BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF	)	
OKLAHOMA GAS AND ELECTRIC COMPANY	)	
FOR AN ORDER OF THE COMMISSION	)	CAUSE NO. PUD 200800398
AUTHORIZING APPLICANT TO MODIFY ITS	)	
RATES, CHARGES, AND TARIFFS FOR RETAIL	)	
ELECTRIC SERVICE IN OKLAHOMA	)	

FILED
JUN 22 2009
COURT CLERK'S OFFICE – OKC
CORPORATION COMMISSION
OF OKLAHOMA

RESPONSIVE TESTIMONY

OF

ROYA Z. SOLTANI

ON BEHALF OF

OKLAHOMA ATTORNEY GENERAL

June 22, 2009

Responsive Testimony of Roya Z. Soltani
Cause No. PUD 200800398

Revenue Requirement Issues

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I. WITNESS IDENTIFICATION AND PURPOSE OF TESTIMONY

Q: Please state your name and business address.

A: My name is Roya Z. Soltani. My business address is 313 N.E. 21st Street, Oklahoma City, Oklahoma 73105.

Q: By whom and in what capacity are you employed?

A: I am employed by the Public Utility Unit of the Oklahoma Office of Attorney General ("AG") as a CPA/Auditor.

Q: Please briefly state your educational and professional qualifications.

A: I am a Certified Public Accountant with a Bachelor of Business Administration degree in Accounting and a Bachelor of Arts in Journalism from the University of Oklahoma. I hold the professional designation of Certified Rate of Return Analyst as conferred by the Society of Utility and Regulatory Financial Analysts. This designation is awarded based upon experience and successful completion of a written examination. I began my employment with the Office of Attorney General on December 2005 and have worked for a number of governmental entities in various positions including auditing, accounting, budgeting and financial analysis. I have also served in the Energy Group of the Public Utility Division ("PUD") of the Oklahoma Corporation Commission (the "Commission") or ("OCC").

Q: Have you previously testified before this Commission and have your credentials been accepted?

A: Yes, I have testified before this Commission and my credentials have been accepted.

Q: What is the purpose of your testimony in this proceeding?

A: The purpose of my testimony is to sponsor the AG's accounting Exhibits where I present and support the AG's recommended Adjustments to the rate base as presented in Section B, Schedule 2, and Adjustments to the operating income statement in Section H, Schedule 2. I am also presenting the results of my cost of capital analyses and recommendations for the appropriate capital structure and rate of return on common equity ("ROE") for establishing the rates of Oklahoma Gas and Electric Company ("OG&E" or the "Company") in this proceeding. I have limited my proposed levels of investment, revenue and expense to those levels that occurred and could be verified during the test year and the six-month post-test year.

Q: Please explain why you have cut-off levels of investment, revenue and expense.

A: I have cut-off my proposed levels of investment, revenue, and expense to those levels that occurred during the test year and the information available during the six-month post-test year period pursuant to 17 O.S. Section 284 of the Oklahoma

Statutes. The language of Section 284 states that in its review and examination of an application by a utility to change its rates and charges pursuant to Sections 137, 152, or 158.27 of Title 17 of the Oklahoma Statutes, and in any order resulting therefrom, the Corporation Commission shall give effect to known and measurable changes occurring or reasonably certain to occur within six (6) months of the end of the test period upon which the rate review is based. I believe that basing rates on changes further out than the post test year six-month period would cause synchronization problems within the rate filing. To the extent that the components of the rate filing are not properly synchronized, a utility may not have the opportunity to earn its authorized return or may have the opportunity to earn in excess of the return authorized.

Q: What are known and measurable changes?

A: Known and measurable changes are quantifiable changes that occurred either during the test year or the six months post test year.

Q: Please identify the six-month post-test year cut-off that pertains to the current OG&E Cause.

A: Based upon the test year-end of September 30, 2008, the applicable six-month post-test year period would be October 2008 through March 2009.

Q: Do you provide calculation detail supporting each of your adjustments?

A: Yes. Exhibits RZS 1 to RZS 14 attached to my testimony show the quantification of the AG's adjustments. Adjustments contained within the AG's Responsive Testimony Exhibits are at the total Company level. Oklahoma jurisdictional positions will be contained within the AG's Revenue Requirement Exhibit. Since all information relied upon in developing these adjustments was supplied by OG&E in response to written discovery, the adjustment Exhibits will refer to the relevant data sources, already in the Company's possession, that represent the primary support for my adjustments affecting overall revenue requirement.

Q: Please describe the AG's approach to quantifying revenue requirement in this proceeding.

A: The AG's accounting schedules use OG&E's "Pro Forma" amounts for rate base, revenues and expenses as a starting point. The Company's proposed amounts were then adjusted to reflect the impact of the various modifications recommended by the AG witness.

Q: Please describe how the remainder of your testimony is organized.

A: The remainder of my testimony is arranged by topical section, following the table index presented previously. This index identifies the specific areas I address in testimony and references the testimony pages.

Q: Please summarize the results presented in the AG's Revenue Requirement Exhibit.

A: The following table summarizes the results presented in the AG's Revenue Requirement Exhibit:

Description	Schedule Reference	Total AG Pro Forma
Rate Base	B-1	$ 2,780,223,565
Rate of Return	F-1	8.426 %
Operating Income Requirement		234,261,638
Pro Forma Operating Income	H-1	215,756,543
Operating Income Deficiency		18,505,095
Federal and State Income Tax		11,729,769
Revenue Deficiency		30,234,864

II. RATE BASE

Plant in Service

Q: Please explain the AG Adjustment B-1 to plant in service.

A: Adjustment No. B-1 increases Plant in Service to reflect the plant balance at March 31, 2009. The AG is proposing the level of plant currently in service which is the known and measurable data at the end of the six months post test year. The result of this adjustment is to reflect that portion of CWIP at test year end that is closed to plant in service by March 31, 2009.

Q: Have you made any other adjustment to plant?

A: Yes. AG Adjustment No. B-2 removes part of Plant Held for Future Use from the Plant in Service. The Company has not demonstrated that Plant Held for Future Use eliminated by the AG will be used and useful within a short period of time; or provided a definite plan for use in the foreseeable future which will result in benefits to ratepayers.[1] Current OG&E customers should not fund costs that may or may not benefit them in the future; only plant presently used and useful in providing electric service should be allowed in the rate base.

Q: Please explain the AG's adjustment No. B-3 to accumulated depreciation.

A: The AG's Adjustment No. B-3 increases accumulated depreciation and provision for amortization to reflect six months post test year balance to synchronize the additional growth in the depreciation reserve with plant in service additions through March 31, 2009.

Q: Why is this adjustment necessary?

A: This adjustment is necessary to reflect the growth in the accumulated depreciation consistent with the pro forma recognition of completed CWIP that is in service by the end of March 2009.

[1] Company's response to AG data requests 9-4 and AG 12-11

Cash Working Capital

Q: Do you have an adjustment to the Company's cash working capital calculation?

A: Yes, I do. OG&E included noncash items in its lead-lag calculation which caused overall cash working capital to be overstated. AG Adjustment No. B-4 removes noncash cost of service items and return on common equity from the Company's calculation. This adjustment is consistent with the Commission's final Order in Cause No. PUD 910001190. Noncash items are excluded because a lead-lag study measures the timing differences in collections and disbursements of cash. There is no current cash requirements associated with depreciation expense. The return on common equity is already incorporated in the cost of equity analysis to set the allowed return on equity. The final Order in Cause No. PUD 910001190 states that return on common equity should not be included in cash working capital calculation since the inclusion would compound stockholders' equity return and overstate needed cash working capital.

Materials and Supplies

Q: Please explain AG Adjustment B- 5 to the rate base.

A: This adjustment is necessary to reflect the final known and measurable amount of materials and supplies. The balances for materials and supplies vary from month to month and are volatile. AG Adjustment No. B-5 updates materials and supplies inventory amounts to the actual thirteen-month average balance at

March 30, 2009.

Fuel Inventories

Q: What is included in the Company's Schedule B-2 as fuel inventories?

A: The Fuel Inventories included in the Company's Schedule B-2 consists of Coal and Oil.

Q: What is the main purpose of fuel inventories?

A: Fuel inventories represent insurance against the shortage costs associated with running out of coal and having to burn more expensive fuels to meet system loads. The principal goal of fuel inventory management is to balance the cost of building and maintaining fuel reserves against the risk of running out of fuel and experiencing shortage costs.

Q: Please explain the Company's fuel inventories pro forma adjustment.

A: OG&E is proposing to utilize 60 days of coal inventory valued at estimated replacement cost and adjust oil inventory to average levels valued at a forecasted price.

Q: Do you agree with the Company's fuel inventories pro forma

adjustment?

A: I agree with utilizing 60 days of coal inventory which was approved by the Commission in the Company's last rate case[2], and the average level of oil inventory proposed by the Company appears reasonable. However, I propose to use the **actual** weighted average cost of coal per ton and oil per gallon by the end of March 2009.

Q: Please explain AG Adjustment B- 6 to the rate base.

A: AG Adjustment No. B-6 replaces estimated weighted average costs utilized by the Company in calculation of its fuel inventories with the actual weighted average costs at six months post test year.

Accumulated Deferred Income Taxes

Q: Please explain the overall level of the accumulated deferred income taxes.

A: The balance of accumulated deferred income taxes for March 2009 has been deducted from the rate base to reflect a comprehensive inter-period tax allocation. The level of income tax expense paid by ratepayers, as a component of the cost of service, does not recognize any reduction in income tax expenses due to timing differences.

[2] Company's response to OIEC 4-28

Q: How does the Company's ADIT computation differ from the AG's recommendation?

A: AG Adjustment B-7 updates the Company's test year ADIT to the Company's actual ADIT at March 31, 2009. This adjustment is necessary to reflect the final known and measurable amount of ADIT in the rate base.

Customer Deposits

Q: Have you proposed any adjustments to the Company's requested level of customer deposits?

A: Yes, I have. OG&E has included customer deposits test year end balance in the rate base. I agree to utilize the year-end balance, as the balance of customer deposits appears to be on an upward trend during the test year and the six-month post test year. AG Adjustment B-8 updates the Company's requested level of customer deposits to the actual end of the month balance at March 31, 2009. This adjustment is necessary to reflect the final known and measurable amount of customer deposits in the rate base.

III. OPERATING EXPENSE

Payroll Expense and Payroll Taxes

Q: Please describe the Company's proposed payroll expense adjustments.

A: The Company's payroll pro forma adjustment increases cost of service for

OG&E's annualized payroll expense based on employees on the payroll at the last pay period in the test year and then adjusted for year-end salary increases for 2009.

Q: Please explain your proposed payroll adjustments.

A: These adjustments are necessary to reflect the final known and measurable amount of payroll expense. The AG's Adjustment H-1 increases the Company's proposed payroll pro forma adjustment to reflect OG& E's annualized payroll based on the Company's last payroll in March 2009. This adjustment contains two parts; Company's annualized payroll is compared to the Company's requested pro forma amount and the related payroll taxes are compared to the Company's pro forma payroll tax expense.

Q: What are your other payroll adjustments?

A: AG Adjustment H-2 decreases the Company's Redbud Plant Payroll pro forma adjustment to reflect correct 51% OGE Energy Corp. ("OGE") ownership of the Plant. AG Adjustment H-3 eliminates the Company's pro forma payroll increase for new employees since the AG is proposing the level of payroll which is known and measurable data at the end of the six months post test year. The result of AG Adjustment H-1 is to reflect the actual total pay and headcount as of March 31, 2009.

Pension Expense

Q: Please describe the Company's proposed pension expense adjustment.

A: The Company has proposed to increase test year pension expenses to reflect the FAS 87 pension cost reported in the Company's 2008 actuarial study. This adjustment includes OG&E's and OGE's allocated pension expense, OG&E and OGE's allocated Restoration of Retirement Income Plan expense, and amortization of pension regulatory asset.

Q: Do you agree with the Company's proposed pension adjustment?

A: No, I don't. The Company's proposed adjustment contains Restoration of Retirement Income amounts. The Company's Restoration of Retirement Income Plan provides for the payment of certain pension and pension-related benefits to certain participants in OG&E and OGE whose benefits under the Retirement Plan are restricted by the limitations of Sections 401(a) (17) and 415 of the Internal Revenue Code of 1986.[3] The Restoration of Retirement Income Plan intends to provide supplemental benefits to the executives that are limited by ERISA. These costs are not necessary costs to provide electric utility service and should be eliminated from the test year cost of service.

Q: Explain your Pension adjustment.

A: AG's Adjustment H-4 eliminates the Company's Restoration of Retirement Income Plan or excess pension benefit amounts limited by ERISA to properly

[3] Company's response to AG 12-1

reflect the level of pension expense that should be recognized prospectively.

Incentive Compensation

Q: Are you proposing an adjustment to the test year amount of incentive compensation expense included in revenue requirement?

A: Yes, I am. AG's Adjustment H-5 decreases Company's proposed operating expenses to remove long term executive incentive and AG's Adjustment H-6 eliminates one half of the company's requested annual incentive compensation.

Q: What type of incentives does long term incentive provide?

A: The Company's long-term incentive plan provides additional incentive compensation to executives. Long-term incentive plans are designed to tie compensation to the financial performance of the Company and mostly benefits Company's shareholders. The long-term incentive pay compensates executives if the Company performs at a level greater than what it is expected to do. If these incentive efforts generate additional profits above a level set by the Company, these profits are not passed to the ratepayers through reduced rates. Instead, they are passed to the shareholders in the form of dividends and greater stock value. The AG's adjustment proposes non-recovery of the test year long term incentive costs.

Q: Please explain AG's Adjustment H-6.

A: AG Adjustment H-6 removes half of the Company's requested incentive compensation for ratemaking purposes. With respect to incentive compensation performance measures, the financial measures benefit shareholders and do not directly benefit ratepayers; however, the portion of the incentive pay related to operational, safety and service quality measures benefits both shareholders and ratepayers and it is reasonable that the ratepayers share a portion of the costs.

Legislative Advocacy and Political Action Committee

Q: What is proposed by OG&E with respect to its test year costs associated with legislative advocacy?

A: OG&E has included legislative advocacy costs above-the-line for recovery from customers. The FERC Uniform System of Accounts requires a below-the-line classification of legislative advocacy costs; when recorded in below-the-line accounts, the costs of legislative advocacy are borne by shareholders rather than ratepayers in rate proceedings.

Q: Please explain AG Adjustment H-7 to the operating expenses.

A: This proposed adjustment removes Legislative Advocacy expenses and Political Action Committee ("PAC") from the Applicant's cost of service for the test year.

Q: Why is this adjustment necessary?

A: Legislative advocacy expense paid by the Company should be eliminated from the cost of service because these expenditures are not a necessary cost of providing utility service to ratepayers. The Company's legislative advocacy activities are to support, represent and advocate the interests of the Company with respect to legislative and regulatory issues. The Company's ratepayers have no control or input into the decision-making process that determines the Company's legislative agendas. If not excluded, rate recovery of legislative advocacy costs would have the effect of forcing ratepayers into funding issues being sponsored or raised before the legislatures which may not be for the benefit of ratepayers or specifically supported by ratepayers. The Company included expenses related to the PAC in the cost of service by error.[4]

Q: Are these costs required for OG&E to remain "in compliance" with existing laws and regulations?

A: No. OG&E separately incurs legal and regulatory costs to maintain compliance with laws and regulations.

Bad Debt

Q: Please describe the Company's proposed Bad Debt expense adjustment.

A: OG&E is increasing test year per book bad debt by estimating bad debt expense

[4] Company's response to AG 5-11

using a four-year average charge--off rate.

Q: Please explain AG Adjustment H-8 to the operating expenses.

A: AG Adjustment H-8 reflects Company's actual bad debt expense for the year ending March 2009 to properly reflect the level of bad debt expense that should be recognized prospectively.

Dues, Donations, Memberships & contributions

Q: Please explain AG Adjustment H-9 to the operating income statement of the AG's Exhibit.

A: AG Adjustment H-9 is necessary to disallow recovery of part of Company's dues, donations, memberships and contributions included in the cost of service.

Q: Please explain your rationale for recommending the disallowance of these amounts.

A: I propose to allow all test year dues related to professional dues and memberships and recommend that all other Company's dues and memberships such as memberships in local and state chambers of commerce, civic and social dues and memberships, economic development, employee events, sponsorship and contributions, and incidental miscellaneous dues and memberships included in the cost of service should be excluded from ratemaking recovery for several reasons:

- Rate recovery of these costs would effectively force OG&E's customers into the role of involuntary contributors;
- OG&E's investors and senior management, not its customers, are the primary beneficiaries of the resulting public goodwill if any;
- Dues and memberships are not a necessary cost of providing utility service for ratemaking purposes;
- Finally, denying rate recovery of dues and memberships does not prohibit the Company from making such contributions, but compels OG&E's management to carefully evaluate the cost/benefit relationship associated with each contribution decision.

Ad Valorem Taxes

Q: Please explain AG's Adjustment H-10 for ad valorem tax expense.

A: AG's Adjustment increases taxes other than income tax expenses in order to reflect an appropriate level of ad valorem tax expense for calendar year 2009. The AG's adjustment relies on the actual amount of property tax assessed in 2009 and is based on State agreed valuation using current millage rates.

Depreciation Expense

Q: Please explain AG Adjustment H-11 to the operating expense.

A: AG Adjustment H-11 updates Company's depreciation expense pro forma adjustment based on depreciable plant as of six months post test year.

Customer Deposit Interest

Q: Please explain AG Adjustment H-12 to the operating expenses.

A: AG Adjustment H-12 updates the Company's requested level of customer deposit interest to the actual end month balance at March 31, 2009. This adjustment is necessary to reflect the final known and measurable amount of Customer Deposits interest.

Interest Synchronization

Q: Please explain AG Adjustment J-1 for interest synchronization.

A: Adjustment J-1 represents a refinement to the Company's income tax calculation relating to the synchronization of interest expense and the level of rate base and the cost of debt advocated by the AG.

Q: What is interest synchronization?

A: Interest synchronization is a method that provides an interest expense deduction for regulatory income tax purposes equal to the ratepayer's contribution to the Company for interest expense coverage. Since a utility's revenue requirement is partially driven by the application of a rate of return to the utility's rate base investment, the Company will recover from its ratepayers, interest expense equal to the effective weighted cost of debt embedded in the weighted rate of return. Interest synchronization synchronizes the ratemaking tax deduction for interest with the interest expense ratepayers are required to provide the Company in utility rates.

Current Tax Expense

Q: Please discuss AG Adjustment H-13 to the Operating Income Statement.

A: This adjustment is for the change in current tax expense resulting from all of the AG's adjustments affecting revenues and expenses.

IV. COST OF CAPITAL

Q: What are the guiding principles in establishing the cost of capital for a regulated utility?

A: The United States Supreme Court's *Hope* and *Bluefield* cases established the standards for determining the fairness of a utility's allowed Return on Equity ("ROE").[5] In these landmark decisions, the Supreme Court established standards for measuring the cost of common equity capital. Consistent with the *Hope* and *Bluefield* decisions, OG&E should have an opportunity to earn a return on equity that is adequate to attract capital at reasonable terms, sufficient to ensure its financial integrity, and commensurate with returns on investments in enterprises having corresponding risks.

[5] Bluefield Waterworks & Improvement Co., v. Public service Commission of West Virginia, 262 U.S. 679 (1923); Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591 (1944).

Q: Have the current capital market conditions affected the cost of capital?

A: The United States and global financial markets have been in turmoil over the past year. The global financial tightening has resulted in bankruptcies, mergers, and significant government intervention in capital markets. The current state of the financial markets has led to a general decrease in the availability of capital. Fitch Ratings ("Fitch") in its *2009 Outlook for Utilities* noted:

> Several investment –grade issuers, mostly 'BBB' to 'A' rated operating companies, have issued senior unsecured debt with financing costs clustered in a range approximating 250 to 450 basis points above the 5% to 6% range of just 12 months ago, and spreads have widened 700-1000 basis points for speculative-grade companies, However, the negative effect of higher capital costs is expected to be muted for most issuers in the sector since only a relatively small portion of debt will re-price in any given year. Thus, Fitch believes the anticipated erosion to interest coverage measures will not result in near-term negative rating or Outlook changes.[6]

In addition, the government is taking extraordinary measures to avoid a further worsening of the current market turmoil. Utilities, like all segments of the equity market, have seen losses in value and increased volatility in prices which translates to increased investment risk from an investor's point of view. Investors require higher returns for taking on higher risks. However, investors have been more upbeat about prospects for the economy in the last few months indicating that the economy's slide could be slowing. The Dow Jones Industrial Average has increased steadily in the second quarter of 2009. It seems investors are slowly getting back into equity market.

[6] U.S. Utilities, Power and Gas 2009 Outlook, Fitch Ratings, December 22, 2008, at 2.

Q: What analyses did Dr. Murry rely on in deriving his ROE recommendation?

A: He has relied on the Constant Growth Discounted Cash Flow ("DCF") and the Capital Asset Pricing Model ("CAPM") methods. He has also considered current market conditions in estimating OG&E's ROE.

Q: What methods did you use to determine the Company's ROE?

A: I used the DCF and CAPM models in developing my ROE recommendation. These methods are frequently used by analysts to arrive at their return requirements.

Q: Why did you use a group of proxy companies to determine the cost of equity for OG&E?

A: OG&E is a wholly-owned subsidiary of OGE Energy Corp. OG&E's equity is not market-traded. Since the ROE is a market-based concept, and given that OG&E is not publicly traded, it is necessary to establish a group of companies that are publicly traded and comparable to OG&E to serve as "proxy" in the ROE estimation process.

Q: How did you select the companies included in your proxy group?

A: I applied the following criteria to obtain a sample of market-traded electric utilities comparable to OG&E:

- Value Line Safety of 1, 2 or 3;

- Market capitalization greater than $1 billion and less than $10 billion;
- At least 60% of operating revenues from electric operations;
- S&P investment grade rating of at least BBB;
- Stable dividend history;
- Common equity ratio of 40% or greater;
- Not involved in merger activity

Q: Which electric utilities met your selection criteria?

A: The criteria discussed above resulted in a proxy group of the following Companies:

- CLECO CORP.
- DPL INC.
- NORTHEAST UTILITIES
- NSTAR
- PORTLAND GENERAL
- PROGRESS ENERGY
- WISCONSIN ENERGY
- XCEL ENERGY

Q: How do regulated utilities finance their permanent property, plant and equipment?

A: Regulated utilities primarily use common stock, preferred stock, and long-term debt to finance their permanent property, plant and equipment.

Q: What capital structure does OG&E propose to use in calculating its overall rate of return?

A: The Company's requested capital structure for period ending September 30, 2008 is:[7]

Long Term Debt 45.86%

Common Equity 54.14%

Q: What is the company's current capital structure?

A: OG&E's actual capital structure as of March 31, 2009 was:[8]

Long Term Debt 45.78 %

Common Equity 54.22 %

Q: What capital structure do you recommend for use in this proceeding?

A: I use the Company's actual capital structure ratios as of March 31, 2009.

Q: Do you use the Company's requested cost of long term debt in your calculation?

A: No. I have also updated Company's requested cost of long term debt to the Company's actual cost of long term debt as of March 31, 2009.[9]

Q: Please explain your DCF analyses.

A: The DCF method is based on the theory that a stock's current price represents

[7] Company's filed Schedule F– 1a
[8] Company's response to AG 12-6
[9] Company's response to AG 12-5

the present value of all expected future cash flows. I used constant growth DCF model which assumes that earnings and dividends are expected to grow at a constant rate; that the dividend payout ratio remains the same; that investors will require the same return every year; and that growth is provided only by retention of earnings. Cost of capital is derived by the following formula:

$$K = \frac{D}{P} + g$$

Where: K= cost of capital

D= current dividend rate

P= current price

g= constant rate of expected growth

In which the first term (D/P) is the expected dividend yield (current income) and the second term (g) is the expected long term growth rate (future income). I relied primarily on Value Line price data from March through May 2009 to properly reflect recent market conditions.

Q: How did you calculate the dividend yield in your DCF model?

A: The dividend yield component of the DCF is reflected as the annualized dividend divided by the current stock price. I used the current annualized dividend rate and the average of high and low stock prices for the most recent three months (March-May, 2009) for each proxy company in the following formula:

$$\text{Yield} = \frac{D_0(1+0.5g)}{P_0}$$

Where D_0= current Dividend per Share

P_0= current stock price

g= constant growth rate in DPS in future

Q: Please explain how you estimated the dividend growth component of your DCF equation.

A: The Constant Growth DCF model assumes a single growth estimate in perpetuity. Over the long run, dividend growth can only be sustained by earnings growth. Individual investors have different expectations and consider alternative indicators in deriving their expectations; no single indicator of growth is exclusively relied upon by all investors. As a result, I considered the historical and projected estimates of earnings retention; 5 year average of historic growth in earnings for book value per share ("BVPS"), dividends declared per share ("DPS"), and earnings per share ("EPS") in estimating the dividend growth component for the DCF model.

Q: Please explain the results of your DCF calculations.

A: Analysis of my risk-comparable sample produced a range of 9.9% to 11.6% with an average of 10.4% (Exhibit RZS 21).

Q: What were the results of your application of the DCF method to the comparable group selected by Dr Murry?

A: Dr Murry's proxy group produced a range of 9.9% to 11.6% with an average of 10.9% (Exhibit RZS 21).

Q: Please briefly describe the Capital Asset Pricing Model.

A: The CAPM is a risk premium approach that estimates the cost of equity for a given security as a function of a risk-free return plus a risk premium. As shown in

$$K = R_f + \beta (Rm - R_f)$$

Where K= Cost of equity

R_f = risk free rate

β = Beta of an individual security

$R_m - R_f$ = market risk premium

The CAPM method rests on the premise that investors require a rate of return that commensurate with the risk of investment.

Q: Has the Commission previously relied on the CAPM?

A: Yes. The Commission in its Order in Cause No. PUD 200600285 determined that it is appropriate to rely on an average of the DCF and CAPM methods to derive the return on common equity.[10]

Q: What did you use for the risk-free rate in your CAPM model?

A: I used the average 20-year US Treasury Security Yield over a 30-day time period (Exhibit RZS 22). The interest rate on 20-year Treasury Bonds reflects the long term investment horizon.

Q: What source did you use for proxy group Betas?

A: Beta is a measure of the volatility of a particular stock in relation to the overall market. I used recent Betas for the proxy group from Value Line.

Q: Please discuss your estimate of the expected market risk premium.

A: The calculation of the risk premium should be based on the longest period possible to avoid giving undue consideration to unusual market conditions. I used the historical returns found in Ibbotson's SBBI 2009 Yearbook, which is a common reference used to estimate rate of return.

Q: Have you considered the Company's size relative to the proxy group in your CAPM calculation?

A: Yes, I have. The size premium was added to the CAPM calculation as a result of the comparison of the Company's revenue and assets to the proxy group. The

[10] Order No. 545168, Cause No. PUD 200600285, issued October 9, 2007, at 135-136.

Commission in its Order in Cause No. PUD 200500151 stated that the recommended size adjustment based on Ibbotson data was reasonable.[11]

Q: Please explain the results of your CAPM calculations.

A: Analysis of my risk-comparable sample produced a range of 9.9% to 10.2% with an average of 9.7% (Exhibit RZS 23).

Q: What were the results of your application of the CAPM method to the comparable group selected by Dr Murry?

A: Dr Murry's proxy group produced a range of 9.4% to 10.2% with an average of 9.8% (Exhibit RZS 23).

Q: What do you recommend as an appropriate ROE for use in setting OG&E's rates in this proceeding?

A: I recommend the average of the DCF model and CAPM model results for the proxy group as shown below:

Average DCF	10.4%
Average CAPM	9.7%
AG recommended ROE	**10.05%**

[11] Order No. 516261, Cause No. PUD 200500151, issued December 12, 2005, at 93.

Q: What is the overall rate of return you recommend to determine OG&E's cost-based revenue requirement in this proceeding?

I recommend rate of return of 8.426% as shown below:

Type of Capital	Capitalization Ratios	Cost Rates	Weighted Cost of Capital
Long Term Debt	45.78%	6.503%	2.977%
Common Equity	54.22%	10.05%	5.449%
			8.426%

Q: Does this conclude your testimony?

A: Yes, it does.

EXHIBIT
RZS 1

OKLAHOMA GAS AND ELECTRIC COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
PUD CAUSE NO. 200800398

PLANT IN SERVICE

Company Pro Forma Utility Plant	6,393,518,626	Sch B-2
AG Pro Forma Utility Plant	6,404,968,248	AG 4-23 S
	11,449,622	
Capitalized Maintenance	950,618	W/P B3-1
AG Adjustment B-1	12,400,240	
Company Pro Forma PHFU	1,794,697	AG 4-23 S
AG Pro Forma PHFU	93,157	AG 12-11 & 9-4
AG Adjustment B-2	(1,701,540)	
Remove Plant Held for Future Use		
Company Pro Forma Accumulated Dep.	2,654,035,727	Sch B-2
AG Pro Forma Accumulated Dep.	2,712,470,669	AG 4-24 S
	(58,434,942)	
Capitalized Maint. Accumulated Dep.	(831,537)	W/P B3-1
AG Adjustment B-3	(59,266,479)	

OKLAHOMA GAS AND ELECTRIC COMPANY
Cash Working Capital
Test Year Ended September 30, 2008
Cause No. PUD 200800398

Line	Description	Total OG&E Per Books	AG Adjustments	AG Adjusted Amount	Average Daily Expense	OG&E (Lead)/Lag	Dollar Days
	Revenue	$ 2,091,849,518		1,992,283,233	5,458,310	38.15	$ 76,005,605,339
	Cost of service						
	Fuel & Purchased Power	1,203,280,226		1,203,280,226	3,296,658	(34.26)	(41,224,380,543)
	Payroll	117,960,260		117,960,260	323,179	(6.77)	(798,590,960)
	Other Operation and Maintenance	296,788,084		296,788,084	813,118	(74.43)	(22,089,937,092)
	Depreciation & Amortization Expense	143,964,482	(143,964,482)	-	-	-	-
	Taxes Other Than Income Taxes	58,817,003		58,817,003	161,142	(182.16)	(10,714,105,266)
	Federal Income Tax- Current	2,778,524		2,778,524	7,612	(37.75)	(104,889,281)
	State Income Tax - current	(1,313,174)		(1,313,174)	(3,598)	(60.25)	79,118,734
	Deferred Tax Expense	60,799,682	(60,799,682)	-	-	-	-
	investment Tax Credit-Net	(4,683,363)		(4,683,363)	(12,831)	-	-
	long Term Debt Interest	61,674,278		61,674,278	168,971	(87.47)	(5,394,649,097)
	Preferred Stock	-		-	-	-	-
	Comon Equity Return	151,783,516	(151,783,516)	-	-	-	-
	Total Cost of Service	2,091,849,518	(356,547,680)	1,735,301,838	4,754,251		(80,247,433,505)
	Daily Cost of Service (Revenue Rqmt)	5,731,095		4,754,252		Wtd Avg Lead Days (46.24)	
	Net Lag Days					(8.09)	
	Working Capital Requirement to Finance Net Lag-Before Adjustments						(46,364,559)
	Sales & franchise Tax collections						3,064,403
	Other						(6,347,390)
	Total Working Capital Per AG						(49,647,546)
	Less OG&E Net Working Capital as Shown on OG&E Schedule E-1 Line 19						(4,427,690)
	AG Adjustment B-4						(45,219,856)

EXHIBIT
RZS 2

OKLAHOMA GAS AND ELECTRIC COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
PUD CAUSE NO. 200800398

Materials and Supplies

Total Company Pro Forma	67,804,355	WP B-5
Total AG Pro Forma	65,772,196	OIEC 2-14 S
AG Adjustment B-5	(2,032,159)	

EXHIBIT
RZS 3

OKLAHOMA GAS AND ELECTRIC COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
PUD CAUSE NO. 200800398

Coal

Company Pro Forma	65,340,000	AG 2-40
AG Pro Forma	63,126,000	AG 9-6
AG Adjustment	(2,214,000)	

Oil

Company Pro Forma	1,853,212	AG 9-9
AG Pro Forma	1,538,515	PUD SG1-2
AG Adjustment	(314,697)	

Total Company Pro Forma	67,193,212	Sch B-2
Total AG Pro Forma	64,664,515	
AG Adjustment B-6	(2,528,697)	

EXHIBIT
RZS 4

OKLAHOMA GAS AND ELECTRIC COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
PUD CAUSE NO. 200800398

Accumulated Deferred Income Taxes

Net Total Deferred Income Taxes @ 9/30/2008	(714,946,985)	WP J-3
Adjusted Balance @ 3/31/2009	(708,895,671)	OIEC 2-13
AG Adjustment B-7	6,051,314	

EXHIBIT
RZS 5

OKLAHOMA GAS AND ELECTRIC COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
PUD CAUSE NO. 200800398

Customer Deposits

Total Company Pro Forma	(55,228,265)	Sch B-2
Total AG Pro Forma	(57,666,512)	AG 4-16S
AG Adjustment B-8	(2,438,247)	

EXHIBIT
RZS 6

OKLAHOMA GAS AND ELECTRIC COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
PUD CAUSE NO. 200800398

Payroll

Company Pro Forma	9,394,317	Sch H-2
AG Pro Forma	11,280,430	
	1,886,113	
Company Pro Forma Payroll Taxes	694,240	
AG Pro Forma	833,624	
	139,384	
AG Adjustment H- 1	**2,025,497**	

Payroll- Redbud

Redbud Payroll	2,611,793	W/P H-2-27
Annualized Payroll as of March 31, 2009	2,570,532	
OGE ownership 51%	1,310,971	
	(1,300,822)	
Company's Redbud Pro-Forma Payroll Tax	193,012	W/P H-2-27
Payroll Tax as of March 31, 2009	100,683	
	(92,329)	
	(1,300,822)	
	(92,329)	
AG Adjustment H- 2	**(1,393,151)**	

Payroll- New Employees

Company New Payroll Proforma	6,370,183
Company Payroll Tax Proforma	470,756
	6,840,939
AG Pro Forma	0
AG Adjustment H- 3	**(6,840,939)**

EXHIBIT
RZS 7

OKLAHOMA GAS AND ELECTRIC COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
PUD CAUSE NO. 200800398

Restoration of Retirement Plan

Utility	168,394	OIEC 8-10
Holding Co	784,200	
Total included in test year	952,594	
AG Adjustment H- 4	**(952,594)**	

EXHIBIT
RZS 8

OKLAHOMA GAS AND ELECTRIC COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
PUD CAUSE NO. 200800398

Incentive Compensation

Incentive Plan	Utility	Holding co	
629100 Performance Units	1,083,539	2,700,511	OIEC 3-6
629105 Restricted Stock	-	4,740	
629500 TeamShare	8,931,024	5,557,581	
629510 Other Incentive compensation	133,286	446,231	
Test Year Expense	10,147,849	8,709,063	
		76.71%	
		6,680,722	
Total Expense included in operating expense		16,828,571	
Test Year Long Term Incentive		3,634,327	
Test Year Teamshare		13,194,244	
		16,828,571	

AG Adjustment H- 5 Remove Long Term incentive compensation 3,634,327

AG Adjustment H- 6 Remove half of the TeamShare incentive compensation 6,597,122

EXHIBIT
RZS 9

OKLAHOMA GAS AND ELECTRIC COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
PUD CAUSE NO. 200800398

Legislative Advocacy and PAC

Remove Legislative Advocacy Cost	$ (214,485)	W/P H-14 AG 5-15
Political Action Committee	(8,292)	AG 5-11
AG Adjustment H-7	**$ (222,777)**	

EXHIBIT
RZS 10

OKLAHOMA GAS AND ELECTRIC COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
PUD CAUSE NO. 200800398

Bad Debt Expense

Test Year Bad Debt Expense	1,939,167	W/P H-2 -21
Bad Debt for the year ending 3/31/2009	4,253,133	PUDKP 9-1
	2,313,966	

Company Pro Forma	3,350,396	W/P H-2 -21
AG Pro Forma	2,313,966	
AG Adjustment H-8	**(1,036,430)**	

EXHIBIT
RZS 11

OKLAHOMA GAS AND ELECTRIC COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
PUD CAUSE NO. 200800398

Dues, Donations, Memberships & Contributions

Dues & mem included in cost of service	$ 934,423	W/P H-16
OGE Dues & mem	792,242	AG 5-10r
Total Dues & Memberships	1,726,665	
Chamber of Commerce	143,365	
Economic Development	31,500	
Memberships	35,868	
Employee Events	554	
Rotary - christmas Tip	10	
Advertising	32,245	
Donations, sponsorship & Contributions	135,134	
Miscellaneous	5,142	
	383,818	
OGE Dues	698,551	
Total	1,082,369	
Total Dues & Mem per company	1,726,665	
Total Dues & Mem per AG	644,296	
AG Adjustment H- 9	**(1,082,369)**	

EXHIBIT
RZS 12

OKLAHOMA GAS AND ELECTRIC COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
PUD CAUSE NO. 200800398

Ad valorem Taxes

Description	Fair Cash value	Assessment Ratio	Assessed Valuation	Millage Rate	Historical & Proposed Tax	Company % Tax Increase
OK 2008	2,325,906,504	22.85%	531,469,636	0.09019	47,934,948	3.80%
Ark 2008	204,250,000	20%	40,850,000	0.04970	2,030,363	8.40%
2008 Tax year (Without Redbud)					49,965,311	
Redbud Plant					3,285,462	
Increase in valuation & Millages in 2009					2,250,907	
Total					55,501,680	
Test Year Ad valorem per books					49,997,872	
					5,503,808	

Company Pro Forma	3,791,820	W/P H-2-12
AG Pro Forma	5,503,808	
AG Adjustment H- 10	**1,711,988**	

EXHIBIT
RZS 13

OKLAHOMA GAS AND ELECTRIC COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
PUD CAUSE NO. 200800398

Depreciation Expense

Company's Pro Forma	29,436,520	W/P H-2-16
Pro Forma @ March 31, 2009	29,700,532	
AG Adjustment H- 11	**264,012**	

EXHIBIT
RZS 14

OKLAHOMA GAS AND ELECTRIC COMPANY
TEST YEAR ENDED SEPTEMBER 30, 2008
PUD CAUSE NO. 200800398

Interest on Customer Deposits

Customer Deposits March 2009	$ (57,666,512)	AG 4-17
Short Term Customer Deposits	23,463,889	
Short Term Interest Rate	1.48%	
Interest on Short Term Customer Deposits	347,266	
Long Term Customer Deposits	29,699,321	
Long Term Interest Rates	3.68%	
Interest on Long Term Customer Deposits	1,092,935	
AR Deposits	4,503,302	
AR Interest Rate	2.80%	AG12-10
	126,092	
OG&E Pro Forma Customer Deposits	2,394,584	W/P H 2-35
AG Pro Forma Customer Deposits	1,566,293	
AG Adjustment H-12	**(828,291)**	

EXHIBIT
RZS 15

Oklahoma Gas & Electric Company
Cause No. PUD 200800398

Capital Structure as of March 31, 2009

	Amount Millions	Share Percentage
Long Term Debt	1,541.5	45.780%
Common Equity	1,825.7	54.220%
Total	3,367.2	

Source: Oklahoma Gas & Electric response to AG 12-6

Oklahoma Gas & Electric Company
Cause No. PUD 200800398

EXHIBIT
RZS 16

Comparable Electric Companies
Comparison of Common Equity Ratios

	Company	2005	2006	2007	2008	2009E
	OGE Energy Corp.	50.5%	54.4%	55.6%	46.7%	49.5%
1	CLECO CORP.	52.0%	57.8%	56.7%	49.1%	47.5%
2	DPL INC.	37.9%	31.1%	35.8%	42.4%	45.0%
3	NORTHEAST UTILITIES	35.1%	39.7%	39.2%	38.1%	40.0%
4	NSTAR	38.6%	39.7%	40.1%	39.5%	49.5%
5	PORTLAND GENERAL	57.7%	56.6%	50.1%	49.0%	51.5%
6	PROGRESS ENERGY	43.3%	48.1%	48.8%	46.0%	45.5%
7	WISCONSIN ENERGY	46.7%	48.2%	49.2%	44.8%	46.0%
8	XCEL ENERGY	47.3%	47.0%	49.4%	47.5%	48.5%
	Average	45.5%	47.0%	47.2%	44.8%	47.0%

Source: Value Line Investment survey

EXHIBIT
RZS 17

Oklahoma Gas & Electric Company
Cause No. PUD 200800398

Comparable Electric Companies
Basis for Selection

	Company	Market Cap (billion)	Electric Revenue %	Common Equity Ratio	Value Line Safety	Dividend History	S&P Credit Rating
	OGE Energy Corp.	2.20	48%	49.50%	2	Stable	BBB+
1	CLECO CORP.	1.30	96%	47.50%	3	Stable	BBB
2	DPL INC.	2.50	100%	45.00%	3	Stable	BBB
3	NORTHEAST UTILITIES	3.60	81%	40.00%	3	Stable	BBB
4	NSTAR	3.60	79%	49.50%	1	Stable	A+
5	PORTLAND GENERAL	1.20	98%	51.50%	2	Stable	BBB+
6	PROGRESS ENERGY	9.80	100%	45.50%	2	Stable	BBB+
7	WISCONSIN ENERGY	4.50	61%	46.00%	2	Stable	BBB+
8	XCEL ENERGY	8.40	78%	48.50%	2	Stable	BBB+

Source: Value Line Investment survey, S&P Rating Direct, Strongest to Weakest, March 31, 2009 & AUS Utility Report

EXHIBIT
RZS 18

Oklahoma Gas & Electric Company
Cause No. PUD 200800398

Comparable Electric Companies
Dividend Yield

	COMPANY	DPS	March-May, 2009 HIGH	LOW	AVG	YIELD	AVERAGE GROWTH RATE	ADJUSTED YIELD
	OGE Energy Corp.	$ 1.39	24.49	23.83	24.16	5.75%	1.8%	5.80%
1	CLECO CORP.	0.90	21.55	20.94	21.25	4.24%	5.0%	4.34%
2	DPL INC.	1.10	22.27	21.74	22.00	5.00%	2.3%	5.06%
3	NORTHEAST UTILITIES	0.83	21.25	20.62	20.94	3.96%	8.0%	4.12%
4	NSTAR	1.40	30.87	30.00	30.44	4.60%	5.0%	4.71%
5	PORTLAND GENERAL	0.97	17.65	17.01	17.33	5.60%	0.0%	5.60%
6	PROGRESS ENERGY	2.46	35.08	34.22	34.65	7.10%	1.8%	7.16%
7	WISCONSIN ENERGY	1.08	39.70	38.72	39.21	2.75%	8.3%	2.87%
8	XCEL ENERGY	0.94	18.06	17.61	17.83	5.27%	-2.8%	5.20%
	Average							4.88%

Dr. Murry Proxy Group

	COMPANY	DPS	HIGH	LOW	AVG	YIELD	AVERAGE GROWTH RATE	ADJUSTED YIELD
1	DPL INC.	1.10	22.27	21.74	22.00	5.00%	2.3%	5.06%
2	NORTHEAST UTILITIES	0.83	21.25	20.62	20.94	3.96%	8.0%	4.12%
3	NSTAR	1.40	30.87	30.00	30.44	4.60%	5.0%	4.71%
4	PEPCO HOLDINGS	1.08	12.42	11.97	12.20	8.86%	1.3%	8.91%
5	PINNACLE WEST	2.10	26.94	26.18	26.56	7.91%	3.5%	8.04%
6	SCANA CORP.	1.82	30.21	29.42	29.82	6.10%	5.0%	6.26%
7	WISCONSIN ENERGY	1.08	39.70	38.72	39.21	2.75%	8.3%	2.87%
	Average							5.71%

Source: Yahoo! Finance.

EXHIBIT
RZS 19

Oklahoma Gas & Electric Company
Cause No. PUD 200800398

Comparable Electric Companies
Retention Growth Rates

	COMPANY	2004	2005	2006	2007	2008	Average	2009	2010	2012-2014	Average
	OGE Energy Corp.	3.4%	3.4%	6.6%	7.1%	5.4%	5.2%	4.5%	5.5%	5.5%	5.2%
1	CLECO CORP.	3.9%	4.1%	3.0%	2.6%	4.5%	3.6%	5.0%	5.0%	4.5%	4.8%
2	DPL INC.	9.8%	0.8%	1.7%	11.4%	11.5%	7.0%	11.0%	11.0%	9.0%	10.3%
3	NORTHEAST UTILITIES	1.6%	1.5%	0.3%	4.3%	5.3%	2.6%	4.5%	4.5%	4.5%	4.5%
4	NSTAR	4.8%	4.6%	4.9%	4.9%	5.0%	4.8%	5.0%	5.5%	6.0%	5.5%
5	PORTLAND GENERAL	7.2%	5.3%	3.5%	6.6%	2.5%	5.0%	3.5%	4.0%	4.0%	3.8%
6	PROGRESS ENERGY	2.6%	1.7%	0.0%	0.7%	1.5%	1.3%	2.0%	2.0%	2.5%	2.2%
7	WISCONSIN ENERGY	4.9%	7.5%	7.1%	7.1%	7.0%	6.7%	6.0%	7.0%	7.0%	6.7%
8	XCEL ENERGY	3.9%	2.9%	3.6%	3.1%	3.5%	3.4%	3.5%	3.5%	5.0%	4.0%
	Average						**4.3%**				**5.2%**

Dr. Murry Proxy Group

	COMPANY	2004	2005	2006	2007	2008	Average	2009	2010	2012-2014	Average
1	DPL INC.	9.8%	0.8%	1.7%	11.4%	11.5%	7.0%	11.0%	11.0%	9.0%	10.3%
2	NORTHEAST UTILITIES	1.6%	1.5%	0.3%	4.3%	5.3%	2.6%	4.5%	4.5%	4.5%	4.5%
3	NSTAR	4.8%	4.6%	4.9%	4.9%	5.0%	4.8%	5.0%	5.5%	6.0%	5.5%
4	PEPCO HOLDINGS	2.5%	2.4%	1.5%	2.3%	3.5%	2.4%	3.5%	4.5%	5.5%	4.5%
5	PINNACLE WEST	2.3%	1.0%	3.4%	2.5%	2.0%	2.2%	1.5%	2.0%	2.0%	1.8%
6	SCANA CORP.	5.6%	5.3%	3.8%	4.0%	4.5%	4.6%	3.5%	3.5%	4.0%	3.7%
7	WISCONSIN ENERGY	4.9%	7.5%	7.1%	7.1%	7.0%	6.7%	6.0%	7.0%	7.0%	6.7%
	Average						**4.4%**				**5.3%**

Source: Value Line Investment survey

EXHIBIT
RZS 20

Oklahoma Gas & Electric Company
Cause No. PUD 200800398

Comparable Electric Companies
Per Share Growth Rates

		5-Year Historic Growth Rates				Est Growth Rates ('06-'08) to ('12-'14)			
	COMPANY	EPS	DPS	BVPS	Average	EPS	DPS	BVPS	Average
	OGE Energy Corp.	11.0%	0.5%	7.0%	6.2%	4.5%	3.0%	7.0%	4.8%
1	CLECO CORP.	-2.0%	0.5%	7.0%	1.8%	10.5%	9.5%	7.0%	9.0%
2	DPL INC.	-1.0%	1.0%	2.5%	0.8%	8.0%	3.5%	10.5%	7.3%
3	NORTHEAST UTILITIES	8.5%	9.5%	2.5%	6.8%	10.5%	6.5%	5.5%	7.5%
4	NSTAR	3.5%	3.5%	4.0%	3.7%	7.5%	6.5%	5.5%	6.5%
5	PORTLAND GENERAL					7.0%		3.5%	5.3%
6	PROGRESS ENERGY	-4.5%	2.5%	3.0%	0.3%	5.5%	1.0%	2.0%	2.8%
7	WISCONSIN ENERGY	6.0%	4.5%	7.5%	6.0%	8.0%	12.0%	6.0%	8.7%
8	XCEL ENERGY	-2.0%	-8.5%	-1.5%	-4.0%	7.5%	3.0%	4.5%	5.0%
	Average				**2.2%**				**6.5%**

Dr. Murry Proxy Group

		EPS	DPS	BVPS	Average	EPS	DPS	BVPS	Average
1	DPL INC.	-1.0%	1.0%	2.5%	0.8%	8.0%	3.5%	10.5%	7.3%
2	NORTHEAST UTILITIES	8.5%	9.5%	2.5%	6.8%	10.5%	6.5%	5.5%	7.5%
3	NSTAR	3.5%	3.5%	4.0%	3.7%	7.5%	6.5%	5.5%	6.5%
4	PEPCO HOLDINGS	-4.5%		1.0%	-1.8%	10.0%	2.5%	4.5%	5.7%
5	PINNACLE WEST	-2.5%	5.5%	3.5%	2.2%	1.0%	1.5%	2.0%	1.5%
6	SCANA CORP.	4.0%	6.5%	4.0%	4.8%	4.0%	3.5%	4.5%	4.0%
7	WISCONSIN ENERGY	6.0%	4.5%	7.5%	6.0%	8.0%	12.0%	6.0%	8.7%
	Average				**3.2%**				**5.9%**

Source: Value Line Investment survey

EXHIBIT
RZS 21

Oklahoma Gas & Electric Company
Cause No. PUD 200800398
Comparable Electric Companies
DCF Rates

	COMPANY	Adjusted Dividend Yield	Historic Retention Growth	Prospective Retention Growth	Historic Per Share Growth	Prospective Per Share Growth	Yahoo! 5 Year Pro EPS	Average Growth Rate	DCF ROE
	OGE Energy Corp.	5.8%	5.2%	5.2%	6.2%	4.8%	6.0%	5.5%	11.3%
1	CLECO CORP.	4.3%	3.6%	4.8%	1.8%	9.0%	11.7%	6.2%	10.5%
2	DPL INC.	5.1%	7.0%	10.3%	0.8%	7.3%	7.4%	6.6%	11.6%
3	NORTHEAST UTILITIES	4.1%	2.6%	4.5%	6.8%	7.5%	7.4%	5.8%	9.9%
4	NSTAR	4.7%	4.8%	5.5%	3.7%	6.5%	6.7%	5.4%	10.1%
5	PORTLAND GENERAL	5.6%	5.0%	3.8%		5.3%	7.2%	5.3%	10.9%
6	PROGRESS ENERGY	7.2%	1.3%	2.2%	0.3%	2.8%	5.5%	2.4%	9.6%
7	WISCONSIN ENERGY	2.9%	6.7%	6.7%	6.0%	8.7%	8.9%	7.4%	10.3%
8	XCEL ENERGY	5.2%	3.4%	4.0%		5.0%	6.4%	4.7%	9.9%
	MEAN								10.4%

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	COMPANY	Adjusted Dividend Yield	Historic Retention Growth	Prospective Retention Growth	Historic Per Share Growth	Prospective Per Share Growth	Yahoo! 5 Year Pro EPS	Average Growth Rate	DCF ROE
1	DPL INC.	5.1%	7.0%	10.3%	0.8%	7.3%	7.4%	6.6%	11.6%
2	NORTHEAST UTILITIES	4.1%	2.6%	4.5%	6.8%	7.5%	7.4%	5.8%	9.9%
3	NSTAR	4.7%	4.8%	5.5%	3.7%	6.5%	6.7%	5.4%	10.2%
4	PEPCO HOLDINGS	8.9%	2.4%	4.5%		5.7%	3.7%	4.1%	13.0%
5	PINNACLE WEST	8.0%	2.2%	1.8%	2.2%	1.5%	4.5%	2.4%	10.5%
6	SCANA CORP.	6.3%	4.6%	3.7%	4.8%	4.0%	5.2%	4.5%	10.7%
7	WISCONSIN ENERGY	2.9%	6.7%	6.7%	6.0%	8.7%	8.9%	7.4%	10.3%
	MEAN								10.9%

Source: Value Line Investment Survey & Yahoo! Finance

Oklahoma Gas & Electric Company
Cause No. PUD 200800398

EXHIBIT
RZS 22

Comparable Electric Companies
20-Year US Treasury Security Yield

DATE	20 yr
5/1/2009	4.14%
5/4/2009	4.11%
5/5/2009	4.11%
5/6/2009	4.12%
57/2009	4.26%
5/8/2009	4.25%
5/11/2009	4.15%
5/12/2009	4.13%
5/13/2009	4.06%
5/14/2009	4.04%
5/15/2009	4.07%
5/18/2009	4.16%
5/19/2009	4.19%
5/20/2009	4.11%
5/21/2009	4.27%
5/22/2009	4.36%
5/26/2009	4.42%
5/27/2009	4.58%
5/28/2009	4.52%
5/29/2009	4.34%
Average	4.22%

Oklahoma Gas & Electric Company
Cause No. PUD 200800398

EXHIBIT
RZS 23

Comparable Electric Companies
Capital Asset Pricing Model

	COMPANY	Historic Market Portfolio	Historic Long Term Bonds	Risk Premium	Beta Ranking	Beta Risk Premium	20-Year US Bond Yield	CAPM	Size Premium	Size Adjusted CAPM
	OGE Energy Corp.	12.2%	6.5%	5.7%	0.75	4.3%	4.2%	8.5%	1.74%	10.2%
1	CLECO CORP.	12.2%	6.5%	5.7%	0.75	4.3%	4.2%	8.5%	1.74%	10.2%
2	DPL INC.	12.2%	6.5%	5.7%	0.60	3.4%	4.2%	7.6%	1.74%	9.4%
3	NORTHEAST UTILITIES	12.2%	6.5%	5.7%	0.70	4.0%	4.2%	8.2%	1.74%	9.9%
4	NSTAR	12.2%	6.5%	5.7%	0.65	3.7%	4.2%	7.9%	1.74%	9.6%
5	PORTLAND GENERAL	12.2%	6.5%	5.7%	0.65	3.7%	4.2%	7.9%	1.74%	9.6%
6	PROGRESS ENERGY	12.2%	6.5%	5.7%	0.60	3.4%	4.2%	7.6%	1.74%	9.4%
7	WISCONSIN ENERGY	12.2%	6.5%	5.7%	0.65	3.7%	4.2%	7.9%	1.74%	9.6%
8	XCEL ENERGY	12.2%	6.5%	5.7%	0.70	4.0%	4.2%	8.2%	1.74%	9.9%
	MEAN									9.7%

Dr. Murry Proxy Group

	COMPANY	Historic Market Portfolio	Historic Long Term Bonds	Risk Premium	Beta Ranking	Beta Risk Premium	20-Year US Bond Yield	CAPM	Size Premium	Size Adjusted CAPM
1	DPL INC.	12.2%	6.5%	5.7%	0.60	3.4%	4.2%	7.6%	1.74%	9.4%
2	NORTHEAST UTILITIES	12.2%	6.5%	5.7%	0.70	4.0%	4.2%	8.2%	1.74%	9.9%
3	NSTAR	12.2%	6.5%	5.7%	0.65	3.7%	4.2%	7.9%	1.74%	9.6%
4	PEPCO HOLDINGS	12.2%	6.5%	5.7%	0.75	4.3%	4.2%	8.5%	1.74%	10.2%
5	PINNACLE WEST	12.2%	6.5%	5.7%	0.70	4.0%	4.2%	8.2%	1.74%	9.9%
6	SCANA CORP.	12.2%	6.5%	5.7%	0.65	3.7%	4.2%	7.9%	1.74%	9.6%
7	WISCONSIN ENERGY	12.2%	6.5%	5.7%	0.65	3.7%	4.2%	7.9%	1.74%	9.6%
	MEAN									9.8%

Source: Value Line Investment Survey & Ibbotson Associates 2009 SBBI Yearbook:Valuation Edition