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**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

OCT 14 2009

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CORPORATION COMMISSION
OF OKLAHOMA

RESPONSIVE TESTIMONY OF

JASON THENMADATHIL

OCTOBER 14, 2009

BEFORE THE CORPORATION COMMISSION OF THE
STATE OF OKLAHOMA

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RESPONSIVE TESTIMONY

OF

JASON THENMADATHIL

OCTOBER 14, 2009

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1 (AOG), and Public Service Company of Oklahoma (PSO). I also testified in the
2 2004, 2005, 2006, and 2007 reviews of PSO's fuel adjustment clause.
3

4 **Q: Have your credentials been accepted by the Commission?**

5 A: Yes. Please see my *curriculum vitae*, which include a more complete listing of
6 my professional credentials, attached as Exhibit JT-1.
7

8 **PURPOSE**

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

10 A: The purpose of my testimony is to present the PUD Staff's recommendations to
11 the Commission regarding specific issues related to the request for rate relief
12 filed by ONG.
13

14 **Q: What specific areas will you address?**

15 A: My testimony will address: 1) plant-in-service and construction work in progress
16 (CWIP), 2) plant held for future use, and 3) Fort Sill Assets and Expenses.
17

18 **Q: Did you also serve in a supervisory capacity in this cause?**

19 A: Yes. I served as the cause coordinator of this case, reviewing Staff testimony,
20 preparing and maintaining Staff's revenue requirement exhibit, and general
21 organization and coordination of the case.
22
23

1 **Q: What adjustments are you sponsoring?**

2 **A:** I am sponsoring one adjustment, as follows:

3 1. Staff Adjustment B-1, to increase the rate base by \$26,471,190 to include
4 plant-in-service completed and in service as of June 30, 2009.

5

6

7

EXECUTIVE SUMMARY

8 I am sponsoring Staff Adjustment B-1 in which Staff recommends increasing the
9 rate base by \$26,471,190 to include all plant investments that are providing
10 service to customers as of June 30, 2009, which is six months after the test year
11 end. Including an updated plant-in-service balance in the rate base rather than
12 CWIP more accurately reflects what was in service on June 30, 2009. Any CWIP
13 in service six months after the test year would have been reclassified to plant-in-
14 service, and would therefore be included in the rate base. Staff also reviewed
15 work orders for major capital additions, the timing of allowance for funds used
16 during construction (AFUDC) accrual of those additions, and property allocated
17 from ONG's parent company, ONEOK, Inc. Staff found no material exceptions.

18 ONG removed all plant held for future use from the rate base, which amounted to
19 \$105,124. Staff agrees with this adjustment. In Staff's opinion, plant held for
20 future use does not meet the criteria of a "used and useful" asset.

21 Staff agrees with ONG's adjustment to remove all revenues, expenses, and
22 capital related to Fort Sill from the revenue requirement. This adjustment was

1 also done in the previous rate case, and was pursuant to Commission Order No.
2 453529.

3 ANALYSIS AND RECOMMENDATIONS

4 PLANT-IN-SERVICE

5 **Q: What adjustment for plant-in-service are you sponsoring?**

6 A: I am sponsoring Staff Adjustment B-1 to increase the rate base by \$26,471,190
7 to include plant investments that are in service six months after the test period,
8 *i.e.*, by June 30, 2009.

9
10 **Q: Please explain Staff Adjustment B-1.**

11 A: Staff recommends increasing the rate base by \$26,471,190 to include all plant
12 investments that are providing service to customers as of June 30, 2009, which is
13 six months after the test year. During Staff's field audit, ONG provided plant
14 balances that were updated six months post test year. Including an updated
15 plant-in-service balance in the rate base rather than CWIP more accurately
16 reflects what was in service on June 30, 2009.

17
18 **Q: Does Staff's adjustment to plant-in-service result in the removal of all CWIP
19 from the rate base?**

20 A: Yes, any CWIP in service six months after the test year would have been
21 reclassified to plant-in-service, and would therefore be included in the rate base
22 via Staff Adjustment B-1.

1 **Q: Did Staff make a corresponding adjustment to accumulated depreciation**
2 **for the six month post test year balance to coincide with adjusted plant-in-**
3 **service levels?**

4 A: Yes, Staff witness Thomas Lains has proposed such an adjustment which he
5 addresses in greater detail in his responsive testimony.

6

7 **Q: Did Staff review a sample of capital additions made by ONG that**
8 **contributed to an increase in plant investment?**

9 A: Yes, Staff reviewed the work orders associated with major plant additions costing
10 more than \$100,000. These projects ranged from \$100,000 to \$7,000,000. The
11 work orders reviewed by Staff included a brief description of the work performed,
12 the materials utilized, and the unit price of materials. The work orders also
13 included approval signatures from management. Staff found no material
14 exceptions with this sample of work orders.

15

16 **Q: Did ONG have any major capital additions during the six months after the**
17 **test year that should be noted?**

18 A: Yes, during the six months after the test year, ONG ended the lease on its
19 vehicles and purchased its entire automotive fleet. This major financial
20 transaction resulted in an increase to plant-in-service of approximately
21 \$6,402,999. This adjustment to plant-in-service would be included in Staff's
22 update of the plant balance, since the transaction was made during the six-month
23 post test year period.

1 **Q: Does this transaction also require an adjustment to lease and rent**
2 **expenses?**

3 A: Yes, this transaction would also result in a decrease to the revenue requirement
4 of approximately \$2,695,989 to reflect the termination of the lease. Please see
5 the testimony of Staff witness Javad Seyedoff for information pertaining to the
6 decrease in lease and rent expense.

7

8 **Q: Did Staff review the timing of the accrual of allowances for funds used**
9 **during construction (AFUDC) for major capital projects?**

10 A: Yes, Staff reviewed the timing of AFUDC accrual for the aforementioned sample
11 of work orders to ensure that AFUDC was not accrued after a project was placed
12 in service. This is done to ensure that the allowance for funds used during
13 construction does not continue to accrue after construction. Staff found no
14 material exceptions.

15

16 **Q: Did Staff review assets allocated to ONG by its parent company, ONEOK,**
17 **Inc. (ONEOK)?**

18 A: Yes, Staff reviewed a list of property allocated to ONG by ONEOK. Staff
19 reviewed the assets to ensure that any allocation to ONG was reasonably
20 incurred and that ONEOK fairly distributed corporate allocated property to ONG.
21 The assets charged to ONG from ONEOK appear to be reasonable at this time.

22

23

1 **Q: Did ONG remove any assets allocated from the parent company?**

2 A: Yes, ONG removed the cost associated with its portion of the ONEOK corporate
3 aircraft from the rate base. This is consistent with ONG's position in the previous
4 rate case filing, which was approved by the Commission in that case. Staff
5 accepts this adjustment.

6

7

PLANT HELD FOR FUTURE USE

8 **Q: Did ONG make an adjustment to remove plant held for future use from the**
9 **rate base?**

10 A: Yes, ONG removed all plant held for future use from the rate base, which
11 amounted to \$105,124.

12

13 **Q: Does Staff agree with the removal of plant held for future use from the rate**
14 **base?**

15 A: Yes, plant held for future use is currently not providing service to customers and
16 therefore, in Staff's opinion, does not meet the criteria of a "used and useful"
17 asset. Ratepayers should only be expected to pay for plant investments that are
18 providing them service. If a definite plan exists for future use assets to be made
19 used and useful at some point in time, the utility may request recovery of those
20 assets once they are classified as plant-in-service.

21

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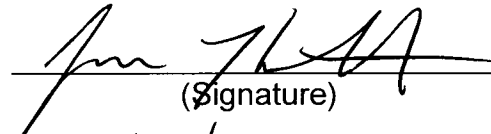
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FORT SILL ASSETS AND EXPENSES

Q: Does Staff agree with the Company's pro forma adjustments to remove all assets, revenues, and expenses related to Fort Sill?

A: Yes, pursuant to Commission Order No. 453529, these assets, revenues, and expenses are properly removed from the test year for ratemaking purposes. According to ONG, these assets are tracked separately to avoid subsidization by ONG's other customers.

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



(Signature)

10/14/09 OCC

(Date and Place)



Curriculum Vitae Of Jason John Thenmadathil

Jason J. Thenmadathil
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Water

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Professional History

- Intern Public Utility
Regulatory Analyst
- Public Utility Regulatory
Analyst I
- Public Utility Regulatory
Analyst II

Education

- Bachelors of Science in
Accounting, University of
Central Oklahoma

Professional Associations

- NARUC Subcommittee on
International Relations
- Associate Member of the
Association of Certified Fraud
Examiners

Professional Experience

List of Testimony in Regulatory Cases

**Oklahoma Corporation Commission, on behalf of the Commission Staff
2005 - present**

Rate Cases

- PUD 200400610 – Oklahoma Natural Gas – Analyst
- PUD 200500151 – Oklahoma Gas & Electric Co. – Analyst
- PUD 200600379 – Arkansas Oklahoma Gas – Analyst
- PUD 200600285 – Public Service Company of Oklahoma – Analyst
- PUD 200800144 – Public Service Company of Oklahoma – Cause Coordinator
- PUD 200800398 – Oklahoma Gas & Electric Co. – Analyst
- PUD 200900110 – Oklahoma Natural Gas – Cause Coordinator

Fuel Adjustment Clause Reviews

- PUD 200500362 – Public Service Company of Oklahoma – Lead Analyst
- PUD 200600134 – Public Service Company of Oklahoma – Lead Analyst
- PUD 200700365 – Public Service Company of Oklahoma – Lead Analyst
- PUD 200800298 – Public Service Company of Oklahoma – Lead Analyst
- PUD 200800150 – Public Service Company of Oklahoma - Analyst

Cost Tracking Mechanisms

- PUD 200700335 – Oklahoma Natural Gas Company – Lead Analyst
- PUD 200900021 – Oklahoma Natural Gas Company – Lead Analyst
- PUD 200700397 – Public Service Company of Oklahoma – Lead Analyst
- PUD 200700449 – Public Service Company of Oklahoma – Support Staff
- PUD 200700365 – Public Service Company of Oklahoma – Lead Analyst

Performance Based Rate Changes

- PUD 200600062 – Centerpoint Energy Oklahoma Gas – Analyst

Sale and Transfer of Utility Assets

- PUD 200900019 – Fort Cobb Fuel Authority purchase of Leann Gas Co.

Other

- PUD 200900092 – Public Service Company of Oklahoma – Lead Analyst
- PUD 200200038 – Public Service Company of Oklahoma – Technical Advisor to
the Commissioners
- PUD 200700206 - Pubic Service Company of Oklahoma vs. Caddo Electric – Lead
Analyst

Professional Training

- PGS Energy Training Seminar, Fundamentals of the Electric Power Industry
- FERC Accounting, Oklahoma Corporation Commission, Public Utility Division April
07 through 10, 2008 by Jerry McKenzie.
- The Essential of Energy Risk Management (hedging), Oklahoma Corporation
Commission, Public Utility Division November 3rd and 4th, 2008 by Venitta
Ferguson.
- PUD Expert Witness Training Program.

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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