

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 RATES, CHARGES, AND
TARIFFS FOR RETAIL ELECTRIC SERVICE
IN OKLAHOMA

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CAUSE NO. PUD 200800398



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CORPORATION COMMISSION
OF OKLAHOMA

RESPONSIVE TESTIMONY

OF

JAMES L. JONES

June 22, 2009

CAUSE NO. PUD 200800398

**IN THE MATTER OF THE APPLICATION OF OKLAHOMA GAS AND
ELECTRIC COMPANY FOR AN ORDER OF THE COMMISSION
AUTHORIZING APPLICANT TO MODIFY ITS RATES, CHARGES,
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TABLE OF CONTENTS

Page 1	INTRODUCTION
Page 2	PURPOSE OF TESTIMONY
Page 2	STAFF'S ANALYSIS
Page 3	STAFF'S FINDINGS AND RECOMMENDATION

INTRODUCTION

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

A: My name is James L. Jones. I am employed as a coordinator in the Economic Analysis and Research Group in the Public Utility Division (PUD) of the Oklahoma Corporation Commission (OCC or Commission). My business address is the Jim Thorpe Office Building, Room 580, 2101 N. Lincoln Boulevard, Oklahoma City, Oklahoma 73105.

Q: How long have you been employed by the OCC?

A: I have been employed by the OCC in the Public Utility Division since November 2007.

Q: Please summarize your educational background and professional experience.

A: I have a bachelor of science degree in business administration with a major in marketing from the University of Central Oklahoma in Edmond, Oklahoma. I was employed by SBC for more than 32 years. Most of those years were spent working in the regulatory, public affairs, and marketing organizations. Please see the attached curriculum vitae for additional information (Exhibit JJ-1).

Q: What are your present duties?

A: As a member of the PUD's Economic Analysis and Research Group, my responsibilities include research and analysis of energy-related matters typically associated with electric and gas utilities. I am responsible for analyzing and reviewing various areas of these utilities' operations. I am also responsible for preparing recommendations and testimony on behalf of the PUD Staff.

1 **Q: Have you previously testified before this Commission, and has this**
2 **Commission accepted your qualifications?**

3 A: Yes, I have previously testified before this Commission, and my credentials have
4 been accepted.

6 **PURPOSE OF TESTIMONY**

7 **Q: Please describe the instant Cause.**

8 A: The instant Cause is a general review, by the Commission, of Oklahoma Gas and
9 Electric Company's (OG&E or Company) rates and charges. OG&E filed its
10 application package on February 27, 2009.

12 **Q: What is the purpose of your testimony in this Cause?**

13 A: The purpose of my testimony is to discuss and support Staff's recommendations
14 regarding OG&E's proposed tariff modifications and proof of revenue.

16 **STAFF'S ANALYSIS**

17 **Q: Please summarize your review process for the proposed changes in OG&E's**
18 **tariff.**

19 A: I reviewed the testimony of Bryan J. Scott which outlined the tariff modifications
20 proposed by OG&E. I reviewed Schedule "N" of OG&E's filing package which
21 is the proposed tariffs that include the proposed rates and changes in terms and
22 conditions. Schedule "N" also includes a "red-lined" version of the proposed
23 tariffs which specifically identifies each individual change to the tariffs both in
24 terms and conditions as well as OG&E's requested changes in rates.

25 In an onsite discussion on April 22, 2009, I met with Mr. Scott and members of
26 his management team and reviewed and discussed all tariff changes proposed by
27 OG&E.

1 **Q: Please summarize your review process for the proof of revenue.**

2 A: I reviewed the proof of revenue work papers (WP M-4-1) for all classes of
3 customers, which is a spreadsheet that contains the present and proposed rates,
4 billing units, and resulting present and proposed revenues of OG&E's various
5 classes of service and service levels. My examination included determining
6 whether the proposed billing units were consistent and if they were not then
7 determining why. I further compared the work papers, WP M-4-1 in Cause No.
8 PUD 200500151 (OG&E's last rate case), with the same proof of revenue work
9 papers in this Cause. I also compared the WP M-4-1 with OG&E's present and
10 proposed tariffs to ensure present and proposed revenues calculations were
11 developed utilizing appropriate rates.

12
13 **STAFF'S FINDINGS AND RECOMMENDATION**

14
15 **Q: As a result of your review of OG&E's proposed tariffs, do you have any**
16 **concerns or comments regarding their proposed modifications?**

17 A: Yes. I would like to comment on the proposed modifications to OG&E's tariffs
18 that deal with self-generation of electrical energy. OG&E currently has two
19 tariffs that deal with self-generation, one is known as "*Qualifying Facility 1*"
20 (QF1) and the other one is "*Qualifying Facility 2*" (QF2).

21 The QF1 tariff outlines the conditions under which OG&E will purchase and/or
22 obtain energy from qualifying cogenerators and small power producers. The QF2
23 tariff, which is being renamed the Net Energy Billing Option (NEBO), delineates
24 the terms and conditions addressing a net metering billing option. OG&E's
25 current tariff limits these purchases and net metering to generation sources of 100
26 kW or less. OG&E's proposed tariff raises the capacity limit of the generation
27 source to 300 kW or less.

1 **Q: Please explain what is meant by “net metering billing option”.**

2 A: “Net-metering” is a simplified method of measuring the energy consumed and
3 produced by customers who have their own energy generation source, typically
4 solar panels or a wind turbine. Under net metering tariffs, any excess electricity
5 produced by the customer’s energy generation source will cause the utility’s
6 meter to rotate or spin backwards, effectively offsetting the electricity that the
7 customer consumed from the utility.

8
9 **Q: Does the Commission currently have rules that address customer generation**
10 **sources associated with these two tariffs?**

11 A: Yes. The Commission’s Rules currently address the tariff arrangements
12 mentioned above. Oklahoma Administrative Code 165:35-29 and 165:40 both
13 reference the customer’s generation source for these arrangements as being 100
14 kW or less.

15
16 **Q: Does OG&E’s raising of the generation source to “300 kW or less” create an**
17 **issue with the Commission’s Rules?**

18 A: No. As reflected in OG&E’s response to data request PUDJJ-3-1 (attached as
19 Exhibit JJ-2), “[T]he proposed change in generation to 300 kW reflects renewed
20 interest by certain customers to evaluate commercial scale renewable generation
21 sizing for NEBO for some or all of their energy needs which cannot currently be
22 met by a 100 kW unit.” Obviously, raising the size of the generation source does
23 not impact existing customer arrangements nor does it prohibit the use of units
24 smaller than 300 kW for new customers. This tariff modification simply gives
25 customers more options when sizing a potential generation source. Staff supports
26 the adoption of this tariff modification.

1 **Q: What other concerns do you have with the proposed modifications to this**
2 **tariff?**

3 A: OG&E proposes an additional modification to these same two tariffs. This
4 modification will require customers who utilize either the QF1 or NEBO tariff to
5 receive service using a time-of-use or daily average pricing tariff. Staff agrees
6 with OG&E that this modification will more accurately reflect the value of the
7 generation provided by the customer's facilities. However, Staff would like to see
8 this modification implemented on a delayed basis to give existing customers an
9 opportunity to evaluate the potential billing impact and decide whether they wish
10 to continue their existing service arrangement with the proposed modification or
11 take service under a different service arrangement. Staff recommends that the
12 billing change associated with this tariff change be implemented approximately
13 six months after the effective date of a Commission Order in this Cause. Staff
14 also recommends all residential customers participating in the net metering billing
15 option be notified of this tariff change concurrently with the Commission's Order
16 in this Cause. Currently, OG&E has approximately nine customers subscribed to
17 this service; therefore, giving adequate notice should not be difficult, or overly
18 burdensome.

19
20 **Q: Are there any other tariff modifications that you would like to address?**

21 A: Yes. Annually OG&E submits a letter to the director of the Public Utility
22 Division with an attachment titled "*APPLICATION FOR EXTENSION-*
23 *ELECTRIC LINES*". This report is a requirement outlined in the "Terms and
24 Conditions of Service" section of OG&E's tariff, on sheet 135, item number 408
25 "ALLOWABLE EXPENDITURE FORMULA," of the "red-lined" tariff filed as
26 a part of Section "N". The data contained in this report is utilized in the event of
27 a customer complaint regarding the cost of an electric line extension. The data
28 contained in this report is general information, not specific to any particular line
29 extension. It is Staff's belief that in the event of a customer complaint regarding

1 an electric line extension, data specific to that particular line extension is more
2 pertinent than general data summarized in report form. Therefore, Staff
3 recommends the discontinuance of the submission of this annual report to the
4 PUD director and that the tariff language requiring such report be withdrawn.

5
6 **PROOF OF REVENUE**
7

8 **Q: Did Staff perform a proof of revenue?**

9 A: Yes. Staff compared OG&E's current tariffs with the tariffs filed in this Cause, as
10 well as, reviewed the proof of revenue work papers (WP M-4-1) for all classes of
11 customers. Staff also compared the WP M-4-1 with OG&E's present and
12 proposed tariffs to ensure present and proposed revenues calculations were
13 developed utilizing appropriate rates.

14
15 **Q: Did Staff find any discrepancies during their review?**

16
17 A: Yes. Staff found some minor errors; however, these errors were administrative in
18 nature and did not impact the total revenues presented in this Cause.

19
20 **Q: Has Staff prepared its own proof of revenue?**

21 A: No, not at this time. The proof of revenue will be addressed after the completion
22 of the agreed upon rate design.

23
24 I state under penalty of perjury under the laws of Oklahoma that the foregoing is true and correct.

25
26 June 22, 2009, Oklahoma City, OK

27 (Date and Place)

28 
(Signature)



**Curriculum Vitae
Of
James L. Jones**

Mr. Jones is a Coordinator of Economic Analysis & Research within the Oklahoma Corporation Commission's Public Utility Division. He has over thirty-five years of utility regulatory experience.

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Professional Experience

SBC – District Manager Rates

- Developed and managed SBC's interstate and intrastate Switched Access Tariffs.
- Represented SBC's Switched Access Tariffs before the Federal Communications Commission and state regulatory agencies.
- Coordinated the preparation and filing of SBC's Annual Interstate Access Tariff Filing.

SBC – Director Access Product Management

- Responsible for SBC's interstate and intrastate Switched Access rates and revenues.
- Responsible for SBC's switched unbundled network elements.
- Restructured SBC's Switched Access common and dedicated transport services.
- Lead SBC's wireless interconnection negotiation team.

SBC – Executive Director – External Affairs

- Responsible for the administration of SBC-Oklahoma's intrastate rates and tariffs.
- Responsible for representing SBC-Oklahoma before the Oklahoma Corporation Commission.

Beacon Telecommunications Advisors – Manager Regulatory

Professional History

- SBC–District
Manager Rates
- SBC– Director
Access Product
Management
- SBC – Executive
Director–External
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- Beacon
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Advisors–Manager
Regulatory
- OCC–Public Utility
Regulatory Analyst
- OCC – Coordinator

Economic Analysis
& Research

Education

• B.S., Marketing,
College of Business
Administration,
University of Central
Oklahoma

- Represented independent local exchange carriers on telecommunications regulatory issues in industry forums and before the Missouri Public Service Commission.

OCC – Public Utility Regulatory Analyst

- Responsible for issues in assigned causes concerning energy related matters associated with electric and gas utilities.
- Responsible for the development and support of expert witness testimony involving assigned areas of responsibility.
- Lead the research and analysis of the Oklahoma Corporation Commission's inquiry into undergrounding electric facilities in the state of Oklahoma.

OCC – Coordinator – Economic Analysis & Research

- Responsible for analyzing, reviewing and the preparation of recommendations involving the operations of electric and gas utilities.
- Responsible for the development and support of expert witness testimony involving assigned areas of responsibility.

Professional Training

- New Mexico State University, Utility Rate School
- Electric Utility Accounting

Oklahoma Corporation Commission
Data Requests PUDJJ-3
Cause No. PUD 200800398

3-1 Qualifying Facilities Purchase Schedules / Net Metering

Please explain why OG&E is proposing to change the limit associated with self generation from a capacity of 100 kW or less to a capacity of 300 kW or less.

Response*: OG&E currently has self-generation capacity limit of 100 kW in its current QF-1 (purchase option) and QF-2 (net metering option) tariffs. This 100 kW limit provision is reflected under the OCC Rules 165:35-29-1. The QF-1 and QF-2 tariffs have existed for over two decades and were last approved by Order Number 516261 in Cause No. PUD 200500151 on December 12, 2005. OG&E is only proposing significant changes to the QF-2 tariff. Those major changes include: 1) a name change to the Net Energy Billing Option (NEBO), 2) changes related to time-of-use (TOU) pricing, 3) and a provision to change the NEBO maximum generation capacity limit of 300 kW. Other minor changes also exist but are not addressed here.

The proposed change in generation to 300 kW reflects renewed interest by certain customers to evaluate commercial scale renewable generation sizing for NEBO for some or all of their energy needs which cannot currently be met by a 100 kW unit. The effective maximum annual kWh from a 100 kW unit is likely to be less than 200,000 kWh per year which is less kWh usage than many of our medium size commercial customers. Also, the 300 kW limit does not create substantial distribution circuit operational impacts that are above the levels that are currently being experienced by the 100 kW limit. Finally, the 300 kW limit also is kW level recently adopted for net metering in OG&E's Arkansas service territory.

Response provided by:	<u>Roger Walkingstick</u>
Response provided on:	<u>May 29, 2009</u>
Contact & Phone No:	<u>Sheri Bunn 553-3747</u>

*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

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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