

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

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

CAUSE NO. PUD 201700496

FILED
JUN 01 2018

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

REBUTTAL TESTIMONY SUMMARY OF

DAVID J. GARRETT

**ON BEHALF OF
OKLAHOMA INDUSTRIAL ENERGY CONSUMERS
AND
OKLAHOMA ENERGY RESULTS**

**IN RESPONSE TO THE RESPONSIVE TESTIMONY OF
PUD WITNESS DAVID MELVIN**

JUNE 1, 2018

1 The rebuttal testimony of David J. Garrett was filed May 29, 2018 on behalf of Oklahoma
2 Industrial Energy Consumers (“OIEC”) and Oklahoma Energy Results (“OER”). Mr. Garrett
3 testified in response to the responsive testimony of Public Utility Division (“PUD”) witness David
4 Melvin regarding the depreciation rates for Oklahoma Gas and Electric Company (“OG&E” or the
5 “Company”).

6 Mr. Melvin’s review of OG&E’s depreciation rates essentially involved a comparison of
7 OG&E’s proposed depreciation rates by plant function with depreciation rates utilized by several
8 other electric utilities. According to Mr. Melvin, OG&E’s proposed depreciation rates fall within
9 the range of other utilities operating in the U.S. and Oklahoma. Based on this finding, Mr. Melvin
10 concluded that OG&E’s proposed depreciation rates were reasonable and did not recommend any
11 adjustments to the same. Mr. Melvin’s analysis was not sufficient to make a determination as to
12 the fairness or reasonableness of OG&E’s proposed depreciation rates.

13 Mr. Garrett is not aware of any depreciation expert making recommendations on the
14 reasonableness of proposed depreciation rates based on this type of limited analysis when the
15 utility being studied has aged plant data available for review. When aged data is available, as it is
16 for OG&E in this case, the Commission has consistently adopted depreciation rates based on the
17 statistical, actuarial analysis of service life data and analysis of historical net salvage data specific
18 to the utility being studied. By accepting the Company’s proposed depreciation rates, has Mr.
19 Melvin also incorporated the Company’s proposed decommissioning costs, the contingency
20 factors added to those costs, and the escalation factors applied to those costs. The Commission
21 has consistently disallowed such contingency and escalation factors when assessing fair
22 decommissioning costs and terminal net salvage rates.