

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF THE)
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 201100087

FILED
NOV 09 2011

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA



PRE-FILED RESPONSIVE TESTIMONY OF

TONYA HINEX-FORD

FOR

OKLAHOMA CORPORATION COMMISSION

PUBLIC UTILITY DIVISION

NOVEMBER 9, 2011

CONTENTS

INTRODUCTION.....	3
PURPOSE.....	4
EXECUTIVE SUMMARY.....	5
PUD ADJUSTMENTS.....	5
CIVIC DUES, DONATIONS, MEMBERSHIPS AND COMMUNITY ACTIVITIES.....	6
INSUFFICIENT FUNDS.....	7
INSURANCE.....	8
LEGAL SETTLEMENTS.....	9
LEGISLATIVE ADVOCACY.....	9
OUTSIDE SERVICE/ATTORNEY FEES.....	11
POSTAGE.....	11
SMART GRID.....	13
RECOMMENDATIONS.....	14
LIST OF EXHIBITS.....	17

INTRODUCTION

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

2 **A:** My name is Tonya Hinex-Ford. My business address is 580 Jim Thorpe Office
3 Building, 2101 N. Lincoln Blvd., Oklahoma City, Oklahoma 73105.

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

6 **A:** See my curriculum vitae, attached as Exhibit THF-1.

7 **Q: What is your occupation and who employs you?**

8 **A:** I am employed by the Public Utility Division (PUD) of the Oklahoma Corporation
9 Commission (OCC or the Commission) as a public utility rate analyst IV, in the
10 Energy and Water Group.

11 **Q: How long have you been so employed?**

12 **A:** I began working for the Commission in June of 1995 as a temporary employee
13 and became a permanent employee in February of 1998.

14 **Q: What are your duties and responsibilities with the PUD?**

15 **A:** My principal responsibility is coordinating rulemakings in the Energy and Water
16 Group. This responsibility primarily includes: legal research, drafting proposed
17 statutory and regulatory language, scheduling technical conferences, compiling
18 comments from the public and affected industry, reviewing the Notice of
19 Proposed Rulemaking and eventual Agency Report, and assuring the rationale
20 for any proposed rule change is in compliance with the Oklahoma Administrative

1 Code. I also draft comments to the Federal Energy Regulatory Commission
2 (FERC) regarding Notices of Proposed Rulemaking at the federal level and to the
3 Department of Energy (DOE). Additionally, on an as-needed basis, I provide
4 research information on unique assignments to the Commissioners and/or their
5 aides. My main areas of focus, to date, have been: the Energy Policy Act of
6 2005, the Energy Independence and Security Act of 2007 (EISA), demand side
7 management and energy efficiency programs, the Smart Grid, federal and/or
8 state law energy research and rate case analysis. Presently my main area of
9 focus has been on auditing public utilities, as it pertains to their applications for
10 rate modifications.

11 **Q: Have you previously testified before this Commission and were your**
12 **qualifications accepted?**

13 **A:** Yes.

PURPOSE

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

15 **A:** The purpose of my testimony is to address the expense areas of Dues,
16 Memberships and Contributions, Employee Medical Benefits, Insurance/Self,
17 Insurance Expense, Injuries and Damages, Insufficient Funds, Legal
18 Settlements, Legislative Advocacy, Outside Services/Attorney Fees, Postage,
19 and Smart Grid as filed in PUD Cause No. 201100087, Oklahoma Gas and
20 Electric Company's ("OG&E" or the "Company") application to modify its rates,
21 charges, tariffs and terms and conditions of service.

EXECUTIVE SUMMARY

1 PUD reviewed the areas of Dues, Memberships and Contributions, Employee
2 Medical Benefits, Insurance/Self Insurance Expense, Injuries and Damages,
3 Insufficient Funds, Legal Settlements, Legislative Advocacy, Outside
4 Services/Attorney Fees, Postage, and Smart Grid. Adjustments will be in the
5 following areas: Dues, Donations, Memberships and Contributions removal of
6 (\$228,961), Legislative Advocacy removal of (\$84,020), and Postage will have an
7 increase of \$23,692.

PUD ADJUSTMENTS

8 **Q: Which expense area(s) listed above did PUD review and/or made**
9 **adjustments?**

10 **A: PUD reviewed and/or made the following adjustments to:**

- 11 1. Dues, Donations, Memberships and Contributions – PUD-H-5 (\$228,961)
12 adjustment.
- 13 2. Insurance Expenses – PUD accepts OG&E's reduction of \$621,252.
- 14 3. Insufficient Funds – No adjustment made.
- 15 4. Legal Settlements – No adjustment made.
- 16 5. Outside Service/Attorney Fees - No adjustments made.
- 17 6. Legislative Advocacy –PUD-H-11 (\$84,020) adjustments made.
- 18 7. Postage – PUD-H-17 increase \$23,692 adjustment made.
- 19 8. Smart Grid – PUD accepts OG&E's (2) adjustments.

CIVIC DUES, DONATIONS, MEMBERSHIPS AND COMMUNITY ACTIVITIES

1 **Q:** Did PUD discover any adjustments to the Civic Dues, Donations,
 2 **Memberships and Community Activities Expense, FERC account 930.2?**

3 **A:** Yes. PUD-H-5 made an adjustment of (\$228,961) from \$635,629 that would
 4 decrease the Company's costs relating to Civic Dues, Donations, Memberships and
 5 Contributions to \$406,668

Table 1: Disallowance in Civic Dues & Community Activities Expense

<u>Dues And Donation Description</u>	<u>Allocated Amount</u>	<u>Disallowed Percentage</u>	<u>Allowed Percentage</u>	<u>Disallowed Amount</u>	<u>Allowed Amount</u>
Chambers Of Commerce Memberships	\$80,024	50%	50%	\$40,012	\$40,012
Chambers Of Commerce Others	\$42,546	50%	50%	\$21,273	\$21,273
Economic Development	\$137,713	50%	50%	\$68,857	\$68,857
EEl Membership	\$182,628	0%	100%	\$0.00	\$182,628
Other Membership	\$784	50%	50%	\$392	\$392
Professional Membership	\$93,507	0%	100%	\$0.00	\$93,507
Sponsorship	\$98,427	100%	0%	\$98,427	\$0
Grand Total	\$635,629			\$228,961	\$406,668

6 **Q:** **What analysis did PUD use in its evaluation and disallowance?**

7 **A:** PUD reviewed and audited copies of invoices for accounts related to dues and
 8 membership expenses during the test year. PUD analyzed each type of expense
 9 to determine whether it would be of benefit to the ratepayers. If the expense
 10 would benefit ratepayers, then PUD allowed the expense; however, if PUD
 11 determined that the expense would not benefit ratepayers, then PUD disallowed
 12 the expense. To determine the disallowance, PUD reviewed the Company's

1 adjustment WP H-16 relating to Dues and Memberships to establish whether it
2 was appropriate and if it would be beneficial to the Oklahoma ratepayers.

3 **Q: Please explain the reduction used by PUD for Civic Dues, Donations and**
4 **Community Activities.**

5 **A:** PUD believes expenditures that are not a necessary cost of providing electric
6 service to OG&E's customers should not be charged to the customers. If OG&E
7 were to include such costs, ratepayers would be forced to involuntarily contribute
8 to some activities, associations, organizations and institutions of which they have
9 no knowledge, choice, or direct benefit. This is especially true if the associations
10 are designed to increase OG&E's returns. However, PUD also believes that
11 some of these costs are beneficial to the ratepayers as well as the stockholders,
12 and should thus be shared between the parties. As OG&E has documented and
13 explained, it seeks to build good relationships in the communities in which it
14 serves and is supportive of activities that are both beneficial to the communities it
15 serves and to the Company. While PUD has a policy of reducing utility's
16 recovery of expenditures on Civic Dues, Donations and Community Activities, the
17 OCC still encourages OG&E to exercise goodwill in the communities throughout
18 its service territory.

INSUFFICIENT FUNDS

19 **Q: Did OG&E request an increase for the fees associated with the return of a**
20 **check for insufficient funds?**

1 **A:** No, OG&E did not request an increase to the fee associated with the insufficient
2 funds check. However, PUD reviewed the documentation W/P H-1-1a and other
3 information associated with this fee, such as the banking fees and the approved
4 tariff amount on file at the Commission. PUD also compared OG&E's fees for
5 insufficient funds with other regulated utilities and believes that OG&E's fee is
6 reasonable. Therefore, after analysis of this area, PUD is not making an
7 adjustment to the insufficient funds fees.

INSURANCE

8 **Q: Did PUD review the Insurance expenses and what is its recommendation?**

9 **A:** Yes, PUD reviewed the documentation pertaining to insurance expenses along
10 with the testimony filed by OG&E witness Ms. Richard in this cause. PUD
11 analyzed the supportive information on-site and determined that the reduction of
12 FERC account 926 of \$621,252 is appropriate and should be reduced from their
13 operating income.

14 **Q: Please explain how the Company arrived at this reduction.**

15 **A:** OG&E compared the test year insurance expense to the projected insurance
16 expense for policy period 2011/2012 when new rates would become effective.
17 The (\$621,252) is the difference between the test year and the projected time
18 period. Based on PUD's review, the reduction of \$621,252 is appropriate;
19 therefore, PUD has no further adjustment.

1 **Q: Does PUD have any adjustments to Employee Medical Benefits, Self**
2 **Insurance or the area of Injury and Damages?**

3 **A:** No, after review of these areas, PUD is not recommending any adjustments.
4 PUD reviewed the documents related to these expenses and searched for items
5 not necessary in providing utility service to the customers. There were not any
6 unusual items found that were not related to the Company's operation in
7 Oklahoma. The expenses in these areas are reasonable and PUD does not
8 propose any adjustments to the test year-end total included in the cost of service.

LEGAL SETTLEMENTS

9 **Q: Did PUD discover any adjustments concerning Legal Settlement?**

10 **A:** PUD reviewed W/P H-11 and reviewed the various descriptions of the kinds of
11 legal settlements for the test year 2010, FERC account 928. PUD did not find
12 any legal settlements that were unusual or not in the normal scope of business
13 for the Company. PUD does not make any adjustments to expenses of
14 \$926,966.36 for Legal Settlements because the settlements as explained were
15 the kind normally found in the course of doing business.

LEGISLATIVE ADVOCACY

16 **Q: Did PUD review Legislative Advocacy Expense FERC account 930.2 and**
17 **what is the recommendation?**

18 **A:** Yes, Legislative Advocacy is normally an area of review for PUD. OG&E
19 requested that expenses found on W/P H-14 for \$168,041, associated with

1 Legislative Advocacy, be included in its cost of service. However, PUD proposes
2 to decrease legislative advocacy expenses that were included in the cost of
3 service and allow expenses for legislative monitoring. Legislative monitoring are
4 those expenses that allow OG&E to identify and monitor proposed legislation for
5 potential company impact. Such expenditures include researching bills and
6 pending legislation, disseminating information and data to the appropriate
7 departments to determine the impact of the legislation and to develop responses to
8 legislative inquiries. Therefore, PUD-H-11 proposes an adjustment of (\$84,020)
9 which is removed from legislative advocacy expenses that were included in the
10 cost of service. Although PUD agrees that there are some benefits of lobbying
11 (i.e. promoting economic development, conservation, efficiency, safety, and
12 responding to environment issues) the ratepayers have no control or input over
13 the decision-making process regarding OG&E's Legislative Advocacy strategies
14 and/or procedures.

15 The Code of Federal Regulations (CFR) definition for account 426.4 Legislative
16 advocacies and lobbying, which requires the company to include expenditures for
17 purpose of influencing public opinion with respect to politics, ordinances or
18 legislation to be charged "below-the-line", and therefore, not included in their costs
19 of doing service. PUD reviewed past treatment of this like subject matter in prior
20 rate case proceedings. In Cause No. PUD 200800144, Order No. 564437, the
21 Administrative Law Judge (ALJ) recommended inclusion of the expenses
22 associated with legislative monitoring because in that Cause, PSO was able to

1 separate monitoring from legislative advocacy expense, which PUD traditionally
2 disallows. Based on similar legislative monitoring activities explained and
3 discussed by OG&E, PUD is only disallowing half of the \$168,041, which was
4 requested to be included in the cost of service because PUD is able to make that
5 same distinction, between legislative monitoring and legislative advocacy, as
6 determined in Cause No. PUD 200800144.

OUTSIDE SERVICE/ATTORNEY FEES

7 **Q: Please explain the review of OG&E's Adjustment on Schedule H, Section 1.**

8 **A:** PUD reviewed Outside Services/attorney fees in search of those expenditures
9 that were a necessary cost of providing utility services to OG&E ratepayers. PUD
10 examined, verified expenditures, and analyzed information pertaining to legal
11 fees. PUD reviewed this area to ensure that the attorney fees/legal fees were
12 primarily legal fees for outside counsel. The fees reviewed were connected to
13 work issues in Oklahoma. This area of Outside Services legal expenses appears
14 reasonable in nature and is consistent to the work activities done within OG&E's
15 Oklahoma jurisdiction. PUD determined that the amount of \$3,899,085 included
16 in Outside Services legal expense was reasonable and does not propose any
17 adjustments.

POSTAGE

18 **Q: Did PUD review and make a recommendation to the Postage expenses?**

1 **A:** Yes, PUD normally reviews the expenses associated with postage, FERC
2 account 903. In reviewing the costs associated with postage for the test year
3 period of 2010, postage costs have increased based on the information analyzed
4 in the six-month post test year 2011. In test year 2010, costs were \$4,164,263; a
5 forward look at the six-month post test year 2011 costs, they were at \$2,127,134.
6 Costs are believed to have increased because the number of ratepayers using
7 online billing has not increased significantly; therefore, paper copies of bills are
8 still being mailed. In addition, a postal increase took place in 2011 which also
9 contributed to an increase. Furthermore, it is anticipated and has been
10 announced that on January 22, 2012 another postal increase will occur.

11 **Q: Did OG&E request an increase to the Postage expense?**

12 **A:** No, OG&E did not request an increase to their postage expense in this rate case
13 filing. PUD routinely reviews this area. During its review of this area, PUD
14 discovered that an increase was needed and should be recommended to this
15 area.

16 **Q: Does PUD propose an increase to the area of Postage expenses?**

17 **A:** Yes, PUD recommends adjustment PUD-H-17, which is an increase adjustment
18 of \$23,692. This adjustment is derived by taking the last six-month of the test
19 year in 2010 and adding to it the 2011 six-month post test year amount to that
20 amount, then subtracting the test year amount from that amount. This amount is
21 \$23,692 and is the adjustment that PUD is recommending to OG&E's Postage
22 expense.

SMART GRID

1 Q: Please explain the (\$5,002,044) adjustment in H-2-41 for expenses
2 recovered in the Smart Grid Rider ("SGR")?

3 A: As proposed on page 3, beginning at line 21 in the testimony of OG&E witness
4 Malini Gandhi, this adjustment removes (\$5,002,044) in expenses that were
5 recovered through the SGR during the test year to avoid double recovery.

6 Q: Does PUD agree with Ms. Gandhi's recommendation regarding this
7 adjustment?

8 A: Yes, PUD agrees with the removal of (\$5,002,044) from the test year to avoid
9 double recovery of this expense item, since the SGR recoveries are approved
10 through December 31, 2013, it should be removed from this rate case. PUD has
11 no additional adjustments to this area.

12 Q: Please explain the H-2-51 adjustment of \$3,583,566 which OG&E has
13 proposed for the Smart Grid Guaranteed Savings?

14 A: As explained in Ms. Gandhi's testimony, page 4, beginning at line 5, OG&E
15 guaranteed certain operational savings to the customers as a credit to the SGR;
16 this was established in Cause No. PUD 201000029, Order No.576595. These
17 saving were based on the elimination of meter reading, reductions in call center
18 and field service representative costs. Therefore, the amount to be credited to
19 the customers as a result of the savings is \$3,583,566, during the calendar year

1 2011. The pro forma adjustment H-2-51 removes that amount from the operation
2 and maintenance expense guaranteed in 2011.

3 **Q: Does PUD agree with this adjustment?**

4 **A:** Yes, PUD agrees with this adjustment based on the Order No. 576595 in Cause
5 No. PUD 201000029. The Company is proposing to make this adjustment for
6 the guaranteed savings in 2011 because the savings will have been realized and
7 passed through the rider prior to the new rates becoming effective. In addition,
8 the removal of guaranteed savings from base rates avoids double counting in the
9 rider. Therefore, PUD believes the pro forma adjustment H-2-51 that removes
10 guaranteed savings of \$3,583,566 from the operation and maintenance expense
11 in 2011 is appropriate.

RECOMMENDATIONS

12 **Q: What are your recommendations?**

13 **A:** After conducting a thorough review, PUD does not recommend any adjustments
14 in the expense areas of Insufficient Funds, Insurance, Legal Settlements,
15 Outside Services/Attorney Fees, and Smart Grid.

16 PUD recommends an adjustment of (\$228,961) to decrease Dues, Donations,
17 Memberships and Contributions from \$607,475 to \$406,668 because these
18 adjustments represent expenses that do not appear to benefit ratepayers.

1 PUD recommends an adjustment of (\$84,020) to remove costs associated with
2 Legislative Advocacy because the ratepayers have no control or input over the
3 decision-making process regarding OG&E's Legislative Advocacy strategies
4 and/or procedures.

5 PUD recommends an adjustment of \$23,692 to increase Postage expense
6 because postage has slightly increased based on the six-month post test year
7 expenses.

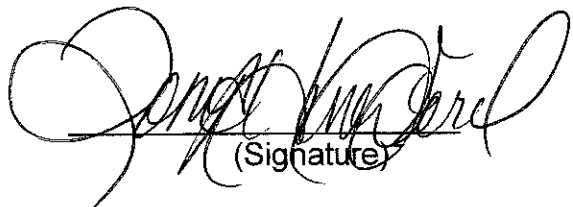
8 PUD agrees with the adjustments by OG&E to the following areas:

- 9 • Insurance - a reduction of \$621,252,
- 10 • Smart Grid Guaranteed Savings - removal of \$3,583,566 from the
11 operation and maintenance expense, and
- 12 • Smart Grid Rider - removal of (\$5,002,044) to avoid double recovery.

13 For the remaining areas of review: Insufficient Funds, Outside Services/Attorney
14 Fees, Legal Settlements and other areas of Insurance specifically Self-Insurance,
15 Employee Medical Benefits, Injury and Damages, PUD does not have any
16 adjustments.

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

November 9, 2011, Oklahoma City, OK
(Date and Place)



(Signature)

Tonya Hinex-Ford
580 Jim Thorpe Building
P.O. Box 52000
Oklahoma City, Ok 73152
Tel: 405-521-6874 Fax: 405-522-1157

EDUCATION

- ▶ **Juris Doctor**, *University of Oklahoma*, Norman, OK December 1993
- ▶ **Bachelor of Arts (History)**, *East Central University*, Ada, OK, May 1988
- ▶ **Bachelor of Arts (Government)**, *East Central University*, Ada, OK, December 1987
- ▶ **Associate of Science (Pre-Law)**, *Seminole Junior College*, Seminole, OK, May 1985

EMPLOYMENT HISTORY

- ▶ **Oklahoma Corporation Commission**, Public Utility Division, Oklahoma City
August 2005 - present: **Public Utility Regulatory Analyst IV**, Energy Policy Group
July 2000 - August 2005: **Public Utility Regulatory Analyst IV**, Telecommunication Group
June 1995 - July 2000: **Tariff and Cost of Service Analyst**, Telecommunications Group
- ▶ **Rainey, Ross, Rice & Binns**, Oklahoma City
October 1994 - May 1995: **Research Analyst**

PROFESSIONAL SKILLS

- ▶ **Special Focus** – Federal Energy Regulatory Commission, Energy Independence and Security Act of 2007, Energy Policy Act of 2005, Oklahoma Corporation Commission Demand Programs, Rulemakings Energy Efficiency and Electric Generation Competitive Bidding, Rate Case Auditing
- ▶ **Expert Witness** - Recommendations and written and oral testimony
- ▶ **Coordinator** - Energy Policy Group and Telecommunication Advisory Group
- ▶ **Research and Develop** - Energy issues and Telecommunication
- ▶ **Draft** - Agency Rules according to the Oklahoma Administrative Procedures Act
- ▶ **Analysis** – Auditing utilities service rates, terms and conditions

PROFESSIONAL TRAINING

- ▶ NARUC 2003, 2004
- ▶ Public Utility Symposium 2007
- ▶ SPP Market Launched-Lessons Learned 2007
- ▶ NARUC Utility Rate School 2009
- ▶ GRID SCHOOL 2010

LIST OF EXHIBITS

Exhibit THF-1Curriculum Vitae

CERTIFICATE OF ELECTRONIC SERVICE

I, the undersigned, do hereby certify that on the 9th day of November, 2011, a true and correct copy of the above and foregoing was sent electronically, addressed to the following:

William L. Humes
Elizabeth Ryan
Office of Attorney General
313 NE 21st Street
Oklahoma City, OK 73105
bill_humes@oag.state.ok.us
elizabeth_ryan@oag.state.ok.us
leesa_Thompson@oag.state.ok.us

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

Lee W. Paden
Quality of Service Coalition
P O Box 52072
Tulsa, OK 74152-0072
lpaden@ionet.net

Curtis M. Long
Harry H. Selph, II
Thomas J. Enis
Charles R. Willing
Fellers, Snider, Blankenship, Bailey & Tippens PC
321 South Boston, Suite 800
Tulsa, OK 74103-3318
clong@fellerssnider.com

Rick D. Chamberlain
Behrens, Taylor, Wheeler & Chamberlain
Six Northeast 63rd, Suite 400
Oklahoma City, OK 73105
rdc_law@swbell.net

Cheryl A. Vaught
Scot A. Conner
Deborah R. Thompson
Vaught & Conner, PLLC
50 Penn Place Building
1900 NW Expressway, Suite 1300
Oklahoma City, OK 73118
sconner@vcokc.com
cvaught@vcokc.com

Gloria Smith
Andrea Issod
85 2nd Street, 2nd floor
San Francisco, CA 94105
gloria.smith@sierraclub.org
andrea.issod@sierraclub.org

Stephanie Houle
Bill Bullard
Kimber Shoop
Patrick Shore
OG&E
Post Office Box 321
Oklahoma City, OK 73101-0321
houlsg@oge.com
shoopkl@oge.com
bullawj@oge.com
shorepd@oge.com

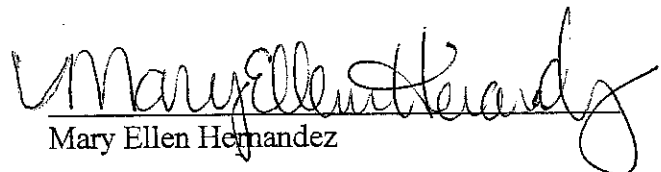
James D. Satrom
Thomas P. Schroedter
Hall Estill Hardwick Gable Golden & Nelson, PC
320 S. Boston
Suite 400
Tulsa, OK 74103
tschroedter@hallestill.com

Deborah R. Thompson
OK Energy Firm, PLLC
P.O. Box 54632
Oklahoma City, OK 73154
dthompson@okenergyfirm.com

Jon W. Laasch
Jacobson & Laasch
212 E. Second
Edmond, OK 73034
jonlaasch@yahoo.com

J. Fred Gist
Jennifer Kirkpatrick
Hall Estill Hardwick Gable Golden & Nelson
2900 Chase Tower
100 North Broadway
Oklahoma City, OK 73102
fgist@hallestill.com
jkirkpatrick@HallEstill.com

Ron Comingdeer
Kendall Parrish
Mary Kathryn Kunc
Ron Comingdeer & Associates
6011 N. Robinson
Oklahoma City, OK 73118
kparrish@comingdeerlaw.com


Mary Ellen Hernandez