

BEFORE THE CORPORATION COMMISSION 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 201500273

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RESPONSIVE TESTIMONY OF

KIRAN PATEL

MARCH 21, 2016

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## INTRODUCTION

1   **Q:   Please state your name and your business address.**

2   **A:**   My name is Kiran Patel. My business address is Oklahoma Corporation Commission  
3       ("OCC" or "Commission"), Public Utility Division ("PUD") the Jim Thorpe Office  
4       Building, Room 580, and 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma  
5       73105.

6   **Q:   Have you previously testified before this Commission and were your qualifications**  
7       **accepted?**

8   **A:**   Yes, I have previously testified before the Commission and my qualifications were  
9       accepted at that time.

10  **Q:   What is your occupation and who employs you?**

11  **A:**   I am employed by the Public Utility Division ("PUD") of the Oklahoma Corporation  
12       Commission as a Public Utility Regulatory Analyst.

13  **Q:   How long have you been so employed?**

14  **A:**   I have been employed with the Commission since September 2006.

15  **Q:   What are your duties and responsibilities with the PUD?**

16  **A:**   My primary responsibility includes reviewing, evaluating and analyzing accounts for  
17       accuracy and reasonableness during utility rate case audits and processed large and  
18       small rate case audits, both individually and with teams. I am also responsible for  
19       reviewing monthly fuel filings, rate increases of up to three percent (3%) for Oklahoma

1 electric cooperatives pursuant to 17 O.S. §158.27(B), tariffs, prudence audits related to  
2 energy and fuel purchases and annual audits pursuant to fuel adjustment clause  
3 applications for regulated electric, gas utilities and electric cooperatives. For a complete  
4 list of my work history and educational background, please review the attached  
5 curriculum vitae.<sup>1</sup>

### PURPOSE

6 **Q: What is the purpose of your testimony regarding the application filed by Oklahoma**  
7 **Gas and Electric Company for a change or modification in its rates, charges and tariffs**  
8 **as filed in Cause No. PUD 201500273?**

9 **A:** The purpose of my testimony is to detail the areas that were reviewed by PUD and to  
10 discuss the review process. In addition, the purpose of my testimony is to support my areas  
11 of review relative to the Oklahoma Gas and Electric Company ("OG&E" or "Company")  
12 application for an order adjusting its rates, charges, and terms and conditions of service in  
13 the State of Oklahoma.

14 **Q: What areas were you assigned to review in the current cause?**

15 **A:** I was assigned to the following areas:

- 16 • Rate Case Expenses
- 17 • Regulatory Expenses
- 18 • Gas in Storage
- 19 • Bad Debt Expense
- 20 • Power Generation Utility
- 21 • Consumable Cost Removal
- 22 • Taxes other than Income Taxes
- 23 • O&M Generation Non-Fuel expense:
- 24 • Large Invoices

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<sup>1</sup> Exhibit KPL-1

- 1 • Informational/Instructional/Miscellaneous-Sales Expense
- 2 • Renewable Energy Certificate ("REC") Revenues
- 3 • Unbilled Revenues Over/Under
- 4 • Fuels and/or Purchased Power Expenses
- 5 • Outside Service

6 **Q: Please summarize your review process in your assigned areas.**

7 A: I reviewed the application, testimony, corresponding work papers, and responses to data  
 8 request issued by other parties related to my assigned areas. For all areas that I reviewed,  
 9 PUD issued two data requests.<sup>2</sup> The Company also created binders for review onsite.  
 10 PUD conducted multiple onsite visits with Company representatives to review the areas  
 11 above. In addition, PUD requested samples of invoices, trial balances, reviewed all  
 12 responses of OG&E pertaining to my assigned areas, and other support documentation.  
 13 PUD also had multiple conversations with Company representatives to clarify any  
 14 questions and/or issues.

**EXECUTIVE SUMMARY**

15 OG&E made ten (10) adjustments in my assigned areas, as shown below:

Adjustment Number	Description	Amount of Increase/(Decrease)
Adj No. 05	Gas in Storage	(\$3,086,959)
Adj No. 01	Unbilled Revenues Over/Under W/P H-2-1	\$73,098,402
Adj No. 42	Rate Case Expenses	(\$580,000)
Adj No. 27	Regulatory Expenses W/P H-2-27	\$2,790,417
Adj No. 46	Power Supply Utilities Expense	(\$196,404)
Adj No. 52	Environmental Consumable Cost Removal W/P H-2-52	\$268,995
Adj No. 12	Removal of Fuel W/P H-2-12	(\$855,179,651)
Adj No. 10	REC Revenue W/P H-1-1b	(\$4,127,110)
Adj No. 36	Fuels and Purchase Power Expense W/P H-2-36	\$860,548,420
Adj No. 28	Bad Debt Expenses W/P H-2-28	(\$72,914)

<sup>2</sup> CauseNo. PUD 201500273 Data Request KPL-1,&KPL-2

1 After conducting a thorough review of OG&E's Application and conducting multiple on-  
2 site visits, PUD accepts these OG&E adjustments as presented in its Application. In  
3 addition, PUD proposes adjustments to OG&E's rate base. PUD reviewed the following  
4 areas: Unbilled Revenues Over/Under, Rate Case expense, Regulatory expense, Power  
5 Supply Utilities, Consumable Cost Removal, Taxes other than income, Bad Debt  
6 Expenses, Informational/Instructional/Miscellaneous/Sales Expense, Removal of Fuels  
7 revenues, REC Revenues, Fuels and or Purchased Power, O&M Generation Non-Fuel,  
8 Large Invoices excluding cost of gas, fuel and purchased power and taxes.

#### 9 ANALYSIS

10 **Current Rate Case expense:** OG&E proposed an estimated total rate case expense  
11 amount of \$1,160,000, to be amortized at \$580,000 per year over two years. PUD  
12 recommends an adjustment to decrease the current rate case expense from OG&E's  
13 forecast amount of \$660,077<sup>3</sup> minus the Company's witness expense amount of \$150,000  
14 that benefits stockholders but not ratepayers. PUD proposed PUD Adjustment No. H-1,  
15 of (\$324,961), annually. After the adjustment, PUD allows recovery of the annualized  
16 adjustment amount of \$255,039.

17 **Regulatory expenses:** OG&E proposed a projected total amount of \$1,274,921 (the 2014  
18 total amount of \$108,699 and 2015 total amount of \$1,166,222) to be a normalized level  
19 of \$528,762. However, PUD recommends an adjustment of \$345,756 for OG&E's

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<sup>3</sup> Cause No. 201500273, AG-2-6, WP-H-2-42 Six month post test year updated to forecasted in Feb -2016

1 Oklahoma rate case expense. In addition, PUD recommends an adjustment of \$786,485<sup>4</sup>  
2 for legal fees in Cause No. 201400229. This results in a total decrease of \$1,132,242.  
3 PUD adjustment allows \$142,679 of OG&E's requested amount of \$528,762. When  
4 amortized over two years, this amount becomes \$71,339 annually. Therefore, PUD  
5 proposes PUD Adjustment No. H-3 for \$457,422 to amortize regulatory expense over  
6 two years.

7 **Gas in Storage:** OG&E proposed decreasing natural gas inventory by 3,086,959  
8 (MMBtu). OG&E made an adjustment to its gas in storage expense to phase out its  
9 "cushion" gas inventory. PUD recommends an adjustment to increase of 3,756,393  
10 (MMBtu), to the level of gas in storage inventory and will make PUD Adjustment No. B-  
11 4, for the total amount of \$857,885 to increase level to 3,756,393 (MMBtu).

12 **Bad Debt expense:** OG&E proposed to increase operating expense by \$72,914. The  
13 Company used a four-year average uncollectible rate and multiplied it by the pro forma  
14 revenues, net of fuel costs, to arrive at a new bad debt expense level. PUD recommends  
15 the six-month post-test year level to be used for the four-year average uncollectible rate  
16 and to be multiplied by 0.22 percent.<sup>5</sup> PUD made PUD Adjustment No. H-4, to decrease  
17 operating expense by (\$27,418).

18 **Power Generation Utility:** OG&E's proposed an adjustment to increase the water cost  
19 associated with operation of the Redbud Power Plant. OG&E used test year water supply

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<sup>4</sup> Cause No. 201400229 Final order No. 647346, Page 22 and WP-H-13. Regulatory Expenses

<sup>5</sup> Workpaper H2-28, six-month post-test year.

1 cost, as shown in its work paper W/P H-2-46, in the amount of \$1,270,581, and the  
2 projected amount was \$1,466,985, which made the Company adjustment \$196,404. PUD  
3 agrees with OG&E's proposed adjustment, therefore PUD did not make an adjustment.

4 **Consumable Cost Removal:** OG&E proposed to remove \$268,995 of environmental  
5 consumable costs incurred during the test year. The Company proposes recovery of  
6 existing consumable costs associated with Activated Carbon Injection ("ACT")  
7 equipment that will begin in 2016 on a going-forward basis. PUD agreed with the  
8 Company's proposed adjustment. Therefore, PUD recommended no adjustment to  
9 Consumable Cost removal. Cost recovery will be addressed in testimony of PUD witness  
10 Jason Chaplin.

11 **Taxes other than Income Tax:** PUD did not recommend an adjustment to miscellaneous  
12 taxes. PUD reviewed OG&E work paper W/P-H-18 concerning taxes other than income  
13 tax and the Company's support documentation. The corporate franchise tax is imposed on  
14 all domestic and foreign corporations doing business in Oklahoma. It is based on the  
15 Company's capital or equity plus long-term indebtedness at the rate of 1.25 per thousand  
16 dollars invested or employed in Oklahoma. The franchise tax is a minimum of \$10.00 and  
17 a maximum of \$20,000 annually.

18 **O&M Generation Non-Fuel expense:** PUD reviewed FERC ("FERC" or "Federal  
19 Energy Regulatory Commission") Account No.502, Steam Expenses and the sub account,  
20 trial balances amount of \$7,672,867 with the general ledger. PUD also verified that this  
21 account included the cost of labor, materials, and expenses incurred in production of

1 steam for electric generation. PUD has not proposed any adjustments to O&M  
2 Generation Non-fuel.

3 **Large Invoices:** The Company provided a list of large invoices, meaning greater than  
4 \$250,000, for the test year. In addition to reviewing the Company's W/P-H-22, PUD  
5 reviewed the Company's Application and responses to PUD's on-site requests and  
6 supporting documents for the highest invoices on the large invoices list for various  
7 vendors. The large invoices valued over \$250,000 in the Cause No. PUD 201100087 test  
8 year, ending December 31, 2010 totaled \$208,491,661. The amount of large invoices in  
9 this Cause totaled \$2,330,549,697. After review of invoices provided, PUD recommends  
10 no adjustments.

11 **Informational-Instructional-Miscellaneous-Sales Expense:** PUD reviewed the  
12 Company's W/P-H-2, general ledger account, and six-month post-test year expense data,  
13 which traced and tied to expenses in FERC accounts 907 through 912, and 916. Based on  
14 the statutory requirements and OCC rules,<sup>6</sup> PUD allowed costs for those activities that  
15 encouraged safe, efficient and economical use of utility service, assistance to customers,  
16 and encouraged health and environmental protection. All other expenses in FERC  
17 accounts 911, 912 and 916 were incurred in sales activities and considered promotional  
18 and were disallowed by Statues and OCC Rule. OG&E did not proposed adjustment and  
19 Also PUD recommends no adjustment. Adjustment concerning advertising will be  
20 addressed by PUD witness Kathy Champion.

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<sup>6</sup> OCC Rules 165:35-7-4 & 7-5.

1        **Renewable Energy Certificate ("REC") revenue:** OG&E proposed an adjustment to  
2        remove revenues booked as a result of REC sales from various wind resources to the  
3        wholesale market during the test year. PUD traced and tied the journal entries to work  
4        papers and verified that the REC revenues incurred during the test year were removed  
5        from the base cost of service. PUD recommends no adjustment for the test year. Total  
6        Company revenue decrease of \$3,676,668. PUD agreed with the OG&E's adjustment.

7        **Unbilled Revenues Over/Under Recovery:** OG&E proposed an adjustment to remove  
8        unbilled revenue and associated kWh, resulting in a \$3,400,000 reduction in revenues and  
9        a reduction of 54,269,600 kWh. PUD reviewed W/P-H-2-1, concerning Unbilled  
10       Revenue and Over/Under accounts. PUD also traced and tied the journal entries to work  
11       papers. The removal of an under-recovery of fuel and rider collections had the effect of  
12       increasing revenue by \$74,479,308. The net of \$74,479,308 minus unbilled revenue  
13       reduction of \$3,400,000 equaled a net increase of \$71,079,308. PUD does not propose  
14       any adjustment to the Company's recommendation for Unbilled Revenues Over/Under  
15       Recovery.

16       **Fuels and/or Purchased Power expenses:** OG&E proposed an adjustment to remove all  
17       fuel and purchased power costs from the test year, excluding cogeneration capacity  
18       payments.<sup>7</sup> OG&E proposed to remove from the test year all fuel expenses, including  
19       costs passed to customers through the Fuel Adjustment Clause, but excluding capacity

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<sup>7</sup> On Cause No. PUD 201100087, Final Order No. 599558

1 payments. This adjustment removes \$860,548,419 from operating expense, while leaving  
2 \$82,755,933 in base rates for cogeneration capacity payments. PUD reviewed W/P-H-2-  
3 36, and test year general ledger, Cogeneration capacity payments, and Curtailment  
4 general ledger in support of this adjustment. PUD reviewed and verified that all work  
5 papers and general entries tied back to the work papers. Therefore, PUD recommends no  
6 adjustment to the fuel and/or Purchased Power expenses.

7 **Outside Services:** OG&E did not propose any adjustment to this area. However, during  
8 the PUD's review process, the Company recognized an error in its outside service  
9 expenses, specifically regarding Company account 682000 – Professional and Legal  
10 Services. As a result of communication between PUD and the Company,<sup>8</sup> it was  
11 determined that some expenses were incorrectly included in this account. PUD  
12 Adjustment No. H-14 was made to decrease the Outside service costs in the amount of  
13 \$200,000.

## **REVIEW PROCESS**

### **Current Rate Case Expenses**

14 **Q: What adjustment does OG&E recommend for current rate case expense?**

15 **A:** OG&E has estimated a total amount for the current rate case expense in Section H-2-42,  
16 in WP H-2-42 Rate case expense to be \$1,160,000 and requested a recovery of that  
17 amount of \$580,000 annually over 2 years. OG&E's employee payroll expenses (labor)  
18 are not included in its estimate.

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<sup>8</sup> Conversation between PUD and OG&E witness Jason Thenmadathil on March 16, 2016.

1 **Q: What analysis did PUD perform regarding OG&E's current rate case expenses?**

2 A: PUD reviewed legal fees, consultants' fees, and other expense-related details included in  
3 the current rate case expense. PUD reviewed prior causes, the test year, and six-month  
4 post test year expenses. PUD also reviewed all support documents for items included in  
5 the current rate case expense, specifically searching for items that are not necessary in  
6 providing utility service to the customers.

7 **Q: How much of these expenses are attributable to the current rate case during the test**  
8 **year?**

9 A: The amount of current rate case expenses reported by OG&E, and as updated, has  
10 reached \$660,077. PUD also proposed an adjustment to rate case expense in the amount  
11 of \$150,000, relative to Witness Training, which includes things like conducting a  
12 workshop to prepare technical witnesses to more effectively communicate complex  
13 subject matter. PUD believes that witness training does provide a benefit to the  
14 Company, but does not provide a benefit to the ratepayers. Therefore, PUD disallowed  
15 witness training expense. PUD recommends that OG&E submit a final update of its rate  
16 case expenses at the end of the hearing and that the updated level of rate case expenses  
17 will be the level of expense to be recovered over a two-year amortization period. Also,  
18 OG&E should continue to provide all additional rate case expenses until the Final Order  
19 has been issued in this cause.

20 **Q: Would you please explain PUD's adjustment for amortization of the rate case**  
21 **expenses?**

1 A: Yes. OG&E has requested a rate case expense recovery period of 24 months, as shown by  
2 its pro forma adjustment in W/P-H-13a. Based on W/P-H-13a, the filed Application,  
3 onsite audit work papers, and responses to Attorney General's Office data request AG-2-  
4 6, the total current and remaining balances provided to PUD are in Table 1 below:

**Table 1: Rate Case Expense**

<b>Description</b>	<b>Amount</b>
Forecasted expense per OG&E(WP-H-13a)	\$1,271,695
Recommended rate case expense	\$1,271,695
Invoices on hand (current rate case 2015-273)	\$607,097
Remaining estimated balance	\$660,077
Witness training expense \$150,000 half	\$150,000
Remaining amount	\$510,077
Amortized over two years	
PUD Annualized adjustment annually	\$255,039
PUD proposed PUD Adjustment No. H-1	\$324,961

5 **Q: What is PUD's proposed adjustment to current rate case expenses?**

6 A: PUD Adjustment No. H-1 will result in a decrease of \$255,039 from the \$580,000 per  
7 year for current rate case expenses requested by OG&E.

#### Regulatory Expense

8 **Q: Please summarize your review of Regulatory Expenses.**

9 A: PUD reviewed all support documentation for items included in the rate case expense,  
10 searching for items that are not necessary to provide utility service to the customers. The  
11 Company removed the amortization of the deferred asset for rate case expenses because  
12 assets will be fully amortized by the time new rates go into effect. This results in a  
13 decrease of \$28,337, which is reflected in W/P H-2-27. Also, the Company normalized

1 regulatory costs for various causes in the Oklahoma jurisdiction, excluding rate cases.

2 The Company's pro forma adjustments to regulatory expenses totaled \$1,797,254.

3 **Q: What is PUD's recommendation about OG&E's regulatory pro forma adjustment?**

4 A: PUD does not recommend any adjustment to the regulatory expenses in FERC account  
5 No. 928 related to prior rate case expenses, FERC fees, and OCC assessment fees as  
6 requested by OG&E in W/P H-2-27 in this proceeding.

7 **Q: What analysis did PUD perform regarding OG&E's current rate case expenses?**

8 A: PUD reviewed legal fees, consultants' fees, and other expense-related details. PUD  
9 reviewed prior causes, the test year, and updated six-month post-test year expenses. PUD  
10 also reviewed W/P H-2-27, W/P H-13 and all supporting documents for items included in  
11 the regulatory expenses, searching for items that are not necessary in providing utility  
12 service to the customers.

13 **Q: Would you please explain PUD's adjustment for amortization of the regulatory  
14 expenses?**

15 A: The amortization of regulatory expense is included in the W/P H-2-27 regulatory expense  
16 and W/P H-13 in the OG&E filing. OG&E's pro forma calculation is for a two-year  
17 average to regulatory expenses to normalize the amount of \$1,166,222, minus the average  
18 based on the adjustment of regulatory expenses from 2014 through 2015 for \$637,461,  
19 with the remaining total of \$528,762. PUD traced and tied the journal entries to work  
20 papers and verified that the Regulatory expenses incurred during the test year. PUD

1 discovered information in W/P H-13 that revealed the Company had included an OK  
2 Rate Case 2015 amount of \$345,757<sup>9</sup> that already had been included in the current rate  
3 case expenses. Therefore, PUD removed \$345,757 from the regulatory expenses.

4 **Q: Did the Company request recovery of regulatory expenses in the present case that**  
5 **were associated with the non-capital cost from the (“Environmental Compliance**  
6 **Plan”) of OG&E in Cause No. PUD 201500229?**

7 A: Yes. OG&E requested recovery of \$786,485 in regulatory expenses that are associated  
8 with the non-capital costs of the ECP of OG&E in Cause No. PUD 201400229.

9 **Q: Did the Commission discuss when the non-capital costs in Cause No. PUD**  
10 **201400229 should be addressed?**

11 A: Yes. The Commission stated that it was “not required to consider the non-capital  
12 expenditures in a pre-approval application brought under 17 O. S. § 286...where  
13 decisions regarding cost recover [*sic*] for these items and the ECP can be better reviewed  
14 and determined in a full rate case.”<sup>10</sup>

15 **Q: Did PUD review the request for these non-capital items in the present cause?**

16 A: Yes. PUD reviewed the non-capital items for which recovery was requested in the present  
17 cause. We anticipate reviewing these items for possible cost recovery when the Company  
18 presents the associated capital expenditures. However, PUD will consider non-capital

---

<sup>9</sup> Cause No. 201500273, WP H-2-13

<sup>10</sup> Commission Order No. 647346 in Cause No. PUD 201400229, issued December 2, 2015. p. 17.

1 expenditures associated with capital expenditures related to the Company's ECP  
2 proposed in the present cause.

3  
4 **Q: What is the regulatory expense adjustment related Cause No. PUD 201400229?**

5 A: PUD removed regulatory expenses related to Cause No. PUD 201400229 in the amount  
6 of \$786,485. The regulatory expense adjustment calculation shown in below Table 1:

**Table 2: Regulatory Expenses**

Oklahoma Regulatory Expense to Normalize (\$108,699 + \$1,166,222)	\$1,274,921
Less OK Rate Case 2015	\$345,757
Less Related to 2014-229 legal fees	\$786,485
Adjustment to Average regulatory expense	<b>\$142,679</b>
Expenses normalized at two years	\$71,340
<b>PUD's proposed adjustment No. H-3, annually</b>	<b>\$457,422</b>

7 **Q: What is PUD's proposed adjustment to regulatory expenses?**

8 A: PUD proposed Adjustment No. H-3 will result in a decrease of \$457,422, per year for  
9 regulatory expenses requested by OG&E.

#### Gas-in-Storage

10 **Q: Please describe OG&E's adjustment for gas-in-storage.**

11 A: OG&E proposed to decrease natural gas inventory expense by 3,086,959 (MMBtu). The  
12 Company is recommending a reduction of gas in storage expense because the Company  
13 is in the process of phasing out its "cushion" gas inventory. This portion of inventory is  
14 the remainder from a previous gas storage agreement and will phase out over five years.  
15 This is due to a lower projected inventory level for natural gas from a reduction to gas in  
16 storage. PUD does not propose any changes to the Company's treatment of its inventory

1 level. However, for the normalized gas-in-storage level, PUD used six-month post-test  
2 year data. PUD proposed and adjustment to raise the six-month post-test-year gas-in-  
3 storage level shown on W/P H-3-5 to 3,756,393 (MMBtu). The increase of \$857,885  
4 reflects a normalized level to six-month post-test-year. Therefore, PUD recommends  
5 PUD Adjustment No. B-4 to increase Gas-in-Storage expense in the amount of \$857,885.

6 **Q: Did PUD recommend a reduction and/or decrease the adjustment to OG&E's gas-**  
7 **in-storage?**

8 **A:** Yes, PUD proposed the following adjustments:

**Table 3: Gas-In- Storage**

Description	Quantity(MMBtu)	Amount
December 2015	3,555,234	\$9,298,507
Requested level	3,756,393	\$10,156,392
PUD's adjustment No. B-4	(201,158)	(\$857,885)

**Bad Debt Expense**

9 **Q: Please describe OG&E's adjustment for bad debt expense.**

10 **A:** OG&E proposed to increase operating expense by \$72,914 for the test year. The bad debt  
11 pro forma adjustment includes cost for uncollectible revenues that the Company  
12 experienced, net of the fuel component of the customer's bill. The fuel component of bad  
13 debt flows through the fuel adjustment clause. The Company used a four-year average  
14 uncollectible rate and multiplied it by the pro forma revenues, net of fuel, to arrive at new  
15 bad debt expense level. PUD agreed with the bad debt expense treatment. PUD also  
16 reviewed W/P H-2-28, W/P-H-20, all supporting documentation, and six-month post-test  
17 year updated W/P H-2-28. PUD recommends using the six-month post-test year data to

1 decrease bad debt expense by \$27,418. Therefore, PUD recommends PUD Adjustment  
2 No. H-4, to Bad Debt Expense in the amount of \$27,418.

3 **Q: Does PUD recommend any adjustments to OG&E's Bad Debt Expense?**

4 **A:** Yes. PUD is proposing the following adjustments:

**Table 4: Bad Debt Expense**

<b>Description</b>	<b>Amount</b>
OG&E's Proposed adjustment to WP H-2-28:	\$72,914
PUD Proposed adjustment to six-month post test year:	\$27,418

**Outside Service**

5 **Q: Regarding outside services (FERC Account 923), what does PUD recommend**  
6 **concerning Company Account 682000, for Professional and Legal Services?**

7 **A:** Through PUD's review process, the Company recognized an error in its outside service  
8 expenses, specifically regarding Company Account 682000 – Professional and Legal  
9 Services. During communication between PUD and the Company<sup>11</sup>, it was determined  
10 that part of the expenses included in this account was incorrectly included. These  
11 expenses included legal fees relating to stockholders in the Company's environmental  
12 compliance cause<sup>12</sup>. Company witness Jason Thenmadathil stated the exact expense  
13 figure could not be obtained in a timely manner before PUD was required to file  
14 testimony. However, Mr. Thenmadathil was able to provide an estimate of \$200,000.  
15 Therefore, PUD is proposing a reduction of \$200,000 to outside services, with the

<sup>11</sup> Conversation between PUD and OG&E witness Jason Thenmadathil on March 16, 2016.

<sup>12</sup> Cause No. PUD 201400229

1 acknowledgement by the Company that it will correct any variance in this figure in the  
2 rebuttal portion of this Cause. PUD recommends Adjustment No. H-14 to decrease  
3 Outside Services by \$200,000.

4 **RECOMMENDATION**

5 **Q: What is PUD's recommendation regarding its adjustments?**

6 A: After conducting a through review of the costs included in OG&E's application, PUD  
7 made four (4) adjustments. PUD recommends the Commission approve all of PUD's  
8 adjustments, as discussed in this testimony, as they are fair, reasonable, and in the public  
9 interest.

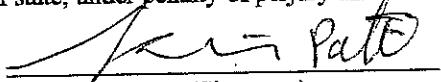
10 **Q: Please summarize the areas you reviewed and the amount of the adjustment**  
11 **included in OG&E's Application.**

12 A: PUD recommends the Commission accepts the adjustment presented in this testimony  
13 and summarized below:

- 14 • PUD proposed Adjustment No. H-1 to annualized adjustment to decrease the  
15 amount by \$324,961 annually and amortized amount of \$255,039 annually for  
16 the Rate Case expense.
- 17 • PUD proposed Adjustment No. H-3 to annualized adjustment to decrease the  
18 amount by \$457,422 annually and amortized amount of \$71,339 annually for  
19 the Regulatory expense.
- 20 • PUD proposed Adjustment No. B-1 to Gas-in-Storage to increase inventory  
21 level of \$857,885. PUD used the six-month post-test year treatment of  
22 treatment of Gas-in-Storage.

- 1           • PUD proposed Adjustment No. H-4 to Bad Debt Expense to decrease the  
2           amount by \$27,418. PUD used the treatment of Bad Debt expense to the six-  
3           month post test year.
- 4           • PUD proposed Adjustment No. H-14 to decrease the Outside service amount  
5           by \$200,000, with the acknowledgment by the Company that it will correct  
6           any variance in this figure in the rebuttal testimony filed in this Cause.

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

  
(Signature)

March 21, 2016 Oklahoma City, Oklahoma



# Kiran Patel

Curriculum Vitae

<b>Contact</b>	k.patel@occcemail.com Tel: 405-522-3364 Fax: 405-522-1157	580 Jim Thorpe Building P.O. Box 52000 Oklahoma City, OK 73152
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<b>Education</b>	Gujarat University, Gujarat, India	1990 - 1994
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- Master of Commerce degree in Accountancy and Auditing

<b>Work Experience</b>	Oklahoma Corporation Commission	2006 - present
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### Public Utility Regulatory Analyst

- Processed large and small rate case audits, both individually and with teams.
- I provide expert testimony and able to defend the testimony under cross-examination. Testimony detailed my review of the company books and records, the company adjustments and my proposed changes.
- From the major rate cases, I worked on all of the major companies, fuel adjustment charges, (FAC), purchased gas adjustment charges (PGA), Purchased Power Adjustment Clause (PPA), and Annual fuel audits. Assist in coordination of FAC group assignments, processes and training new analyst(s).
- Work with various electric cooperatives three percent rate increases, Debt adjustment clause and small rate cases and trained new analyst(s).
- Lead Auditor on AOG PBRC Cause No. 201500425.
- Lead Auditor on PSO Rate Case Cause No. 201500208.
- Lead Analyst on Water Rate Case Cause No. 201400181.
- Lead Analyst on the PSO and Cotton Electric Cooperative Cause No. 201400216
- Lead Analyst on PSO rate case 201500208; Team Analyst on the PSO rate case 201400217, Center Point Energy Gas 201400070 and Oklahoma Natural Gas 201400069
- Cause No. 201300129 Oklahoma Natural, 201300132 Electric Cooperatives annual fuel audit, and Cause No. 201300100 OG&E's Annual Fuel Audit
- Arkansas Valley Electric Cooperative and Southwest Arkansas electric Cooperative 3 percent rate increase
- Lead Analyst and Coordinator on the Center Point PBRC Cause No. 201300033 and Team Analyst on Cause No. 201300032 ONG PBRC
- Lead Analyst on Oklahoma Natural Gas Cause No. 201200162 and Electric Cooperatives Cause No. 201200171.
- Team Analyst on Oklahoma Natural Gas PBRC Cause No. 20110034 and Fort Cobb Rate Case Cause No. 2010-22 & 2010-26
- Lead Analyst on Electric Coops and OG&E Annual Fuel Audit 201100130 & 201100132.
- Lead Analyst on Empire District Electric Company Cause No. 201100082 and OG&E Cause No. 201100087.
- Lead Analyst on Oklahoma Natural Annual fuel Audit Case 201000081, 201100121, and Fort Cobb and LeAnn Gas Annual Fuel Audit 2010 Case No. 201100123.
- Lead Analyst and Coordinator on the NEOC Rate Case 201000054.
- Lead Analyst on Cedar Ridge Estates Water Rate Case 201000015.
- Team Analyst on the PSO rate case 201000050.
- Expert Witness for the following PUD Cause: PSO Rate Case 200800144, and Oklahoma Natural Gas Cause 200900110.
- Oklahoma Natural Annual Fuel Clause 200700335, 200800301, 200900151.

Patel - Responsive Testimony

Oklahoma Gas and Electric Company PUD 201500273



- 
- Cooperative Annual Fuel Audit 200900161.
  - Lead Case analyst and expert witness on the following PUD Causes: 200600376, 200600339, 200600336, 200800033, 200700335 2008 and 2009, 200800144, 200800301, 200800398. 200900161, 910001151, 200900151, and 201000008.
  - Support Analyst on the PSO Rate Case 200600185.
  - Assisted in development of the division rate case audit manual.
  - Assigned analyst for monthly review of Oklahoma Natural Gas, OG&E, Fort Cobb, Canadian Valley, Northeast Electric, Arkansas Valley, Southwest Arkansas, and Rich Mountain Electric, Rural Electric, and Cimarron Electric Coops fuel reports.

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### **All State Insurance LLC**

2004 - 2005

#### **Annuity Contact Specialist**

- Conveyed information relating to different insurance products and annuity information to brokers and customers.
- Assisted customers with needs, clarifying customer expectations, and resolving issues efficiently.
- Maintaining client accounts, processing records including system updates and customer notification.

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### **TCF National Bank**

2000 - 2004

#### **Branch Manager (Sales)**

- Managed Sales goals and Service goals functions
- Implementation of different strategies and customer satisfaction models based upon feedback from customers as well as management
- Recipient of Management Award " 105 Management Club" and " Leader Club"
- Responsible for branch budget as part of inventory control and purchase monitoring for cost control.
- Personnel Management including recruiting, training and promoting.

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#### **Professional Training**

- FERC Utility Accounting Seminar
- Exceptional Customer Service Seminar
- HRDS Challenges of Supervision Training.
- NARUC Utility Rate School
- AGA Gas Rate School 2012
- White Collar Crime in a Digital World and Crossing the Ethical Boundary
- Natural Gas Processing conference

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#### **Professional Awards**

- OCC Employee of the Month April 2013

CERTIFICATE OF ELECTRONIC SERVICE

I, the undersigned, do hereby certify that on the 21<sup>st</sup> day of March 2016, a true and correct copy of the above and foregoing was sent electronically, addressed to the following:

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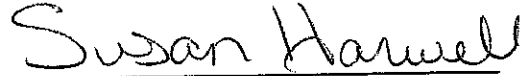
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KELI WEBB, Administrative Assistant  
OKLAHOMA CORPORATION COMMISSION