BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF **OKLAHOMA GAS AND ELECTRIC COMPANY** FOR APPROVAL OF A GENERAL CHANGE IN RATES AND TARIFFS	))))	DOCKET NO. 10-067-U

Direct Testimony

of

Adam W. Bigknife

on behalf of

Oklahoma Gas and Electric Company

September 28, 2010

QUALIFICATIONS, EXPERIENCE AND PURPOSE

Q. **Would you please state your name, business address and job responsibilities.**

A. My name is Adam Bigknife. My business address is 321 North Harvey, Oklahoma City, Oklahoma 73102. I am a Pricing Analyst in the Regulatory Department for Oklahoma Gas and Electric Company ("OG&E" or "Company"). My responsibilities in this position include Minimum Filing Requirements preparation, assisting with rate design, and assisting with pricing strategy.

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

A. I hold an Associate of Applied Science degree in Management from Oklahoma State University in Oklahoma City, a Bachelor of Science degree in Business Administration from Southern Nazarene University, and am currently a Masters of Business Administration candidate at Southern Nazarene University (anticipated graduation May 2011). I began working in the OG&E Customer Care Call Center in 2002 where I fielded credit and collection calls. In 2004, I moved to the New Construction Department where I acted as a liaison between the various parties involved in the new construction process. In 2008, I transferred into the Rates Department and have assisted in the preparation and filings of Oklahoma and Arkansas general rate reviews and serve as Rate Administrator.

Q. **Have you previously filed testimony before the Arkansas Public Service Commission (the "Commission" or "APSC")?**

A. No.

Q. **What is the purpose of your testimony?**

A. The purpose of my testimony is to: 1) sponsor the pro forma revenue and kWh adjustments (Schedule E-13); 2) describe OG&E's desire and benefits of reformatting tariffs; and 3) explain changes to OG&E Terms and Conditions.

PRO FORMA ADJUSTMENTS

Q. **Please list the pro forma adjustments shown on Section E, Schedule E-13?**

A. There are twelve pro forma adjustments:

- Adjustment #1 Removal of Unbilled Revenue and Fuel over/under recovery amounts;
- Adjustment #2 Energy Cost Recovery ("ECR") Removal;
- Adjustment #3 Energy Efficiency Cost Recovery ("EECR") Removal;
- Adjustment #4 Storm Damage Rider ("SDR") Removal;
- Adjustment #5 Day Ahead Program ("DAP") Removal;
- Adjustment #6 Specific Large Customer;
- Adjustment #7 Year End Customer;
- Adjustment #8 Weather Normalization;
- Adjustment #9 Renewable Energy Credit Removal;
- Adjustment #10 Economic Recovery;
- Adjustment #11 June 2009 Rate Change; and
- Adjustment #12 Jurisdictions Not at Issue.

Q. **What are the purposes of these adjustments?**

A. These adjustments are necessary to accurately normalize revenues and kilowatt hour sales for OG&E's Arkansas customer groups which are utilized to design fair and reasonable rates to recover the allocated cost of service. Normalizing test-year financial data provides a stable basis for rate design. Removing any non-recurring or atypical events provides a foundation for establishing cost-based rates. In addition, the convention in Arkansas is to design base rates exclusive of fuel costs and other riders.

Q. **Please describe each of the adjustments.**

A. **Adjustment #1** has two parts. The first is the removal of unbilled revenue and kWh which results in a decrease of $700,000 and a decrease of 11,188,509 kWh. The second amount is the removal of over or under-recovery of fuel expense and rider collections increasing revenue by $8,600,897. The net of the revenue adjustments result in an increase of $7,900,897 to the Arkansas jurisdiction.

Adjustment #2 is for ECR removal. Base rates are designed exclusive of the ECR fuel revenue. This adjustment decreases the Arkansas test year revenues by $73,387,958. It should be noted that when rate design is complete, customer impacts are calculated using current ECR factors (and SDR, EECR).

Adjustment #3 removes the EECR revenue collected from the Arkansas retail customers during the test year. The EECR recovers the cost of certain energy efficiency program expenditures. For the test year, this results in a revenue decrease of $152,725 to the Arkansas jurisdiction.

Adjustment #4 removes the SDR revenue collected from the Arkansas retail customers during the test year. The SDR recovers the storm restoration costs incurred in 2008. For the test year, this results in a revenue decrease of $153,584 to the Arkansas jurisdiction.

Adjustment #5 is for the removal of incremental and decremental revenue and kWh associated with the Day-Ahead Pricing Pilot tariff ("DAP"). Base rates are designed exclusive of incremental/decremental revenue and energy. This results in a revenue decrease of $1,087,484 and an energy decrease of 35,849,143 kWh. In addition, the customer baseline load (CBL) for the one large industrial customer on the DAP was adjusted. This results in a revenue increase of $723,121 and an energy increase of 104,574,531. The combined adjustments result in a revenue decrease of $364,363 and an energy increase of 68,725,388 kWh to the Arkansas jurisdiction.

Adjustment #6 modifies revenue and kWh for large customers that have left the system, are new to the system, migrated to another rate, or were re-billed. This process normalizes the test period for these customers who are defined as any customer taking service at service level 1 through 4 and service level 5 customers with a usage threshold above 83,333 kWh (1,000,000 kWh annually/12 months = 83,333) in any given month during the test period. For the test year, this results in a revenue increase of $185,781 and an energy increase of 5,771,848 kWh to the Arkansas jurisdiction.

Adjustment #7 normalizes monthly customer counts to year-end levels and adjusts revenue and kWh accordingly. The adjustment results in a revenue increase of $106,425 and an energy decrease of 3,037,601 kWh to the Arkansas jurisdiction. This adjustment was a combination of all major customer classes (Service Level 5: residential; general service; municipal pumping; athletic field lighting; power and light; and power and light time-of-use). The net result of a decrease in energy and an increase in revenue is due to the power and light class' high usage level and lower rates per kWh.

Adjustment # 8 adjusts test year revenue and kWh to reflect normal weather ending in the test year. Weather adjustments are necessary since the effects of weather on electricity usage can cause significant annual revenue swings and cause test year revenue to differ from the expected revenue outcome for an average year. This adjustment results in a revenue increase to the Arkansas jurisdiction of $990,585 and an energy increase of 34,759,664 kWh. This weather normalization methodology was utilized by OG&E and recommended by APSC staff in the Company's last rate case, Docket No. 08-103-U.

Adjustment # 9 removes booked revenue from the miscellaneous revenue account resulting from the Arkansas jurisdictional allocation of Centennial Wind Farm Renewable Energy Credit Sales. The proceeds from these sales are booked into miscellaneous revenue each month and simultaneously credited to Arkansas customers as an offset to fuel expense through the Energy Cost Recovery rider. Since Adjustment # 2 removes the ECR including this credit, the revenue booked is being removed in this adjustment. For the test year, this results in a revenue decrease of $102,214 to the Arkansas jurisdiction.

Adjustment # 10 increases test year revenue and kWh to account for lost sales during the recent economic downturn. The Power and Light class experienced significantly lower consumption during the test period in comparison to their 2007 and 2008 usage. As a result, the billing units and revenue in the test year for these customers is lower than expected in the future. If in this proceeding, rates are designed on the unadjusted test year billing units, the Company would over recover its revenue requirement due to higher rates. Therefore, an adjustment is necessary to ensure just fair and reasonable rates. OG&E increased current rate revenues $2,543,902 and energy usage increased by 123,211,040 kWh. OG&E witness Bryan J. Scott's testimony explains the benefit to Arkansas customers in more detail.

Adjustment # 11 increases revenue for the test year months of January 2009 through May 2009 to reflect current rates as a result of the Company being granted a rate change[1], which became effective in the revenue month of June 2009. It was calculated

[1] Arkansas Docket No. 08-103-U.

using pro forma billing units, since all other adjustments were calculated using rates in effect prior to the rate change. For the test year, this results in a revenue increase of $4,109,385 to the Arkansas jurisdiction.

Adjustment # 12 modifies total Company kilowatt hours for the Oklahoma and FERC jurisdictions ("jurisdictions not at issue"). This ensures that appropriate allocators are developed for the cost of service study.

Q. **Please summarize the total pro forma revenue adjustments?**

A. The total test year Arkansas book revenue of $140,981,194 has been reduced by the total adjustments of $58,323,869, resulting in adjusted Arkansas base revenue of $82,657,325[2]. The supporting calculations and spreadsheets for the above pro forma adjustments are found in Schedule E-13 of the Company's application.

TARIFF REFORMATTING

Q. **Why does OG&E want to change the format and electronic functionality of the tariffs?**

A. The current electronic document utilized as the Company's tariffs has not been updated to take advantage of the enhanced functionality offered by Microsoft Office Word 2007. Furthermore, the current layout of the header and footer uses 45% of the space available on the 11x8.5 inch sheet. Lastly, multiple document conversions and new tariffs over the years have created varying formats for individual tariffs resulting in an inconsistent document. This format change would have reduced the tariffs and Terms and Conditions in this filing from 241 pages to 139.

Q. **Did you review the Arkansas Rules of Practice and Procedure pertaining to tariffs and discuss the requirements with APSC staff?**

A. Yes. In November 2009, I informally discussed the Rules of Practice and Procedure with APSC staff member Robert Swaim to understand Section 11 tariff provision requirements in regard to OG&E's contemplated reformat. After the reformat was completed, a document containing the current tariffs was provided to Robert Swaim for review.

[2] Schedule C-2 of the Company's application.

Q. What are some of the benefits gained from reformatting the tariffs?

A. The first enhancement has been the ability to utilize the auto generation table of contents ("TOC") function in Word 2007. This functionality allows for more precise TOC creation and better administration of the document. In addition, the headers and footers have been enhanced by moving both the file stamp and approval stamp to the footer, which only requires 25% of the space on the sheet instead of the 45% it previously required. This enhancement, along with the auto TOC functionality, has reduced the original comprehensive Tariffs and Terms and Conditions of Service (T&C) document from 241 pages to 139. These formatting changes should make it easier for customers (and others) to review our tariffs and find the information they seek more easily and quickly.

Q. Why is OG&E not proposing the format change in this proceeding?

A. OG&E's attorney discussed with staff and was advised that the appropriate docket for consideration of tariff format change is Docket No. 08-135-R.

Q. Is the Company planning to participate in Docket No. 08-135-R and propose formatting changes to its tariffs?

A. Yes.

CHANGES TO TERMS AND CONDITIONS OF SERVICE

Q. Are there any changes to the methods in which customers request service?

A. Yes. Part I General Information, Application for Electric Service section 202, allows customers to electronically notify OG&E of requests to connect service.

Q. Are there any changes to the methods in which customers stop or transfer service?

A. Yes. In Part I General Information, Change of Occupancy/Stopping section 213, the Company added the option for customers to notify the Company electronically of requests to disconnect or transfer service.

Q. What are the changes to the Billing for Electric Services section?

A. In Part I General Information, Billing for Electric Service section 210, the Company is changing the language to show that usage estimations are computed by the Company instead of by *SAP*[3]. Multiple systems employed by the Company may be used in gathering the information necessary to estimate usage to compute an estimated bill. In addition, updates to language have been made to permit the Company to deliver a bill for service to an electronic mail address designated by the customer at the customer's request. This is commonly referred to as electronic billing.

Q. **Please explain the changes to the Extended Absence Payment Plan.**

A. In Part I General Information, Extended Absence Payment Plan section 214.10, the Company is adding an option to allow customers to sign up for on-line billing. This option will enable customers to view their bills on-line in the event of long term absences from the primary point of service.

Q. **Why is OG&E including the above electronic changes to its Terms and Conditions?**

A. Some of our Oklahoma and Arkansas customers are currently taking advantage of electronic options. The Company wants to ensure that when any customer reviews our Terms and Conditions that they understand all available options.

Q. **Does the Company propose to include the currently charged security deposits for customers?**

A. Yes. In Part IV Charges Related to Customer Activity, Deposit from Customer section 506, the Company has included the security deposits by customer class. The deposits were calculated recently based on year-ending 2009 data and were effective in February 2010.

Q. **Does the Company propose to update the currently charged security deposits in this filing?**

A. No. The current security deposit figures were calculated using calendar year 2009 data. Therefore, the next recalculation for security deposits will not be necessary until calendar year 2010 has concluded.

[3] SAP is the brand of customer information, billing, and accounting system currently used by OG&E.

Q. **Does the Company propose any additions to the Terms and Conditions?**

A. Yes, we propose to add the following:

- Request by Consumer to Perform Work on Customer Owned Facilities;
- Facilities Rental Service and Agreement;
- Ownership and Use of Data; and
- Network Emergency Plan.

Q. **Why has the Company included performing work on customer owned facilities in its proposed Terms and Conditions?**

A. Currently, no provisions exist to perform work for customers on customer owned facilities. This would allow the Company to perform emergency type work on facilities owned by the customer in the event the customer could not find a third party to do the necessary work. The new addition has been inserted in Part I General Information, Request by Consumer to Perform Work on Customer Owned Facilities section 221.

Q. **Is the work the Company would be performing on customer owned facilities considered a promotional practice?**

A. No. The purpose of the work performed by the Company will be to assist customers in restoring their equipment to an operable condition, in an emergency situation when independent services are not readily available. It is not the intent of the Company to install equipment that promotes increased or decreased consumption.

Q. **Why does OG&E propose to include a facilities rental service agreement?**

A. Occasionally, a primary metered customer will request to rent equipment from the Company due to a failure of their own equipment. This rental agreement will help facilitate that customer's request. The new addition has been inserted in Part I General Information, Facilities Rental Service and Agreement section 222.

Q. **Why has the Company added a data ownership clause?**

A. The Company proposes to clarify that it retains ownership of all information and consumption data collected. The new addition has been inserted in Part I General Information, Ownership and Use of Data section 220.

Q. **Why has the Company included the Network Emergency Plan in this filing?**

A. The Company has submitted this plan, which outlines the company's emergency load shedding procedure, for approval by the APSC in Docket No. 10-059-U and approval is not anticipated to occur before the new tariffs in this application are filed. As a result, the Company has included the same submission in this case and placed the content Part II Electric Service Regulations, Network Emergency Plan section 313. In the event modifications occur, as a result of an order in Docket No. 10-059-U, appropriate changes will be incorporated in the final compliance tariffs submitted in this cause.

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

A. Yes.

ATTESTATION

I do hereby swear and affirm that the foregoing is my direct testimony in APSC Docket No. 10-067-U.

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9-24-10
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Date