CASE PUD 2023-000087 ENTRY NO. 259 FILED IN OCC COURT CLERK'S OFFICE ON 05/17/2024 - PAGE 1 OF 14

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

Jason J. Thenmadathil

on behalf of

Oklahoma Gas and Electric Company

May 17, 2024

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

A. My name is Jason J. Thenmadathil. My business address is 321 North Harvey, Oklahoma City, Oklahoma 73102.

Q. **Are you the same Jason J. Thenmadathil who filed Direct Testimony in this Case on December 29, 2023?**

A. Yes.

Q. **What is the purpose of your Rebuttal Testimony?**

A. The purpose of my Rebuttal Testimony is to discuss certain adjustments made by the Oklahoma Corporation Commission Public Utility Division ("PUD"), the Attorney General ("AG"), the Federal Executive Agencies ("FEA"), and the Oklahoma Industrial Energy Consumers ("OIEC") to the Company's expenses as part of the revenue requirement. Specifically, I will be addressing adjustments the Company is accepting and providing Rebuttal Testimony for the issues described below:

Table 1 – Rebuttal Areas

Sponsor	Issue Description
OIEC	Ad Valorem Taxes
OIEC, AG, FEA, and PUD	Pension Under-Recovery Amortization
AG	Payroll expense ratio
OIEC, AG, and PUD	Chamber of Commerce Dues, EEI Dues and Other Memberships
PUD	GEM Rider Revenues

Q. Does OG&E provide rebuttal for other revenue requirement adjustments addressed by other witnesses?

A. Yes. The rebuttal for compensation related areas such as short-term incentive compensation, long-term incentive compensation, and severance expense is addressed by

OG&E witness Scott Briggs. The rebuttal for Board of Directors compensation, investor relations, and Directors and Officers ("D&O") liability insurance is addressed by OG&E witness Charles Walworth. The rebuttal for vegetation management expenses is addressed by OG&E witness Robert Shaffer. The policy related rebuttal on why the vegetation management accounting tracker is necessary is addressed by OG&E witness Kimber Shoop. Lastly, the rebuttal for depreciation expense is addressed by witnesses Dane Watson, David Kenyon, Kelly Riley, Ryan Einer, and Robert Doupe.

ACCEPTED ADJUSTMENTS AND UPDATED REVENUE DEFICIENCY

Q. Does the Company agree with any adjustments proposed by various parties in the case?

A. Yes, the Company agrees with several adjustments proposed by other parties. The PUD, AG, and OIEC have all proposed adjustments reflecting known and measurable changes occurring within the six-month post test year period. The Company accepts those specific adjustments. Rebuttal Exhibit JT-1 includes the total Company amount of those adjustments related to rate base and expenses.

Q. The Company initially filed for a revenue increase of $332,537,342. Based on the updated adjustments reflected in the Rebuttal Testimony of OG&E witnesses in the case, what is the Company's updated revenue deficiency?

A. The Company's updated revenue increase, when taking into consideration the updated adjustments, results in an Oklahoma jurisdictional increase of $313,186,720, a reduction of $19,350,622 from the filed case. Please see table 2 below. The Adjustments reflect Oklahoma jurisdictional amounts.

Table 2 – Updated Revenue Deficiency

Filed Deficiency	$332,537,342
Post Test Year Updates [1]	(19,350,622)
Adjusted Deficiency	$313,186,720

[1] Total Company updates are listed on Exhibit JT-1. This amount reflects the jurisdictional change associated with those updates.

AD VALOREM TAXES

Q. **Please describe OIEC's recommendation to reduce Ad Valorem taxes.**

A. OIEC recommended reducing Ad Valorem taxes by $8,912,195 on a total Company basis. OIEC witness Mark Garrett arrived at this adjustment by including accumulated depreciation in the calculation of the Ad Valorem tax ratio utilized to estimate the expense level in base rates.[1]

Q. **Did Mr. Garrett utilize the correct plant in service amount to calculate his adjusted Ad Valorem tax expense?**

A. No. Mr. Garrett utilized the adjusted plant in service amount provided in the response to Data Request PUD 10-7. However, the adjusted plant level in PUD 10-7 is not the appropriate level to use, as this plant level has already been adjusted to remove the Transmission Plant recovered from other Load Serving Entities ("LSEs"). If the amount reflected in PUD 10-7 is removed from the property tax calculation, the Ad Valorem tax expense paid for by other LSEs is removed twice, since this expense level was already removed in a separate pro forma adjustment. When calculating the pro forma property tax expense level, the appropriate plant amount to use is the six-month gross plant level, which will prevent a "double-removal."

Q. **When Mr. Garrett's calculation is revised to use the appropriate plant numbers, what is the result of his methodology?**

A. If accumulated depreciation is included in the Ad Valorem tax ratio but with the appropriate gross plant and accumulated depreciation numbers, Mr. Garrett's revised calculation would result in a decrease of $968,060, as opposed to a decrease of $8,912,195.

Q. **Does the Company agree with Mr. Garrett's methodology?**

A. No. The Company continues to advocate using gross plant, materials and supplies, and fuel inventory as a base to estimate property tax levels. This methodology has been utilized in previous OG&E rate cases, and the Company sees no reason to deviate from this

---

[1] Responsive Testimony of Mark E. Garrett, pages 53 – 54.

approach to estimate property tax expenses. With the six-month update, the adjustment to the Company's filed ad valorem tax recommendation would be a total company decrease of $87,639.

PENSION OVER/UNDER AMORTIZATION PERIOD

Q. **Please describe the adjustment proposed by OIEC, PUD, and FEA regarding the amortization period of the pension under-collection.**

A. The witnesses for these intervenors all proposed a 15-year amortization of the pension under-collected balance as opposed to the 5-year amortization period used by the Company.[2,3,4]

Q. **Please provide a brief history of the pension tracker and how it generates an over or under collection of pension expense.**

A. The pension tracker was established in Cause No. PUD 200500151 to calculate the difference between base rate pension expense and actual pension expense. The difference, whether classified as an over-collection (regulatory liability) or an under-collection (regulatory asset), is deferred and amortized in the following rate case. The tracker was later expanded in Cause No. PUD 201100027 to include post-retirement medical expenses. This process of deferral and amortization continues for each rate case. At the end of the six-month post test period for the current case, the pension over/under collection balance is a net under collection of $51,096,441.

Q. **Does OG&E continue to recommend a 5-year amortization period for the pension under-recovery balance?**

A. Yes. The Company continues to recommend a 5-year amortization period for the pension balance. While it is correct that a 15-year amortization period was utilized in the interest of reaching a settlement in Cause No. PUD 202100164, a 5-year period had been used before for both over and under recovery balances in previous rate cases and is a more

---

2 Responsive Testimony of Andrew Scribner, page 14, lines 11 – 18.
3 Responsive Testimony of Mark E. Garrett, pages 36 – 37.
4 Responsive Testimony of James A. Leyko, pages 14 – 15.

reasonable period for the amortization of these costs. A 15-year amortization period will result in larger deferral balances if OG&E continues to add to the tracker balance with pension expense that exceeds the amount in base rates. Likewise, if pension expense decreases and eventually results in a liability, there would be precedent to return the credit over the same long period. In Cause No. PUD 201700496, the pension tracker balance was an over collection of $44,020,013 at the time, and this over-collection was refunded back to customers over 5 years.

Q. **Has the Commission ruled on an amortization period for the pension tracker over/under amount in the most recent litigated rate case?**

A. Yes. In OG&E's last litigated rate case, PUD 201500273, the Commission ruled in favor of a 2-year period, stating that "pro forma pension regulatory liabilities were amortized over a two-year period."[5] Considering prior treatment of the balance at a 5-year period (other than via a settlement in Cause No. PUD 202100164), as well as the ruling of a 2-year amortization period when the balance resulted in a credit to customers, the Company continues to recommend a 5-year recovery.

Q. **Please describe the AG's recommended amortization period.**

A. AG witness Betchan proposed splitting the amount of deferred pension cost between pension settlement amounts and other deferred amounts. His reasoning for the split was to amortize pension settlement expenses in a manner similar to how OG&E amortizes those amounts in the Arkansas jurisdiction - over the average expected future years of service of employees, or 8.31 years. Mr. Betchan then recommends the remaining amount be amortized over 5 years as the Company recommended, for a combined amortization period of 7.02 years to apply to the entire balance.[6]

---

5 Final Order No. 6620598, Cause No. PUD 201500273, page 46 of 238.

6 Responsive Testimony of Brice D. Betchan, page 21, lines 1 – 9.

Q. **Would the AG's recommendation be a more reasonable alternative compared to the recommendations of the OIEC, PUD and FEA?**

A. The AG's recommendation appears to be a more reasonable alternative, but OG&E still believes 5 years is a better amortization period for these costs and is consistent with Commission-approved amortization period for these costs.

PAYROLL EXPENSE RATIO

Q. **Please discuss the adjustment made by the AG to the Company's payroll expense ratio.**

A. The AG disagreed with the Company's use of a 3-year average ratio to calculate the expensed portion of payroll, and instead used the ratio from payroll data during the calendar year 2023.[7]

Q. **Would you please explain the purpose of applying an O&M ratio to payroll expense.**

A. The payroll expense ratio is a percentage designed to remove payroll related dollars that would not be classified as an expense. The primary driver of this ratio is labor that is capitalized and ultimately reflected on the balance sheet. The Company historically has utilized an averaging methodology to calculate this percentage, which considers changes in the payroll expense ratio that have occurred over several years.

Q. **How has the Company calculated this average payroll O&M ratio over the last several rate cases?**

A. Since Cause No. PUD 201500273, the Company has utilized a 4-year average to calculate this payroll expense ratio. The 4-year average was an accepted methodology in that rate case, which was fully litigated. The Company maintained the use of the 4-year average in Cause Nos. PUD 201700496, 201800140, and 202100164. In this case, The Company changed the methodology by moving from a 4-year average to a 3-year average.

---

[7] Responsive Testimony of Brice D. Betchan, page 14, lines 6 – 13.

Q. **Please explain why the Company chose to utilize a 3-year average for this rate case instead of the 4-year average maintained over the last four rate cases.**

A. The Company noticed a trend occurring in the payroll expense percentage over the years, where the expense percentage has trended downward. If the Company utilized the 4-year average, it would have resulted in a payroll level approximately $4 million higher than what was proposed in the six month update to payroll. To reduce the impact of this averaging methodology, the Company selected a 3-year average.

Q. **Please explain why averaging methodologies are used for various expenses in the revenue requirement.**

A. While test year dollars are utilized for most expenses in the base rate calculation, areas that can be difficult to predict require a methodology to estimate cost, such as annualization or averaging based on historical actual data. The Company's use of a 3-year average instead of a 4-year considers the downward trend in the ratio. Therefore, the Company recommends this methodology.

CHAMBER OF COMMERCE DUES, EEI DUES, AND OTHER MEMBERSHIPS

Q. **Please describe the adjustments for dues and memberships made by PUD witness Aguirre, AG witness Matejcic, and OIEC witness Mark Garrett.**

A. These witnesses made various adjustments to dues and other memberships, with varying amounts and percentages disallowed. Table 2 below summarizes the total company adjustment for all three parties. My rebuttal will reference the table when discussing the adjustments.

Table 3 – Dues and Memberships Adjustments

Line	Description	PUD	AG	OIEC	
1	Chamber of Commerce Dues	355,815	355,815	355,815	
2	Disallowed %	50%	50%	50%	
3	Recommended Adjustment (Line 1 x 2)	**(177,908)**	**(177,908)**	**(177,908)**	
4	EEI Dues		933,616	933,616	
5	Professional Membership Dues		173,252	161,252	(a)
6	Other Memberships			6,133	
7	Total (Lines 4+5+6)	-	1,106,868	1,101,001	
8	Disallowed %	-	100%	50%	
9	Recommended Adjustment (Line 7 x 8)	-	**(1,106,868)**	**(550,501)**	
10	Total Company Adjustment (Lines 3+9)	**(177,908)**	**(1,284,776)**	**(728,408)**	

Footnote

(a) OIEC allowed full recovery of SPP fees of $12,000. The AG disallowed SPP fees.

Q. **Please discuss the adjustment made by all three parties regarding Chamber of Commerce dues and Other Memberships.**

A. As shown on line 3 of Table 2, all three parties made an adjustment to split the recovery of Chamber of Commerce dues on a 50/50 basis.[8,9,10] The OIEC also made an adjustment to split “Other Membership” expenses of $6,133 on a 50/50 basis.[11] The Company can agree and will not contest these adjustments.

Q. **Did the parties make an adjustment to EEI Dues?**

A. Yes, both the AG and OIEC adjusted EEI Dues.[12, 13] However, as you can see from Table 2, lines 4 and 8, the AG removed 100% of EEI dues while the OIEC split the cost 50/50.

8 Responsive Testimony of McKlein Aguirre, pages 13 – 15.
9 Responsive Testimony of Greg J. Matejcic, page 37, lines 4 – 9.
10 Responsive Exhibit of Mark E. Garrett MG-2.11
11 Ibid.
12 Responsive Testimony of Greg J. Matejcic, page 42, lines 1 – 10.
13 Responsive Exhibit of Mark E. Garrett MG-2.11

EEI dues included in the test year amounted to $933,616 on a Total Company basis.

Q. What was the logic presented by the AG to remove 100% of EEI Dues?

A. In Witness Matejcic's Responsive Testimony, he discussed the "difficulty" in distinguishing between EEI educating its membership and advocating for its members private interests.[14]

Q. Does the Company include 100% of EEI dues in the revenue requirement?

A. No. To begin with, the Company does not include 100% of EEI dues in the cost of service when the case is filed. On each invoice, EEI provides a percentage of non-recoverable activity included in the dues, and the Company books those expenses below the line (or in an account that is not reflected in the cost of service). This includes a percentage associated with legislative advocacy, as well as identification of all expenses associated with donations/contributions. For example, on the 2023 EEI invoice, EEI provided information for the Company to record $171,930 of expenses below the line. This represented 16% of the EEI membership expense. The Company's accounting department relies on the information provided by EEI to book amounts above or below the line.

Q. Did the AG cite a specific calculation or a specific piece of evidence which indicates that the percentage presented by the EEI on its invoice related to lobbying is inappropriate?

A. No. There was no specific information from the AG indicating the percentage of EEI costs that the AG classified as non-recoverable. Mr. Matejcic attached a pamphlet of the activity of the EEI, as well as the core budget, but only discussed his assumption that the EEI's self-reported lobbying expense is too small. However, rather than proposing to reduce the cost by a recommended percentage, the entire balance was removed.

---

14 Responsive Testimony of Greg J. Matejcic, page 41, lines 10 – 15.

Q. **Is the remaining level of EEI dues just and reasonable to include in the revenue requirement?**

A. Yes. EEI's budget is devoted to business and policy issues that support member companies in providing affordable, reliable, and reliant clean energy to the customers and communities they serve. Expenses deemed non-recoverable for ratemaking purposes are removed upfront by the Company and not included in the test year. The amount removed is based on percentages provided by EEI. The Company recommends the Commission reject the AG's and OIEC's adjustments. The Company believes the inclusion of the remaining level of EEI dues in the test year is just and reasonable and recoverable from customers, has been accepted in previous rate cases, and is based on EEI's invoices.

Q. **How did the AG and OIEC treat the remaining professional membership dues listed on line 5 of Table 2 above?**

A. The AG once again recommended 100% removal of other professional membership dues,[15] while the OIEC recommended a 50/50 split.[16] The difference in the amounts on line 5 between the OIEC and AG is related to an SPP membership fee, which the OIEC did not adjust. The three largest expenses are related to ISS Corporate Services, Sustainable Supply Chain, and Endeavor Business Media LLC, which amount to $133,376.

Q. **Are these professional membership dues fair, just and reasonable and in the public interest?**

A. Yes. The ISS Corporate Services expense in the amount of $63,526 is for helping companies design and manage their governance, compensation, sustainability, and cyber risk programs to align with company goals, reduce risk, and manage the needs of diverse stakeholders by delivering expert advisory, data, and software solutions. The Sustainable Supply Chain expense in the amount of $35,000 results in utilities and suppliers working together to advance successful sustainability practices in utility supply chain and supplier networks. Finally, Endeavor Business Media LLC expenses in the amount of $34,850

15 Id. at page 42, lines 11 – 20.
16 Responsive Exhibit of Mark E. Garrett MG-2.11

provide focus groups that specialize in the core areas of utility operations such as Grid Analytics, Asset Health, Customers and Safety. OG&E members regularly participate in these focus groups to help identify data and analytical solutions that will improve performance and efficiency. Therefore, the Company believes all the expenses that have been included are appropriate for recovery and the disallowances put forward by AG and OIEC witnesses should be rejected.

GEM REVENUE ADJUSTMENT

Q. Please explain the GEM Revenue Adjustment as proposed by PUD witness Trent Campbell.

A. In his Responsive Testimony, PUD witness Trent Campbell recommends an adjustment "to disallow approximately $4,498,050 or 51.68 % of Rider Revenues Moving to Base Rates."[17] He claims this adjustment is necessary to remove GEM rider revenues from base rates due to the disallowances recommended by PUD witness Paul Alvarez.

Q. If the Commission were to agree with Mr. Alvarez' recommendations, would this adjustment be necessary?

A. No. This adjustment appears to be based on a misunderstanding of the process used to move rider related capital into base rates and the impact of PUD's plant disallowances. If the plant disallowances are ultimately approved by the Commission and those projects are removed from rate base, then OG&E would not earn a return on those projects, which would automatically remove the revenue Mr. Campbell is referring to. By removing the revenue associated with the GEM rider, the PUD Staff is recommending an increase to the deficiency for the GEM projects, since a reduction in revenue results in an increase to the Company's deficiency. This adjustment is unnecessary for the PUD's revenue requirement calculation.

Q. Are there other issues with Mr. Campbell's recommended adjustment B-14?

A. Yes. Adjustment B-14 depicts an adjustment to rate base rather than to revenue. This adjustment appears to be made on the incorrect line of the accounting exhibit.

---

17 Responsive Testimony of Trent A. Campbell, page 12, lines 9 – 13.

CASE PUD 2023-000087 ENTRY NO. 259 FILED IN OCC COURT CLERK'S OFFICE ON 05/17/2024 - PAGE 13 OF 14

Q. **Based on these issues, what is your recommendation?**

A. I recommend the Commission reject Mr. Campbell's adjustment B-14 as it is based on a misunderstanding of OG&E's rider revenue adjustment and the impact of PUD's plant disallowances.

Q. **Does this conclude your Rebuttal Testimony?**

A. Yes.

Rebuttal Exhibit JT-1

Oklahoma Gas & Electric Company
Case No. PUD 2023-87
Pro Forma Updates - Six month post test year

Rate Base

Line No.	Description		Total Company Adjustment Rate Base (1)
1	Plant in Service	$	(84,153,712)
2	Accumulated Depreciation	$	4,741,005
3	Plant Held for Future Use	$	156,620
4	Prepayments	$	1,705,339
5	Materials and Supplies	$	31,597,283
6	Fuel Inventories	$	28,093,923
7	Gas in Storage	$	(8,055,805)
8	Accumulated Deferred Income Taxes	$	(3,517,205)
9	Regulatory Assets	$	59,293,093
10	Regulatory Liabilities	$	15,133,626
11	Customer Deposits and Advances	$	(5,704,196)
12	Net Pension Benefit Asset/(Obligation)	$	(7,059,437)

Income Statement

Line No.	Description		Total Company Adjustment Income Statement (1)
1	Increase to Revenue (Oklahoma Only)	$	(17,645,965)
2	Ad Valorem Tax Expense	$	(87,639)
3	Pension and Post-Retirement Benefits Expense	$	(626,514)
4	Payroll Expense	$	4,092,075
5	Payroll Tax Expense	$	331,073
6	Other Compensation Expense	$	(1,400,738)
7	Payroll Taxes on Other Compensation Expense	$	(113,328)
8	Bad Debt Expense	$	24,753
9	SPP Expense	$	50,306
10	Pension Regulatory Asset Amortization Expense	$	1,530,709
11	Long-Term Incentive Expense	$	(61,882)
12	Payroll Taxes on Long-Term Incentive Expense	$	(5,007)
13	Depreciation Expense	$	(7,052,157)
14	Regulatory Amortization Update	$	2,268
15	Rate Case Expense	$	(163,552)
16	Vegetation Management Expense- Distribution	$	(1,614,353)
17	Vegetation Management Expense- Transmission	$	(2,492,182)

Footnotes

(1) Six-month updates were reflected in the responsive testimony of the PUD, AG, and OIEC