

BEFORE THE CORPORATION COMMISSION 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)

CAUSE NO. PUD 201500273

FILED
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CORPORATION COMMISSION
OF OKLAHOMA



RESPONSIVE TESTIMONY OF

KATHY J. CHAMPION

MARCH 21, 2016

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INTRODUCTION

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

2 **A:** My name is Kathy J. Champion. My business address is the Jim Thorpe Office Building,
3 Room 580, 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105.

4 **Q: By whom are you employed and in what capacity?**

5 **A:** I have been employed by the Public Utility Division ("PUD") of the Oklahoma
6 Corporation Commission ("OCC" or "Commission") as a Regulatory Analyst since July
7 2013.

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

9 **A:** My principal responsibility is to audit and analyze utility applications, reports, financial
10 records, and all work papers to assist PUD in making an accurate recommendation to the
11 Commission. My primary responsibilities are related to energy efficiency programs and
12 policies and cost of service ("COS") and rate design reviews for both electric and gas
13 utilities.

14 **Q: Please state briefly your educational background and professional experience?**

15 **A:** See my curriculum vitae, attached as Exhibit KJC-1.

16 **Q: Have you previously testified before this Commission and were your qualifications**
17 **accepted?**

18 **A:** Yes.

PURPOSE AND ANALYSIS

1 **Q: What is the purpose of your testimony in this application?**

2 **A:** The purpose of my testimony is to provide the results of PUD's review and the
3 recommendation concerning certain advertising expenses requested by Oklahoma Gas &
4 Electric ("OG&E" or "Company") in this Cause.

5 **Q: What were the areas assigned to you in the Cause No. PUD 201500273?**

6 **A:** PUD reviewed the advertising expenses included in Accounts 907-916 and the
7 adjustments included in WP H 2-40.

8 **Q: What criteria did PUD use in its analysis of advertising expenses?**

9 **A:** In conducting its audit, PUD relied upon 17 O.S. §180.1, "Advertising Expenses by
10 Public Utilities," and Commission rules at OAC 165:35-7-1 regarding promotional
11 policies and practices. PUD also reviewed Commission rules related to the Demand
12 Programs OAC 165:35:41, and the Commission Order No. 605737 in Cause No. PUD
13 201200134 for the budget related to education programs for years 2013-2015. In
14 addition, PUD reviewed multiple invoices and the Company's allocation factors to
15 determine how it appropriated the expenses. PUD conducted several onsite visits to
16 review supporting documentation and to hold conversations with Company
17 representatives for clarification on data request responses. PUD requested and reviewed
18 newspaper inserts, pamphlets, and photographs of events that the Company considered
19 educational advertising.

1 Q: What is OG&E requesting in this Cause relating to advertising expenses?

2 A: As shown in Table 1, in WP H 2-40 OG&E is requesting \$750,785 in advertising
3 expenses and provided the following detail for that requested recovery.

Table 1.

<u>Section - Operating Income Statement</u>			
<u>W/P - H-2-40</u>			
<u>OKLAHOMA GAS AND ELECTRIC COMPANY</u>			
<u>PRO FORMA ADJUSTMENT - OPERATING INCOME</u>			
<u>ADVERTISING</u>			
<u>TEST YEAR ENDING 6/30/15</u>			
<u>CAUSE NO. PUD 201500273</u>			
<u>Line No.</u>	<u>Description</u>	<u>FERC Account</u>	<u>Amount</u>
1	Test year Advertising Expenses	913	\$ 2,013,852
2	Test year General Advertising Expenses	930.1	(575,684)
3	Total Advertising Expense		1,438,168
Less:			
4	Recruitment Expense		1,673
5	Wind Power		163,989
6	Energy Efficiency		294,994
7	VPP Education		226,321
8	DSM Activities		15,800
9	Safety		12,356
10	Employee Expenses		35,652
11	Total to include in expense:		750,785
12	Pro forma adjustment Expense Reduction		\$ 687,383
			\$ 1,438,168

RECOMMENDATION

4 Q: Does PUD recommend any adjustments to OG&E's advertising accounts?

5 A: Yes. PUD recommends disallowance of three of the items included in WP H 2-40,
6 specifically \$294,994 listed as energy efficiency, \$226,321 listed as Variable Peak
7 Pricing ("VPP") education, and \$15,800 listed as Demand Side Management ("DSM")
8 activities for a total adjustment of \$537,115 and included as Adjustment PUD 12.

1 **Q: Why does PUD recommend disallowance of the energy efficiency, DSM, and VPP**
2 **education amounts?**

3 **A:** PUD recommends disallowance of these amounts because education for those programs
4 (energy efficiency, VPP and DSM) were approved as a part of the Demand Programs in
5 Cause 201200134, Final Order 605737. The education budget for the Demand Programs
6 was approved for years 2013-2015 as \$921,000, \$817,225, and \$836,831 respectively¹.
7 The approval of the education budget in that Cause was linked to many other items
8 related to the Demand Programs including caps on the monthly recovery from customers,
9 incentives, and the overall performance of the programs².

10 OG&E's request for additional recovery of education funds, specifically the
11 additional \$537,115 requested in this Cause, seems to be contrary to the settlement and
12 the total allowed recovery provided in Cause 201200134. PUD questions allowing
13 recovery of education funds both through base rates and through the DPR rider dilutes the
14 reported impact on customers as it may circumvent the rules related to the cap on
15 recovery of costs related to the DPR programs. PUD questions including recovery of the
16 additional education funds related to the Demand Programs outside of the DPR recovery
17 as it could also misrepresent the overall cost effectiveness of the Demand Programs.

18 **Q: What is PUD's recommendation regarding advertising expenses?**

¹ See Exhibit KJC-2

² See OAC 165.35-41:5(d)

1 A: As shown in the table below, PUD recommends disallowance of all education expenses
 2 related to the Demand Programs, \$537,115. The remaining expense of \$213,670 should
 3 be allowed.

Table 2.

<u>Section - Operating Income Statement</u>			
<u>W/P - H-2-40</u>			
<u>OKLAHOMA GAS AND ELECTRIC COMPANY</u>			
<u>PUD - PRO FORMA ADJUSTMENT - OPERATING INCOME</u>			
<u>ADVERTISING</u>			
<u>TEST YEAR ENDING 6/30/15</u>			
<u>CAUSE NO. PUD 201500273</u>			
Line No.	Description	FERC Account	Amount
1	Test year Advertising Expenses	913	\$ 2,013,852
2	Test year General Advertising Expenses	930.1	(575,684)
3	Total Advertising Expense		<u>1,438,168</u>
Less:			
4	Recruitment Expense		1,673
5	Wind Power		163,989
9	Safety		12,356
10	Employee Expenses		<u>35,652</u>
11	Total to include in expense:		<u>213,670</u>
12	Pro forma adjustment Expense Reduction		<u>\$ 1,224,498</u>

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

Kathy Champion
 (Signature)

March 21, 2016 Oklahoma City, Oklahoma



Kathy Champion

Exhibit KJC-1

Contact	k.champion@occemail.com Tel: 405-521-6878 Fax: 405-522-1157	580 Jim Thorpe Building P.O. Box 52000 Oklahoma City, OK 73152
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- Work Experience**
- ▶ **Oklahoma Corporation Commission, Public Utility Division, Oklahoma City**
July 2013 - present: Public Utility Regulatory Analyst, Energy Policy Group
 - Special Focus – Oklahoma Corporation Commission Demand Programs, Energy Efficiency, Rulemakings
 - Expert Witness – recommendations and written and oral testimony
 - Analysis - Utilities service rates, terms and conditions

 - ▶ **Champion Energy Consulting, Tulsa**
January 2012 – July 2013: Owner/President
 - Provided rate, energy efficiency, and marketing consulting services to utilities and customers.
 - Developed Energy Education offering for school children

 - ▶ **Public Service Company of Oklahoma, Tulsa**
April 2008 – November 2011: Manager Consumer Programs
 - Managed the development and continued operation of PSO's energy efficiency and demand response programs, supervising a staff of five with budget of \$25 million
 - Budgeting, reporting
 - Issued and reviewed request-for-proposals, and contract development for third-party service providers
 - Provided Regulatory support, expert testimony and analysis for Energy Efficiency and Demand Response portfolio programs, budgets and recovery mechanisms.

 - ▶ **AEP Services Company, Tulsa**
January 2000-March 2008: Principal Regulatory Consultant
 - Supporting all of the AEP western utilities in Oklahoma, Arkansas, Louisiana, and Texas, provided rate and regulatory expertise before the various state regulatory agencies.
 - Provided analysis and testimony for a variety of studies and programs including, class cost-of-service studies, tariffs, revenue allocation, and price/revenue recovery issues.
 - Supported standard tariff offerings, as well as specialty rates and riders, including time-of-day, load reduction or interruptible rates, Energy Efficiency and Green Power offerings.
 - Represented the Company on a variety of rulemakings and policy proceedings before the state regulatory agencies and the SPP Market Working Group

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- Education**
- ▶ Bachelor of Science (Business), Oklahoma Wesleyan College, Bartlesville, OK December 2000
 - ▶ Associate of Science (Computer Science), Tulsa Community College, Tulsa, OK, May 1986

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- Professional Training**
- ▶ Arthur Anderson Rate Case Process - 1990
 - ▶ Building Performance Institute – Building Analyst Training - 2012
 - ▶ LEED Green Associate Course - 2013
 - ▶ Principles of Evaluation, Measurement and Verification 2010

Attachment 1

OKlahoma Gas and Electric
Demand Program
January 1, 2013 Through December 2015
Program Description and Costs

Line	Description of Program	Program		
		Year	Year	Year
		2013	2014	2015
Projected Program Cost/Revenue Requirement				
EE Program Costs				
	Weatherization Residential Assistance Program (WRAP)	\$ 5,624,596	\$ 5,408,146	\$ 5,617,760
	Residential Home Energy Efficiency Program (HEEP)	\$ 4,095,040	\$ 3,997,965	\$ 4,007,988
	Positive Energy/New Home Construction (PE-NHC)	\$ 1,180,600	\$ 1,195,350	\$ 1,200,939
	Geothermal Heating, Cooling and Water Heating Program	\$ 885,250	\$ 889,800	\$ 894,364
	Commercial Lighting Program	\$ 1,257,955	\$ 2,537,311	\$ 3,121,729
*	Commercial Energy Efficiency Program	\$ 1,840,715	\$ 2,261,801	\$ 2,732,452
**	Industrial Energy Efficiency Program	\$ 293,325	\$ 282,260	\$ 284,373
	Education Programs	\$ 921,200	\$ 817,225	\$ 836,831
	Research and Development	\$ 800,000	\$ -	\$ -
	Regulatory/Potential Study & Model updates	\$ -	\$ 250,000	\$ 100,000
	Total EE Projected Program Costs	\$ 16,806,881	\$ 17,839,858	\$ 18,496,436
DR Program Costs				
	Smart Hours & Integrated Volt Var Controls	\$ 12,954,386	\$ 21,591,712	\$ 21,761,455
	Total Projected Program Costs/Revenue requirement	\$ 29,561,267	\$ 39,431,570	\$ 40,257,891
	Peak Time Rebate Pilot	\$ -	\$ -	\$ 2,000,000
	Total Projected Program Costs/Revenue requirement and Pilot	\$ 29,561,267	\$ 39,431,570	\$ 42,257,891

Note: Dollars reflected above include potential program increases as agreed to in the stipulation. After programs are fully designed to include the additional funds, dollar amounts may change or move intra-class

* Commercial Standard Offer program

** Industrial Standard Offer program

CERTIFICATE OF ELECTRONIC SERVICE

I, the undersigned, do hereby certify that on the 21st day of March 2016, a true and correct copy of the above and foregoing was sent electronically, addressed to the following:

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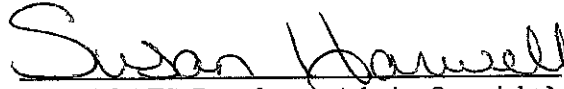
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