

**BEFORE THE CORPORATION COMMISSION
OF THE STATE OF OKLAHOMA**

**APPLICATION OF PUBLIC)
SERVICE COMPANY OF OKLAHOMA FOR)
A DETERMINATION THAT) CAUSE NO. PUD 2005-00516
ADDITIONAL ELECTRIC GENERATING)
CAPACITY WILL BE USED AND USEFUL)**

**APPLICATION OF PUBLIC)
SERVICE COMPANY OF OKLAHOMA)
FOR A DETERMINATION THAT)
ADDITIONAL BASELOAD ELECTRIC)
GENERATING CAPACITY WILL BE)
USED AND USEFUL) CAUSE NO. PUD 2006-00030**

**IN THE MATTER OF THE APPLICATION)
OF OKLAHOMA GAS AND ELECTRIC)
COMPANY FOR AN ORDER OF THE)
COMMISSION GRANTING PRE-APPROVAL)
TO CONSTRUCT RED ROCK) CAUSE NO. PUD 200700012
GENERATING FACILITY AND)
AUTHORIZING A RECOVERY RIDER)**

RESPONSIVE TESTIMONY OF

MARK E. GARRETT

ON BEHALF OF

OKLAHOMA INDUSTRIAL ENERGY CONSUMERS (OIEC)

IN RESPONSE TO TESTIMONY OF PSO

MAY 21, 2007

**Responsive Testimony of Mark E. Garrett
May 21, 2007
PSO Debt Equivalency Issues**

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Exhibits (MG-1)Attached

I. WITNESS IDENTIFICATION AND PURPOSE OF TESTIMONY

1 **Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A: My name is Mark Garrett. My business address is Two Leadership Square, Suite 340,
3 211 North Robinson, Oklahoma City, Oklahoma 73102.

4

5 **Q: WHAT IS YOUR PRESENT OCCUPATION?**

6 A: I am the President of Garrett Group, LLC, a firm specializing in public utility regulation,
7 litigation and consulting services.

8

9 **Q: HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION AND**
10 **HAVE YOUR QUALIFICATIONS BEEN ACCEPTED?**

11 A: Yes. A description of my qualifications and a list of the proceedings in which I have
12 been involved are included with this testimony.

13

14 **Q: ON WHOSE BEHALF ARE YOU APPEARING IN THESE PROCEEDINGS?**

15 A: I am appearing on behalf of the Oklahoma Industrial Energy Consumers (OIEC).

16

17 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY FILED TODAY?**

A: The purpose of this testimony is to address PSO's use and calculation of a Debt
Equivalency Adder in its bid evaluations.

II. DEBT EQUIVALENCY

1 **Q: PLEASE DESCRIBE PSO’S TREATMENT OF DEBT EQUIVALENCY IN ITS**
2 **BID EVALUATION.**

3 A: PSO determined that the AES proposed PPA submitted in response to PSO’s request for
4 Proposal (RFP) would be viewed as a capital lease for financial reporting purposes. PSO
5 also determined, without support, that a capital lease carries more risk than other PPAs.
6 PSO then calculated a “debt equivalency adder” for the AES bid to reflect the cost of
7 equity that would need to be added to the Company’s capital structure to balance the
8 additional debt resulting from the AES PPA, to preserve the utility’s debt ratios and
9 credit ratings. PSO then included 100% of the debt equivalency adder, approximately
10 \$447 million to the AES bid price.

11
12 **Q: DO YOU BELIEVE THIS IS THE APPROPRIATE TREATMENT OF IMPUTED**
13 **DEBT FOR A PPA BID EVALUATION?**

14 A: No. The issue is not how the transaction will be treated for financial reporting purposes,
15 or even how the debt equivalency issue might be viewed by the credit rating agencies.
16 The issue is how debt equivalency should be considered in the bid evaluation process for
17 utility resource acquisitions. Most states that have addressed this issue realize that, if
18 not controlled, debt equivalency calculations can be used in the bid evaluation process to
19 unfairly exclude competitors.

20
21 **Q: HOW IS THE DEBT EQUIVALENCY ISSUE TREATED IN OTHER STATES?**

1 A: Only a handful of states have addressed the issue thus far. Of those states that have
2 addressed the issue, most do not allow debt equivalency to be considered in the bid
3 evaluation process. Those that do allow debt equivalency to be considered in the process
4 allow a reduced risk factor in the range of 20-30%. I could find no state that allows the
5 full 100% utilized by PSO.

6
7 **California** The California PUC **allows a 20% risk factor** in the RFP evaluations of
8 PPAs. The Commission, however, will allow the utility to seek
9 compensation for the resulting debt equivalency adjustment in its cost of
10 capital proceedings.

11
12 **Colorado** The Colorado PUC **does not allow debt equivalency** to be considered in
13 resource acquisition evaluations.

14
15 **Connecticut** The Connecticut Department of Public Utility Control **does not allow**
16 **debt equivalency** to be included in resource acquisition evaluations. The
17 Department will allow the utility to seek recovery for the resulting cost
18 increases related to imputed debt in a rate case.

19
20 **Georgia** The Georgia PSC **does not allow debt equivalency** to be included in
21 RFP resource acquisition evaluations.

22

1 **Oregon** The Oregon PUC **will allow debt equivalency** to be considered in the
2 final round of a bid evaluation if the utility's decision is supported by a
3 rating agency opinion.

4
5 **Washington** The Washington Utility and Transportation Commission **allows a 40%**
6 **risk factor** for take or pay arrangements **and a 15% risk factor** for other
7 PPAs.

8
9 **Wisconsin** Wisconsin PSC will allow a utility to seek compensation for a debt
10 equivalency adjustment in its cost of capital proceedings.

11
12 Most states do not allow debt equivalency to be included in the bid evaluation for
13 resource acquisitions. Those states that do allow some consideration of the debt
14 equivalency issue allow a reduced risk factor in the range of 20-30%. Most states have
15 determined that the appropriate venue to seek compensation for credit rating downgrades
16 associated with imputed debt from PPAs is in a rate case proceeding. The states that
17 have addressed this issue agree that debt equivalency should not be used as a method to
18 exclude non-utility bidders in the resource acquisition process.

19
20 **Q: DOES THAT FACT THAT THE AES TRANSACTION MIGHT BE VIEWED AS**
21 **A CAPITAL LEASE FOR FINANCIAL REPORTING PURPOSES CHANGE**
22 **THE ANALYSIS?**

1 A: It should not. The fact that a transaction is treated as a capital lease only means that the
2 transaction will be reflected on, rather than off, the balance sheet of the company. Credit
3 rating agencies will impute debt and a risk factor for both transactions. The goal is the
4 same in either case, to evaluate the real economic risk of the transaction. Rating
5 agencies assign risk to these contracts based on the likelihood of the buying utility
6 receiving approval to recover its costs under the contract. The likelihood that a
7 regulated utility will be allowed to recover purchased power costs from ratepayers is
8 fairly high.

9
10 Again, however, the real issue here is if debt equivalency should be considered at all by
11 utilities in the bid evaluation process for resource procurement; and, if debt equivalency
12 should be considered, to what extent it can be included.

13
14 **Q: DO YOU KNOW OF ANY COMMISSION THAT ALLOWS 100% OF THE**
15 **DEBT EQUIVALENCY CALCULATION TO BE INCLUDED IN THE BID**
16 **EVALUATION?**

17 A: No.

18
19 **Q: DID PSO PROPERLY CALCULATE THE DEBT EQUIVALENCY ADDER?**

20 A: No. The Company's debt equivalency calculation has several material flaws that
21 overstate the calculations. The Company uses a capital structure at 12-31-05 in its
22 calculations. By the time the Company was making a final decision on the bids, its

1 capital structure was much different. The decision was made in the May to June 2006
2 time frame. The Company's actual capital structure at that time was filed in the
3 Company's pending rate case, which uses a 6-30-06 capital structure for its cost of
4 capital and revenue requirement calculations. This capital structure is materially
5 different than the capital structure used in the debt equivalency calculations. Also, PSO
6 uses a 10.75% ROE. The ROE AEP uses for company planning purposes is only
7 10.25%. PSO used the 10.75% ROE because this was the ROE referenced in the 2003
8 rate case stipulation for the limited purpose of FERC correspondence and affiliate
9 transactions. No actual ROE associated with the Company's revenue requirement was
10 specified in that case. Further, there is nothing to suggest PSO's actual ROE going
11 forward will be 10.75%. A more realistic ROE to use in this situation would have been
12 the generic ROE AEP uses for planning purposes.

13
14 **Q: WHAT IS THE IMPACT OF THESE TWO ITEMS?**

15 A: When the Company's 6-30-06 capital structure and cost of debt are used and when the
16 10.75% ROE is changed to 10.25%, the debt equivalency calculation decreases by \$123
17 million.

18
19 **Q: DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?**

20 A: Yes. It does.

QUALIFICATIONS OF MARK E. GARRETT

EDUCATION:

Juris Doctor Degree, Cum Laude, 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:

CONSULTING PRACTICE (1995 - Present) Participate 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. Review management decisions of regulated utility companies for reasonableness from a ratemaking perspective, especially in proceedings to review the reasonableness of prices paid for natural gas supplies, natural gas transportation, coal supplies, coal transportation and purchased power. Participate 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. Participate in regulatory proceedings to restructure the electric and natural gas utility industries.

OKLAHOMA CORPORATION COMMISSION - Coordinator of Accounting and Financial Analysis (1991 - 1995) 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 for Real Estate Development Company with \$300 million in assets (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, CPA's - Auditor (1985 - 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. **Public Service Company of Oklahoma, 2006 (Cause No. PUD 06-285)** – Participating as an expert witness on behalf of the Oklahoma Industrial Energy Consumers (“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.
2. **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.
3. **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.
4. **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.
5. **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.
6. **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.
7. **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.
8. **Oklahoma Gas and Electric Co., 2006 (Cause No. PUD 05-00041)** – 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.
9. **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.
10. **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.

11. **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.
12. **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.
13. **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.
14. **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.
15. **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.
16. **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:
17. **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.
18. **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.
19. **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.
20. **Oklahoma Gas & Electric Co., 2003** – Participated as an expert witness on behalf of the OIEC in OG&E's general rate case application before the OCC to address numerous rate base, operating expense and rate design issues for the purpose of setting prospective cost-of-service based rates.

21. **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.
22. **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.
23. **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.
24. **McCarthy Family Farms, 2003** – Participated as a consultant to assist in converting a biomass and biosolids composting process into a renewable energy power producing business in California.
25. **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.
26. **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.
27. **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.
28. **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.
29. **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.
30. **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.
31. **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.

32. **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.
33. **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.
34. **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.
35. **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.
36. **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.
37. **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.
38. **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.
39. **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.
40. **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.

41. **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.
42. **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.
43. **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.
44. **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.
45. **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.
46. **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.
47. **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.
48. **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.
49. **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.
50. **Enogex, Inc., 1995 (FERC 95-10-000)** - Analyzed Enogex's application before the FERC to increase gas transportation rates for third party shippers and made recommendations regarding revenue

requirement, cost-of-service and rate design on behalf of independent producers and shippers.

51. **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.
52. **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.
53. **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.
54. **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.
55. **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.