

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF OKLAHOMA NATURAL )  
GAS COMPANY, A DIVISION OF ONEOK, )  
INC., FOR A REVIEW AND CHANGE OR )  
MODIFICATION IN ITS RATES, CHARGES, )  
TARIFFS, AND TERMS AND CONDITIONS )  
OF SERVICE )

CAUSE NO. PUD 200900110

**FILED**

JUN 26 2009

COURT CLERK'S OFFICE — OKC  
CORPORATION COMMISSION  
OF OKLAHOMA

DIRECT TESTIMONY  
  
OF  
  
STACEY BORGSTADT  
  
ON BEHALF OF  
  
OKLAHOMA NATURAL GAS

JUNE 26, 2009

## INTRODUCTION

1 Q. Please state your name.

2 A. My name is Stacey Borgstadt.

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

4 A. I am employed by ONEOK, Inc. ("ONEOK") as a Manager of Rates and  
5 Regulatory Analysis for the ONEOK Distribution Companies.

6 Q. Please give us a brief description of your educational and employment  
7 background.

8 A. I have a Masters Degree in Business Administration with a major in Information  
9 Systems and a Bachelor of Science Degree with a major in Accounting. I began  
10 my employment with ONEOK on November 21, 2005. Prior to joining ONEOK, I  
11 worked as a Senior Associate at an Auditing Firm. In my current capacity with  
12 ONEOK, I am responsible for assisting in the development and management of  
13 an overall strategic regulatory plan that can be adopted in all three states in  
14 which ONEOK has gas distribution operations.

15 Q. Have you previously testified before the Commission?

16 A. No, I have not.

17 Q. Are you requesting that the Commission accept you as an expert witness?

18 A. Yes, I am requesting that the Commission accept me as an expert witness.

1 **PURPOSE**

2 Q. What is the purpose of your testimony?

3 A. The purpose of my testimony is to address and sponsor pro-forma adjustments:  
4 Corporate Pre-payments RB-9; Distringas Allocation Adjustment E-20; and  
5 Corporate Services E-24.  
6

7 **CORPORATE PRE-PAYMENTS**

8 Q. Please describe RB-9, the Rate Base adjustment involving Corporate Pre-  
9 payments.

10 A. Oklahoma Natural Gas ("Oklahoma Natural" or "Company") is allocated a portion  
11 of the pre-payments of ONEOK Corporate. Corporate pre-payments include  
12 activities such as pre-paid insurance and pre-paid computer maintenance  
13 expense. The average 13-month balance of Corporate Pre-payments allocated  
14 to Oklahoma Natural was \$1,582,404 (RB-9). The method for including and  
15 allocating corporate pre-payments follows the Corporate Allocation methodology;  
16 which was approved by the Commission in Cause No. PUD 200400610, Order  
17 No. 512287, the Company's last general rate change application.

1 **CORPORATE ALLOCATIONS**

2 Q. Please explain pro-forma adjustment E-20 involving a post-test year change in  
3 the level of corporate allocations allocated to Oklahoma Natural.

4 A. This adjustment is necessary to reflect a change in the Corporate Allocation  
5 percentage allocated to Oklahoma Natural. As of the test year end the Distrigas  
6 allocation percentage applicable to Oklahoma Natural is as follows:

- 7 • The Distrigas Mass Allocation for Local Distribution Company only  
8 companies was 40.70 percent and increased to 41.03 percent as  
9 of second quarter of 2009.
- 10
- 11 • The Distrigas Mass Allocation for ONEOK only companies was  
12 32.28 percent and increased to 35.45 percent as of second  
13 quarter of 2009.
- 14
- 15 • The Distrigas Mass Allocation Methodology was 14.74 percent and  
16 increased to 15.06 percent as of second quarter of 2009.
- 17

18 Applying this most recent allocation percentage to the actual test year  
19 reflects the Distrigas changes allocated to Oklahoma Natural which increases  
20 the Company's test year operating expenses by \$508,325.

21 Q. Is the Distrigas methodology used to calculate adjustment E-20 consistent with  
22 Commission precedent?

23 A. Yes, the methodology applied was approved by the Commission in Cause No.  
24 PUD 200400610, Order No. 512287 (the Company's last general rate change  
25 application) as the appropriate methodology for allocation of General Corporate  
26 Overheads.

1 **CORPORATE SUPPORT SERVICES**

2 Q. Please explain proposed adjustment E-24 involving the level of corporate support  
3 service costs allocated to Oklahoma Natural.

4 A. Adjustment E-24 is comprised of three components, which I will address  
5 separately. Although I will refer to these costs as "Oklahoma Natural costs", in  
6 reality they relate to corporate allocations incurred at the ONEOK level which are  
7 in turn allocated or assigned to Oklahoma Natural using the Distrigas  
8 methodology.

9 Q. What is the first component of adjustment E-24?

10 A. The first component of adjustment E-24 relates to Pension expenses.

- 11 • Actual test year expenses did not capture a full year's pension expense.  
12 In February 2009, our third party pension actuarial revised the 2008 net  
13 periodic pension cost for the ONEOK pension plan. The 2008 cost  
14 increase attributable to Oklahoma Natural is \$55,142.

- 15  
16 • There was a measurement data change for our 2008 pension. Beginning  
17 with fiscal years ending after December 15, 2008, FAS 158 requires  
18 employers to measure plan assets and liabilities as of fiscal year end.  
19 Therefore, to comply with FAS 158, we moved from a September to a  
20 December calculated pension year. The 2008 cost increase attributable to  
21 Oklahoma Natural is \$17,641.

1 Q. What is the second component of adjustment E-24?

2 A. The second component of adjustment E-24 relates to Payroll expense, which  
3 increases Oklahoma Natural's pro-forma test year expenses in order to capture  
4 the impact of recent Corporate Allocated pay increases and to capture  
5 subsequent changes to the payroll load rate. The increase to Oklahoma Natural  
6 costs for payroll and related payroll loading is \$134,211.

7 Q. What is the third component of adjustment E-24?

8 A. The third component of adjustment E-24 relates to two accounting entries and  
9 activity booked within Oklahoma Natural's test year that need to be reversed.  
10 This reversal is discussed in detail at Section H, Workpaper H-2-39, of the  
11 Application Package filed in this Cause. The increase associated with this  
12 component is \$1,528.

13 Q. Ms. Borgstadt, does this conclude your direct testimony?

14 A. Yes, it does.