

**BEFORE THE CORPORATION COMMISSION OF OKLAHOMA**

IN THE MATTER OF THE APPLICATION OF )  
**OKLAHOMA GAS AND ELECTRIC COMPANY** )  
FOR AN ORDER OF THE COMMISSION ) CAUSE NO. PUD 201100087  
AUTHORIZING APPLICANT TO MODIFY ITS )  
RATES, CHARGES, AND TARIFFS FOR RETAIL )  
ELECTRIC SERVICE IN OKLAHOMA )

Direct Testimony

of

Jesse B. Langston

on behalf of

Oklahoma Gas and Electric Company

July 28, 2011

Jesse B. Langston  
*Direct Testimony*

1 Q. **Please state your name, your job title, by whom you are employed, and your**  
2 **business address.**

3 A. My name is Jesse B. Langston, Vice President of Utility Commercial Operations for  
4 Oklahoma Gas and Electric Company (“OG&E” or “Company”). My business address is  
5 321 N. Harvey, Oklahoma City, Oklahoma 73102.  
6

7 Q. **Briefly summarize your education and professional qualifications.**

8 A. I have over 25 years of experience at OG&E, beginning in 1985. I spent my first three  
9 years after graduation from Oklahoma State University as a distribution planning  
10 engineer before being promoted to Project Engineer in 1991. I spent three years in the  
11 OG&E “System Laboratories” program, which is designed to provide young engineers  
12 with opportunities to work on projects in distribution, transmission, and generation  
13 operations. In that capacity, I participated in and led many projects related to metering,  
14 transmission relay, substation maintenance, telecommunications and generation  
15 maintenance. In 1991, I was promoted to Staff Engineer in the marketing department and  
16 was responsible for producing the Company’s end-use forecasts.

17 In 1994, I became Client Manager in Resource Planning and became responsible for all  
18 resource planning activities. In 1997, I became Manager of Deregulation Transition,  
19 leading the complex efforts to prepare our Oklahoma and Arkansas jurisdictional  
20 activities for deregulation. In 2001, I joined the Corporate Planning group as Manager  
21 and subsequently served as Director of this group. In 2005, I became Director of Utility  
22 Commercial Operations and was elevated to Vice President in 2006.

23 Over the past few years, I have led a number of significant initiatives including the  
24 acquisition of a 77 percent ownership interest in McClain (a 520 MW natural gas  
25 combined cycle plant), the development of Centennial (a 120 MW wind farm), and the  
26 acquisition of a 51 percent ownership interest in Redbud (a 1,230 MW natural gas  
27 combined cycle plant). I also led the development of OU Spirit, the 101.2 MW wind  
28 energy facility located in Woodward, Oklahoma. Most recently, I have provided  
29 direction to the team that has worked on the 227 MW Crossroads wind farm project. I

1 hold an MBA from Oklahoma City University (May 2002) and a Bachelor of Science  
2 degree in Electrical Engineering from Oklahoma State University (1985).

3  
4 **Q. Have you previously testified before the Commission?**

5 A. Yes. I testified as the policy witness in OG&E's last rate case, Cause No. PUD  
6 200800398. I have testified before the Commission on several occasions related to  
7 implementing OG&E's resource planning efforts. I first testified in Cause No. PUD  
8 200300564 related to a request by PowerSmith for purchased power rates and a power  
9 purchase contract with OG&E. I testified in Cause No. PUD 200500151 regarding the  
10 decision-making process that led to OG&E's acquisition of a 77 percent ownership  
11 interest in the combined cycle gas-fired McClain generating facility. I testified in Cause  
12 No. PUD 200500059, regarding OG&E's request for approval to construct the Centennial  
13 wind project. I testified in Cause No. PUD 200700012 regarding OG&E's application  
14 for pre-approval of joint development and ownership of Red Rock, a 950 MW ultra-  
15 supercritical coal plant. I testified in Cause No. PUD 200800086 regarding OG&E's  
16 application for preapproval of the acquisition of a 51 percent interest in Redbud, a state-  
17 of-the-art 1,230 MW combined cycle natural gas fired power plant; and filed testimony in  
18 Cause No. PUD 200800148 regarding the development of transmission facilities to  
19 deliver wind resources from northwestern Oklahoma to OG&E's load areas. I submitted  
20 testimony in Cause No. PUD 200900167, regarding the development of the OU Spirit  
21 wind farm. Most recently, I submitted testimony in Cause No. PUD 2010000037  
22 regarding OG&E's application and preapproval to construct the Crossroad wind farm.

23  
24 **Q. Is there also a procedural reason for OG&E's filing at this time?**

25 A. Yes. In our last general rate case, the Company agreed to file its next rate case on or  
26 before June 30, 2011 with a test year ending December 31, 2010. The Commission's final  
27 order in PUD 200800398, Order No. 569281, included this requirement. On June 28,  
28 2011, in response to OG&E's request, the Commission issued an order directing OG&E  
29 to file the Application on or before July 29, 2011. OG&E also received a waiver from  
30 the Director of the Public Utility Division allowing OG&E to file the present application  
31 more than six months after the end of the test year.

1 Q. **What is the purpose of your direct testimony?**

2 A. The purpose of my testimony is to identify each of the Company witnesses in this  
3 proceeding, outline the relief requested in this cause and generally explain why OG&E is  
4 seeking a rate increase at this time. Finally, I will discuss OG&E's efforts related to  
5 customer satisfaction and the quality of service, and the success of those efforts.  
6

7 INTRODUCTION TO OG&E WITNESSES

8 Q. **Please identify the OG&E witnesses and purposes of their testimony.**

9 A. Chart 1 lists OG&E's witnesses and a brief description of the purpose of each testimony.

10 **Chart 1**

<b>OG&amp;E Witness List</b>		
<b>Witness</b>	<b>Title</b>	<b>Purpose of Testimony</b>
Jesse B. Langston	Vice President, Utility Commercial Operations	Identifies each of the Company witnesses, outlines the relief requested, explains why OG&E is seeking a rate increase at this time, discusses OG&E's efforts related to customer satisfaction and the quality of service
Robert Hevert	President, Concentric Energy Advisors Inc.	Provides independent analysis of the Company's cost of equity and recommends an allowed rate of return on equity ("ROE") of 11.0 % to allow the Company to both attract capital on reasonable terms and maintain financial strength
Julie M. Cannell	President, J. M. Cannell, Inc.	Provides perspective of investors regarding the Company's rate proposal, including investor's perspective of utility risk
Sheri D. Richard	Director, Revenue Requirements	Sponsors rate base and operating expense pro forma adjustments and provides the overall revenue requirement and rate increase calculation
James M. Proctor	James Proctor Consulting	Supports the working capital included in the pro forma rate base, explains rate making principles related to test period analysis, rate base, rate of return on rate base, and measuring a utility's working capital requirements
Tammy W. Turnipseed	Leader of System Integrity, Power Delivery	Sponsors a modification to the funding level of current System Hardening Program and explains impact of extreme weather on OG&E's distribution system, importance of system hardening, and performance to date of the Company's System Hardening Program
Malini Gandhi	Manager, Regulatory Accounting	Sponsors pro forma adjustments to remove rider costs from the test year, including pro forma adjustments and discusses the Company's request for extension of certain riders
Adam Bigknife	Pricing Analyst	Sponsors pro forma revenue and sales adjustments

1 (Chart 1 Continued)

OG&E Witness List		
Witness	Title	Purpose of Testimony
Mike Halloran	Senior Partner in Executive Compensation practice, Mercer	Sponsors the Compensation Study which considers reasonableness of OG&E's base salary, TeamShare and Long Term Incentive ("LTI") plan
Mark N. Lowry	President, Pacific Economics Group Research LLC	Sponsors statistical benchmarking studies of OG&E's non-fuel operation and maintenance ("O&M") expenses, particularly the expenses for generation maintenance
Donald R. Rowlett	Director, Regulatory Policy and Compliance	Sponsors accounting pro forma adjustments to operating expense and rate base, addresses transmission construction projects that will be completed in 2012; elimination of Off-system Sales of Electricity ("OSSE") rider; changes to the over/under fuel recovery interest calculation in the FCA; and discusses the O&M benchmarking studies conducted by Pacific Economics Group
Greg A. Veitch	Manager, Cost of Service	Supports OG&E's jurisdictional and class cost of service studies (COSS) and the development of the jurisdictional and class allocations and related schedules required by OAC 165:70-5-4
Ben Long	President, B&B Consulting International, LLC	Describes the process of jurisdictional allocation and customer class allocation of transmission costs and recommends continued use of the 12CP jurisdictional allocation method and changing to a 4CP customer class allocation method
Larry Thompson	Thompson & Associates	Describes studies of electric customer costs using analytical methods including the zero intercept method
Gregory Tillman	Manager, Pricing	Sponsors OG&E's proof of revenue (Schedule M-4) and proposed Rate Design, sponsors proposed tariffs including new dynamic pricing program for Power and Light and Large Power and Light customers, provides an overview of the role of the pricing department in a rate case and explains the rate design process
Bryan Scott	Director, Pricing and Load Research	Describes the goals, principles and information sources that impact development of OG&E's rate design, supports Company's request for customer education regarding pricing plans and discuss the implementation of an hourly fuel cost adjustment

2 SUMMARY OF RELIEF REQUESTED

3 Q. Please generally describe OG&E's request in this filing.

4 A. OG&E is requesting authorization to increase its rates by \$73.3 million, a 4.3% increase  
 5 over OG&E's current rates. This represents a 1.68% annual increase in rates since  
 6 OG&E's last rate case and equates to an increase of approximately \$6.60 per month for

1 the average residential customer. The Company expects the new rates to go into effect no  
2 earlier than January 1, 2012. OG&E is also requesting modifications to certain of its rate  
3 tariffs and to its terms and conditions of service. The proposed tariff modifications  
4 include changes to the Renewable Transmission System Additions Rider (“RTSA”) and  
5 extended funding for OG&E’s System Hardening program. The rate relief we are  
6 requesting is necessary to pay for investments that the Company has already made and  
7 expenses that the Company is already experiencing. Moreover, this rate relief will ensure  
8 that the Company continues to provide reliable electric service at the lowest reasonable  
9 cost.

10  
11 **Q. Why is it important for the Commission to grant the relief requested?**

12 A. Maintaining a reliable electric system across 30,000 square miles is an expensive  
13 business. As a regulated company, OG&E operates under state and federal mandates that  
14 obligate us to serve every customer that requests service, and serve those customers  
15 reliably. Millions of people in Oklahoma and Arkansas depend on OG&E. The rate  
16 increase is driven by investments in distribution, transmission and generation facilities  
17 needed to serve those customers and the increased cost of operating and maintaining  
18 OG&E’s system. Across our service territory, since March of 2009, OG&E will have  
19 invested well over \$1 billion in capital improvements by January 2012 and experienced at  
20 least a \$65 million increase in the cost of operations including property taxes. During that  
21 same period, the Company will invest approximately \$263 million in its Oklahoma  
22 distribution system alone. The investment for facilities and equipment used to provide  
23 service to Oklahoma customers is \$895 million higher in this case than the amount  
24 reflected in OG&E’s last case; and less than one-half of that cost is being recovered  
25 through riders. All those investments benefit our customers, but the rates currently paid  
26 by customers do not include compensation for many of those investments or the  
27 Oklahoma share of the increased operating costs.

28  
29 **Q. Why do you believe that this rate increase is reasonable?**

30 A. The Company is very aware that our customers are currently experiencing a very hot  
31 summer and high electric bills that go with it. In fact, the last two summers have been

1 very hot and the demand for electricity has hit record levels in consecutive years.  
2 Correspondingly, the hot weather puts significant burdens on our power plants, delivery  
3 systems and customer operations. These intense system conditions require capital  
4 investment and impact our costs of supplying service. Under these circumstances, we  
5 take particular pride in the fact that these intense conditions have not impacted our ability  
6 to deliver quality, reliable service that OG&E's customers have come to expect. As  
7 detailed by Company Witness Tammy Turnipseed, our system reliability has actually  
8 improved. As I will discuss later, OG&E's improvement in customer satisfaction has  
9 been recognized in an independent survey of electric utility customers. But these results  
10 did not happen by accident. They are the product of a long-term, on-going effort that  
11 requires large investments in our system, great focus by our dedicated members and  
12 continuous emphasis on controlling costs.

13  
14 **Q. How do OG&E's cost of operations compare to other electric utilities?**

15 **A.** OG&E ranks as one of the most efficiently run electric utilities in the country. Our  
16 employees have worked hard to hold down costs. As examples, OG&E has committed to  
17 more than \$20 million in O&M reductions associated with smart grid deployment and has  
18 trimmed more than \$20 million from our pension and benefits costs. As detailed by  
19 OG&E Witness Donald Rowlett, an independent study shows that OG&E effectively  
20 managed its operations through both a high economic growth period (2008), an economic  
21 recession (2009), and a slow growth post recession period (2010) while maintaining  
22 reliable service to customers. This study also demonstrates that OG&E continues to be  
23 efficient as compared to other utilities, even when considering the increased level of  
24 generation O&M currently being incurred. However, even with continuous focus on  
25 efficiency, the cost of providing quality and reliable electric service has gone up. As  
26 OG&E focuses on managing costs, it is equally important that OG&E receive timely  
27 recovery of its cost of providing service so it can address our customer needs in the  
28 future.

1 Q. **Has the Commission approved riders which allow OG&E to recover some of its**  
2 **costs?**

3 A. Yes. Some of the additional investment and O&M costs have been funded by riders  
4 approved by the Commission. Of the \$895 million in capital investments added to the  
5 Oklahoma rate base since March 2009, \$397 million was funded through riders.  
6 However, OG&E is not being compensated in riders for \$498 million of those additional  
7 costs. Instead, funds from debt issuances and stockholder contributions are funding these  
8 costs. While OG&E continues to meet its obligation to serve all customers, like any  
9 other company, OG&E can only go so long without receiving recovery of the cost of  
10 serving those customers. The Company is simply asking to be compensated for the cost  
11 of providing services to our customers.

12

13 Q. **Is cost recovery for previous investments and rising expenses important as OG&E**  
14 **looks to the future?**

15 A. Yes. Utilities must meet their current obligations while planning ahead to meet future  
16 customer needs and expectations. Those that fail to do so risk severe consequences for  
17 their customers and the economy in their service territory. Central to meeting future  
18 needs and expectations is a financially sound utility. Through a constructive process  
19 involving the Commission and other stakeholders, OG&E has done its best to anticipate  
20 and be in a position to mitigate the impact on our customers of current and future  
21 challenges to the electric utility industry.

22

23 Q. **How has the Company positioned itself to address future challenges?**

24 A. The Company's planning and actions have been reflected largely, but certainly not  
25 exclusively, in its 2020 Goal. As I will discuss in more detail later, a number of  
26 generation, transmission and energy efficiency initiatives that contribute to reaching the  
27 2020 Goal are on-going or have been completed. Initiatives, such as the System  
28 Hardening program which includes enhanced vegetation management, physical and  
29 cyber-security improvements, Smart Grid implementation and other programs not  
30 generally detailed in the 2020 Goal discussion are also contributing to overall system  
31 improvements and are partially or largely complete. Of course, environmental and

1 economic uncertainties loom, but OG&E continues to work hard at being strategically  
2 positioned to deal with these issues as they come up. The rate relief we request keeps us  
3 on the path of the 2020 Goal and helps ensure that OG&E, its customers and shareowners  
4 are positioned to meet future challenges.  
5

#### 6 OG&E'S 2020 GOAL

7 **Q. Please provide a review of OG&E's 2020 Goal.**

8 A. The 2020 Goal represents a radical departure from the electric industry business model  
9 that served customers well since at least the 1930's. Simply stated, building power plants  
10 to serve load growth made certain sense in meeting demands for electricity – especially  
11 when fuel was cheaper and there were more plentiful construction resources and  
12 relatively inexpensive solutions to environmental risks. Today, utilities cannot simply  
13 build power plants to meet growing demand. OG&E's leadership recognizes that  
14 continuation of the old approach could be detrimental to our customers and our  
15 shareowners. In 2007, OG&E announced its goal to reach the year 2020 without adding  
16 fossil-fueled electric generation.  
17

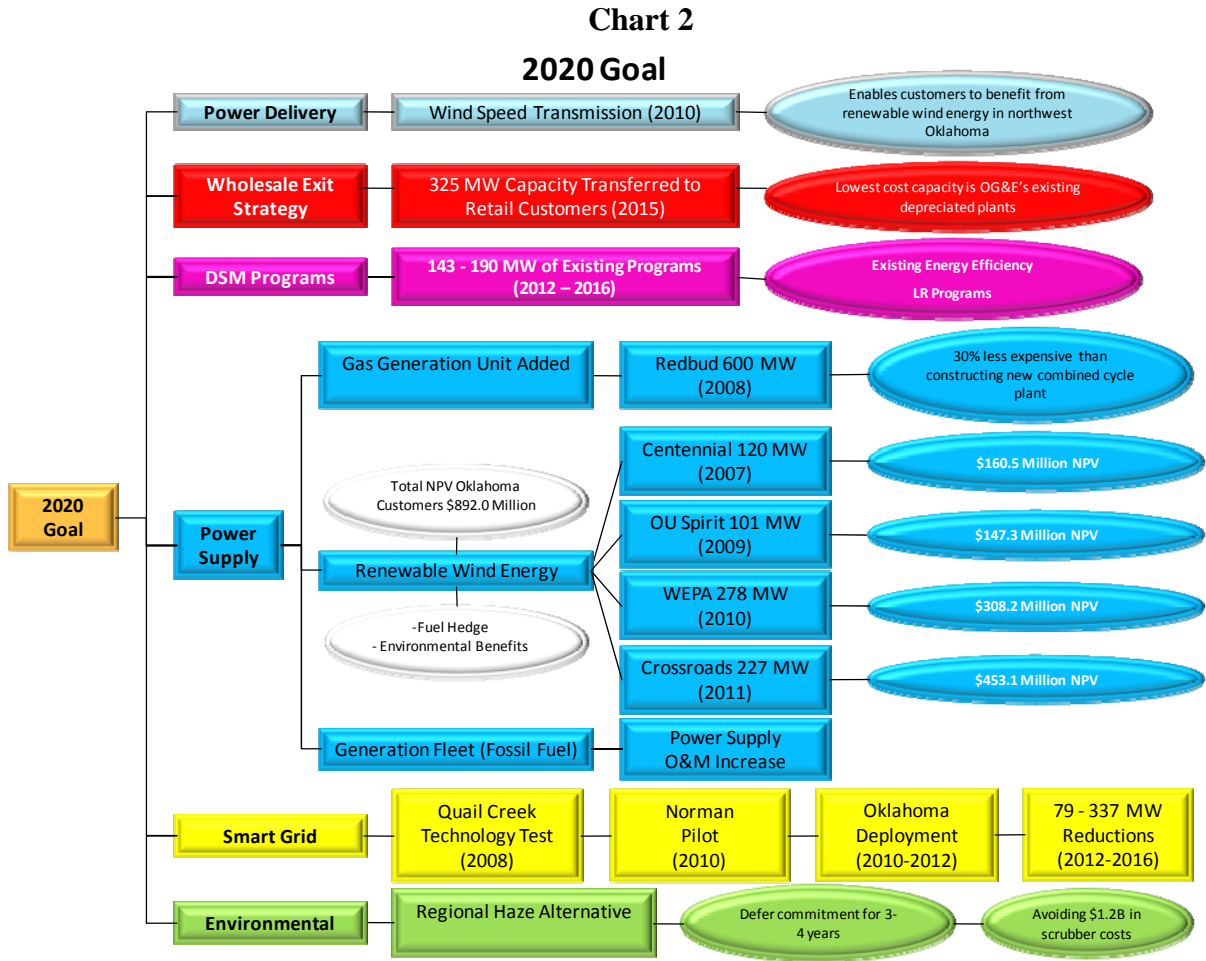
18 **Q. What types of strategies are included in the 2020 Goal?**

19 A. First and foremost, the 2020 Goal is premised on continued investment in the day to day  
20 business of providing safe and reliable electric service. The 2020 Goal focuses on:  
21 increased energy efficiency; increased demand response; adding renewable wind energy;  
22 building new transmission to bolster reliability and to support wind; and improving the  
23 efficiency of our generation fleet. Over time, we've recognized that achieving the goal  
24 can be enhanced by a number of other initiatives, including consideration of the  
25 retirement or replacement of our existing generation, not renewing our wholesale  
26 contracts at the proper time, and smart grid deployment.  
27

28 **Q. Have you developed a chart that illustrates the 2020 Goal?**

29 A. Yes. Chart 2 demonstrates the components of the 2020 Goal and how OG&E has taken  
30 steps to achieve the 2020 Goal.

1



2

3 **Q. How has the first component on Chart 2 “Power Delivery” added value to the 2020**  
4 **Goal and relate to this Application?**

5 **A.** OG&E has been achieving the integration of renewable wind energy by strategically  
6 expanding its transmission system. The primary location for wind farms is in western  
7 Oklahoma and the panhandle. Just a few years ago, the existing transmission  
8 infrastructure would not support meaningful wind development. In May 2008, OG&E  
9 filed an application with the Commission requesting approval to construct a transmission  
10 line, named Windspeed, from Woodward to Oklahoma City. In September 2008, the  
11 Commission issued an order approving the construction of Windspeed. Windspeed was  
12 completed and energized in 2010 which opened a corridor to access northwest  
13 Oklahoma’s vast wind resources.

1 The pro forma rate base and expenses used in this Application include the plant in service  
2 and costs of the WindSpeed transmission line. The Application also addresses recovery  
3 of transmission upgrades to be completed in 2011. In addition, as detailed by OG&E  
4 Witness Donald Rowlett, the Company is proposing a mechanism for recovering the  
5 Oklahoma jurisdictional share of costs for major transmission upgrades that will be built  
6 by OG&E in Oklahoma, paid for in large part by other customers in the Southwest Power  
7 Pool service territory and providing reliability on OG&E's system in 2012.

8  
9 **Q. Please discuss the second component of Chart 2 "Wholesale Exit Strategy" and its  
10 relationship to this Application.**

11 A. OG&E is in the process of systematically terminating its existing wholesale contracts and  
12 making the assets that serve those contracts available to retail customers. Terminating  
13 the wholesale contracts helps achieve the 2020 Goal by providing an estimated 325 MW  
14 of generating capacity to our retail customers without adding new generation. The  
15 Company terminated its previous contract with Arkansas Valley Electric Cooperative  
16 Corporation ("AVEC") and has entered into a new contract with AVEC that terminates in  
17 June 2015. To date, all wholesale customers have been notified of termination and four  
18 of these wholesale customers will be off of our system by year end 2011. As these  
19 wholesale contracts terminate, retail customers will benefit from the availability of those  
20 assets even though the cost associated with those assets will not be reflected in retail rates  
21 until after a subsequent rate case.

22  
23 **Q. Please discuss the component in Chart 2 regarding "DSM Programs" and how it  
24 relates to this application.**

25 A. OG&E has been focusing on energy efficiency and demand response to achieve  
26 reductions in both demand and our customers' overall energy costs. OG&E has  
27 undertaken efforts to expand its traditional demand response programs and has received  
28 approval to expand its energy efficiency programs in both retail jurisdictions. Large  
29 reductions in energy and demand are also expected to be accomplished through  
30 customers' voluntary participation in new Smart Grid enhanced price response programs.

1 OG&E's goal is to reduce its capacity needs by 500 MW by 2020 through technology  
2 enhanced demand reduction and energy efficiency programs.

3 It is important to note that when OG&E implemented Smart Grid, the Company also  
4 guaranteed customer savings through reduced operational cost in excess of \$20 million. A  
5 portion of those savings is reflected in this rate case. In addition, the success of the DSM  
6 effort is largely contingent on customer participation and in this filing, the Company is  
7 proposing additional tariffs options, along with an enhanced web portal, to further  
8 empower customers to manage their electric bills. Smart Grid makes it possible to  
9 achieve the goals, but customers needed both the tools, in the form of tariff options, and  
10 education as to how those options benefit them. This Application includes a request for  
11 additional customer education. As detailed by OG&E Witness Bryan Scott, the need for  
12 additional customer education is based on research which demonstrates that customers  
13 desire options. However, in my opinion, it does not matter how many choices you give  
14 customers if they don't know they are available or don't know how to use them.

15  
16 **Q. How does the fourth component of Chart 2 "Power Supply" support the success of**  
17 **the 2020 Goal and relate to this case?**

18 **A.** The term "Power Supply" in Chart 2 refers to OG&E's generation fleet. This portion of  
19 the 2020 Goal focuses on adding new, more efficient power plants, adding renewable  
20 wind energy and maintaining OG&E's fossil-fueled generation fleet. OG&E has  
21 accomplished many of these tasks, including acquiring the Redbud generating facility.  
22 By the end of 2011, OG&E also will have over 700 MW of renewable wind energy,  
23 which will result in more than \$1 billion in estimated customer savings over the life of  
24 those facilities.

25 In meeting the 2020 Goal, the Company has also focused on maintaining its existing  
26 fossil-fuel generating units. The older gas plants have an age range of 42-61 years and the  
27 two coal plants have an average age of 33 years. Maintaining the performance of an  
28 older generation fleet is critical to the quality and the cost of the service we provide our  
29 customers. The increasing O&M costs that are reflected in the requested rate increase are  
30 a necessary part of maintaining these assets.

1 Q. **Please discuss the component of Chart 2 “Smart Grid” technology and its**  
2 **relationship to this Application.**

3 A. As I mentioned earlier, Smart Grid is critical to the success of the DSM effort and a  
4 reduction in future customer costs associated with the avoidance of additional generation  
5 capacity. In 2007, OG&E began evaluating intelligent digital meters and advanced  
6 metering infrastructure. After a successful demonstration of Smart Grid technology in  
7 northwest Oklahoma City during 2008, OG&E decided to expand Smart Grid by  
8 deploying the technology in the Norman, Oklahoma service area. The Commission  
9 approved the Norman deployment and cost recovery in OG&E’s last rate case. In 2009,  
10 the U.S. Congress passed the American Recovery and Reinvestment Act, which  
11 contained approximately \$3.4 billion in stimulus grant funding for Smart Grid  
12 investments. On December 29, 2009, OG&E officially received the award of \$130  
13 million in federal grant funds subject to the finalization of all administrative and  
14 contractual requirements, including completion of deployment by December, 2012.  
15 OG&E was the only investor-owned electric utility in Oklahoma and Arkansas that  
16 received a DOE grant. On July 1, 2010, the Commission issued an order approving the  
17 Company’s plan to move forward with deployment of Smart Grid in Oklahoma.  
18 The pro forma distribution O&M costs included in this filing already reflect the expected  
19 reduction in manpower and other costs in 2011 from implementation of Smart Grid. In  
20 addition, the Smart Grid will mitigate future O&M cost increases.

21  
22 Q **Please discuss the final component of Chart 2 “Environmental.”**

23 A. Environmental policy and related state and federal mandates represent critical challenges  
24 to OG&E’s ability to serve its customers and meet the growing demand for electricity.  
25 The 2020 Goal is intended in large part to provide options for complying with state and  
26 federal environmental mandates. As these mandates are handed down, the Company is  
27 committed to pursue options that meet legal requirements at the lowest cost to our  
28 customers.

1 Q. **How does the Environmental component of the 2020 Goal relate to this Application?**

2 A. Investments in renewable energy, more robust transmission and distribution systems and  
3 longer operational lives for our existing generation facilities are important steps in  
4 readying OG&E for whatever federal mandates may be ahead of us. Although it is  
5 difficult to predict the best path for our customers and shareowners at this time, I am  
6 confident the steps we have taken will provide flexibility as we search for the best  
7 solution.

8

9

#### CUSTOMER SATISFACTION AND QUALITY OF SERVICE

10 Q. **Has OG&E recently been recognized as a leader in customer satisfaction by J. D.**

11 **Power and Associates<sup>1</sup>?**

12 A. Yes. The J. D. Power and Associates' surveys released in 2011 ranked OG&E number  
13 one in two categories measuring customer satisfaction. In the February survey measuring  
14 customer satisfaction for business customers, OG&E was best in class when compared to  
15 mid-sized utilities in the Southern United States. In the July survey measuring customer  
16 satisfaction for residential customers, the Company was also best in class when compared  
17 to large utilities in the Southern United States. Exhibit JBL-1 contains the electric utilities  
18 included in the satisfaction study and the final results.

19

20 Q. **What quality and satisfaction measurements did J.D. Power survey?**

21 A. The surveys asked both residential and business customers about their satisfaction with  
22 OG&E's power quality and reliability; price; billing and payment; corporate citizenship;  
23 communications; and customer service.

24

25 Q. **What initiatives have OG&E implemented which contribute to customer  
26 satisfaction?**

27 A. OG&E has made several operational improvements in order to assist customers in  
28 managing their electric costs by providing additional services and tools. Specifically,

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<sup>1</sup> J. D. Power, headquartered in Westlake, California is a global marketing information services firm operating in key business sectors including market research, forecasting, consulting, training and customer satisfaction. The firm's quality and satisfaction measurements are based on responses from millions of consumers annually.

1 OG&E has created new customer payment options, improved its customer service  
2 processes and field activities.  
3

4 **Q. What are the general ways OG&E customers can pay their bills?**

5 A. OG&E provides different methods to remit payment so customers can choose a bill  
6 payment option that is most convenient for their lifestyle or needs. In addition to paying  
7 by traditional mail, other options include paying online via automatic bank draft,  
8 electronic check or debit/credit card, by phone, and kiosk machines in designated  
9 locations. In July 2010, OG&E implemented a change to the online bill payment process  
10 that allows customers to make a payment immediately after registering their bank account  
11 information. Previously, customers were required to wait ten days after signing up to pay  
12 online before they were actually able to use the online bill payment process. This change  
13 provides greater convenience for customers and allows them to avoid certain third party  
14 transaction fees. OG&E's on-line services also allows customers the ability to start or  
15 stop service, update their account information, or view their past electricity consumption.  
16

17 **Q. What changes or improvements has OG&E made with its pay agencies?**

18 A. In May 2010, OG&E switched to a new third party payment agent to process payments  
19 via telephone, over the internet (for credit cards and debit card payments), and at kiosks  
20 throughout the entire OG&E service territory. Previously, these various customer  
21 payment options were handled by three outside vendors. OG&E determined that using  
22 multiple vendors contributed to customer frustration and increased the number of calls to  
23 its customer service representatives because transactional information was frequently  
24 slow to post to customer accounts. Currently, there are approximately 140 payment  
25 kiosks located throughout our service area.  
26

27 **Q. How have these changes impacted customers?**

28 A. As I mentioned above, consolidating payment services to one payment agent has reduced  
29 the delay in posting transactions to customer accounts and reduced the number of calls to  
30 the Call Center. OG&E believes that its new payment agent arrangement will reduce  
31 costs for individual customers and provide improved service to customers. For example,

1 customers can now use kiosks to reestablish service after normal working hours. The  
2 consolidation of payment services provided through kiosk machines will allow OG&E  
3 the ability to offer additional service options, including real-time balance notifications,  
4 text confirmations of payment, real-time payment alerts to the Company and additional  
5 kiosk locations to make payments. This is another example of how OG&E is providing  
6 value to customers while keeping costs down.

7  
8 **Q. Does OG&E provide specific billing options to assist its customers during these**  
9 **difficult economic times?**

10 A. Yes. OG&E has a number of billing options that are designed to provide certain  
11 qualifying customers flexibility in paying their bills. First, OG&E allows certain  
12 qualifying residential customers to make delayed payment agreements. These types of  
13 agreements help customers during hardship situations, including loss of employment,  
14 medical situations or unexpected high bills. OG&E also allows fixed income customers  
15 to extend their payment due date. This allows customers to align their payment due dates  
16 with the receipt of their fixed income. Additionally, OG&E has a series of programs and  
17 policies to provide assistance to low income customers. OG&E customer service  
18 representatives can provide customers with a list of social service agencies to assist  
19 customers in need, and assist customers in seeking a sales tax exemption if their annual  
20 income is \$12,000 or less.

21  
22 **Q. Has OG&E undertaken any other billing initiatives to make things easier and more**  
23 **convenient for customers?**

24 A. Yes. In August 2009, OG&E implemented paperless billing. Paperless billing allows  
25 customers to opt-out of receiving paper billing statements via mail each month and  
26 instead receive electronic statements via e-mail and also access on-line services to view  
27 statements.

28  
29 **Q. What customer operations improvements has OG&E made to minimize costs?**

30 A. OG&E implemented a program that allows customer service representatives to respond to  
31 customer outage calls from home outside of normal business hours. This allows a quicker

1 response time to address customer outages and also protects our employees from  
2 hazardous conditions during ice storms or other periods of inclement weather.

3  
4 **Q. Has OG&E also been recognized for excellence in storm restoration?**

5 A. Yes. The Edison Electric Institute has recognized OG&E with the highest national  
6 distinction for disaster recovery seven times since the year 2000. On four of those  
7 occasions, the Company earned the Emergency Response Award for work on our own  
8 electric system after catastrophic events such as the December 2007 ice storm. The other  
9 three times, EEI recognized OG&E with the Emergency Assistance Award for helping  
10 other utilities rebuild their systems after major storms such as Hurricane Katrina.

11  
12 **Q. Has the Company experienced improvements in its quality of service performance**  
13 **measures?**

14 A. Yes. As discussed by OG&E witness Tammy Turnipseed, the benefits of aggressive  
15 vegetation management efforts in Oklahoma have resulted in a reduction of the frequency  
16 and length of outages. SAIDI, which measures the average time per year OG&E  
17 customers are without service, shows that OG&E experienced a 44% reduction in tree  
18 related outages and a 49% reduction in OG&E customers affected by those outages. This  
19 means that customer outage time was reduced by a total of 85,000 hours between 2008  
20 and 2010. Ms. Turnipseed further discusses overall improvements in system hardening,  
21 stating that through January 2011 there has been a 37% reduction of outage incidents and  
22 a 47% reduction of customer minutes of interruption during the same annual time periods  
23 before construction compared to those annual time periods after construction was  
24 completed.

25  
26 **CONCLUSION**

27 **Q. What regulatory approvals is OG&E seeking in this case?**

28 A. Thanks to the hard work of our members and the timely approval by this Commission of  
29 important generation, transmission and distribution initiatives, OG&E has been able to  
30 provide safe, reliable and the lowest reasonable cost electricity to our customers. It is no  
31 accident that our customer satisfaction is among the best in the nation and our region. In

1 this rate case, OG&E asks that rates be increased enough to fairly compensate the  
2 Company for the increased investments and O&M expenses it has experienced since the  
3 current rates were approved more than two years ago; and that those new rates go into  
4 effect after the first of the year. We also ask for continuing authority to expend dollars to  
5 improve our system's resistance to outages through the System Hardening program rider,  
6 approval to flow future costs for major transmission projects through the RTSA rider,  
7 modifications to and education on our tariffs to offer customers the information and tools  
8 to provide them more options for controlling their energy bill.  
9

10 **Q. Do you believe that the Commission should grant this request?**

11 **A.** Yes. We're putting dollars to good use for customers. We've made prudent investments  
12 in system expansion and reliability that have improved the quality of our service,  
13 provided customers with tools and information to better manage their energy use and  
14 earned best-in-class distinction for customer satisfaction.

15 Before we ask customers to pay more, we ensure that our own performance is good, and  
16 that we are effectively managing our costs. Our operating costs, for example, are well  
17 below the national average. Recently, we've trimmed more than \$20 million from our  
18 pension and benefits costs, guaranteed customer savings in excess of an additional \$20  
19 million through our smart grid efforts and provided several million dollars in annual fuel  
20 savings by building our wind generation portfolio. These efforts have helped offset the  
21 impact of this filing as well as future costs  
22

23 **Q. Does this conclude your testimony?**

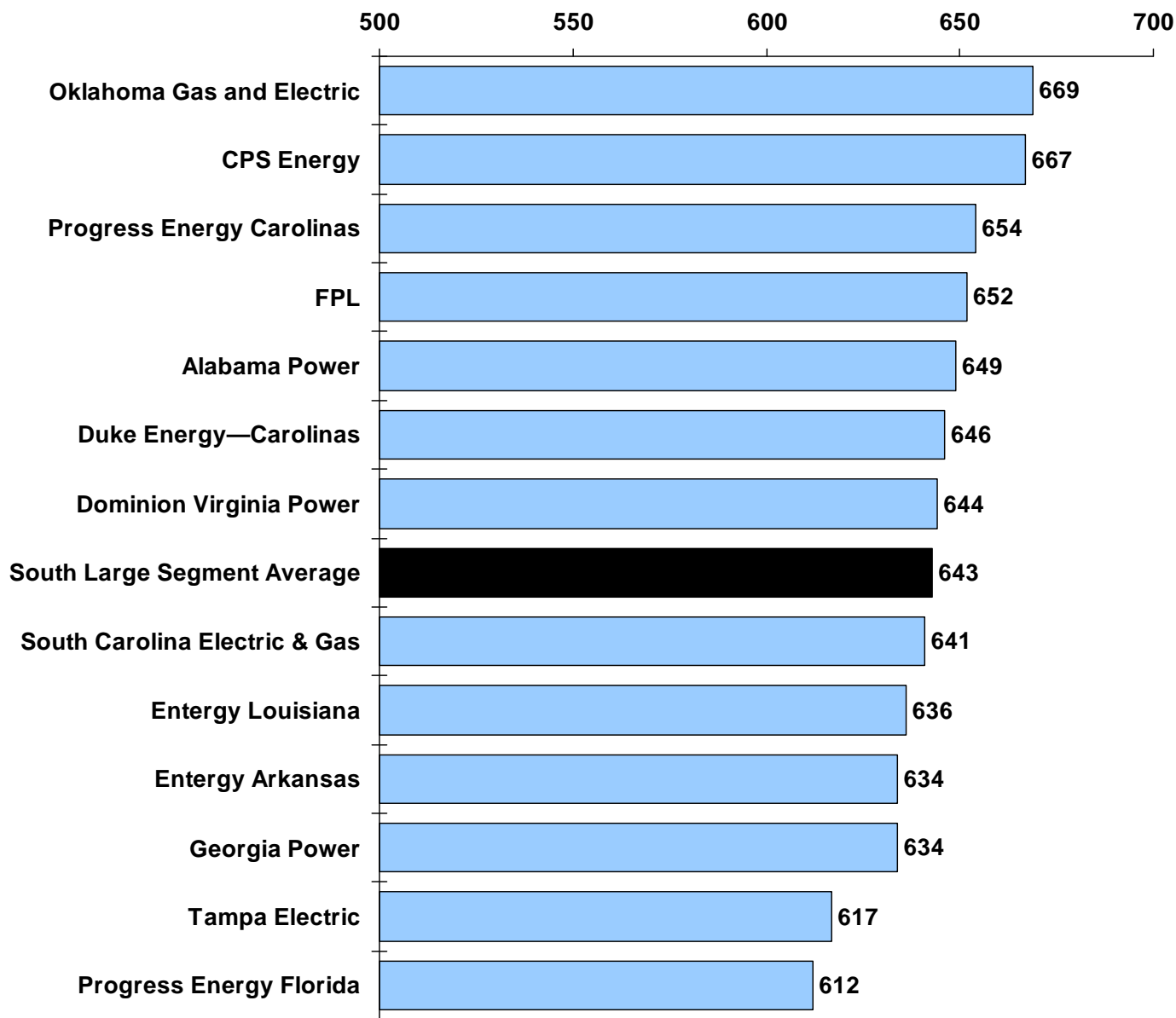
24 **A.** Yes.

2011 Electric Utility Residential Customer Satisfaction Study<sup>SM</sup>

Customer Satisfaction Index Ranking

**South Region: Large Segment**

(Based on a 1,000-point scale)



Source: J.D. Power and Associates 2011 Electric Utility Residential Customer Satisfaction Study<sup>SM</sup>

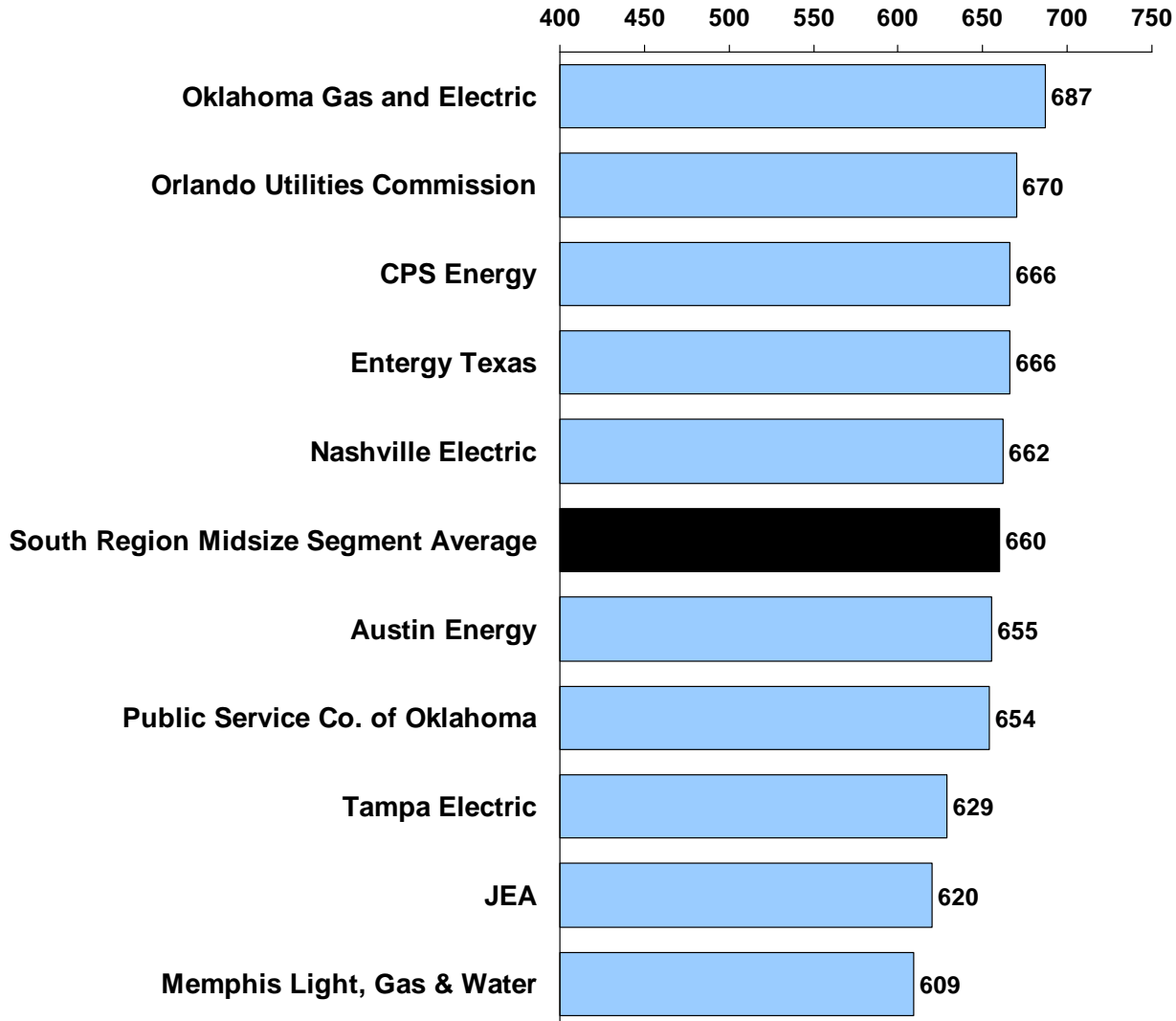
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# J.D. Power and Associates 2011 Electric Utility Business Customer Satisfaction Study<sup>SM</sup>

## Customer Satisfaction Index Scores

(Based on a 1,000-point scale)

### South Region: Midsize Segment



*Included in the study, but not ranked due to small sample size are: Entergy Mississippi; Gulf Power; Mississippi Power; Santee Cooper; Southwestern Electric Power; and Xcel Energy-South.*

Source: J.D. Power and Associates 2011 Electric Utility Business Customer Satisfaction Study<sup>SM</sup>

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