

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) CASE NO. PUD 2023-000087
RATES, CHARGES, AND TARIFFS FOR RETAIL)
ELECTRIC SERVICE IN OKLAHOMA)

Rebuttal Testimony

of

David Kenyon

on behalf of

Oklahoma Gas and Electric Company

May 17, 2024

David Kenyon
Rebuttal Testimony

1 **QUALIFICATIONS, EXPERIENCE AND PURPOSE**

2 Q. **Please state your name and business address.**

3 A. My name is David Kenyon. My business address is 321 N. Harvey Ave., Oklahoma City,
4 Oklahoma 73102.

5
6 Q. **What position do you hold with OG&E?**

7 A. I hold the position of Chief IT Architect. I am responsible for planning and road mapping
8 all the digital components that facilitate the use of data by the Company and for governing
9 the selection, design, and lifecycles of the systems that are comprised by these components.

10
11 Q. **Briefly summarize your education and professional qualifications.**

12 A. I earned an engineering degree from the US Air Force Academy (1992), a Master’s Degree
13 in Engineering Management from the Air Force Institute of Technology (1996), along with
14 an MBA from Colorado State University (2004). After receiving my education and a short
15 tour of duty as a military officer, I started practicing IT as a Systems Analyst, implementing
16 new software systems globally to comply with the risks posed by the year 2000. I
17 progressed from this role into a software engineering management role where I was
18 responsible for all software development activities for a \$3.5 billion oil equipment
19 manufacturer in Houston. In 2006, I held the top IT leadership role for another
20 manufacturer in the oil and gas industry until I took a position with OG&E. In my work
21 for OG&E over the last 18 years, I have held various IT leadership roles that include
22 directing our infrastructure development, our software development, and most recently
23 acting as the Chief IT Architect. In total, I now have 24 years of experience in Information
24 Technology.

25
26 Q. **Have you ever filed testimony before the Oklahoma Corporation Commission?**

27 A. No.

1 Q. **Please state the purpose of your Rebuttal Testimony.**

2 A. The purpose of my Rebuttal Testimony is to respond to the recommendations of PUD
3 witness William Dunkel to extend the life of intangible plant in account 303.1 from 5 years
4 to 10 years and OIEC Witness David Garrett to extend the life of intangible plant in account
5 303.1 from 5 years to 10 years and account 303.2 from 10 to 15 years. My testimony is
6 meant to support the depreciation rates for these accounts recommended by OG&E witness
7 Dane Watson.

8

9

ACTUAL SERVICE LIVES OF INTANGIBLE PLANT

10 Q. **Please describe the type of software contained in FERC account 303.1.**

11 A. The software contained in FERC account 303.1 are term-limited license-based programs
12 and operating systems that require periodic renewal and software that is directly tied to the
13 lifespan of the physical hardware on which it is designed to operate.

14

15 Q. **Can you explain the challenges with software that is reflected in FERC account 303.1?**

16 A. Information Technology (“IT”) is a dynamic field as there are few technologies that evolve
17 and change more quickly than IT. In the past, it was common to have large monolithic
18 systems installed on-premises but, over time, innovation has broken these systems into
19 smaller, more agile, and more standardized components that are built to run on hyperscaler
20 infrastructures and to be easily connected to or disconnected from other systems. These
21 componentized systems are constantly changing or being replaced to keep them relevant
22 with the state of technology; to keep them compatible with dependent systems; to keep
23 them compliant with evolving standards, regulations, and security risks; and to keep them
24 performant as usage rates and data volumes change. This high rate of change and the need
25 for continual reinvestment have caused a dramatic shift towards a license model with terms
26 that have dropped to 3-5 years reflecting the pace of change and innovation. This model
27 is quickly becoming the norm and is therefore growing in frequency and volume.

28

29 Q. **How long are the licenses or subscriptions for the items in FERC account 303.1?**

30 A. The software contained in FERC account 303.1 has licenses that last anywhere from 3-5
31 years. After they expire, OG&E evaluates whether to extend the license for a new 3-5 year

1 term, whether to end the use of that software, or whether to replace it with a different
2 software. In some cases, the software is tied to a physical piece of infrastructure which
3 itself has a useful life of only 5 years.
4

5 **Q. Would it be reasonable to move from a 5-year life to a 10-year life for FERC account**
6 **303.1?**

7 A. No. If the Commission ordered OG&E to use a 10-year life for this account, then the
8 software licenses would go through two or maybe three renewals during that 10-year
9 period. This would cause the costs to pancake over time and, at the end of the 10-year life,
10 the Company would still be depreciating software that has not been used in 5-7 years. That
11 is not a reasonable way to treat this account when the depreciable life should match the
12 service life of such software. The Company's use of a 5-year life for software licenses
13 with a span of 3 – 5 years is conservative and appropriate.
14

15 **Q. Please describe the type of software contained in FERC account 303.2.**

16 A. The software contained in this account is generally software that has a perpetual license
17 and is run on-premises. Despite the evolution of software to hyperscalers, on-premises
18 installations are still common for software with sensitive data or significant mission
19 criticality. However, this software is still impacted by rapid technological changes for the
20 same reasons mentioned above regarding the software in FERC account 303.1. The
21 primary difference between FERC account 303.1 and 303.2 is that on-premises software
22 found in FERC account 303.20 tends to be more customized and does not run on the same
23 standardized infrastructures and is therefore more costly to upgrade, leading to less
24 frequent upgrades or replacements. For example, the Company implemented SAP in 1997,
25 then had major upgrades in 2007, 2014, and 2024. As can be seen, these customized
26 internal software systems have longer periods of internal use and hence longer service lives
27 than the average 5 years.

1 Q. **Would it be reasonable to move from a 10-year life to a 15-year life for FERC account**
2 **303.2.**

3 A. While significant architectural and functional changes for standardized software running
4 in the cloud occur on a 3-5 year period (like those found in FERC account 303.1), on-
5 premise solutions tend to undergo these types of changes on a 7-10 year cycle, primarily
6 driven by the lifecycles of major Operating and Database Management Systems like
7 Windows OS and Oracle DBMS, both of which have standard support periods of five years
8 followed by extended support periods of five and three years respectively. After extended
9 support expires, the software will no longer receive security nor compliance patches
10 making continued use a security and support risk. As a result, within ten years, the software
11 like that reflected in FERC account 303.2 requires significant upgrades and company
12 investments to remain viable, secure, and supported by the product vendor. Choosing not
13 to perform major upgrades or to not replace the software at these critical junctures leads to
14 running obsolete software, introducing unacceptable risk, greatly increasing maintenance
15 costs, and delaying new functionality needed for compliance, efficiency, and customer
16 satisfaction. These outcomes would not be acceptable to any company operating these
17 sophisticated platforms.

18
19 If the Commission ordered the Company to use a 15-year life for this account, when
20 software lives range for 7 to 10 years, then the software licenses would go through one or
21 two significant upgrades or replacement during that 15-year period. This would cause the
22 costs to stack over time and, at the end of the 15-year life, the Company would still be
23 depreciating software that is obsolete and no longer in use. Artificially lengthening the
24 lives of the software in this account is not a reasonable way to treat this account.

25
26 **RECOMMENDATIONS**

27 Q. **Please summarize your recommendations to the Commission.**

28 A. Because of the nature of the software and their respective lifespans as described above, I
29 recommend the Commission utilize a 5-year life for the software in FERC account 303.1
30 and a 10-year life for software in the FERC account 303.2 to accurately capture the true
31 lives of the software contained in these FERC accounts.

- 1 Q. **Does this conclude your Rebuttal Testimony?**
- 2 A. Yes.