

**BEFORE THE CORPORATION COMMISSION OF OKLAHOMA**

IN THE MATTER OF THE APPLICATION OF )  
BRANDY L. WREATH, DIRECTOR OF THE )  
PUBLIC UTILITY DIVISION, FOR )  
DETERMINATION OF THE CALCULATION )  
OF LOST NET REVENUES AND SHARED )  
SAVINGS PURSUANT TO THE DEMAND )  
PROGRAM RIDER OF OKLAHOMA GAS )  
AND ELECTRIC COMPANY )

CAUSE NO. PUD 201500153

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MAY 13 2015

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CORPORATION COMMISSION  
OF OKLAHOMA

Responsive Testimony

of

Angela M. Nichols

on behalf of

Oklahoma Gas and Electric Company

May 13, 2015

Angela M. Nichols  
*Responsive Testimony*

1 Q. **Would you please state your name and business address?**

2 A. My name is Angela M. Nichols. My business address is 321 N. Harvey Ave., Oklahoma  
3 City, Oklahoma 73102.

4

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

6 A. I am the Director of Marketing for Oklahoma Gas and Electric Company (“OG&E” or  
7 “Company.”) I am responsible for marketing communications, brand and customer  
8 research.

9

10 Q. **Briefly summarize your education and professional qualifications.**

11 A. I graduated from the University of Oklahoma in 2000 with a Bachelor of Business  
12 Administration degree with a major in Marketing and Management Information Systems.  
13 I subsequently received my Masters in Business Administration from the University of  
14 Tulsa.

15 I have held the position of Director of Marketing since June 2013. Prior to my current  
16 role I served as the interim marketing manager for OG&E from March 2012 to June  
17 2013. Since July 2005, I have held various roles in the marketing department at OG&E  
18 including Customer Experience Manager and Marketing Analyst. Prior to OG&E, I held  
19 roles in information technology with CITGO Petroleum.

20

21 Q. **Have you previously testified before the Oklahoma Corporation Commission  
22 (“Commission”)?**

23 A. No.

24

25 Q. **What is the purpose of your testimony?**

26 A. The purpose of my testimony is to describe the SmartHours program, address the benefits  
27 to customers from SmartHours and explain the success and acceptance from customers  
28 and the industry of the program.

1 Q. **Please describe the SmartHours program.**

2 A. The SmartHours program integrates technology and pricing to help customers reduce  
3 energy usage at peak times when electricity costs the most. SmartHours includes both  
4 Variable Peak Pricing (VPP) and Time-of-Use (TOU) tariffs. SmartHours also gives  
5 customers reduced rates during the off-peak hours. SmartHours pricing is divided  
6 between on-peak and off-peak hours. Peak hours are from 2:00 p.m. to 7:00 p.m. Monday  
7 through Friday and off-peak hours are all other times, including evenings, weekends, July  
8 4<sup>th</sup> and Labor Day. For SmartHours-VPP customers, the on-peak price varies among four  
9 pricing tiers (low, standard, high and critical), with the price being communicated to  
10 customers the prior day. For SmartHours-TOU customers, the on-peak price does not  
11 vary. For both TOU and VPP, the off-peak price is about half of the standard on-peak  
12 price. In addition to the pricing plan, customers who have compatible air conditioning  
13 systems are also eligible to receive a SmartTemp Thermostat, a programmable  
14 communicating thermostat ("PCT"), which allows them to automate their response to  
15 variable prices during the summer months. We request that customers receiving a PCT  
16 enroll in OG&E's VPP tariff. All customers may view their energy consumption on  
17 OG&E's energy information website, accessed at [www.myOGEpower.com](http://www.myOGEpower.com).

18  
19 Q. **Who may participate in the SmartHours program?**

20 A. Residential and small commercial customers, including public schools, may voluntarily  
21 participate in the SmartHours program by subscribing to either the VPP tariff or the TOU  
22 tariff.

23  
24 Q. **Has the Company experienced a positive response to the program?**

25 A. Yes. As of December 31, 2014 there were over 100,000 participants being billed on the  
26 company's VPP or TOU tariffs. Table 1 below provides active participant counts at year  
27 end by customer type.

**Table 1: Active Participants at Year End**

<b>Customer Type</b>	<b>Dec. 2012</b>	<b>Dec. 2013</b>	<b>Dec. 2014</b>
Commercial	1,545	2,232	4,869
Industrial	31	41	119
Oil Field	10	116	216
Public Authority	106	164	510
Residential	41,283	73,740	98,827
<b>Total</b>	<b>42,975</b>	<b>76,293</b>	<b>104,541</b>

1 These strong enrollment numbers demonstrate customer acceptance of the program. As  
2 these numbers grow, the potential lost net revenue also increases.

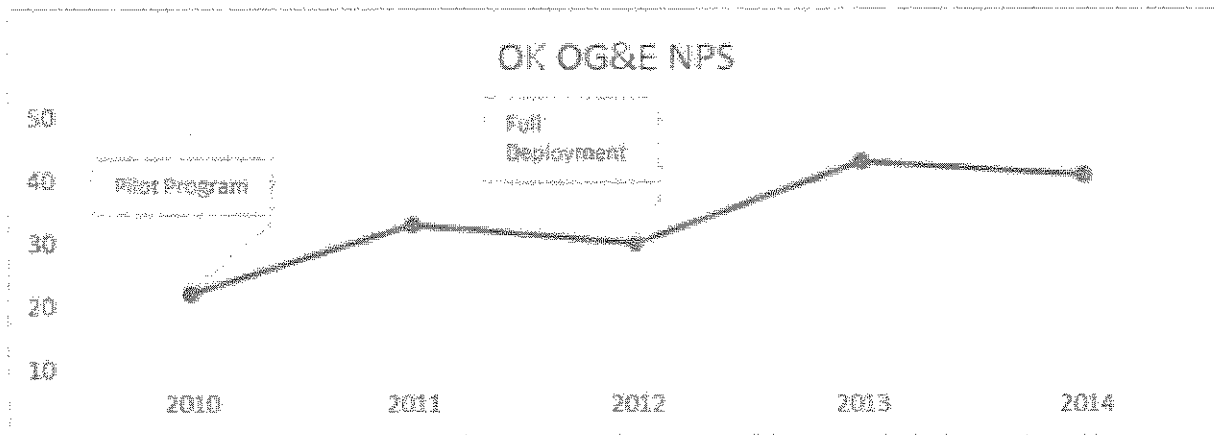
3 OG&E also measures program favorability and overall customer satisfaction  
4 using Net Promoter Score (“NPS”).<sup>SM1</sup> NPS is calculated by subtracting the percent of  
5 detractors (customers ranking their likelihood to recommend OG&E at a 0-6) from the  
6 percent promoters (customers ranking a 9 or 10). Since the SmartHours program  
7 implementation in 2012 the Company’s NPS rating has increased substantially, indicating  
8 a correlation between satisfaction and the opportunity to participate, even for non-  
9 participants (see Table 2).<sup>2</sup> Using NPS helps OG&E understand customers overall  
10 impression of the Company.

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<sup>1</sup> Net Promoter, NPS, and the NPS-related emoticons are registered service marks, and Net Promoter Score and Net Promoter System are service marks, of Bain & Company, Inc., Satmetrix Systems, Inc. and Fred Reichheld. NPS definition: NPS is calculated by subtracting the percent of detractors (customers ranking their likelihood to recommend OG&E at a 0-6) from the percent promoters (customers ranking a 9 or 10).

<sup>2</sup> OG&E NPS is derived from the monthly awareness survey given to a random sample of all OG&E customers, including residential and non-residential. Results provided are for Oklahoma customers based on a 12 month rolling average. Question: “How likely are you to recommend OG&E to friends and family, where 0 is not at all likely and 10 is highly likely.”

**Table 2**



1 Q. **Does the program include a customer education component?**

2 A. Yes, an important aspect of the SmartHours program is customer education. The  
3 Commission granted recovery for customer pricing education<sup>3</sup>. Educating customers  
4 about available options is only the initial step in the program; ongoing customer  
5 education is provided to help customers become more aware of energy costs and learn  
6 how to be successful in reducing on-peak demand. Customers are provided with  
7 education, rates and technology as a part of the SmartHours program. Customers are  
8 empowered to make informed choices about the level of comfort and savings that works  
9 best for their individual situation. This unique approach is embraced by customers.

10 Another powerful education tool is myOGEpower, which provides customers  
11 with access to energy use and price information in incredible detail. Customers can  
12 understand how and when they use power and they can compare their usage to their  
13 neighbors. They also receive tips and links to money- and energy-saving programs  
14 available from OG&E. Customers participating in myOGEpower also receive a weekly  
15 email showing their weekly usage and how it compares to both their average and efficient  
16 neighbors. This educational tool is available at no additional charge to all customers.

17  
18 Q. **Has the Company measured customer satisfaction with SmartHours?**

19 A. Yes. Based on our research, OG&E customers are very satisfied with this program. After  
20 each summer, OG&E surveys customers participating in the SmartHours program. The

<sup>3</sup> Funding in cause number PUD 201200134 and PUD 201100087.

1 most recent SmartHours participant survey was conducted in November 2014. When  
2 asked about the program, 85% of customers said they would likely recommend the  
3 program to friends and family.<sup>4</sup> Furthermore, 81%<sup>5</sup> of customers believe the PCT is  
4 helping them better manage their energy use and 73% of customers say they are satisfied  
5 with their savings as a result of the program.<sup>6</sup>

6  
7 **Q. Has the SmartHours program received any recognition relating to customer**  
8 **satisfaction?**

9 A. Yes. OG&E's customers have recognized the Company's efforts by delivering high  
10 scores in the J. D. Power & Associates customer satisfaction rankings. OG&E has been  
11 recognized as having the highest residential customer satisfaction for any utility in the  
12 large south region in 2013 and 2014. In addition, in a December 2014 J.D. Power  
13 supplemental report OG&E was recognized as having the best customer communications  
14 around value and price for 2013 and 2014.

15  
16 **Q. What other recognition has OG&E received as a result of the SmartHours**  
17 **program?**

18 A. OG&E received Edison Electric Institute's 2013 Edison Award, the electric power  
19 industry's most prestigious honor, for the company's highly successful implementation of  
20 its innovative SmartHours program. A panel of former electric company chief executives  
21 selected Oklahoma Gas and Electric Company for the 86th annual award from a group of  
22 distinguished finalists.

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<sup>4</sup> Annual SmartHours Satisfaction Survey conducted November 2014. Percentages are based on Oklahoma Residential responses. Percent Recommendation determined by the number of survey respondents that selected 7, 8, 9 or 10 on a scale of 0-10, with 0 being highly unlikely and 10 being highly likely. Question: Please indicate how likely you are to recommend OG&E's SmartHours Price Plan to friends, coworkers and family.

<sup>5</sup> Annual SmartHours Satisfaction Survey conducted November 2014. Percentages are based on Oklahoma Residential responses. Satisfaction determined by number of survey respondents that answered with a 4 or 5 on scale of 1 – 5, with 1 being not at all helpful and 5 being very helpful. Question: Is the programmable thermostat helping you better manage your energy use?

<sup>6</sup> Annual SmartHours Satisfaction Survey conducted November 2014. Percentages are based on Oklahoma Residential responses. Satisfaction determined by number of survey respondents that answered with a 4 or 5 on scale of 1 – 5, with 1 being not at all helpful and 5 being very helpful. Question: How would you rate your satisfaction with your savings on the SmartHours Price Plan?

1 In March 2013, OG&E received Best Consumer Engagement in the North  
2 American Networked Utility Awards. These awards recognize the top North American  
3 power utilities for their smart grid deployment programs, including projects in the  
4 categories of distribution automation, advanced metering infrastructure, and consumer  
5 engagement.

6 In November 2013, OG&E's smart grid project was recognized as the "world's  
7 highest ranked" by energy think-tank VaasaETT. Out of 200 global smart grid projects,  
8 the Finland-based organization found OG&E's Positive Energy smart grid project had the  
9 most merit based on technical criteria and achievement milestones. Their report noted  
10 OG&E's study of time-based rates such as variable peak and critical peak pricing for  
11 reducing peak demand, and that, based on the results of the study, OG&E decided to roll-  
12 out time-based rates to at least 140,000 customers system-wide.

13 The Peak Load Management Alliance (PLMA) presented OG&E with  
14 Outstanding Investor-Owned Utility Demand Response Program Award for its  
15 SmartHours program in March 2014. The PLMA awards recognize those energy industry  
16 leaders who create innovative methods to meet peak load needs, mitigate price risks and  
17 manage variable generation.

18  
19 **Q. Are customers benefitting from this program?**

20 **A.** Yes. In 2012, 2013 and 2014, over 99% of customers on the SmartHours program have  
21 saved money when compared to what they would have been billed on the standard tariffs.  
22 To illustrate the benefits, Table 3 below outlines the average May through October  
23 participant savings from 2012-2014 for residential and small commercial customers.

Year	Residential	Small Commercial
2012	\$192	\$570
2013	\$149	\$291
2014	\$152	\$387

1           Additionally, the SmartHours program offers a risk-free guarantee for the first  
2 year. Participants are able to try the rate while having the assurance of not paying more  
3 than they otherwise would have for the first year, giving them flexibility, control, and  
4 financial comfort. In the event that they would have paid less on their prior rate, they  
5 receive a credit for the difference at the end of the summer pricing season.  
6

7 **Q. Do customers only receive benefits in summer months?**

8 A. No. There are multiple benefits that customers recognize year-round. Customers enrolled  
9 in the program are reducing their overall consumption during the year as mentioned by  
10 witness Rowlett. The company attributes this reduction to two factors:

11 1) The customers' overall awareness of their energy usage and the associated cost.  
12 myOGEpower provides all SmartHours customers with 15-minute interval data. In  
13 addition, participants may receive a weekly summary providing the amount of energy  
14 consumed and the cost of that energy throughout the day.

15 2) The installation of PCTs. The company has installed over 65,000 PCTs through the  
16 end of 2014. Upon installation of the PCTs, customers are guided through the set-up and  
17 programming for both the heating and cooling seasons. Therefore, if a customer sets an  
18 increase in temperature during the summer months for the hours while they are not home,  
19 they typically set a corresponding decrease in temperature for the same period during the  
20 winter months, reducing their consumption during the heating season. Customers have  
21 full control over their settings at all times. The Department of Energy estimates that a 7-  
22 10 degree offset for 8 hours per day results in a 10% reduction in overall consumption.<sup>7</sup>  
23

24 **Q. What other benefits do customers receive year-round?**

25 A. In addition to reduced usage, customers also gain greater empowerment. Prior to the  
26 implementation of advanced metering, customers received a monthly bill identifying the  
27 number of kWh they consumed and the corresponding price with little to no ability to  
28 identify why their bill was higher or lower than the previous month. The website,  
29 myOGEpower, gives customers the ability to identify their consumption of energy and

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<sup>7</sup> <http://energy.gov/energysaver/articles/tips-programmable-thermostats>

1 the cost of that energy and provides customers with an estimate of their bill. In fact, 80%  
2 of customers say that myOGEpower is easy to use and 80% say it helps them better  
3 manage energy use.<sup>89</sup> The tool also identifies the impact of weather, changes in fuel or  
4 energy costs, number of days in a billing cycle, or changes in kWh consumption  
5 unrelated to the previous categories. With this information customers have the ability to  
6 see the results of changes in their behavior in near real time rather than waiting for their  
7 bill. With myOGEpower customers can also utilize the rate comparison tool to choose the  
8 rate that best fits their lifestyle.

9 Finally, customers also experience increased convenience year-round. During the  
10 summer months residential and small commercial customers participating in the  
11 Company's SmartHours program receive a daily price notification providing them with  
12 the following day's on-peak price. Those customers with a PCT can program the  
13 thermostat to react to varying prices. This configuration allows for a set-and-forget  
14 functionality which allows minimal interaction from the participant. The temperature  
15 settings can be re-programmed at any time allowing for quick and easy temporary  
16 overrides. The company also provides on-line video tutorials which explain the PCT  
17 operation and programming. In addition, SmartHours participants have a dedicated  
18 customer service group with the technical knowledge to answer most questions regarding  
19 the PCT set up, operation, and can troubleshoot most issues. If this technical support  
20 group is unable to fully assist the customer a qualified technician is dispatched and will  
21 arrive at the customer home within 4 hours, 24 hours a day seven days a week.

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<sup>8</sup> Annual SmartHours Satisfaction Survey conducted November 2014. Percentages are based on Oklahoma Residential responses. Satisfaction determined by number of survey respondents that answered with a 4 or 5 on scale of 1 – 5, with 1 being Extremely Difficult and 5 being Extremely Easy. Question: How easy is myOGEpower.com to use?

<sup>9</sup> Annual SmartHours Satisfaction Survey conducted November 2014. Percentages are based on Oklahoma Residential responses. Satisfaction determined by number of survey respondents that answered with a 4 or 5 on scale of 1 – 5, with 1 being not at all helpful and 5 being very helpful. Question: Is myOGEpower.com helping you better manager your energy use?

1 Q. Does SmartHours provide benefits for customers who are not participating in the  
2 program?

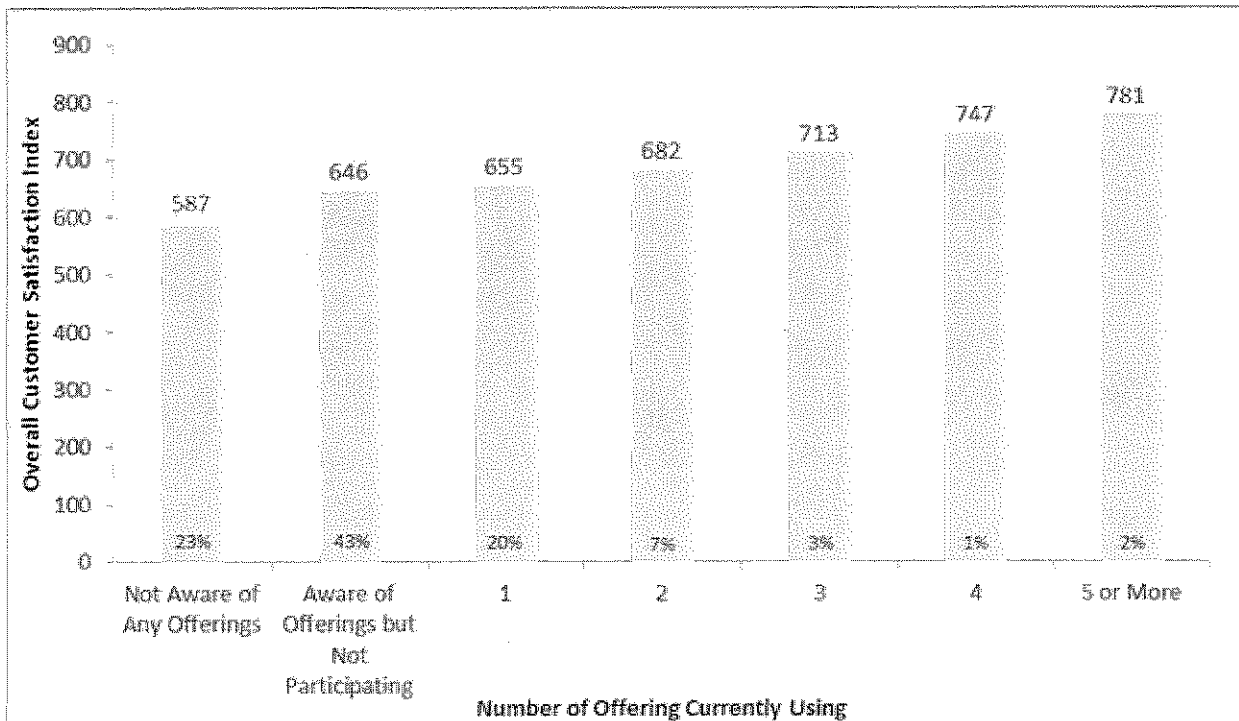
3 A. Yes. Nonparticipants benefit since construction of additional generation is deferred by the  
4 reduction in peak demands of participants. Non-SmartHours customers can also benefit  
5 from activating their myOGEpower account. The website provides all residential and  
6 small commercial customers with a rate comparison tool allowing them to identify the  
7 rate that is best for them. This tool allows a customer to compare the billing of their  
8 historical usage on rates applicable to them.

9

10 Q. Are there other benefits for customers who do not participate?

11 A. Yes. There is value in offering choices to customers. According the J.D. Power and  
12 Associates, customer satisfaction increases when a customer is aware offerings, even if  
13 they are not participating, as shown in Table 4.<sup>10</sup>

Table 4



<sup>10</sup> J.D. Power and Associates, McGraw Hill Financial © 2015

1 Q. **Please describe the overall value of the program.**

2 A. SmartHours is a beneficial program for customers. Customers have embraced the  
3 program and are saving money. In addition, the industry has also recognized the strength  
4 of the SmartHours program. Helping customers lower usage at peak times is a critical  
5 part of the Company's goal to reach 2020 without building any incremental fossil-fueled  
6 generation. I believe the SmartHours program is in the public interest and it is important  
7 that the program remain as an integral part of OG&E's effort to protect our customers'  
8 bills.

9

10 Q. **Does this conclude your testimony?**

11 A. Yes.