

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)
GENERATION CAPACITY PURSUANT)
TO 17 O.S. SECTION 286(C))

CASE NO. PUD 2023-000038



RESPONSIVE TESTIMONY

OF

FARZAD KHALILI

AUGUST 31, 2023

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

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1 **EXECUTIVE SUMMARY**

2 On May 31, 2023, Oklahoma Gas and Electric Company (“OG&E” or “Company”) filed
3 its Application for preapproval of new generation capacity pursuant to 17 O.S. § 286(C).
4 The Public Utility Division (“PUD”) of the Oklahoma Corporation Commission
5 (“Commission”) reviewed the Application, the workpapers and testimony filed by OG&E
6 witnesses, and Final Order No. 696007 in Cause No. PUD 201800159. PUD issued data
7 requests and reviewed the responses provided by OG&E, as well as responses to data
8 requests issued by the intervenors to this Case. Additionally, PUD conducted virtual and
9 in-person audit conferences with OG&E personnel to discuss the areas under review in this
10 filing.

11 After review, PUD recommends the Commission accept OG&E’s proposed Generation
12 Capacity Rider (“GCR”) Revenue Requirement. However, the Company’s Revenue
13 Requirement will need to be recalculated if the Commission modifies any of the proposed
14 adjustments. Furthermore, PUD recommends the Commission accept OG&E’s calculation
15 of the GCR billing impact.

16 **INTRODUCTION**

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

18 A: My name is Farzad Khalili. My business address is Oklahoma Corporation Commission,
19 Public Utility Division, Will Rogers Office Building, PUD Suite 414, 2401 North Lincoln
20 Boulevard, Oklahoma City, Oklahoma 73105.

1 **Q: Have you previously testified before the Commission and were your qualifications**
2 **accepted?**

3 A: Yes. I have previously testified before the Commission and my qualifications were
4 accepted at that time.

5 **Q: Who employs you and what is your position?**

6 A: I am employed by the Oklahoma Corporation Commission's Public Utility Division as a
7 Programs Manager IV.

8 **Q: How long have you been so employed?**

9 A: I have been employed by the Commission since November 2013.

10 **Q: What are your duties and responsibilities with PUD?**

11 A: I conduct research and perform comparative analysis of utility applications, reports,
12 financial records, and workpapers to ensure that PUD can make accurate recommendations.
13 My work focuses on analyzing and making recommendations for electric, gas, and
14 Oklahoma Universal Service Fund ("OUSF") cases. I assist PUD's OUSF group in
15 reviewing the requests for funding, updating forms and templates, and performing research
16 and analyses for telecommunications-related matters. My other duties include preparing
17 testimony on behalf of PUD related to electric, gas, and OUSF cases. For a complete list
18 of my work history and educational background, please review the attached curriculum
19 vitae.¹

¹ Exhibit FK-1.

1

PURPOSE

2 **Q: What is the purpose of your Responsive Testimony regarding OG&E's Application for**
3 **preapproval of new generation capacity as filed in Case No. PUD 2023-000038?**

4 A: The purpose of my Responsive Testimony is to present PUD's review and recommendations
5 to the Commission regarding OG&E's proposal for the GCR Revenue Requirement, and its
6 customer impacts.

7

PUD'S REVIEW PROCESS

8 **Q: Please explain PUD's review process in this Case.**

9 A: PUD reviewed Final Order 696007 in Cause No. PUD 201800159 and the Direct
10 Testimony and associated workpapers filed by Company witnesses. PUD issued data
11 requests and reviewed the responses, as well as the responses to data requests issued by
12 other parties to this Case. PUD conducted multiple audit conferences with the Company
13 to discuss the areas under review in this filing. During these audit conferences, PUD
14 analysts posed questions to Company witnesses and reviewed documentation requested
15 both on an informal basis and through data requests.

16

REVENUE REQUIREMENT

17 **Q: What is OG&E requesting in its Application?**

18 A: OG&E is requesting preapproval of new generation capacity pursuant to 17 O.S. § 286(C)
19 and that the Commission approve the total Company and Oklahoma jurisdictional revenue
20 requirement and proposed billing impact for residential customers of \$2.21 per month for

1 the first year and \$2.13 per month for the second year².

2 **Q: Please describe the Revenue Requirement.**

3 A: The total Company Revenue Requirement associated with this project is \$44,232,078 and
4 the Oklahoma Rider Revenue Requirement is \$40,386,984.

5 **Q: Please describe how the Company calculated the rate base.**

6 A: The Company calculated the net rate base to be \$382,166,317 which includes offsetting the
7 accumulated depreciation and accumulated deferred income taxes. The Company
8 multiplied that amount by its authorized 8.8% Rate of Return to arrive at a return
9 requirement of \$34,131,851. The Company added deprecation and property tax and
10 reduced the return requirement by state investment tax credits to calculate the total
11 Company revenue requirement of \$44,232,078³.

12 **Q: Does PUD agree with the Company's Revenue Requirement?**

13 A: Yes. PUD believes the calculation of the Company's Revenue Requirement to be
14 reasonable. PUD reviewed the calculation of the components of the Revenue Requirement
15 and believes the calculation is accurate. However, the Company's Revenue Requirement
16 will need to be recalculated if the Commission modifies any of the proposed adjustments.

17 **CUSTOMER IMPACT**

18 **Q: Please describe the Billing Impacts.**

19 A: Per the revenue requirement as presented by the Company, the billing impact for the

² Direct Testimony of Jason J. Thenmadathil, Page 6, Chart 2

³ Direct Testimony of Jason J. Thenmadathil, Page 4, Chart 1, Line No. 6.

1 residential customers would be \$2.21 per month for the first year and \$2.13 per month for
2 the second year.

3 **Q: How did OG&E calculate the billing impacts for residential customers?**

4 A: OG&E allocated the total Company revenue requirement using the production demand
5 allocator. This results in an allocation of 42.84% of the costs to residential customers. The
6 Company used the estimated average customer usage of 1,100 kWh per month to calculate
7 the monthly average residential customer billing impact.

8 **Q: Does PUD agree with the Company's calculation of the billing impact for residential**
9 **customers?**

10 A: Yes. PUD believes the calculation of the billing impact for residential customers to be
11 reasonable. The Company used the production demand allocator that was approved in the
12 previous rate case by the Commission. Furthermore, PUD reviewed the rest of the inputs
13 used in the calculation and PUD believes the calculation is accurate. However, the billing
14 impacts to any classes of customers would need to be recalculated if any recommended
15 adjustment is accepted by the Commission.

16 **RECOMMENDATION**

17 **Q: What is the Public Utility Division's ("PUD") recommendation to the Oklahoma**
18 **Corporation Commission ("Commission") regarding Oklahoma Gas and Electric**
19 **Company's ("OG&E" or "Company") Application for preapproval of new generation**
20 **capacity as filed in Case No. PUD 2023-000038?**

1 A: PUD recommends the Commission accept OG&E's proposed Generation Capacity Rider
2 Revenue Requirement. However, the Company's Revenue Requirement will need to be
3 recalculated if the Commission modifies any of the proposed adjustments. Furthermore,
4 PUD recommends the Commission accept OG&E's calculation of the GCR billing impact.

I state, under penalty of perjury under the laws of Oklahoma, that the foregoing is true and correct to the best of my knowledge and belief.

Farzad Khalili

Farzad Khalili

Oklahoma Gas and Electric Company – Case No. PUD 2023-000038

LIST OF EXHIBITS

FK-1

Curriculum Vitae



Farzad Khalili

Curriculum Vitae

Exhibit FK-1

Contact

Farzad.Khalili@occ.ok.gov
Tel: 405-521-4114

414 Will Rogers Building
P.O. Box 52000
Oklahoma City, OK 73105

Work Experience

Oklahoma Corporation Commission 2013-Present

Programs Manager IV – 3/2021-Present

- Research and perform comparative analyses of public utility issues that are brought forth to the Commission.
- Analyze utility financial records, cost studies, and reports to make recommendations concerning utility operations, terms, conditions, and prices of utility services.
- Prepare and assist in the preparation of testimony and interrogatories in order to serve as expert witness in state proceedings.

Public Utility Division Manager – 4/2018-2/2021

- Oversaw a team of Regulatory Analysts and Auditors.
- Enforced Commission rules and statutes related to telecommunications.
- Prepared final orders and testimonies for Commission review.
- Reviewed current rules and statutes related to the Oklahoma Universal Service Fund.

Oklahoma Universal Service Fund Coordinator – 11/2015-3/2018

- Oversaw a team of Regulatory Analysts and Auditors.
- Reviewed policies related to the Oklahoma Universal Service Fund.
- Reviewed documentation presented by schools, libraries, and health care facilities for accounting accuracy.
- Provided training for the Oklahoma Universal Service Fund Regulatory Analysts and Auditors.

Public Utility Division Auditor – 11/2013-10/2015

- Performed comparative analysis of the Oklahoma Universal Service Fund applications and all work papers.
- Ensured that Public Utility Division made accurate recommendations in the area of Special Universal Services and Primary Universal Service causes.
- Reviewed the OUSF applications, conducted onsite visits of the schools, Libraries, and health care facilities that requested OUSF funding, as well as reviewed bids that each entity received for competitive bid compliance.
- Reviewed documentation presented by schools, libraries, and health care facilities for accounting accuracy.
- Audited the outgoing monthly requested true-up funding for the OUSF applications that had been previously approved by the Oklahoma Corporation Commission.

Cole and Reed, P.C. 2008-2009

Auditor

- Prepared audit work papers and drafts of audit reports for review.
- Reviewed the adequacy of systems and testing to verify the accuracy of data provided.
- Evaluated the initial internal controls and reconciled general ledger accounts.



Farzad Khalili

Curriculum Vitae
Exhibit FK-1

Education

University of Oklahoma

- Master of Public Administration- Public Policy

New Mexico State University

- Graduate Certificate- Public Utility Regulation and Economics

John F. Kennedy University-College of Law

- Doctor of Jurisprudence

University of Central Oklahoma

- Master of Business Administration- General Business
- Bachelor of Science- Accounting

CERTIFICATE OF ELECTRONIC SERVICE

I, the undersigned, do hereby certify that on the 31st day of August 2023, a true and correct copy of the above and foregoing was sent electronically to:

A. Chase Snodgrass
Christine Chevis
Office of Attorney General
313 NE 21st Street
Oklahoma City, OK 73105
Chase.Snodgrass@oag.ok.gov
Christine.Chevis@oag.ok.gov
utilityregulation@oag.ok.gov

J. David Jacobson
Jacobson & Laasch
212 East Second Street
Edmond, OK 73034
jdj8788@aol.com

Kenneth A. Tillotson
Deborah R. Thompson
Thompson Tillotson PLLC
P.O. Box 54632
Oklahoma City, OK 73154
Kenneth@ttfirm.com
Deborah@ttfirm.com

Ronald E. Stakem
Check & Falcone, PLLC
6301 Waterford Blvd., Suite 320
Oklahoma City, Oklahoma 73118
Rstakem@checkfalcone.com

Rick D. Chamberlain
Counsel for WALMART, INC.
P.O. Box 21866
Oklahoma City, OK 73156
Rick@ChamberlainLawOffices.com

William L. Humes
Kimber L. Shoop
Oklahoma Gas And Electric Company
P.O. Box 321
Oklahoma City, Oklahoma 73101
humeswl@oge.com
shoopkl@oge.com
reginfo@oge.com

Jack P. Fite
Counsel for OG&E
9520 N. May Ave., Ste. 211
Oklahoma City, OK 73120
jfite@wcgflaw.com

Jack G. Clark Jr.
Clark, Wood & Pattern, P.C.
3545 NW 58th Street, Suite 400
Oklahoma City, Oklahoma 73112
Cclark@cswp-law.com

Thomas P. Schroedter
Hall, Estill, Hardwick, Gable, Golden & Nelson, P.C.
320 South Boston Avenue, Suite 200
Tulsa, Oklahoma 74103-3706
Tschroedter@hallestill.com

Madison B. Miller
RYAN WHALEY
400 N. Walnut Ave.
Oklahoma City, OK 73104
mmiller@ryanwhaley.com



Juliane Alexander – Paralegal I
Mary Sanders – Legal Secretary
Oklahoma Corporation Commission