

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF)
OKLAHOMA GAS AND ELECTRIC COMPANY)
FOR COMMISSION AUTHORIZATION OF A)
PLAN TO COMPLY WITH THE FEDERAL CLEAN) CAUSE NO. PUD 201400229
AIR ACT AND COST RECOVERY; AND FOR)
APPROVAL OF THE MUSTANG)
MODERNIZATION AND COST RECOVERY)

CAUSE NO. PUD 201400229

Pre-filed Responsive Testimony and Exhibits of:

Mark E. Garrett

On behalf of

Oklahoma Industrial Energy Consumers (OIEC)

December 16, 2014

**PRE-FILED DIRECT TESTIMONY OF MARK E. GARRETT
December 16, 2014**

TABLE OF CONTENTS

Section I.	Introduction and Purpose of Testimony	3
Section II.	Summary of Testimony and Recommendations	5
Section III.	Rate Impacts of OG&E’s Recommended Plans	9
Section IV.	Rate Increase Mitigation Opportunities.....	22
Section V.	The Mustang Modernization Plan Should be Rejected	26
	a. Concerns Raised by Mr. Norwood	26
	b. Cost Recovery Mechanism Proposed by the Company	27
	c. The Mustang Depreciation Study	32
	d. Problems with Including the MMP in an Environmental Compliance Plan ..	35
Section VI.	OG&E’s Proposed Rider Recovery Mechanism	36
	a. Rider Recovery is Not Appropriate for Mustang	37
	b. The ECP Should Be Determined in a Rate Case.....	38
	c. Why Riders Should Be Determined in Rate Cases	39
Section VII.	OG&E’s Regulatory Asset Recommendations	42
	a. Regulatory Asset for Stranded Coal Handling and Ash Disposal Costs	42
	b. Regulatory Asset for Witness and Legal Fees and Costs.....	46
Section VIII.	Recovery of Variable Environmental Costs in FAC	47
	Exhibit MG-1 through MG-5	Attached

SECTION I - INTRODUCTION AND PURPOSE OF TESTIMONY

Q: PLEASE STATE YOUR NAME AND OCCUPATION.

A: My name is Mark Garrett. I am the President of Garrett Group LLC, an Oklahoma City based firm specializing in public utility regulation, litigation and consulting services.

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

A: I am an attorney and a certified public accountant. I work as a consultant in the area of public utility regulation. I received my bachelor's degree from the University of Oklahoma and completed post graduate hours at the Stephen F. Austin State University and at the University of Texas at Arlington and Pan American. I received my juris doctor degree from Oklahoma City University Law School and was admitted to the Oklahoma Bar in 1997. I am a Certified Public Accountant licensed in the States of Texas and Oklahoma, with a background in public accounting, private industry, and utility regulation. In public accounting, as a staff auditor for a firm in Dallas, I primarily audited financial institutions in the State of Texas. In private industry, as controller for a mid-sized (\$300 million) corporation in Dallas, I managed the Company's accounting function, including general ledger, accounts payable, financial reporting, audits, tax returns, budgets, projections, and supervision of accounting personnel. In utility regulation, I served as an auditor in the Public Utility Division of the Oklahoma Corporation Commission from 1991 to 1995. In that position, I managed the audits of major gas and electric utility companies in Oklahoma. Since leaving the Commission, I

have worked on rate cases and regulatory proceedings on behalf of industrial and commercial customers, gas pipelines, city intervener groups, and consumer advocates.

Q: HAVE YOUR QUALIFICATIONS BEEN ACCEPTED BY THIS COMMISSION IN OTHER PROCEEDINGS?

A: Yes, they have. A more complete description of my qualifications and a list of the proceedings in which I have been involved are included in Exhibit MG-1.

Q: ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A: I am appearing on behalf of Oklahoma Industrial Energy Consumers (“OIEC”). OIEC is an association consisting of a diverse group of large consumers of energy in Oklahoma, which is involved in regulatory and legislative matters primarily involving natural gas and electric power.

Q: WHAT IS THE PURPOSE OF OIEC’S TESTIMONY IN THIS CASE?

A: The technical aspects and merits of OG&E’s proposed Environmental Compliance Plan (ECP) and OG&E’s proposed Mustang Modernization Plan (“MMP”) are addressed in the testimony of OIEC witness Mr. Scott Norwood. My testimony addresses the ratemaking treatment and rate impact of the proposed plans, as well as the proposed cost recovery mechanisms, including OG&E’s proposed Environmental and Generation Plant (“EGP”) Rider. I also address the requested regulatory asset treatment for certain assets

and costs, recovery of air quality control systems (“AQCS”) costs through OG&E’s fuel adjustment clause (“FAC”) Rider, and certain depreciation issues.

SECTION II – SUMMARY OF TESTIMONY AND RECOMMENDATIONS

1. In its application, OG&E requests Commission approval of: 1) an environmental compliance plan; 2) a separate plan to retire and replace its Mustang generating units; 3) a new rider (the EGP rider) to collect the costs of these two plans; 4) regulatory asset treatment for certain stranded costs; 5) recovery of air quality control systems (“AQCS”) costs through the FAC Rider; and 6) changes to its depreciation rates.
2. The projected costs of OG&E’s plans presented in this docket do not provide the Commission with a clear picture of the *total potential rate increases* that OG&E’s ratepayers will likely face by the year 2020.
3. My testimony quantifies the rate increases associated with OG&E’s plans set forth in this docket. In addition, I provide an overview of the total potential cost increases ratepayers will likely face if all of OG&E’s planned cost increases and projects through 2020 are implemented, as follows:

Total Potential Revenue Requirement Increases by 2020		
	Amount	% Increase
Environmental Compliance Plan (by 2019)	\$268,586,080	15.70%
Mustang Modernization Plan (by 2019)	\$59,071,920	3.45%
Subtotal – Plans Presented in this Docket	327,658,000	19.15%
Plus:		
Existing Riders Cost Increases (through 2015)	\$18,122,666	1.06%
Projected SPP Cost Increases (through 2016)	\$14,678,895	0.86%
New Combined Cycle Plant (Scheduled for 2020)	\$112,896,865	6.60%
Total Potential Revenue Requirement Increase	\$473,356,426	27.66%

4. The Company has introduced in this docket, under the umbrella of environmental compliance, certain proposals that are unrelated to OG&E’s compliance with federal environmental regulations. The Company also asks the Commission to approve in this proceeding significant rate increases that instead should be reviewed and considered in the Company’s next general rate case.

5. Compliance with the EPA's regulations undoubtedly will cause rate increases. In light of this, the Commission should look for ways to mitigate those rate increases. The Commission should also reject those aspects of the Company's plans which needlessly increase rates or inappropriately limit the Commission's oversight authority.
6. There are several ways the Company could mitigate the potential rate increase resulting from environmental compliance in the context of a rate case. Some of these include: (1) eliminating or postponing unnecessary projects; (2) excluding regulatory asset (for accelerated depreciation); (3) adding wind resources; (4) financing the ECP with debt; and (5) reducing the Company's return on equity (ROE). These recommendations illustrate OIEC's point that the Commission's review of potential cost increases should be made in OG&E's next rate case where potential cost reductions can also be considered.
7. My testimony sets forth, for illustrative purposes only, how each of the five recommendations listed above could significantly reduce the Company's proposed rate increase associated with its ECP and MMP as shown below:

OG&E's Proposed Rate Increase for Environmental Compliance and MMP	\$327,658,000	19.15%
<u>Examples of Opportunities for Potential Cost Savings:</u>		
• Eliminate or postpone MMP	\$(59,071,920)	-3.45%
• Eliminate the regulatory asset	\$(5,900,000)	-0.34%
• Add wind resources	\$(47,000,000)	-2.75%
• Use debt financing for portion of ECP	\$(37,364,048)	-2.15%
• Reduce OG&E's ROE to 9.75%	<u>\$(13,716,326)</u>	<u>-0.80%</u>
Subtotal—Potential Savings	\$(161,337,754)	-9.49%
Total Remaining Increase for ECP	<u>\$166,320,246</u>	<u>9.65%</u>

8. Regarding the Mustang Modernization Plan, I refer to Mr. Norwood's analysis that the MMP is unrelated to the Environmental Compliance Plan. Moreover, the Company failed to seek competitive procurement in replacing the Mustang generating capacity, and the evidence does not establish that retirement of Mustang Units 3 and 4 is necessary at this time, or that replacement with new gas-fired CT units is the lowest reasonable cost alternative.
9. I discuss OG&E's proposal to collect the Mustang costs through the same rider that will collect the ECP costs, a rider called the Environmental and Generation

Plan ("EGP") rider. OG&E uses *rate shock avoidance* as justification for using a rider approach. It is inappropriate for the Company to bootstrap the MMP rate increase to the ECP, and then to justify rider recovery using a *rate shock avoidance* rationale. Compliance with rules and regulations as mandated by the Clean Air Act ("CAA") does not apply to Mustang.

10. Title 17 O.S. § 286 does not provide for rider recovery of the Mustang plan. There is no enabling statutory provision that would authorize the Company's requested rider treatment for the Mustang additions. As a general rule, rider-recovery should be reserved for situations where such treatment is statutorily authorized or where the parties agree to such treatment.
11. I explain that OG&E's proposed depreciation study that shortens the lives of the existing Mustang units should be rejected. In the Company's last rate case, Cause No. PUD 201100087, the Company executed a Joint Stipulation and Settlement Agreement which explicitly provides that the Company's existing depreciation rates would remain in effect until OG&E's next general rate proceeding. The Commission approved that Stipulation by Order No. 599558 entered in that docket. It would be inappropriate for the Commission to approve OG&E's request to change those rates in this proceeding in light of that Stipulation.
12. I further discuss the Company's request for rider recovery of its Environmental Compliance Plan, and recommend that this request be considered only in the context of OG&E's next general rate case. The purpose of this proceeding is for the Commission to determine the prudence of OG&E's ECP. However, the recovery of costs and ratemaking determinations, such as the appropriateness of rider recovery, should be made in a general rate case.
13. Although Title 17 O.S. § 286(B) provides for periodic rate recovery for the costs of an approved environmental compliance plan, such recovery is subject to Commission review and approval. Commission rules implementing Title 17 O.S. § 286(B), (OAC 165:35-38-4) provide that implementation of any periodic-recovery for costs of an approved plan must occur in a rate case proceeding.
14. Even without applying this rule, there are practical reasons why rider recovery mechanisms should be considered only in a rate case proceeding. First, the reasonableness of the amount to be recovered through a rider should be addressed in a rate case proceeding wherein a thorough review of the financial condition of the utility can occur, so that the Commission can determine whether the rider recovery is actually needed. Second, before approving any rate increase to customers through a rider or otherwise, the Commission should find every potential offsetting rate decrease through a comprehensive review of the utility's rates and charges in a rate case. Without quantifying the other potential

offsetting rate decreases, the Commission cannot be assured that the total rates are, in fact, *just and reasonable* rates.

15. I address OG&E's request to establish a regulatory asset for the stranded balances in the coal handling and ash disposal equipment accounts when the Muskogee units 4 and 5 are retired. I explain that, in my view, all of the ratemaking treatment for the Company's proposed environmental compliance plan, including the cost recovery of stranded assets, should be addressed in a rate case proceeding. I also note that there is no valid reason to treat the coal handling and ash removal equipment costs at these units any differently than the retired units themselves are treated. At a minimum, the Commission would want to recover the remaining balances of the coal handling and ash removal equipment over the 24-year life of the new gas units that replace the coal units at Muskogee 4 and 5. But, again, this is a ratemaking decision that should be made in the context of a rate case.
16. I reviewed OG&E's request to modify its Fuel Adjustment Clause ("FAC") rider to recover the costs of certain commodities consumed in environmental control technology to reduce emissions, generally referred to as AQCS products. The Company's request should be denied. The Fuel Adjustment Clause is authorized by statute to recover fuel and purchased power costs. It was not authorized to recover costs other than fuel and purchased power. The Commission should not authorize the use of the FAC for anything but its intended purpose.
17. The Commission's duty to balance the interests of the utility with the interests of the ratepayers cannot be accomplished in a vacuum, in which the Commission makes isolated decisions about rate increases for the utility without taking into consideration other potential rate decreases that may be available to mitigate the impact on ratepayers. In my opinion, the Commission cannot know whether the overall rates it authorizes are in fact *just and reasonable rates* – in other words, constitutionally valid rates – if it sets those rates in a piecemeal fashion as the Company recommends here.

SECTION III – RATE IMPACTS OF OG&E’S RECOMMENDED PLANS

Q: PLEASE PROVIDE AN OVERVIEW OF THE COMPANY’S REQUESTS IN THIS APPLICATION.

A: OG&E is requesting Commission approval of: 1) an environmental compliance plan; 2) a plan to retire and replace its Mustang generating units; 3) implementation of a new rider (the EGP rider) to collect the costs of these two plans; 4) regulatory asset treatment for certain stranded assets and operation and maintenance costs; 5) recovery of air quality control systems (“AQCS”) costs through the FAC Rider; and 6) proposed changes to its depreciation rates.¹

Q: PLEASE DESCRIBE THE COMPANY’S ENVIRONMENTAL COMPLIANCE PLAN (“ECP”).

A: OG&E’s Environmental Compliance Plan is designed to address regulations promulgated by the Environmental Protection Agency (“EPA”) under the Clean Air Act (“CAA”): the Regional Haze rule, and the Mercury and Air Toxics Standards (“MATS”) rule. These rules require OG&E to meet new emissions limits for sulfur dioxide (“SO₂”), nitrogen oxide (“NO_x”) and mercury, which the Company proposes to address as follows:

- To meet the SO₂ emission requirements of Regional Haze, OG&E will install dry scrubbers on both coal-fired generating units at the Sooner Power Plant. OG&E will also convert two of the three coal-fired generating units at the Muskogee Power Plant to natural gas and repower those boilers to accommodate that change in boiler fuel. The

¹ See Rowlett Direct Testimony, at page 2.

deadline for meeting these SO₂ emission requirements is January 4, 2019.

- To meet the NO_x emission requirements of Regional Haze, OG&E will install low NO_x burners with over-fire air systems on the four coal units affected by Regional Haze (Sooner 1 and 2 and Muskogee 4 and 5) and on the three gas units at the Seminole Power Plant affected by Regional Haze. OG&E began installation of low NO_x burner technology in Spring 2013 to meet the deadline of January 27, 2017.
- To meet the mercury emissions requirements of MATS, OG&E will install Activated Carbon Injection ("ACT") technology on all of its coal-fired generating units by April 3 2016.²

OG&E indicates the capital investment for implementing its proposed environmental compliance plan would be approximately \$730 million.³

Q: HAVE YOU QUANTIFIED THE RATE INCREASES ASSOCIATED WITH THE COMPANY'S ENVIRONMENTAL COMPLIANCE PLAN?

A: Yes. In Data Request OIEC 4-3, we asked OG&E to quantify the rate increases associated with the Environmental Compliance Plan. According to the Company's response to OIEC 4-3, the annual impact of the Environmental Compliance Plan will increase Oklahoma base rates in 2019 by \$127.3M, and fuel costs by another \$141.2M, for a total increase of approximately \$268.5M per year by 2019. This is a **15.7% increase** above the revenue requirement of \$1,711.2M established in the Company's last rate case, Cause No. PUD 2011-087.⁴ To my knowledge, this would be the largest rate increase ever awarded in Oklahoma for a regulated utility. The cost increases associated

² See Rowlett Direct Testimony at page 3.

³ See OG&E's Response to OIEC 3-12_Att71.

⁴ OG&E's total Oklahoma revenue requirement established in the Company's 2012 rate case, Cause No. PUD 201100087, was provided in response to OIEC 6-2, which is attached as Exhibit MG-6, at page 1.

with the ECP are set forth in Table 1 below, and can be seen in more detail in Exhibit MG-2.

TABLE 1: Rate Increases from Environmental Compliance Plan		
1	Oklahoma Revenue Requirement set in PUD 2011-087	OIEC 6-2 <u>\$1,711,207,980</u>
2	Oklahoma Base Rate Increase by 2019 for ECP	OIEC 4-3 \$127,300,000
3	Oklahoma Fuel Increase by 2019 for ECP	OIEC 4-3 x Okla. Juris <u>\$141,286,080</u>
4	Total Revenue Requirement Increase by 2019 for ECP	Calculated <u>\$ 268,586,080</u>
5	Total % Increase Based on Current Rates	Ln. 4/ Ln.1 15.7%

Q: WHAT AMOUNTS ARE INCLUDED IN THE BASE RATE INCREASE OF \$127,300,000?

A: The base rate increase includes: (1) a return on the ECP capital costs (capital costs less accumulated depreciation, less accumulated deferred income tax times the tax-effected cost of capital established in PUD 11-087); (2) operating and maintenance expenses; (3) depreciation expense; and (4) ad valorem tax expense, as set forth in the Company's revenue requirement modeling scenarios.⁵

Q: WHAT IS INCLUDED IN THE FUEL INCREASE OF \$141,286,080?

A: This fuel cost increase reflects the Oklahoma jurisdictional portion of the higher fuel and purchased power costs the Company will incur as a result of shutting down the coal units and replacing the power produced by these units with power purchased in the SPP. This increase is based upon the Company's production cost modeling of the *Scrub/Convert* scenario, and was provided in response to OIEC 4-3. The total revenue requirement

⁵ See e.g., OG&E's Response to OIEC 3-12_Att71.

increase for the Company's ECP includes the combined cost of the fuel increase (\$141 million) plus the base rate increase (\$127.3 million), for a total revenue requirement increase of \$268 million, a **15.7%** increase over current rates.

Q: PLEASE DESCRIBE THE COMPANY'S MUSTANG MODERNIZATION PLAN ("MMP").

A: OG&E proposes to retire the existing steam units at the Mustang facility and replace them with 400MW of new combustion turbines ("CTs"). Although the MMP is presented in this environmental compliance proceeding, it is a separate and distinct proposal which is not part of the Company's ECP that addresses the EPA's environmental regulations.

Q: WHAT ARE THE PROJECTED RATE INCREASES ASSOCIATED WITH THE COMPANY'S MUSTANG MODERNIZATION PLAN ("MMP")?

A: In Data Request OIEC 4-3, we asked OG&E to quantify the rate increases associated with the Mustang Modernization Plan. According to the Company's response to OIEC 4-3, the cumulative annual impact of the MMP will increase Oklahoma base rates in 2019 by \$64.9M and will lower fuel costs by \$(5.8M). In total, the Oklahoma revenue requirement will increase by approximately \$59M per year by 2019 for the MMP. This amounts to a **3.45% increase** over the current revenue requirement of \$1,711.2M established in the Company's last rate case, Cause No. PUD 201100087. These increases

associated with the MMP are set forth in the Table 2 below, and can be seen in more detail in Exhibit MG-2.

TABLE 2: Rate Increase from Mustang Modernization Plan (MMP)			
1	Oklahoma Revenue Requirement--set in 2011-087	OIEC 6-2	<u>\$1,711,207,980</u>
2	Oklahoma Base Increase by 2019 for Mustang Plan	SDR Chart3 & OIEC4-3	\$64,900,000
3	Oklahoma Fuel Decrease by 2019 for Mustang Plan	SDR Chart 2 & OIEC4-3	<u>\$(5,828,080)</u>
4	Oklahoma Total Increase by 2019 for MMP	Calculated	<u>\$59,071,920</u>
5	Total Increase as Percentage of Current Rates	Ln. 4 / Ln. 1	3.45%

Q: WHAT IS INCLUDED IN THE BASE RATE INCREASE OF \$64,900,000?

A: The base rate increase from MMP includes: (1) a return on the Mustang combustion turbine capital costs (capital costs less accumulated depreciation, less accumulated deferred income tax times the tax-effected cost of capital established in PUD 11-087); (2) operating and maintenance expenses; (3) depreciation expense; and (4) ad valorem tax expense. These rate increases were calculated by taking OG&E's calculated increases for its environmental compliance plan *with* Mustang (provided in Ms. Richard's testimony in Chart-3) and subtracting OG&E's calculated increases for its environmental plan *without* Mustang (provided in OG&E's response to OIEC 4-3).

Q: WHAT IS INCLUDED IN THE FUEL COST DECREASE OF \$(5,828,080)?

A: The fuel cost decrease reflects the *lower* fuel and purchased power costs associated with the more-efficient new Mustang turbines. Again, the fuel cost decrease for Mustang was calculated by taking OG&E's calculated increase for fuel in its environmental

compliance plan *with* Mustang (provided in Ms. Richard's testimony in Chart-2) and subtracting OG&E's calculated increase for fuel its environmental plan *without* Mustang (provided in OG&E's response to OIEC 4-3).

Q: WHAT IS THE TOTAL EXPECTED COST INCREASE BY 2019 THAT WILL RESULT FROM THE COMPANY'S ENVIRONMENTAL COMPLIANCE AND MUSTANG MODERNIZATION PLANS?

A: The total revenue requirement increase will be \$327.6M by 2019 when the projects are completed and in service. This is a **19.15% increase** when compared to the revenue requirement established in OG&E's last rate case, Cause No. PUD201100087.

1	Oklahoma Revenue Requirement – Set in 2011-087	OIEC 6-2	<u>\$1,711,207,980</u>	
2	<u>Environmental Compliance Plan:</u>			
3	Base Increase by 2019 for ECP	OIEC 4-3	\$127,300,000	
4	Fuel Increase by 2019 for ECP	OIEC 4-3 x Okla. Juris	<u>\$141,286,080</u>	
5	Total Increase by 2019 for ECP	Calculated	\$268,586,080	15.70%
6	<u>Mustang Modernization Plan:</u>			
7	Base Increase by 2019 for MMP	SDR Chart 3 & OIEC4-3	\$64,900,000	
8	Fuel Increase by 2019 for MMP	SDR Chart 2 & OIEC4-3	<u>\$(5,828,080)</u>	
9	Total Increase by 2019 for MMP	Calculated	\$59,071,920	3.45%
10	Total Increase by 2019 (for ECP and MMP)	Ln 4 + Ln 7	<u>\$ 327,658,000</u>	19.15%

Q: IN ADDITION TO PROJECTED REVENUE REQUIREMENT INCREASES FOR THE ECP AND MMP SHOWN ABOVE, WILL THERE BE OTHER RIDER

INCREASES FOR THE RATEPAYERS TO ABSORB OVER THIS SAME TIME PERIOD?

A: Yes. In addition to the Company's proposed Environmental Compliance Plan and Mustang Modernization Plan increases there will be additional increases in rates for costs collected through the Company's existing riders including: Smart Grid, Demand Program, Storm, Crossroads, SPPCT, STSA and System Hardening riders.

Q: HAVE YOU QUANTIFIED THE EXPECTED ADDITIONAL RATE INCREASES ASSOCIATED WITH THESE EXISTING RIDERS?

A: Yes, however we could only quantify existing rider cost increases through 2015, based upon the Company's assumption that these costs would be rolled into base rates in its 2015 rate case. In Data Request OIEC 6-9a, we asked OG&E to quantify the expected increases in rider costs. According to the Company's response to OIEC 6-9a, rider costs will increase by \$18.1M by 2015.⁶ This is a **1.06% increase** when compared to the revenue requirement established in OG&E's last rate case, Cause No. PUD 201100087.

Q: DO YOU THINK AN ESTIMATED \$18.1 MILLION RIDER COST INCREASE IS AN ACCURATE ASSESSMENT OF THE INCREASES RATEPAYERS WILL SEE BY 2019 FOR THESE COSTS, EVEN THOUGH THE COMPANY'S RESPONSE ENDS WITH 2015?

A: I think this is a very conservative assessment of the increases ratepayers will experience for these costs. Many of the costs collected through riders will continue to increase even

after 2015. For example, the Company's Demand Program Rider costs will likely continue to increase after 2015. So, I believe that the 2015 cost levels are a conservative estimate of what these costs will be in the 2019-2020 timeframe.

Q: IN ADDITION TO INCREASES FOR EXISTING RIDERS, WERE YOU ABLE TO QUANTIFY OTHER RATE INCREASES ASSOCIATED WITH SPP APPROVED PROJECTS?

A: Yes, based upon the data provided we were only able to quantify the SPP increases through 2016. In Data Request OIEC 9-1d, we asked OG&E to quantify the expected increases in SPP costs for approved SPP projects. According to the Company's response to OIEC 9-1d, SPP costs are expected to increase by \$14.6M by 2016.⁷ This is a **0.86% increase** when compared to rates established in OG&E's last rate case

Q: DO YOU BELIEVE THE SPP COSTS IDENTIFIED BY OG&E THROUGH 2016 ARE ALL OF THE SPP INCREASES THAT RATEPAYERS WILL SEE THROUGH THE 2019-2020 TIMEFRAME?

A: No. I believe the Company was only able to quantify actual approved project costs. I believe there will be additional SPP projects other than the currently approved projects, making the cost increases for SPP projects a very conservative estimate.

⁶ A copy of OG&E's response to OIEC 6-9a is provided at Exhibit MG-6, at page 2.

⁷ A copy of OG&E's response to OIEC 9-1 is provided at Exhibit MG-6, at page 4. OIEC 9-1d is provided at Exhibit MG-6, at page 5.

Q: WILL THERE LIKELY BE OTHER OG&E RATE INCREASES PROPOSED FOR RATEPAYERS TO ABSORB OVER THIS SAME TIME PERIOD?

A: Yes. OG&E's capacity expansion plans, provided in response to OIEC 10-6_Att, include a new 560MW combined cycle plant in 2020, in addition to the proposed 400MW CT capacity expansion at Mustang.⁸ OG&E's proposal for a rate increase to recover the costs of a new combined cycle plant in 2020 will likely come directly on the heels of the ECP and MMP increases. The costs associated with the new 560MW combined cycle plant will likely be substantial.

Q: WERE YOU ABLE TO QUANTIFY THE ANTICIPATED RATE INCREASE PROPOSAL ASSOCIATED WITH THE 2020 COMBINED CYCLE PLANT?

A: Yes. In response to OIEC 3-12_Att 71, OG&E provided capital cost estimates and operating cost estimates for the 2020 plant. Using this, I calculated OG&E's anticipated rate increase in 2020 for its Oklahoma customers. According to the Company's response to OIEC 3-11_Att71, the 2020 plant will cost about \$743M, which translates into a first year revenue requirement increase of about \$112M in 2020, as shown in the table below.

⁸ A copy of OG&E's response to OIEC 10-6 is provided at Exhibit MG-6, at pages 6 and 7.

TABLE 4: Projected Rate Increase from 2020 Combined Cycle Plant			
1	560MW Combined Cycle Plant Costs	OIEC 3-12_Att71	\$ 743,096,045
2	Accumulated Deferred Income Tax	OIEC 3-12_Att71	<u>(6,686,100)</u>
3	Net Rate Base Increase for 2020 Plant	Calculated	\$ 736,409,945
4	Rate of Return with Taxes	OIEC 3-12_Att71	11.75%
5	Return Component	OIEC 3-12_Att71	\$ 86,520,804
6	Depreciation (35 year life)	OIEC 3-12_Att71	21,231,316
7	O&M Expenses	OIEC 3-12_Att71	10,930,119
8	Ad Valorem Tax Expense (1%)	OIEC 3-12_Att71	<u>7,430,960</u>
9	Total Revenue Requirement in Year 1		\$126,113,200
10	Oklahoma Jurisdictional Allocation	Richard Direct Chart-3	89.52%
11	Okla Rate Increase for 2020 CC Plant	Calculated	<u>\$ 112,896,865</u>

Q: WHAT IS THE PERCENTAGE INCREASE IN RATES CAUSED BY THE ADDITION OF THE 2020 PLANT?

A: The \$112 million increase for Oklahoma customers would be an increase of approximately **6.60%** when compared to rates established in OG&E's last rate case. Although the Company does not discuss in its testimony the additional costs of this new plant scheduled for 2020, it is important for the Commission to be aware of this planned plant addition and the potential cost impact to ratepayers of same, as well as the existing rider increases and SPP-approved increases that will affect rates during this same time period.

Q: PLEASE SUMMARIZE THE TOTAL REVENUE REQUIREMENT INCREASES THAT RATEPAYERS COULD BE EXPECTED TO ABSORB BY 2020?

A: In this proceeding, OG&E's ECP and MMP proposals are projected to increase its revenue requirement by \$327,658,000, which is a **19.15% rate increase** over the current level. However, in addition to this significant proposed increase, there are several additional costs/items that are not discussed in the Company's proposals, which are also scheduled to increase rates during this same period. These additional rate increases include: (1) increases for the Company's existing riders in the amount of \$18,122,666; (2) increases associated with SPP-approved projects in the amount of \$14,678,895; and (3) projected additional increases associated with the Company's new 2020 560MW combined cycle plant in the amount of \$112,896,865. When these additional costs are considered, the potential rate increase for ratepayers is actually \$473,356,426, a staggering **27.66%** increase over current levels. These revenue requirement increases are set forth in Table 5 below, and can be seen in more detail in Exhibit MG-2.

1	Okla Rev Req Established in 11-087	OIEC 6-2	<u>\$1,711,207,980</u>	
2	Okla Base Increase by 2019 for ECP	OIEC 4-3	\$127,300,000	
3	Okla Fuel Increase by 2019 for ECP	OIEC 4-3 x Ok. Juris	<u>\$141,286,080</u>	
4	Okla Total Increase by 2019 for ECP	Calculated	\$268,586,080	15.70%
5	Okla Base Increase by 2019 for Mustang	SDRChart3&OIEC4-3	\$64,900,000	
6	Okla Fuel Increase by 2019 for Mustang	SDRChart2&OIEC4-3	<u>\$(5,828,080)</u>	
7	Okla Total Increase by 2019 for Mustang	Calculated	\$59,071,920	3.45%
8	Subtotal – Costs in this Docket		327,658,0000	19.15%
9	Add: Okla Rider Increases (through 2015)	OIEC 6-9a	\$18,122,666	1.06%
9	Add: Okla SPP Increases (through 2016)	OIEC 9-1d	\$14,678,895	0.86%
10	Add: Okla 2020 Combined Cycle Plant	OIEC 3-12_At71	<u>\$112,896,865</u>	<u>6.60%</u>
11	Total Revenue Req Increase by 2020	Calculated	<u>\$473,356,426</u>	<u>27.66%</u>

Q: WHAT IS THE TOTAL INCREASE THAT RATEPAYERS WOULD EXPECT TO SEE THROUGH THE 2020 TIMEFRAME IF ALL OF OG&E'S PLANNED INCREASES WERE APPROVED?

A: As shown above, the total revenue requirement increase planned for OG&E's Oklahoma customers is about **\$473 million** -- a **27.66% increase** over the revenue requirement established in OG&E's last rate case.

Q: DOES THIS MEAN THAT INDIVIDUAL CUSTOMERS WILL SEE RATES THAT ARE 27.66% HIGHER IN 2020 THAN THE RATES THEY PAID IN 2012?

A: No, not necessarily. It only means that the revenue requirement of the Company will be 27.66% higher than it was in the Company's 2012 rate case, if the Company's plans are approved. On an individual customer basis, however, if there is load growth on the system, meaning there are more customers and more kWh to spread the higher costs over, individual customers may not experience a 27.66% increase. However, if the load growth does not develop, or if the growth is limited to a single sector, such as the oil and gas sector, ratepayers could experience rate increases of approximately 27.66%. Unfortunately for ratepayers, however, the Company's significant planned rate increases will tend to diminish the growth that would otherwise occur. As prices rise, customers tend to use less rather than more electricity, meaning that the Company's planned increases will put downward pressure on customer usage levels and cause the prices that individual customers pay to be higher than they otherwise would be.

Q: WHAT IMPACT WILL A RATE INCREASE OF THIS MAGNITUDE HAVE ON EMPLOYMENT LEVELS IN OKLAHOMA?

A: Since electric utility costs are often the second highest operating expense for manufacturing plants and a significant operating expense for most commercial firms, a rate increase of this magnitude will have a direct impact on employment levels. Significantly higher electric rates will result in fewer jobs and fewer job opportunities in Oklahoma.

Q: ARE THERE WAYS TO AVOID THE RATE INCREASE PLANNED BY THE COMPANY?

A: Yes. In the next section of my testimony I discuss several ways the Commission could directly reduce the rate increases planned by OG&E.

SECTION IV – RATE INCREASE MITIGATION OPPORTUNITIES

Q: WHAT STEPS COULD THE COMMISSION TAKE TO MITIGATE THE RATE INCREASES PLANNED BY OG&E FOR ITS RATEPAYERS?

A: In this section of testimony I will provide a few suggestions about how the rate increases planned by OG&E can be reduced.

1. **Exclude unnecessary projects.** The most expedient means available to the Commission to lower the rate increases planned by the Company is to reject OG&E's request for approval of unnecessary projects proposed in OG&E's plan. I discuss in the next section of my testimony why the Mustang Modernization Plan ("MMP") should not be approved in this case. The plan is unsubstantiated and appears to be an unnecessary addition. The MMP appears to be a good plan for shareholders but a costly plan for ratepayers. The MMP will cost about \$414M, however, according to OG&E's projections, the proposed new Mustang generating units will only run less than 20% of the time.⁹ As shown in Mr. Norwood's testimony, the Company's MMP is neither cost effective nor required for environmental compliance. By disallowing the MMP, the Commission will avoid the imposition of a \$59M rate increase for OG&E ratepayers in the first year of the plan operation.

The MMP realizes benefits for OG&E shareholders because out of the \$59M rate increase, approximately \$21M is profit to the Company.¹⁰ However, the plant is detrimental for ratepayers as OG&E is already asking Oklahoma ratepayers to bear a 15.7% rate increase for the environmental compliance plan and could potentially seek an additional 8.8% rate increase to recover costs associated with its 2020 Combined Cycle plant along with other increases. In total, OG&E could ask that Oklahoma ratepayers pay utility rates in 2020 that are 24.2% higher even without the unnecessary Mustang Modernization Plan, and as high as 27.66% with the MMP. In my opinion, the Commission should look for every reasonable opportunity to mitigate any OG&E proposed rate increases. Eliminating the proposed MMP is the most obvious place to start.

2. **Exclude Regulatory Asset (for Accelerated Depreciation).** In a later section of my testimony I describe why the Company's request to accelerate the depreciation of the stranded coal equipment costs over a 6-year recovery period should be denied. These assets, if retired, should be depreciated over the 24-year life of the new asset that replaces them. This recommendation saves ratepayers \$5.9M per year.

3. **Add Wind Resources.** Adding wind to the system is another way to lower rates. Right now, the cost of wind is actually lower than the avoided cost of power in the SPP, meaning ratepayers make money when the wind turbines turn. For example, in his responsive testimony in this proceeding, OIEC witness Mr. Norwood calculates that, if OG&E added another 3 million MWhs/year of wind, ratepayers would save about

⁹ See OG&E response to OIEC 1-11_Att01.

¹⁰ See Exhibit MG-4.

\$47 million per year – and those are net savings after paying for the cost of the wind. The Commission should encourage OG&E to look for opportunities to add wind resources while the cost of these resources is low. Moreover, the cost of the wind resources OG&E adds now will be fairly well fixed over the life of the project while the cost of power in the SPP (that the wind resources will offset) will be expected to rise over time, making the wind resources even more valuable as time goes by. This recommendation would save ratepayers \$47M per year.

4. **Finance the Environmental Compliance Plan with Debt.** Currently the Company's capital structure carries much more equity than the capital structures of many regulated utilities, causing rates to be higher than they need to be. If the Company financed the cost of its filed Environmental Compliance Plan (excluding the MMP) with debt, this would add approximately \$663M of debt to OG&E's capital structure and bring the Company's debt to equity ratio in line with other regulated utilities.¹¹ Financing the Environmental Plan costs with debt alone, rather than with both debt and equity, would save ratepayers about \$37M per year.¹² These calculations are intended for illustrative purposes only -- to demonstrate that debt financing is less expensive and should be encouraged as a means of mitigating rate increases.

5. **Reduce the Company's Return on Equity ("ROE").** As I explain later in my testimony, OG&E's proposed recovery mechanism for the Company's Environmental Compliance Plan should be reviewed and considered in the Company's

¹¹ As examples, I provided expert witness testimony in the rate cases of two fully integrated investor owned electric utilities this year, AEP/PSO and Nevada Power. AEP/PSO has an equity ratio of 46.7% and Nevada Power has an equity ratio of 47.96%.

¹² See detailed calculations provided at Exhibit MG-5.

next rate case that OG&E plans to file next year. In that rate case, the Commission would review the reasonableness of OG&E's current ROE. For example, if OG&E's current ROE of 10.2% were reduced to 9.75% in the Company's 2015 rate case, ratepayers would save about \$13.7M per year.¹³ According to Regulatory Research Associates, 9.75% was the national average ROE awarded for electric utilities through the third quarter of 2014.¹⁴

The above list of potential rate savings is by no means a complete list. Other interveners in this case may have other good suggestions to mitigate the rate increases associated with the Company's proposed plans and interveners in the rate case will likely have additional ideas for savings or offsets to rate increases there as well. Further, the numbers provided above are not intended to be precise calculations of the savings that can be achieved with each suggestion. Rather, the list above is intended to provide an illustrative example of cost reduction opportunities available to the Commission to help mitigate the cost increases that will result from OG&E's environmental plan implementation. The schedule below shows how these suggested cost reductions eliminate about half of the increases proposed by the Company attributable to its Environmental and Mustang Modernization plans. This schedule and the calculations supporting the numbers in this schedule can be seen in more detail at Exhibit MG-5.

¹³ The calculations for this number can be seen at Exhibit MG-5.

¹⁴ See Regulatory Research Associates' *Regulatory Focus* edition published on October 10, 2014.

TABLE 6: Rate Increase Mitigation Opportunities

1	Okla Rev Req Established in 2011-087	OIEC 6-2	\$1,711,207,980	
2	Total ECP and Mustang Increase	Exhibit MG-2	\$327,658,000	19.15%
3	Savings from Eliminating Mustang	Exhibit MG-2	\$(59,071,920)	-3.45%
4	Savings from Eliminating Reg Asset	Richard Chart-3	\$(5,900,000)	-0.34%
5	Savings from Adding Wind Resources	Norwood	\$(47,000,000)	-2.75%
6	Savings from Financing EPC with Debt	Exhibit MG-5	\$(37,364,048)	-2.15%
7	Savings from Reducing ROE to 9.75%	Exhibit MG-5	<u>\$(13,716,326)</u>	<u>-0.80%</u>
8	Total Savings from Suggested Items	Sum	\$(162,464,498)	-9.49%
9	Total Remaining Increase for EPC Plan	Calculated	\$165,193,502	9.65%

SECTION V – THE MUSTANG MODERNIZATION PLAN SHOULD BE REJECTED

a. Concerns raised by Mr. Norwood

Q: PLEASE SUMMARIZE THE CONCERNS RAISED BY MR. NORWOOD REGARDING THE MUSTANG MODERNIZATION PLAN?

A: In his responsive testimony, Mr. Norwood testifies that OG&E’s MMP is unrelated to the Company’s environmental compliance plan and therefore, should be rejected in this proceeding. Mr. Norwood further states that the evidence presented by OG&E in this case does not demonstrate that retirement of Mustang Units 3 and 4 is necessary at this time, or that the replacement of the retired Mustang units with new gas-fired CT units is the lowest reasonable cost alternative. For these and other reasons, Mr. Norwood recommends that OG&E’s request for pre-approval and cost recovery for the Mustang Modernization project be denied.

b. Cost Recovery Mechanism Proposed by the Company

Q: WHAT COST RECOVERY MECHANISM DOES OG&E PROPOSE FOR THE MUSTANG MODERNIZATION PLAN?

A: OG&E proposes to collect the costs associated with its proposed MMP through the same rider that will collect the Environmental Compliance Plan costs, the Environmental and Generation Plan (“EGP”) rider. OG&E has proposed two alternative approaches for this rider. One approach would recover the financing costs, or Allowance for Funds Used during Construction (“AFUDC”), through the rider *as the plant is being built* and then after the plant goes into service the rider would recover the revenue requirement for the plant up through the time the plant is placed into rate base in a rate case proceeding. Under the second approach, the rider would begin recovering the revenue requirement of the plant *after the plant goes into service* up through the time the plant is placed into rate base in a rate case proceeding. The only difference between the two approaches is that, under the second approach, the Company would not collect AFUDC while the plant is under construction.

Q: DOES THE COMPANY RECOMMEND ONE METHOD OVER THE OTHER?

A: The Company says that either method is acceptable.¹⁵

Q: WHAT RATIONALE DOES THE COMPANY PROVIDE TO SUPPORT THE USE OF A RIDER RECOVERY MECHANISM FOR THESE COSTS?

¹⁵ See Richard Direct Testimony at page 4, line 14 and Rowlett Direct Testimony at page 17, line 17.

A: The Company uses *rate shock avoidance* as justification for the rider approach. For example, Mr. Rowlett testifies that “this approach mitigates the dramatic spike in rates that would occur if rates are not adjusted until after projects are completed and assets are placed in service.”¹⁶

Q: DO YOU AGREE WITH THE COMPANY’S RATIONALE?

A: No, absolutely not. While it is noteworthy that the Company admits that its Environmental Compliance Plan and Mustang Modernization Plan will result in a “dramatic spike in rates,” that statement is not true of the MMP alone. Together, the two plans will result in a 19.15% increase in rates, which truly is a dramatic spike. However, the MMP on its own results in a 3.45% increase. While this amount of increase is significant, especially for a manufacturing concern, it is not the “dramatic spike” referenced by Mr. Rowlett. Further, because the MMP is not actually part of the environmental compliance plan, it does not need to be addressed in this case. It is highly inappropriate for the Company to bootstrap the MMP rate increase to the Environmental Compliance Plan rate increase, and then to justify rider recovery using a *rate shock avoidance* rationale.

Q: DOES ANY OTHER OG&E WITNESS PROVIDE RATIONALE FOR THE EGP RIDER?

A: Yes. At page 2 of her direct testimony, Ms. Richard provides the following justification for the EGP rider:

¹⁶ See Rowlett Direct Testimony at page 17, lines 3-4.

OG&E is seeking recovery through a rider for the following reasons: A large part of the costs requested for recovery through the EGP rider are required to comply with rules and regulations as mandated by the Clean Air Act ("CAA"), specifically the Regional Haze Rule ("RHR") and the Mercury and Air Toxics Standards ("MATS") rule. These federal mandates are outside the control of OG&E. In addition, these costs are substantial.

Q: DOES MS. RICHARD'S RATIONALE APPLY TO THE MUSTANG MODERNIZATION PLAN?

A: No. Ms. Richard's rationale for using a rider to recover federally mandated costs only applies to the Environmental Compliance Plan costs. Only the environmental plan costs are (1) required to comply with the Clean Air Act, (2) outside the control of management and (3) substantial – although it is unclear whether the Environmental Compliance Plan costs rise to the level of *substantial* in the context of rider approval.¹⁷ Nevertheless, none of these criteria apply to the Mustang Modernization Plan. The MMP is (1) not required to comply with the Clean Air Act, (2) not outside the control of management and (3) not substantial in the context of rider justification. In short, the Company has provided no justification for rider-recovery of MMP costs.

Q: DO YOU HAVE OTHER CONCERNS WITH THE COST RECOVERY MECHANISM PROPOSED BY OG&E FOR THE MMP?

A: Yes. The *pre-approval* statute that covers new capacity additions does not provide for rider recovery of these plant costs. The Company's request for approval of its Environmental Compliance Plan is made pursuant to Title 17 O.S. § 286(B), which

provides for periodic rate recovery of mandated environmental compliance costs. In contrast, the Mustang Modernization Plan is not a part of OG&E's environmental compliance plan and preapproval of that Plan is not governed by Subsection B of Section 286. Instead, it appears that OG&E seeks preapproval of its MMP pursuant to Title 17 O.S. § 286(C), which does not provide for periodic rate recovery. Thus, there is no enabling statutory provision that would allow the Commission to authorize the Company's requested rider treatment for its MMP.

Q: WHY IS IT IMPORTANT THAT THERE IS NO ENABLING STATUTE FOR RIDER TREATMENT FOR THE MUSTANG PLANT ADDITIONS?

A: In my opinion, rider treatment for regulated utility costs should only be allowed in *rare circumstances*: (1) when the costs are outside the control of management and (2) when the costs are large enough that under-recovery of the costs through the traditional rate case approach could impair the financial integrity of the utility. The most common example would be the fuel and purchased power costs that are collected through the Fuel Adjustment Clause ("FAC"). Another example could be mandated environmental compliance costs. It is important to note, however, that for both of these examples there is a statute that authorizes the Commission to provide periodic rate recovery of these costs.

¹⁷ *Substantial* in the context of rider justification means large enough that under-recovery through the traditional rate case approach could impair the financial integrity of the utility.

Q: DOES THE COMPANY HAVE OTHER RIDERS THAT ARE NOT COVERED BY A SPECIFIC STATUTE?

A: Yes, however the Company's other existing riders which were not specifically authorized by statute were established by agreement of the parties in connection with a Commission proceeding and such agreements were subsequently authorized by Commission order. To the best of my recollection, each of the Company's current riders, other than the FAC (which was authorized by statute), were established by a stipulation of the parties to a proceeding. These proceedings include the Smart Grid rider, the Demand Program rider, the Storm rider, the Crossroads rider, the SPP rider, the STSA rider and the System Hardening rider. There may be isolated examples of other riders established by Commission order in the absence of a stipulation, but I think the examples would be few, if any. In my opinion, unless a statute provides for rider treatment or the customers agree to such treatment in a Commission proceeding as part of an overall case settlement, the Commission should be very cautious about prescribing rider treatment over the objections of customers and customer representatives.

Q: WHY IS RIDER TREATMENT OBJECTIONABLE TO CUSTOMERS?

A: There are several reasons why piecemeal recovery of selected cost items is inappropriate from a ratemaking perspective, but, in very general terms, riders (1) reduce utility risk without a corresponding reduction in the utility's return on equity ("ROE") and (2) they deprive ratepayers of their most effective tool for finding offsetting cost reductions: the periodic rate case.

c. **The Mustang Depreciation Study**

Q: HAVE YOU REVIEWED THE COMPANY'S DEPRECIATION STUDY FILED IN THIS CASE FOR THE EXISTING MUSTANG UNITS?

A: Yes. The depreciation study shortens the depreciation lives of the existing Mustang units so that the existing units can be retired in 2017 and replaced with the new proposed CTs at the Mustang site. The study also proposes depreciation rates for the new Mustang CTs, the new scrubbers at Sooner and the new ACI assets.¹⁸ Currently, the existing Mustang units will be fully depreciated in 2020 when the new 560MW combined cycle plant is scheduled to go into service.

Q: DO YOU HAVE CONCERNS WITH THE STUDY?

A: Yes. The study seeks to change the Commission-established depreciation rates for the existing Mustang units, something the Company promised it would not do until its next rate case. In the Company's last rate case, Cause No. PUD 201100087, the Company executed a Joint Stipulation and Settlement Agreement with the parties to that case which set out the parties' agreement with respect to the treatment of depreciation rates. Specifically, the Stipulation provides the following:

3. Depreciation Rates. The Stipulating Parties agree that the Company shall use the revised depreciation rates filed by the Company in this cause for the purpose of calculating and setting rates pursuant to this Joint Stipulation. The new depreciation rates shall become effective beginning in the same month as new rates are implemented. **Such revised depreciation rates shall remain in effect until OG&E's next general rate proceeding.** As recognized in General Reservations, paragraph E,

¹⁸ See OG&E response to OIEC 4-18.

the agreement to use such depreciation rates shall not represent any precedential value and the Stipulating Parties will be free to take any position regarding OG&E's depreciation rates in OG&E's next general rate proceeding. (Emphasis added).

Q: DO YOU BELIEVE THE LANGUAGE ABOVE PRECLUDES OG&E FROM FILING THE DEPRECIATION STUDY IT FILED IN THIS CASE?

A: Yes. The study filed in this case seeks to change existing depreciation rates, which is something the Company cannot do until its next general rate case proceeding.

Q: IF IT WERE NOT FOR THE STIPULATION, WOULD IT BE APPROPRIATE FOR OG&E TO CHANGE THE MUSTANG UNIT DEPRECIATION RATES IN THIS CASE?

A: No. Generally speaking, depreciation rates should be changed in a rate case proceeding through a comprehensive review of all of the utility's capital asset accounts. The Company's piecemeal approach to setting depreciation rates is inappropriate because it seeks to raise rates for ratepayers by decreasing the depreciation lives of some assets without reviewing the lives of other assets that could be lengthened to lower ratepayer costs.

Q: ARE THERE OTHER REASONS THE MUSTANG STUDY SHOULD NOT BE ACCEPTED?

A: Yes. Generally, when asset lives are shortened in order to retire assets earlier than planned, a study is performed to see if the costs that would be required to keep the assets

running are greater than the costs that would be incurred to retire the assets earlier than planned. In this case, no such study was performed. In Data Request OIEC 8-5, we asked the Company to “provide the annual projected costs to keep the Mustang units operational and running at 2014 levels through 2020.” OG&E responded that it had “not made an annual projection of costs to keep each unit operational and running through 2020.”¹⁹ Also, in response to OIEC 8-4, OG&E responded that the Company “has not performed a calculated projected cost to keep all units running based on the remaining depreciable lives utilized to determine depreciation rates approved in the Company’s last rate case.”²⁰ These answers present a problem for the Company. Mr. Burch testifies that the decision to retire Mustang units 3 & 4 early is based on OG&E’s conclusion that continuing to operate Mustang 3 & 4 beyond 2018 would likely require an increased level of investment due to the units’ age.²¹ However, OG&E conducted no study to ascertain what that cost would be.

d. Problems with Including the MMP in an Environmental Compliance Plan

Q: DO YOU HAVE OTHER CONCERNS WITH THE MUSTANG MODERNIZATION PLAN?

A: Yes. The Mustang Modernization Plan is not part of the Company’s Environmental Compliance Plan. In other words, it does not qualify for environmental compliance plan treatment under 17 Okl.St. Ann. § 286(B). It is a separate plan filed along with the

¹⁹ A copy of OG&E’s response to OIEC 8-5 is provided at Exhibit MG-6, at page 8.

²⁰ A copy of OG&E’s response to OIEC 8-4 is provided at Exhibit MG-6, at page 9.

²¹ See Burch direct at page 19, lines 4-9.

Company's Environmental Compliance Plan. There is no question that the Mustang Modernization Plan is an unwelcome and unnecessary distraction in an already complicated §286(B) environmental compliance case. To make matters worse, the Company is attempting to obtain rider recovery of the MMP costs by bootstrapping the MMP to the Environmental Compliance Plan approval and cost recovery.

Q: WHAT ARE YOUR CONCLUSIONS REGARDING THE MUSTANG PLAN?

A: Mr. Norwood explains how the MMP is not sufficiently supported in this case. I show why the proposed recovery mechanism for the MMP costs should not be approved, and why the depreciation rates for the Mustang units cannot be changed in this case. If the Commission follows Mr. Norwood's recommendation to not approve the MMP, the cost-recovery issues for that Plan are moot. If the Commission should approve the MMP, it should not approve the new depreciation rates proposed by OG&E nor should it approve rider recovery of the MMP costs.

SECTION VI – OG&E'S PROPOSED RIDER RECOVERY MECHANISM

Q: PLEASE DESCRIBE OG&E'S PROPOSED RIDER RECOVERY MECHANISM.

A: OG&E proposes to collect both the Environmental Compliance Plan costs and the Mustang Modernization Plan costs through the Environmental and Generation Plan ("EGP") rider. As discussed above, OG&E has proposed two alternative approaches for this rider. One approach would recover the financing costs, or Allowance for Funds Used during Construction ("AFUDC"), through the rider *as the plant is being built* and

then after the plant goes into service the rider would recover the revenue requirement for the plant up through the time the plant is placed into rate base in a rate case proceeding. The alternative approach would begin recovering the revenue requirement of the plant *after the plant goes into service* up through the time the plant is placed into rate base in a rate case proceeding. The only difference between the two approaches is that one approach would start collecting costs when construction begins and the other approach would start collecting costs when the equipment goes into service.

Q: DOES THE COMPANY RECOMMEND ONE METHOD OVER THE OTHER?

A: The Company says that either method is acceptable.²²

Q: DO YOU THINK ONE ALTERNATIVE IS BETTER THAN THE OTHER?

A: Yes. From a ratemaking perspective, only the second alternative is acceptable. Under the first alternative, ratepayers would be paying for the costs of an asset *before* it is providing service to the customers. That approach is virtually never taken with regulated utility assets. It violates the *used and useful* standard and may be unlawful in this state. Although 17 Okl.St. Ann. § 286(B) does state that the facilities approved under an environmental compliance plan will be “conclusively presumed used and useful,” that language, at least arguably, presupposes that the facilities are up and running and serving their intended purpose under the plan. It seems illogical that a statute would require ratepayers to pay for assets that may never actually serve the intended purpose for which they were authorized under an approved compliance plan. Although the Company may disagree with my analysis, to do so only helps make my point, which is this: Since the

first alternative (recovery of AFUDC before the assets go into service) could result in significant and costly legal arguments, and since the Company does not prefer one plan over the other, the alternative plan (recovery of costs after the assets go into service), is the more reasonable and, therefore, the preferable approach.

a. **Rider Recovery is Not Appropriate for Mustang**

Q: DOES THE MUSTANG MODERNIZATION PLAN QUALIFY FOR PERIODIC RATE RECOVERY?

A: No. In the prior section of my testimony I describe how OG&E's Request for preapproval of its MMP is made pursuant to Title 17 O.S. § 286(C). This section of the statute does not provide for periodic rate recovery. Thus, there is no enabling statutory provision that would allow the Commission to authorize the Company's requested rider treatment for the MMP. I also describe why the Commission should be very cautious about prescribing rider treatment when there is no statutory provision for such treatment and when customers have not agreed to rider treatment through a stipulated agreement. I further describe how the riders currently in place at the Company were either authorized by statute or authorized by Commission Order approving a Stipulated Agreement for Rider treatment. And finally, I describe how rider treatment for regulated utility costs should only be allowed in rare circumstances: (1) when the costs are outside the control of management and (2) when the costs are large enough that under-recovery of the costs through the traditional rate case approach could impair the financial integrity of the utility. Neither of these criteria applies to the Mustang costs.

²² See Richard Direct Testimony at page 4, line 14 and Rowlett Direct Testimony at page 17, line 17.

b. The ECP Should Be Determined in a Rate Case

Q: DOES THE ENVIRONMENTAL COMPLIANCE PLAN QUALIFY FOR PERIODIC RATE RECOVERY?

A: Although Title 17 O.S. § 286(B) does provide for periodic rate recovery for the costs of an approved environmental compliance plan, that recovery is explicitly subject to Commission review and approval. It is also important to note that the Commission's rules implementing Tit. 17 O.S. § 286, (OAC 165:35-38-4), provide that the implementation of any rider to recover the costs of an approved environmental compliance plan must occur in a rate case proceeding. Specifically the rules state:

(a) A utility may file an application pursuant to 17 O.S. Section 286(B), as amended, and this subchapter seeking Commission authorization of the utility's plan to make capital expenditures for equipment or facilities necessary to comply with the environmental requirements applicable to generation facilities as set forth in 17 O.S. Section 286(B).

(b) If approved by the Commission after notice and hearing, the equipment or facilities specified in the approved utility plan shall be conclusively presumed used and useful.

(c) The utility may elect periodically to adjust its rates to recover the costs of such expenditures provided that the utility shall file a request for a review of its rates pursuant to Section 152 of Title 17 of the Oklahoma Statutes.

(d) Periodic rate adjustments as contemplated above shall not prevent a utility from seeking cost recovery of capital expenditures as otherwise may be authorized by the Commission. However, the reasonableness of the costs to be recovered by the utility shall be subject to Commission review and approval. (Emphasis added).

The above rule requires the utility, in connection with any request for a periodic rate adjustment, to also file a request for a review of its rates in a general rate case proceeding, under Section 152 of Title 17. While I understand that the statute in § 286(B) requires the utility to file a rate case within 24 months *after* the periodic recovery begins, the Commission, under its broad ratemaking powers and its duty to protect the public's interest with regard to utility rates, is certainly not prohibited by the language of § 286 from making its *review* of the amounts to be recovered through a periodic rate adjustment mechanism in the context of a general rate proceeding.

c. Why Riders Should Be Determined in a Rate Case

Q: FROM A PRACTICAL RATEMAKING PERSPECTIVE, SHOULD PERIODIC RATE RECOVERY BE DETERMINED IN A RATE CASE?

A: Yes. Even without the rule, there are practical reasons why any request for a periodic rate recovery mechanism (rider) should be reviewed and established in a rate case proceeding. First, the reasonableness of the amount to be recovered through a rider mechanism should only be determined in a rate case proceeding where the Commission can thoroughly review the financial condition of the utility to make a determination regarding the need for rider recovery. Second, before approving any rate increase to customers for a rider, the Commission should identify potential offsetting rate decrease through a comprehensive review of the utilities rates and charges in the context of a full rate case review. Without identifying and quantifying these other potential offsetting

rate decreases, the Commission cannot be assured that the total rates customers are required to pay are, in fact, *just and reasonable* rates.

Q: PLEASE FURTHER DESCRIBE WHY RIDER RECOVERY SHOULD BE ESTABLISHED IN A RATE CASE PROCEEDING.

A: Although there may be exceptions to the general rule, riders are usually reserved for those situations where the costs to be recovered through the rider are (1) outside the control of management and (2) large enough that their under-recovery through the traditional rate case process could impair the financial integrity of the utility. A determination of whether or not the environmental compliance costs are sufficiently significant to cause financial harm to the utility is a determination best made in the context of a full rate case review where the Commission can conduct a comprehensive review of the complete financial condition of the utility.

OG&E might argue that § 286(B) provides that the utility may *elect* periodic rate recovery, and that the financial condition of the Company is not an issue under § 286(B), but I believe that such a simplistic interpretation of the statutory language would be incorrect. The statute specifically provides the following with respect to cost recovery:

However, the reasonableness of the costs to be recovered by the utility shall be subject to Commission review and approval.

Based upon this language, the cost to be recovered by the utility would include the amount of the costs recovered and the timing of that recovery though any rider approved by the Commission. A proper determination of the reasonableness of the amount of the

costs to be recovered through a rider mechanism and the timing of that recovery could only be made through an evaluation of the overall financial condition of the utility. That evaluation should be made in a rate case.

To justify rider recovery, the costs to be recovered through the rider should be large enough that recovery through the traditional rate case approach could be slow enough to jeopardize the financial integrity of the utility. Understandably, cost levels high enough to put the financial integrity of the utility at risk will be high enough to represent a significant rate increase to customers. Any time the Commission approves a significant rate increase, it should do so *only after* identifying every available potential offset for lower rates to help mitigate the increase. This analysis can only be done effectively in the context of a comprehensive rate case review. In my opinion, the Commission cannot fulfill its constitutional obligation to set *just and reasonable* rates if it approves a large increase for environmental compliance costs in a piecemeal fashion without looking for ways to mitigate the cost increases, and passing on to ratepayers all available offsets.

Q: WHAT ARE YOUR CONCLUSIONS REGARDING THE COMPANY'S REQUESTED EGP RIDER?

A: The Company's request to recover the Mustang costs through the EGP rider should be denied. The pre-approval statute does not provide for rider-recovery of generation additions that are not required by environmental laws. Further, the Mustang additions meet neither of the ratemaking requirements for rider recovery – (1) that the costs are

outside the control of management and (2) that the costs are large enough so that under-recovery through the traditional rate case approach could impair the financial integrity of the utility.

The environmental compliance costs might qualify for rider recovery under Title 17 O.S. § 286(B), but the Commission rules require any election for periodic rate recovery of environmental compliance plan costs be made in a full rate case filing. The rule makes sense from a practical, ratemaking perspective because only in a rate case can the financial *need* for a rider be determined and only in a rate case can other available rate offsets be identified and passed on to ratepayers.

SECTION VII – OG&E’S REGULATORY ASSET RECOMMENDATIONS

a. Regulatory Asset for Stranded Coal Handling and Ash Disposal Equipment

Q: PLEASE DESCRIBE OG&E’S PROPOSED REGULATORY ASSET FOR STRANDED COAL HANDLING AND ASH DISPOSAL EQUIPMENT COSTS?

A: OG&E is proposing to establish a regulatory asset for the stranded balances in the coal handling and ash disposal equipment accounts. A regulatory asset is an asset account established to capitalize costs that would otherwise be written off to income as either an expense or a loss. The regulatory asset balance is then amortized into rates over some prescribed period of time. Both the regulatory asset balance and the amortization period must be specifically approved by the Commission. The remaining balances in the Coal Handling equipment and the Ash Disposal equipment accounts will become *stranded* assets when the Muskogee units 4 and 5 are retired and these assets are no longer used to

actively support ongoing utility operations. The remaining (unrecovered) balance in these accounts will be approximately \$35.6 when the Muskogee units are retired and the Company is seeking a 6-year amortization of this balance starting in 2019, which means rates will increase by \$5.9M in 2019 to recover these unrecovered balances. The Company seeks to recover the 6-year amortization of these costs through the EGP rider.

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

A: No. In my opinion, the ratemaking treatment for the Company's proposed environmental compliance plan should be addressed in a rate case proceeding where a comprehensive review of the utility's current financial position can inform the Commission regarding the method of recovery and the timing of recovery that should be used by the Commission to recover the Company's approved environmental costs. In a full rate case proceeding, the Commission can appropriately balance the utility's need for recovery with the burden these additional costs will put on the ratepayers. In other words, the Commission's duty to balance the interests of the utility with the interests of the ratepayers cannot be accomplished in a vacuum, where the Commission makes isolated decisions about rate increases for the utility without taking into consideration other potential rate decreases that may be available to mitigate the impact on ratepayers. Ratemaking cannot be a one-sided transaction. In my opinion, the Commission cannot know whether the overall rates it authorizes are in fact *just and reasonable rates* – in other words, constitutionally valid rates – if it sets those rates in a piecemeal fashion as the Company recommends here.

Q: ARE THERE ANY OTHER REASONS WHY THE COAL HANDLING AND ASH DISPOSAL EQUIPMENT RECOVERY SHOULD BE REJECTED BY THE COMMISSION IN THIS PROCEEDING AND DETERMINED IN OG&E'S NEXT RATE CASE?

A: Yes. The Company's recommended recovery for stranded Coal Handling and Ash Disposal equipment costs amount to a change in the approved depreciation rates for these assets. In the Company's last rate case, Cause No. PUD 201100087, the Company executed a Joint Stipulation and Settlement Agreement with the parties to that case which set out the parties' agreement with respect to the treatment of depreciation rates. Specifically, the Stipulation provides that the new depreciation rates established in that proceeding "shall remain in effect until OG&E's next general rate proceeding."

Q: DO YOU BELIEVE THE LANGUAGE ABOVE PRECLUDES OG&E FROM SEEKING TO CHANGE THE COAL HANDLING AND ASH DISPOSAL EQUIPMENT DEPRECIATION RECOVERIES IN THIS CASE?

A: Yes. The Company's recommendation in this case effectively seeks to change the existing depreciation recovery schedules for these assets, which is something the Company cannot do until its next general rate case proceeding.

Q: IF THE COMMISSION WERE TO ADDRESS THE REGULATORY ASSET FOR STRANDED COAL HANDLING AND ASH REMOVAL EQUIPMENT IN

THIS CASE, DO YOU AGREE WITH THE PROPOSED 6-YEAR AMORTIZATION PERIOD?

A: No. The stranded Coal Handling and Ash Removal equipment cost at the retired Muskogee 4 and 5 units should not be amortized over an accelerated amortization period. The Company is not seeking to accelerate the remaining stranded balances of the retired Muskogee 4 and 5 coal units themselves. There is no good reason to treat the Coal Handling and Ash Removal equipment costs at these units any differently than the retired units themselves are being treated. At a minimum, the Commission would want to recover the remaining balances of the Coal Handling and Ash Removal equipment over the 24-year life of the new gas units that replace the coal units at Muskogee 4 and 5. But, again, ratemaking decision should be made in a rate case, not in an environmental compliance case.

b. Regulatory Asset for Witness and Legal Fees and Costs

Q: PLEASE DESCRIBE OG&E'S PROPOSED REGULATORY ASSET FOR WITNESS, CONSULTING AND LEGAL FEE COSTS?

A: The Company expects to incur about \$1M in legal and consulting fees for this case. It wants to recover these costs over a 24-month period through the EGP rider.

Q: DO YOU AGREE WITH THIS PROPOSED TREATMENT?

A: Absolutely not. Cost recovery decisions should be made in the Company's rate case planned for next year. There may also be significant questions about the level of recovery of these costs or whether such costs should be recoverable at all. In my

opinion, all of the rate recovery decisions regarding the Company's environmental plan should be made in the context of a rate case review. The Commission rules require it and they should be followed.

Q: WHAT ARE YOUR CONCLUSIONS REGARDING THE COMPANY'S REQUESTED REGULATORY ASSETS?

A: The Company's request to set up regulatory assets to recovery stranded equipment costs and legal fees incurred to process this case and amortize those costs in its EGP rider should be denied. These decisions should be made in the Company's rate case that it plans to file next year. The Commission rules require that the Company file a rate case if it plans to seek periodic rate recovery for an environmental compliance plan. Those rules should be followed. Even without the rules, the Commission should not make ratemaking decisions in a piecemeal fashion. Ratemaking decisions should be made in a rate case where the Commission can properly balance the interests of the Company with the interests of the ratepayers. This is the only way the Commission can be sure that the overall rates it sets are indeed *just and reasonable* rates.

SECTION VIII – RECOVERY OF VARIABLE ENVIRONMENTAL COSTS IN FAC

Q: HOW IS THE COMPANY PROPOSING TO RECOVER ITS VARIABLE ENVIRONMENTAL COSTS?

A: OG&E is requesting a modification to the Fuel Adjustment Clause ("FAC") tariff so that it can recover the costs of certain commodities consumed in environmental control

technology for reducing emissions. These commodities include limestone, powder activated carbon, and ammonia.²³ These products are generally referred to as AQCS products. The Company wants to recover the AQCS product costs through the FAC because the “AQCS costs are variable and highly correlated to the amount of fuel consumed and electric generation produced by the Company’s generating units.”²⁴ As support for its recommendation the Company says that the Commission approved the recovery of AQCS costs through the FAC in an Empire District Electric Company case, Cause No. PUD 201100082 in Order No. 592623.²⁵

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

A: No. The Fuel Adjustment Clause is a rider authorized by statute to recover fuel and purchased power costs. It was not authorized to recover costs other than fuel and purchased power. In my opinion, the Commission should not authorize the use of the FAC for anything but its intended purpose for several reasons: (1) unlike fuel and purchased power costs, rider-recovery was not statutorily authorized for AQCS costs; (2) the parties to this case have not agreed to rider-recovery for these costs; (3) unlike fuel and purchased power costs, AQCS costs are not large enough to jeopardize the financial integrity of the utility; and (4) it is important to know how much the utility is paying for fuel and purchased power costs each month, as such, it is important that the data does not become distorted by adding other costs into the mix. In short, the FAC was not designed to recover anything other than fuel and purchased power costs, and the Company has

²³ See Richard Direct Testimony at page 5 line 17 through page 6 line 6.

²⁴ *Id.* at page 6, lines 8-11.

not articulated any legitimate reason the FAC should be changed now to include AQCS costs.

Q: WHAT IS THE ESTIMATED ANNUAL COSTS FOR AQCS?

A: According to OG&E's response to OIEC 1-4, the average cost will be about \$46M per year from 2016 through 2024. The Company's response also shows that the expenditure levels for consumables each year are fairly flat. A predictable cost level that does not fluctuate significantly from year to year makes these costs particularly suitable for rate case recovery. I can see no ratemaking justification for including these costs in the FAC.

Q: ARE YOU PERSUADED BY THE FACT THAT EMPIRE DISTRICT ELECTRIC COMPANY WAS ALLOWED TO RECOVER AQCS COSTS THROUGH ITS FAC?

A: No. Cause No. PUD 201100082 was a settled rate case and the AQCS costs in that case were included in the FAC through a joint stipulation of the parties. As the Commission well knows, joint stipulations are not to be treated as precedent for future regulatory treatment of any settled issue in the case.

Q: DOES THIS CONCLUDE YOUR TESTIMONY?

A: Yes. It does.

²⁵ *Id.* at page 6, lines 13-16.

CERTIFICATE OF SERVICE

On this 16th day of December 2014, a true and correct copy of the above and foregoing instrument was sent via electronic mail and/or regular U.S. Postal Service, postage fully prepaid there on to the following interested parties:

Mr. Brandy L. Wreath
Director of the Public Utility Division
OKLAHOMA CORPORATION COMMISSION
P.O. Box 52000
Oklahoma City, Oklahoma 73105
b.wreath@occcemail.com

Ms. Natasha M. Scott
Assistant General Counsel
OKLAHOMA CORPORATION COMMISSION
P.O. Box 52000
Oklahoma City, Oklahoma 73105
n.scott@occcemail.com

Mr. William J. Bullard, Esquire
Mr. Patrick D. Shore, Esquire
Mr. Kimber L. Shoop, Esquire
Ms. Stephanie G. Houle, Esquire
OKLAHOMA GAS AND ELECTRIC COMPANY
P.O. Box 321, MC 1208
Oklahoma City, Oklahoma 73102
bullarwj@oge.com
shorepd@oge.com
shoopkl@oge.com
houlesg@oge.com

Ms. Jennifer H. Castillo, Esquire
HALL, ESTILL, HARDWICK, GABLE,
GOLDEN & NELSON, P.C.
100 North Broadway Avenue, Suite 2900
Oklahoma City, Oklahoma 73102
jcastillo@hallestill.com

Mr. Jim A. Roth, Esquire
Mr. Dominic Williams

Ms. Elizabeth Cates
Deputy General Counsel
OKLAHOMA CORPORATION COMMISSION
P.O. Box 52000
Oklahoma City, Oklahoma 73105
e.cates@occcemail.com

Ms. Kathy Champion
OKLAHOMA CORPORATION COMMISSION
P.O. Box 52000
Oklahoma City, Oklahoma 73105
k.champion@occcemail.com

Ms. Laurie Williams
SIERRA CLUB
50 F Street, NW, 7th Floor
Washington, DC 20001
laurie.williams@sierraclub.org

Ms. Jacquelyn L. Dill, Esquire
DILL LAW FIRM, P.C.
31311 Northwest 63rd Street
Oklahoma City, Oklahoma 73116
jdill@dilllawfirm.com

Ms. Cheryl A. Vaught, Esquire
Mr. Scot A. Conner, Esquire

PHILLIPS MURRAH, P.C.
101 North Robinson Avenue, Thirteenth Floor
Oklahoma City, Oklahoma 73102
jaroth@phillipsmurrah.com
ddwilliams@phillipsmurrah.com

Mr. Rick D. Chamberlain, Esquire
BEHRENS, WHEELER & CHAMBERLAIN
6 Northeast 63rd Street, Suite 400
Oklahoma City, Oklahoma 73105
rchamberlain@okenergylaw.com

Mr. Ronald E. Stakem, Esquire
Mr. Jack G. Clark, Jr., Esquire
CLARK, STAKEM, WOOD & PATTEN, P.C.
101 Park Avenue, Suite 400
Oklahoma City, Oklahoma 73102
rstakem@cswp-law.com
cclark@cswp-law.com

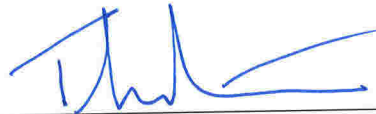
Ms. Deborah R. Thompson, Esquire
OK ENERGY FIRM, PPLC
P.O. Box 54632
Oklahoma City, Oklahoma 73154
dthompson@okenergyfirm.com

VAUGHT & CONNER, P.L.L.C.
1900 Northwest Expressway, Suite 1300
Oklahoma City, Oklahoma 73118
cav@vcokc.com
sconner@vcokc.com

Mr. Lee W. Paden, Esquire
LAW OFFICES OF LEE W. PADEN, P.C.
907 South Detroit, Suite 1012
P.O. Box 52072
Tulsa, Oklahoma 74152-0072
lpaden@ionet.net

Mr. William L. Humes, Of Counsel
Mr. Marc Edwards, Esquire
PHILLIPS MURRAH, P.C.
101 North Robinson Avenue, Thirteenth Floor
Oklahoma City, Oklahoma 73102
wlhumes@phillipsmurrah.com
medwards@phillipsmurrah.com

Kendall W. Parrish, Esquire
RON COMINGDEER & ASSOCIATES
6011 North Robinson Avenue
Oklahoma City, Oklahoma 73118
kparrish@comingdeerlaw.com



Thomas P. Schroedter

2179492.1:620435:01539

MARK E. GARRETT

CONTACT INFORMATION:

50 Penn Place, Suite 410
1900 NW Expressway
Oklahoma City, OK 73118
(405) 239-2226

EDUCATION:

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

CREDENTIALS:

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

WORK HISTORY:

GARRETT GROUP, LLC - REGULATORY CONSULTING PRACTICE (1996 - Present)

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

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

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

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

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

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

1. **Nevada Power Company, 2014** (Docket No. 14-05003) – Participated as an expert witness on behalf of the Southern Nevada Hotel Group (“SNHG”)¹ before the Nevada PUC. Sponsored written and oral testimony in NPC environmental compliance case, called the Emissions Reduction and Capacity Replacement case. Garrett Group’s recommendation to eliminate the \$438M Moapa solar project from the plan was adopted by the Commission.
2. **Nevada Power Company, 2014** (Docket No. 14-05004) – Participated as an expert witness on behalf of the Southern Nevada Hotel Group before the Nevada PUC to sponsor written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
3. **Oklahoma Gas and Electric Co., 2014 (Cause No. PUD 201400229)** – Participating as an expert witness on behalf of Oklahoma Industrial Energy Consumers (“OIEC”)² in OG&E’s Environmental Compliance and Mustang Modernization Plan before the Oklahoma Corporation Commission to provide testimony addressing the economics and rate impacts of the plan.
4. **Sourcegas Arkansas, Inc., 2014 (Docket No. 13-079-U)** Participated as an expert witness on behalf of the Hospital and Higher Education Consumers (“HHEC”), an intervener group that includes the University of Arkansas and several hospitals before the Arkansas PSC in SGA’s general rate case to provide testimony on various revenue requirement issues.
5. **Anchorage Municipal Light and Power, 2014 (Docket No. U-13-184)** – Participating as an expert witness before the Alaska Regulatory Utility Commission on behalf of Providence Health and Services to provide testimony on various revenue requirement and cost of service issues.
6. **Public Service Company of Oklahoma, 2014 (Cause No. PUD 201300217)** – Participating as an expert witness on behalf of OIEC before the OCC in AEP/PSO’s general rate case application to provide testimony on various cost-of-service issues and on the utility’s overall revenue requirement and rate design proposals.
7. **Entergy Texas Inc., 2013 (PUC Docket No. 41791)** – Participating as an expert witness on behalf of the Cities³ in ETI’s general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
8. **MidAmerican/NV Energy Merger, 2013 (Docket No. 13-07021)** – Participated as an expert witness on behalf of the Southern Nevada Hotel Group (“SNHG”) before the Nevada PUC. Sponsored testimony to address various issues raised in the proposed acquisition of NV Energy by MidAmerican Energy Holdings Company, including capital structure and acquisition premium recovery issues.
9. **Entergy Arkansas, 2013 (Docket No. 13-028-U)** – Participated as an expert witness on behalf of the Hospital and Higher Education Consumers (“HHEC”) an intervener group that includes the University of Arkansas and several hospitals before the Arkansas PSC in Entergy’s general rate case to provide testimony on various revenue requirement issues.

¹ The Southern Nevada Hotel Group is comprised of Boyd Gaming, Caesars Entertainment, MGM Resorts, Station Casinos, Venetian Casino Resort, and Wynn Las Vegas.

² OIEC is an association of approximately 25 large commercial and industrial customers in Oklahoma.

³ The Cities include Beaumont, Conroe, Groves, Houston, Huntsville, Orange, Navasota, Nederland, Pine Forest, Pinehurst, Port Arthur, Port Neches, Rose City, Shenandoah, Silsbee, Sour Lake, Vidor, and West Orange.

10. **Sierra Pacific Power Company, 2013 (Docket No. 13-06002)** – Participated as an expert witness on behalf of the Northern Nevada Utility Customers⁴ before the Nevada PUC in SPPC’s general rate case proceeding to provide testimony on various cost of service and revenue requirement issues. Sponsored written and oral testimony in the depreciation phase, the revenue requirement phase and the rate design phase of these proceedings.
11. **Gulf Power Company, 2013 (Docket No. 130140-EI)** – Participated as an expert witness on behalf of the Office of Public Counsel before the Florida Commission in Gulf Power’s general rate case proceeding to provide testimony on various revenue requirement issues.
12. **Public Service Company of Oklahoma, 2013 (Cause No. PUD 201200054)** – Participating as an expert witness on behalf of the OIEC before the Oklahoma Corporation Commission (“OCC”) to provide testimony in PSO’s application seeking Commission approval of its settlement agreement with EPA.
13. **Southwestern Electric Power Company, 2012 (PUC Docket No. 40443)** – Participated as an expert witness on behalf of Cities Advocating Reasonable Deregulation (“CARD Cities”) before the Texas Public Utility Commission in SWEPCO’s general rate case proceeding to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
14. **Doyon Utilities, 2012 Alaska Rate Case (Docket No. TA7-717)** – Participated as an expert witness consultant on behalf of the Department of Defense to provide expert testimony in twelve rate case reviews for the utility systems of Fort Wainwright, Fort Greely and Joint Base Elmendorf-Richardson before the Regulatory Commission of Alaska.
15. **University of Oklahoma, 2012** – Participated as an expert witness on behalf of the University of Oklahoma to provide expert testimony on various revenue requirement issues in the University’s general rate case with the Corix Group, which provides utility services to the University.
16. **Public Service Company of Oklahoma, 2012 (Cause No. PUD 201200079)** – Participated as an expert witness on behalf of the OIEC before the Oklahoma Corporation Commission to provide expert testimony addressing the utility’s request to earn additional compensation on a 510MW purchased power agreement with Exelon
17. **Centerpoint Energy Texas Gas, 2012 (Docket No. GUD 10182)** – Participated as an expert witness on behalf of the Steering Committee of Cities before the Texas Railroad Commission to provide expert testimony on various revenue requirement issues.
18. **Entergy Texas Inc., 2012 (PUC Docket No. 39896)** – Participated as an expert witness on behalf of the Cities in ETI’s general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
19. **Oklahoma Natural Gas Company, 2012 (Cause No. PUD 2012-029)** – Participating as an expert witness on behalf of the OIEC before the OCC in ONG’s Performance Based Rate (“PBR”) application seeking Commission approval of a requested rate increase based upon formula results for 2011.
20. **University of Oklahoma, 2012** – Assisted the University of Oklahoma with an audit of the costs

⁴ The Northern Nevada Utility Consumers is a group of large commercial and industrial customers in the SPPC service territory.

associated with its six utility operations and its contract with the Corix Group to provide utility services to the university.

21. **Oklahoma Gas and Electric Company, 2012 (Cause No. PUD 2011-186)** – Participating as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking Commission approval of a special contract with Oklahoma State University and a wind energy purchase agreement in connection therewith.
22. **Empire Electric Company, 2011, (Cause No. PUD 11-082)** – Participated as an expert witness on behalf of Enbridge before the OCC in Empire’s rate case to provided testimony in both the revenue requirement and rate design phases of the proceedings to establish prospective cost-of-service based rates for the power company.
23. **Nevada Power Company, 2011, (Docket No. 11-04010)** - Participated as an expert witness on behalf of the Southern Nevada Hotel Group (“SNHG”) before the Nevada PUC. Sponsored written and oral testimony to address proposed changes to the Company’s customer deposit rules.
24. **Nevada Power Company, 2011, (Docket No. 11-06006)** - Participated as an expert witness on behalf of the Southern Nevada Hotel Group before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
25. **Public Service Company of Oklahoma, 2011 (Cause No. PUD 2011-106)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s application seeking rider recovery of third party SPP transmission costs and fees.
26. **Oklahoma Gas and Electric Company, 2011 (Cause No. PUD 2011-087)** – Participating as an expert witness on behalf of OIEC before the OCC in OG&E’s rate case to provided testimony in both the revenue requirement and rate design phases of the proceedings to establish prospective cost-of-service based rates for the power company.
27. **Oklahoma Gas & Electric Company, 2011 (Docket No. 10-109-U)** – Participated as an expert witness on behalf of Gerdau Macsteel before the Arkansas Public Service Commission in OG&E’s application to recover Smart Grid costs to make recommendations regarding the allocation of the Smart Grid costs.
28. **Oklahoma Gas & Electric Company, 2011 (Cause No. PUD 2011-027)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking to include retire medical expense in the Company’s pension tracker mechanism.
29. **Public Service Company of Oklahoma, 2011 (Cause No. PUD 2010-50)** – Participated as an expert witness on behalf of OIEC before the Oklahoma Corporation Commission in AEP/PSO’s application to recover ice storm O&M expenses through a regulatory asset/rider mechanism to address tax impact and return issues in the proposed rider.
30. **Public Service Company of Colorado, 2011 (Docket No. 10AL-908E)** – Participated as an expert witness on behalf of the Colorado Retail Council (“CRC”) before the Colorado Public Utilities Commission providing written and live testimony to address PSCo’s proposed Environmental Tariff.
31. **Oklahoma Gas & Electric Company, 2011 (Docket No. 10-067-U)** – Participated as an expert

witness on behalf of the Northwest Arkansas Industrial Energy Consumers (“NWIEC”)⁵ before the Arkansas Public Service Commission in OG&E’s general rate case application to provide testimony on various revenue requirement, cost of service and rate design issues.

32. **Oklahoma Gas & Electric Company, 2010 (Cause No. PUD 2010-146)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking rider recovery of third party SPP transmission costs and SPP administration fees.
33. **Massachusetts Electric Co. & Nantucket Electric Co. d/b/a National Grid, 2010 (Docket No. DPU 10-54)** – Participated as an expert witness providing both written and live testimony before the Massachusetts Department of Public Utilities on behalf of the Associated Industries of Massachusetts (“AIM”) to address the Company’s proposed participation in the 438MW Cape Wind project in Nantucket Sound.
34. **Public Service Company of Oklahoma, 2010 (Cause No. PUD 2010-50)** – Participated as an expert witness on behalf of the OIEC before the OCC in AEP/PSO’s general rate case application to provide testimony on various cost-of-service issues and on the utility’s overall revenue requirement and rate design proposals.
35. **Texas-New Mexico Power Co., 2010 (Docket 38480)** – Participating as an expert witness on behalf of the Alliance of Texas Municipalities (“ATM”) before the Texas PUC in TMNP’s general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.
36. **Southwestern Public Service Co., 2010 (PUCT Docket No. 38147)** – Participating as an expert witness on behalf of the Alliance of Xcel Municipalities (“AXM”) in the SPS general rate case application to provide testimony before the Texas Public Utility Commission regarding rate base and operating expense issues and sponsor the AXM Accounting Exhibits.
37. **Oklahoma Gas & Electric Company, 2010 (Cause No. PUD 2010-37)** – Participating as an expert witness on behalf of OIEC before the OCC to address the preapproval and ratemaking treatment of OG&E’s 220MW self-build wind project.
38. **Oklahoma Gas & Electric Company, 2010 (Cause No. PUD 2010-29)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking pre-approval of deployment of smart-grid technology and rider-recovery of the associated costs. Sponsored written testimony to address smart-grid deployment and time-differentiated fuel rates.
39. **Public Service Company of Oklahoma, 2010 (Cause No. PUD 2010-01)** – Participated as an expert witness on behalf of the OIEC before the OCC in the Company’s proposed Green Energy Choice Tariff. Sponsored testimony to address the pricing and ratemaking treatment of the Company’s proposed wind subscription tariff.
40. **Nevada Power Company, 2010 (Docket No. 10-02009)** – Participated as an expert witness on behalf of the Southern Nevada Hotel Group (“SNHG”) before the Nevada PUC to provide testimony in NPC’s Internal Resource Plan to address the ratemaking treatment of the proposed ON Line transmission line.
41. **Entergy Texas Inc., 2010 (PUC Docket No. 37744)** – Participating as an expert witness on behalf of the Cities in ETI’s general rate case to provide testimony on various cost of service issues and on the

⁵ NWIEC is an association of industrial manufacturing facilities in northwest Arkansas.

utility's overall revenue requirement.

42. **El Paso Electric Company, 2010 (PUC Docket No. 37690)** – Participated as an expert witness on behalf of the City of El Paso in the EPI general rate case to provide testimony on various cost of service issues and on the utility's overall revenue requirement.
43. **Public Service Company of Oklahoma, 2009 (Cause No. 09-196)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO's application for approval of DSM programs and cost recovery. Sponsored testimony to address program costs, lost revenue recovery, cost allocations and incentives.
44. **Oklahoma Gas and Electric Company, 2009 (Cause No. PUD 09-230 and 09-231)** – Participated as an expert witness on behalf of OIEC before the OCC in OG&E's application to add wind resources from two purchased power contracts. Sponsored written testimony to address the proper ratemaking treatment of the contract costs and the renewable energy certificates.
45. **Oklahoma Gas and Electric Company, 2009 (Cause No. PUD 08-398)** – Participated as an expert witness on behalf of OIEC before the OCC in OG&E's rate case. Provided testimony in both the revenue requirement and rate design phases of the proceedings to establish prospective cost-of-service based rates for the power company.
46. **Nevada Power Company, 2009, (Docket No. 08-12002)** - Participated as an expert witness on behalf of the Southern Nevada Hotel Group before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
47. **Public Service Company of Oklahoma, 2009 (Cause No. 09-031)** – Participated as an expert witness on behalf of OIEC before the OCC in PSO's application to add wind resources from two purchased power contracts. Sponsored written testimony to address the proper ratemaking treatment of the contract costs and the renewable energy certificates.
48. **Oklahoma Natural Gas Co., 2009 (Cause No. PUD 08-348)** – Participated as an expert witness on witness on behalf of the OIEC before the OCC in ONG's application to establish a Performance Based Rate tariff. Sponsored both written and oral testimony to address the merits of the utility's proposed PBR.
49. **Rocky Mountain Power, 2009 (Docket No. 08-035-38)** – Participated as an expert witness on behalf of the Division of Public Utilities (Staff) in PacifiCorp's general rate case to provide testimony on various revenue requirement issues.
50. **Texas-New Mexico Power Co., 2008 (Docket 36025)** – Participating as an expert witness on behalf of the Alliance of Texas Municipalities ("ATM") before the Texas PUC in TMNP's general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.
51. **Public Service Company of Oklahoma, 2008 (Cause No. 08-144)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO's general rate case application to address revenue requirement and rate design issues to establish prospective cost-of-service based rates.
52. **Public Service Company of Oklahoma, 2008 (Cause No. 08-150)** – Participated as an expert witness on behalf of the OIEC before the OCC to address PSO's calculation of its Fuel Clause Adjustment for 2008.

53. **Oklahoma Gas and Electric Company, 2008 (Cause No. PUD 08-059)** – Participated as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking authorization of its Demand Side Management (“DSM”) programs and the establishment of a DSM Rider to recover program costs, lost revenues and utility incentives.
54. **Entergy Gulf States, 2008 (PUC Docket No. 34800, SOAH Docket No. 473-08-0334)** – Participated as an expert witness on behalf of the Cities in EGSI’s general rate case to provide testimony on various cost of service issues and on the utility’s overall revenue requirement.
55. **Public Service Company of Oklahoma, 2008 (Cause No. 07-465)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s application to recover the pre-construction costs of the cancelled Red Rock coal generation facility.
56. **Oklahoma Gas and Electric Company, 2008 (Cause No. 07-447)** – Participating as an expert witness on behalf of the OIEC before the OCC in OG&E’s application seeking authorization to recover the pre-construction costs of the cancelled Red Rock coal generation facility using proceeds from sales of excess SO₂ allowances.
57. **Rocky Mountain Power, 2008 (Docket No. 07-035-93)** – Participating as an expert witness on behalf of Division of Public Utilities (Staff) in PacifiCorp’s general rate case to provide testimony on various revenue requirement issues.
58. **Public Service Company of Oklahoma, 2008 (Cause No. PUD 07-449)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s application seeking authorization of its Demand Side Management (“DSM”) programs and the establishment of a DSM Rider to recover program costs, lost revenues and utility incentives.
59. **Public Service Company of Oklahoma, 2008 (Cause No. PUD 07-397)** – Participated as an expert witness on behalf of OIEC before the OCC in PSO’s application seeking authorization to defer storm damage costs in a regulatory asset account and to recover the costs using the proceeds from sales of excess SO₂ allowances.
60. **Oklahoma Gas & Electric Co., 2007 (Cause No. PUD 07-012)** – Participated as an expert witness on behalf of OIEC before the OCC in OG&E’s application seeking pre-approval to construct the Red Rock coal plant to address the Company’s proposed rider recovery mechanism.
61. **Oklahoma Natural Gas Co., 2007 (Cause No. PUD 07-335)** – Participated as an expert witness on behalf of the OIEC before the OCC in ONG’s application proposing alternative cost recovery for the Company’s ongoing capital expenditures through the proposed Capital Investment Mechanism Rider (“CIM Rider”). Sponsored testimony to address ONG’s proposal.
62. **Public Service Company of Oklahoma, 2007 (Cause No. PUD 06-030)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s application seeking a used and useful determination for its planned addition of the Red Rock coal plant to address the Company’s use of debt equivalency in the competitive bidding process for new resources.
63. **Public Service Company of Oklahoma, 2006 (Cause No. PUD 06-285)** – Participated as an expert witness on behalf of the OIEC before the OCC in PSO’s general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.

64. **Nevada Power Company, 2007, (Docket No. 07-01022)** - Participated as an expert witness on behalf of the MGM MIRAGE before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power.
65. **Nevada Power Company, 2006, (Docket No. 06-11022)** - Participated as an expert witness on behalf of the MGM MIRAGE properties before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
66. **Southwestern Public Service Co., 2006 (PUCT Docket No. 37766)** – Participated as an expert witness on behalf of the Alliance of Xcel Municipalities (“AXM”) in the SPS general rate case application. Provided testimony before the Texas Public Utility Commission regarding rate base and operating expense issues and sponsored the Accounting Exhibits on behalf of AXM.
67. **Atmos Energy Corp., Mid-Tex Division, 2006 (Texas GUD 9676)** – Participated as an expert witness in the Atmos Mid-Tex general rate case application on behalf of the Atmos Texas Municipalities (“ATM”). Provided written and oral testimony before the Railroad Commission of Texas regarding the revenue requirements of Mid-Tex including various rate base, operating expense, depreciation and tax issues. Sponsored the Accounting Exhibits for ATM.
68. **Nevada Power Company, 2006 (Docket No. 06-06007)** – Participated as an expert witness on behalf of the MGM MIRAGE in the Sinatra Substation Electric Line Extension and Service Contract case. Provided both written and oral testimony before the Nevada Public Utility Commission to provide the Commission with information as to why the application is consistent with the line extension requirements of Rule 9 and why the cost recovery proposals set forth in the application provide a least cost approach to adding necessary new capacity in the Las Vegas strip area.
69. **Public Service Co. of Oklahoma, 2006 (Cause No. PUD 05-00516)** - Participated as an expert witness on behalf of the OIEC to review PSO's application for a “used and useful” determination of its proposed peaking facility.
70. **Oklahoma Gas and Electric Co., 2006 (Cause No. PUD 06-00041)** – Participated as an expert witness on behalf of the OIEC in OG&E's application to propose an incentive sharing mechanism for SO₂ allowance proceeds.
71. **Chermac Energy Corporation, 2006 (Cause No. PUD 05-00059 and 05-00177)** – Participated as an expert witness on behalf of the OIEC in Chermac's PURPA application. Sponsored written responsive and rebuttal testimony to address various rate design issues arising under the application.
72. **Oklahoma Gas and Electric Co., 2006 (Cause No. PUD 05-00140)** – Participated as an expert witness on behalf of the OIEC in OG&E's 2003 and 2004 Fuel Clause reviews. Sponsored written testimony to address the purchasing practices of the Company, its transactions with affiliates, and the prices paid for natural gas, coal and purchased power.
73. **Nevada Power Company, 2006, (Docket No. 06-01016)** - Participated as an expert witness on behalf of the MGM MIRAGE properties before the Nevada PUC. Sponsored written testimony in NPC's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power.
74. **Oklahoma Gas and Electric Co., 2005 (Cause No. PUD 05-151)** – Participated as an expert witness on behalf of the OIEC in OG&E's general rate case application. Sponsored both written and oral testimony before the OCC to address various revenue requirement and rate design issues for the

purpose of setting prospective cost-of-service based rates.

75. **Oklahoma Natural Gas Co., 2005 (Cause No. PUD 04-610)** – Participated as an expert witness on behalf of the Attorney General of Oklahoma. Sponsored written and oral testimony to address numerous rate base, operating expense and depreciation issues for the purpose of setting prospective cost-of-service based rates.
76. **CenterPoint Energy Arkla, 2004 (Cause No. PUD 04-0187)** – Participating as an expert witness on behalf of the Attorney General of Oklahoma: Sponsored written testimony to provide the OCC with analysis from an accounting and ratemaking perspective of the Co.’s proposed change in depreciation rates from an Average Life Group to an Equal Life Group methodology. Addressed the Co.’s proposed increase in depreciation rates associated with increased negative salvage value calculations.
77. **Public Service Co. of Oklahoma, 2004 (Cause No. PUD 02-0754)** – Participated as an expert witness on behalf of the OIEC. Sponsored written testimony (1) making adjustments to PSO’s requested recovery of an ICR programming error, (2) correcting errors in the allocation of trading margins on off-system sales of electricity from AEP East to West and among the AEP West utilities and (3) recommending an annual rather than a quarterly change in the FAC rates.
78. **PowerSmith Cogeneration Project, 2004 (Cause No. PUD 03-0564)** - Participated as an expert witness on behalf of the OIEC to provide the OCC with direction in setting an avoided cost for the PowerSmith Cogeneration project under PURPA requirements. Provided both written and oral testimony on the provisions of the proposed contract under PURPA:
79. **Electric Utility Rules for Affiliate Transactions, 2004 (Cause No. RM 03-0003)** – Participated as a consultant on behalf of the OIEC to draft comments to assist the OCC in developing rules for affiliate transactions. Assisted in drafting the proposed rules. Successful in having the Lower of Cost or Market rule adopted for affiliate transactions in Oklahoma.
80. **Nevada Power Company, 2003, (Docket No. 03-10001)** - Participated as an expert witness on behalf of the MGM MIRAGE properties before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
81. **Nevada Power Company, 2003, (Docket No. 03-11019)** - Participated as an expert witness on behalf of the MGM MIRAGE before the Nevada PUC in Nevada Power Company’s deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power.
82. **Public Service Company of Oklahoma, 2003 (Cause No. PUD 03-0076)** – Participating as an expert witness on behalf of the OIEC before the OCC in PSO’s general rate case application to address various revenue requirement and rate design issues to establish prospective cost-of-service based rates.
83. **Oklahoma Gas & Electric Co., 2003 (Cause No. PUD 03-0226)** – Participated as an expert witness on behalf of the OIEC. Provided both written and oral testimony before the OCC to determine the appropriate level to include in rates for natural gas transportation and storage services acquired from an affiliated company.
84. **Nevada Power Company, 2003 (Docket No. 02-5003-5007)** - Participated as an expert witness on behalf of the MGM Mirage before the Nevada PUC. Sponsored written and oral testimony to calculate the appropriate exit fee in MGM Mirage’s 661 Application to leave the system.

85. **McCarthy Family Farms, 2003** – Participated as a consultant to assist McCarthy Family Farms in converting a biomass and biosolids composting process into a renewable energy power producing business in California.
86. **Bice v. Petro Hunt, 2003 (ND, Supreme Court No. 20030306)** - Participated as an expert witness in a class certification proceeding to provide cost-of-service calculations for royalty valuation deductions for natural gas gathering, dehydration, compression, treatment and processing fees in North Dakota.
87. **Nevada Power Company, 2003 (Docket No. 03-11019)** - Participated as a consulting expert on behalf of the MGM Mirage before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power. Provided written and oral testimony on the reasonableness of the cost allocations to the utility's various customer classes.
88. **Wind River Reservation, 2003 (Fed. Claims Ct. No. 458-79L, 459-79L)** – Participated as a consulting expert on behalf of the Shoshone and Arapaho Tribes to provide cost-of-service calculations for royalty valuation deductions for gathering, dehydration, treatment and compression of natural gas and the reasonableness of deductions for gas transportation.
89. **Oklahoma Gas & Electric Co., 2002 (Cause No. PUD 01-0455)** – Participated as an expert witness on behalf of the OIEC before the OCC. Sponsored written and oral testimony on numerous revenue requirement issues including rate base, operating expense and rate design issues to establish prospective cost-of-service based rates.
90. **Nevada Power Company, 2002 (Docket No. 02-11021)** - Participated as an expert witness on behalf of the MGM Mirage before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power and to make recommendations with respect to rate design.
91. **Nevada Power Company, 2002 (Docket No. 01-11029)** - Participated as a consulting expert on behalf of the MGM Mirage before the Nevada PUC in Nevada Power Company's deferred energy docket to determine the level of prudent company expenditures for fuel and purchased power included in the Company's \$928 million deferred energy balances.
92. **Nevada Power Company, 2002 (Docket No. 01-10001)** - Participated as an expert witness on behalf of the MGM Mirage before the Nevada PUC. Sponsored written and oral testimony in both the revenue requirement phase and the rate design phase of the proceedings to establish prospective cost-of-service based rates for the power company.
93. **Chesapeake v. Kinder Morgan, 2001 (CIV-00-397L)** - Participated as an expert witness on behalf of Chesapeake Energy in a gas gathering dispute. Sponsored testimony to calculate and support a reasonable rate on the gas gathering system. Performed necessary calculations to determine appropriate levels of operating expense, depreciation and cost of capital to include in a reasonable gathering charge and developed an appropriate rate design to recover these costs.
94. **Southern Union Gas Company, 2001** - Participated as a consultant to the City of El Paso in its review of SUG's gas purchasing practices, gas storage position, and potential use of financial hedging instruments and ratemaking incentives to devise strategies to help shelter customers from the risk of high commodity price spikes during the winter months.
95. **Nevada Power Company, 2001** - Participated as an expert witness on behalf of the MGM-Mirage,

Park Place and Mandalay Bay Group before the Nevada Public Utility Commission to review NPC's Comprehensive Energy Plan (CEP) for the State of Nevada and make recommendations regarding the appropriate level of additional costs to include in rates for the Company's prospective power costs associated with natural gas and gas transportation, coal and coal transportation and purchased power.

96. **Bridenstine v. Kaiser-Francis Oil Co. et al., 2001 (CJ-95-54)** - Participated as an expert witness on behalf of royalty owner plaintiffs in a valuation dispute regarding gathering, dehydration, metering, compression, and marketing costs. Provided cost-of-service calculations to determine the reasonableness of the gathering rate charged to the royalty interest. Also provided calculations as to the average price available in the field based upon a study of royalty payments received on other wells in the area.
97. **Klatt v. Hunt et al., 2000 (ND)** - Participated as an expert witness and filed report in United States District Court for the District of North Dakota in a natural gas gathering contract dispute to calculate charges and allocations for processing, sour gas compression, treatment, overhead, depreciation expense, use of residue gas, purchase price allocations, and risk capital.
98. **Oklahoma Gas and Electric Co., 2000 (Cause No. PUD 00-0020)** - Participated as an expert witness on behalf of the OIEC before the OCC. Sponsored testimony on OG&E's proposed Generation Efficiency Performance Rider (GEPR). Provided a list of criteria with which to measure a utility's proposal for alternative ratemaking. Recommended modifications to the Company's proposed GEPR to bring it within the boundaries of an acceptable alternative ratemaking formula.
99. **Oklahoma Gas and Electric Co., 1999** - Participated as an expert witness on behalf of the OIEC before the OCC. Sponsored testimony on OG&E's proposed Performance Based Ratemaking (PBR) proposal including analysis of the Company's regulated return on equity, fluctuations in the capital investment and operating expense accounts of the Company and the impact that various rate base, operating expense and cost of capital adjustments would have on the Company's proposal.
100. **Nevada Power Company, 1999 (Docket No. 99-7035)** - Participated as an expert witness on behalf of the Mirage, Park Place and Mandalay Bay Group before the Nevada PUC. Sponsored written and oral testimony addressing the appropriate ratemaking treatment of the Company's deferred energy balances, prospective power costs for natural gas, coal and purchased power and deferred capacity payments for purchased power.
101. **Nevada Power Company, 1999 (Docket No. 99-4005)** - Participated as an expert witness on behalf of the Mirage, Park Place and Mandalay Bay Group before the Nevada PUC. Sponsored written and oral testimony to unbundle the utility services of the NPC and to establish the appropriate cost-of-service allocations and rate design for the utility in Nevada's new competitive electric utility industry.
102. **Nevada Power Company, 1999 (Docket No. 99-4005)** - Participated as an expert witness on behalf of the Mirage, Park Place and Mandalay Bay Group before the Nevada PUC. Sponsored written and oral testimony to establish the cost-of-service revenue requirement of the Company.
103. **Nevada Power/Sierra Pacific Merger, 1998 (Docket No. 98-7023)** - Participated as an expert witness on behalf of the Mirage and MGM Grand before the Nevada PUC. Sponsored written and oral testimony to establish (1) appropriate conditions on the merger (2) the proper sequence of regulatory events to unbundle utility services and deregulate the electric utility industry in Nevada (3) the proper accounting treatment of the acquisition premium and the gain on divestiture of generation assets. The recommendations regarding conditions on the merger, the sequence of regulatory events to unbundle and deregulate, and the accounting treatment of the acquisition premium were specifically adopted in the Commission's final order.

104. **Oklahoma Natural Gas Company, 1998 (Cause No. PUD 98-0177)** - Participated as an expert witness in ONG's unbundling proceedings before the OCC. Sponsored written and oral testimony on behalf of Transok, LLC to establish the cost of ONG's unbundled upstream gas services. Substantially all of the cost-of-service recommendations to unbundle ONG's gas services were adopted in the Commission's interim order.
105. **Public Service Company of Oklahoma, 1997 (Cause No. PUD 96-0214)** - Audited both rate base investment and operating revenue and expense to determine the Company's revenue requirement and cost-of-service. Sponsored written testimony before the OCC on behalf of the OIEC.
106. **Oklahoma Natural Gas /Western Resources Merger, 1997 (Cause No. PUD 97-0106)** - Sponsored testimony on behalf of the OIEC regarding the appropriate accounting treatment of acquisition premiums resulting from the purchase of regulated assets.
107. **Oklahoma Gas and Electric Co., 1996 (Cause No. PUD 96-0116)** - Audited both rate base investment and operating income. Sponsored testimony on behalf of the OIEC for the purpose of determining the Company's revenue requirement and cost-of-service allocations.
108. **Oklahoma Corporation Commission, 1996** - Provided technical assistance to Commissioner Anthony's office in analyzing gas contracts and related legal proceedings involving ONG and certain of its gas supply contracts. Assignment included comparison of pricing terms of subject gas contracts to portfolio of gas contracts and other data obtained through annual fuel audits analyzing ONG's gas purchasing practices.
109. **Tenkiller Water Company, 1996** - Provided technical assistance to the Attorney General of Oklahoma in his review of the Company's regulated cost-of-service for the purpose of setting prospective utility rates.
110. **Arkansas Oklahoma Gas Company, 1995 (Cause No. PUD 95-0134)** - Sponsored written and oral testimony before the OCC on behalf of the Attorney General of Oklahoma regarding the price of natural gas on AOG's system and the impact of AOG's proposed cost of gas allocations and gas transportation rates and tariffs on AOG's various customer classes.
111. **Enogex, Inc., 1995 (FERC 95-10-000)** - Analyzed Enogex's application before the FERC to increase gas transportation rates for the Oklahoma Independent Petroleum Association and made recommendations regarding revenue requirement, cost-of-service and rate design on behalf of independent producers and shippers.
112. **Oklahoma Natural Gas Company, 1995 (Cause No. PUD 94-0477)** - Analyzed a portfolio of ONG's gas purchase contracts in the Company's Payment-In-Kind (PIC) gas purchase program and made recommendations to the OCC Staff on behalf of Terra Nitrogen, Inc. regarding the inappropriate profits made by ONG on the sale of the gas commodity through the PIC program pricing formula. Also analyzed the price of gas on ONG's system, ONG's cost-of-service based rates, and certain class cross-subsidizations in ONG's existing rate design.
113. **Arkansas Louisiana Gas Company, 1994 (Cause No. PUD 94-0354)** - Planned and supervised the rate case audit for the OCC Staff and reviewed the workpapers and testimony of the other auditors on the case. Sponsored cost-of-service testimony on cash working capital and developed policy recommendations on post test year adjustments.
114. **Empire District Electric Company, 1994 (Cause No. PUD 94-0343)** - Planned and supervised the

rate case audit for the OCC Staff and reviewed the workpapers and testimony of other auditors. Sponsored cost-of-service testimony on rate base investment areas including cash working capital.

115. **Oklahoma Natural Gas Company, 1992 through 1993 (Cause No. PUD 92-1190)** - Planned and supervised the rate case audit of ONG for the OCC Staff. Reviewed all workpapers and testimony of the other auditors on the case. Sponsored written and oral testimony on numerous cost-of-service adjustments. Analyzed ONG's gas supply contracts under the Company's PIC program.
116. **Oklahoma Gas and Electric Company, 1991 through 1992 (Cause No. PUD 91-1055)** - Audited the rate base, operating revenue and operating expense accounts of OG&E on behalf of the OCC Staff. Sponsored written and oral testimony on numerous revenue requirement adjustments to establish the appropriate level of costs to include for the purpose of setting prospective rates.

Oklahoma Gas and Electric
Environmental Compliance and Mustang Plant Replacement Plans
Cause No. PUD 2014000229

OIEC Rate Impact Calculations

(A)	(B)	(C)	(D)	(E)
Ln	Descriptions	Source	Amount	Percent
1	Okla. Revenue Requirement Last Rate Case	OIEC 6-2	\$1,711,207,980	
2		(Cause No. PUD 2011-87)		
3	Environmental Compliance Plan			
4	Okla. Base Rate Increase by 2019	OIEC 4-3	127,300,000	
5	Okla. FAC Increase by 2019	OIEC 4-3 x Ok Juris	141,286,080	
6	Total Okla. Rate Increase by 2019		<u>268,586,080</u>	15.70%
7				
8	Mustang Modernization Plan			
9	Okla. Base Rate Increase by 2019	SDR-Chart3 less	64,900,000	
10	Okla. FAC Increase by 2019	OIEC 4-3	<u>(5,828,080)</u>	
11	Total Okla. Rate Increase by 2019		59,071,920	<u>3.45%</u>
12				
13	Subtotal		327,658,000	19.15%
14				
15	Existing Riders - Okla. Rate Increase by 2015	OIEC 6-9a	18,122,666	1.06%
16		(Ends with 2015)		
17	SPP Projects - Okla. Rate Increase by 2016	OIEC 9-1d	14,678,895	0.86%
18		(Ends with 2016)		
19	Okla. 2020 Combined Cycle Plant Increase	Exhibit MG-3	112,896,865	6.60%
20				
21				
22	Total Rate Increases Planned by 2020		<u><u>473,356,426</u></u>	<u><u>27.66%</u></u>
	(Does not Include General Plant and Distribution Plant Increases)			

Oklahoma Gas and Electric
 Environmental Compliance and Mustang Plant Replacement Plans
 Cause No. PUD 2014000229

OIEC Rate Calculations for 2020 Combined Cycle Plant

<u>Ln</u>	<u>Description</u>	<u>Source</u>	<u>Amount</u>
1	2020 Combined Cycle Plant Costs	OIEC 3-12_Att71	\$ 743,096,045
2	ADIT Rate Base Offset	OIEC 3-12_Att71	\$ <u>(6,686,100)</u>
3	Net Rate Base Increase for CC Plant	Calculation	\$ 736,409,945
4	Rate of Return with Taxes	OIEC 3-12_Att71	11.75%
5	Return Component	Calculation	\$ 86,520,804
6	Depreciation (35 Yr Life)	OIEC 3-12_Att71	\$ 21,231,316
7	O&M Expenses	OIEC 3-12_Att71	\$ 10,930,119
8	Ad Valorem Tax Expense (1%)	OIEC 3-12_Att71	\$ <u>7,430,960</u>
9	Total Revenue Requirement	Calculation	\$ 126,113,200
10	Oklahoma Jurisdictional Allocation	SDR Chart-3	<u>89.52%</u>
11	Total Increase in 2020 for New CC Plant	Calculation	<u><u>\$ 112,896,865</u></u>

Oklahoma Gas and Electric
 Environmental Compliance and Mustang Plant Replacement Plans
 Cause No. PUD 2014000229

OIEC Rate Calculations for Mustang CT Return on Equity

Ln.	Description	Source	Amount
1	2017 Rate Base for Mustang CTs	OIEC 1-4_Att	\$ 388,488,656
2	Interest Expense	2017 Rate Base x 2.91%	\$ 11,303,699
3	Return on Equity	2017 Rate Base x 5.41%	\$ 21,017,236
4	Income Tax on Equity Return	2017 Rate Base x (8.834%-5.41%)	\$ 13,301,725
5	Total Return	2017 Rate Base x 11.744%	\$ 45,622,660

RECAP: Capital Structure Filed by OG&E in Last Rate Case (2011-087) with 10.2% ROE

Ln.	Description	Cap Struc	Cost	Wt Avg	Tax	ROR
1	Long Term Debt	46.930%	6.20%	2.91%	1.00000	2.910%
2	Preferred	0.000%	0.00%	0.00%		
3	Common Equity	53.070%	10.20%	5.41%	1.632896	8.834%
4		100.000%		8.32%		11.744%

Oklahoma Gas and Electric
Environmental Compliance and Mustang Plant Replacement Plans
Cause No. PUD 2014000229

OIEC Rate Calculations for Savings from Potential Adjustments

(A) Ln	(B) Descriptions	(C) Source	(D) Amount	(E) Percent
1	Okla. Revenue Requirement Last Rate Case	OIEC 6-2	1,711,207,980	
2	Total Environmental Compliance and Mustang Increase	Exhibit MG-2	327,658,000	19.15%
3	Savings from Eliminating Mustang Modernization	Exhibit MG-2	(59,071,920)	-3.45%
4	Savings from Eliminating Reg Asset (Accel Depr)	Richard Chart 3	(5,900,000)	-0.34%
5	Savings from Investing Mustang Costs in Wind Instead	RECAP 5	(47,000,000)	-2.75%
6	Savings from Financing ECP with Debt	RECAP 4	(36,776,252)	-2.15%
7	Savings from Reducing ROE to 9.75%	RECAP 3	(13,716,326)	-0.80%
8	Total Savings from Initial Suggested Potential Adjustments		<u>(162,464,498)</u>	-9.49%
9	Increase after Potential Adjustments		165,193,502	9.65%

RECAP 1: Capital Structure Filed by OG&E in Last Rate Case (2011-087) with Final Order 10.2% ROE

Ln.	Description	Cap Struc	Cost	Wt Avg	Tax	ROR
1	Long Term Debt	46.930%	6.20%	2.91%	1.00000	2.910%
2	Preferred	0.000%	0.00%	0.00%		
3	Common Equity	53.070%	10.20%	5.41%	1.632896	8.834%
4		<u>100.000%</u>		8.32%		<u>11.744%</u>

RECAP 2: Capital Structure Filed by OG&E in Last Rate Case (2011-087) with 9.75% ROE

Ln.	Description	Cap Struc	Cost	Wt Avg	Tax	ROR
1	Long Term Debt	46.930%	6.20%	2.91%	1.00000	2.910%
2	Preferred	0.000%	0.00%	0.00%		
3	Common Equity	53.070%	9.75%	5.17%	1.632896	8.442%
4		<u>100.000%</u>	[2014 RRA Avg]	8.08%		<u>11.352%</u>

RECAP 3: Difference between ROR with 10.2% ROE and ROR with 9.75% ROE

Ln.	Description	Amount
1	Difference in ROR between 10.2% ROE and 9.75% ROE	-0.392%
2	Rate Base Filed in Last Rate Case	3,500,000,000
3	Rate Reduction from Lower ROE	<u>(13,716,326)</u>

RECAP 4: Savings from Financing Environmental Compliance with Debt (i.e., Correcting the Capital Struc)

Ln.	Description	Amount
1	Environmental Compliance Rate Base (1,088-414)	\$ 663,396,896
2	Environmental Compliance Rate Base x Full ROR	77,906,859
3	Environmental Compliance Rate Base x Debt Return	41,130,608
4	Savings from Financing Environmental Compliance with Debt	<u>(36,776,252)</u>

RECAP 5: Savings from Adding Wind

1	Avoided Energy Costs with 3,000,000 MWH of Wind	Norwood	<u>(47,000,000)</u>
---	---	---------	---------------------

**Oklahoma Industrial Energy Consumers
Data Request OIEC-6
Cause No. PUD 201400229**

6-2 Please provide the Company's total Oklahoma retail revenue requirement established on that date with the new rates. Please provide the revenues on a class by class basis.

Response*: Please refer to the chart below.

<i>OG&E</i>		
<i>Revenue Allocation</i>		
<i>TYE 12/31/10</i>		
<i>Cause No. PUD 201100087</i>		
	<i>Per Final Order</i>	
Customer Group	Proposed Revenue Increase	Total Proposed Revenue
RS	\$ 458,608	\$ 770,162,744
GS	\$ 47,944	\$ 163,671,665
OGP	\$ 3,960	\$ 13,518,444
PS-ND	\$ 10,970	\$ 18,422,893
PS-D	\$ 2,932	\$ 10,009,025
PL	\$ 75,401	\$ 257,405,235
PL TOU	\$ 47,888	\$ 163,481,517
LPL TOU	\$ 163,536	\$ 274,634,563
MP	\$ 2,368	\$ 8,082,902
ML	\$ 1,000,000	\$ 12,681,155
OSL	\$ 2,500,000	\$ 19,137,838
Total Retail	\$ 4,313,606	\$ 1,711,207,980

Response provided by: Sheri Richard
 Response provided on: October 13, 2014
 Contact & Phone No: Sheri Richard 405-553-3747

*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 Industrial Energy Consumers
Data Request OIEC-6
Cause No. PUD 201400229**

- 6-9** Please provide the projected cost increases (or decreases) each year from 2012 through 2020 for the following items:
- a. for each rider currently in effect at the Company,
 - b. for all SPP projects not recovered through riders,
 - c. for fuel and purchased power costs,
 - d. for the proposed environmental compliance costs in this application,
 - e. for the Mustang cost additions proposed in this application,
 - f. for all other distribution system cost increases not recovered in riders or contemplated in this application,
 - g. for all other generation system cost increases not recovered in riders or contemplated in this application,
 - h. for all other transmission system cost increases not recovered in riders or contemplated in this application,
 - i. for all other cost increases not recovered in riders or contemplated in this application or included in any item above.

Response*: Please see **OIEC 6-9_Att** for (a), (b), (d) and (e). Please see **OIEC 1-11** and **OIEC 3-12** for the projected cost increases related to (c) fuel and purchase power costs and related to (g) all other generation system cost increases not recovered in riders or contemplated in this application. OG&E does not have projected cost increases for subsections (f), (h) and (i). For the years 2012 through 2014 for items (c), (g), (f), (h) and (i) see Ferc Form 1 for the details of the Company's cost data.

Please go to the following link for 2013:

<http://elibrary.ferc.gov/idmws/common/downloadOpen.asp?downloadfile=20140411%2D8009%2829281475%29%2Epdf&folder=3924691&fileid=13511533&trial=1>

Please go to the following link for 2012:

<http://elibrary.ferc.gov/idmws/common/downloadOpen.asp?downloadfile=20130422%2D8004%2828327800%29%2Epdf&folder=3924799&fileid=13240180&trial=1>

Ferc Form 1 for 2014 has not been prepared and is not available.

Response provided by:	<u>Sheri Richard</u>
Response provided on:	<u>October 13, 2014</u>
Contact & Phone No:	<u>Sheri Richard 405-553-3747</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.

CAUSE NO. PUD 201400229
 Data Request
 OIEC 6-9a

<u>Response to</u>		<u>Oklahoma Jurisdictional</u>			
<u>DR#</u>	<u>REVENUE REQUIREMENTS</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>RIDERS</u>				
6-9 a	Smart Grid	35,147,401	26,337,209	21,934,515	19,121,645
6-9 a	DPR	21,784,780	29,487,252	49,890,028	61,654,329
6-9 a	Storm	13,478,952	3,034,542	5,457,914	6,337,740
6-9 a	Crossroads	37,837,509	36,516,015	28,702,930	22,800,412
6-9 a	SPPCT	11,184,962	22,259,799	30,085,035	30,659,376
6-9 a	STSA	2,536,218	6,025,225	5,196,167	4,462,359
6-9 a	System Hardening	9,968,744	10,516,729	6,746,969	5,025,370
		131,938,566	134,176,772	148,013,558	150,061,232
			2,238,206	16,074,992	18,122,666

Note: The Company has not projected rider changes past 2015. Riders are assumed to be rolled into base rates in 2016
 Storm Costs reflect amortization or projected amortization based on current storm costs.

Oklahoma Industrial Energy Consumers
Data Request OIEC-9
Cause No. PUD 201400229

- 9-1 With respect to SPP projects, please provide the additional following information:
- a. Please provide a list of all approved SPP projects.
 - b. Please provide the estimate in-service dates for each of these projects.
 - c. Please provide the estimated cost for each of these projects.
 - d. Please provide the estimated cost of each of these projects to OG&E.
 - e. Please provide the estimated rate impact of each of these projects to OG&E ratepayers.
 - f. Please provide the estimated rate impact of each project to OG&E Oklahoma ratepayers.

Response*: Please see OIEC 9-1_Att. Note that this list of SPP projects includes all OG&E projects that are not already in rate base or in the STSA Rider.

Response provided by: Sheri Richard
Response provided on: November 20, 2014
Contact & Phone No: Sheri Richard 405-553-3747

*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.

OIEC 9-1 ATT

Oklahoma Gas & Electric
New Transmission Lines

Revenue Requirement Summary

Transmission Line	In-Service Date	Transmission Investment	Estimated Retail Allocated To O&G		Estimated Revenue Req. for 2016 (Total Co.)		Estimated Revenue Req. for 2016 (OK Juris.)		Average Monthly Customer Impact			
			Response-a Estimated	Response-b Plant	Response-c Transmission Investment	Response-d Plant	Response-e for 2016 (Total Co.)	Response-f for 2016 (OK Juris.)	RS	GS	PL	LPL
1 Gracemont	Nov-11	13,350,382	\$1,671,200	\$190,739	\$170,534	\$0.01	\$0.02	\$0.27	\$19.37			
2 Various 2012 Projects*	Jun-12	11,609,408	\$1,803,660	\$210,393	\$188,106	\$0.01	\$0.02	\$0.32	\$24.22			
3 Various 2013 Projects*	Jun-13	27,688,078	\$7,478,225	\$897,978	\$802,857	\$0.05	\$0.08	\$1.32	\$96.87			
4 Sooner - Cleveland	Feb-13	44,783,406	\$5,605,987	\$669,744	\$598,800	\$0.04	\$0.06	\$1.00	\$77.65			
5 Seminole - Muskogee	Dec-13	167,584,550	\$20,978,234	\$2,538,224	\$2,269,355	\$0.14	\$0.22	\$3.74	\$266.40			
6 Various 2014 Projects*	Jun-14	51,517,765	\$8,014,653	\$1,128,257	\$1,008,743	\$0.06	\$0.10	\$1.69	\$121.09			
7 TUCO	May-14	115,000,000	\$14,395,700	\$2,024,351	\$1,809,916	\$0.11	\$0.18	\$3.01	\$213.12			
8 Hitchland	Jun-14	168,000,000	\$21,030,240	\$2,960,518	\$2,646,916	\$0.17	\$0.26	\$4.38	\$309.99			
9 Thistle/Comanche	Dec-14	141,000,000	\$17,650,380	\$2,500,856	\$2,235,946	\$0.14	\$0.22	\$3.69	\$261.55			
10 Various 2015 Projects*	Jun-15	38,654,728	\$20,219,324	\$2,961,419	\$2,647,722	\$0.17	\$0.26	\$4.38	\$309.99			
Total		\$779,185,317	\$118,847,603	\$16,082,480	\$14,378,895	\$0.91	1.41	\$23.81	\$1,695.24			

* List of various project is attached Assumptions

- Assumes Plant goes in service by projected date
- Calculates Revenue Requirement for first full year all lines are in service
- Uses SPP allocation provided by Transmission group. Allocated at plant level.
- 50% Bonus depreciation applied to all projects in service up to 2013.
- No O&M assumed.
- 1% Property Tax
- Plant allocated by FERC account using ratio of sunnyside/hugo.
- Uses plant in service after the last TY month from the 2011-87 rate case (June 2011)
- This calculation does not include the project already in the base rate or STSA Rider.

Oklahoma Industrial Energy Consumers
Data Request OIEC-10
Cause No. PUD 201400229

10-6 Reference the response to OIEC 1-13, Attachment 1 to this response provided capacity additions for only one scenario. Provide the capacity additions modelled for each scenario and sensitivity evaluated as originally requested in OIEC 1-13.

Response*: Please see OIEC 10-6_Att and OG&E's 2014 IRP Update page 41, Table 18: Expansion Plans for all expansion plan options evaluated in OG&E's 2014 IRP Update.

Response provided by:	<u>Leon Howell</u>
Response provided on:	<u>December 1, 2014</u>
Contact & Phone No:	<u>Sheri Richard 405-553-3747</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 Industrial Energy Consumers
Data Request OIEC-8
Cause No. PUD 201400229

8-5 Please provide the annual projected cost to keep each Mustang unit operational and running at 2014 levels through 2020.

Response*: We have not made an annual projection of cost to keep each unit operational and running through 2020. OG&E does not intend to continue operating the Mustang units past 2017 for the reasons listed in Mr. Burch's testimony.

Response provided by: Robert Burch
Response provided on: November 17, 2014
Contact & Phone No: Sheri Richard 405-553-3747

*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 Industrial Energy Consumers
Data Request OIEC-8
Cause No. PUD 201400229

- 8-4 With respect to OIEC 4-14, please answer the question with the understanding that the intended meaning of the expression in the question “approved useful lives” is the life spans approved for these units in the Company’s last rate case. Please reference the Company’s response to OIEC 4-11 if the witness is still unclear.

Response*: The Company has not performed a calculated projected cost to keep all units running based on the remaining depreciable lives utilized to determine depreciation rates approved in the Company’s last base rate case. See OIEC 4-14 regarding the cost to keep Mustang units running to the end of their planned retirement dates as identified in OG&E’s 2014 IRP.

Response provided by: Robert Burch
Response provided on: November 17, 2014
Contact & Phone No: Sheri Richard 405-553-3747

*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.