expense/Overheads and Allocations
4		Business Process Improvement O&M Removal
5		Removal of 2008 Storm Amortization
6		
7		
8	Trent Campbell	Redbud Plant Payroll
9		Payroll Taxes
10		Payroll/Labor Expense
11		Pensions and Medical
12		Incentive Compensation
13		Other Employee Benefits
14		Employee Medical Benefits
15		
16	Karen Forbes/ Sharon Fisher	All Revenues and Related Adjustments
17		Unbilled Revenues
18		Fuel Adjustment Over/Under Collection Lag
19		True-Up of Large Power and Light (LPL)
20		Special Contracts
21		Demand Program Rider Adjustments
22		Redbud Rider Adjustment
23		Removal of Incremental Real-Time Pricing
24		Fuel Cost Adjustment Removal
25		True-Up Fuel Cost Adjustment
26		Year-End Customer Adjustment
27		Normalize Weather Adjustment
28		Synchronization of Weather, Military &
29		Cogeneration Credit Rider
30		Revenue from Non-ratepayer Sources
31		Vegetation Management
32		Financial Markets Information
33		Riders and Reconciliation
34		Removal of Storm Cost Recovery Rider
35		
36	David Smith/ Jonathan McFadden	Jurisdictional Allocations
37		Class Cost of Service Study
38		Rate Design Changes
39		FAC Rate Design (Shared with Energy and Water)
40		Economic Development Program
41		Demand Side Management
42		Conservation Programs
43		
44	Jim Jones	Proof of Revenue
45		Demand Side Management

Tonya Hinx-Ford Smart Power

Further, Mr. Thompson and Mr. Vaughn served as cause controllers as shown above.

Q: Would you please explain the nature of responsibilities involved with acting as the cause controller?

A: Yes. As cause controllers, Marvin Vaughn and Robert Thompson were responsible for the daily management of the case. Onsite field visits were coordinated through Mr. Vaughn as well as providing general guidance and timeline development. Mr. Thompson was responsible, as the certified public accountant (CPA) manager of accounting, for overseeing the accounting exhibits and workpaper reviews.

Q: Would you please explain to the Commission the extent of your work with the PUD Staff?

A: Yes. The recommendations of Commission PUD Staff as filed in this exhibit were made in direct coordination with, and reviewed by, Fairo Mitchell; chief of the Commission's Economic and Research Analysis Group ("ERA"); manager of accounting Robert Thompson, CPA; section coordinator Marvin Vaughn; and me. The recommendations made by Staff were made with extensive focus on past Commission practices and prior rate case activities, updates and statutes as well as calculation reviews.

1 **Q: Was Staff's Accounting Exhibit prepared under the direct supervision of**
2 **Robert Thompson, CPA and was it based on examination of the books and**
3 **records of OG&E?**

4 A: Yes, the Staff's Accounting Exhibit was prepared under the direct supervision of
5 Staff's accounting manager, Robert Thompson, CPA. It was also based upon a
6 thorough review and examination of the Company's books and records.

7
8 **Q: Please explain the overall revenue requirement recommended by Staff.**

9 A: Section A of Staff's Accounting Exhibit provides a computation of OG&E's
10 revenue requirement. In this Cause, Staff calculates that the Company's
11 jurisdictional revenue deficiency is \$35,736,211 as shown on Line 7 of Section A.
12 This finding of revenue deficiency for OG&E incorporates Staff's recommended
13 adjusted rate base of \$2,776,352,645 and adjusted operating income of
14 \$215,256,554 and rate of return of 8.541%.

15
16 **Q: What is Staff's position regarding inclusion of known and measurable**
17 **changes for ratemaking purposes?**

18 A: In determining Staff's recommended overall revenue requirement for the
19 Company, Staff used the six months post test year date as the cut-off period
20 which Staff believes is consistent with the language in 17 O.S. § 284, which
21 states, "[T]he Corporation Commission shall give effect to known and
22 measurable changes occurring or reasonably certain to occur within six (6)
23 months of the end of the test period upon which the rate review is based." Staff

1 utilized the six months post test year as a benchmark to check the
2 reasonableness of the test year end levels. Staff also utilized the information to
3 set normalized levels if previously ordered to do so by the Commission.
4

5 **Q: Did Staff make adjustments to the 6 months post test year level in this**
6 **case?**

7 A: Yes. Staff adjusted the major accounts in this case to reflect a six months post
8 test year level to account for the most recently available data. The major areas
9 adjusted include, but were not limited to, rate base, accumulated depreciation,
10 payroll, incentives, and revenues.

11
12 **Q: Would you please explain the process utilized by the Commission Staff to**
13 **perform the in-depth review and audit of the Company's books and**
14 **procedures?**

15 A: Yes. Staff reviewed the initial filing and testimony supplied by the Company as a
16 part of the rate case filing. Staff further reviewed Commission orders, prior
17 testimony, and work papers relating to OG&E. All members assigned to review
18 financial areas of the Company conducted onsite field work in the Oklahoma City
19 headquarters of OG&E. Other onsite visits were made to operational areas as
20 needed.
21
22
23

Q: Please explain the nature of a field visit as utilized by Staff?

A: Field visits are the mechanism through which Staff is able to review the actual books and records of the Company. In addition to the book review, Staff is able to conduct interviews with the operational employees who manage and perform the functions under review. This enables Staff to form a real world opinion of reasonableness rather than trying to set levels based solely on accounting book entries.

Q: Why is it important to do more than just an accounting review of the books and records?

A: Failure to review the reasons for certain levels of expense and investments could result in setting a level that is inflated or insufficient to provide service in the safest, most reliable, and most efficient manner. Some items can be misleading if only reviewed from an accounting standpoint. It is always beneficial to discuss the different expenses and investments with field personnel who are part of the initial decision-making process.

Q: Did Staff issue formal data requests in this cause?

A: Yes. Staff submitted more than 200 official requests for data to OG&E. This was in addition to numerous informal discussions held during the onsite field audits. Staff also reviewed the data requests submitted by other parties to OG&E and utilized the responses to those data requests to form additional Staff questions

1 and analysis points. This process greatly reduced asking a number of
2 overlapping questions that reduces efficiency for all parties.
3

4 **Q: Was Staff able to look at all book entries made by the Company as a result**
5 **of this audit?**

6 A: No. It is unrealistic for Staff to look at every account and every entry made during
7 the test year and the six months following test year end. However, Staff
8 reviewed areas that appear to have a major impact on the rates and charges
9 passed on to ratepayers. Within these accounts, Staff performs a review of
10 sample entries to ensure proper posting, accounting, and allocation.
11

12 **Q: From a policy viewpoint, would you please describe your opinion of Staff's**
13 **role in this Cause?**

14 A: Staff's role in its review of any company's filing in a rate proceeding is to be as
15 objective as possible. Staff recognizes that there are competing interests
16 throughout the case and tries to weigh all issues as objectively as it can.
17

18 **Q: What is Staff's goal in making its recommendation to the Commission in a**
19 **rate case?**

20 A: As earlier stated, Staff's goal is to be objective. Staff does its best to balance the
21 interest of the Company to make a fair and reasonable return with the rights of
22 the customers to have safe, reliable service at a reasonable price.
23

1 **Q: Are there any areas in which Staff's recommendation is still pending further**
2 **review?**

3 A: Staff's recommendations as provided are based on a thorough and complete
4 review. However, if the Company or other parties are able to provide additional
5 information or details to Staff following filing of written testimony, we will continue
6 to be open to reviewing reasonable adjustments to the levels recommended.
7 There were areas in which Staff did not receive all of the information necessary
8 to review particular adjustments so total disallowances were made. If the
9 Company supplies subsequent information, Staff will continue to review and
10 make determinations whether changes would be reasonable.

11
12 **CONCLUSION**

13 **Q: What is your concluding recommendation?**

14 A: Staff requests that the Commission accept Staff's recommendation regarding the
15 Company's total revenue requirement based on the individual rate base and
16 income statement adjustment treatments as reflected in Staff's accounting
17 exhibit.

18
19 I state under penalty of perjury under the laws of Oklahoma that the foregoing is true
20 and correct.

21
22 
23 _____
24 (Signature)



Brandy Wreath

Exhibit BW-1

2008 Curriculum Vitae

Contact

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Fax: 405-522-1157

580 Jim Thorpe Building
P.O. Box 52000
Oklahoma City, OK 73152

Education

Mid America University 1994 - 1998

- B.S., Business Management and Ethics, Magna Cum Laude

Work Experience

Oklahoma Corporation Commission 2006-Present

Chief of Energy and Water

- Appointed to the NARUC Subcommittee on Gas.
- NARUC international delegation member for India's Petroleum and Natural Gas Resource Board.
- Lead case analyst and expert witness on the following PUD Causes: 200700366, 200700399, 200700418, 200800023, 200800062, 200800063, 200800078, 200800090, 200800144, 200800227, 200800301, 200800348, 200900055, 200900090, and 200900114.

Public Utility Auditor

- Lead case analyst and expert witness on the following PUD Causes: 200600257, 200600336, 200600339, 200600342, 200600376, 200700076, 200700085, 200700195, 200700207, 200700309, 200700322, 200700244, and 200300622.
- Expert witness for the following PUD Causes: PSO Rate Case 200600285, AOG Rate Case 200600379
- Actively participated in the rate design phase of PUD Case 200600096 Fort Cobb Fuel and 200300622 Pecan Valley Water

JP Morgan Chase Bank 1992 - 2005

Vice President

- Managed sales and service functions for 39 Oklahoma retail-banking centers
- Commercial lending
- Analysis of business financials for credit worthiness
- Investment, estate, hedging, and retirement planning
- Federal regulatory audits
- Personnel management including: recruiting, training, evaluation, and salary management
- Financial planning trainer for professional groups including the following: Oklahoma Bar Association, Urban League of Oklahoma City, Hammond Properties, and the Oklahoma Restaurant Association

Professional Licenses and Associations

- Member of the NARUC Subcommittee on Gas
- Oklahoma Licensed Producer for Life and Health Insurance
- Licensed with National Association of Securities Dealers with Series 6, 63, and 7

Professional Training

- National Association of Securities Dealers Series 7, 6, 63
- Trading OTC Energy Derivatives: Options & Linear Instruments, New York Mercantile Exchange, World Financial Center
- JP Morgan retirement and IRA accounts management training
- JP Morgan markets and investment strategies
- Oklahoma insurance dealers life and health insurance
- Everything Eco, San Francisco Institute of Architecture

CERTIFICATE OF SERVICE

I, the undersigned, do hereby certify that on the 22nd day of June, 2009, a true and correct copy of the above and foregoing was deposited, with postage prepaid thereon, in the U.S. Mail to:

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