

BEFORE THE CORPORATION COMMISSION OF THE STATE OF
OKLAHOMA

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

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CORPORATION COMMISSION
OF OKLAHOMA

PRE-FILED RESPONSIVE TESTIMONY OF

TRENT ALAN CAMPBELL

June 22, 2009

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INTRODUCTION

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Q: Would you please state your name?

A: My name is Trent A. Campbell.

Q: What is your business address?

A: My business address is Jim Thorpe Office Building, Suite 580, Oklahoma City, Oklahoma 73105.

Q: Please state your present position with the Oklahoma Corporation Commission (OCC or the Commission).

A: I am employed by the Public Utility Division ("PUD" or "Staff") of the Oklahoma Corporation Commission ("OCC" or "Commission" as an auditor. In this position, I am under the direct supervision of manager of accounting Bob Thompson, CPA, and chief of energy and water Brandy Wreath.

Q: Please state briefly your educational background and professional experience.

A: I have a bachelor of business administration from the University of Central Oklahoma with a major in finance. Please see my attached curriculum vitae for a more complete listing of my professional credentials.

Q: Have you testified before this Commission in the past and have your credentials been accepted?

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

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PURPOSE OF TESTIMONY

Q: What is the purpose of your testimony in Cause No. PUD 200800398?

A: My purpose in this cause is to present Staff's findings for the areas of Redbud Plant payroll and payroll taxes, Oklahoma Gas and Electric ("OG&E or "Company") payroll and taxes related to payroll, pension benefits, executive long term incentive compensation, other employee benefits and employee medical benefits.

Q: Please explain your processes used during the current review.

A: My review in this cause included a review of the application package, data request responses as issued by Staff, Attorney General ("AG"), and all interveners. I also conducted company meetings, did an onsite audit, and reviewed previous Commission orders. I also reviewed market data relating to payroll and incentives throughout the region. The review included all areas associated with my assigned categories.

EXECUTIVE SUMMARY

Red Bud Payroll and Payroll Tax

Staff proposes to adjust payroll operations and maintenance ("O&M") expense to account for six months post test year to the March 31, 2009, employee levels and payroll and to allow only the 51% share that OG&E currently has in the Redbud facility. Staff's proposed Adjustment H-12 reduces OG&E's requested payroll O&M expense by **\$(1,393,151)**.

Company Payroll

Staff believes the Company's calculation to be reasonable and only made an adjustment to reflect the six months post test year to March 31, 2009. Staff's proposed adjustment H-13 adds **\$1,886,113** OG&E's company payroll.

1 **Company Payroll Taxes**

2 Staff believes the Company's calculation to be reasonable and only made an
3 adjustment to reflect six months post test year to March 31, 2009. Staff's
4 proposed adjustment H-14 adds **\$172,097** to OG&E's company payroll taxes.

5
6 **Payroll - New Employees**

7 In the Company's original filing, it had requested \$6.8 million set aside for 27
8 open positions, seven of which were 100% assigned to the Utility. After further
9 discussion and discovery, any additional positions and regular pay increases
10 were captured through changes related to Staff Adjustment H-13 and H-14 and
11 this request is no longer needed. Staff's proposed adjustment H-15 subtracts
12 **(\$6,840,938)** from OG&E's company payroll.

13
14 **Executive Long Term Incentives**

15 Executive long term incentive is made up of three areas, performance cash,
16 performance stock and "Teamshare Incentive." Performance cash and
17 performance stock are available only at the executive level while Teamshare is
18 available to all OG&E employees. Staff feels that the Teamshare program is
19 advantageous for the company on an operational aspect and should be allowed.
20 Due to current market conditions, including criticism over executive pay
21 practices, and an attempt to stay consistent with past Commission orders, Staff
22 recommends disallowing performance cash and performance stock incentive
23 programs at the executive level. It is Staff's opinion that this additional executive
24 incentive compensation is targeted to measure the financial success of the
25 company, and as a result, would primarily benefit the shareholders. Staff's
26 proposed adjustment H-16 subtracts **\$3,189,184.72** from OG&E's company
27 incentive.

28
29 **Other Employee Benefits and Medical**

30 Staff adjustment is necessary to recognize Company post-application
31 adjustments due to an updated actuary report as well as the Company not

1 offsetting its original filing pension dollars with the pension asset. Staff's
2 proposed adjustment H-2 adds **\$783,694** to total company operating expenses.

3
4 **STAFF ANALYSIS**

5
6 **Payroll**

7
8 **Q: Please explain your adjustment for Redbud payroll and payroll taxes.**

9 A: The Company originally accounted for utility labor at 100% of the test year
10 end including salary increases. However, the company did not take into
11 consideration that its ownership portion of the Redbud plant was only 51%
12 and can only apply as much as their ownership portion would allow to
13 payroll O&M expense. The adjustment was made to reflect six months

14 post test year to the March 31, 2009, employee levels and payroll and to
15 allow only the 51% of ownership portion OG&E currently has in the
16 Redbud facility. Staff's proposed Adjustment H-12 reduces OG&E's
17 requested payroll O&M expense by **\$(1,393,151)**.

18
19 **Company Payroll and Payroll Taxes**

20
21 **Q: Please explain your adjustment for OG&E company payroll.**

22 A: During my review, I conducted an onsite visit at the OG&E office to review
23 salary surveys and actuary reports. I attended several Company meetings
24 in which verification was made concerning OG&E's overall payroll, cash
25 compensation and benefits package levels. Staff believes the Company's
26 calculation to be reasonable and therefore, made an adjustment to reflect
27 six months post test year to March 31, 2009. Staff's proposed adjustment
28 H-13 adds **\$1,886,113** to OG&E's company payroll.

1 **Q: How did you determine the reasonableness of the payroll levels?**

2 A: Staff reviewed salary surveys that compared compensation levels,
3 inclusive of incentive dollars, across the region. Some job levels were
4 reviewed at a State level as well. This review was aided through a third
5 party audit conducted by the Mercer Company on behalf of OG&E.
6 Mercer's review, as audited by Staff, shows the Company payroll to be
7 approximately 5% below median within its peer group of companies.

8
9 **Q: Please explain your adjustment for Company payroll taxes.**

10 A: Staff adjusted payroll taxes to reflect the payroll adjustment, H-13, to six
11 months post test year March 31, 2009. Staff's proposed adjustment H-14
12 adds \$172,097 to OG&E's company payroll taxes.

13
14 **Q: Payroll Designated for New Employee Open Positions**

15
16 **Q: Did you adjust payroll designated for new employees?**

17 A: Yes. In the Company's original filing, it had requested \$6.8 million set
18 aside for 27 open positions, seven of which were 100% assigned to the
19 regulated utility. Through the six month post test year adjustment in H-13,
20 Staff captured any additional positions and regular pay increases that
21 were in place six months post test year. This makes the Company's pro
22 forma request unnecessary. Staff's proposed adjustment H-15 subtracts
23 (\$6,840,938) from OG&E's company payroll designated for new
24 employees.

25

26 **Executive Long Term Incentive**

27

28 **Q: Can you explain your review of performance incentives?**

29 A: Yes. Executive long term incentive ("LTI") is made up of three areas,
30 performance cash, performance stock, and Teamshare Incentive.
31 Performance cash and performance stock are available only at the

1 executive level while Teamshare is available to all OG&E employees. Staff
2 reviewed the total compensation levels for the OG&E employees and
3 found it was reasonable to include the Teamshare portion of the pay for all
4 employees.

5
6 **Q: Could you explain why Staff finds the Teamshare incentive to be a**
7 **reasonable expense?**

8 A: The Teamshare plan is used to motivate employees to maximize the
9 efficiency and effectiveness of the operations of the Company. The plan
10 rewards employees for meeting operational goals, energy efficiency, and
11 accountability throughout the Company. Teamshare is also used as a
12 motivator to attract and retain quality employees. If this portion of payroll
13 was paid in full through base salary, base salaries would still be found
14 reasonable at current total compensation levels. This breakdown of
15 payment between base salary and incentive allows some benefits to be
16 realized before additional dollars are paid out.

17
18 **Q: Can you explain your adjustment for executive long term incentives?**

19 A: Yes. Staff feels that the Teamshare program is advantageous for the
20 Company on an operational aspect and should be allowed. However, it is
21 Staff's opinion due to current market conditions, including criticism over
22 executive pay practices, and an attempt to stay consistent with past
23 Commission orders (OG&E 2005-151, Commission Order #516261 and
24 Oklahoma Natural Gas "ONG" 2004-610, Commission Order #512287)
25 that performance cash and performance stock incentive programs at the
26 executive level should be disallowed. It is Staff's opinion that this
27 additional executive incentive compensation is targeted to measure the
28 financial success of the company, and as a result, would primarily benefit
29 the shareholders. Staff's proposed adjustment H-16 reduces long term
30 incentive by **\$3,189,184**.

31

Other Employee Benefits and Medical

1
2
3 **Q: Can you explain your adjustment for other employee benefits and**
4 **medical?**

5 A: Yes. This adjustment is to recognize recalculations due to an updated
6 actuarial report as well as the Company failing to offset its originally filed
7 pension dollars with the pension accrual asset. This offset changed
8 pension expense from \$4,578,381 to \$5,746,997, post-retirement benefits
9 other than pension from (\$908,137) to (\$1,241,853), and active medical
10 from \$121,661 to \$70,475. These changes resulted in an increase for
11 other employee benefits and medical from \$3,791,905 to \$4,575,599.
12 Staff's proposed adjustment H-2 adds **\$783,694** to other employee
13 benefits and medical expenses.

14
15 **Q: Please explain the audit process used during the review of your**
16 **assigned areas.**

17 A: The processes used during the audit of payroll and benefits submitted in
18 OG&E's filing were as follows:

- 19 1) Traced posted amounts to amounts included in the filing;
- 20 2) Reviewed positions presented in previous filings;
- 21 3) Reviewed Company responses to all related data requests;
- 22 4) Reviewed salary surveys and actuary reports; and
- 23 5) Performed onsite audit and interviews.

Conclusion

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2
3 **Q: What is Staff's recommendation for your assigned areas in PUD**
4 **Cause No. 200800398, Oklahoma Gas & Electric Company**
5 **application to modify its rates, charges, and tariffs for retail electric**
6 **service in Oklahoma?**

7 A: Staff recommends the following adjustments: a **reduction of \$1,393,151**
8 in Redbud payroll and payroll taxes due to adjustment for OG&E's
9 ownership portion in the plant, **an increase of \$1,886,113** in OG&E
10 payroll to reflect six months post test year ending March 31, 2009; **an**
11 **increase of \$172,097** in OG&E payroll taxes to reflect six month post test
12 year ending March 31, 2009; and **a reduction of \$6,840,938** in payroll
13 designated for new employee positions being that through the six- month
14 post test year adjustment in H-13, Staff captured any additional positions;
15 and regular pay increases that were in place six months post test year.
16 For incentive compensation, Staff recommends a **reduction of**
17 **\$3,189,184.72** in executive long term incentive to stay consistent with
18 previous Commission orders and Staff's opinion that LTI primarily benefits
19 the shareholders of the Company. In addition Staff recommends **an**
20 **increase of \$783,694** in other employee benefits and medical to
21 recognize Company's updated actuary reports and the offset of the
22 pension accrual asset.

23

1 I state under penalty of perjury under the laws of Oklahoma that the
2 foregoing is true and correct.

3 
4 _____

5 (Signature)

6 6/19/09
7 _____

8 (Date and Place)



Trent Alan Campbell

Exhibit TC-1

2009 Curriculum Vitae

Contact

t.campbell@occemail.com
Tel: 405-522-5191
Fax: 405-522-1157

580 Jim Thorpe Building
P.O. Box 52000
Oklahoma City, OK 73152

Education

University of Central Oklahoma 1990-1994

- B.B.A, Finance
- Accounting Major Coursework 2000-2003

Work Experience

Oklahoma Corporation Commission Oct 2008-Present

Auditor

- Lead case analyst and expert witness on PUD Cause 200800308 and 200900009
- Support analyst on the West Texas rate case PUD Cause 200800143, and the Public Service Company of Oklahoma PUD Cause 200800144, also causes 2008-288, 2008-349, 2008-078, 2007-335, 2008-413 and 2008-348.

OFFICE OF STATE FINANCE May 2008 to Sept 2008

Auditor III

- Assisted in developing and executing audit test plans for accounts payable and alternate systems to be compliant with state statutes
- Conduct pre and post audit transaction processed through statewide core accounts payable system
- Analyze audit results and prepared reports including audit exception trends and transaction errors.
- Communicated recommendations and follow up comments with agency personnel, CPA firms, and university officials

SONIC CORPORATION 2002-2008

Internal Auditor

- Responsible for internal audit functions on a corporate, company store and franchise store level.

Corporate Level -

- Assisted the external audit firm, Ernst & Young (E&Y) on the preparation of Sonic's yearly financials including testing the documentation received from multiple financial departments to assure E&Y of accuracy and completeness.
- Acted as liaison between Corporate Staff and E&Y.
- Performed analytical work on financial statements and performed research on variances occurring from year-to-year comparisons.
- Performed some Sarbanes-Oxley (SOX) testing and documentation according to industry standards.
- Assisted in reviewing and approving all expense reports for corporate employees, verifying that all expenses were within limits of company and IRS guidelines.

Company Level -

- Performed analysis and audit work at approximately 400 company-owned drive-ins throughout multiple states. Ensured adherence to set policies and procedures.
- Reviewed daily administration functions and record retention, and audited employee payroll and time cards.
- Reviewed employee personnel files for applicable state / federal law requirements.
- Detailed minor food safety procedures and temperature documentation.

Franchise Stores -

- Performed approximately 60 Franchise Sales Audits and Reviews throughout multiple states to validate that reported net sales were true and accurate based on products purchased.
- Reviewed and tested paid invoices, bank statements, general ledgers, daily sales reports and tax returns.



Trent Alan Campbell

- Audited the franchise operation of international stores in Mexico, resulting in forcing a franchisee from the system and turning 7 drive-ins into company-owned stores.

Attended several Executive Study Groups for Internal Auditors hosted by the National Restaurant Association and was recently a presenter.

Participated in two National Sonic Conventions and two Sonic Employee of the Year ceremonies as the emcee.

BANK ONE, OKLAHOMA, N.A. 1991-2002

Banking Center Management

- Served as Assistant Vice President at the Midwest City Central and North Banking centers, responsible for profit and loss management and branch goals.
- Supervised approximately 75 tellers and customer service associates, and provided annual reviews.
- Conducted outside calls to create new sales.
- Managed daily critical decision-making at 6 different branch locations.
- Served as Operations Manager/Assistant Manager at 4 different branch locations overseeing day-to-day operations, hiring, training and scheduling customer service staff, and assisting customers with their banking needs.
- Performed Branch Control procedures to ensure policies and procedures were followed and assets were safeguarded.

-
- Professional Associations**
- National Restaurant Association – Internal Auditors Executive Group
 - University of Central Oklahoma – Finance Club
 - Southwest Baptist Church – Finance Committee

-
- Professional Training**
- Numerous Executive Study Groups of Internal Auditors – National Restaurant Assn.
 - Communicating with Diplomacy and Tact – National Seminars Group
 - Business Speaking Skills – National Seminars Group
 - Leadership Effectiveness Training – Kent Stickler
 - Success 2000 Training – Bank One
 - Bank One Managerial and Finance training coursework
 - NARUC 30th Annual Western Utility Rate School. May 2009

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:

William L. Humes
Elizabeth Ryan
Office of Attorney General
313 NE 21st Street
Oklahoma City, OK 73105

William J. Bullard
Kimber L. Shoop
Patrick D. Shore
OG&E
Post Office Box 321
Oklahoma City, OK 73101-0321

Christopher W. Flynn
Laura M. Earl
Jones Day
77 West Wacker
Chicago, IL 60601

Curtis M. Long,
Fellers, Snider, Blankenship, Bailey & Tippens
The Kennedy Building
321 South Boston, Suite 800
Tulsa, OK 74103-3318

Thomas P. Schroedter
James D. Satrom
Hall Estill Hardwick Gable Golden & Nelson
320 S. Boston, Suite 400
Tulsa, OK 74103

J. Fred Gist
Hall Estill Hardwick Gable Golden &
Nelson
2900 Chase Tower
100 North Broadway
Oklahoma City, OK 73102

Jack G. "Chip" Clark, Jr.
Ronald E. Stakem
Clark Stakem Wood & Patten PC
101 Park Avenue, Suite 400
Oklahoma City, OK 73102

Kendall W. Parrish
Ron Comingdeer & Associates
6011 N. Robinson
Oklahoma City, OK 73118

Shelton L. Benedict
Attorney at Law
406 S. Boulder Avenue, Suite 400
Tulsa, OK 74103

Rick D. Chamberlain
Behrens, Taylor, Wheeler & Chamberlain
6 N. E. 63rd Street, Suite 400
Oklahoma City, OK 73105-1401

Cheryl A. Vaught
Deborah R. Thompson
Vaught & Conner, PLLC.
1900 NW Expressway, Suite 1300
Oklahoma City, OK 73118

