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CORPORATION COMMISSION
OF OKLAHOMA

**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 200700012
GRANTING PREAPPROVAL TO CONSTRUCT)
RED ROCK GENERATING FACILITY AND)
AUTHORIZING A RECOVERY RIDER)

Direct Testimony

of

Roger D. Walkingstick

On behalf of

Oklahoma Gas and Electric Company

January 17, 2007

QUALIFICATIONS, EXPERIENCE AND PURPOSE

1 Q. **Would you please state your name and business address?**

2 A. My name is Roger Walkingstick. My business address is 321 North Harvey, Oklahoma
3 City, Oklahoma 73102.

4

5 Q. **On whose behalf are you submitting this direct testimony?**

6 A. I am submitting this Direct Testimony on behalf of Oklahoma Gas and Electric Company
7 (“OG&E” or the “Company”).

8

9 Q. **Would you please summarize your education and professional background?**

10 A. I have a bachelor’s degree in electrical engineering from the University of Oklahoma. I
11 also have a Masters of Business Administration from Oklahoma City University. I am a
12 licensed professional engineer in the State of Oklahoma. I have been employed at OG&E
13 for over 24 years, of which over 19 years have been involved with load research, rates,
14 costing, rate administration, regulatory issues, and pricing functions for the Company.

15

16 Q. **Have you previously filed testimony before the Oklahoma Corporation Commission
17 (the “Commission” or “OCC”) and have your credentials been accepted by this
18 Commission?**

19 A. Yes. I have previously filed testimony and testified before this Commission and my
20 credentials have been accepted.

1 Q. **What is the purpose of your testimony in this proceeding?**

2 A. The purpose of my testimony is twofold: 1) provide supportive testimony for the creation
3 of the Red Rock Construction Rider (RRCR), attached to my testimony as Exhibit RDW-
4 1 and 2) present the resulting impacts (increases) in customer bills as reflected in Exhibit
5 RDW-2 for various financing revenue collection scenarios.

6

7 Q. **Please provide a general explanation of how the proposed RRCR will function.**

8 A. The RRCR will function in a very similar fashion to OG&E's Security Rider. The
9 Security Rider and its associated quarterly reports track capital and O&M costs of the
10 Commission-authorized security projects. The RRCR and its associated quarterly reports
11 track the financing costs associated with the construction work in progress (CWIP) for
12 the Red Rock facility. After security costs are identified, revenue requirements are
13 calculated for each month. The RRCR performs the same calculation for financing costs.
14 In both riders the revenue requirements are accumulated by month to determine the
15 current calendar-year quarterly report and then added to previous quarters' revenue
16 requirements.

17

18 Q. **What financing costs are recovered in the RRCR?**

19 A. The financing costs recovered in the RRCR include interest on debt, shareowner return
20 and related income taxes.

21

1 Q. **Please discuss how the RRCR financing costs will be allocated to the Oklahoma**
2 **retail customers.**

3 A. The financing costs associated with Red Rock will be allocated to the Oklahoma retail
4 customers using the production capacity allocator CAPISY approved in the Company's
5 last case, Cause No. PUD200500151. The RRCR revenue requirement will be
6 established for each of the four major classes of service and an "other" category will be
7 established for the revenue requirement for all the remaining Oklahoma retail classes.

8

9 Q. **Please describe the calculation and implementation of the RRCR.**

10 A. First, the RRCR factors are determined and then a factor is applied to the appropriate
11 class kWhs. These factors are determined using the five class formulas found on page
12 one of the RRCR tariff. As an example, please refer to the first formula of that tariff
13 which calculates the LPL class RRCR factor and reads as follows:

14

15
$$RRCR_{lpl} = \frac{A \pm B}{Base \ LPL \ kWhs} = LPL \$ \ per \ kWh$$

16

17 Based on OG&E's estimate of the 2008 RRCR revenue requirement, the factor for the
18 LPL class would be determined as follows. The 2008 revenue requirement for the LPL
19 class, designated as "A", is projected to be \$3,405,600. For this example there is no true-
20 up, so "B" is equal to \$0 in the formula. The projected Base LPL kWhs for 2008 are
21 5,449,852,259. Dividing the total of "A" + "B" by 2008 Base LPL kWhs would result in

1 a six decimal place factor of \$.000625 which would be applied to all LPL kWhs during
2 the calendar year 2008. The factors for the remaining classes are calculated similarly.

3
4 **Q. Will the RRCR be adjusted quarterly?**

5 A. The RRCR will be monitored on a monthly basis and reported quarterly, but the actual
6 RRCR will be adjusted quarterly only if the Company and Staff determine that the
7 revenue requirement is substantially over or under recovered and a modification to the
8 factors is justified.

9
10 **Q. What may cause a modification to the factors?**

11 A. A quarterly RRCR factor adjustment may be needed because of weather variations from
12 normal within a year, unforeseen class changes in usage, or actual construction
13 expenditures that are different than what was forecasted.

14
15 **Q. When does the Company expect to calculate new RRCR factors?**

16 A. For the first year, the Company expects the RRCR will begin with the first billing cycle
17 of August 2007. The RRCR factors will be changed in January of each year and applied
18 to the first billing cycle of the month. The factors will apply for the calendar year unless,
19 as I have already described, a quarterly modification is required.

20

21

1 Q. **Why is a true-up recognized in the formula?**

2 A. An annual true-up is more exact than a quarterly adjustment. Even though a quarterly
3 adjustment can attempt to match the RRCR revenue recovery with the actual revenue
4 requirement, there will always be some level of over or under recovery for an annual
5 period. Therefore, an annual true-up is required to insure that customers only pay the
6 actual financing costs for any twelve month period.

7

8 Q. **Has OG&E determined the estimated customer impact of the RRCR?**

9 A. Yes. I have determined an estimated impact under the RRCR. I have also estimated the
10 impact on customers of the two other recovery alternatives discussed in the testimony of
11 OG&E witnesses. Exhibit RDW-2 compares these three approaches. Please refer to
12 Exhibit RDW-2 for the impact to customers of different rate classes under each of the
13 three recovery alternatives. Each class customer represents a close approximation to an
14 average customer from that class of service.

15

16 Q. **Please discuss the three revenue collection alternatives.**

17 A. I have provided in Exhibit RDW-2 the customer impacts under each of three recovery
18 alternatives: the RRCR, a CWIP rate case in 2010, and a Plant in Service rate case in
19 2012. The RRCR column in RDW-2 represents the collection mechanism that OG&E
20 witnesses are supporting. The CWIP rate case column assumes a rate increase in 2010
21 and 2012. The Plant in Service rate case column depicts a one-time rate increase in 2012,
22 subsequent to Red Rock becoming commercial. The monthly rate increases associated

1 with each alternative are reflected in both dollars and percentages. OG&E witness,
2 Howard Motley, will discuss these increases as well as the fuel savings to customers from
3 Red Rock.

4

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

6 A. Yes it does.

STANDARD PRICING SCHEDULE: RRCR STATE OF OKLAHOMA
RED ROCK CONSTRUCTION RIDER

EFFECTIVE IN: All territory served.

APPLICABILITY: The purpose of this rider is to charge the Oklahoma retail jurisdictional customers for Oklahoma's portion of the financing costs related to the Red Rock generating facility construction expenditures. The financing costs are based on Oklahoma Gas & Electric Company's forty-two percent ownership in the facility. This rider is applicable to all Oklahoma retail rate classes except for exempted special contracts. The following Red Rock Construction Rider (RRCR) formulas calculate the factors to be charged per kilowatt-hour (kWh) for each respective **class** or **other** category:

$$RRCR_{lpl} = \frac{A \pm B}{\text{Base LPL kWhs}} = \text{LPL \$ per kWh}$$

$$RRCR_{res} = \frac{C \pm D}{\text{Base RES kWhs}} = \text{RES \$ per kWh}$$

$$RRCR_{pl} = \frac{E \pm F}{\text{Base PL kWhs}} = \text{PL \$ per kWh}$$

$$RRCR_{gs} = \frac{G \pm H}{\text{Base GS kWhs}} = \text{GS \$ per kWh}$$

$$RRCR_{other} = \frac{I \pm J}{\text{Base Other kWhs}} = \text{Other \$ per kWh}$$

Effective _____

Rates Authorized

by _____
(Order No.) (Cause/Docket No.) (Date of Order)

STANDARD PRICING SCHEDULE: RRCR **STATE OF OKLAHOMA**
RED ROCK CONSTRUCTION RIDER

where:

<i>A = LPL RRCR Revenue Requirement</i>	<i>B = Annual LPL Over/Under Revenue Recovery Review</i>
<i>C = RES RRCR Revenue Requirement</i>	<i>D = Annual RES Over/Under Revenue Recovery Review</i>
<i>E = PL RRCR Revenue Requirement</i>	<i>F = Annual PL Over/Under Revenue Recovery Review</i>
<i>G = GS RRCR Revenue Requirement</i>	<i>H = Annual GS Over/Under Revenue Recovery Review</i>
<i>I = Other RRCR Revenue Requirement</i>	<i>J = Annual Other Over/Under Revenue Recovery Review</i>

Red Rock Revenue Requirement is based on the planned average construction expenditures for the calendar year, or partial calendar year, when the RRCR factors are implemented. The revenue requirement is the financing costs of the construction expenditures defined as interest on debt, shareowner return and related income taxes.

Base Class and Other kWhs below are for August through December 2007 time period. Subsequent annual base class and other kWhs will be modified by agreement with the OCC Staff:

	<u>Aug-Dec 2007</u>
Residential kWhs -	3,429,357,357
General Service kWhs -	662,343,131
Power & Light kWhs -	2,672,240,731
Large Power & Light kWhs -	2,318,964,338
Other Applicable kWhs -	402,349,645

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by _____
(Order No.) (Cause/Docket No.) (Date of Order)

OKLAHOMA GAS AND ELECTRIC COMPANY
P.O. Box 321
Oklahoma City, OK 73101

SHEET NO. _____
DATE ISSUED _____

Exhibit RDW-1
Page 3 of 3

STANDARD PRICING SCHEDULE: RRRCR **STATE OF OKLAHOMA**
RED ROCK CONSTRUCTION RIDER

QUARTERLY REPORT: Within 60 days of the first quarter (January through March) and each remaining quarter for the year, OG&E will file a quarterly report with the OCC that compares the actual revenues collected through the RRRCR with the monthly revenue requirement calculation that recovers the defined financing costs in this tariff.

INTERIM ADJUSTMENTS: The RRRCR factors may be adjusted quarterly for good cause. However, the Company is required, each year, to analyze during the third quarter whether an interim adjustment is needed to align the year-end recovery with the actual revenue requirement. The purpose of the interim adjustment is to minimize any over or under collection at the end of the year.

ANNUAL TRUE-UP: The OCC Staff shall perform an audit and review of each calendar year subsequent to the closing of the Company's books and records. Any over or under recovery will be considered at the next RRRCR update. The annual true-up shall include any dollar difference from previous period(s), but shall not be greater than or less than the actual differences between the revenues recovered through the RRRCR and the annual revenue requirement.

TERM: The rider will be effective beginning the first billing cycle of August 2007 and will simultaneously terminate when new rates are implemented, through a general rate review, that include the cost of the Red Rock generating facility.

Effective _____

Rates Authorized
by _____
(Order No.) (Cause/Docket No.) (Date of Order)

**CUSTOMER IMPACT OPTIONS
(RED ROCK GENERATING FACILITY)**

CLASS	2007				2008				2009				2010				2011				2012			
	RRCR	CWIP rate case	PLANT in SERVICE rate case	RRCR	RRCR	CWIP rate case	PLANT in SERVICE rate case	RRCR	RRCR	CWIP rate case	PLANT in SERVICE rate case	RRCR	RRCR	CWIP rate case	PLANT in SERVICE rate case	RRCR	RRCR	CWIP rate case	PLANT in SERVICE rate case	RRCR	RRCR	CWIP rate case	PLANT in SERVICE rate case	FUEL SAVINGS
Res	\$ 0.34			\$ 1.16	\$ 1.76	\$ 1.03	\$ 3.18	\$ 0.37	\$ 1.80	\$ 3.56	\$ 7.08	\$ (2.30)												
GS	\$ 0.64			\$ 2.18	\$ 3.31	\$ 1.93	\$ 5.97	\$ 0.69	\$ 3.39	\$ 6.69	\$ 13.30	\$ (4.60)												
PL	\$ 11.55			\$ 39.25	\$ 59.45	\$ 34.75	\$ 107.35	\$ 12.40	\$ 60.95	\$ 120.35	\$ 239.20	\$ (114.90)												
LPL	\$ 736.00			\$ 2,500.00	\$ 3,784.00	\$ 2,212.00	\$ 6,832.00	\$ 788.00	\$ 3,880.00	\$ 7,660.00	\$ 15,224.00	\$ (9,164.00)												
Other	\$ 1.94			\$ 6.61	\$ 10.01	\$ 5.85	\$ 18.07	\$ 2.09	\$ 10.26	\$ 20.26	\$ 40.26	\$ (15.91)												

Note: Res = 1,000 kWh per month; GS = 2,000 kWh per month; PL = 50,000 kWh per month; LPL = 4,000,000 kWh per month; Other = 7,000 per month.

CLASS	2007				2008				2009				2010				2011				2012			
	RRCR	CWIP rate case	PLANT in SERVICE rate case	RRCR	RRCR	CWIP rate case	PLANT in SERVICE rate case	RRCR	RRCR	CWIP rate case	PLANT in SERVICE rate case	RRCR	RRCR	CWIP rate case	PLANT in SERVICE rate case	RRCR	RRCR	CWIP rate case	PLANT in SERVICE rate case	RRCR	RRCR	CWIP rate case	PLANT in SERVICE rate case	FUEL SAVINGS
Res	0.17%			1.34%	2.07%	1.23%	3.80%	0.45%	-0.61%	1.56%	5.92%													
GS	0.14%			1.13%	1.74%	1.03%	3.20%	0.38%	-0.67%	1.16%	4.82%													
PL	0.15%			1.16%	1.79%	1.07%	3.30%	0.39%	-1.72%	0.17%	3.96%													
LPL	0.16%			1.27%	1.96%	1.16%	3.59%	0.42%	-2.86%	-0.82%	3.30%													
Other	0.14%			1.10%	1.70%	1.01%	3.12%	0.37%	-1.01%	0.78%	4.36%													
Total	0.16%			1.25%	1.93%	1.15%	3.54%	0.42%	-1.30%	0.73%	4.79%													