

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 201100087

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RESPONSIVE TESTIMONY

OF

ROBERT C. THOMPSON, CPA

NOVEMBER 9, 2011

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

3 A: Yes.

4

5 **PURPOSE**

6 **Q: What is the purpose of your testimony in Cause Number PUD**
7 **201100087, In The Matter Of The Application Of Oklahoma Gas and**
8 **Electric Company For An Order Of The Commission Authorizing**
9 **Applicant To Modify Its Rates, Charges, and Tariffs For Retail**
10 **Electric Service In Oklahoma?**

11 A: The instant Cause is a general review of Oklahoma Gas and Electric
12 Company's ("OG&E") rates and charges, including all affiliate and
13 nonaffiliated transactions relevant thereto. The purpose of my testimony
14 is to discuss and support PUD's recommendations regarding the
15 appropriate levels of working capital, deferred income taxes, interest
16 synchronization and income taxes that are included in OG&E's current
17 filing. I am also responsible for sponsoring PUD's Accounting Exhibit. My
18 review was performed under the supervision of Mr. Brandy Wreath,
19 Deputy Director of PUD.

20

21 **Q: Are you proposing any adjustments?**

22 A: Yes. PUD's proposed adjustments I am sponsoring are: 1) an adjustment
23 to cash working capital which is presented in **Schedule E**; 2) an

1 adjustment to deferred income taxes which is presented in **Schedule B**;
2 3) an adjustment to interest synchronization which is presented in **Section**
3 **J-2**; and 4) an adjustment to income taxes which is presented in **Section**
4 **J-1** of PUD's revenue requirement exhibit.
5

1 **CASH WORKING CAPITAL**

2 **Q: Referring to Section E of the Public Utility Division's Revenue**
3 **Requirement Exhibit, please summarize PUD's cash working capital**
4 **allowance recommendation.**

5 A: PUD has currently determined that OG&E has a negative cash working
6 capital ("CWC") requirement of \$(34,351,427) as shown on Section E,
7 Column D, Line 20. OG&E had requested a positive CWC requirement of
8 \$17,581,155 as shown on **Schedule E-1**, page 1 of OG&E's February 27,
9 2009 Accounting Exhibit. Therefore, PUD recommends a decrease of
10 \$(51,932,582) to OG&E's requested CWC allowance to be included in the
11 Rate Base.

12
13 **Q: Please define "cash working capital."**

14 A: In ratemaking, CWC represents a component of working capital.
15 Therefore, to clearly define CWC, I must first define the term working
16 capital. A general definition of working capital is:

17 The average amount of capital or money provided by
18 investors to the company, over and above any investment in
19 plant and other specifically identified rate base items, to
20 bridge the gap between the time expenditures are required
21 to provide service and the time collections are received for
22 such service.

1 For ratemaking purposes working capital is not a measure of liquidity at a
2 point in time, but represents a level of required investment that must be
3 maintained on a continuing basis in order for the utility to continue to
4 provide reliable and safe service to its customers.

5

6 For a utility, the general components of working capital are: 1) fuel
7 inventories, 2) materials and supplies, 3) prepayments, and 4) CWC. I am
8 *not* presenting PUD's recommendations regarding appropriate levels of
9 working capital components presented at Line 2: Fuel and Purchased
10 Power, Line 3: Payroll, Line 4: Other Oper. & Maint., and Line 6: Taxes
11 other than income shown on OGE's Schedule E-1. Other PUD members
12 in this proceeding will make these recommendations on behalf of PUD.

13

14 **Q: Thank you for defining working capital, now please continue by**
15 **defining the specific term "cash working capital."**

16 A: CWC is commonly defined as the level of net cash investment required to
17 fund the time period – or "lag" – from the time that the utility pays for the
18 necessary costs associated with providing service to the time the
19 company is reimbursed for those costs by its customers.

20

21

22 **Q: Mr. Thompson, please explain what alternatives exist for calculating**
23 **a utility's CWC requirement?**

1 A: Three primary techniques can be utilized to determine a utility's CWC
2 requirement: 1) utilization of the 45-day Standard Formula Approach; 2)
3 utilization of the Balance Sheet Approach; and 3) the performance of a
4 lead-lag Study. Not one of these three methods will produce an allowance
5 that is a precise measure of cash working capital. However, the objective
6 of the CWC requirement determination should be to arrive at an allowance
7 level that is reasonable, does not contain obvious defects, and which is
8 not so time-consuming to compute that the cost exceeds the benefits of
9 arriving at what may be perceived as a more accurate determination.

10

11 **Q: Mr. Thompson, please provide a brief description of the 45-day**
12 **Formula Approach for determining a utility's CWC allowance.**

13 A: As the name implies, the 45-day Formula Approach uses a simple formula
14 for the calculation of a utility's CWC requirement. For an electric utility, the
15 formula is generally based on $1/8$ ($45/365$ days = $1/8$) of Operating and
16 Maintenance Expenses, exclusive of Generating Fuel and Purchased
17 Power Costs. This formula is often used by the OCC for smaller utilities
18 that do not have a sophisticated cash management department. For a
19 smaller utility, the cost and time required to perform a more detailed CWC
20 analysis would not be a cost-effective undertaking.

21 The 45-day Formula Approach has several disadvantages. First, the
22 formula always provides a "positive" CWC allowance. Second, the

1 formula method is not a tailored approach; that is, it is not based upon a
2 specific analysis of a company's cash receipt and cash payment patterns.

3

4 **Q: Mr. Thompson, please provide a brief description of the Balance**
5 **Sheet Approach for determining a utility's CWC allowance.**

6 A: The Balance Sheet Approach generally involves preparing a 13-month-
7 end average of all balance sheet amounts. Then, after eliminating
8 separately identified rate base items, such as plant and inventory
9 investment balances and capital accounts, this approach compares assets
10 with liabilities. Under this approach, assets are requirements for cash
11 working capital, and liabilities are offsets.

12

13 The Balance Sheet method is not widely used by regulatory agencies.
14 This method fails to consider that a number of items included in current
15 liabilities are investor-supplied capital (such as accrued interest) or are
16 applicable to non-utility activities. In addition, the Balance Sheet
17 Approach considers only account balances reflected at the end of each
18 monthly accounting period and, thus, it does not specifically address the
19 relationship that exists between assets and liabilities on a daily basis.
20 Finally, the month-end balance of a specific account, such as supplies,
21 may have very little relevance to the level of activity "passing through" the
22 account during the month. In other words, this method does not
23 adequately track actual CWC requirements of the utility.

1

2 **Q: Do both OG&E and PUD utilized the Lead-Lag Study methodology for**
3 **developing their respective CWC allowance recommendations?**

4 A: Yes.

5

6 **Q: Mr. Thompson, please explain the Lead-Lag Study method of**
7 **calculating a utility's CWC requirement.**

8 A: A Lead-Lag Study measures the differences in the time frames between 1)
9 the period of time services are rendered and the period of time the
10 revenues for those services are received, and 2) the period of time that
11 labor, materials, and services used in providing services are incurred and
12 the period of time they are paid. Any difference in these periods is
13 expressed in terms of days. The number of days so calculated, multiplied
14 by the average daily operating expense level for each appropriate
15 category of expense included in the calculation, produces the cash
16 working capital required to support operations.

17

18 While performing a lead-lag study is time-consuming, PUD prefers to rely
19 upon this methodology for determining a utility's CWC requirement when
20 possible, because it provides a CWC allowance level that is based upon a
21 specific analysis of the cash receipt and cash payment patterns of the
22 company being reviewed and does so on a daily basis.

23

1 **Q: Were there any major areas of agreement related to the lead-lag**
2 **calculation?**

3 A: Yes. First, PUD reviewed and accepted the expense lead-times reflected
4 in OG&E's **Schedule E-1**. Second, PUD agrees with the CWC
5 requirement offsets reflected on lines 16, 17 and 18 of this Schedule.

6

7 **Q: Mr. Thompson, please continue by explaining what differences exist**
8 **in the development of PUD's negative \$(34,351,427) working capital**
9 **allowance recommendation and the positive \$17,581,155 CWC**
10 **recommendation supported by OG&E.**

11 A: There are two major differences between PUD's CWC allowance
12 calculation and OG&E's CWC allowance calculation. The first difference
13 between the two is that PUD's CWC allowance recommendation is based
14 on the pro forma operating expense levels advocated by PUD. OG&E
15 developed its CWC recommendation by utilizing the operating expense
16 levels it claims are representative of ongoing expense levels. Since a
17 utility's CWC requirement is generally a function of the level of operating
18 expenses being advocated, any change in the recommended operating
19 cost levels can affect the resulting CWC recommendation.

20 **PUD also believes that it is important to note that OG&E's ultimate**
21 **CWC requirement will need to be recalculated after the Commission**
22 **reaches its decision with regard to the various expense level**

1 **adjustment recommendations advocated by the various parties to**
2 **this Cause.**

3

4 **Q: Mr. Thompson, please explain the second major CWC allowance**
5 **difference.**

6 A: OG&E and PUD utilized "conceptually different" calculation formats in
7 qualifying OG&E's CWC requirement. The OG&E's calculation
8 methodology imputes a CWC requirement factor for every dollar of
9 revenue and expense included in OG&E's annual pro forma statement of
10 operations including cash and non-cash items, and as a result overstated
11 OG&E's CWC requirement. PUD included only "cash cost of service
12 items," traditionally earmarked as requiring a cash working capital
13 allowance in its calculation. By "cash cost of service items", I am referring
14 to cost of service items requiring the actual outlay of cash during the
15 current accounting period. Depreciation expense, investment tax credit
16 and the return on common equity are traditionally not included in a CWC
17 calculation. However, OG&E's CWC allowance calculation approach
18 incorrectly imputes a CWC requirement for these items

19 **Q: Mr. Thompson, has the CWC calculation methodology that you are**
20 **recommending been accepted by this Commission in conjunction**
21 **with other general rate change applications brought before it?**

22 A: Yes. PUD recommended using this CWC calculation methodology in the
23 Oklahoma Natural Gas Company ("ONG") case, Cause Number PUD

1 910001190. The Commission accepted PUD's recommendation in that
2 Cause. Also the Commission accepted the same recommendation in the
3 more recent Oklahoma Natural Gas Company case, Cause Number PUD
4 200400610 and 200900110, the Public Service Company of Oklahoma
5 rate cases, Cause Numbers PUD 200600285, 200800144 and 201000050
6 and the previous OG&E rate case, Cause Number PUD 200500151.

7

8 **Q: Mr. Thompson, please turn to Schedule E-1, of OG&E's Application.**
9 **You indicated that non-cash cost of service items and items**
10 **traditionally not included in the calculation of CWC allowance should**
11 **be removed from a utility's CWC allowance development. It appears,**
12 **from looking at lines, 5, 10 and 13 on OG&E's Schedule E-1, that**
13 **OG&E did remove these expenditures from its CWC calculation**
14 **methodology. Please explain the basis for PUD's argument that**
15 **OG&E's actual CWC calculation methodology "imputes" a CWC**
16 **requirement for these items.**

17 **A:** While it is true that OG&E did not reflect a direct CWC allowance
18 requirement for these items, the imputation of a CWC requirement for
19 these items occurs on line 1 of **Schedule E-1**. OG&E first calculated a
20 CWC requirement (a cash recovery lag) associated with all revenues
21 flowing into OG&E, but OG&E captured only the offsetting expense
22 recovery lead-time (generally a cash recovery lead) associated with select
23 cost of service items. Reflected within OG&E's revenue recovery lag

1 numbers are cost recoveries related to the items traditionally not subject to
2 CWC allowance treatment, such as depreciation expense. This is where
3 the improper CWC imputation occurs.

4 In essence, OG&E is arguing that its ratepayers must provide funding to
5 support an average "lag" of 39.83 days in the recovery of all of its revenue
6 flows. However, PUD recognizes that revenues are designed to recover
7 depreciation expense (and the other cost of service items reflected on
8 Lines 9, 10 and 13 of **Schedule E-1**). Since depreciation is a non-cash
9 expense there is no reason to suggest that ratepayers should be required
10 to provide any funding to support the lag in recovery of the portion of
11 revenues attributable to depreciation expense recovery. If the
12 Commission allows a CWC allowance based upon OG&E's methodology,
13 OG&E's ratepayers will be required to pay an excessive return to OG&E
14 because rate base will be overstated to the extent that OG&E's CWC
15 provides funding for the recovery of noncash expenses or non-traditional
16 cost of service items.

17
18 **Q: Please explain PUD's position that expenses not requiring a current**
19 **outlay should be completely excluded from the calculation of**
20 **OG&E's CWC requirement.**

21 A: A fundamental difference appears to exist between PUD and OG&E with
22 regard to whether the term "cash" working capital allowance suggests that
23 all cost of service items, including cash and non-cash items, should be

1 included in OG&E's CWC allowance calculation, or whether certain
2 boundaries are implied by this term that limit the need for an associated
3 CWC allowance to these cost of service items requiring the immediate
4 outlay of cash by the utility. OG&E effectively developed its filed CWC
5 requirement using an approach commonly known as "comprehensive" or
6 "full cost of service" approach. Under this approach, a CWC requirement
7 is calculated for cash, as well as for noncash items included in the cost of
8 service. OG&E also effectively included its requested return on equity as
9 a cost of service element requiring CWC support.

10
11 **Q. What problem does PUD see with the full cost of service approach**
12 **used by OG&E in developing its CWC allowance?**

13 A. In PUD's opinion, OG&E's calculation is flawed for various reasons. First,
14 OG&E's filed CWC calculation fails to recognize that some operating
15 expenses, such as depreciation and investment tax credit, do not require
16 current period cash payments. The issue in "cash working capital" is what
17 are the actual cash needs of OG&E for the actual payment of cash
18 expense items on a day-to-day basis. As a result, non-cash items should
19 not be included in the lead-lag study. In fact, cash collected for
20 depreciation expense can be used to construct plant, repay debt, add
21 inventory, or to fund acquisition, which go beyond providing current
22 service to a utility's customer. Inclusion of these items in the CWC
23 allowance calculation could result in providing a return on an assumed

1 investment level not required to provide current service; therefore, such
2 expense should be excluded from the calculation of the CWC allowance.

3

4 **Q: What is the other problem with OG&E's CWC allowance calculation?**

5 A: The other major problem with OG&E's CWC calculation is that it
6 effectively imputes an unsupported assumption of a zero lead day value
7 associated with the noncash cost of service items, such as depreciation
8 expense, investment tax credit and return on equity included in its CWC
9 requirement calculation. At some point in time, the related financial
10 transaction associated with such expenses will require some outlay of
11 cash. However, in the absence of a specific analysis of these items, it
12 would be inappropriate for OG&E to simply impute that a zero lead day
13 value exists for all these noncash cost of service items. OG&E's method
14 of CWC calculation will always result in an imputed CWC requirement
15 associated with noncash cost of service items that are effectively assigned
16 a zero lead day level. PUD's CWC calculation methodology eliminates
17 this problem by developing its CWC requirement in terms of "days" and
18 netting the revenue lag by applying the resulting net lead, or lag days to
19 the average daily expense associated only with expenses requiring
20 current cash outlays.

21

22 **Q: Mr. Thompson, please explain your statement that OG&E's CWC**
23 **calculation methodology imputes a "zero" expense lead for noncash**

1 **and/or nontraditional cost of service items, such as depreciation**
2 **expense, investment tax credit, and return on equity.**

3 A: By including these cost of service items in line one of **Schedule E-1** (the
4 revenue lag calculation portion of its CWC calculation) while excluding
5 them on the expense lead section of its CWC calculation (lines 2 through
6 13 of **Schedule E-1**), OG&E is effectively assigning a “zero” lead-time to
7 these items.

8
9 **Q: Mr. Thompson, if a cost of service item is included in a CWC**
10 **allowance calculation at a zero lead day, how can this have any**
11 **effect on the resulting CWC requirement?**

12 A. Assignment of a zero expense lead-time, in and of itself, does not impact
13 a utility’s CWC allowance. However, when the related revenues
14 representing recovery of these costs are assigned a positive CWC
15 requirement lag, as in OG&E’s CWC calculation format, the symmetry
16 between measurements of cash in and cash out is lost. OG&E’s method
17 of CWC calculation will always result in an imputed CWC requirement
18 associated with non-cash cost of service items that are effectively
19 assigned a zero lead day level. PUD’s CWC calculation methodology
20 eliminates this problem by developing its CWC requirement in terms of
21 “days” and netting the revenue lag expressed in terms of days against the
22 expense lead days, and applying the resulting net lead or lag to the

1 average daily expense associated only with expenses requiring current
2 cash outlays.

3

4 **Q: Please explain why PUD believes that depreciation expense should**
5 **be totally excluded from OG&E's CWC allowance calculation.**

6 A: The depreciation expense should be excluded from OG&E's CWC
7 allowance calculation for two reasons: (1) there is no current cash
8 requirement associated with depreciation expense and therefore this
9 expense should be excluded from the "cash" working capital requirement
10 calculation. (2) PUD believes that depreciation expense should be
11 excluded from OG&E's CWC requirement calculation because the
12 assumption of a zero lead-time associated with depreciation expense, is
13 inaccurate. Such an assumption implies that rate base was immediately
14 lowered and therefore return was lower because of recording depreciation
15 expense. This is simply not the case. Plant is bought and built on a mix
16 of debt and equity and this fact should be considered. In order to
17 convincingly argue for the inclusion of depreciation expenses in a lead-lag
18 study, an effort should have been made to measure the effect on plant
19 and debt / equity. At the time rates are set, OG&E would be fully
20 compensated.

21

22 **Q: Please explain further.**

1 A: The net plant balance used to set rates is at a point in time, not a declining
2 or inclining net plant balance over a period of time. It is not contemplated
3 in the calculation of rates that net plant will be increasing or decreasing.
4 As depreciation is recorded and recovered in rates, the net plant balance
5 is not reduced. OG&E has that depreciation expense amount included in
6 the net plant balance. To include a lag in the collection of depreciation
7 expense in the calculation of cash working capital, would be including a
8 part of depreciation expense in rate base twice.

9

10 **Q: Mr. Thompson, do you consider an accounting book titled**
11 ***Accounting for Public Utilities*, authored by Hahne and Aliff, and**
12 **published by Matthew Bender & Company to be an authoritative**
13 **source?**

14 A: Yes, this is considered to be an authoritative source, but not a definitive
15 source. The authors of this book often discuss alternatives that might be
16 considered when dealing with various regulatory issues or questions.
17 Sometimes the authors acknowledge a preference among several possible
18 regulatory alternatives, and sometimes they simply discuss the options
19 without expressing a preference. This book certainly does not represent an
20 exhaustive dissertation of all regulatory issues, but does discuss various
21 treatments and the merits of different treatments.

22

1 **Q: Mr. Thompson, would you agree that the CWC calculation example in**
2 **Chapter five of this book effectively utilizes a zero lead day for**
3 **depreciation expense?**

4 A: Yes. The CWC calculation example in Chapter Five of this book reflects a
5 zero lead day assumption for depreciation expense. However, that zero
6 lead day assumption deals with the argument that an effort is made to
7 measure the lead-time associated with the utility's underlying construction
8 expenditures. This text is silent with regard to the issue of construction
9 activity lead-time. But, one assumption of the example is that depreciation
10 funds are reinvested as recovered.

11

12 **Q: Mr. Thompson, do you have any other comments regarding the**
13 **exclusion of depreciation expense from a utility's CWC allowance**
14 **calculation?**

15 A: Yes, as a final observation, I would like to bring to this Commission's
16 attention that the 45-Day Formula, occasionally used to calculate the CWC
17 allowance for small utilities, excludes depreciation expense in the CWC
18 allowance, and has been accepted by this Commission on those occasions.
19 This is a similar concept with regard to the elimination of non-cash cost of
20 service items from the CWC allowance calculation.

21

22 **Q. Mr. Thompson, are you including your recommended cash working**
23 **capital allowance in rate base?**

1 A. Yes. I am recommending a negative cash working capital allowance of
2 \$(51,932,582) to be included in rate base.

3

4 **ACCUMULATED DEFERRED INCOME TAXES**

5 **Q. Please explain the difference in accumulated deferred income taxes**
6 **as presented by OG&E and PUD as set forth in Section B, Schedule 2**
7 **of PUD's Accounting Exhibit.**

8 A. PUD's adjustment increases OG&E's requested rate base by reducing
9 accumulated deferred income taxes by \$41,332,459 to reflect the six-
10 month post test year amount at June 30, 2011.

11

12 **INTEREST SYNCHRONIZATION**

13 **Q. Please explain Adjustment Number 1 in Section J, Schedule 3, of**
14 **PUD's Accounting Exhibit.**

15 A. Adjustment Number 1 represents a refinement to OG&E's income tax
16 calculation relating to the synchronization of interest expense and the level
17 of rate base and the cost of debt advocated by PUD.

18

19 **Q. Please define the term "interest synchronization."**

20 A. Interest synchronization is a method that provides an interest expense
21 deduction for regulatory income tax purposes equal to the ratepayer's
22 contribution to the company for interest expense coverage. Since a
23 utility's revenue requirement is partially driven by the application of a rate

1 of return to the utility's rate base investment, the company will recover
2 from its ratepayers, interest expense equal to the effective weighted cost
3 of debt embedded in the weighted rate of return.

4

5 **Q. Did OG&E propose an interest synchronization adjustment in**
6 **quantifying its income tax expense?**

7 A. Yes. The interest expense amount shown on OG&E's Schedule J-2 of the
8 current application was computed in this manner.

9

10 **Q. Why is an interest synchronization adjustment necessary since**
11 **OG&E has already adjusted its income tax for this expense?**

12 A. The interest synchronization calculation developed by OG&E is based on
13 both the rate base and cost of debt advocated by OG&E. Since PUD has
14 proposed several adjustments to OG&E's rate base, it is necessary to also
15 modify the interest synchronization components of OG&E's income tax
16 calculation to capture the impact of the adjustments proposed by PUD and
17 to reflect the appropriate level of interest to be reflected within the rates on
18 a going forward basis.

19 PUD's proposed adjustments to rate base, rate of return and operating
20 income statement decrease interest expense and increase net income
21 before income tax by \$8,410,212.

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CURRENT TAX EXPENSE

Q. Mr. Thompson, please turn to Section H, Schedule 1, of PUD's Accounting Exhibit and explain PUD's adjustment to income taxes.

A. PUD's adjustment is for the change in current tax expense resulting from all of PUD's adjustments affecting revenues and expenses. In other words, this adjustment reflects the proper level of income taxes resulting from PUD's adjustments and proposed revenue requirement, rate base and rate of return. PUD's adjustment is a net decrease to OG&E's operating income of \$8,184,991.

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

Robert Thompson

(Signature)

11/9/11 Oklahoma City, OK

(Date and Place)

Robert C. Thompson, CPA

2011 Curriculum Vitae

Contact	<u>b.thompson@occcemail.com</u> Tel: 405-521-6875 Fax: 405-521-3336	580 Jim Thorpe Building P.O. Box 52000 Oklahoma City, OK 73152
Education	University of Central Oklahoma 1982 <ul style="list-style-type: none"> • B.S., Accounting 	
Work Experience	Oklahoma Corporation Commission 1996-Present CPA/Public Utility Division Manager of Accounting <ul style="list-style-type: none"> • CenterPoint Energy PBRC 201100056 • Cause Controller on the following PUD Causes: • Oklahoma Natural PBRC 201100034 • Oklahoma Natural Rate Case 200900110 • OG&E Rate Case 200800398 • PSO Rate Case 201000050, 200800144 • 2006, 2007, 2008 and 2009 Annual Fuel Audits. CPA Audit Supervisor <ul style="list-style-type: none"> • Cause Controller on the following PUD Causes: AOG Rate Case 200600379, 2005 fuel audits • Lead Auditor and expert witness on the following PUD Causes: ONG Rate Case 200400610, OG&E Rate Case 200500151, PSO Rate Case 200600285 	
	Oklahoma Grocers Association 1994-1995 Accounting Manager <ul style="list-style-type: none"> • Accounts Payable, Accounts Receivable, Payroll, General Ledger, Financial Statement preparation for a local trade association, including a money order sales department. • Supervision of the money order department which sold approximately \$255,000,000 of Money orders through 250 Agents. 	
	Enogex Inc. 1989-1994 Senior Accountant, Taxes and Rates <ul style="list-style-type: none"> • Preparation of Cost of Service Calculations used in OG&E's rate filing related to the gas transmission activities of Enogex Inc. to OG&E's gas powered generating plants. • Prepared various tax returns including multi-state federal and state corporate income tax and franchise tax returns. 	
Professional Licenses and Associations	<ul style="list-style-type: none"> • May 1985 Oklahoma Accountancy Board • Certified Public Accountant • Oklahoma Society of Certified Public Accountants 	
Professional Training	<ul style="list-style-type: none"> • Utility Income Tax Seminar • Western Utility Rate School • Analytical Procedures an Alternative Approach • Financial Statement Analysis • Electric Utility Accounting • Audit Planning – A Risk Based Approach 	

CERTIFICATE OF ELECTRONIC SERVICE

I, the undersigned, do hereby certify that on the 9th day of November, 2011, a true and correct copy of the above and foregoing was sent electronically, addressed to the following:

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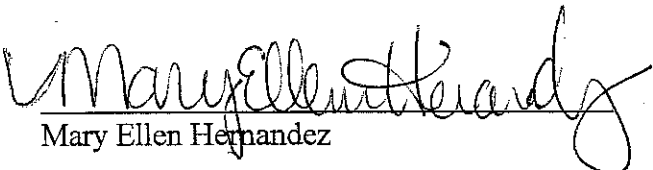
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