

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) CAUSE NO. PUD 200800398
AUTHORIZING APPLICANT TO MODIFY ITS)
RATES, CHARGES, AND TARIFFS FOR RETAIL)
ELECTRIC SERVICE IN OKLAHOMA.)



FILED

JUN 22 2009

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CORPORATION COMMISSION
OF OKLAHOMA

PRE-FILED TESTIMONY OF

SHARON D. FISHER, MBA

June 22, 2009

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INTRODUCTION

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Q: Please state your name and business address.

A: My name is Sharon Fisher. My business address is The Oklahoma Corporation Commission, Jim Thorpe Office Building, Room 580, 2101 N. Lincoln Blvd., Oklahoma City, Oklahoma 73105.

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

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

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

A: I am employed by the Public Utility Division ("PUD") of the Oklahoma Corporation Commission ("Commission") as a public utility regulatory analyst in the Economic Analysis and Research Group.

Q: How long have you been so employed?

A: I have been employed with the Commission since 1994 and with PUD since January 2001.

Q: What are your duties and responsibilities with PUD?

A: My principal responsibilities include research and analysis as assigned on energy utility service issues, Southwest Power Pool, and Federal Energy Regulatory Commission ("FERC") issues, rulemaking issues, general rate change

1 applications, review of financial records, cost of service studies, and other
2 available data to determine ratemaking issues.

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

5 **A:** Yes, I have testified before the Commission, and my qualifications have been
6 accepted.

7 **PURPOSE**

8 **Q: What is the purpose of your testimony in Cause No. PUD 200800389?**

9 **A:** This Cause is a general review of Oklahoma Gas and Electric's ("OG&E" or
10 "Company") rates and charges. The purpose of my testimony is to discuss the
11 Company's statements of financial need and the Company's opportunity to earn
12 a fair return in the context of the Integrated Resources Plan. Staff will also
13 address current riders that have been approved by the Commission as well as
14 adjustments or changes to the following riders:

- Fuel Adjustment Lag ;
- Demand Program Rider Adjustment;
- Annual Public Assessment Fee Rider;
- Redbud Acquisition Recovery Rider Adjustment;
- Storm Cost Recovery Rider;
- Synchronization Of Weather, Military, And
Cogeneration Credit Rider;
- Security Rider;
- Load Reduction Rider;
- Centennial Wind Energy Project Rider; and
- Renewable Transmission System Additions Rider

1 The issue of the Company's opportunity to earn a fair return is raised in OG&E's
2 witness, Mr. Scott Forbes testimony as he discusses the Company's \$134 million
3 investment to replace aging infrastructure and maintain reliability. He also discusses the
4 \$700 million portion of the \$1.6 billion investment that has been capitalized and already
5 approved for recovery through riders by the Commission. Mr. Forbes states on page 6,
6 lines 2-4, that a key factor driving OG&E's need for this rate case is the remaining \$900
7 million dollars in investment, which he maintains has been providing benefits to
8 customers, in some instances for years, which has not yet been included in the
9 Company's electric rates. He also discusses the most recent U.S. Securities and
10 Exchange Commission filing outlining approximately \$1.5 billion in new investments for
11 2009-2011.

12 Staff reviewed the FERC Form 1 filings for the Company for 2004-2008 and the annual
13 reports of OGE Energy Corporation, to verify the assertions made by both Mr. Langston
14 and Mr. Forbes with reference to the level of expenditures and the type of investment
15 the Company has made. Based on the information contained in the Company reports
16 filed with FERC, Staff believes the Company has made substantial investment during
17 the period between 2004 and 2008, and the statements of the Company's witnesses
18 (Langston and Forbes) regarding OG&E investment levels are substantiated by these
19 reports.

20 Mr. Forbes asserts that the Company is entitled to a reasonable opportunity for both a
21 return of capital and expenses, and a compensatory return on capital commensurate

1 with the returns of other utilities with whom the Company must compete for needed
2 capital in the marketplace. Staff agrees with the principle of an opportunity to earn a fair
3 and reasonable rate of return as established in *Bluefield Water Works v. Public Service*
4 *Commission, 262 U.S. 679 (1923)* and *FPC v. Hope Natural Gas Co., 320 U.S. 591*
5 *(1944)* decisions regarding the rate of return for public utilities. Fairro Mitchell will
6 address Staff's recommendations for both rate of return and return on equity in his
7 testimony.

8 Staff's review of the current riders is based on adjustments that the Company has made
9 to revenue either because of rider collections or a proposed change to, or termination
10 of, an existing rider. Staff reviewed each rider that was affected.

11 **Fuel Adjustment Lag:** The pro-forma adjustment for the fuel adjustment lag is
12 contained within the adjustments for fuel adjustment lag and unbilled revenue. The
13 unbilled revenue portion is \$5,225,361, and the fuel adjustment lag is \$125,388,821.
14 This combined figure represents the net recovery of fuel expenses and associated
15 carrying costs of \$1,520,771 that were recovered from customers during the test year.
16 Staff supports the Company's adjustment for removal.

17 **Demand Program Rider ("DPR"):** Staff accepts the Company's pro-forma adjustment
18 that is comprised of two amounts: first, the decrease of revenue received from the
19 Demand Program Rider in the amount of \$1,274,736; and, second, the amount of
20 \$11,218 for lost revenue from deemed savings. This resulted in a net decrease of

1 revenue in the amount of \$1,263,518, and a corresponding adjustment to remove DPR
2 related expenses.

3 **Annual Public Utility Assessment Fee Rider:** Staff supports the Company's
4 adjustment to remove the Annual Public Assessment Fee Rider revenue collected from
5 Oklahoma retail customers for the test year. This adjustment represents a revenue
6 decrease of \$1,215,917.

7 **Redbud Acquisition Recovery Rider (RARR):** Staff accepts the Company's
8 adjustment to annualize the RARR for the test year and to decrease the annual amount
9 by \$1,008,571, which is the revenue collected during the test year. This adjustment
10 decreases the test year revenue from \$75,366,039 to \$74,357,468.

11 **Storm Cost Recovery Rider (SCRR):** Staff accepts the Company's removal of SCRR
12 revenues. The adjustment for removal of revenue received for the test year ending
13 September 2008 reduces the test year revenue by \$851,596. This figure represents
14 one month's collections since the SCRR was first implemented in September 2008.

15 **Synchronization Weather, Military Rider, and Cogeneration Credit Rider** The
16 synchronization adjustment is comprised of three unrelated adjustments; the Military
17 Base Tariff Credit ("MBTC"), Cogeneration Credit Rider ("CCR"), and a weather
18 adjustment. The synchronization adjustment was created by taking the energy and
19 demand from W/P H-2-7 and applying them to their applicable riders. This adjustment

1 was needed to apply the weather normalization billing units to the riders to determine
2 the effect on rider revenue. The total of the three adjustments is a net revenue
3 decrease of \$1,512,083.

4 **Security Rider:** The OG&E Security Rider was reviewed in a separate proceeding
5 (Cause No. PUD 200600402) and the outcome of that proceeding was Commission
6 Order No. 540971. In that order, the Commission supported the additional recovery of
7 projects proposed by OG&E except for the recovery of the Level I Protection of In-
8 Service Transformers (PD-5) in the amount of \$886,859. The Commission found that
9 the PD-5 project had little or no impact on the security or reliability of the OG&E system,
10 consistent with the testimony of Staff's consultant, Mr. Randall E. Nason, P. E., in
11 Cause No. PUD 200200168. The Commission found and held that the PD-5 project
12 should be addressed in OG&E's next rate case. However, this project was not
13 addressed in the Company's application nor is there any testimony offered in support of
14 this Security Rider project at this time.

15 **Load Reduction Rider:** Staff accepts the proposed replacement of the Performance
16 Award for Curtailment of Energy Rider ("PACE-1"), Curtailment Rider ("CR-1"), and the
17 Interruptible Rider ("IR-1") with the Load Reduction Rider. According to the Company,
18 the proposed program will be made available to more customers and will provide
19 greater access to load reduction resources than the current programs with fewer
20 administrative constraints. The proposed rider will also offer tiered rewards for
21 subscription credits and performance rewards for participating customers.

REVENUE ADJUSTMENTS

Fuel Adjustment Lag

1
2
3 **Q: Does Staff accept the pro-forma adjustment of \$125,388,821 presented in**
4 **Schedule H-3 for fuel adjustment lag?**

5 **A:** Yes.

6 **Q: What is the basis for Staff's recommendation to accept the pro-forma**
7 **adjustment presented in W/P H-2-2c fuel adjustment lag and unbilled**
8 **revenue adjustment?**

9 **A:** Staff reviewed the work papers supplied by the Company in response to Staff's
10 data request PUDSF1-1, outlining the details for this adjustment, and how it was
11 calculated. In that same response, OG&E provided Staff a spreadsheet
12 summarizing the details of what is included in the fuel adjustment lag. This
13 amount is comprised of the culmination of current month fuel adjustment
14 balances adjusted for previous month reversals including carrying costs for the
15 Fuel Cost Adjustment ("FCA") and for each of the approved riders being
16 recovered. (Cogeneration Rider, Centennial Wind Project Rider, Green Power
17 Wind Rider, Security Rider, Demand Program Rider, RTSA Rider, and Storm
18 Recovery Rider). Staff accepts the removal of the fuel adjustment lag from
19 revenue collected from Oklahoma jurisdictional customers. This amount should
20 not be considered as part of the revenue requirement. The pro forma
21 adjustment including both unbilled revenue and fuel adjustment lag is

1 **Q: What is the basis for Staff's recommendation to accept the pro-forma**
2 **adjustment presented in Schedule H-3 for the Annual Public Utility**
3 **Assessment Fee Rider revenue?**

4 **A:** Staff reviewed the Company's work papers and the filed tariffs verifying the
5 approved rates, terms and provisions. Staff also recalculated the amount to
6 verify the change in the PUD assessment factor that became effective in July
7 2008 was reflected in the amount being removed from revenue during the test
8 year. The annual amount of \$1,215,917 being removed from revenue
9 represents \$880,512 for first nine months of the test year and \$335,405 for the
10 remaining three months of. Based on this review, Staff agrees with the
11 Company's adjustment.

12 **Redbud Acquisition Recovery Rider**

13 **Q: Does Staff accept the pro-forma adjustment of \$74,357,468 presented in**
14 **W/P H-2-2c for the Redbud Acquisition Recover Rider ("RARR")?**

15 **A:** Yes.

16 **Q: What is the basis for Staff's recommendation to accept the pro-forma**
17 **adjustment presented in W/P H-2-2c for the RARR?**

18 **A:** Staff has reviewed Commission Order 559892, from Cause No. PUD 200800086,
19 authorizing the recovery of the Oklahoma jurisdictional annual revenue
20 requirement associated with the acquisition of 51% of the Redbud Generating
21 Facility ("Redbud"). That order states that the Company is entitled to cost

1 recovery from the time OG&E began operation of the plant until the conclusion of
2 OG&E's present rate case and implementation of new rates. Staff also reviewed
3 the current OG&E tariff on file to verify the calculation and application of the
4 factors used to recover the Oklahoma jurisdictional portion of Redbud. Staff
5 reviewed the Company's work papers in support of the revenue requirement of
6 \$75,366,039, less \$1,008,570.71 already collected from Oklahoma ratepayers.
7 Based upon these reviewed items, Staff supports the Company's RARR
8 adjustment in the net amount of \$74,357,468.29 remaining to be recovered.

9 **Storm Cost Recovery Rider ("SCRR")**

10 **Q: Does Staff accept the pro-forma adjustment decreasing revenue in the**
11 **amount of \$851,596, presented in Schedule H-3 for SCRR?**

12 **A:** Yes. Staff accepts the Company's removal of SCRR revenues. Staff reviewed
13 the work papers associated with this adjustment along with the tariff on file with
14 the Commission for the prescribed method of collecting recovery for storm costs,
15 and Final Order No. 558445 issued in Cause No. PUD 200700447, granting
16 recovery of the storm cost regulatory asset and authorizing the recovery rider.
17 The adjustment for removal of revenues received for the test year ending
18 September 2008 reduces the test year revenue by \$851,596. This adjustment is
19 reflected in W/P H-2-6. This figure represents one month's collections since the
20 SCRR was first implemented in September 2008.

1 CCR was \$2,090,032. The net sum of \$2,220,964 for these two adjustments
2 resulted from over-collection. The increased adjustment of \$708,881 completes
3 weather normalization for the test year ending September 2008.

4 **Military Base Tariff Credit:** The calculation for the Military Base Tariff Credit
5 (MBTC) is based on an allocation factor applicable to each rate class excluding
6 special contracts. The rider excess amount (or credit) reducing revenue for the
7 MBTC is \$130,932.

8 **Cogeneration Credit Rider:** The calculation for the Cogeneration Credit Rider
9 ("CCR", which is commonly referred to simply as "Cogen Credit Rider") is based
10 on an allocation factor applicable to each rate class excluding special contracts.
11 The rider's excess amount (or credit) reducing revenue for the CCR is
12 \$2,090,032.

13 **Weather Synchronization:** The weather impact on riders is an increase of
14 \$708,881. This amount was calculated by applying the rider factors to weather-
15 impacted kWh.

16 The pro forma adjustment decreasing revenue by \$1,512,083 is the net result of
17 the three sub adjustments referenced above.

18 **Q: Does OG&E propose including some of the riders' costs in base rates?**

19 **A:** Yes. There are four separate riders involved in this discussion. Two riders are
20 being eliminated, and their costs will be included in rate base. These eliminated

1 riders are the Centennial Wind Energy Project (“CWEP”) and the Redbud
2 Acquisition Recovery Rider (“RARR”).

3 **Q: What is the proposed treatment for the remaining two riders?**

4 **A:** The proposed treatment for the other two riders is to continue them but reset
5 their factors to zero. These two riders are the Security Rider (for Phase I and
6 Phase II) and the Cogeneration Credit Rider.

7 **Q: Please explain how this proposed process will facilitate an end to the**
8 **riders.**

9 **A:** OG&E proposes that the above riders all be trued-up approximately 60 to 180
10 days after rate changes are implemented under this present cause, Cause No.
11 PUD 200800398. After final data is available, and any over or under collection is
12 finalized, the actual true-up amount shall be refunded or collected.

13 **Q: Which method do you recommend to end the rider, e.g., fuel adjustment**
14 **clause, off-system sales, or another method?**

15 **A:** While the exact details associated with the true-up of costs have not been
16 finalized, after final data is available, any over or under collection should be
17 refunded or collected by including this amount in the Rider for Off-Systems Sales
18 of Electricity (OSSE). According to OG&E witness, Mr. Bryan Scott, manager of
19 pricing for OG&E, in response to data request PUDSF-2, this can be
20 accomplished within approximately 60 to 180 days after rate changes are

1 implemented under PUD 200800398. The amount of this true-up would be
2 reflected as a line adjustment to the January 2010 OSSE.

3 **Q: Please provide the support or the benefits of the recommended method.**

4 **A:** The advantage of using this OSSE procedure is that it is already in place and has
5 been used previously for other collections or refunds (recovery of storm costs for
6 example), so new processes do not have to be developed and new Commission
7 audit procedures do not have to be established.

8 Other alternatives include using the rider for FCA in a similar fashion, or
9 establishing a new rider refund procedure. The disadvantages of pursuing one of
10 these alternatives is that it would be more difficult to track any true-ups in the
11 FCA, and based on the Company's estimated money at issue, a new mechanism
12 would be more costly and time consuming to create than using options which are
13 already available.

14 **Security Rider**

15 **Q: Does the Company propose any other request regarding the Security**
16 **Rider?**

17 **A:** Security Rider Phase I and Phase II are proposed to be reset to zero. The
18 Company proposes that Phase III Security Rider costs continue to be collected
19 through the Security Rider as set forth in Commission Order No. 568007, Cause
20 No. PUD 200900009, issued on May 29, 2009.

Load Reduction Rider

1
2 **Q: What is OG&E's proposal for changing the PACE-1, CR-1, and the IR-1**
3 **riders?**

4 **A:** OG&E proposes termination of these three riders on March 31, 2010 upon
5 implementation of the Load Reduction Rider (LRR).

6 **Load Reduction Ride (LRR):** Staff has reviewed the current approved programs
7 as described within the OG&E tariffs on file with the Commission, as well as
8 information provided by the Company in data request responses, explaining the
9 proposed replacement of the PACE-1, CR-1, and the IR-1 riders. OG&E
10 proposes termination of these three riders on March 31, 2010 upon
11 implementation of the LRR.

12 The PACE-1 program did not have any credits and did not have any load
13 curtailment events in the test year. The total credits paid for the CR-1 and the
14 IR-1 are shown in detail in work paper M-4-1, pages 25-34. The proposed
15 replacement LRR provides the same essential elements of the current riders.
16 The LRR will provide subscription credits aligned with peak period loads of the
17 participants. The proposed LRR provides for tiered rewards for capacity
18 reservation (subscription credits) and performance rewards for participating
19 customers. According to information received from OG&E witness, Mr. Greg
20 Tillman responses to data request PUDSF-3, the LRR program will be made
21 available to more customers and will provide access to more load reduction
22 resources than the current programs. Failure to perform under the proposed

1 LRR is not penalized through loss of credits or removal of customers; rather, it
2 would be offset by higher revenues paid to the Company.

3 **Centennial Wind Energy Project Rider**

4 **Q: What is the Company's request regarding Centennial Wind Energy Project**
5 **Rider (CWEPR)?**

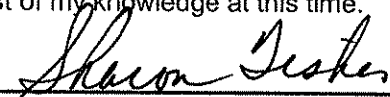
6 **A:** Pursuant to Commission Order 524078, Cause No. PUD 200500177, the
7 CWEPR shall terminate upon implementation of new rates from this rate case.
8 Information received from OG&E in response to data request PUDSF2-1,
9 indicates this rider is currently recovering \$17,977,354 in cost, with annual
10 adjustment until it sunsets in this present rate case.


11 **Renewable Transmission System Additions Rider**

12 **Q: What is the Company's request regarding the Renewable Transmission**
13 **System Additions Rider (RTSA)?**

14 **A:** Pursuant to Commission Order 559353, Cause No. PUD 200800148, the RTSA
15 will continue until reviewed in the 2011 rate case. According to information
16 received in data request PUDSF 2-1, the RTSA-New Renewable Energy Credits
17 and Green Power Wind Rider Recovery are ongoing with costs that vary upon
18 differing customer subscriptions.

19
I state under penalty or perjury under the laws of Oklahoma that the foregoing is true and correct to the best of my knowledge at this time.


(Signature)


(Date and Place)



Qualifications Outline Of Sharon Fisher

Sharon Fisher
*Public Utility Regulatory
Analyst*

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Professional Experience

Public Utility Regulatory Analyst
Telecommunications

Public Utility Regulatory Analyst
Accounting and Financial Analysis

Public Utility Regulatory Analyst
Economic Analysis and Research

Education

BFA, Drama/Speech
University of Oklahoma

MBA,
Oklahoma City University

Seminars and Training

Telecommunications Industry Basics
Madison, Wisconsin

Regulatory Studies Program
Michigan State University,
Lansing, MI

*"VOIP: Standing On The
Cutting Edge"*,
Austin Texas

*"NARUC 118th Annual
Conference"*,
Miami, FL

"Alternatives for Rate Making"
Columbia, MO

NARUC Rate School
San Diego, CA

Ms. Fisher is a Public Utility Regulatory Analyst with the Oklahoma Corporation Commission. She has several years experience with Public Utility Division as an analyst in telecommunications, electric utility, and natural gas utility regulation. She has developed expertise in the analysis of costs and pricing issues, regulatory strategies, resource planning, financial analysis, and expert witness testimony.

Professional Experience

Public Utility Regulatory Analyst II

Telecommunications

Analyzed telecom causes ranging from Reseller CCN applications to CLEC and ILEC tariff revisions.

Performed market impact analysis and trend analysis for recommendations on rate changes for telecom carriers.

Assisted in developing the Corporation Commission's telecommunication rules.

Assisted in developing a process for CCN revocations and withdrawals for Telecommunication service providers.

Assisted with designing and preparing of the "Study of the Telecommunications Service Provider Industry in Oklahoma." The Oklahoma Legislative Task Force, on Deregulation of the Oklahoma Telecommunications Service Provider Industry, commissioned this research study. The study was presented to both the Corporation Commission and Oklahoma State Legislature.

Public Utility Regulatory Analyst

Accounting and Financial Analysis

Performed Monthly PGA, PPA, and FCA Analysis for major utilities, electric cooperatives, and small gas companies.

Performed the Annual Fuel Review for Electric Cooperatives and Small Gas Companies for 2005.

Performed Cost-of-gas trend analysis and comparative analysis for small gas companies operating within the state.

Managed and coordinated the discovery strategy for major utility rate cases.

Public Utility Regulatory Analyst

Economic Analysis and Research

Researched and assisted in policy development for demand programs, underground electric distribution, competitive bidding and vegetation management.

Assisted in developing rules for electric utilities regarding competitive bidding, and demand programs.

Analyzed and prepared written testimony for several causes related to the competitive bidding process.

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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