

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

<p>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</p>	<p>CAUSE NO. PUD 200900110</p>
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CORPORATION COMMISSION
OF OKLAHOMA

RESPONSIVE TESTIMONY

OF

JAMES L. JONES

OCTOBER 14, 2009

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ON BEHALF OF THE OKLAHOMA CORPORATION COMMISSION

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INTRODUCTION

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

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

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

9 A: I have been employed by the OCC in the Public Utility Division since November
10 2007.

11 **Q: Please summarize your educational background and professional experience.**

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

17 **Q: What are your present duties?**

18 A: As a member of the PUD's Economic Analysis and Research Group, my
19 responsibilities include research and analysis of energy-related matters typically
20 associated with electric and gas utilities. I am responsible for analyzing and
21 reviewing various areas of these utilities' operations. I am also responsible for
22 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.

PURPOSE OF TESTIMONY

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

6 A: The instant Cause is a general review, by the Commission, of Oklahoma Natural
7 Gas Company's (ONG or Company) rates, charges and terms and conditions of
8 service. ONG filed its application package on June 26, 2009.

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

10 A: The purpose of my testimony is to discuss and support Staff's recommendations
11 regarding ONG's proposed tariff modifications and proof of revenue.

STAFF'S ANALYSIS

12 **Q: Please summarize your review process for the proposed changes in ONG's**
13 **tariff.**

14 A: I reviewed in detail the testimony of ONG witnesses David Scalf, Paul H. Raab
15 and Mary Ann Carter which outlined the tariff modifications proposed by the
16 Company. I reviewed Schedule "N" of ONG's filing package which is the
17 proposed tariffs that includes the proposed rates and changes in terms and
18 conditions. Schedule "N" also includes a "red-lined" version of the proposed
19 tariffs which specifically identifies each individual change to the tariffs both in
20 terms and conditions as well as ONG's requested changes in rates.

1 In an on-site discussion on August 12, 2009, I met with Mr. Scalf and members of
2 his management team and we reviewed and discussed the tariff changes proposed
3 by the Company.

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

5 A: I reviewed the proof of revenue work papers, WP M-4 and WP M-4-1, for the
6 classes of customers impacted in this cause, which are the residential, small and
7 large commercial and industrial classes. These work papers contain the present
8 and proposed revenues and rates, and the billing determinants associated with the
9 proposed revenues. I also issued data request PUDJJ-1 to obtain additional
10 information regarding the development of current revenues, which was based
11 upon booked revenues with pro forma adjustments.

12 **Q: What else did you do in your proof of revenue review?**

13 A: I also compared the work papers, WP M-4-1 in Cause No. PUD 200400610
14 (ONG's last rate case), with the same proof of revenue work papers in this Cause.
15 Additionally, I compared the WP M-4-1 with ONG's present and proposed tariffs
16 to ensure proposed revenues calculations were developed utilizing appropriate
17 rates. I also had several discussions with Mr. Raab to gain additional insight
18 regarding the development of the test year current revenues as shown in Section
19 M-4 of the Company's filing. I reviewed the non-recurring charges associated
20 with service fees and the total revenues produced by the application of these fees,
21 to ensure that these revenues were flowed through to the revenue requirement
22 properly.

STAFF'S FINDINGS AND RECOMMENDATION

1 **Q: As a result of your review of ONG's proposed tariffs, does Staff have any**
2 **concerns or comments regarding their proposed modifications?**

3 A: In Staff's review it was discovered that a proposed rate associated with Choice B
4 in the residential service tariff, rate schedule 101, was inconsistent with the rate
5 contained in Section M-4. However, Staff determined that this was simply a
6 typographical error and informed the Company, who will make the proper
7 correction prior to submitting their final tariffs to the PUD for approval. There
8 was no revenue impact associated with this error. Staff also discovered that the
9 tariff wording associated with rates and charges in the Compressed Natural Gas
10 tariff, rate schedule 705, did not match the actual rates and charges in this tariff.
11 Staff likewise informed the Company of this irregularity and they will correct this
12 oversight prior to submitting their final tariffs. This typographical error also had
13 no impact on revenues.

14 **Q: Are there any other tariff modifications that Staff would like to address?**

15 A: Yes. On page two of the residential service tariff, rate schedule 101, and also
16 beginning on page two of rate schedule 101-V; the Company proposes to
17 eliminate the "true-up" provision associated with Choice A and Choice B rates.
18 This tariff provision provides for a credit to residential Choice B customers that
19 would have been billed less for gas service if they had subscribed to gas service
20 under Choice A rates. Specifically the provision states:

21 Each year, the Company shall undertake a customer specific billing
22 assessment and issue a credit for all customer accounts meeting the
23 following criteria: 1) must be on choice B, 2) must be under the TAC
24 option, 3) must have 12 consecutive billing periods on choice B at the time
25 of the evaluation, 4) must have usage of less than 70 Dth. The credit will
26 equal the difference between what was billed to each account under choice
27 B and what would have been bill under choice A for the 12 month
28 evaluation period.

1 These provisions should be retained for an additional 12 months, except item (4)
2 should be modified to indicate usage of less than 50 Dth since this is the new
3 “breakpoint” between Choice A and Choice B rates.

4 **Q: Specifically, what concerns does Staff have with the elimination of this tariff**
5 **provision?**

6 A: Staff is concerned that the timing of a potential order in this cause will not allow
7 Choice B residential customers sufficient time to evaluate their billing to
8 determine whether they should shift to Choice A. Staff understands that with the
9 Company’s proposed shift of the “breakpoint” between Choice A and Choice B,
10 those existing Choice B customers, who do not change their usage patterns,
11 economically should remain under Choice B rates. Staff also understands that the
12 Company will be moving customers from Choice A rates to Choice B rates if the
13 customer’s usage pattern indicates that Choice B rates are to the customer’s
14 benefit. The Company will be giving customers, who ONG moves from Choice
15 A rates to Choice B rates, notice of this change in rate plans.

16 In ONG witness Paul H. Raab’s direct testimony, beginning on page 45, line 14
17 and ending on page 46, line 16, he outlines seven reasons why the Company
18 wants to eliminate this tariff provision and the credit which has been given since
19 the availability of the Choice A and B rate plans. Staff does not take issue with
20 any of these reasons; however, Staff believes that customers need to receive
21 adequate notice that the existing crediting provision is going to be eliminated.
22 Thus Staff supports the continuation of this tariff provision for an additional 12-
23 month period.

24 This tariff provision and the associated credit have been in place since 2005 and it
25 may be that some residential customers are “gaming” the system; however, if the
26 credit helps a few customers that were on the inappropriate rate plan then
27 retention of the crediting process is warranted until detailed notice is given that

1 this tariff provision is going to be eliminated. Such notice could be included in
2 the customer letter planned to explain other modifications to residential rate plans
3 or in a residential bill insert.

PROOF OF REVENUE

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

5 A: Yes. Staff compared ONG's current tariffs with the tariffs filed in this Cause, as
6 well as, reviewed the proof of revenue work papers, WP M-4 and WP M-4-1, for
7 all classes of customers. Staff also compared the WP M-4 and WP M-4-1 with
8 ONG's present and proposed tariffs to ensure present and proposed revenue
9 calculations were developed utilizing appropriate rates.

10 **Q: Did Staff find any discrepancies during their proof of revenue review?**

11 A: None other than the typographical errors mentioned above and as previously
12 stated they had no impact on revenues, present or proposed.

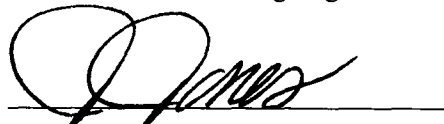
13 **Q: Has Staff prepared its own proof of revenue?**

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

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

17 October 14, 2009, Oklahoma City, OK

18 (Date and Place)



(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 History

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

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.

Economic Analysis
& Research

Beacon Telecommunications Advisors – Manager Regulatory

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

Education

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

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

CERTIFICATE OF SERVICE

I, the undersigned, do hereby certify that on the 14th day of October, 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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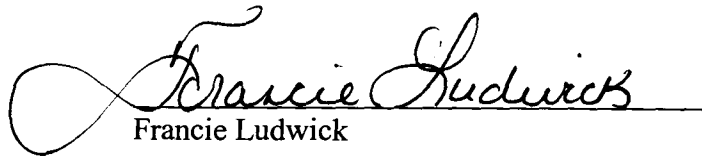
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