

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

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

DIRECT EXHIBITS  
  
OF  
  
REGIS POWELL  
RATE CASE ANALYST  
FINANCIAL ANALYSIS SECTION

ON BEHALF OF THE GENERAL STAFF  
OF THE ARKANSAS PUBLIC SERVICE COMMISSION

JANUARY 31, 2017

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-1

**Oklahoma Gas and Electric Company  
Requested Cost of Capital  
Per Application**

<b>Component</b>	<b>Amount</b>	<b>Proportion</b>	<b>Rate</b>	<b>After-Tax Wtd Cost</b>	<b>Pre-Tax Wtd Cost</b>
Long-Term Debt	2,883,269,587	35.04%	5.47%	1.92%	1.92%
Common Equity	3,265,773,741	39.69%	10.25%	4.07%	6.71%
ADIT	1,714,085,478	20.83%	0.00%	0.00%	0.00%
Pre-1971 ADITC	-	0.00%	0.00%	0.00%	0.00%
Post-1970 ADITC - LT Debt	1,075,076	0.01%	5.47%	0.00%	0.00%
Post-1970 ADITC - ST Debt	-	0.00%	0.76%	0.00%	0.00%
Post-1970 ADITC - Equity	1,217,685	0.01%	10.25%	0.00%	0.00%
Customer Deposits	77,441,663	0.94%	1.47%	0.01%	0.01%
Short-Term / Interim Debt	-	0.00%	0.76%	0.00%	0.00%
CAOL	276,746,751	3.36%	0.00%	0.00%	0.00%
Other Capital Items	9,610,200	0.12%	7.38%	0.01%	0.01%
<b>Totals</b>	<b>8,229,220,181</b>	<b>100.00%</b>		<b>6.01%</b>	<b>8.65%</b>

Revenue Conversion Factor                      **1.6490**

**Source:**

Application Schedule D-1.3

Application Schedule A-1

<b>External Capital</b>	<b>Balance</b>	<b>Requested Proportions</b>
Long-Term Debt	2,883,269,587	47%
Short-Term / Interim Debt	-	
Common Equity	3,265,773,741	53%
	6,149,043,328	100%

OKLAHOMA GAS AND ELECTRIC COMPANY  
 DOCKET NO. 16-052-U  
 DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-2

**Oklahoma Gas and Electric Company  
 Test Year Ending June 30, 2016**

<b>Component</b>	<b>Amount</b>	<b>Proportion</b>	<b>Rate</b>
Long-Term Debt	2,545,795,630	29.65%	5.68%
Common Equity	3,175,571,011	36.99%	10.25%
ADIT	2,112,951,717	24.61%	0.00%
Pre-1971 ADITC	-	0.00%	0.00%
Post-1970 ADITC - Long Term Debt	1,072,233	0.01%	5.68%
Post-1970 ADITC - Short Term Debt	(3,369)	0.00%	0.76%
Post-1970 ADITC - Equity	1,337,404	0.02%	10.25%
Customer Deposits	77,441,663	0.90%	1.50%
Short-Term / Interim Debt	(8,173,166)	-0.10%	0.76%
CAOL	670,999,789	7.82%	0.00%
Other Capital Items	8,909,839	0.10%	7.38%
<b>Totals</b>	<b>8,585,902,752</b>	<b>100.00%</b>	

**Source:**

Application Schedule D-1.2

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-3

**Oklahoma Gas and Electric Company  
Requested Pro Forma Adjustments**

<b>Component</b>	<b>Test Year</b>	<b>Adjustments</b>	<b>Pro Forma</b>
Long-Term Debt	2,545,795,630	337,473,957	2,883,269,587
Common Equity	3,175,571,011	90,202,730	3,265,773,741
ADIT	2,112,951,717	(398,866,239)	1,714,085,478
Pre-1971 ADITC	-		-
Post-1970 ADITC - Long Term Debt	1,072,233	2,842	1,075,075
Post-1970 ADITC - Short Term Debt	(3,369)	3,369	0
Post-1970 ADITC - Equity	1,337,404	(119,719)	1,217,685
Customer Deposits	77,441,663	-	77,441,663
Short-Term / Interim Debt	(8,173,166)	8,173,166	0
CAOL	670,999,789	(394,253,038)	276,746,751
Other Capital Items	8,909,839	700,361	9,610,200
<b>Totals</b>	<b>8,585,902,752</b>	<b>(356,682,571)</b>	<b>8,229,220,181</b>

**Source:**

Application Schedule D-1.3

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-4

OKLAHOMA GAS AND ELECTRIC COMPANY  
**Response to Arkansas Public Service Commission**  
**Staff Data Request APSC-085**  
*Docket No. 16-052-U*

Date Requested: 12/19/2016

Date Required: 1/3/2017

Requested by: Regis Powell

**85.01 Please refer to Schedule D-2.3, line numbers 17 and 18. Please provide the date the Tinker Loans 1 and 2 will mature/expire in the pro forma year.**

Response\*: Tinker loans 1 and 2 will not mature/expire in the pro forma year. Tinker loan 1 matures/expires on 8/31/2062 and Tinker loan 2 matures/expires on 8/31/2017.

These loans were removed from Schedule D-2.3 because they are associated with a special contract with Tinker Air Force base which is directly assigned to Oklahoma.

Response provided by:	<u>Chelsea Sexton</u>
Response provided on:	<u>January 3, 2017</u>
Contact & Phone No:	<u>Jason Bailey (405) 553-3406</u>

\*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-5

**OKLAHOMA GAS AND ELECTRIC COMPANY**  
**Response to Arkansas Public Service Commission**  
**Staff Data Request APSC-029**  
*Docket No. 16-052-U*

Date Requested: 10/6/2016

Date Required: 10/21/2016

Requested by: William Matthews

**29.01 Please provide a detailed monthly schedule beginning January 1, 2015 through the present and update as new information becomes available, in Excel format, of all AFUDC calculations and amounts by project, plant and FERC account. Additionally, please provide the calculations used to determine the AFUDC rate(s) used along with the calculations used to determine the reduction percentage for the Arkansas limit.**

Response\*: Please see attachment **APSC 29.01\_Att1** and **APSC 29.01\_Att2** for all AFUDC calculations January 1, 2015 through September 30, 2016 which were used to determine rates and the reduction percentage for the Arkansas limit.

Please see attachment **APSC 29.01\_Att3** and **APSC 29.01\_Att4** for AFUDC amounts by Project, Plant and Ferc account beginning January 1, 2015 through September 30, 2016.

Response provided by: Carla Chupik  
Response provided on: October 21, 2016  
Contact & Phone No: Jason Bailey (405) 553-3406

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OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-6

**Reported short-term debt balance the Company used in determining its AFUDC rates**

Month	Days		Total Daily Balance per Month	Current Monthly Interest
16-Jan	31	ACTUAL	0	0
16-Feb	28	ACTUAL	0	0
16-Mar	31	ACTUAL	0	0
16-Apr	30	ACTUAL	76,344,598	1,654
16-May	31	ACTUAL	785,021,957	17,012
16-Jun	30	ACTUAL	973,717,750	21,100
16-Jul	31	ACTUAL	559,654,084	12,125
16-Aug	31	ACTUAL	537,595,178	11,646
16-Sep	30	ACTUAL	35,945,395	778
16-Oct	31	ACTUAL	0	0
16-Nov	30	ACTUAL	0	0
16-Dec	31	ESTIMATE	1,028,325,552	22,289
Total			3,996,604,514	86,604

**Source:**

Excerpt of APSC-029.01 Attachment 2, Supplement 2, which was provided in Staff Data Request APSC-029, initiated to verify the Company's AFUDC rate calculations. See Direct Exhibits RP-5.

**Note:**

- (1) Total Daily Balance represents the summation of each day's short-term debt balance.
- (2) AFUDC is an accounting practice whereby the costs of debt and equity used to finance construction are credited on the income statement and charged to construction in progress on the balance sheet. To determine its maximum allowable rates, the Company uses FERC formula for calculating maximum allowable AFUDC rates, which determines short-term debt as the first source of construction funding before higher costs funds such as long-term debt and equity are used.

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-7

OKLAHOMA GAS AND ELECTRIC COMPANY  
**Response to Arkansas Public Service Commission**  
**Staff Data Request APSC-034**  
*Docket No. 16-052-U*

Date Requested: 10/13/2016

Date Required: 10/28/2016

Requested by: Bill Taylor

**34.01 Please provide a trial balance by natural account for each month from June 2015 through most current month available in the pro forma year.**

Response\*: Please see attachment **APSC 034.01\_Att** for the Trial balance by natural account from June 2015 through June 2016. The update for pro forma year is in process and will be provided through August 2016 within 2 weeks. The update after that will be provided on a monthly basis.

Response provided by:	<u>Malini Gandhi</u>
Response provided on:	<u>October 27, 2016</u>
Contact & Phone No:	<u>Jason Bailey (405) 553-3406</u>

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OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-7

**OKLAHOMA GAS AND ELECTRIC COMPANY**  
**Response to Arkansas Public Service Commission**  
**Staff Data Request APSC-034**  
*Docket No. 16-052-U*

Date Requested: 10/13/2016

Date Required: 10/28/2016

Requested by: Bill Taylor

**34.02 Please update monthly throughout the pro forma year.**

Response\*: The information will be updated monthly as it becomes available.

Response provided by: Malini Gandhi  
Response provided on: October 27, 2016  
Contact & Phone No: Jason Bailey (405) 553-3406

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OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-8

### 13-Month Average of the Company's Accounts Payable to Associated Companies

<b>Month/Year</b>	<b>FERC Account 234</b>
6/15	(23,850,032)
7/15	(62,250,748)
8/15	(69,651,461)
9/15	(35,968,083)
10/15	(63,187,324)
11/15	(53,801,028)
12/15	(8,394,088)
1/16	(51,483,980)
2/16	(23,877,376)
3/16	(18,647,826)
4/16	(50,605,818)
5/16	(24,522,728)
6/16	(6,932,789)
<b>Average</b>	<b>(37,936,406)</b>

**Source:**

Excerpt of APSC-034.01\_Att\_Supplement 1, which provided Staff with the Company's Natural Trial Balance for the test year. See Direct Exhibit RP-7

**Note:**

Parentheses indicates debit balance

<b><u>OKLAHOMA GAS AND ELECTRIC COMPANY</u></b>					<b><u>WP D-1-1</u></b>
<b><u>COST OF CAPITAL - SHORT TERM DEBT</u></b>					
<b><u>UPDATED FOR ACTUALS TEST YEAR ENDING JUNE 30, 2016</u></b>					
<b><u>DOCKET NO. 16-052-U</u></b>					
<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Ref.</u>	<u>FERC</u> <u>Account</u>	<u>Amount</u>	
1	Notes Payable	(a)	231	-	
2	Notes Payable to Associated Companies	(a)	233	-	
3	Accounts Payable to Associated Companies	(B)	234	(6,932,789)	
4	Less Accounts Payable to Associated Companies*		234	(1,240,377)	
5	Less Income Taxes Payable - Affiliates		234	-	
6		(A)		<u>(8,173,166)</u>	
<p>* This amount is Accounts Payable - Affiliates which is non-interest bearing and should not be included in Short-Term Debt for the Cost of Capital calculation.</p>					
<p><b>Source: Application Workpaper D-1-1</b></p>					

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-10

**OKLAHOMA GAS AND ELECTRIC COMPANY**  
**Response to Arkansas Public Service Commission**  
**Staff Data Request APSC-086**  
*Docket No. 16-052-U*

Date Requested: 12/19/2016

Date Required: 1/3/2017

Requested by: Regis Powell

**86.01 Please provide a detailed breakdown of the calculation components used to determine the total daily balance of short-term debt per month provided in APSC-029, which relates to the computation of AFUDC rates. Specifically, provide the derivation at a natural account level (account number, account name, and daily balance from the beginning of January 2016 through November 2016) for the accounts used to calculate:**

Month	Total Daily Balance per Month
Jan 2016	0
Feb 2016	0
Mar 2016	0
Apr 2016	76,344,598
May 2016	785,021,957
Jun 2016	973,717,750
Jul 2016	559,654,084
Aug 2016	537,595,178
Sep 2016	35,945,395
Oct 2016	0
Nov 2016	0

Response\*: Please see **APSC 086.01\_Att**. All balances are booked in the following account:  
223320 0400 N/P to Assoc Co's-OG&E Energy

Response provided by: Chelsea Sexton  
Response provided on: December 27, 2016  
Contact & Phone No: Jason Bailey (405) 553-3406

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OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-11

### Notes Payable to Associated Companies

Date Borrowed		Amount
From	To	
1-Jun-16	2-Jun-16	56,058,090
2-Jun-16	3-Jun-16	53,865,428
3-Jun-16	4-Jun-16	48,999,617
4-Jun-16	5-Jun-16	48,999,617
5-Jun-16	6-Jun-16	48,999,617
6-Jun-16	7-Jun-16	44,116,649
7-Jun-16	8-Jun-16	38,522,826
8-Jun-16	9-Jun-16	36,382,239
9-Jun-16	10-Jun-16	28,418,716
10-Jun-16	11-Jun-16	32,200,982
11-Jun-16	12-Jun-16	32,200,982
12-Jun-16	13-Jun-16	32,200,982
13-Jun-16	14-Jun-16	26,341,689
14-Jun-16	15-Jun-16	23,627,415
15-Jun-16	16-Jun-16	34,253,919
16-Jun-16	17-Jun-16	31,517,783
17-Jun-16	18-Jun-16	29,689,250
18-Jun-16	19-Jun-16	29,689,250
19-Jun-16	20-Jun-16	29,689,250
20-Jun-16	21-Jun-16	26,340,927
21-Jun-16	22-Jun-16	24,678,530
22-Jun-16	23-Jun-16	26,297,544
23-Jun-16	24-Jun-16	18,105,286
24-Jun-16	25-Jun-16	18,882,066
25-Jun-16	26-Jun-16	18,882,066
26-Jun-16	27-Jun-16	18,882,066
27-Jun-16	28-Jun-16	23,661,245
28-Jun-16	29-Jun-16	24,836,403
29-Jun-16	30-Jun-16	26,334,076
30-Jun-16	1-Jul-16	41,043,240

**Source:** Excerpt of APSC 086.01 Attachment, which was provided in Staff Data Request APSC-086, initiated to ascertain the components the Company uses to evaluate short-term debt in its AFUDC calculations. See Direct Exhibit RP-10.

[illegible]

OKLAHOMA GAS AND ELECTRIC COMPANY			WP D-1-6
COST OF CAPITAL - OTHER CAPITAL ITEMS			
UPDATED FOR ACTUALS TEST YEAR ENDING JUNE 30, 2016			
DOCKET NO. 16-052-U			
Line No.	Description	Ref. FERC Account	13-Month Average Balance
1	Other Def. Credits - KAW Water Storage Agreement	253	\$ 7,532,045
2	Other Def. Credits - OU Spirit Development Fee	253	2,078,155
3	Pro Forma Amount	(A)	\$ 9,610,200
4	Projected Test Year End Balance	253	\$ 8,909,839
5	Pro Forma Adjustment		\$ 700,361
Annual Interest Cost			
6	KAW Water Storage Agreement		611,191
7	OU Spirit Development Fee		98,443
8	Total Interest		709,634
9	Calculation of Interest Rate (Line 8 / Line 3)		7.38%
<div> Purpose:  To include Other Interest Bearing items not reflected in Long Term Debt. </div>			
Source: Application Workpaper D-1-6			

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-14

OKLAHOMA GAS AND ELECTRIC COMPANY  
**Response to Arkansas Public Service Commission**  
**Staff Data Request APSC-030**  
*Docket No. 16-052-U*

Date Requested: 10/6/2016

Date Required: 10/21/2016

Requested by: Bill Taylor

**30.03 For each entry in each account from June 2015 through August 2016, please provide: (a) the amount(s) and general ledger account and FERC account of the offsetting entry/entries and (b) a detailed explanation and supporting documentation for the entries.**

Response\*: Please see attachment **APSC 030.03\_Att** for a listing of each entry. Also attached are NPV schedules for supporting documentation.

Kaw Water Storage – There are three water storage spaces under this agreement. Monthly entries are booked to debit interest expense and credit the liability account. In April or May there is an annual payment for the agreements. The payment for spaces 1 and 2 are fixed but the payment for space 3 has a variable interest rate. When the payment is made the difference between the actual payment and the payment on the NPV schedule will be credited or debited to interest expense. There are some small variances in the monthly liability balances as compared to the NPV in 2015 and 2016 due to the variable payment and also the timing of the payments.

OU Spirit – Monthly entries are booked to debit interest expense and credit the liability. Annual development fees debit the liability at the time of the payment. All monthly entries should match the NPV schedule provided.

Response provided by:	<u>Carrie Scribner</u>
Response provided on:	<u>October 20, 2016</u>
Contact & Phone No:	<u>Jason Bailey (405) 553-3406</u>

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### Staff Recommendation

Line No.	Balances		Source
1	KAW Water Storage Agreement	6,721,186	RP-15.2, Item A
2	OU Spirit Development Fee	1,361,624	RP-15.3, Item A
3	Pro Forma Balance (Line 1 + Line 2)	8,082,810	
	<b>Interest Cost</b>		<b>Source</b>
4	KAW Water Storage Agreement (Monthly)	51,782	RP-15.2, Item B
5	OU Spirit Development Fee (Annual)	68,081	RP-15.3, Item B
6	KAW Water Storage Agreement (Annual)	621,384	Line 4 multiplied by 12
7	Total Interest (Line 5 + Line 6)	689,465	
7	Calculation of Cost Rate (Line 7 / Line 3)	8.53%	

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-15.2

**Oklahoma Gas & Electric  
Kaw Water Storage Amortization Schedule**

	Interest Accrual	Principle Paid	Balance
1/31/2016	55,673.00	-	7,727,387.60
2/29/2016	55,673.00	-	7,783,060.60
3/31/2016	55,673.00	-	7,838,733.60
4/30/2016	55,673.00	909,494.40	6,984,912.20
5/31/2016	53,814.00	-	7,038,726.20
6/30/2016	53,814.00	-	7,092,540.20
7/31/2016	53,814.00	-	7,146,354.20
8/31/2016	53,814.00	-	7,200,168.20
9/30/2016	53,814.00	-	7,253,982.20
10/31/2016	53,814.00	-	7,307,796.20
11/30/2016	53,814.00	-	7,361,610.20
12/31/2016	53,814.00	-	7,415,424.20
1/31/2017	53,814.00	-	7,469,238.20
2/28/2017	53,814.00	-	7,523,052.20
3/31/2017	53,814.00	-	7,576,866.20
4/30/2017	53,814.00	909,494.40	<b>6,721,185.80</b>
5/31/2017	51,782.00	-	6,772,967.80
6/30/2017	<b>51,782.00</b>	-	6,824,749.80
7/31/2017	51,782.00	-	6,876,531.80
8/31/2017	51,782.00	-	6,928,313.80
9/30/2017	51,782.00	-	6,980,095.80
10/31/2017	51,782.00	-	7,031,877.80
11/30/2017	51,782.00	-	7,083,659.80
12/31/2017	51,782.00	-	7,135,441.80

A

B

Source: Excerpt of APSC-030.03 Attachment, provided in Staff Data Request APSC-030, initiated to evaluate the Company's other capital items balance. See Direct Exhibit RP-14

**OU SPIRIT - NPV OF FUTURE DEVELOPMENT FEE INSTALLMENT PAYMENTS**

Installment Payment Date	Payment Amount	Annual Interest For Ending Year	Principle	Balance Due
				\$3,860,867
10-Dec	\$500,000	\$193,043	\$306,957	\$3,553,911
11-Dec	\$500,000	\$177,696	\$322,304	\$3,231,606
12-Dec	\$500,000	\$161,580	\$338,420	\$2,893,187
13-Dec	\$500,000	\$144,659	\$355,341	\$2,537,846
14-Dec	\$500,000	\$126,892	\$373,108	\$2,164,738
15-Dec	\$500,000	\$108,237	\$391,763	\$1,772,975
16-Dec	\$500,000	\$88,649	\$411,351	<b>\$1,361,624</b>
17-Dec	\$500,000	<b>\$68,081</b>	\$431,919	\$929,705
18-Dec	\$500,000	\$46,485	\$453,515	\$476,190
19-Dec	\$500,000	\$23,810	\$476,190	\$ -

A

B

Source: Excerpt of APSC-030.03 Attachment, provided in Staff Data Request APSC-030, initiated to evaluate the Company's other capital items balance. See Direct Exhibit RP-14

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-16

**DTE Ratios from 2011 to 2015**

**OGE Energy**  
Debt / Equity

2015	45.9%	/	54.1%
2014	48.4%	/	51.6%
2013	50.4%	/	49.6%
2012	52.7%	/	47.3%
2011	51.7%	/	48.3%

**OG&E**  
Debt / Equity

2015	46.3%	/	53.7%
2014	46.5%	/	53.5%
2013	44.7%	/	55.3%
2012	43.9%	/	56.1%
2011	45.5%	/	54.5%

Source:

OGE Energy (SEC Form 10-K and 10-Q's ), OG&E (FERC Form No.1 and FERC Form 3-Q)

Staff Risk Comparable Sample of Electric Utilities						
	LT Debt	ST Debt	Equity + Preferred Stock	LT Debt	ST Debt	Equity + Preferred Stock
Alliant Energy Corporation	3,858	208	3,985	47.9%	2.6%	49.5%
Ameren Corporation	6,803	567	7,125	46.9%	3.9%	49.2%
Duke Energy Corporation	41,016	3,111	40,052	48.7%	3.7%	47.6%
Edison International	11,386	654	13,696	44.2%	2.5%	53.2%
El Paso Electric Company	1,239	96	1,026	52.5%	4.1%	43.4%
Entergy Corporation	13,860	680	9,908	56.7%	2.8%	40.5%
Eversource Energy	9,439	858	10,640	45.1%	4.1%	50.8%
Hawaiian Electric Industries, Inc.	1,680	79	2,010	44.6%	2.1%	53.3%
IDACORP, Inc.	1,766	18	2,092	45.6%	0.5%	54.0%
PG&E Corporation	16,495	1,097	17,074	47.6%	3.2%	49.3%
Pinnacle West Capital Corporation	3,999	111	4,793	44.9%	1.2%	53.8%
PNM Resources, Inc.	2,250	341	1,745	51.9%	7.9%	40.2%
Portland General Electric Company	2,260	2	2,291	49.7%	0.0%	50.3%
Southern Company	34,289	1,403	23,612	57.8%	2.4%	39.8%
Xcel Energy Inc.	13,599	461	10,741	54.8%	1.9%	43.3%
Average				49.3%	2.9%	47.9%
<b>Total Debt / Total Equity</b>				<b>52%</b>	<b>/</b>	<b>48%</b>

Source: SEC Form 10-Ks and 10-Qs

**Hevert's Risk Comparable Sample of Electric Utilities**

	LT Debt	ST Debt	Equity + Preferred Stock	LT Debt	ST Debt	Equity + Preferred Stock
ALLETE, Inc.	1,567	1	1,850	45.8%	0.0%	54.1%
Alliant Energy Corporation	3,858	208	3,985	47.9%	2.6%	49.5%
Ameren Corporation	6,803	567	7,125	46.9%	3.9%	49.2%
American Electric Power Company, Inc.	19,393	1,390	17,949	50.1%	3.6%	46.3%
Avista Corporation	1,585	110	1,591	48.3%	3.3%	48.4%
CMS Energy Corporation	9,313	81	4,153	68.7%	0.6%	30.7%
DTE Energy Company	9,352	362	8,913	50.2%	1.9%	47.9%
IDACORP, Inc.	1,766	18	2,092	45.6%	0.5%	54.0%
NorthWestern Corporation	1,777	218	1,623	49.1%	6.0%	44.9%
Otter Tail Corporation	534	53	628	44.0%	4.3%	51.7%
Pinnacle West Capital Corporation	3,999	111	4,793	44.9%	1.2%	53.8%
PNM Resources, Inc.	2,250	341	1,745	51.9%	7.9%	40.2%
Portland General Electric Company	2,260	2	2,291	49.7%	0.0%	50.3%
SCANA Corporation	6,292	724	5,556	50.0%	5.8%	44.2%
Xcel Energy Inc.	13,599	461	10,741	54.8%	1.9%	43.3%
Average				49.9%	2.9%	47.2%
<b>Total Debt / Total Equity</b>				<b>53%</b>	<b>/</b>	<b>47%</b>

Source: SEC Form 10-Ks and 10-Qs

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-19

OKLAHOMA GAS AND ELECTRIC COMPANY  
**Response to Arkansas Public Service Commission**  
**Staff Data Request APSC-001**  
*Docket No. 16-052-U*

Date Requested: 8/29/2016

Date Required: 9/13/2016

Requested by: Bill Taylor

**1.12 Please provide a narrative describing any and all of the different types of transactions among and/or between the Company and any of its affiliates. Discuss any expected changes during the pro forma period.**

Response\*: OG&E was incorporated in 1902, and has incurred administrative services such as auditing, accounting, finance, treasury, human resources, risk management, information technology and supply chain services ever since. OGE Energy was formed in August 1995, and has provided those administrative services to its majority owned subsidiaries, OG&E and Enogex, since that time. As of August 2016, the majority of administrative services, historically provided to Enogex/Enable Midstream, have been terminated. The only remaining services are payroll and benefits administration for the remaining 163 employees that are seconded to Enable Midstream, as well as the utilization by Enable Midstream of the OGE Energy information technology infrastructure and network. These remaining services are continuing on a year to year extension term of the existing contract. In May 2013, the joint venture between OG&E's affiliate Enogex and CenterPoint Energy formed a standalone company named Enable Midstream Partners. Enable Midstream will no longer share costs with OG&E as it has in the past. Reimbursements received from Enable Midstream for shared OGE Energy costs will decrease through the end of the pro forma period, causing expense levels for OG&E to increase.

Please also see attachment **APSC 001.12\_Att** which is the Affiliate Report filed May 26, 2016. The attachment can be found at <https://secure.oge.com/ARRateCase2/Discovery/APSC-001/>.

Response provided by:	<u>Scott Forbes</u>
Response provided on:	<u>September 13, 2016</u>
Contact & Phone No:	<u>Jason Bailey (405) 553-3406</u>

\*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-19

APSC FILED Time: 5/26/2016 10:31:06 AM: Recvd 5/26/2016 10:29:26 AM: Docket 07-118-U-Doc. 15

Oklahoma Gas and Electric Company  
Annual Report-Affiliate Transaction Rules  
Arkansas Public Service Commission, Docket 07-118-U  
Order No. 7  
May 26, 2016

**Commission a description of each such arrangement involving a public utility and any affiliate having an annual value or amount in excess of \$350,000 and such filing is received within 120 days of the effective date of these rules.**

Money Pool Arrangement - OGE Energy has a "money pool" arrangement in which OG&E can borrow or invest short-term funds. **Funding requirements are aggregated and short-term external borrowing or investing is based upon the net cash position of the group.**

**When the net cash position requires external borrowings these requirements are generally satisfied with the issuance of OGE Energy commercial paper or borrowings under its revolving credit facility.**

Dividends and Equity Contribution - Periodically OG&E pays dividends to OGE Energy to fund all or a portion of the dividend OGE Energy pays to its shareowners.

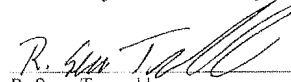
OGE Energy makes capital contributions to OG&E as necessary to finance its capital requirements. OGE Energy makes these capital contributions from available funds or by accessing the capital markets issuing OGE Energy common stock.

Business Transactions with Affiliates - In the ordinary course of business inter-company payables and receivables are created monthly. These payables and receivables are net settled monthly in the monthly accounting close process.

**VIII C. Each public utility or its public utility holding company shall file an annual report with the Commission in accordance with Rule IX that includes:**

- 1. a certification by the president of the public utility that the public utility is in compliance with this section; and,**
- 2. all financial information necessary for the Commission to determine the utility is complying with the requirements in Rules VIII.A.**

I, R. Sean Trauschke, certify that Oklahoma Gas & Electric Company has met the requirements of Rule VIII for the 2015 calendar year; and, Oklahoma Gas & Electric Company has not engaged in a non-utility business whereby the requirements of Rule VIII.A would be applicable.

  
R. Sean Trauschke  
President and Chief Financial Officer

5/25/16  
Date

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-20

**OGE Energy Corp.  
External Capital Components  
Amounts and Proportions**

**4 Quarter Average Amounts (millions)**

	<b>S-T Debt</b>	<b>L-T Debt</b>	<b>Preferred</b>	<b>Common</b>
<b>Balances</b>	\$171.3	\$2,657.0	\$0.0	\$3,347.8
<b>4 Qtr Avg as of 9/30/16</b>				

**4 Quarter Average Proportions**

	<b>S-T Debt</b>	<b>L-T Debt</b>	<b>Preferred</b>	<b>Common</b>
<b>Proportions</b>	2.8%	43.0%	0.0%	54.2%
<b>Total Debt / Total Equity</b>	<b>46%</b>			<b>54%</b>

Source: 2016 SEC Form 10-K and 10-Qs for the noted quarters ending.

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-21

**OKLAHOMA GAS AND ELECTRIC COMPANY**

**WP D-1-2**

**ANALYSIS OF CUSTOMER DEPOSITS**

**UPDATED FOR ACTUALS TEST YEAR ENDING JUNE 30, 2016**

**DOCKET NO. 16-052-U**

**TOTAL AMOUNT OF DEPOSITS EARNING INTEREST:**

	<u>Unclassified Dep</u>	<u>AR Dep</u>	<u>OK Long Term Dep</u>	<u>OK Short Term Dep</u>	<u>Grand Total</u>
Sum of Jul 2015	(6,255)	(5,937,328)	(48,820,743)	(21,075,308)	(75,839,634)
Sum of Aug 2015	5,204	(5,920,510)	(47,482,946)	(22,499,533)	(75,897,784)
Sum of Sep 2015	10,778	(5,902,435)	(46,162,261)	(23,983,259)	(76,037,177)
Sum of Oct 2015	(45,161)	(5,915,723)	(44,916,916)	(25,468,588)	(76,346,389)
Sum of Nov 2015	26,628	(5,948,875)	(43,843,187)	(26,893,569)	(76,659,004)
Sum of Dec 2015	(794)	(6,013,233)	(42,724,963)	(28,284,671)	(77,023,661)
Sum of Jan 2016	(2,350)	(6,028,100)	(46,736,695)	(24,395,982)	(77,163,128)
Sum of Feb 2016	31,413	(6,045,097)	(45,607,709)	(26,018,378)	(77,639,771)
Sum of Mar 2016	(3,475)	(6,068,021)	(44,332,200)	(27,521,920)	(77,925,617)
Sum of Apr 2016	(25,617)	(6,087,537)	(50,383,564)	(21,200,531)	(77,697,249)
Sum of May 2016	31,402	(6,146,022)	(49,047,019)	(22,326,837)	(77,488,476)
Sum of Jun 2016	(3,017)	(6,184,727)	(47,626,998)	(23,626,922)	(77,441,663)

**Notes:**

Unclassified Deposits are a result of timing differences between General Ledger and the Customer billing system.

AR	<b>0.30%</b>
OK Long Term	<b>2.17%</b>
OK Short Term	<b>0.37%</b>

		% of total	Interest on Actual Deposits
a) (OK ST / Grand Total (b) ) * Schedule E-1, Account OK ST	\$ 23,627,842	30.511%	87,423
a) (OK LT / Grand Total (b) ) * Schedule E-1, Account OK LT	\$ 47,628,853	61.503%	1,033,546
a) (AR / Grand Total (b) ) * Schedule E-1, Account 23 AR	\$ 6,184,968	7.987%	18,555
Total Deposits	<u>\$ 77,441,663</u>		<u>\$ 1,139,524</u>
	(A) \$	<b>0.014715</b>	<sup>1</sup>

<sup>1</sup> Based on 2016 rates. 2016 rate for Arkansas is 0.3%. 2016 rates for Oklahoma are 0.37% (short-term) and 2.17% (long-term).

Supporting Schedules and Workpapers:

Recap Schedules:  
(A) [Schedule D-1](#)

Cross check  
Schedule D1.2 77,441,663

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 16-052-U  
DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-22

**OKLAHOMA GAS AND ELECTRIC COMPANY**

**WP D-1-3**

**COST OF SHORT TERM/INTERIM DEBT RATE**

**UPDATED FOR ACTUALS TEST YEAR ENDING JUNE 30, 2016**

**DOCKET NO. 16-052-U**

OGE Energy  
Short-Term Borrowings  
June 30, 2016

**Short-Term Debt Rate**

<u>Line No.</u>	<u>Dealer</u>	<u>CUSIP</u>	<u>Rate</u>	<u>Issued Date</u>	<u>Days</u>	<u>Principle Amount</u>	<u>Column 6 x Column 7</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Wells Fargo	6708K2FA1	0.740%	01-Jun-16	9	\$39,400,000	\$354,600,000
2	Mitsubishi	6708K2FD1	0.740%	02-Jun-16	11	\$39,200,000	\$431,200,000
3	Mizuho	6708K2FE1	0.750%	03-Jun-16	11	\$70,900,000	\$779,900,000
4	BNY Mellon	6708K2FF1	0.750%	06-Jun-16	9	\$23,200,000	\$208,800,000
5	RBC	6708K2FG1	0.750%	07-Jun-16	9	\$26,500,000	\$238,500,000
6	Wells Fargo	6708K2FH1	0.750%	08-Jun-16	9	\$47,500,000	\$427,500,000
7	Mitsubishi	6708K2FL1	0.760%	09-Jun-16	11	\$37,100,000	\$408,100,000
8	Wells Fargo	6708K2FM1	0.760%	10-Jun-16	11	\$51,300,000	\$564,300,000
9	Mitsubishi	6708K2FN1	0.760%	13-Jun-16	9	\$39,300,000	\$353,700,000
10	Mizuho	6708K2FP1	0.760%	14-Jun-16	9	\$72,000,000	\$648,000,000
11	BNY Mellon	6708K2FQ1	0.740%	15-Jun-16	9	\$46,500,000	\$418,500,000
12	RBC	6708K2FT1	0.740%	16-Jun-16	11	\$26,400,000	\$290,400,000
13	Wells Fargo	6708K2FU1	0.740%	17-Jun-16	11	\$47,400,000	\$521,400,000
14	Mitsubishi	6708K2FV1	0.740%	20-Jun-16	9	\$42,900,000	\$386,100,000
15	Wells Fargo	6708K2FW1	0.740%	21-Jun-16	9	\$52,900,000	\$476,100,000
16	Mitsubishi	6708K2G11	0.770%	22-Jun-16	9	\$33,000,000	\$297,000,000
17	Mizuho	6708K2G51	0.770%	23-Jun-16	12	\$71,600,000	\$859,200,000
18	BNY Mellon	6708K2G61	0.770%	24-Jun-16	12	\$58,600,000	\$703,200,000
19	RBC	6708K2G71	0.770%	27-Jun-16	10	\$45,600,000	\$456,000,000
20	Wells Fargo	6708K2G81	0.760%	28-Jun-16	10	\$48,000,000	\$480,000,000
21	Mitsubishi	6708K2GB1	0.760%	29-Jun-16	12	\$42,700,000	\$512,400,000
22	Wells Fargo	6708K2GC1	0.760%	30-Jun-16	12	\$65,000,000	\$780,000,000

0.7541% weighted average based on days outstanding  
0.7547% weighted average based on principle  
(A) **0.7552%** weighted average based on days outstanding and principle

Supporting Schedules and Workpapers:

Recap Schedules:

(A) [Schedule D-1.3](#)

**Staff Risk-Comparable Sample**

**Hevert Risk-Comparable Sample**

<b>Company</b>	<b>Electric Retail Revenue</b>
Alliant Energy Corporation	74%
Ameren Corporation	74%
Duke Energy Corporation	78%
Edison International	97%
El Paso Electric Company	84%
Entergy Corporation	72%
Eversource Energy	80%
Hawaiian Electric Industries, Inc.	90%
IDACORP, Inc.	88%
PG&E Corporation	76%
Pinnacle West Capital Corporation	92%
PNM Resources, Inc.	83%
Portland General Electric Company	90%
Southern Company	85%
Xcel Energy Inc.	71%
Average	82%

<b>Company</b>	<b>Electric Retail Revenue</b>
ALLETE, Inc.	47%
Alliant Energy Corporation	74%
Ameren Corporation	74%
American Electric Power Company, Inc.	63%
Avista Corporation	51%
CMS Energy Corporation	59%
DTE Energy Company	40%
IDACORP, Inc.	88%
NorthWestern Corporation	66%
Otter Tail Corporation	45%
Pinnacle West Capital Corporation	92%
PNM Resources, Inc.	83%
Portland General Electric Company	90%
SCANA Corporation	52%
Xcel Energy Inc.	71%
Average	66%

OGE Energy Corp.	85%
OG&E	88%

**Source:**

Retail Revenue reported to Energy Information Agency (Form-861), last two full calendar years available, 2014-2015 divided by Recurring Revenue, per SNL Financial, years 2014-2015

OKLAHOMA GAS AND ELECTRIC COMPANY  
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DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-24

**Staff Risk-Comparable Sample  
Price, Dividend, and Yield**

<b>Company</b>	<b>(1) 13 Week Average Price</b>	<b>(2) Current Dividend</b>	<b>(2) / (1) Dividend Yield</b>
Alliant Energy Corporation	\$37.08	1.18	3.18%
Ameren Corporation	\$49.06	1.76	3.59%
Duke Energy Corporation	\$76.17	3.42	4.49%
Edison International	\$72.74	1.92	2.64%
El Paso Electric Company	\$45.49	1.24	2.73%
Entergy Corporation	\$72.42	3.48	4.81%
Eversource Energy	\$53.79	1.78	3.31%
Hawaiian Electric Industries, Inc.	\$29.80	1.24	4.16%
IDACORP, Inc.	\$77.10	2.20	2.85%
PG&E Corporation	\$61.81	1.96	3.17%
Pinnacle West Capital Corporation	\$75.33	2.62	3.48%
PNM Resources, Inc.	\$32.35	0.88	2.72%
Portland General Electric Company	\$42.29	1.28	3.03%
Southern Company	\$50.26	2.24	4.46%
Xcel Energy Inc.	\$41.35	1.36	3.29%

**Source:**

(1) Yahoo! Finance

(2) SNL Financial

**Note:**

Adjusted stock prices were used.

Duke Energy includes the appropriate 13 weeks after the completion of its acquisition of Piedmont Natural Gas.

**Staff Risk-Comparable Sample  
Growth Rates**

<b>Company</b>	<b>g1</b>			<b>g2</b>	<b>g3</b>	<b>g4</b>	<b>g5</b>
	(a)	(b)	(c)				
Alliant Energy Corporation	6.0%	6.1%	6.6%	4.5%	7.0%	6.5%	6%
Ameren Corporation	6.0%	6.1%	5.2%	4.0%	-4.0%	-3.0%	-3%
Duke Energy Corporation	4.0%	4.8%	4.4%	3.5%	3.0%	2.5%	NA
Edison International	3.5%	5.3%	2.6%	9.0%	3.5%	4.0%	7%
El Paso Electric Company	2.5%	4.4%	7.0%	5.0%	4.0%	NA	12%
Entergy Corporation	2.0%	-2.3%	-2.1%	3.0%	-3.0%	1.5%	3%
Eversource Energy	6.0%	6.3%	5.7%	6.0%	6.0%	11.0%	10%
Hawaiian Electric Industries, Inc.	4.0%	7.0%	4.0%	1.0%	8.5%	NA	1%
IDACORP, Inc.	3.0%	4.0%	4.0%	7.5%	8.0%	8.0%	10%
PG&E Corporation	12.0%	4.4%	6.0%	7.0%	-5.5%	1.5%	1%
Pinnacle West Capital Corporation	4.0%	4.0%	3.7%	5.0%	8.5%	2.0%	5%
PNM Resources, Inc.	9.0%	7.6%	8.8%	10.0%	14.5%	7.0%	-3%
Portland General Electric Company	5.5%	6.5%	6.9%	6.0%	6.5%	2.5%	7%
Southern Company	4.0%	3.9%	3.2%	3.5%	3.5%	3.5%	3%
Xcel Energy Inc.	5.5%	5.2%	5.3%	6.0%	6.0%	4.5%	5%

Notes:

**g1:** (a) Value Line's projected EPS Growth, (b) Zack's projected EPS growth, and (c) Yahoo's projected EPS growth;

**g2:** Value Line's projected five-year dividend growth;

**g3:** Value Line's five-year historic EPS growth;

**g4:** Value Line's ten-year historic dividend growth;

**g5:** Value Line's ten-year historic EPS growth;

**Staff Risk-Comparable Sample  
Cost of Equity Results**

<b>Company</b>	<b>k1</b>			<b>k2</b>	<b>k3</b>	<b>k4</b>	<b>k5</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c)</b>				
Alliant Energy Corporation	9.3%	9.4%	9.9%	7.7%	10.3%	10.3%	9.3%
Ameren Corporation	9.7%	9.8%	8.9%	7.7%	NA	NA	NA
Duke Energy Corporation	8.6%	9.4%	8.9%	8.1%	7.6%	NA	NA
Edison International	6.2%	8.0%	NA	11.8%	6.2%	12.3%	9.2%
El Paso Electric Company	NA	7.2%	9.8%	7.8%	6.8%	NA	14.9%
Entergy Corporation	6.9%	NA	NA	7.9%	NA	11.0%	7.9%
Eversource Energy	9.4%	9.7%	9.1%	9.4%	9.4%	13.0%	13.0%
Hawaiian Electric Industries, Inc.	8.2%	11.3%	8.2%	NA	12.8%	NA	NA
IDACORP, Inc.	5.9%	6.9%	6.9%	10.5%	11.0%	5.4%	12.5%
PG&E Corporation	15.4%	7.6%	9.2%	10.3%	NA	NA	NA
Pinnacle West Capital Corporation	7.6%	7.6%	7.3%	8.6%	12.1%	6.0%	8.1%
PNM Resources, Inc.	11.8%	10.4%	11.6%	12.9%	17.4%	NA	NA
Portland General Electric Company	8.6%	9.6%	10.0%	9.1%	9.6%	NA	10.1%
Southern Company	8.6%	8.4%	7.7%	8.0%	8.0%	8.6%	7.5%
Xcel Energy Inc.	8.9%	8.6%	8.6%	9.4%	9.4%	7.4%	8.4%
<b>Cost of Equity Results</b>		<b>8.9%</b>		<b>9.2%</b>	<b>10.1%</b>	<b>9.2%</b>	<b>10.1%</b>
<b>Midpoint</b>	<b>9.5%</b>						

Note:

k1 gives 1/3 weighting each to EPS projections of Value Line, Zacks, and Yahoo

The FERC Method for removing outlier estimates was employed, which is based on the risk-return tradeoff, *i.e.*, investors in a utility's equity take on more risk than investors in that utility's debt. Thus equity investors should receive a higher return than the yield on public utility debt, which was 4.35% from June 2016 - Nov. 2016. Any estimates under 1% above recent bond yields were deemed outliers

Discounted Cash Flow Model (Pros & Cons)

Pros

- Most widely employed model by State Commissions and the Federal Energy Regulatory Commission (FERC).
- Model inputs are widely available and specific to firms. It is the most company-specific method.
- Forward looking and recognizes the time-value of money.
- Multi-Stage model is well suited to estimate returns for nascent firms undergoing rapid growth.
- Gordon Growth model (i.e. the model Staff uses) is well suited to estimate returns for dividend-paying companies that are relatively insensitive to the business cycle and in a mature growth phase, like utilities.

Cons

- The Constant Growth model assumes the dividend payout ratio and price-to-earnings ratio remains constant indefinitely, which is improbable.
- The growth rate inputs are subjective, usually short-term in nature, and thus might not be sustainable, whereas the DCF projects cash flows indefinitely.

Risk Premium Models, including the Capital Asset Pricing Model (Pros & Cons)

Pros

- The model is easily understood conceptually because equity is recognized as being more risky than debt, and thus equity should receive a premium higher than the returns on debt.
- Equity (or Market) Risk Premium estimates can be easily calculated from historical data.
- CAPM results can be company or industry specific because beta, which as a modifier to market risk, can be produced for individual companies and industries.

Cons

- Considerable disagreement that the equity risk premium is constant over time. Additionally, risk premiums are unobservable, even after the fact, and must be estimated.
- Historic risk premiums are plagued by how long a measurement period to use. And forward-looking risk premiums generally require surveying financial experts or employing DCF analysis.
- Beta usually does not explain a sufficient amount of company-specific risk to be reliable. Furthermore, Beta may not be stable and cannot be measured ex ante. Therefore, when measuring beta, the historical state of the company may not be an accurate representation of the future state of the company.
- In addition to relying on ex post data to estimate beta, using different periods for estimation results in different beta estimates. For example, a three-year beta is unlikely to be the same as a five-year beta, and a beta estimated with daily returns is unlikely to be the same as the beta estimated with monthly returns.

**Exhibit 5.2:** Correlation Matrix of the S&P 500 Index, the Wilshire 5000 Index, and the Morningstar U.S. Market Index  
January 2011–December 2015

	S&P 500 Index	Wilshire 5000 Index	Morningstar U.S. Market Index
S&P 500 Index	1.000	–	–
Wilshire 5000 Index	0.997	1.000	–
Morningstar U.S. Market Index	0.997	1.000	1.000

**Source of underlying data:** Morningstar's *Direct* database. Used with permission. All rights reserved. Calculations performed by Duff & Phelps LLC.

**Source:**

Duff & Phelps' 2016 Valuation Handbook Guide to Cost of Capital

Correlation Matrix	New York Stock Exchange	S&P 500 Index	Nasdaq Composite
New York Stock Exchange	1	-	-
S&P 500 Index	0.961	1	-
Nasdaq Composite	0.932	0.992	1

Correlation of Returns on Indexes from 1/4/2011 - 12/30/2016

**Source:**

Yahoo! Finance

OKLAHOMA GAS AND ELECTRIC COMPANY  
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### CAPM Results

Year	2012	2013	2014	2015	2016	Arithmetic Average	Geometric Average
Total Return on NYSE	15.50%	25.77%	6.30%	-4.43%	11.51%	10.93%	10.47%

Average Yield on 30 Year  
Treasury from 2012 - 2016: 3.03%

#### Arithmetic

Market Risk Premium (Return on NYSE minus Average Treasury Yield)	x	Beta	+	Risk Free Rate (Average Value Line Projection 2019 - 2020)	=	Cost of Equity
7.90%	x	0.67	+	4.10%	=	9.39%

#### Geometric

Market Risk Premium (Return on NYSE minus Average Treasury Yield)	x	Beta	+	Risk Free Rate (Average Value Line Projection 2019 - 2020)	=	Cost of Equity
7.45%	x	0.67	+	4.10%	=	9.09%

OKLAHOMA GAS AND ELECTRIC COMPANY  
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**Value Line Data Used in CAPM Results**

<b>Company Name</b>	<b>Ticker</b>	<b>Beta</b>
Alliant Energy Corporation	LNT	0.70
Ameren Corporation	AEE	0.65
Duke Energy Corporation	DUK	0.60
Edison International	EIX	0.65
El Paso Electric Company	EE	0.70
Entergy Corporation	ETR	0.65
Eversource Energy	ES	0.70
Hawaiian Electric Industries, Inc.	HE	0.70
IDACORP, Inc.	IDA	0.75
PG&E Corporation	PCG	0.65
Pinnacle West Capital Corporation	PNW	0.70
PNM Resources, Inc.	PNM	0.75
Portland General Electric Company	POR	0.70
Southern Company	SO	0.55
Xcel Energy Inc.	XEL	0.60
<b>Average</b>		<b>0.67</b>

Source: Value Line, in respective issues

<b>Value Line Projections</b>	<b>2019</b>	<b>2020</b>	<b>Average</b>
Long-Term Treasury Bond Rate (%)	4.00%	4.20%	4.10%

Source: Value Line, Selection & Opinion, December 2, 2016

**Risk Premium Results From Surrounding Jurisdictions**  
**20 Rate Cases**

Risk Premium (Treasuries)	6.5%
Average Yield on 30-Year Treasuries Since 8/25/2016, Through 1/3/2017	2.7%
Cost of Equity (Recent ROEs using 30 Year Treasuries as risk-free rate)	9.2%

Source:  
DIRECT EXHIBIT RP-30.2  
Federal Reserve Bank of  
St. Louis

Risk Premium (Public Utility Debt)	4.7%
Average Yield on Public Utility Debt (Baa) Since 8/25/2016	4.4%
Cost of Equity (Recent ROEs using Public Utility Debt as risk-free rate)	9.1%

Source:  
DIRECT EXHIBIT RP-30.2  
Mergents Bond Record

OKLAHOMA GAS AND ELECTRIC COMPANY  
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DIRECT EXHIBIT RP-30.2

Company Name	State	Initial Filing Date	Rate Case Completion Date	Authorized ROE (%)	Average Yield on 30 Year Treasuries	Average Yield on Public Utility Debt	Risk Premium (Treasuries)	Risk Premium (Public Utility Debt)
Southwestern Electric Power Company	LA	7/20/2012	2/27/2013	10.00%	2.90%	4.67%	7.10%	5.33%
Entergy Gulf States Louisiana, L.L.C.	LA	2/15/2013	12/16/2013		<b>Combined Filing</b>			
Entergy Louisiana, LLC	LA	2/15/2013	12/16/2013	9.95%	3.47%	4.99%	6.48%	4.96%
Entergy Louisiana, LLC	LA	3/28/2013	7/10/2014	9.95%	3.55%	4.99%	6.40%	4.96%
Union Electric Company	MO	7/24/2009	5/28/2010	10.10%	4.44%	6.28%	5.66%	3.83%
KCP&L Greater Missouri Operations Company	MO	6/4/2010	5/4/2011		<b>Combined Filing</b>			
Kansas City Power & Light Company	MO	6/4/2010	4/12/2011		<b>Combined Filing</b>			
KCP&L Greater Missouri Operations Company	MO	6/4/2010	5/4/2011	10.00%	4.21%	5.90%	5.79%	4.10%
Union Electric Company	MO	9/3/2010	7/13/2011	10.20%	4.30%	5.86%	5.90%	4.34%
Union Electric Company	MO	2/3/2012	12/12/2012	9.80%	2.91%	4.86%	6.89%	4.94%
Kansas City Power & Light Company	MO	2/27/2012	1/9/2013		<b>Combined Filing</b>			
KCP&L Greater Missouri Operations Company	MO	2/27/2012	1/9/2013		<b>Combined Filing</b>			
KCP&L Greater Missouri Operations Company	MO	2/27/2012	1/9/2013	9.70%	2.90%	4.84%	6.80%	4.86%
Union Electric Company	MO	7/3/2014	4/29/2015	9.53%	2.89%	4.62%	6.64%	4.91%
Kansas City Power & Light Company	MO	10/30/2014	9/2/2015	9.50%	2.81%	4.77%	6.69%	4.73%
Entergy Mississippi, Inc.	MS	6/10/2014	12/11/2014	10.07%	3.19%	4.71%	6.88%	5.36%
Public Service Company of Oklahoma	OK	7/9/2010	1/5/2011	10.15%	4.02%	5.76%	6.13%	4.39%
Oklahoma Gas and Electric Company	OK	7/28/2011	7/9/2012	10.20%	3.11%	5.12%	7.09%	5.08%
Public Service Company of Oklahoma	OK	7/1/2015	11/10/2016	9.50%	2.68%	4.95%	6.82%	4.55%
Kingsport Power Company	TN	1/4/2016	8/9/2016	9.85%	2.57%	4.84%	7.28%	5.01%
Entergy Texas, Inc.	TX	12/30/2009	12/1/2010	10.13%	4.24%	5.98%	5.89%	4.15%
Entergy Texas, Inc.	TX	11/28/2011	9/13/2012	9.80%	2.95%	4.99%	6.85%	4.81%
Southwestern Electric Power Company	TX	7/27/2012	10/3/2013	9.65%	3.16%	4.81%	6.49%	4.84%
Entergy Texas, Inc.	TX	9/25/2013	5/16/2014	9.80%	3.68%	5.12%	6.12%	4.69%
Southwestern Public Service Company	TX	12/8/2014	12/17/2015	9.70%	2.83%	4.96%	6.87%	4.74%

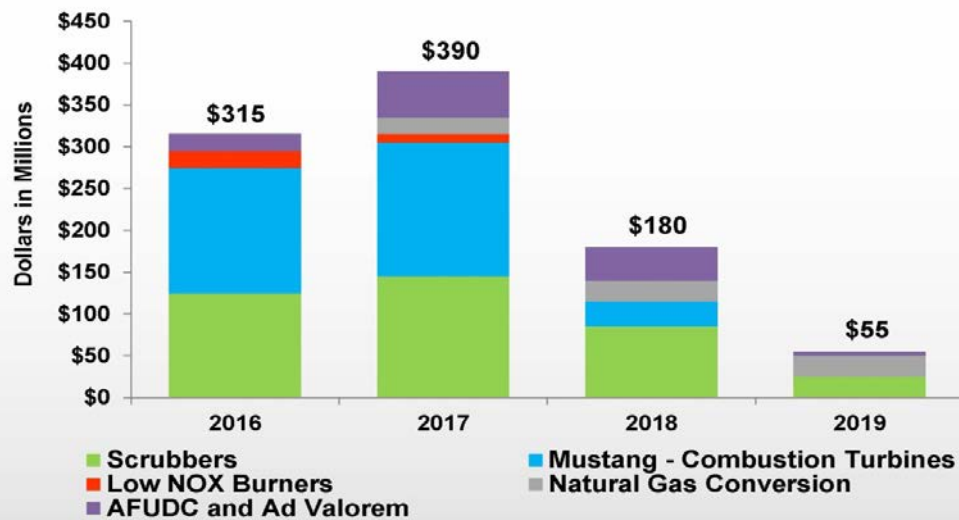
<b>Average</b>	<b>6.5%</b>	<b>4.7%</b>
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Source: SNL Financial

OKLAHOMA GAS AND ELECTRIC COMPANY  
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DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-31

### Projected Environmental & Mustang Modernization Expenditures 2016 - 2019



POSITIVE  
ENERGY  
TOGETHER

OG&E

### Projected Capital Expenditures 2016 – 2020

Dollars in millions	2016	2017	2018	2019	2020
OG&E Base Transmission	\$ 50	\$ 30	\$ 30	\$ 30	\$ 30
OG&E Base Distribution	185	175	175	175	175
OG&E Base Generation	45	75	75	75	75
OG&E Other	40	25	25	25	25
Total OG&E Base T&D, Gen & Other	320	305	305	305	305
OG&E Known and Committed Projects:					
Transmission Projects					
Regionally Allocated Base Projects (1)	45	30	20	20	20
ITP 10-year Projects (2)	20	150	20	-	-
Total Transmission Projects	65	180	40	20	20
Other Projects:					
Environmental – Low NO <sub>x</sub> Burners	25	10	-	-	-
Environmental – Natural Gas Conversion	-	20	30	25	-
Environmental – Dry Scrubbers	80	170	100	25	-
Combustion Turbines – Mustang	155	160	25	-	-
AFUDC and Ad Valorem	20	55	40	-	-
Total Other Projects	280	415	195	50	-
Total Known and Committed Projects	345	595	235	70	20
Total OG&E	\$ 665	\$ 900	\$ 540	\$ 375	\$ 325

(1) Typically 100kV to 299kV projects. Approximately 30% of revenue requirement allocated to SPP members other than OG&E.  
(2) Typically 300kV and above projects. Approximately 85% of revenue requirement allocated to SPP members other than OG&E.

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POSITIVE  
ENERGY  
TOGETHER

OG&E

	<b>Capital Expenditures As A % Of Revenue, Company Estimates (2017)</b>	<b>Capital Expenditures As A % Of Revenue, S&amp;P Capital IQ Estimates (2017)</b>	<b>Capital Expenditures As A % Of Revenue, Company Estimates (2018)</b>	<b>Capital Expenditures As A % Of Revenue, S&amp;P Capital IQ Estimates (2018)</b>
Risk Comparabl e Sample	32%	30%	31%	29%
OGE Energy	39%	35%	23%	21%

	<b>Company's Forecast Next Two Years</b>	<b>S&amp;P Capital IQ's Forecast Next Two Years</b>
Risk Comparabl e Sample	31%	29%
OGE Energy	31%	28%

**Note:**

**S&P Capital IQ Estimates = S&P Capital IQ's Estimated Capital Expenditures Divided by S&P Capital IQ's Estimated Revenues for the Respective Years.**

**Company Estimates = Company Estimated Capital Expenditures for 2017 and 2018 divided by Revenue for the Last 12 Months, ending 9/30/2016. Company estimates provided in the companies' respective SEC Form 10-Ks.**

OKLAHOMA GAS AND ELECTRIC COMPANY  
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DIRECT EXHIBITS OF REGIS POWELL

DIRECT EXHIBIT RP-33

	Historical capital expenditures (\$M)											CAGR (%)			Forecast CapEx (\$M)			3-year
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	3-year	5-year	10-year	2016E	2017E	2018E	CAGR (%)
<b>ELECTRIC</b>																		
1 AES CORP.	826	1,460	2,425	2,850	2,520	2,310	2,430	2,108	1,988	2,016	2,308	3.1	0.0	10.8	2,073	1,074	3,607	16.0
2 ALLIANT ENERGY	538	399	542	879	1,203	867	673	1,158	798	903	1,034	-3.7	3.6	6.8	1,165	1,330	1,275	7.2
3 AMEREN	935	992	1,381	1,896	1,710	1,042	881	1,063	1,379	1,785	1,917	21.7	13.0	7.4	2,155	2,234	2,234	5.2
4 AMERICAN ELECTRIC POWER	2,404	3,528	3,556	3,800	2,792	2,345	2,669	3,025	3,624	4,130	4,508	14.2	14.0	6.5	5,062	5,001	5,000	3.5
5 AVANGRID INC.	331	408	444	516	324	593	822	1,789	944	1,030	1,082	-15.4	12.8	12.6	1,900	1,900	1,900	20.6
6 CMS ENERGY	593	670	1,263	792	818	821	882	1,227	1,325	1,577	1,564	8.4	13.8	10.2	1,700	1,700	1,700	2.8
7 CONSOLIDATED EDISON	1,636	1,853	1,934	2,326	2,193	2,029	1,967	2,069	2,538	2,419	3,054	13.9	8.5	6.4	5,281	3,686	3,682	6.4
8 DOMINION RESOURCES	3,358	4,052	3,972	3,554	3,837	3,422	3,652	4,145	4,065	5,345	5,575	10.4	10.3	5.2	6,910	4,852	4,253	-8.6
9 DTE ENERGY	1,065	1,403	1,299	1,373	1,035	1,099	1,484	1,820	1,876	2,049	2,020	3.5	12.9	6.6	2,085	1,876	1,868	-2.6
10 DUKE ENERGY	2,413	3,470	3,216	4,533	4,433	4,855	4,413	5,507	5,607	5,474	7,029	8.5	7.7	11.3	9,220	8,775	8,300	5.7
11 EDISON INTERNATIONAL	1,868	2,536	2,826	2,824	3,282	4,543	4,122	4,149	3,599	3,906	4,225	0.6	-1.4	8.5	3,700	4,400	5,000	5.8
12 EL PASO ELECTRIC CO.	88	103	145	199	210	170	178	202	237	277	281	11.6	10.6	12.3	234	156	182	-13.5
13 ENTERGY	1,458	1,633	1,578	2,212	1,931	1,974	2,040	2,675	2,288	2,119	2,501	-2.2	4.8	5.5	4,021	3,617	3,667	13.6
14 EVERSOURCE ENERGY	775	872	1,115	1,255	908	954	1,077	1,472	1,457	1,604	1,724	5.4	12.6	8.3	2,084	2,546	2,529	13.6
15 EXELON CORP.	2,165	2,418	2,674	3,117	3,273	3,326	4,042	5,789	5,395	6,077	7,624	9.6	18.0	13.4	8,650	8,000	7,225	-1.8
16 FIRSTENERGY	1,208	1,315	1,633	2,888	2,203	1,780	2,129	2,678	2,638	3,312	2,704	0.3	8.7	8.4	2,977	2,799	2,554	-1.9
17 NEXTERA ENERGY	2,546	3,739	5,019	5,236	6,006	5,846	6,628	9,461	6,682	7,017	8,377	-4.0	7.5	12.6	9,145	4,510	3,745	-23.5
18 GREAT PLAINS ENERGY	327	476	512	1,024	841	618	457	610	669	774	677	3.5	1.8	7.5	680	581	541	-7.2
19 IDACORP INC.	193	222	287	244	252	338	338	240	247	274	294	7.0	-2.8	4.3	305	280	297	0.3
20 HAWAIIAN ELECTRIC INDUSTRIES	224	211	218	282	305	182	235	371	389	365	364	-0.6	14.8	5.0	450	480	500	11.2
21 NORTHWESTERN CORP.	81	101	117	125	189	228	189	219	230	270	284	9.0	4.4	13.4	308	324	365	8.8
22 OGE ENERGY	297	487	558	1,185	848	880	1,270	1,151	991	569	548	-21.9	-9.0	6.3	665	900	540	-0.5
23 PG&E CORP.	1,804	2,402	2,769	3,628	3,958	3,802	4,038	4,624	5,207	4,833	5,173	3.8	6.4	11.1	5,569	5,950	5,950	4.8
24 PINNACLE WEST CAPITAL	661	738	960	936	765	748	884	890	1,016	911	1,076	6.6	7.5	5.0	1,205	1,307	1,124	1.5
25 PNM RESOURCES	211	321	456	345	288	281	327	309	348	461	559	21.8	14.7	10.2	568	415	398	-10.7
26 PORTLAND GENERAL ELECTRIC	255	371	455	383	696	450	300	303	656	1,007	598	25.4	5.9	8.9	648	402	318	-19.0
27 PPL CORP.	811	1,394	1,657	1,418	1,225	1,597	2,487	3,105	4,212	3,674	3,533	4.4	17.2	15.9	3,160	3,070	3,040	-4.9
28 PUBLIC SRV. ENT. GROUP	1,053	1,015	1,348	1,771	1,794	2,160	2,083	2,574	2,811	2,820	3,863	14.5	12.3	13.9	4,380	4,100	3,852	-0.1
29 SOUTHERN COMPANY	2,370	2,994	3,546	3,961	4,670	4,086	4,525	4,809	5,331	5,246	5,674	5.7	6.8	9.1	10,500	5,200	5,500	-1.0
30 WESTAR ENERGY	213	345	748	937	556	540	697	810	780	852	700	-4.7	5.3	12.6	1,102	704	703	0.1
31 WEC ENERGY GROUP	745	929	1,212	1,136	815	798	831	707	687	761	1,266	21.4	9.7	5.4	1,974	2,349	2,046	17.3
32 XCEL ENERGY	1,311	1,628	2,097	2,114	1,778	2,216	2,206	2,570	3,395	3,200	3,683	12.7	10.7	10.9	3,060	2,975	3,120	-5.4
<b>Total Electric (\$M)</b>	<b>34,765</b>	<b>44,484</b>	<b>51,961</b>	<b>59,737</b>	<b>57,656</b>	<b>56,902</b>	<b>60,956</b>	<b>73,629</b>	<b>73,410</b>	<b>77,056</b>	<b>85,820</b>	<b>5.2</b>	<b>8.6</b>	<b>9.5</b>	<b>102,936</b>	<b>87,495</b>	<b>87,014</b>	<b>0.5</b>

**Note:**

A OGE Energy's Forecasted Increase in Capital Expenditures

B Forecasted Average Increase for 32 Electric Utilities

**Oklahoma Gas and Electric Company  
Weighted Cost of Capital  
Staff Recommendation**

Component	Amount	Proportion	Rate	Wtd Cost	Pre-tax
Long Term Debt	\$2,793,106,553	34.92%	5.68%	1.98%	1.98%
Short Term Debt	\$167,385,484	2.09%	0.76%	0.02%	0.02%
Common Equity	\$2,770,518,356	34.64%	9.50%	3.29%	5.35%
Customer Deposits	\$77,441,663	0.97%	1.47%	0.01%	0.01%
Accumulated Deferred Income Taxes	\$1,876,827,334	23.46%	0.00%	0.00%	0.00%
Post-1970 ADITC - Long Term Debt	\$1,172,737	0.01%	5.68%	0.00%	0.00%
Post-1970 ADITC - Short Term Debt	\$70,280	0.00%	0.76%	0.00%	0.00%
Post-1970 ADITC - Equity	\$1,163,253	0.01%	9.50%	0.00%	0.00%
Current, Accrued and Other Liabilities	\$302,724,921	3.78%	0.00%	0.00%	0.00%
Other Capital Items	\$8,082,810	0.10%	8.53%	0.01%	0.01%
<b>Totals</b>	<b>\$7,998,493,390</b>	<b>100.00%</b>		<b>5.31%</b>	<b>7.37%</b>

**Revenue Conversion Factor**

1.6274

External Capital	6/30/16 Balances	Staff Recommended Proportions	Staff Recommended Balances
Long-Term Debt (Gross)	2,555,298,990	49.10%	2,834,009,401
Short-Term Debt	41,043,240	2.90%	167,385,484
Common Equity	3,175,571,011	48.00%	2,770,518,356
	5,771,913,241	100.00%	5,771,913,241

**L-T Debt**

Staff Adjusted Amount	2,834,009,401
Net Discount and Premium	(\$40,902,848)
Total	2,793,106,553

Components	Post-1970 ADITC \$2,406,269	Proportions	Balances
Long Term Debt	\$2,793,106,553	48.74%	\$1,172,737
Short Term Debt	\$167,385,484	2.92%	\$70,280
Common Equity	\$2,770,518,356	48.34%	\$1,163,253
Total	\$5,731,010,393	100.00%	\$2,406,269

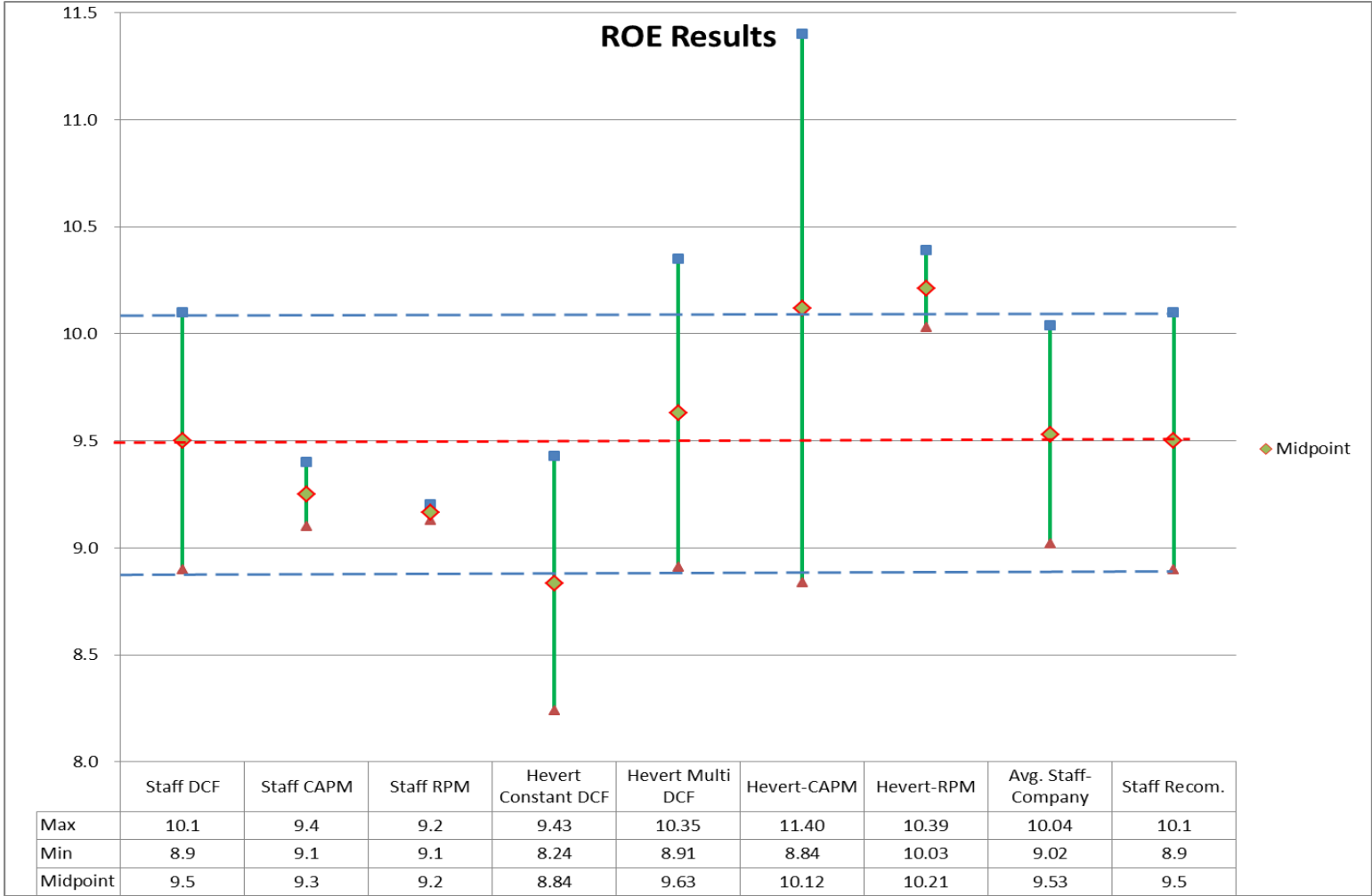
OKLAHOMA GAS AND ELECTRIC COMPANY  
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DIRECT EXHIBIT RP-35

**Oklahoma Gas and Electric Company  
Weighted Cost of Debt**

Component	Weighted Cost
Long-term Debt	1.98%
Short-term Debt	0.02%
Customer Deposits	0.01%
ADITC - LT Debt	0.00%
ADITC - ST Debt	0.00%
Other Capital Items	<u>0.01%</u>
<b>Total</b>	<b><u><u>2.02%</u></u></b>

Source: Direct Exhibit RP-39



**TABLE 9.5**  
**SUMMARY OF STUDIES MEASURING RELATIONSHIP**  
**BETWEEN INTERESTS RATES AND RISK PREMIUMS**

Study	Period	Indices Compared	Findings <sup>1/</sup>
Harris (1986)	1982-1984	S&P 500 vs. 20-year T-bonds	(0.51%)
Carleton, Chambers & Lakonishok (1983)	1978-1980	Authorized ROE and market-to-book ratios	(0.33%)
Brigham, Shome & Vinson (1985)	1966-1979 1980-1984	S&P 500 vs. high-grade corporate bonds	0.73% (0.63%)
Harris & Marston (1992)	1982-1984 1985-1987 1988-1971	S&P 500 vs. long-term T-bonds	(0.64%) (0.74%) (0.79%)
Maddox, Pippert & Sullivan (1995)	1980-1993	30 electric utilities vs. 30-year T-bonds	(0.37%)

<sup>1/</sup> Indicated change in risk premium resulting from one percentage point increase in interest rates.

The reason cited for this observed inverse relationship is “interest rate risk” (when interest rates rise, bondholders suffer a capital loss) as the driving force in bondholders’ decision-making and a firm’s earning power as the focus on stockholders’ decision-making. Therefore, if bondholder’s fear of interest rate risk exceeds stockholders’ fear of loss of earning power (as it often does in periods of high inflation) the risk differential will narrow and the risk premium will decline (Morin, 2006, 128).

### 3. Should risk premiums be measured using nominal or real values?

The third question concerns whether risk premiums should be evaluated net of the effect of inflation. It has long been recognized that inflation’s impact on expected returns is not constant over time. Further, there is not a constant relationship between different levels of inflation and interest rates. For example, Gordon and Halpern found “the real rate of return on bonds is an increasing function of the variability of the inflation rate, and not the inflation rate

itself” (Gordon and Halpern, 1976, 563). This conclusion questions the use of nominal interest rates in estimating risk premiums and instead suggests use of real rates.

In a related study Carleton, Chambers, and Lakonishok concluded “at least during the 1970’s risk premiums were not related to the level of interest rates” (Carleton, Chambers and Lakonishok, 1983, 429). This study, which specifically focused on the cost of capital to utilizes, explicitly concluded that use of nominal interest rates did not accurately estimate risk premiums.

Another study, by Copeland, concluded that in the 1970’s the volatility of inflation (rather than the level of inflation) increased the volatility and therefore, the risk of bonds vis a vis stocks. This conclusion also challenged the use of nominal interest rates in estimating risk premiums.

Other academic studies have further challenged the existence of a relationship between nominal risk premiums and interest rates. For example, a 1990 article by Einhorn found that changes in risk premiums over time are not explained simply by changes in nominal interest rates but rather by whether inflation is contained or troublesome. His findings concluded that risk premiums tend to be lower when inflation is contained (Einhorn, 1990). This conclusion also runs directly counter to the presumption of the above-mentioned inverse relationship which assumes that risk premiums are higher when interest rates are lower (which occurs when inflation is lower or contained).

#### **Arithmetic vs. Compound Growth Rates**

The issue of whether the arithmetic or compound growth rates better depicts investor expectations is frequently in dispute in risk premium studies. This issue has been previously discussed in Chapter 8 (Discounted Cash Flow Methods).

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served on all parties of record by electronic mail via the Electronic Filing System this 31st day of January, 2017.

/s/ Justin Hinton  
Justin Hinton