

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

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



**FILED**

JUN 22 2009

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CORPORATION COMMISSION  
OF OKLAHOMA

RESPONSIVE TESTIMONY

OF

GEORGE KISER

June 22, 2009

**PRE-FILED RESPONSIVE TESTIMONY**

**OF**

**GEORGE F. KISER**

**June 22, 2009**

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**INTRODUCTION**

1   **Q:   Please state your name, by whom you are employed, in what capacity,**  
2       **and your business address.**

3   A:   My name is George F. Kiser. I am employed by the Oklahoma Corporation  
4       Commission ("OCC" or "Commission"), in the Public Utility Division ("PUD"),  
5       in the energy and water ("EAW"). I am employed as a public utility regulatory  
6       analyst IV. I am supervised by Bob Thompson, certified public accountant /  
7       manager of accounting and financial analysis and Brandy Wreath, chief of the  
8       energy and water. I have more than 30 years of experience at the Oklahoma  
9       Corporation Commission. Prior to my working for the Commission I worked  
10      for a CPA firm in both public and private accounting. I also worked at the  
11      University Hospital as supervisor of payrolls. My business address is the Jim  
12      Thorpe Office Building, Room 580, and 2101 N. Lincoln Boulevard, Oklahoma  
13      City, Oklahoma 73152-2000.

14   **Q:   Please state how long you have been employed by the OCC.**

15   A:   I have been employed by the OCC in the Public Utility Division since March  
16       1978.

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1 **Q. Please state briefly your educational background and professional**  
2 **experience.**

3 A. I have a bachelor of science degree from the University of Central Oklahoma  
4 with a major in accounting.

5 **Q: Have you previously testified before this Commission and has this**  
6 **Commission accepted your qualifications?**

7 A: Yes, I have testified before this Commission and my qualifications have been  
8 accepted.

9 **Q: Please describe your experience with the Commission and your present**  
10 **duties.**

11 A: For the first several years I worked on major company rate case audits.  
12 Subsequently, I worked for several years in the fuels area auditing major  
13 utilities' fuel adjustment clauses. Over the years I have reviewed the monthly  
14 filings of the purchased gas adjustment clauses ("PGA"), the fuel adjustment  
15 clauses ("FAC"), and some of the purchased power adjustment clauses  
16 ("PPA") of the various utilities. As needed, I managed issues related to the  
17 cotton gin companies filing for dormancy or sale and dismantle of cotton gins.  
18 I have also been responsible for reviewing all of the electric cooperative rate  
19 cases with less than a three percent increase under 17 O.S. 1988  
20 Supp/158.27(b)(2). I have been responsible for the review of rate cases for

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1 smaller utilities for the Public Utility Division. Please see my curriculum vitae  
2 (CV) attached to my testimony as GK1.

### **EXECUTIVE SUMMARY**

3  
4 Staff has reviewed the filed direct testimony and supplemental testimony of  
5 Donald R. Rowlett on behalf of Oklahoma Gas and Electric Company  
6 ("OG&E" or "Company"). The areas assigned to me for review are as follows;

7 (1) OG&E Adjustment No. 1 to adjust rate base for maintenance costs  
8 deemed more appropriately capitalized in OCC order # 182637 from Cause #  
9 26782. OG&E has been following this order from the date of order to current  
10 filing.

11 (2) I was also assigned to review Adjustment No. 28 operation and  
12 maintenance ("O&M") Adjustment, by OG&E for \$11,394,130.

13 (3) While reviewing the ("O&M") I also reviewed other areas of maintenance  
14 by reviewing data request and responses of intervenors. Areas considered  
15 by Staff included the production maintenance, capitalized maintenance,  
16 repairs and maintenance, O&M reclassification, etc.

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1        Additionally I reviewed OG&E's report prepared by OG&E's outside  
2        consultant Mr. Mark Newton Lowery for the Pacific Economics Group  
3        Research, LLC ("PEG"). Staff believes the trend line of expenses incurred by  
4        OG&E in regards to maintenance is reasonable.

**PURPOSE OF TESTIMONY**

5  
6        **Q:    What is the purpose of your testimony in Cause Number PUD 200800398**  
7        **presently before the Oklahoma Corporation Commission?**

8        A:    The purpose of my testimony is to review the filing and make Staff's  
9        recommendation on the Company's rate base adjustment number 1, for  
10       \$119,081 and its income statement adjustment number 28 for \$11,394,130. I  
11       am also responsible for presenting Staff's recommendations and review  
12       concerning these two areas.

**Q:    What process did you use to review your assigned areas in this cause?**

A:    Staff reviewed the filing, the filed testimony, the various data requests and  
responses, on site meetings and interviews with the Company,

**Q:    What is the purpose of your responsibility?**

A:    The purpose of my testimony is to provide the Commission with the results of  
Staff's review pertaining to the two areas discussed above and any other  
maintenance issues discovered during the review.

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**Q: What process did you use to review the issues above; rate base adjustment number 1 for \$119,081 and income statement adjustment number 28 for \$11,394,130?**

1 A: I reviewed the Commission Order for the prior year cause as well as the  
2 dissenting opinion. This order was signed January 19, 1981, General Cause  
3 No. 26782, which was before the Commission assigned the prefix of Public  
4 Utility Division or PUD to the cause No. OG&E has been following this order  
5 from the date of order to current filing.

6 The significance of the adjustment is that OG&E will earn a rate of return on  
7 adjustment number 1 added to rate base for the \$119,081 using the rate of  
8 return allowed by the Commission. The adjustment for number H-28 of the  
9 income statement is a return of the expense.

### TESTIMONY

10 **Q: Mr. Kiser, Would you please briefly summarize your review and**  
11 **participation in this instant cause?**

12 A: Staff has reviewed the application and prefiled testimony of Donald R.  
13 Rowlett, filed February 27, 2009. The Company has followed the order  
14 182637 for general cause 28762 by continuing to update the change from  
15 year to year during rate cases, to adjust rate base for maintenance costs

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1       deemed more appropriately capitalized in the 1980 cause by Staff. This is an  
2       Oklahoma jurisdictional item only.

3       Staff reviewed the expense levels the Company has calculated for the various  
4       rate cases over the years since the order was issued by the Commission  
5       January 19, 1981. OG&E's adjustment for this can be found at W/P B3-1 for  
6       \$119,081. Staff supports the Company's adjustment and finds no error with  
7       the calculation as presented by Staff back in the 1980 cause.

8       **Q:    What was your review process in relation to OG&E's adjustment H-28?**

9       A:    The next adjustment which was assigned to me was to review the other  
10       Operation and Maintenance reflected in OG&E W/P H2-28 for \$11,394,130.  
11       Staff has reviewed the Company work papers, discussed this adjustment with  
12       the company and reviewed the OG&E responses to data requests. Staff also  
13       reviewed the maintenance of the various plants for several years in which the  
14       trend line of expenses appears to be in line with the current trends. In  
15       addition I reviewed OG&E's efficiency study concerning operation and  
16       maintenance ("O&M") expense prepared by Pacific Economics Group  
17       Research, LLC ("PEG"). This study ranked OG&E as one of the best  
18       companies in two different techniques used in benchmarking methodology.  
19       One for economic model and second for peer group cost analysis of OG&E  
20       unit cost index. The study used two well known economic models and  
21       indicates that OG&E is exceptional at managing its O&M expense.

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1 **Q: What is your finding in relation to OG&E's adjustment H-28?**

2 A: Staff believes the outside consultant study supports OG&E trend line of O&M  
3 expenses by being based on a sample from 38 vertically integrated electric  
4 utilities. Base rate O&M expenses used in this study were defined as total  
5 O&M expenses less expenses for generation fuels, purchased power,  
6 employee pension and benefits, load dispatching, transmission services and  
7 regional market management because they are characteristically volatile  
8 and/or significantly subject to external influences and beyond company  
9 control. Staff is supportive of the outside study and OG&E adjustment.

### **CONCLUSIONS**

10

11 **Q: What is your recommendation regarding your assigned areas of**  
12 **Review?**

13 A: Staff recommends no adjustment to my assigned areas. Staff finds the  
14 Company's currently reflected levels to be reasonable.

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

3 George I Kiser  
(Signature)

4 June 22, 2009  
(Date and Place)



# George Kiser

## 2009 Curriculum Vitae

### Contact

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

### Education

University of Central Oklahoma, College of Business, Edmond Oklahoma 1968 - 1973

- B.S., Accounting
- Studies at the University of Central Oklahoma included a major in accounting with a minor in management and psychology, with coursework in accounting, finance and economics. While in school, had an active role in the accounting club including tutoring beginning accounting students. Also worked on getting different businesses to come to the University for Recruitment.

### Work Experience

Oklahoma Corporation Commission 1978 - Present

#### Accounting and Financial Analysis; Public Utility Regulatory Analyst IV

- Processed large rate case audits from the beginning of my employment, both individually and with teams. Assigned as lead auditor on large rate cases with several people working with me.
- All positions I have held at the Commission have required that I provide expert testimony and be able to defend the testimony under cross-examination. Testimony detailed my review of the company books and records, the company adjustments and my proposed changes.
- I have played a key role regarding financial analysis and case management, from large public utilities rate cases to fuel audits. From the major rate cases, I then worked on all of the major companies' fuel adjustment charges, (FAC) or purchased gas adjustment charges (PGA).
- Work with various electric cooperatives' purchased power adjustment charges and small rate cases. Other primary responsibilities include preparation of reports and testimony regarding costs and various adjustments to expenses during rate cases, lost, used and unaccounted for gas cases, and a variety of other energy-related and regulatory issues. These items include proof of revenue cases for rates for both large and small companies. Over the years, I have also worked on rate design issues for small companies. I have also been very active in the supervision and training of others in the aforementioned areas.
- Work closely with corporate representatives, exchanging information, methodologies, and settlement ideas. I have also attended HRDS classes necessary to prepare Individual Performance Management Process Forms (PMP's) for subordinates.
- I have attended several National Association of Regulatory Utility Commissioners (NARUC) and Mid-America Regulatory Conference (MARC) meetings for the utility industry during my tenure at the Corporation Commission. In addition, I have attended a few local continuing education sessions sponsored by the Oklahoma State Auditors Office. I have also attended classes in the past on some general in house training as well as seminars scheduled at Metro Tech and at the University of Oklahoma.
- Lead case analyst and expert witness on the following PUD Causes: 200800256, 200800242, 200800094, Participant in cause 200800398, 200800144, 200800098, 200800094, 200800226, 200800063, 200700200, 200700022, 200700336, 200300622, 200700309, 200700201, 200700215, 200700040, 200600401,



# George Kiser

## 2009 Curriculum Vitae

200600096, 200600016, 200500508, 200400591, 200500347, 200500468, 200500323, 200500117, 200500195, 200400610, 200400625, 200400610, 200400624, 200400539, 200300200, 200300076, 200400187, 200400262, 200300088, 200300015, 990000166, 990000698, 96000214, 960000116, 910001190, 910001144, 920001394, 910001144, Numerous Electric Cooperative 3% increases without cause number, other years available upon request.

### Dennis Statham CPA

1976 - 1978

#### Staff Auditor

- Auditor with CPA Audit Firm auditing Large Casualty Insurance Companies, Oklahoma City, Oklahoma.
- Worked on insurance audits, helped in preparation of insurance annual reports to Insurance Commissioner.
- Worked on write up work of small clients bookkeeping, prepared balance sheets, income statements, etc.
- Worked on tax returns preparation for insurance clients.
- Worked on tax return preparation of individuals.
- Worked on preparation quarterly and annual payroll tax forms for small clients.

### University Hospital

1974 - 1976

#### Supervisor of Payroll

- Supervised three payroll clerks preparing the various monthly payrolls.
- Handled the financial funding of the monthly payrolls, through various funds to include the following; general funds, revolving funds, grants, and special funds.
- Personnel management including: recruiting, training, evaluation, and reorganization of monthly payrolls
- Reduced the number of the monthly payrolls run each month to include the special payrolls for different shift work, involving different rates of pay.
- Back up supervisor for accounts payable.

### Internal Revenue Service

1973 - 1974

#### Staff Auditor

- Auditor with IRS auditing small companies and individuals tax returns filed with the IRS.

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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