

**BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA**

IN THE MATTER OF THE APPLICATION OF )  
OKLAHOMA GAS AND ELECTRIC COMPANY )  
FOR COMMISSION PREAPPROVAL OF NEW ) Case No. PUD 2023-000038  
GENERATION CAPACITY PURSUANT )  
TO 17 O.S. SECTION 286(C) )

Direct Testimony

of

Jason J. Thenmadathil

on behalf of

Oklahoma Gas and Electric Company

May 31, 2023

Jason J. Thenmadathil  
*Direct Testimony*

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

2 A. My name is Jason J. Thenmadathil. My business address is 321 North Harvey, Oklahoma  
3 City, Oklahoma 73102.  
4

5 Q. **By whom are you employed and in what capacity?**

6 A. I am employed by Oklahoma Gas and Electric Company (“OG&E” or “Company”) as the  
7 Sr. Manager of Regulatory Accounting.  
8

9 Q. **Please summarize your educational background and professional qualifications.**

10 A. I received a Bachelor of Science degree in Accounting from the University of Central  
11 Oklahoma. In 2005, I was employed by the Public Utility Division (“PUD”) of the Oklahoma  
12 Corporation Commission (“Commission”) as a Public Utility Regulatory Analyst, and later  
13 was promoted to Coordinator. As a PUD analyst, I testified in various utility cases filed by  
14 electric and gas companies, including rate cases and fuel prudence reviews. In March 2010,  
15 I joined OG&E as a Senior Regulatory Accountant. In October 2017, I assumed additional  
16 responsibilities as the Supervisor of Regulatory Accounting where I oversee the work of  
17 members of the Regulatory Accounting group, whose responsibilities are to prepare the  
18 minimum filing requirements (“MFR”) for rate cases and determine revenue requirements  
19 for various rate filings. In May 2018, I was promoted to Manager of Regulatory Accounting  
20 and later to Sr. Manager in May 2023.  
21

22 Q. **Have you testified previously before this Commission?**

23 A. Yes. As a witness for OG&E, I previously submitted testimony in Cause Nos. PUD  
24 201500266, 201500273, 201600319, 201700261, 201700496, 201800084, 201800140,  
25 and 202100164.

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

2 A. The purpose of my testimony is to sponsor the estimated revenue requirement associated  
3 with the Horseshoe Lake Combustion Turbine Project (“HL CTs”), as well as the expected  
4 impact to customers once the Company’s proposed rider becomes effective.  
5

6 **SECTION I: REVENUE REQUIREMENT CALCULATION**

7 Q. **Please explain how the revenue requirement was calculated for purposes of this**  
8 **application.**

9 A. The revenue requirement calculation is the same calculation used in base rate case  
10 applications to determine the required revenues needed by a utility to recover its cost. The  
11 return on capital investment is calculated by multiplying net rate base by a Commission  
12 approved rate of return (“ROR”), which is comprised of a return on equity and a debt  
13 interest weighted against each other plus a factor to collect income taxes. That return is  
14 then added to depreciation expenses and property taxes. After applying applicable tax  
15 credits, this total represents the revenues needed by the utility to recover its costs.  
16

17 Q. **How has the Company proposed recovering the costs associated with the HL CTs?**

18 A. The Company has proposed recovery of the costs through a Generation Capacity Rider  
19 (“GCR”) as discussed in the testimonies of witnesses Gwin Cash and Kimber Shoop.  
20

21 Q. **When would rider recovery begin for the project?**

22 A. Rider recovery would begin once the project is deemed in service and operational.  
23 Currently, the HL CTs are expected to be in service in late 2026. The rider would recover  
24 costs until those costs are rolled into base rates in a later base rate case.  
25

26 Q. **Please provide a chart showing the resulting calculation you describe utilizing the**  
27 **costs related to the HL CTs.**

28 A. Chart 1 below shows the total company and Oklahoma jurisdictional revenue requirement.  
29 Line 1 is the net rate base for each year shown on a cumulative basis. Line 2 is the return  
30 requirement on rate base including income taxes, lines 3 and 4 include all other expenses,  
31 and line 5 reflects state investment tax credits associated with the project.

**Chart 1**  
**Revenue Requirement Summary**

<b>Line No.</b>	<b><u>DESCRIPTION</u></b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>
1	Net Rate Base	\$382,166,317	\$366,905,504
2	Return Requirement	34,131,851	32,913,354
3	Depreciation	11,677,817	11,677,817
4	Property Tax	2,541,638	2,541,638
5	State Investment Tax Credits	(4,119,228)	(4,119,228)
6	Total Company Revenue Requirement	44,232,078	43,013,582
7	<b>Oklahoma Rider Revenue Requirement</b>	<b>\$40,386,984</b>	<b>\$39,274,411</b>

1 Q. **Please describe what is included in the estimated net rate base category shown on**  
2 **Line 1.**

3 A. The estimated net rate base for each year includes capital investment associated with the  
4 project. This also includes offsetting accumulated depreciation and accumulated deferred  
5 income taxes (“ADIT”). Please see the testimony of Company witness Matt Schuermann  
6 supporting the contracts that serve as the basis for the HL CT costs, as well as other costs  
7 associated with the project.

8  
9 Q. **Does the capital investment include any components other than the construction**  
10 **costs?**

11 A. Yes. For purposes of calculating a projected customer impact, the revenue requirement  
12 includes an estimate for allowance for funds used during construction (“AFUDC”) and  
13 capitalized property taxes and Long-Term Service Agreement (“LTSA”) costs. The  
14 construction costs of the HL CTs equals \$330,500,000. After including AFUDC,  
15 capitalized property tax, and capitalized LTSA costs the total projected capital investment  
16 for rider recovery after year one equals \$394,332,152. The amount included for net rate  
17 base in line 1 above includes this total, less projected accumulated depreciation, and ADIT.

1 Q. **Please describe the return requirement category on line 2 of Chart 1.**

2 A. This category is the return on the capital investment which is derived by multiplying the  
3 most recent Commission approved ROR with tax, or 8.8%, by the net capital investment  
4 per month. Please note that rider recovery will not begin until the project is in service. The  
5 actual ROR utilized for the rider will be the ROR approved by the Commission at that time.

6  
7 Q. **Please describe the depreciation expense category.**

8 A. This category recovers depreciation expense, or the “return of” the assets beginning when  
9 they are placed into service. For the depreciation rates used for this analysis, the Company  
10 utilized Commission approved depreciation rates for assets bearing the most similarity to  
11 the proposed projects. The Company used the rates for the Mustang CTs since those units  
12 have a similar useful life to those of the new units at Horseshoe Lake. For the actual  
13 depreciation rates to be utilized for rider and eventual base rate recovery, the Company will  
14 present depreciation rates for these projects through a comprehensive depreciation study in  
15 the next general rate case, for review and approval by the Commission.

16  
17 Q. **Please describe the property tax expense category.**

18 A. This category simply multiplies the project costs by the same property tax ratio presented  
19 in the previous Oklahoma rate case.

20  
21 Q. **Please describe the State Investment Tax credit category.**

22 A. This category represents an offset of state investment tax credits (“ITC”). The state ITC is  
23 calculated by multiplying the asset cost by 1% per year, ending after year five (5). Please  
24 note the Company currently has the Rider for Tax Credits (“RTC”) which separately passes  
25 those benefits onto customers. The Company recommends, for purposes of reflecting an  
26 overall customer impact in one mechanism, that the credits associated with this project  
27 temporarily go through the proposed GCR rider. After costs are rolled into base rates  
28 following a rate case, these credits would go into the RTC along with all other State ITCs.

**SECTION II: CUSTOMER IMPACT**

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**Q. Please explain how the customer impact was calculated.**

A. To calculate the customer impact, the Company calculated two years of revenue requirement associated with the project as shown in Chart 1 above. To arrive at the cost per customer class, the revenue requirement was split using the production demand allocator approved in the last rate case. This allocator is also reflected in the Company’s proposed tariff as presented by witness Cash. Using average customer usage, the monthly bill impact is shown below:

**Chart 2  
GCR Rider Billing Impact**

Customer Impact \$/month:	Average Monthly kWh	Year 1		Year 2	
	Residential	1,100 \$	2.21	\$	2.13
General Service	1,700 \$	3.97	\$	3.86	
Power & Light	36,000 \$	47.93	\$	46.16	
Large Power & Light	5,400,000 \$	4,677.83	\$	4,475.69	

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

11 A. Yes.

**CERTIFICATE OF MAILING**

I hereby certify that on the 31<sup>st</sup> day of May 2023, a true and correct copy of the foregoing Application was electronically transmitted to the following via email:

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Michael Velez

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