BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF A PROGRESS REPORT TO
THE GENERAL ASSEMBLY ON THE
DEVELOPMENT OF COMPETITION IN
ELECTRIC MARKETS AND THE IMPACT,
IF ANY, ON RETAIL CUSTOMERS

Direct Testimony

of

Donald R. Rowlett

on behalf of

Oklahoma Gas and Electric Company

September 29, 2000
Q. Please state your name, by whom you are employed and business address.
A. My name is Donald R. Rowlett. I am employed by Oklahoma Gas and Electric Company (OG&E) and my business address is 321 N. Harvey, P. O. Box 321, Oklahoma City, Oklahoma 73101.
Q. What position do you hold with OG&E?
A. I hold the position of Vice President and Controller.
Q. Please state your educational qualifications and employment history.
A. I earned a Bachelor of Science degree in Business with an accounting emphasis (1980) and a Masters in Business Administration (1992), from Oklahoma City University. In 1983, I became a Certified Public Accountant, licensed to practice in Oklahoma. Prior to joining OG&E I was employed by Arthur Andersen & Co. as a financial consultant and audit manager. During my employment, I performed audits of financial statements in a variety of industries. Additionally, I participated in the preparation of filings with the Securities and Exchange Commission (SEC) and provided clients with guidance on the financial reporting requirements of the SEC and Generally Accepted Accounting Principles (GAAP).
Q. Can you please explain the purpose of your testimony?
A. Yes, the purpose of my testimony is to provide OG&E’s current expectation or forecasts of the customer transition charge pursuant to Act 1556 as addressed by question No. 4 under the Retail Electric Rate section of Order No. 1 of this docket.
Q: Has OG&E developed any estimates of the cost necessary to transition to retail customer choice?
A: Yes we have, in response to a request from the Arkansas Public Service Commission Staff we prepared a rough analysis of the amount of costs that had been incurred by OG&E from July 1, 1999 through August 31, 2000. In that response we identified approximately $900,000 of transition costs that have been incurred. Additionally, in response to a subsequent data request, we provided an estimate of the remaining cost that will be necessary to implement customer choice. In that response we attached Schedule A that arrived at a total forward looking estimate of approximately $21 million for OG&E to be in a position to fulfill the obligations of a Utility Distribution Company (“UDC”), imposed by Act 1556 and subsequent rule makings, by January 1, 2002.

Q: Would all of the $21 million identified in Schedule A be included in a transition charge for Arkansas retail customers?

A: Probably not. Some of the items included on Schedule A would fall into the category of costs that will be recoverable in the UDC’s ongoing distribution rates. Some of the costs incurred may also have some side benefits related the restructuring in OG&E’s other jurisdictions.

Q: Of the $22 million identified to date, can you narrow down how much of this amount you believe will be included in a customer transition charge.

A: There are many variables that must be considered when trying to arrive at such an estimate. Whether or not Oklahoma goes forward with customer choice will influence the amount of synergies we can obtain in systems and organizational structure. The number of suppliers and number of customers who choose to participate in customer choice will have some bearing on this amount. Future
decisions regarding rules will affect the total costs that will be incurred. However, based on our best estimate developed in a very uncertain environment, we believe that approximately $6,400,000 of these costs will represent transition costs to be recovered from OG&E’s Arkansas retail customers through a transition charge.

Q: In addition to the transition costs you have just identified, does OG&E anticipate to recover any nuclear decommissioning costs or stranded costs through the transition charge.

A: No, OG&E does not have any nuclear decommissioning costs and at this time, based upon the anticipated rules, OG&E does not expect any significant assets to become unrecoverable in market rates.

Q: Over what period of time will transition cost be recovered?

A: OG&E anticipates that the transition charge will be applied beginning at the commencement of customer choice and will continue for a period of 36 months. At this time we believe this will be January 1, 2002 through December 31, 2003.

Q: Will the transition charge apply to all customers beginning January 1, 2002?

A: No they will not. Rates for customers with a demand of less that 100kw will be frozen for 12 months. No monthly transition charge will be assessed for these customers during the first 12 months of the recovery period. The transition charge would start beginning in month 13 and continue until the end of the 36-month recovery period.

Q: Does this conclude your testimony?

A: Yes it does.
## Schedule A

<table>
<thead>
<tr>
<th>Major / significant items</th>
<th>2001</th>
<th>2000(Yr-end)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Meter reading</strong> Interval metered data software</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metering</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation Billing Accuracy meters, Interval metering – 100kw Threshold, remote access meters</td>
<td>3,800,000</td>
<td>0</td>
<td>3,800,000</td>
</tr>
<tr>
<td><strong>Credit &amp; collections</strong> IVR software</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metering OGE facilities</td>
<td>250,000</td>
<td>0</td>
<td>250,000</td>
</tr>
<tr>
<td><strong>Transmission</strong> Real time data requirements for RTO interface</td>
<td>45,000</td>
<td>0</td>
<td>45,000</td>
</tr>
<tr>
<td><strong>Settlement and Load Profiling</strong> Settlement Software and sampling meters</td>
<td>650,000</td>
<td>0</td>
<td>650,000</td>
</tr>
<tr>
<td><strong>Corporate Information and Data</strong> SAP Upgrade, patches, testing</td>
<td>1,000,000</td>
<td>2,000,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td><strong>Corporate facilities</strong> Employee relocation – Affiliate rules compliance</td>
<td>1,000,000</td>
<td>0</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>Market Power Study</strong> Legal Fees &amp; Transmission Load flow consultants</td>
<td>0</td>
<td>475,000</td>
<td>475,000</td>
</tr>
<tr>
<td><strong>Deregulation consultants</strong> Planning, project management, implementation, testing</td>
<td>8,500,000</td>
<td>1,000,000</td>
<td>9,500,000</td>
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<tr>
<td><strong>Business Separation plan</strong> Employee Relocation, furniture, and additional communications</td>
<td>0</td>
<td>750,000</td>
<td>750,000</td>
</tr>
<tr>
<td>CSP Continuity of Service</td>
<td>500,000</td>
<td></td>
<td>500,000</td>
</tr>
<tr>
<td>Misc Unbundling, meals, travel etc</td>
<td>658,313</td>
<td>75,000</td>
<td>733,313</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>17,203,313</td>
<td>4,300,000</td>
<td>21,503,313</td>
</tr>
</tbody>
</table>

* Consulting fees have a contingency factor of (+) or (-) 50%.
CERTIFICATE OF SERVICE

I, Lawrence E. Chisenhall, Jr., do hereby certify that I have served a copy of the foregoing instrument upon the following parties of record via U.S. Mail, postage prepaid, this 29th day of September, 2000.

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