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SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449

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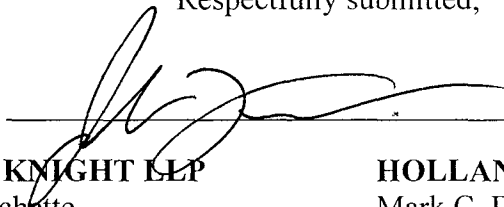
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APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE  
ELECTRIC POWER COMPANY FOR § PUBLIC UTILITY COMMISSION  
AUTHORITY TO CHANGE RATES § OF FILING CLERK  
ADMINISTRATIVE HEARINGS

**EAST TEXAS ELECTRIC COOPERATIVE, INC. AND  
NORTHEAST TEXAS ELECTRIC COOPERATIVE, INC.'S  
RESPONSE TO SOUTHWESTERN ELECTRIC POWER COMPANY'S,  
FIRST REQUESTS FOR INFORMATION**

**NOW COMES** East Texas Electric Cooperative, Inc. ("ETEC") and Northeast Texas Electric Cooperative, Inc. ("NTEC") and file this response to Southwestern Electric Power Company (SWEPCO) First Request for Information.

Respectfully submitted,



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AND  
NORTHEAST TEXAS ELECTRIC COOPERATIVE, INC. AND**

503

SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449

APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE  
ELECTRIC POWER COMPANY FOR § OF  
AUTHORITY TO CHANGE RATES. § ADMINISTRATIVE HEARINGS

EAST TEXAS ELECTRIC COOPERATIVE, INC. AND  
NORTHEAST TEXAS ELECTRIC COOPERATIVE, INC.'S  
RESPONSE TO SOUTHWESTERN ELECTRIC POWER COMPANY'S  
FIRST REQUESTS FOR INFORMATION

**QUESTION 1-1**

For each witness presenting testimony for ETEC, to the extent not provided with his or her pre-filed testimony or workpapers already submitted in this proceeding, please provide:

- a. name and business address;
- b. the subject matter on which the witness will testify;
- c. the general substance of the witness's mental impressions and opinions and a brief summary of the basis for them, including a brief summary of the factual basis for them, or if the witness is not retained by, employed by, or otherwise subject to the control of the responding party, documents reflecting such information;
- d. the methods by which the witness's mental impressions and opinions were formed;
- e. the witness's current resume and bibliography; and
- f. copies of all documents (including, but not limited to, all tangible reports; physical models, and compilations of data) provided to, reviewed by, or prepared by the consulting expert on behalf of ETEC in connection with the preparation of its testimony in this proceeding. To the extent that documents are available electronically, please provide a copy in native electronic format with all cells and formulae intact. You may identify, in lieu of production, any document responsive to this request that was included in SWEPCO's rate-filing package or Company-sponsored discovery response.

SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449

APPLICATION OF SOUTHWESTERN	§	BEFORE THE STATE OFFICE
ELECTRIC POWER COMPANY FOR	§	OF
AUTHORITY TO CHANGE RATES	§	ADMINISTRATIVE HEARINGS

**EAST TEXAS ELECTRIC COOPERATIVE, INC. AND  
NORTHEAST TEXAS ELECTRIC COOPERATIVE, INC.'S  
RESPONSE TO SOUTHWESTERN ELECTRIC POWER COMPANY'S  
FIRST REQUESTS FOR INFORMATION**

**RESPONSE**

- a. Please refer to the Direct Testimony of E. Cary Cook filed on April 25, 2017.
- b. Please refer to the Direct Testimony of E. Cary Cook filed on April 25, 2017.
- c. Please refer to the Direct Testimony of E. Cary Cook filed on April 25, 2017.
- d. Please refer to the Direct Testimony of E. Cary Cook filed on April 25, 2017.
- e. Please refer to the direct testimony of E. Cary Cook filed on April 25, 2017.
- f. In addition to documents identified in or provided with the Direct Testimony of E. Cary Cook filed on April 25, 2017, please find attached as ETEC/NTEC's Response to SWEPCO's 1<sup>st</sup> RFI, Q. No. 1-1(f) (CD) all responsive documents.

Prepared by: E. Cary Cook  
Sponsored by: E. Cary Cook

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE  
ELECTRIC POWER COMPANY FOR § OF  
AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS**

**EAST TEXAS ELECTRIC COOPERATIVE, INC. AND  
NORTHEAST TEXAS ELECTRIC COOPERATIVE, INC.'S  
RESPONSE TO SOUTHWESTERN ELECTRIC POWER COMPANY'S  
FIRST REQUESTS FOR INFORMATION**

**QUESTION 1-2**

For any consulting expert whose mental impressions or opinions have been reviewed by a testifying expert for ETEC, please provide:

- a. name and business address;
- b. the facts known by the consulting expert in connection with this docket;
- c. the mental impressions and opinions formed by the consulting expert;
- d. the methods by which the witness's mental impressions and opinions were formed;
- e. the consulting expert's current resume and bibliography; and
- f. copies of all documents (including, but not limited to, all tangible reports, physical models, and compilations of data) provided to, reviewed by, or prepared by the consulting expert on behalf of ETEC. To the extent that documents are available electronically, please provide a copy in native electronic format with all cells and formulae intact. You may identify, in lieu of production, any document responsive to this request that was included in SWEPCO's rate-filing package or Company-sponsored discovery response.

**RESPONSE**

Not applicable.

Prepared by: E. Cary Cook  
Sponsored by: E. Cary Cook

SOAH DOCKET NO. 473-17-1764  
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APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE  
ELECTRIC POWER COMPANY FOR § OF  
AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS

**EAST TEXAS ELECTRIC COOPERATIVE, INC. AND  
NORTHEAST TEXAS ELECTRIC COOPERATIVE, INC.'S  
RESPONSE TO SOUTHWESTERN ELECTRIC POWER COMPANY'S  
FIRST REQUESTS FOR INFORMATION**

**QUESTION 1-3**

To the extent not otherwise provided, please provide all workpapers or other documents prepared or reviewed by each of your witnesses in this proceeding, including but not limited to: (1) a list of each RFI response directly relied upon; (2) books, treatises or other publications; (3) documents cited in testimony (or a hyperlink to publically available documents); and (4) all calculations in sufficient detail to permit the Company the opportunity to replicate the recommendations. To the extent that documents are available electronically, please provide a copy in native electronic format with all cells and formulae intact. You may identify, in lieu of production, any document responsive to this request that was included in SWEPCO's rate-filing package or Company-sponsored discovery response.

**RESPONSE**

Please refer to response to SWEPCO 1-1(f) above.

Prepared by: E. Cary Cook  
Sponsored by: E. Cary Cook

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

<b>APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY FOR AUTHORITY TO CHANGE RATES</b>	<b>§ § §</b>	<b>BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS</b>
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**EAST TEXAS ELECTRIC COOPERATIVE, INC. AND  
NORTHEAST TEXAS ELECTRIC COOPERATIVE, INC.'S  
RESPONSE TO SOUTHWESTERN ELECTRIC POWER COMPANY'S  
FIRST REQUESTS FOR INFORMATION**

**QUESTION 1-4**

For each witness offering testimony on behalf of ETEC in this docket, please identify and provide:

- a. the identity of each publication or speech published or given by such person within the immediately preceding five years with the dates and places given and published;
- b. an index of all proceedings in which such person testified or has been deposed in the preceding seven years, including the docket or cause number, date, subject matter, whether the witness's deposition was taken as part of the proceeding, whether the proceeding involved the presentation of written and/or live testimony, whether the testimony is publicly available, and where the testimony is publicly available. If the testimony is not publicly available, please provide of copy of the testimony; and
- c. any testimony or written statement submitted in the preceding seven years wherein the witness took a position inconsistent with his or her position in this docket.

**RESPONSE**

- a. None.
- b. For a list of prior testimony, please refer to the Direct Testimony of E. Cary Cook filed on April 25, 2017. Mr. Cook was not deposed in any of the listed proceedings. Except as provided below, all testimony is publicly available at the website of the agency that is listed with the docket number(s). Attached are transcripts of Mr. Cook's live testimony in Oklahoma Corporation Commission Cause Nos. PUD 201500208 and PUD 201500273.

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**APPLICATION OF SOUTHWESTERN § BEFORE THE STATE OFFICE  
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AUTHORITY TO CHANGE RATES § ADMINISTRATIVE HEARINGS**

**EAST TEXAS ELECTRIC COOPERATIVE, INC. AND  
NORTHEAST TEXAS ELECTRIC COOPERATIVE, INC.'S  
RESPONSE TO SOUTHWESTERN ELECTRIC POWER COMPANY'S  
FIRST REQUESTS FOR INFORMATION**

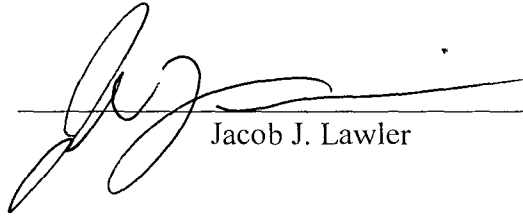
c. None.

Prepared by: E. Cary Cook  
Sponsored by: E. Cary Cook



## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was hand delivered and/or mailed this 3<sup>rd</sup> day of May, 2017 by First Class, U.S. Mail, postage pre-paid to all parties of record.



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Jacob J. Lawler

**SOAH DOCKET NO. 473-17-1764  
PUC DOCKET NO. 46449**

**SWEPCO'S APPLICATION FOR  
AUTHORITY TO CHANGE RATES  
ETEC/NTEC'S Response to  
SWEPCO's 1<sup>ST</sup> RFI, Q. No. 1-1(f)**

sd-56

1                   BEFORE THE CORPORATION COMMISSION  
2                   OF THE STATE OF OKLAHOMA  
3 APPLICATION OF PUBLIC SERVICE       ) CAUSE NO. PUD  
4 COMPANY OF OKLAHOMA, AN OKLAHOMA   ) 201500208  
5 CORPORATION, FOR AN ADJUSTMENT       )  
6 IN ITS RATES AND CHARGES AND        )  
7 THE ELECTRIC SERVICE RULES,         )  
8 REGULATIONS AND CONDITIONS OF       )  
9 SERVICE FOR ELECTRIC SERVICE IN       )  
10 THE STATE OF OKLAHOMA                )

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15                   TRANSCRIPT OF PROCEEDINGS

16                   AFTERNOON SESSION

17                   December 14, 2015

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23

24 OFFICIAL REPORTER:

25 CAROL S. DENNIS, RPR, CSR

A P P E A R A N C E S

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8 JERRY J. SANGER, ABBY DILLSAVER, ERIC DAVIS AND DARA M.  
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10 OFFICE OF ATTORNEY GENERAL, STATE OF OKLAHOMA.  
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12 REPRESENTING OKLAHOMA INDUSTRIAL ENERGY CUSTOMERS.  
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16 EAST, LP, AND SAM'S EAST, INC.  
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21 THAD CULLEY, ATTORNEYS, REPRESENTING ALLIANCE FOR SOLAR  
22 CHOICE.  
23 DEBORAH R. THOMPSON, ATTORNEY REPRESENTING AARP.  
24 MATTHEW DUNNE, GENERAL ATTORNEY, AND JAMES T. FORRESTAL,

sd-58

1 CHIEF, REPRESENTING COUNSEL FOR U.S. DEPARTMENT OF DEFENSE  
2 AND ALL OTHER FEDERAL EXECUTIVE AGENCIES.

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1 I N D E X

2 WITNESS PAGE

3 CARY COOK

4 Direct Examination by Mr. Davis 60

5 Cross-Examination by Mr. Parrish 64

6 Redirect Examination by Mr. Davis 74

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1 MR. PARRISH: No further questions.

2 THE COURT: Thank you, Mr. Meehan. You may be  
3 excused.

4 THE WITNESS: You're welcome.

5 THE COURT: We have been going for an hour.  
6 Let's take a fifteen -- fifteen-minute health break.

7 (Recess taken.)

8 THE COURT: Mr. Davis, you're recognized. Thank  
9 you.

10 ERIC DAVIS: Thank you. Eric Davis for the  
11 Oklahoma Attorney General.

12 CARY COOK,  
13 having been first duly sworn by the Court to state the  
14 truth, was examined and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. DAVIS:

17 Q. Can you, please, state your name, title, and business  
18 address.

19 A. My name is E. Cary Cook. I'm a senior project manager  
20 for GDS Associates, which is located in Marietta,  
21 Georgia.

22 Q. Can you summarize your educational background.

23 A. I graduated from Georgia Southern University in 1970  
24 with a degree in business management; and I am a CPA in  
25 the state of Georgia.

1 Q. Can you summarize your professional background.

2 A. I began my career with Southern Company Services and  
3 went on to Southern Engineering and then to a consulting  
4 firm, Ebasco, and then to GDS Associates, the company I've  
5 been employed with for a number of years.

6 During that time I have analyzed and developed cost of  
7 service studies, I've analyzed depreciation, other  
8 components that go into revenue requirements to develop  
9 rates for wholesale customers and retail customers. So,  
10 I've had a numerous -- numerous amounts of job tasks and  
11 assignments during those years.

12 Q. What are your primary duties with GDS?

13 A. Presently I analyze and review production and  
14 transmission formula rates, all the components that go  
15 into the determination of those rates, which includes  
16 reviewing O&M, depreciation, all the various components  
17 that go into the revenue requirements to develop a  
18 wholesale production and transmission rate. Most recently  
19 I've been working with a construction monitor, the nuclear  
20 construction monitor for plant local units 3 and 4 where I  
21 monitor the CWIP or construction work in progress costs on  
22 a semi-annual basis, so experience in depreciation,  
23 formula rates primarily right now..

24 Q. Have you previously testified in other dockets before  
25 this Commission?



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1 A. No, I haven't.

2 Q. Have you previously testified in dockets before other  
3 State commissions?

4 A. Yes. I've testified -- testified before the Georgia  
5 Commission, the Texas Commission and the Alaska Regulatory  
6 Commission.

7 Q. Have you filed testimony in this proceeding?.

8 A. Yes. I filed Responsive testimony on October 14th.

9 Q. And what issues did you address in your testimony in  
10 this case?

11 A. I addressed the issue of net salvage as a component of  
12 the depreciation rate determination and particularly with  
13 terminal retirements and whether or not -- whether or not  
14 there should be a terminal retirement considered in the  
15 development of a net salvage rate.

16 Q. And how has your education and experience contributed  
17 to your qualification regarding these issues?

18 A. I believe being in business, No. 1, has helped me to  
19 understand financials and cost, and I worked in the  
20 industry more than forty years doing various facets in the  
21 business, and all of that time has included reviews, data,  
22 cost of service, revenue requirements, depreciation,  
23 especially looking at depreciation rates for production  
24 units, generating plants.

25 I have worked with municipal utilities over the course

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1 of my job -- job, time, distribution costs, generation  
2 transmission co-ops and also industrial customers.

3 MR. DAVIS: Your Honor, I would ask that the  
4 Witness be deemed qualified to testify in this matter.

5 THE COURT: Any objections? Hearing none, he is  
6 so admitted.

7 Q. (By Mr. Davis) Mr. Cook, do you have any changes or  
8 corrections to make to your testimony?

9 A. No.

10 Q. And what is your oral Sur-rebuttal testimony with  
11 respect to PSO Witness Spanos's testimony on Page 18,  
12 beginning at Line 21?

13 A. On that page and in those lines -- on those lines  
14 Mr. Spanos addressed the agreement that the company has  
15 with EPA to retire the Northeast 3 and 4 units, and from  
16 my gleaning of his testimony that addressed the retirement  
17 of the units, taking the units out of service.

18 Mr. Spanos in his argument indicated that an order was  
19 received from the EPA requiring that the units be retired,  
20 but that order, although it was from a public authority --  
21 I think those were his words -- did address retiring the  
22 facilities, taking them out of service, but it did not  
23 require the dismantlement of the facilities.

24 So, that's -- that was my observation of his  
25 testimony, and I have asserted -- or do believe, rather,

1 that the dismantlement component is outside of the EPA  
2 order. And if you go back, I think, in the NARUC  
3 definitions if you're talking about retiring and taking a  
4 plant out of service -- out of service, retirement is --  
5 can be retiring it in place and not generating, the  
6 facility can be sold, the facility can be abandoned, and  
7 that is removing it from plant in service, so to speak.

8 When you go to decommissioning or dismantlement, that  
9 is taking it out of service, going one step further and  
10 dismantling the plant. So, I don't believe the EPA order  
11 really requires PSO to dismantle those facilities  
12 Northeast 3 and 4. It requires them to simply take it out  
13 of service, I think Northeast 4 in 2016 and Northeast 3 in  
14 2026.

15 Q. Thank you, Mr. Cook.

16 MR. DAVIS: Your Honor, I would offer Mr. Cook  
17 for questions from other counsel.

18 THE COURT: Thank you. The Witness has been  
19 tendered for Cross-Examination. Other questions?  
20 Mr. Parrish?

21 CROSS-EXAMINATION

22 BY MR. PARRISH:

23 Q. Good afternoon, Mr. Cook.

24 A. Good afternoon.

25 Q. I'm Kendall Parrish. I represent Public Service

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1 Company of Oklahoma, and I've just got a couple of  
2 questions regarding your testimony. First, as I read your  
3 testimony is it true that you didn't-- you don't object or  
4 -- to the company's proposal to match the depreciable life  
5 with the service life of Northeast 3 and 4, did you?

6 A. I'm not sure I follow the question.

7 Q. Well, let me ask it a different way. You didn't take  
8 the position against the company's proposal to match the  
9 recovery period for the non-depreciated plant for  
10 Northeast 3 and 4 that they had proposed in their  
11 application, did you?

12 A. I don't -- I don't follow your question. I would say  
13 that the depreciation rates that they have in place now  
14 cover the 2040 retirement year for those units, and those  
15 rates have been in place for some time. So, whatever the  
16 approved rates were in the last proceeding, that's what  
17 they are utilizing. So, it tracks with whatever the  
18 depreciable lives are that they developed. Their costs  
19 are recorded -- or recovered, is what I'm trying to say,  
20 over that period of time.

21 Q. Okay. Now, the company's proposal, though, is to  
22 utilize -- is to change that depreciation rate so that the  
23 -- so that that balance is then recovered over the life  
24 that these two units will be in service; in other words,  
25 they would be -- the depreciable life would end at 2026

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1 when these two units stopped running service as opposed to  
2 2040.

3 Now, you didn't take the position in your testimony --  
4 or let me back up. You didn't object to that company's  
5 proposal in your testimony, did you?

6 A. Well, I just simply proposed a net salvage component  
7 that excluded terminal salvage.

8 Q. Okay.

9 A. That's what I addressed in my testimony.

10 Q. Okay. But yet, you had the opportunity to object to  
11 that -- the company's proposal, and you chose not to do  
12 that; is that right?

13 A. I don't believe they should include a terminal salvage  
14 component, whether the service life is 2040 or 2026 or  
15 2016.

16 Q. Okay. Now, this terminal salvage -- well, strike that.

17 THE COURT: Strike.

18 Q. (By Mr. Parrish) I want to refer you to Page 7 of your  
19 Responsive testimony and this would be at Lines 19 through  
20 21 of that page. I'll give you a second to review that.

21 A. I see it.

22 Q. Is your -- if I summarize that, is it your testimony  
23 the net salvage is then calculated at the time of the  
24 removal of the property?

25 A. No.

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1 Q. Okay. Tell me what you're saying there then.

2 A. Well, net salvage is a component of the development of  
3 the depreciation rate, so in the process of developing a  
4 depreciation rate, net salvage is factored into the  
5 calculation, and that can be either positive or negative.

6 But net salvage is a -- to me, it's a component -- if  
7 we're talking about depreciation rates, I think the  
8 question was addressed to that on Lines 17 and 18. So,  
9 it's simply a component of the depreciation rate  
10 determination.

11 Q. In what time period is that measured?

12 A. Well, what you do is you look at history, you look at  
13 number of years, and that's variable. You could look back  
14 twenty years and look and see what the rates are or net  
15 salvage is to the retirements over a period of time and  
16 then maybe develop a three-year average, a five-year  
17 average, a ten-year average, looking at the most recent  
18 years.

19 And it's a subjective decision, I believe, but you  
20 look at history and then come up with a rate, and you  
21 apply that going forward to develop a depreciation rate.

22 Q. I understand about looking at historical data, but when  
23 you're look- -- when you're evaluating net salvage and the  
24 salvage value, what time period are you evaluating that  
25 salvage?

sd-68

1 A. It's historical. You're looking at what -- if you  
2 retired a piece of property, you would look at what the  
3 positive or the gross salvage is, and you would offset  
4 that by the cost of removal. And year-by-year you were  
5 looking at -- you would look at the retirements, see what  
6 that relationship is, if it's positive or negative on the  
7 salvage, and it -- you know, dividing comes out with a  
8 rate. So, you're looking at history.

9 Q. Okay.

10 A. And then you make a decision again to set the rate:  
11 You make a decision that net salvage is X percent, and it  
12 goes into the depreciation rate determination, and you go  
13 forward until you review it again.

14 Q. Okay. Now, with respect to a plant like Northeast 3  
15 and 4, this is only going to be retired once; is that  
16 right?

17 A. Well, I don't know. I guess retired -- you usually  
18 retire something, and -- I'm not saying it couldn't be  
19 revisited. I mean, when you retire something, you take it  
20 out of service.

21 Q. Okay. And when you take it out of service then you  
22 would -- if you are not going to use that plant again,  
23 then you would -- you would decommission or -- or demolish  
24 that plant; is that right?

25 A. No.

1 Q. What would you do with it then?

2 A. Well, it could very well in this case remain there for  
3 a period of time. If you could go immediately to retrofit  
4 it, you could retrofit it as a coal plant, and use better  
5 technology. You could retrofit it and use natural gas.  
6 So, you could take it out of service for some period of  
7 time.

8 Q. Okay. Assuming you do demolish that plant -- because  
9 that happens sometimes, doesn't it?

10 A. Well, I'm sure plants have been dismantled over the  
11 years. Some have.

12 Q. Okay. And when you evaluate the cost of that  
13 dismantlement, when is that -- when do you -- when is that  
14 cost developed? At the time it's dismantled?

15 A. I guess you could -- you could develop a dismantlement  
16 cost at any time. I mean, you can get someone to do an  
17 analysis like Mr. Meehan and come up with a dismantlement  
18 number. Like if I wanted to know today or last year,  
19 someone could calculate a cost for me and give me a figure  
20 to say this is a dismantlement cost.

21 Q. Okay. And would that dismantlement cost be based on  
22 today's dollars, as -- as if you were dismantling it  
23 today?

24 A. I think there's some argument there, whether it should  
25 be. I mean, I've read testimony and some have advocated a



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1 net present value. I think Mr. Spanos uses a future type  
2 cost accelerating -- not accelerated, but going out into  
3 the future a number of years and calculating the cost  
4 there. So, it's, I guess, more constant dollars, rather  
5 than net present value.

6 Q. Now, on Page 9 of your testimony you have listed the  
7 company's depreciation rates, their current depreciation  
8 rates and their proposed depreciation rates there towards  
9 the bottom of the page. Do you see that?

10 A. Yes, sir.

11 Q. Did you make any changes to the company's proposed  
12 depreciation rates?

13 A. Well, I took out -- as indicated in my testimony, I  
14 took out the net salvage component and redeveloped the  
15 rate and came up with a number -- an adjustment to their  
16 depreciation expense. So, yes, the proposed rate was  
17 adjusted by removing the net salvage component.

18 Q. And it was the net salvage related to what unit or  
19 units?

20 A. I think I went across the board looking at all the  
21 accounts for -- well, all accounts, I guess, for Northeast  
22 3 and 4 and took out the net salvage. I believe that was  
23 the case.

24 Q. In fact, on Page 15 of your testimony, Lines 22 and 20-  
25 -- 22 through 24, don't you indicate that the -- you took

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1 out the net salvage for Northeast generating plants Units  
2 3 and 4?

3 A. That's correct.

4 Q. Okay. So, it wasn't all of the units in -- within  
5 those accounts; it was just those two units; is that  
6 right?

7 A. That's correct.

8 Q. Okay. Now, as I read your testimony, the reason you  
9 took -- the reason you excluded that is because you  
10 questioned whether or not they're -- the company will  
11 retire -- will decommission those sites; is that right?

12 A. That's correct.

13 Q. Okay. Now, you don't have any evidence to the contrary  
14 that the company would -- would or wouldn't do anything  
15 with those sites, do you?

16 A. Well, in reviewing testimony, it appears that there are  
17 a lot of concerns. I bring up one witness, Mr. Norwood,  
18 who has testified and has many, many arguments of the -- I  
19 guess of the reasonableness of going forward to  
20 dismantling, a lot of things he's seen, economic benefits  
21 that maybe were not taken into consideration, those things  
22 that had been brought up about the megawatts being removed  
23 and whether or not the company could go forward, you know,  
24 without those in service to serve customers, a lot of  
25 concerns there.

1        So, from what I have gleaned from testimony, I think  
2        that there's many questions or a number of concerns.  
3        Mr. Pous has brought up a lot of concerns, too, as to  
4        whether or not those units should, in fact, be dismantled.  
5        But based upon that, it did help me in making a decision  
6        to not change the rates, not change the retirement year of  
7        2040.

8        Q.    Okay.    Now, if we -- if we assume that the company will  
9        not be using those sites, should that net salvage that you  
10       have excluded be then included in the depreciation  
11       rates?

12      A.    I think you just should look at interim salvage.  
13      I don't know that it's proper to put a terminal net  
14      salvage in a depreciation rate, because I think it's just  
15      speculative in going forward as to whether plants are  
16      going to be dismantled. I think going forward the site is  
17      already there, the building is there, and it's a matter of  
18      retrofitting.

19      And a lot of plants, to my knowledge, have been  
20      retrofitted. They haven't been taken down. I know some  
21      have. Some very old, old plants have been dismantled.  
22      But I think the cost of that and -- and the option of  
23      being able to have that there and going forward to use  
24      natural gas, and I said, too, about retrofitting the coal  
25      itself that I think--again, I would not put a terminal net

1 salvage calculation in there.

2 I would just use the interim salvage rates and look at  
3 this from year to year. You know, you look at history up  
4 to the point, and you develop a rate. You come in again,  
5 you know, and look at the retirements. If you were  
6 getting closer to dismantling, you would probably have  
7 more retirements, you would probably be seeing more costs  
8 possibly coming out.

9 So, if I'm answering your question -- or maybe come  
10 back again at me, and I'll -- I'll look at it again.

11 Q. Let me ask it this way: Essentially, isn't it --  
12 aren't you speculating that the -- that the company will  
13 reuse that site and that's why you have disallowed that  
14 net salvage portion?

15 A. I don't know if I would say, "speculating." I don't  
16 know if that's -- if I would use that term.

17 Q. Well, you don't know whether it will be or won't be  
18 used; is that right?

19 A. Well, I guess I'm saying that as I -- as I am proposing  
20 in my testimony that it is not going to be dismantled. I  
21 think there's a good likelihood that it won't be  
22 dismantled.

23 Q. Again, now you have said it won't be, and then you have  
24 also said that there's a likelihood that it won't be.

25 Which one is it?

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1 A. I guess you can never say never. But what I know in my  
2 knowledge today is I don't believe that there should be a  
3 terminal net salvage component included in the rate.

4 Q. But that's only if there is a possible future use of  
5 that site; is that right? Is that your testimony?

6 A. I don't -- come again? Would you ask that question  
7 again? I want to make sure I'm clear before I say it.

8 Q. If the company is going to -- I may have asked it a  
9 different way because of the line of questioning we were  
10 on. But let me -- I'll ask it in two different forms, and  
11 we will see if we get to the same place. If the company  
12 is going to demolish that site and not reuse it, then the  
13 net salvage component is appropriate; is that right?

14 A. I would think so.

15 Q. Okay. That answered my question.

16 MR. PARRISH: Thank you.

17 THE COURT: Other questions for Mr. Cook from any  
18 other counsel? Mr. Davis?

19 MR. DAVIS: Eric Davis for the Oklahoma Attorney  
20 General.

21 REDIRECT EXAMINATION

22 BY MR. DAVIS:

23 Q. Mr. Cook, the purpose of your testimony was to address  
24 net salvage specifically; is that right?

25 A. That's correct.

1 Q. And did you recommend disallowance because there's no  
2 evidence that the company was planning to dismantle

3 A. Did you say no evidence could --

4 Q. Or -- or that there's no requirement that they  
5 dismantle?

6 A. That's right.

7 Q. Okay. Thank you.

8 MR. DAVIS: Nothing further.

9 THE COURT: Mr. Cook, at Page 16, Line 3, you  
10 prepared a quantification. Since the filing of your  
11 testimony, has this number changed, or does it remain the  
12 same?

13 THE WITNESS: It remains the same.

14 THE COURT: Thank you. Any other questions?  
15 Thank you, Mr. Cook. I appreciate your participating in  
16 the proceeding. You may be excused.

17 THE WITNESS: Thank you very much.

18 THE COURT: Thank you. Next witness, please.

19 \* \* \* \* \*

20 (This concludes the requested portion of the  
21 transcript.)

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1 STATE OF OKLAHOMA }  
 } ss:  
2 COUNTY OF OKLAHOMA COUNTY }

9 I, Carol S. Dennis, Registered Professional Reporter,  
10 Certified Shorthand Reporter, Official Court Reporter for  
11 the Corporation Commission of the State of Oklahoma, do  
12 hereby certify that on December 14, 2015, the preceding  
13 testimony was taken by me in machine shorthand and was  
14 thereafter reduced to typewritten form by me. The  
15 foregoing transcript is a true and accurate record of the  
16 testimony given to the best of my understanding and  
17 ability.

18       Whereupon, I have set my hand and seal on this  
19 the 2nd day of May, 2017.

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E. Cary Cook

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1           BEFORE THE CORPORATION COMMISSION OF OKLAHOMA  
2 IN THE MATTER OF THE APPLICATION       ) CAUSE NO. PUD  
3 OF OKLAHOMA GAS AND ELECTRIC        ) 201500273  
4 COMPANY FOR AN ORDER OF THE        )  
5 COMMISSION AUTHORIZING APPLICANT    )  
6 TO MODIFY ITS RATES, CHARGES,        )  
7 AND TARIFFS FOR RETAIL ELECTRIC     )  
8 SERVICE IN OKLAHOMA                 )

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TRANSCRIPT OF PROCEEDINGS

19

May 17, 2016

20

Morning Session

21

22

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27 OFFICIAL REPORTER:

28 CAROL S. DENNIS, RPR, CSR

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A P P E A R A N C E S

Page 1

E. Cary Cook  
2 WILLIAM L. HUMES, ESQ.; WILLIAM J. BULLARD, ESQ.; KIMBER  
3 L. SHOOP, ESQ.; and PATRICK D. SHORE, ESQ., DAVID KUTIK,  
4 ESQ., appeared on behalf of Oklahoma Gas and Electric  
5 Company.  
6 RONALD E. STAKEM, ESQ., and JACK G. CLARK, JR., ESQ.,  
7 appeared on behalf of the OG&E Shareholders Association.  
8 JACQUELYN L. DILL, ESQ.; KRISTIN A. HENRY, ESQ., and LAURIE  
9 WILLIAMS, ESQ., appeared on behalf of the Sierra Club.  
10 JIM ROTH, ESQ.; MARC EDWARDS, ESQ., and DOMINIC D.  
11 WILLIAMS, ESQ., appeared on behalf of the Oklahoma  
12 Hospital Association, the Alliance for Solar Choice, and  
13 the Wind Coalition.  
14 DEBORAH R. THOMPSON, ESQ., appeared on behalf of AARP.  
15 THOMAS P. SCHROEDTER, ESQ., and JENNIFER CASTILLO, ESQ.,  
16 appeared on behalf of Oklahoma Industrial Energy  
17 Consumers.  
18 CHERYL A. VAUGHT, ESQ.; SCOT A. CONNER, ESQ., and JON W.  
19 LAASCH, ESQ., appeared on behalf of Oklahoma Energy  
20 Results.  
21 CHARLES HELM, ESQ., and A.J. FERATE, ESQ., appeared on  
22 behalf of OIPA, Continental Resources and JMA Energy.  
23 DARA DERRYBERRY, ESQ., and ERIC DAVIS., ESQ., appeared on  
24 behalf of the Office of the Oklahoma Attorney General.  
25 NATASHA M. SCOTT, ESQ., and JUDITH JOHNSON, ESQ., appeared

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1 on behalf of the Public Utility Division of the Oklahoma  
2 Corporation Commission.  
3 EMILY SHUART, ESQ., appeared on behalf of PSO.  
4 RICK D. CHAMBERLAIN, ESQ., appeared on behalf of Wal-Mart

5 Stores, LP, and Sam's E. Cary Cook  
East, Inc.

6 LEE W. PADEN, ESQ., appeared on behalf of Quality of  
7 Service Coalition.

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13 This cause, Cause No. PUD 201500273, came on for  
14 hearing of the merits before the Honorable Ben Jackson,  
15 Administrative Law Judge for the Oklahoma Corporation  
16 Commission on Tuesday, May 17, 2016, pursuant to notice  
17 and the rules of the Oklahoma Corporation Commission;  
18 Commissioner Dana Murphy and Commissioner Todd Hiatt,  
19 sitting.

20 The cause was called, and the following proceedings  
21 were had:

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E. Cary Cook

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1 P R O C E E D I N G S

2 REFEREE JACKSON: We'll go on the record. This  
3 is Cause No. PUD 201500273, the application of Oklahoma  
4 Gas and Electric Company. This is the continuing hearing  
5 on the merits. We will take appearances. Is anybody here  
6 today?

7 MR. STAKEM: Ronald E. Stakem and Jack G. Clark,  
8 Jr., on behalf of the Intervenor OG&E Shareholders  
9 Association.

10 MR. HUMES: David Kutik, Bill Humes, Kimber

✓ 11 Shoop, Pat Shore, John Ray and Bill Bullard for OG&E.  
12 MR. LAASCH: Your Honor, Jon Laasch, Cheryl  
13 Vaught and Scot Conner for Oklahoma Energy Results, LLC.  
14 MR. JERNIGAN: Drew Jernigan for the Federal  
15 Executive Agencies.  
16 MS. DERRYBERRY: Dara Derryberry, Eric Davis and  
17 Kimberly Carnley for the Attorney General.  
18 MR. SCHROEDTER: Thomas Schroedter and Jennifer  
19 Castillo on behalf of OIEC.  
20 MR. PADEN: Lee Paden on behalf of the Citizen  
21 Potawatomi Nation.  
22 MS. DILL: Jacquelyn Dill, Casey Roberts, and  
23 Laurie Williams on behalf of Sierra Club.  
24 REFEREE JACKSON: Is there anybody on the phone  
25 that wanted to make an appearance?

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1 MS. JOHNSON: Excuse me. Natasha Scott, Judith  
2 Johnson, Patrick Aherne, Olivia Waldkoetter for the Public  
3 Utility Division.  
4 REFEREE JACKSON: Did I miss anybody else in the  
5 room? Is there anybody on the phone that wanted to enter  
6 an appearance? That being said, I believe the schedule  
7 today was to have Mr. Cook.  
8 MS. DERRYBERRY: Thank you, Your Honor. The  
9 Attorney General calls E. Cary Cook to the stand.  
10 REFEREE JACKSON: Mr. Cook, would you raise your  
11 right hand.  
12 (Whereupon, the witness was duly sworn by the Court to  
13 state the truth.)

14 E. Cary Cook  
REFEREE JACKSON: You may be seated. Ms.  
15 Derryberry, you may proceed.  
16 MS. DERRYBERRY: Thank you, Your Honor.  
17 E. CARY COOK,  
18 having been first duly sworn by the Court to state the  
19 truth, was examined and testified as follows:  
20 DIRECT EXAMINATION  
21 BY MS. DERRYBERRY:  
22 Q. Good morning, Mr. Cook.  
23 A. Good morning.  
24 Q. Could you, please, state your name for the record.  
25 A. My name is E. Cary Cook.

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1 Q. And by whom are you employed and in what capacity?  
2 A. GDS Associates. I'm employed as a senior project  
3 manager.  
4 Q. And have you testified before this Commission  
5 previously on the subject of depreciation?  
6 A. Yes, I have.  
7 Q. Were your credentials accepted?  
8 A. Yes.  
9 Q. Did you pre-file testimony in this cause, Mr. Cook?  
10 A. Yes, I did.  
11 Q. And on whose behalf?  
12 A. I'm sorry?  
13 Q. On whose behalf did you pre-file testimony?  
14 A. The Attorney General.  
15 Q. What was the purpose of your testimony?  
16 A. The purpose was to place into testimony -- or into the

E. Cary Cook

17 record my testimony on the terminal salvage or

18 dismantlement, wind power and also holding company

19 depreciation expense. Those were the issues.

20 Q. Thank you. Do you have any corrections to make to your  
21 pre-filed testimony?

22 A. No, I do not.

23 Q. If I were to ask you the same questions as those asked  
24 in your pre-filed testimony would you answer today be  
25 substantially the same?

sd-8

1 A. They would be.

2 Q. Did you file a summary of your testimony in this  
3 cause?

4 A. Yes, I did.

5 Q. Could you, please, read that testimony summary.

6 A. Yes. My name is E. Cary Cook, and I am a senior  
7 project manager with GDS Associates, an engineering and  
8 consulting firm, and I filed Responsive testimony on March  
9 21st, 2016, on behalf of the Oklahoma Attorney General.  
10 The purpose of my testimony is to present the findings  
11 and recommendations of the AG in this case with regard to  
12 Oklahoma Gas & Electric's, OG&E; proposal to include a  
13 dismantlement component in its production functions,  
14 depreciation rates and expense; OG&E's proposal to include  
15 a twenty-five year service life for its wind power  
16 generating facilities' depreciation expense and OG&E's  
17 proposal to include general plant related holding company  
18 depreciation expense for Accounts 392 and 396 based upon a  
19 previously developed composite depreciation rate.

E. Cary Cook  
20 I developed my Responsive testimony based upon  
21 depreciation information, including Mr. John Spanos's  
22 Direct testimony filed on behalf of OG&E, OG&E's responses  
23 to data requests submitted by the AG and other parties and  
24 my professional experience in the utility industry. I  
25 recommended that OG&E not be allowed to recover

sd-9

1 dismantlement expense in its production function  
2 depreciation rates. It is uncertain whether OG&E's  
3 generating facilities will, in fact, ever be dismantled.  
4 I noted that OG&E proposed to recover a dismantlement  
5 component in its depreciation rates without performing a  
6 detailed analysis of the cost of dismantlement. OG&E  
7 relied upon industry-wide information instead of using  
8 OG&E specific data. I have recommended the use of a  
9 thirty-year life span for OG&E's wind power facilities  
10 compared to OG&E's proposal to use a twenty-five year life  
11 span to develop its wind power depreciation expense.  
12 My determination was made based upon a review of wind  
13 power's most recent technology and the trend in longer  
14 lives for wind power -- wind power facilities. I also  
15 determined that OG&E should apply OG&E's own company  
16 depreciation rates for general plant Accounts 392 and 396  
17 to determine OG&E's holding company depreciation expense.  
18 OG&E applied a previously developed holding company  
19 composite general plant depreciation rate to develop  
20 individual Accounts 392 and 396, instead of performing a  
21 more current analysis to develop the individual accounts'  
22 depreciation rates. I recommend that the Commission



E. Cary Cook  
23 reject OG&E's proposal to include a dismantlement  
24 component in its production depreciation rates.  
25 It is uncertain whether OG&E's general plants will be

sd-10

1 dismantled. Also, OG&E developed its dismantlement  
2 expense based upon industry-wide data instead of  
3 conducting an OG&E specific analysis. Wind power  
4 generating facilities' depreciation rates should be based  
5 upon a thirty-year life span rather than the twenty-five  
6 year life span used by OG&E. More recent technology shows  
7 that a thirty-year life span is more reasonable.

8 Holding company depreciation expense for Accounts 392  
9 and 396 should be based upon current OG&E accounts'  
10 respective depreciation rates. Instead OG&E determined  
11 its holding company depreciation expense for these  
12 accounts based upon a previously developed holding company  
13 overall general plant composite depreciation rate.

14 Q. Thank you, Mr. Cook. Did the company file testimony  
15 rebutting your testimony?

16 A. No.

17 Q. Are you aware that company witness Spanos made a  
18 correction from the stand to his testimony that he  
19 pre-filed, inserting your name in various places so as to  
20 rebut your testimony after he had pre-filed Rebuttal  
21 testimony?

22 A. Yes.

23 Q. Do you have any oral surrebuttal testimony to offer?

24 A. Yes.

25 Q. Could you provide a reference to the testimony and your

E. Cary Cook

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1 Surrebuttal, please.

2 A. So, I -- the transcript is where Mr. Spanos on Page 107  
3 of his transcript -- is that what you're --

4 Q. Yes, sir.

5 A. Okay. Where he indicated that I had only addressed  
6 wind power, the issue of wind power, and I did address the  
7 net terminal salvage, and I also addressed holding company  
8 depreciation expense. So, based upon my reading I think  
9 he indicated -- I believe he indicated there in that  
10 section that I only addressed one issue.

11 Q. And, in fact --

12 A. There were three.

13 Q. Thank you, sir.

14 MS. DERRYBERRY: Your Honor, I offer this witness  
15 for Cross-Examination

16 REFEREE JACKSON: Thank you. Mr. Paden?

17 COMMISSIONER MURPHY: Judge, if you don't mind --  
18 sorry, the voice from behind your head. Do you mind if I  
19 just ask a couple of fundamental questions right now?

20 REFEREE JACKSON: Go right ahead, Commissioner.

21 COMMISSIONER MURPHY: Mr. Cook, were you here, or  
22 did you hear any part of the testimony from the witness  
23 Mr. Pous yesterday?

24 THE WITNESS: No, I didn't.

25 COMMISSIONER MURPHY: Okay. These three areas

sd-12

E. Cary Cook

1 that you talk about that you have an issue with what you  
2 believe Mr. Spanos provided, can you quantify those in  
3 terms of dollar amounts and, i.e., for example, if I go to  
4 just the second one you have listed, the wind power  
5 facilities, and using a thirty-year life span, what  
6 Mr. Pous said yesterday was I believe that would make his  
7 adjustment a six point five million dollar decrease.  
8 would -- would what you have done, would it -- would that  
9 be a similar amount, or would you have a different amount  
10 for that?

11 THE WITNESS: You're talking about holding  
12 company?

13 COMMISSIONER MURPHY: He said that the difference  
14 in what he -- the overall -- he gave an --

15 THE WITNESS: Oh, overall, all the adjustments.

16 COMMISSIONER MURPHY: He gave a combined total,  
17 but he broke it down into each of the components that he  
18 testified to and what the dollar amount that was -- would  
19 be a reduction in the overall amount that OG&E was  
20 requesting. And so, when he talked about a thirty-year  
21 life span on depreciation for the wind facilities, he said  
22 that would be a reduction of six point five million.

23 So, my question to you is: Do you have a  
24 quantification in dollar amounts of what your use of a  
25 thirty-year life span for wind facilities would be?

sd-13

1 THE WITNESS: I believe it was a little over two  
2 million dollars. I can check.

3 COMMISSIONER MURPHY: I'm going to be interested  
Page 11

E. Cary Cook

4 in the dollar quantification for the three areas that you  
5 talked about.

6 THE WITNESS: Okay.

7 COMMISSIONER MURPHY: For the dismantlement  
8 aspect for the wind power facilities and for this issue  
9 with the holding company depreciation expense. If you  
10 could quantify those terms in dollar amounts, and then if  
11 you could give what your overall reduction would be from  
12 what OG&E set forth in Mr. Spanos's testimony as far as  
13 the overall -- the amount that they were seeking for  
14 depreciation.

15 THE WITNESS: First of all, the quantification  
16 for the fossil dismantlement, the removal of that, on a  
17 total system basis I believe it was eighteen point three  
18 million dollars. I think on a jurisdictional it was  
19 fifteen point six.

20 COMMISSIONER MURPHY: When you say,  
21 "jurisdictional," you mean the part that would just be  
22 affiliated with Oklahoma, since they both serve Oklahoma  
23 and Arkansas; is that right?

24 THE WITNESS: That's correct. The -- excuse me.  
25 Let me go back here. I believe the adjustment was a

sd-14

1 little over two million dollars for the wind power.

2 COMMISSIONER MURPHY: And that's to go from the  
3 -- using a thirty-year life span, right?

4 THE WITNESS: If you can give me a minute, I just  
5 want to make sure. I went from twenty-five to thirty.

6 No. I'm sorry. I misstated that. Five point eight

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E. Cary Cook

7 million on wind power, and that's on a total system basis.  
8 On the holding company my adjustment was seventy-nine  
9 thousand seven-fifty. I might note I only adjusted two of  
10 the accounts, which are the larger dollar accounts.

11 COMMISSIONER MURPHY: So, if I just quickly  
12 looked at those numbers, that would be a little over  
13 twenty-four million?

14 THE WITNESS: That's correct.

15 COMMISSIONER MURPHY: And that would be the  
16 amount that you would reduce the depreciation for the  
17 accounts you studied of their overall depreciation amount  
18 they are seeking?

19 THE WITNESS: That's correct.

20 COMMISSIONER MURPHY: Okay. And I'm assuming  
21 that if I had some questions about how that would impact  
22 the revenue requirement or other things that would be  
23 calculated based on the testimony that you have given on  
24 depreciation, that would be for another witness?

25 THE WITNESS: That's right.

sd-15

1 COMMISSIONER MURPHY: Okay. Thank you.

2 THE WITNESS: Sure.

3 REFEREE JACKSON: I believe I asked for Mr.  
4 Padén. Ordinarily we would do PUD after the AG, but I  
5 think we have tried to follow this concept that PUD would  
6 end the --

7 (Interruption.)

8 REFEREE JACKSON: -- would end rotation after all  
9 the other intervenors have gone. Ms. Scott, did you want

E. Cary Cook

10 to do something different? Did you want to present your  
11 Cross-Examination at this point, or do you want to wait  
12 until later?

13 MS. SCOTT: We have no Cross-Examination for this  
14 witness, Your Honor.

15 REFEREE JACKSON: Well, that settles that  
16 problem. Let's see. Mr. Paden?

17 MR. PADEN: Your Honor, I have no Cross.

18 REFEREE JACKSON: Does TASC or the Hospital  
19 Association have a representative today? I didn't hear  
20 anybody enter an appearance. If not, is Ms. Thompson here  
21 today? She didn't enter an appearance earlier. Mr.  
22 Jernigan?

23 MR. JERNIGAN: No questions, Your Honor.

24 REFEREE JACKSON: Ms. Dill?

25 MS. DILL: Sierra Club has no Cross for this

sd-16

1 witness.

2 REFEREE JACKSON: Has anyone seen Mr.  
3 Chamberlain? If not, Mr. Schroedter?

4 MR. SCHROEDTER: OIEC has no Cross-Examination,  
5 Your Honor.

6 REFEREE JACKSON: Mr. Laasch?

7 MR. LAASCH: No Cross for OER, Your Honor.

8 REFEREE JACKSON: Mr. Stakem?

9 MR. STAKEM: Thank you, Judge.

10 CROSS-EXAMINATION

11 BY MR. STAKEM:

12 Q. Good morning, Mr. Cook. My name is Ron Stakem, and I  
Page 14

E. Cary Cook

13 represent the intervenor OG&E Shareholders Association.

14 A. Good morning.

15 Q. Do you still have your summary and your Responsive  
16 testimony and exhibits in front of you?

17 A. I've got my summary. I'll pull my testimony, if you'll  
18 give me a second. Yes, I have it in front of me.

19 Q. Attached to your Responsive testimony and labeled as  
20 Exhibit ECC-1 is your resume, correct?

21 A. That's correct.

22 Q. I notice with some interest that you and I were in law  
23 school at different places, but during the same -- same  
24 years, '72 through '75, and that you're also a CPA; is  
25 that right?

sd-17

1 A. That's right.

2 Q. You were asked if your credentials as an expert had  
3 been recognized at various places and accepted. Are you  
4 testifying as an expert lawyer in this case?

5 A. No.

6 Q. Are you testifying as an expert Certified Public  
7 Accountant in this case?

8 A. Yes.

9 Q. Okay. Do you also consider yourself to be a  
10 depreciation expert?

11 A. Yes.

12 Q. Are you an engineer, sir?

13 A. No, I'm not. I work in an engineering firm, though,  
14 with engineers.

15 Q. Would you consider yourself and are you asking the

E. Cary Cook

16 Commission to recognize you as an expert in, let's say,  
17 the engineering of wind turbines?

18 A. No, I'm not an engineer in that respect.

19 Q. You're not asking the Commission to recognize you as an  
20 expert on wind turbines?

21 A. No.

22 Q. If you would turn, please, to your summary of your  
23 testimony, and then in particular on Page 2 at Lines 12  
24 through 15.

25 A. Okay.

sd-18

1 Q. There you summarized information that you relied upon.

2 Do you see that?

3 A. Yes, sir.

4 Q. The last bit of information that you identify as being  
5 relied upon is what you call your professional experience  
6 in the utility industry, correct?

7 A. That's correct.

8 Q. Were you listening in or present in this hearing room  
9 for any portion of the earlier hearing?

10 A. No. I was not in the hearing room, but I listened to  
11 testimony.

12 Q. Did you hear from time to time testimony referring to  
13 judgment or informed judgment?

14 A. I'm not sure I heard that specifically. I don't  
15 recall that.

16 Q. When -- when you in your testimony refer to  
17 professional experience, did you mean to say that your  
18 experience informs your judgment about things?

Page 16



E. Cary Cook

19 A. Yes.

20 Q. And you think that that's valuable to the Commission?

21 A. Yes, I do.

22 Q. Okay. And would that be true of Mr. Spanos?

23 A. He has a number of years of experience.

24 Q. And he -- and that experience, you would expect, formed

25 -- and informs his judgment, as well?

sd-19

1 A. Yes.

2 Q. And it's fair for the Commission to consider on both of

3 your experience and your judgment in weighing or

4 evaluating your testimony?

5 A. That's correct, yes.

6 Q. The -- do you see there on Page 2 of your summary on

7 Line 17 the sentence it is uncertain whether OG&E's

8 generating facilities will, in fact, ever be dismantled.

9 Do you see that sentence?

10 A. Yes.

11 Q. Do you conduct dismantlement studies?

12 A. No.

13 Q. Have you ever done a dismantlement study?

14 A. Not a dismantlement study, no.

15 Q. Do you conduct depreciation studies?

16 A. Yes.

17 Q. Have you ever conducted a depreciation study with a

18 dismantlement component to it?

19 A. No.

20 Q. Are you aware, sir -- well, strike that. Can we agree,

21 sir, that in a perfect world regarding the depreciation of

E. Cary Cook

22 assets like those involved in this case the Commission  
23 would know how long a plant -- an item of plant would --  
24 its useful life would be? wouldn't they know that with  
25 certainty?

sd-20

1 A. No.

2 Q. You would not agree that that would be useful?

3 A. Oh, it would be useful. I'm sorry.

4 Q. In a perfect world -- in a perfect world it would be  
5 useful for the calculation of depreciation to know with  
6 regard to every plant its useful life?

7 A. Yes.

8 Q. And know precisely when it would no longer be useful?

9 A. Yes.

10 Q. And know that at the outset in advance?

11 A. Yes, if you could do that.

12 Q. And the fact of the matter is we know from common  
13 experience that as humans we can't do that and we don't do  
14 that?

15 A. That's right. We use our best judgment.

16 Q. There's always uncertainty?

17 A. Yes.

18 Q. would you agree with me, sir, that even if one  
19 conducted a dismantlement study there would still be  
20 uncertainty about whether a particular plant or a group of  
21 plants would ever be dismantled?

22 A. Yes.

23 Q. So, in this world of uncertainty there's estimates that  
24 are made, correct?

E. Cary Cook

25 A. That's correct.

sd-21

1 Q. And do you have some testimony to give to this  
2 Commission about the reliability of -- of your estimate  
3 versus the reliability of anybody else's estimate like,  
4 for example, Mr. Spanos?

5 A. When you say reliability, my experience and my judgment  
6 comes into play there.

7 Q. Well, are you able to say because of your education,  
8 training, experience or judgment to this Commission you  
9 know what, my thirty-year recommendation is likely  
10 accurate to a plus or minus X percent?

11 A. No. I can't do that.

12 Q. So, while you personally hold your view and your  
13 judgment about thirty years as being reliable, you don't  
14 have any information or evidence to give to the Commission  
15 to demonstrate that that's likely the case?

16 A. When you say thirty years, are you relating it to any  
17 part of my testimony, or is that an example? Are you just  
18 giving me an example?

19 Q. Well, I thought, sir, I was relating it to --

20 A. Are you talking about wind power?

21 Q. Yes, sir.

22 A. Okay. I wanted to make sure if we were talking about  
23 wind power facilities.

24 Q. Yes, sir. I was.

25 A. Yes. And the question?

sd-22

1 Q. Well, the question was: Are you saying that based on  
2 your education, training and experience your view about  
3 thirty years for wind turbine, you're testifying that  
4 there's a certain reliability associated with that view?

5 A. I believe that based upon the most recent information  
6 that I have gleaned from reports and studies that the life  
7 of those -- that equipment would be thirty years -- closer  
8 to thirty years or more based upon the information from  
9 the reports that I reviewed most recently -- most recent  
10 reports, I mean.

11 Q. And those reports that you have reviewed you have  
12 attached to your testimony; is that right?

13 A. That's correct.

14 Q. And were there other reports that you reviewed that you  
15 did not attach to your testimony?

16 A. I don't believe so. I might have -- there might have  
17 been one or two that I saw there but I didn't attach it.

18 Q. All right. Would you, please, turn to Page 6 of your  
19 testimony.

20 A. Okay.

21 Q. And I'm going to refer you also to Page 21, so you  
22 might mark that or just hold that page. Do you see there  
23 on Line 10 at Page 6 that you refer to the definition of  
24 depreciation?

25 A. I'm sorry?

sd-23

1 Q. Page 6, Line 9, beginning at line 9 there's a

E. Cary Cook

2 definition of depreciation. Do you see that?

3 A. Yes, I do.

4 Q. And in Line 10 of that definition there's a clause that

5 says loss of service value not restored by current

6 maintenance. Do you see that?

7 A. Yes.

8 Q. Is there in this world of depreciation a distinction

9 drawn between current maintenance on the one hand, and if

10 you would flip over to Page 21, Line 2, retrofits and

11 replacement components?

12 A. Yes.

13 Q. So that if a plant -- strike that. Routinely the

14 owners of a facility would be expected to retain current

15 maintenance, correct?

16 A. That's correct.

17 Q. And current maintenance is not expected to extend the

18 life span?

19 A. Well, it could.

20 Q. Well, how is it that retrofits and replacement

21 components are different from current maintenance?

22 A. I think you're looking at capital items versus expense.

23 If you do a retrofit or replacement that's capital costs.

24 And maintenance is regular maintenance or maintenance

25 where you don't replace major components.

sd-24

1 Q. You might -- you might have a capital improvement, but

2 you'd expense it, in any event?

3 A. I'm sorry?

4 Q. In current maintenance you might buy parts --

E. Cary Cook

5 A. Right.

6 Q. But then you'd expense those?

7 A. You would expense that, yes.

8 Q. Instead of capitalizing them?

9 A. That's correct.

10 Q. So, it's an accounting distinction?

11 A. Yes. But I think that you can have major components  
12 that are capital items. You can have some parts that are  
13 maintenance, so . . .

14 Q. Turn, please, to Page 7 of your testimony. And first  
15 on Page -- on Line 8 -- 7 and 8 -- excuse me -- do you see  
16 the sentence beginning on Line 7 the net salvage rate is  
17 determined based upon the net of gross salvage and cost of  
18 removal?

19 A. Yes.

20 Q. By that you mean to subtract the cost of removal from  
21 the gross salvage?

22 A. That's correct.

23 Q. You used the term there "removal." Is that the same as  
24 dismantlement?

25 A. No. In this sense if you are just -- I think you may

sd-25

1 have to distinguish between interim retirements and  
2 terminal retirements. You would have salvage and cost of  
3 removal for both of those, interim retirements and the  
4 terminal.

5 Q. Over on Page 8 you define dismantlement, and it's  
6 different from removal. Is that your testimony?

7 A. Well, I think, you know, if you are removing the

E. Cary Cook  
8 facility and you're taking away the structure and the  
9 parts, and dismantlement is taking it down, also.  
10 Q. So, they are the same?  
11 A. Well, if I understand your question, I mean, removing  
12 -- not removing it specifically from the site, if you're  
13 talking about that, taking it off. That's a part of  
14 dismantlement. So, I guess removing it from its  
15 structure, taking it down and dismantlement I believe  
16 would be considered the same.  
17 Q. How often ought one to do a depreciation study on a  
18 plant?  
19 A. I think it just depends on the timing that someone  
20 decides to maybe update their rates. I think it's a  
21 variable item.  
22 Q. Several times over the course of a lifetime of a  
23 plant?  
24 A. I would think so, yes.  
25 Q. And would you expect the depreciation rates to change

sd-26

1 with each depreciation study?  
2 A. Yes.  
3 Q. And the -- the salvage rates for the same plant may be  
4 different in each study?  
5 A. Might be different.  
6 Q. And over the lifetime of a plant if you take into  
7 consideration retrofits and took into consideration  
8 replacements, you might change the life of the plant, you  
9 might change the depreciation rates related to it, you  
10 might change the salvage values associated with it,

E. Cary Cook

11 correct?

12 A. That's correct.

13 Q. And these are all estimates?

14 A. Well, you look at experience.

15 Q. Well, turn, please, to Page 16. Isn't it the case,

16 sir, that a company's specific dismantlement study is

17 itself an estimate?

18 A. Yes, based upon the facts and the analysis that you

19 would determine an estimate for that.

20 Q. And you have testified to that on Page 16?

21 A. Well, can you cite me to a line?

22 Q. Yes, sir. I draw your attention to Line 9, 10 and 11.

23 The sentence reads -- would you just go ahead and read the

24 last sentence of that answer, please.

25 A. Starting where? I'm sorry. I want to make sure.

sd-27

1 Q. On line -- on Page 16, at Line 9.

2 A. Company's specific dismantlement study provides the

3 most reliable estimate of future decommissioning costs.

4 Q. Thank you.

5 MR. STAKEM: I have no further questions. Thank

6 you.

7 REFEREE JACKSON: Mr. Kutik.

8 MR. KUTIK: Thank you, Your Honor.

9 REFEREE JACKSON: You may proceed.

10 MR. KUTIK: Thank you, Your Honor.

11 CROSS-EXAMINATION

12 BY MR. KUTIK:

13 Q. Good morning, Mr. Cook. We haven't had the pleasure of



E. Cary Cook  
14 meeting. My name is David Kutik. I'm here on behalf of  
15 the company. Good morning.  
16 A. Good morning.  
17 Q. Now, as part of your pre-filed testimony you included  
18 your resume, correct?  
19 A. That's correct.  
20 Q. And your resume was intended by you to be a reasonably  
21 accurate summary of your experience, correct?  
22 A. That's correct.  
23 Q. You intended to include the most significant  
24 information relevant to your work here in your resume,  
25 fair to say?

sd-28

1 A. Yes.  
2 Q. Now, as I understand your resume and your testimony,  
3 it's true that you have testified in -- under oath on  
4 Cross-Examination in four forums, correct?  
5 A. I'm not sure. If you could clarify that.  
6 Q. Well, you understand what testimony under  
7 Cross-Examination means?  
8 A. Yes.  
9 Q. Okay. And when I say "forums," I'm talking about  
10 either Commission, FERC, a court. So, my question is you  
11 have testified in only four forums, correct?  
12 A. Let me just go through and -- Oklahoma; the FERC, Texas  
13 and Georgia, I believe. So, four, yes.  
14 Q. And were you -- and can we assume, sir, that in each  
15 one of those forums you testified on depreciation issues  
16 like you're testifying in this case?

E. Cary Cook  
17 A. Depreciation was not an issue in all of those  
18 proceedings, I don't believe.  
19 Q. It was not?  
20 A. It was not.  
21 Q. Okay. Was it an issue in any of those proceedings?  
22 A. Yes.  
23 Q. How many?  
24 A. The Texas case I believe was Reliant Energy, Houston  
25 Light and Power, and some years ago it might have been

sd-29

1 before the Georgia Commission.  
2 Q. So, you have testified two times on depreciation  
3 issues?  
4 A. Well, and Oklahoma, yes.  
5 Q. So, now we have three times?  
6 A. Three. I believe that's the case.  
7 Q. And that's the sum and substance of your testimony  
8 under Cross-Examination with respect to depreciation,  
9 correct?  
10 A. That's correct.  
11 Q. Now, I see on your resume that you're also a member of  
12 the Society of Depreciation Professionals, correct?  
13 A. Correct.  
14 Q. Are you certified as a depreciation professional?  
15 A. No.  
16 Q. Have you taken courses put on by that society?  
17 A. Well, I attended the Iowa State seminar. I don't know  
18 that the society put that on, but I attended that  
19 instruction, that school, I believe, for a week some years

E. Cary Cook  
20 ago in Ames, Iowa.  
21 Q. And it's true, was it not, that there were instructors  
22 there from Gannett Fleming?  
23 A. I don't recall.  
24 Q. Now, as a CPA would it be fair to say that you  
25 attempted to show your work here, in other words, you

sd-30

1 attempted to provide everything that you thought was  
2 relevant that you relied upon?  
3 A. That's correct.  
4 Q. Including the studies that you relate -- that you  
5 believe support your view with respect to the life span  
6 of a wind unit, correct?  
7 A. Well, I provided support from analysis of periodicals  
8 and studies, yes.  
9 Q. So, my question is: You included the material you  
10 thought was relevant that you relied upon, correct?  
11 A. That's correct.  
12 Q. Now, it would also be correct to say that you have not  
13 prepared and produced a depreciation study in this case,  
14 correct?  
15 A. That's correct.  
16 Q. And you have not determined the service lives for all  
17 classes of assets?  
18 A. No, I haven't.  
19 Q. You have not determined the interim retirement rates  
20 for all applicable accounts?  
21 A. No.  
22 Q. You did not determine the net salvage percent for all

E. Cary Cook  
23 applicable accounts?

24 A. No.

25 Q. And you -- your testimony presents the sum and

sd-31

1 substance of the analysis that you did?

2 A. That's correct.

3 Q. When you said no before, you were actually meaning to

4 agree with my propositions that you didn't do those

5 various things, correct?

6 A. That's right. I didn't do detailed analyses of all the  
7 accounts.

8 Q. Now, I think you said in answer to questions from Mr.

9 Stakem that you have conducted depreciation analyses  
10 before?

11 A. Yes.

12 Q. And you would expect that as part of such an analysis

13 that the assets being studied would be inspected in some  
14 way?

15 A. No. They don't have to be inspected.

16 Q. So, you would not expect that it would be a prudent and  
17 appropriate thing for a depreciation analyst to inspect  
18 the assets being studied?

19 A. Well, I think it would be if you're doing a full-blown  
20 study that you would want to visit the site.

21 Q. Okay. And so, you would expect in this case Mr. Spanos  
22 would have inspected the facilities?

23 A. Yes.

24 Q. And you would expect that the company would also be  
25 interviewed about those facilities?

sd-32

1 A. Yes, most likely.

2 Q. And the company would be interviewed about how the  
3 company was going to use its assets?

4 A. Yes.

5 Q. And what plans the company had for its assets?

6 A. Yes.

7 Q. And in this case it would be correct to say that you  
8 did not inspect any of the company's assets?

9 A. No, I did not.

10 Q. Or -- and you did not interview any company  
11 witnesses?

12 A. No, I did not.

13 Q. And you did not ask for an inspection, correct?

14 A. That's correct. My -- my testimony was limited to this  
15 dismantlement issue.

16 Q. Sir, all I asked you is whether you did any of those  
17 things, and you did not, correct?

18 A. That's correct.

19 Q. Now, you would agree with me, would you not, that the  
20 objective of depreciation is to allocate the full cost of  
21 an asset in a systematic and rational manner over the  
22 asset's service life?

23 A. Yes.

24 Q. And you would also agree that it's important to  
25 allocate costs in such a way in order to avoid

sd-33

E. Cary Cook

1 intergenerational inequity?

2 A. Yes.

3 Q. Now, with regard to dismantlement costs or terminal net

4 salvage, you would agree, would you not, that OG&E has

5 previously included dismantlement costs or terminal net

6 salvage in depreciation expense in its rates?

7 A. Well, the company has done depreciation analysis based

8 upon the total cost of its facilities, so in a sense,

9 yes.

10 Q. All right. And if no dismantlement costs are allocated

11 -- allocated to the company's current customers under the

12 rates at issue in this case, the companies -- the

13 customers would no longer pay those costs, correct?

14 A. Would you repeat that? I'm sorry.

15 Q. Sure. If no dismantlement costs are allocated and

16 included in the rates under proposal in this case, current

17 customers will no longer pay those costs, correct?

18 A. They would not pay for dismantlement.

19 Q. They would no longer pay them, correct?

20 A. Yes.

21 Q. Now, you have conducted no analysis as to what

22 dismantlement costs should be, correct?

23 A. That's correct.

24 Q. And you did not propose any alternative dismantlement

25 costs, correct?

2

sd-34

1 A. That's correct.

2 Q. Now, you've reviewed Mr. Spanos's testimony, correct?

3. A. That's correct.

E. Cary Cook

4 Q. And did you either listen to or review Mr. Spanos's  
5 testimony here in court?

6 A. I listened to it here in court, and I have read the  
7 transcript.

8 Q. All right. So, you're aware, for example, that  
9 Mr. Spanos has reviewed over thirty dismantlement studies,  
10 correct?

11 A. I don't recall that number.

12 Q. So, you don't remember that he testified --

13 A. I don't recall a number.

14 Q. And you don't remember that he testified that the range,  
15 of companies' costs for a company similar to OG&E was  
16 between thirty and fifty dollars per kilowatt for steam,  
17 units?

18 A. I do recall that.

19 Q. Now, it's -- it's true, is it not, that you have not  
20 testified -- or you have testified only once before with  
21 respect to dismantlement costs?

22 A. That's correct.

23 Q. That was in the PSO case here in Oklahoma?

24 A. That's correct.

25 Q. Now you're proposing -- or your position with respect

sd-35

1 to dismantlement costs is that the Commission should not  
2 rely on industry-wide figures, but rather should require a  
3 company-specific study, correct?

4 A. That's correct.

5 Q. Now let me return to the wind life span issue. Now, I  
6 think we said earlier that ideally a depreciation analyst

E. Cary Cook

7 should be -- should review the specific assets under  
8 study, correct?

9 A. That would be good, yes.

10 Q. And that would include the plant's physical operating  
11 environment, correct?

12 A. Uh-huh. Yes. I'm sorry.

13 Q. And talking to company personnel, as we talked earlier,  
14 correct?

15 A. Yes.

16 Q. Now, in looking at your resume would it be correct to  
17 say that since, say, 2000 only one company that you have  
18 been involved in projects with has had -- has owned a wind  
19 unit?

20 A. I don't know.

21 Q. Okay. Well, PSO did, correct?

22 A. I believe they did.

23 Q. And you don't know whether any of the others did?

24 A. No.

25 Q. Now, you would agree with me, would you not, that there

sd-36

1 isn't a lot of data regarding the experience of wind units  
2 and their life spans?

3 A. I really don't know. I don't know how much data there  
4 is around there.

5 Q. Okay. So, you couldn't tell the Commission whether  
6 there's a lot, a little, who knows?

7 A. I would say there's a fair amount out there. Wind  
8 power is getting to be much larger, and it's been in place  
9 in states like California and Colorado. So, I'm not sure,



E. Cary Cook

10 you know, when it became a large component, but I think it  
11 has been contributing, the facilities have, for a number  
12 of years.

13 Q. Well, my question is: Is there a lot of research and  
14 are there a lot of studies on the experience of wind units  
15 in terms of their life span?

16 A. I don't know the volume of that.

17 Q. Okay.

18 A. I would think there would be.

19 Q. Well, would it be fair to say that there certainly  
20 isn't a lot of experience with respect to wind units for  
21 the technology used by OG&E?

22 A. I'm not aware of that.

23 Q. Okay. And, sir, since you are here testifying about  
24 OG&E's units, you're aware, are you not, of the number of  
25 units that OG&E operates?

sd-37

1.A. I believe I do.

2 Q. And how many units does OG&E operate --

3 A. I believe there's three.

4 Q. Okay. Only three units?

5 A. Well, there's three facilities. I'm not sure about the  
6 number of units out there. But based upon the analysis  
7 there are three names of wind power.

8 Q. So, as far as you know, there are three locations?

9 A. I'm not certain about how many locations.

10 Q. Okay. So, you don't know how many locations there are,  
11 correct?

12 A. That's correct.

E. Cary Cook

13 Q. And you don't know how many units there are, correct?

14 A. I can go back into my exhibits here and tell you, but I  
15 don't know it off the top of my head.

16 Q. Right. So, you don't -- well, it is in your  
17 exhibits?

18 A. I believe, if you'll give me a second.

19 Q. Sure.

20 A. Well, it shows three different facilities under wind:  
21 spirit, Crossroads and Centennial.

22 Q. Okay. So, my question to you, sir, is: Are those all  
23 -- are those at one location, or are they different  
24 locations?

25 A. I don't know.

sd-38

1 Q. Do those represent one unit, or several units?

2 A. I couldn't tell you.

3 Q. Do you -- would it be fair to say that you don't know  
4 the number of megawatts for any unit?

5 A. I can tell you. I've got that in my exhibit.

6 Q. How many -- so, tell me how many units there are and  
7 for each unit what the megawatts are --

8 A. Well, again, the descriptor is OU's spirit does one oh  
9 one megawatts; Crossroads, two twenty-eight; Centennial,  
10 one twenty.

11 Q. All right. So, is it your testimony that there's one  
12 unit of a hundred and one megawatts?

13 A. I don't know.

14 Q. So, again, you can't tell me a -- specific units and  
15 what megawatts they have?

E. Cary Cook

16 A. I don't have that detail in front of me.

17 Q. Okay. And would it also be fair to say that you can't  
18 tell us what the model of any unit is?

19 A. I'm sorry. What is model? Can you explain that?

20 Q. All right. When I say a model of a wind unit, do you  
21 understand what that means?

22 A. Well, maybe the manufacturer when you say model.

23 Q. All right. Let's start with the word "manufacturer."

24 Can you tell me who the manufacturer is for any unit?

25 A. No.

sd-39

1 Q. Can you tell me for any manufacturer what model of any  
2 unit there is?

3 A. No. Well, can I --

4 Q. With respect -- with respect to the study that --

5 A. Excuse me. Can I back up? I notice here on my exhibit  
6 that it has the title unit, so if unit means one, then I  
7 would say there would be one unit at Spirit, Crossroads  
8 and Centennial, if that is correct. But it does indicate  
9 on top as a descriptor unit, so . . .

10 Q. So, it's your testimony that there -- OG&E only has  
11 three units?

12 A. Well, based upon this exhibit that I --

13 Q. I'm asking you what your testimony is. Is it your  
14 testimony that there are three units, or is the testimony  
15 -- is the testimony that you don't know how many units  
16 there are?

17 A. My testimony didn't include that information.

18 Q. Well, again, I'm --

E. Cary Cook

19 REFeree JACKSON: Excuse me, Mr. Kutik. I'm  
20 getting confused here about how the term "unit" is being  
21 used.

22 MR. KUTIK: Right.

23 REFeree JACKSON: Are we referring to individual  
24 wind turbines, or are we talking about facilities where we  
25 have groups of wind turbines?

sd-40

1 MR. KUTIK: I'm talking about the former, Your  
2 Honor.

3 REFeree JACKSON: Okay. Thank you.

4 Q. (By Mr. Kutik) Is that how you understood my question,  
5 sir?

6 A. Could you repeat that?

7 Q. Sure.

8 A. Sorry.

9 Q. We have been talking about the word "unit."

10 A. Right.

11 Q. All right. And in my questions to you I have taken the  
12 word "unit" to mean the specific turbine windmill, for  
13 lack of a better word. Is that how you've been  
14 understanding it?

15 A. I think that's my understanding, based upon this  
16 information.

17 Q. So, it's your understanding that OG&E has three units,  
18 correct?

19 A. Based upon this information, yes.

20 Q. And based upon your information can you tell me for  
21 each unit what the megawatts is?

E. Cary Cook

22 A. Well, again, one hundred and one for spirit, two  
23 twenty-eight for Crossroads, one hundred and twenty for  
24 Centennial, based upon the information I have before me  
25 for what it describes as units.

sd-41

1.Q. So, sir, is it your understanding that there is out  
2 there in existence one windmill that generates a hundred  
3 and one megawatts?

4 A. I don't know for sure. But, again, based upon this  
5 information, it appears to lean toward that.

6 Q. Okay. And there's -- there's another windmill out  
7 there that generates two hundred megawatts?

8 A. Again, based upon this information it would appear that  
9 that would be two twenty-eight.

10 Q. And there's a third windmill out there that has a  
11 hundred and twenty megawatts?

12 A. Again, based upon the information before me, as it's  
13 described.

14 Q. Now let's talk about your research. It's true, is it  
15 not, that basically what you did is you went on the  
16 Internet to look for information on life spans for wind  
17 mills?

18 A. At our company, GDS Associates, we have a librarian who  
19 does research for us who's very competent, been in the  
20 business, his discipline, for a number of years, and he  
21 did the research for me.

22 Q. So, he went on the Internet to look for wind --

23 A. He went on the Internet. That's a very good source.

24 Q. All right. And one of your exhibits is a -- and it's  
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25 Exhibit ECC-3, Pages 2 to 5. It's a brief summary of a

sd-42

1 report by Burns and McDonnell, correct?

2 A. If you can give me a minute here.

3 Q. Sure.

4 A. You said 2 through 5?

5 Q. Two through five.

6 A. Yes.

7 Q. Okay. And you did not attach the actual report,  
8 correct?

9 A. I believe this is a summary.

10 Q. All right. So, again, my question is: You did not  
11 attach the actual report, correct?

12 A. That's correct.

13 Q. Okay. And the owner and operator of the wind farm  
14 under that study is not a regulated utility, correct?

15 A. I don't know.

16 Q. This exhibit includes no information about the data  
17 underlying Burns and McDonnell's service life estimation,  
18 correct?

19 A. Could you give me a second here just to . .

20 (Pause.)

21 A. There's no detail. It is not a detailed analysis. It  
22 does reference what they assessed looking at the wind farm  
23 assets.

24 Q. Okay. Well, we see no indication of the location, the  
25 manufacturer, the model or the mega- -- the megawatt

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1 nameplate of any unit study, correct?

2 A. It indicates the name of it, Vestas's V 903 megawatt  
3 turbines generates a hundred megawatts of energy.

4 Q. That's all we see, correct?

5 A. I believe so. That's my quick viewing here.

6 Q. And we don't know whether that is something that is  
7 within OG&E's fleet, correct?

8 A. I don't know how that compares to OG&E's, no.

9 Q. The next -- the next document which appears in the same  
10 exhibit, Page 6 through 8, is a guest post written for the  
11 on-line magazine Renewables International, correct?

12 A. I'm sorry. Your first terminology I didn't catch.

13 Q. Guest post. Isn't that what that is?

14 A. I don't -- I don't understand. It says Renewables  
15 International at the top.

16 Q. And isn't the information -- the article there, isn't  
17 that entitled a guest post?

18 A. It says wind turbines for forty years under technology.  
19 Maybe I'm missing where you're -- where you're picking up  
20 on that.

21 Q. Okay.

22 A. If you could give me some more help on where it is --

23 Q. Well, let's talk about -- about this article. This  
24 author states, does he not, that a twenty-year service  
25 life does not represent the limit of what is, quote,

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1 technically possible, correct?

2 A. I'm not -- well, let's see. <sup>E. Cary Cook</sup> I believe that's true,  
3 based upon my reading here.  
4 Q. Okay. And the author references no data for studies  
5 supporting his statement that a wind farm could reach the  
6 age of forty years, correct?  
7 A. His study is not in here, no.  
8 Q. Okay. And the author recognizes that retrofits or  
9 replacement components would be necessary to keep a wind  
10 farm operational beyond twenty-five years, correct?  
11 A. well, I haven't read this again. It's been a few days.  
12 I'd have to go through and find that cite.  
13 Q. All right. So, would it also be fair to say that  
14 there's no indication of a location, manufacturer, model  
15 or megawatt nameplate?  
16 A. No. I don't believe he cites a specific plant in  
17 megawatts.  
18 Q. All right. Now, would it be fair to say that you have  
19 not spoken to the author, Mr. Romberg, R-o-m-b-e-r-g?  
20 A. No, I have not spoken with him.  
21 Q. You have not spoken with him?  
22 A. No, I haven't.  
23 Q. It says here that Mr. Romberg handles wind farms in  
24 Germany for the Swiss energy provider Repower,  
25 R-e-p-o-w-e-r, correct? Do you see it under his

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1 picture?

2 A. That's correct.

3 Q. And you're familiar with Repower, are you not?

4 A. Right, yes.



E. Cary Cook

5 Q. And you're familiar with the fact that Repower owns --  
6 well, back up. So, he handles wind farms in Germany, and  
7 you're familiar with the fact that Repower has two wind  
8 farms in Germany, correct?

9 A. I'm not knowledgeable of that.

10 Q. All right. So, you don't know, for example, that the  
11 total number of units that Repower owns in Germany is  
12 thirteen?

13 A. No, I do not.

14 Q. And you don't know that the total megawatts is  
15 something in the neighborhood of eighteen?

16 A. I don't have that information.

17 Q. And you don't know that Mr. Romberg has only --

18 MS. DERRYBERRY: Your Honor, I'm going to object  
19 to this line of questions. The witness has been asked and  
20 answered about his knowledge of this specific wind power  
21 provider, and yet Mr. Kutik continues to ask questions  
22 that follow the same answer --

23 REFEREE JACKSON: well, I'm going to overrule the  
24 objection, but ask Mr. Kutik to --

25 MR. KUTIK: I only have one more question.

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1 REFEREE JACKSON: Okay.

2 Q. (By Mr. Kutik) And you're -- you're not aware that  
3 Mr. Romberg had only been operating these units since  
4 2010?

5 A. I'm not aware of that.

6 Q. Or that the units were put in place in 2005 and 2008?

7 A. I'm not aware of that.

E. Cary Cook

8 Q. So, we don't know anything about the specifics behind  
9 Mr. Romberg's statement in terms of the length of units,  
10 correct?

11 A. No. I'm just -- I have used his information in summary  
12 form where I guess he has drawn a conclusion about life  
13 spans being maybe forty years.

14 Q. And so, instead of using company-specific or unit-  
15 specific information, you have used industry-wide  
16 information, correct?

17 A. When you say, "industry-wide," I'm not sure --

18 Q. Well, it is not related to any specific unit that you  
19 know of, correct?

20 A. That's correct.

21 Q. All right. So, this is information that you gained  
22 through a research of the industry, correct?

23 A. That's correct.

24 MR. KUTIK: Your Honor, it is 9:30. Do I need to  
25 break at this time?

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1 REFEREE JACKSON: Commissioners, are you going to  
2 have Signing Agenda?

3 COMMISSIONER MURPHY: Yes.

4 REFEREE JACKSON: Let's -- let's break until  
5 after the Signing Agenda. We will go off the record.

6 (Recess taken.)

7 REFEREE JACKSON: We'll go back on the record.  
8 Mr. Cook, you realize you are still under oath?

9 THE WITNESS: Yes, sir.

10 REFEREE JACKSON: Mr. Kutik, you may proceed.

11 E. Cary Cook  
MR. KUTIK: Thank you, Your Honor.  
12 CROSS-EXAMINATION (Continued)  
13 BY MR. KUTIK:  
14 Q. Mr. Cook, you have given some testimony about holding  
15 company expense, correct?  
16 A. That's correct.  
17 Q. And you understand what assets are covered by that  
18 expense, correct?  
19 A. That's correct.  
20 Q. It's software, correct?  
21 A. Not all of it.  
22 Q. Most of it is?  
23 A. I don't believe so. They have transportation  
24 equipment, power-operated equipment, which are in those  
25 total dollars of general plant.

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1 Q. Are you aware that there is software in there?  
2 A. Yes.  
3 Q. You're also aware in that account that there have been  
4 additions since the company last set its rates, correct?  
5 A. I believe that's true.  
6 Q. So, the company's rates aren't recovering on those  
7 assets, correct?  
8 A. Not on the new additions, no.  
9 Q. Not on the new additions. So the answer is yes, they  
10 are not recovering?  
11 A. Yes.  
12 Q. Okay. And you understand, sir, as a CPA the difference  
13 between depreciation and amortization, correct?

E. Cary Cook

14 A. Yes.

15 Q. And would it be fair to say that amortized assets  
16 usually are assets that after the amortization period the  
17 useful value is gone?

18 A. I don't believe it's the useful value. That's the  
19 selected number of years that you would amortize the  
20 costs.

21 Q. Right. And at the end there's usually no net salvage  
22 value associated with that amortization, correct?

23 A. If you are talking about software, that's probably the  
24 case. I don't think there's a market for software when it  
25 gets up to a point of most likely being obsolete.

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1 MR. KUTIK: Thank you, Your Honor. I have no  
2 further questions.

3 REFEREE JACKSON: Ms. Derryberry?

4 MS. DERRYBERRY: Thank you, Your Honor. I do  
5 have few questions on Redirect Examination for Mr. Cook.

6 REDIRECT EXAMINATION

7 BY MS. DERRYBERRY:

8 Q. Mr. Cook, you were asked at the outset by Commissioner  
9 Murphy about your testimony on specific depreciation  
10 accounts or what the quantifications were of your  
11 recommendations with regard to depreciation. Did you,  
12 just to clarify your responses --

13 (Interruption.)

14 Q. (By Ms. Derryberry) -- did you provide testimony or  
15 recommendations on all of the company's depreciation  
16 accounts?

E. Cary Cook

17 A. No.

18 Q. And for the accounts for which you did not provide  
19 testimony or recommendations, should that be understood as  
20 taking a position with regard to those accounts?

21 A. No.

22 Q. Now, Mr. Kutik asked you some questions in the area of  
23 your experience. Has this Commission previously  
24 recognized you as an expert on depreciation issues?

25 A. Yes.

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1 Q. And have you analyzed depreciation issues in more than  
2 the three instances that you and Mr. Kutik discussed?

3 A. Yes. And looking back at my resume, you know, it was a  
4 number of years ago, but as part of my analysis when I'm  
5 reviewing a company's filing, I did review -- and I  
6 customarily review depreciation when I review a company's  
7 filing.

8 And I also have prepared testimony in some other  
9 dockets that I didn't recall at the time. So, there was a  
10 number of other dockets that I was involved in in which I  
11 did include depreciation testimony. It was a number of  
12 years ago.

13 Q. And Mr. Kutik also was asking you some questions with  
14 regard to the company's request for dismantlement costs in  
15 this proceeding?

16 A. Right.

17 Q. He, I believe, asked you a question specifically about  
18 whether -- I believe the question to you was dismantlement  
19 costs are currently being recovered in rates, and I wanted

E. Cary Cook  
20 to ask you to explain your understanding as to whether the  
21 dismantlement costs the company is seeking in this  
22 proceeding are currently being recovered in rates.  
23 A. No, they are not. And they did a dismantlement study  
24 to include a new component in the depreciation rate to  
25 cover the costs of terminal retirement or terminal

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1 salvage, also known as dismantlement, which they had not  
2 been collecting before. So, it's eighteen point three  
3 million dollars of additional costs in the depreciation  
4 expense.

5 Q. Thank you. And he asked you more questions  
6 specifically about your recommendations as they related to  
7 that dismantlement cost, and I believe you responded to  
8 one of those questions in explaining your recommendation.  
9 Could you remind us specifically what you have recommended  
10 with regard to the company's request for the eighteen  
11 point three million dollars in dismantlement costs?

12 A. My recommendation is that no costs be included. The  
13 company should have done a site-specific study rather  
14 than using industry data, especially when for the first  
15 time they are asking this type of costs, substantial costs  
16 of eighteen point three million dollars.

17 Q. And do you recall in reading Mr. Spanos's testimony,  
18 both pre-filed as well as on the stand, that he testified  
19 the company did not have time to conduct that type of  
20 study? Could you respond to that, please?

21 A. Yeah.

22 MR. KUTIK: Objection, beyond the scope of

E. Cary Cook

23 Cross.

24 REFEREE JACKSON: Could you repeat the question?

25 MS. DERRYBERRY: Yes, Your Honor. I was asking

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1 for -- let me rephrase the question, because I can do so  
2 in a way that it's directly responsive to  
3 Cross-Examination. Mr. Cook was asked about his  
4 recommendation with regard to the company's request for  
5 dismantlement costs in this cause, and I am asking  
6 Mr. Cook if he could comment as to whether the company  
7 could have done what he has recommended, which is perform  
8 a site-specific study.

9 A. I believe they --

10 MR. KUTIK: Same objection, Your Honor.

11 REFEREE JACKSON: I'm going to sustain the  
12 objection.

13 Q. (By Ms. Derryberry) Mr. Cook, you were asked -- in the  
14 questions relating to the life span of wind facilities you  
15 were asked a question by Mr. Kutik, and in response to the  
16 question you referenced an exhibit that was attached to  
17 your testimony, but I don't believe you gave a specific  
18 explanation as to what you were reading from.

19 Could you explain to us what exactly you were  
20 referencing in response to Mr. Kutik's question?

21 A. Sure. And the questions were with regard to units and  
22 the megawatts for wind power, and I failed to mention that  
23 this information that I included in my exhibit was  
24 provided by the company, and it was in response to OCC  
25 1-10 of that attachment where the company indicated this

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1 information, and I basically responded with the  
2 information that was on this sheet that they had provided  
3 in a data response on the number of units and the  
4 description and the megawatts.

5 Q. Thank you, sir.

6 MS. DERRYBERRY: I have no further questions.

7 REFEREE JACKSON: Commissioner Murphy?

8 COMMISSIONER MURPHY: Yes, I actually have a  
9 couple of questions. Mr. Cook, back to the dismantlement  
10 area, was your -- was your main issue that they just  
11 didn't do a specific study, or did you have other  
12 components of why you think that that shouldn't be  
13 included?

14 THE WITNESS: well, it was primarily that they  
15 did not do a company-specific study, that they relied on  
16 industry data when they were for the first time going to  
17 include dismantlement of eighteen point three million  
18 dollars in the depreciation rates. But I have a concern,  
19 too, about dismantling plants in the present and in the  
20 future due to the cost and reuse actually in retrofits  
21 that can be done on plant facilities.

22 And I would think in today's times that utilities  
23 would retrofit and do those things possible to a plant  
24 that would basically keep it running for a number of  
25 years. And I think as retirements are made, there may be

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E. Cary Cook

1 some point where the company or the Commission sees that  
2 it's, you know, with a lot of retirements going on that  
3 there might be a dismantlement.

4 But I think with the costs of dismantlement, the  
5 potential for retrofits where the company could change  
6 from coal to natural gas that those facilities and those  
7 sites are very important, and I would think that those  
8 facilities would be maintained in place, but just  
9 retrofitting, you know, new technology and new equipment,  
10 but maintain the facility on the site.

11 COMMISSIONER MURPHY: So, what's your definition  
12 of dismantlement?

13 THE WITNESS: Taking the plant down and taking it  
14 to brown field or green field, basically just bringing it  
15 down to the ground.

16 COMMISSIONER MURPHY: Is dismantlement the same  
17 term as as decommission, or would you say those are two  
18 different terms?

19 THE WITNESS: You can use those terminology --  
20 terms interchangeably, decommission or dismantle a plant.  
21 Decommissioning I would think in more -- in terms of more  
22 like nuclear decommissioning a nuclear plant. I've seen  
23 that terminology.

24 COMMISSIONER MURPHY: Okay. I looked at your  
25 testimony, and I think you had said on Page 16, and you

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1 said that in response to Cross and also responsive, I  
2 think, as a witness when you talk about for the first time  
3 a dismantlement component. So, I'm assuming that you're

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E. Cary Cook

4 just talking about the first time for OG&E; is that right?

5 THE WITNESS: First -- first time -- well, first  
6 time that they were including a dismantlement component.

7 COMMISSIONER MURPHY: You're making it company-  
8 specific?

9 THE WITNESS: Yes.

10 COMMISSIONER MURPHY: Okay. So, are you aware in  
11 other jurisdictions -- I mean, do they allow for  
12 dismantlement, or do you have any other knowledge about  
13 dismantlement?

14 THE WITNESS: I think there's probably some  
15 companies out there that would include -- that may include  
16 it as specifically a line item in their filing, but I  
17 would think there's some companies out there that have  
18 been permitted by a Public Service Commission to include a  
19 dismantlement component. I'm just not aware of, you know,  
20 the volume of that, the extent of it.

21 COMMISSIONER MURPHY: Okay. And I think my last  
22 question and I'm sorry, I had it before the break --  
23 but your adjustment and the numbers that it seemed like  
24 you came to with relating a total depreciation amount for  
25 OG&E was a little bit different than Mr. Pous did

?

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1 yesterday, because he relied on this JJS-3 for this two  
2 hundred and ninety-four point eight million, and I thought  
3 I saw in a couple of places in your testimony it was a two  
4 hundred and eighty some million that then was adjusted to  
5 a three hundred and fourteen million.

6 So, could you just help me understand what you took

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E. Cary Cook

7 away as what their overall depreciation expense was and  
8 your adjustments and what number that would lead to?

9 THE WITNESS: Okay. Well, on Page 7 of my  
10 testimony I indicated that the current depreciation  
11 expense is roughly two hundred and eighty-five million,  
12 and the proposed is three fifteen. It's about a thirty  
13 million dollar -- thirty million -- or, actually, I  
14 indicated twenty-nine million, six hundred and thirty-nine  
15 thousand five dollars as a total increase, total system  
16 increase, which had within it the increase due to those  
17 items that I mentioned as a fossil -- as a dismantlement,  
18 rather. It has the wind power adjustment, and it has a  
19 holding company expense adjustment.

20 So, within that twenty-nine million is roughly  
21 twenty-four plus million dollars, which leaves five  
22 million of other -- other than -- probably the changes in  
23 the other functional group accounts that I didn't -- I'm  
24 sorry -- yes. It would include other increases to other  
25 accounts in depreciation rates, which I didn't address,

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1. like transmission, distribution in general.

2 COMMISSIONER MURPHY: Okay. So, you're saying  
3 that additional amount that they have requested should be  
4 reduced by twenty-four million dollars?

5 THE WITNESS: Yes.

6 COMMISSIONER MURPHY: Okay. All right. Thank  
7 you.

8 THE WITNESS: Uh-huh.

9 REFEREE JACKSON: Any further questions?

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10 Commissioner Hiett?

11 COMMISSIONER HIETT: No.

12 REFEREE JACKSON: Ms. Derryberry, do you have  
13 anything further of this witness?

14 MS. DERRYBERRY: No, thank you, Your Honor.  
15 we're ready to call our next witness.

16 REFEREE JACKSON: Mr. Cook, you may step down.

17 THE WITNESS: Okay.

18 \* \* \* \* \*

19 (This concludes the requested portion of the  
20 transcript.)

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1 STATE OF OKLAHOMA }  
2 COUNTY OF OKLAHOMA COUNTY } ss:

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C E R T I F I C A T E

9 I, Carol S. Dennis, Registered Professional Reporter,  
10 Certified Shorthand Reporter, Official Court Reporter for  
11 the Corporation Commission of the State of Oklahoma, do

E. Cary Cook  
12 hereby certify that on May 17, 2016, the preceding  
13 testimony was taken by me in machine shorthand and was  
14 thereafter reduced to typewritten form by me. The  
15 foregoing transcript is a true and accurate record of the  
16 testimony given to the best of my understanding and  
17 ability.

18 whereupon, I have set my hand and seal on this  
19 the 2nd day of May, 2017.

20

21 CAROL S. DENNIS, RPR, CSR  
22 OFFICIAL COURT REPORTER  
23 OKLAHOMA CORPORATION COMMISSION  
24  
25