

BEFORE THE CORPORATION COMMISSION OF THE  
STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF  
OKLAHOMA GAS & ELECTRIC COMPANY FOR  
AN ORDER OF THE COMMISSION  
AUTHORIZING APPLICANT TO MODIFY ITS  
RATES, CHARGES, AND TARIFFS FOR RETAIL  
ELECTRIC SERVICE IN OKLAHOMA

Cause No. PUD 200800398



**FILED**  
JUN 22 2009

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CORPORATION COMMISSION  
OF OKLAHOMA

RESPONSIVE TESTIMONY OF

JASON THENMADATHIL

JUNE 22, 2009

BEFORE THE CORPORATION COMMISSION OF THE  
STATE OF OKLAHOMA

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OF

JASON THENMADATHIL

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1 **INTRODUCTION**

2 **Q: Please state your name and business address.**

3 A: My name is Jason Thenmadathil. My business address is the Oklahoma  
4 Corporation Commission, located at 2101 North Lincoln Boulevard, 580 Jim  
5 Thorpe Building, Oklahoma City, Okla., 73105.

6  
7 **Q: What is your occupation and by whom are you employed?**

8 A: I am a Coordinator of Energy and Water, employed by the Public Utility Division  
9 ("PUD") of the Oklahoma Corporation Commission ("OCC" or the "Commission").  
10 I previously held the position of Public Utility Regulatory Analyst with the PUD.

11  
12 **Q: What is your professional experience and educational background?**

13 A: I received a bachelor of science in accounting from the University of Central  
14 Oklahoma ("UCO"). At UCO, I had major coursework in the areas of accounting  
15 and auditing. I became a regulatory analyst with the PUD in December of 2004,  
16 and was promoted to coordinator of energy and water in September of 2008. My  
17 responsibilities include preparing exhibits, comments, testimony and data  
18 requests, serving as an expert witness in court proceedings, and reviewing  
19 reports and orders for technical accuracy. Additional job responsibilities include  
20 analyzing utility applications, reports, financial records, and cost studies in order  
21 to make recommendations. During my employment with the Commission, I have  
22 testified in the most recent rate cases of Oklahoma Natural Gas Company  
23 ("ONG"), Oklahoma Gas and Electric Company ("OG&E"), Arkansas Oklahoma

1 Gas ("AOG"), and Public Service Company of Oklahoma ("PSO"). I also testified  
2 in the 2004, 2005, 2006, and 2007 reviews of PSO's fuel adjustment clause.

3  
4 **Q: Have your credentials been accepted by the Commission?**

5 A: Yes. Please see my attached curriculum vitae, which includes a more complete  
6 listing of my professional credentials.

7

8 **PURPOSE**

9 **Q: What is the purpose of your testimony in this cause?**

10 A: The purpose of my testimony is to present the PUD Staff's recommendations to  
11 the Commission regarding specific issues related to the request for rate relief  
12 filed by OG&E.

13

14 **Q: What specific areas will you address?**

15 A: My testimony will address: 1) plant-in-service and construction work in progress  
16 ("CWIP"), 2) plant held for future use, 3) regulatory assets, and 4) regulatory  
17 expenses

18

19 **Q: What adjustments are you sponsoring?**

20 A: I am sponsoring the following adjustments:

21 1. Staff Adjustment RB-1, to increase the rate base by \$11,449,622 to include  
22 plant-in-service completed and in service as of March 31, 2009;



1 Commission Order No. 558445. During Staff's review of Regulatory Expenses,  
2 Staff noted that several regulatory expenses included in Company W/P H-2-20  
3 were listed as Arkansas jurisdictional regulatory expenses. Staff verified that  
4 these dollars would be directly assigned to Arkansas customers, and therefore  
5 would not be included as part of base rates for Oklahoma customers.  
6

## 7 ANALYSIS AND RECOMMENDATIONS

### 8 PLANT-IN-SERVICE

9 **Q: What adjustment for plant-in-service are you sponsoring?**

10 A: I am sponsoring Staff Adjustment RB-1 to increase the rate base by \$11,449,622  
11 to include plant investments that are in service six months after the test period,  
12 *i.e.*, by March 31, 2009.  
13

14 **Q: Please explain Staff Adjustment RB-1.**

15 A: Staff recommends increasing the rate base by \$11,449,622 to include all plant  
16 investments that are providing service to customers as of March 31, 2009, which  
17 is six months after the test year. In its response to AG Data Request 4-23,  
18 OG&E provided an updated plant balance ending March 31, 2009, which  
19 includes all plant investments in service as of that date. Including an updated  
20 plant-in-service balance in the rate base rather than CWIP more accurately  
21 reflects what was in service on March 31, 2009.  
22

1 **Q: Does Staff's adjustment to plant-in-service result in the removal of all CWIP**  
2 **from the rate base?**

3 A: Yes, any CWIP in service six months after the test year would have been  
4 reclassified to plant-in-service, and would therefore be included in the rate base  
5 via Staff Adjustment RB-1.

6  
7 **Q: Did Staff make a corresponding adjustment to accumulated depreciation**  
8 **for the six month post test year balance to coincide with adjusted plant-in-**  
9 **service levels?**

10 A: Yes, Staff witness Thomas Lains has proposed such an adjustment which he  
11 addresses in greater detail in his pre-filed testimony.

12  
13 **Q: Please describe the major capital additions included in the rate base.**

14 A: The major capital additions included in OG&E's rate base are the Centennial  
15 Wind Farm and the Redbud Power Plant, along with capital additions associated  
16 with OG&E's Security Rider and capital associated with the 2007 ice storms.

17  
18 **Q: Has the Commission approved recovery of the Redbud Power Plant?**

19 A: Yes, the Commission approved recovery of the Redbud Power Plant in Cause  
20 No. PUD 200800086, Commission Order No. 559892, as stated in the following  
21 excerpt from Page 4, Section 3(A) of the Joint Stipulation and Settlement  
22 Agreement, in which the Stipulating Parties agreed that acquisition of the plant  
23 was "prudent," to-wit:

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The Stipulating Parties further agreed, at Page 5, Section D of the Joint Stipulation and Settlement Agreement that:

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[O]G&E should include the Purchase Price (net of accumulated depreciation), operation and maintenance expenses, depreciation and ad valorem taxes associated with the Redbud Generating Facility in OG&E's cost of service in its next rate case.

19

**Q: Has the Commission approved recovery for the Centennial Wind Farm?**

20

A: Yes, the Commission approved recovery of the Centennial Wind Farm in consolidated Cause Nos. PUD 200500059 and 200500177, as stated in the second ordering paragraph on Page 14 of 15 in Order No. 524078, in which it was found to be prudent, to-wit:

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IT IS FURTHER ORDERED that OG&E's investment in Centennial at the Capped Investment Amount is determined to be prudent subject to the terms of the Joint Stipulation and Settlement Agreement, and OG&E's actual costs up to the Capped Annual Revenue Requirements specified in the Settlement Agreement shall be recovered by OG&E pursuant to the Centennial Wind Energy Project Rider attached to the Settlement Agreement as Exhibit 1.

1 Page 4 of the Joint Stipulation and Settlement Agreement, which was approved  
2 by Order No. 524078, addresses the capped investment amount for the  
3 Centennial Wind Farm, and at Lines 11-17 states:

4  
5 The Stipulating Parties request that the Commission issue an order  
6 determining that Centennial is deemed to be prudent and will be  
7 recognized in OG&E's rate base in OG&E's next general rate  
8 proceeding subject to the terms of this Joint Stipulation. In OG&E's  
9 next general rate order, the value of OG&E's Capped Investment  
10 Amount reflected in the Rider as adjusted for depreciation and  
11 deferred taxes shall be included in OG&E's rate base subject to the  
12 terms of this Joint Stipulation. . .  
13  
14

15 **Q: What impact will the inclusion of the capital costs for the Redbud Power**  
16 **Plant and the Centennial Wind Farm have on all of the riders associated**  
17 **with those investments?**

18 **A:** If the capital costs for all of those projects are included in rate base, the  
19 aforementioned riders would be terminated with the implementation of the new  
20 rate order.  
21

22 **Q: Did Staff review a sample of other capital additions made by OG&E that**  
23 **contributed to an increase in plant investment?**

24 **A:** Yes, Staff reviewed the work orders associated with major plant additions costing  
25 more than \$1 million that were provided in response to a data request from the  
26 AG. These additions appear to be reasonable.  
27  
28

1

2

## PLANT HELD FOR FUTURE USE

3 **Q: Please explain Staff Adjustment RB-2.**

4 A: Staff Adjustment RB-2 reduces the rate base by \$2,136,866 to remove plant held  
5 for future use from the rate base.

6

7 **Q: Please explain Staff's logic for removing plant held for future use.**

8 A: Plant held for future use is currently not providing service to customers and  
9 therefore, in Staff's opinion, does not meet the criteria of a "used and useful"  
10 asset. Ratepayers should only be expected to pay for plant investments that are  
11 providing them service. If a definite plan exists for future use assets to be made  
12 used and useful at some point in time, the utility may request recovery of those  
13 assets once they are classified as plant-in-service. Since OG&E was ordered by  
14 the Commission to return for another rate case in 2011, any plant presently being  
15 held for future use which is used and useful at that time of such filing, can be  
16 rolled into rate base and a return on the capital can then be collected from  
17 customers.

18

19

## REGULATORY ASSETS

20 **Q: What is a regulatory asset?**

21 A: A regulatory asset represents an investment included in the rate base which the  
22 regulating authority has determined to be recoverable by the utility following a

1 specific case. Regulatory assets are usually extraordinary historical costs that  
2 have not been recovered by utilities.

3  
4 **Q: Please explain Staff Adjustment RB-10 to reduce the rate base by**  
5 **\$8,077,450 for various regulatory assets.**

6 A: This adjustment consists of the following reductions to regulatory assets included  
7 in OG&E's rate base:

8	1. McClain Plant Deferred Expenses	(\$7,772,936)
9	2. OCC Staff Expert from Red Rock Case	(\$ 51,289)
10	3. AG Expert from Red Rock Case	<u>(\$ 253,225)</u>
11	Total Staff Adjustment	<u>(\$8,077,450)</u>

12  
13 **Q: Please explain why Staff is proposing to remove \$7,772,936 for McClain**  
14 **Plant deferred expenses.**

15 A: As per Commission Order No. 470044 in Cause No. PUD 200100455, OG&E  
16 was allowed to accrue a regulatory asset for the return on investment,  
17 depreciation, ad valorem taxes, and operations and maintenance expenses  
18 associated with the McClain Generating Facility ("McClain") that accumulated  
19 and could not be recovered until the asset could be placed in rates. Following  
20 the Company's most recent rate case, Cause No. PUD 200500151, the McClain  
21 facility was included in rates, and the Commission approved an amount to be  
22 classified as a regulatory asset and included in the rate base for the  
23 aforementioned deferred McClain expenses. This regulatory asset was

1 amortized over four years. According to OG&E's response to OIEC Data  
2 Request 2-2, this asset will have a zero balance as of December 31, 2009.  
3 Since the 180-day period for this case is ending on August 26 and new rates  
4 should go into effect by September or October 2009, Staff believes there is no  
5 need for this regulatory asset to remain in rates since only a few months of  
6 recovery will be needed. Rates are set on a going-forward basis, and this  
7 regulatory asset is not recurring.

8  
9 **Q: Please explain why Staff is proposing to remove regulatory assets**  
10 **associated with the Staff and AG experts from the Red Rock recovery case.**

11 A: Staff based this adjustment on the language contained on Page 4, Paragraph  
12 3(C) of the Joint Stipulation and Settlement Agreement that was approved in  
13 consolidated Causes PUD 200700447 and 200800215 through Commission  
14 Order No. 558445. That paragraph states the following:

15 The Stipulating Parties further agree that OG&E is authorized to  
16 recover the fees for consulting services incurred by both Staff and  
17 the AG in the total amount of \$304,514 in its next rate case,  
18 amortized over two (2) years. **No carrying costs shall be**  
19 **included in this recovery.** (Emphasis added)  
20

21 **Q: How does Staff interpret the final sentence of that paragraph?**

22 A: Staff interprets that sentence to mean that no carrying costs shall be collected by  
23 the utility over the two-year amortization period of those assets. The only way to  
24 enforce the final sentence of that paragraph is to not allow the utility to include  
25 those regulatory assets in rate base. While those assets may remain on the

1 Company's books, they should not be calculated into the overall revenue  
2 requirement.

3  
4 **Q: Are there other regulatory assets proposed for inclusion in the rate base**  
5 **that other Staff witnesses will testify to?**

6 A: Yes, Staff witness Debbie Prater will discuss the merits of the OCC assessment  
7 Fees included as a regulatory asset. Also, Staff witness Marvin Vaughn will  
8 address the inclusion of Red Rock amortization expenses in his pre-filed  
9 testimony, which are related to the Red Rock regulatory asset included in the  
10 rate base.

11

12 **REGULATORY EXPENSES**

13 **Q: During Staff's review of regulatory expenses, did Staff note that several**  
14 **regulatory expenses included in Company W/P H-2-20 were listed as**  
15 **Arkansas jurisdictional regulatory expenses?**

16 A: Yes, the Company work paper had labeled these expenses as Arkansas  
17 jurisdictional expense.


18

19 **Q: Did the Company inform Staff that these expenses would not be included**  
20 **as part of the cost of service for Oklahoma customers?**

21 A: Yes, the Company had informed Staff that these expenses would be directly  
22 assigned to the Arkansas jurisdiction. Though the costs were listed in the

1            Company's minimum filing requirement, the Arkansas jurisdictional regulatory  
2            expenses would not be included in Oklahoma rates.

3  
4 I state under penalty of perjury under the laws of Oklahoma that the foregoing is true  
5 and correct.

6  
7  \_\_\_\_\_  
8            (Signature)  
9 6/22/2009            ACC  
10            (Date and Place)



# Curriculum Vitae Of Jason John Thenmadathil

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Water  
**Oklahoma Corporation  
Commission**  
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## Professional History

- Intern Public Utility  
Regulatory Analyst
- Public Utility Regulatory  
Analyst I
- Public Utility Regulatory  
Analyst II

## Education

- Bachelors of Science in  
Accounting, University of  
Central Oklahoma

## Professional Associations

- NARUC Subcommittee on  
International Relations
- Associate Member of the  
Association of Certified Fraud  
Examiners

## Professional Experience

### List of Testimony in Regulatory Cases

**Oklahoma Corporation Commission, on behalf of the Commission Staff  
2005 - present**

### Rate Cases

- PUD 200400610 – Oklahoma Natural Gas – Analyst
- PUD 200500151 – Oklahoma Gas & Electric Co. – Analyst
- PUD 200600379 – Arkansas Oklahoma Gas – Analyst
- PUD 200600285 – Public Service Company of Oklahoma – Analyst
- PUD 200800144 – Public Service Company of Oklahoma – Lead Auditor/Analyst
- PUD 200800398 – Oklahoma Gas & Electric Co. – Analyst

### Fuel Adjustment Clause Reviews

- PUD 200500362 – Public Service Company of Oklahoma – Lead Analyst
- PUD 200600134 – Public Service Company of Oklahoma – Lead Analyst
- PUD 200700365 – Public Service Company of Oklahoma – Lead Analyst
- PUD 200800298 – Public Service Company of Oklahoma – Lead Analyst
- PUD 200800150 – Public Service Company of Oklahoma - Analyst

### Cost Tracking Mechanisms

- PUD 200700335 – Oklahoma Natural Gas Company – Lead Analyst
- PUD 200900021 – Oklahoma Natural Gas Company – Lead Analyst
- PUD 200700397 – Public Service Company of Oklahoma – Lead Analyst
- PUD 200700449 – Public Service Company of Oklahoma – Support Staff
- PUD 200700365 – Public Service Company of Oklahoma – Lead Analyst

### Performance Based Rate Changes

- PUD 200600062 – Centerpoint Energy Oklahoma Gas – Analyst

### Sale and Transfer of Utility Assets

- PUD 200900019 – Fort Cobb Fuel Authority purchase of Leann Gas Co.

### Other

- PUD 200900092 – Public Service Company of Oklahoma – Lead Analyst
- PUD 200200038 – Public Service Company of Oklahoma – Technical Advisor to  
the Commissioners
- PUD 200700206 - Public Service Company of Oklahoma vs. Caddo Electric – Lead  
Analyst

### Professional Training

- PGS Energy Training Seminar, Fundamentals of the Electric Power Industry
- FERC Accounting, Oklahoma Corporation Commission, Public Utility Division April  
07 through 10, 2008 by Jerry McKenzie.
- The Essential of Energy Risk Management (hedging), Oklahoma Corporation  
Commission, Public Utility Division November 3<sup>rd</sup> and 4<sup>th</sup>, 2008 by Venitta  
Ferguson.
- PUD Expert Witness Training Program.

CERTIFICATE OF SERVICE

I, the undersigned, do hereby certify that on the 22nd day of June, 2009, a true and correct copy of the above and foregoing was deposited, with postage prepaid thereon, in the U.S. Mail to:

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