BEFORE THE CORPORATION COMMISSION OF THE STATE 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	)	CASE NO. PUD 2023-000087
RATES, CHARGES, AND TARIFFS FOR RETAIL	)	
ELECTRIC SERVICE IN OKLAHOMA	)	

Direct Testimony

of

Johnny Nguyen

on behalf of

Oklahoma Gas and Electric Company

December 29, 2023

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QUALIFICATIONS, EXPERIENCE AND PURPOSE

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

A. My name is Johnny Nguyen. My business address is 321 North Harvey, Oklahoma City, Oklahoma 73102.

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

A. I am employed by Oklahoma Gas and Electric Company ("OG&E" or "Company") as a Lead Pricing Analyst. I am responsible for assisting in the development of retail electricity pricing, rate design, and tariffs.

Q. **Please summarize your educational background and professional qualifications.**

A. Since August 2021, I have worked for OG&E in the regulatory department, specializing in retail electricity pricing, rate design, and tariffs. I work closely with the Company's pricing team, overseeing the development and support of pricing structures, tariff charges, service provisions, product platforms, pilot programs, and other retail electricity pricing strategies. Our department gathers customer usage and revenue data, scrutinizes various cost details, delves into regulated retail electricity pricing practices, and studies the impacts of OG&E's pricing practices on customers. Before my tenure at OG&E, I spent 9 years as an Engineering Analyst in the Oil and Gas sector. Academically, I hold a Bachelor of Science in Mathematics and a Master's in Biostatistics from the University of Oklahoma. I also earned a Master of Science in Engineering from Oklahoma Christian University.

Q. **Have you previously testified before the OCC?**

A. No.

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

A. The purpose of my testimony is to support the *pro forma* revenue adjustments to Schedule H of the Company's Application Package (which can be found in Section H, Schedule H-2 of that document) and some specific tariff updates.

PRO FORMA REVENUE ADJUSTMENT SUMMARY

Q. **Please list the *pro forma* adjustments that you are sponsoring.**

A. I am sponsoring eleven *pro forma* adjustments to the current Oklahoma jurisdictional revenues as reflected in Schedule H-2. These adjustments are summarized below in Table 1 – Adjustment Summary.

Table 1 – Adjustment Summary

	Adjustment	Amount
1	Unbilled, Over/Under, Provision for Tax Refund Recoveries	$453,349,907
2	Special Contracts	$(1,716,333)
3	Day-Ahead Pricing	$(20,101,023)
4	Manual Postings	$843,691
5	Rider Revenues	$(1,432,012,848)
6	Renewable Energy Certificates	$(3,630,767)
7	Customer Growth & Annualization	$12,700,138
8	Energy Efficiency Program Savings	$(6,802,317)
9	Weather Normalization	$(17,368,760)
10	VPP Normalization	$(2,539,602)
11	Municipal Free Service, LIAP, & Senior Citizen Discount	$(1,388,810)
	TOTAL	**$(1,018,666,724)**

Q. **Why is the Company proposing these adjustments?**

A. The adjustments to the Company's September 2023 Test Year information are intended to eliminate non-base rate revenue, to normalize and annualize test year revenue, and to also reflect the level of kWh sales for OG&E's Oklahoma retail customer groups at the end of the *pro forma* period through March 31, 2024. The Company's revenue adjustment process generally involves four (4) steps.

First, OG&E removes any revenues and associated kWh sales that may have occurred during the test year ended September 2023 that are not related to any investment or expenses included in the cost of providing service as reflected in the Cost of Service Study ("COSS"). Such revenues can include Fuel Cost Adjustment ("FCA") revenue, revenue from riders other than the FCA revenue from special contracts, as well as certain accounting adjustments. This step is reflected in Adjustments 1 through 6 reflected in Table 1 above.

Second, the Company adjusts test year base rate revenues to reflect customer growth and annualization projections through the end of the March 2024 *pro forma* period. This step is reflected in Adjustment 7 (Customer Growth & Annualization) and Adjustment 8 (Energy Efficiency Programs Savings) reflected in Table 1 above.

Third, the Company normalizes base rate revenues as adjusted in the first and second steps to reflect a normalized weather year. Adjustment 9 reflected in Table 1 above adjusts base rate revenues to reflect normal weather. Additionally, OG&E also normalized the energy sales bands in the Variable Peak Pricing ("VPP") class. This is reflected as Adjustment 10 in Table 1 above.

Finally, the Company adjusts individual customer class revenues to reflect the cost for Municipal Free Service and the impact of Low-Income Assistance Program ("LIAP") credits and Senior Citizens Discount credits. This is reflected in Adjustment 11.

***PRO FORMA* REVENUE DETAILED ADJUSTMENTS**

Adjustment 1 – Unbilled Revenue, Over/Under Amounts, and Provision for Tax Refund

Q. **Please describe Adjustment 1 related to Unbilled Revenue, Over/Under Recovery, and Provision for Tax Refund Amounts.**

A. This adjustment has three (3) parts. The first part includes the removal of the accounting Unbilled Revenue adjustment and associated kWh. The second step is the removal of any Over/Under recovery of fuel and rider revenue collections. The final step is the removal of the Provision for Tax Refund. These adjustments decrease net Oklahoma jurisdiction *pro forma* revenue by $453,349,907.

Q. **Why is the removal of the Unbilled Revenue adjustment and associated kWh sales necessary?**

A. While all customers are billed for service in monthly increments, the dates that period starts and stops (billing cycle) varies by customer group. The Unbilled Revenue and kWh book balances are accounting entries that allow billing cycle books to be aligned with calendar month books. Since these book entries are not representative of actual billed sales, it is necessary to remove or add the entries to ensure rate design is performed on the actual billing units and revenues that occurred in the test year. This results in a $4,100,000 decrease in revenues and a reduction of 604,315,869 kWh.

Q. **Please explain why it is necessary to remove any Over/Under recovery of rider revenues.**

A. The Over/Under rider revenue recovery book balance for the test year includes accounting entries that reflect the difference between FCA and rider revenues that were based on projections and the actual FCA and rider expense experienced during the test year. This adjustment is necessary to reflect expected levels of recovery of the FCA and other riders. In the test year, there was a net under recovery of FCA and other rider revenues combined. This adjustment decreases revenues by $460,061,751. The adjusted revenues for the FCA and other riders where the associated expenses are not included in the COSS are further addressed in Adjustment 5.

Q. **Why is the removal of the Provision for Tax Refund revenue necessary?**

A. Historical test year revenue refund provisions are not related to the *pro forma* test year. The Company set aside revenues in the provision for refund account for the Tax Cuts and Jobs Act of 2017. Once a final order was granted in Cause No. PUD 201700496, the Company used the same account to refund customers through the Federal Tax Change Rider ("FTC"). The FTC revenues and the Provision for Refund are removed and replaced with an exact rate recalculation adjustment reflected in Adjustment 1. The Provision for Tax Refund adjustment results in a reduction of $2,611,844 in revenues.

<u>Adjustment 2 – Special Contracts</u>

Q. **Please explain Adjustment 2 relating to Special Contracts.**

A. There are currently three (3) special contracts that require an adjustment to revenues within Schedule H. In the filing, these confidential contracts are identified as Contracts T, O1, and O2, respectively. Adjustment 2 increases net *pro forma* test year revenues related to these three (3) contracts $1,716,333 and decreases *proforma* test year kWh by 66,571,334.

Q. **Please explain why the Special Contract T adjustment is necessary.**

A. The Special Contract T adjustment is required per Order No. 588610 in Cause No. PUD 201000194. In this order, the Commission found that the revenues related to Special Contract T shall be allocated to OG&E's Oklahoma retail customer classes using OG&E's distribution demand allocator, as determined in the Company's rate cases. The effect of this adjustment is to off-set the deficiency for each of the customer classes which reduces the revenue requirement to be recovered in base rates for each class.

Q. **Please explain why the Special Contract O1 adjustment is necessary.**

A. The Special Contract O1 adjustment is required because the revenue from this customer is tied to investments and expenses not recovered in base rates, resulting in a decrease in test year billed kWh.

Q. **Please explain why the Special Contract O2 adjustment is necessary.**

A. The Special Contract O2 adjustment is required because the Renewable Energy Certificates ("REC") revenue included through the contract benefits customers and is reflected as a reduction in the FCA and results in a decrease in test year revenues.

Adjustment 3 – Day-Ahead Pricing

Q. **What is the adjustment made to the Day-Ahead Pricing?**

A. Adjustment 3 consists of two (2) parts. The first removes all incremental and decremental revenue and kWh associated with the Day-Ahead Pricing[1] ("DAP") and Flex Price[2] ("FP") subscriptions. The remaining revenue is revenue that is only associated with the Customer Base Line ("CBL") portion of these customers' bills. The second part adjusts for customers who either joined or left the DAP or FP tariffs during the test year. For customers that joined the rate, the Company removes actual billing units and replaces them with the CBL data for the months that they were not on the DAP or FP rate. For customers that have left the rate, the Company removes the CBL data for the months that they were on the DAP or FP rate and replaces them with their actual billing data. Both adjustments produce a

[1] Tariff Sheet No. 33.00.
[2] Tariff Sheet No. 34.00.

revenue decrease of $20,101,023 and a sales decrease of 419,488,900 kWh to the Oklahoma jurisdiction.

Q. **Why are these adjustments appropriate?**

A. The costs associated with incremental and decremental kWh are based upon current system marginal costs and are therefore unrelated to embedded costs. In contrast, the CBL portion of the DAP and FP billings is based upon standard rates and are included in the COSS and base rate design.

<u>Adjustment 4 – Manual Postings</u>

Q. **What are Manual Postings and why is the adjustment necessary?**

A. Manual postings are revenue credits entered into the billing system for non-typical customer specific issues. For example, these postings may be for customer refunds for burned out security lights that were not repaired for an extended time and billing was not temporarily halted, or billing adjustments for metering issues, including tampering. These postings are manual revenue entries and do not correspond to an equivalent billing determinant adjustment. In total, for the test year, this adjustment resulted in an $843,691 increase to revenues to the Oklahoma jurisdiction. Since these revenues are not considered an ongoing occurrence, and are not tied to base rate revenue, Adjustment 4 removes the postings to better reflect normal revenue levels.

<u>Adjustment 5 – Rider Removal, Fuel Revenues, and Rider Revenue Moving to Base Rates</u>

Q. **Please explain Adjustment 5A – Rider Removal, Adjustment 5B - FCA Revenues and Adjustment 5C – Rider Revenues Moving to Base Rates.**

A. Adjustment 5A removes all non-FCA rider revenue from the COSS, reducing test year revenues by $181,032,079. Adjustment 5B accomplishes the same purpose as 5A but separates out the FCA for materiality and transparency. The FCA adjustment reduces revenues by $1,257,723,324. Adjustment 5C reflects the addition to revenues of amounts that are currently being recovered through riders. These amounts are associated with the Amortization of the Regulatory Liability ("ARL") and Amortization of the State Regulatory Liability ("ASRL") portions of the Federal Tax Change ("FTC") Rider, and

Grid Enhancement Mechanism ("GEM") and result in an increase to revenues of $6,742,554. The movement of these revenue amounts out of riders and into base revenue is further discussed in the Direct Testimony of Company Witness Jason Thenmadathil. The net effect of these three (3) adjustments is a reduction to revenues of $1,432,012,848.

Q. **Please explain why it is necessary to remove the revenue for riders that do not have expenses or plant included in base rates.**

A. When certain investment and expenses have not been included in the COSS, the rider revenues must be removed, consistent with the principle of matching costs with revenues.

<u>Adjustment 6 – Renewable Energy Certificates</u>

Q. **Please explain the adjustment to remove REC revenue.**

A. This adjustment removes revenues booked because of REC sales from various renewable resources to the wholesale market during the test year. The proceeds from these sales are booked into miscellaneous revenue each month and are then credited through rider mechanisms or retained by shareholders as directed in prior commission orders. For the test year, the total revenue decrease was $3,630,767.

<u>Adjustment 7 – Customer Growth, Annualization, and Large New Customers</u>

Q. **What is the purpose of Adjustment 8 – Customer Growth, Annualization, and Large New Customers?**

A. This adjustment modifies revenue, kWh, kW, and customer counts to account for customers that have either left the system, are new to the system, migrated to another rate, or were re-billed in a month different than the month that actually usage occurred in that period. For all classes combined, the adjustment results in a net revenue increase of $12,700,138 and a net sales increase of 335,368,758 kWh to the Oklahoma jurisdiction.

Q. **Please explain why this adjustment is necessary.**

A. Customer count and consumption volumes vary month-to-month during the test year. Adjusting test year books to reflect *pro forma* customer counts and consumption volumes at test year-end captures any growth or decline in customer counts and consumption volumes for each rate class.

Q. **Did the Company use more than one method used for calculating this adjustment?**

A. Yes. For all customer classes at Service Level 1 through 4 and for the Large Power and Light customer class at Service Level 5 ("SL5"), adjustments were handled on a customer-by-customer basis based on an analysis of existing and new customers. Because of the large number of customers receiving SL5 service in other classes, OG&E employed an average customer adjustment technique for the SL5 customers in those classes.

Q. **Please describe in further detail the customer adjustments applied on a customer-by-customer basis.**

A. At test year-end, the sales associated with customers who switched rate classes during the test year were included in their new rate class for the entire test year. For those customers new to the system during the test year, *pro forma* sales are added to the months in the test year for which sales did not previously exist. These "annualized" sales were based on average customer sales similar in size to the customer being adjusted. This adjustment resulted in a net revenue increase of $8,590,024 and a sales increase of 210,138,736 kWh.

Q. **Please describe in further detail the average customer adjustment technique.**

A. OG&E used 60 months of customer data to determine a growth rate for each of the SL5 classes to project customer count at the end of the *pro forma* period. Each SL5 class customer counts were independently analyzed to determine the method that best reflects the actual growth rate that each class is experiencing. For Residential, an exponential customer growth trend of the 60 months of data was used. General Service and Power & Light were looked at in groups between system migrations. A growth rate was calculated for all periods and then a weighted average growth rate was applied. For Public Schools Small and Large, Municipal Pumping, and Oil and Gas, no growth was applied as these classes show little to no overall growth other than migration between the tariffs. For the Residential and General Service classes, the spread between standard, TOU, and VPP was performed according to the ratio of these rates observed at the end of the test year. This method captures customer growth through the end of the *pro forma* period using a known and measurable growth rate for each customer class. This adjustment resulted in a net revenue increase of $3,949,493 and a sales increase of 88,404,734 kWh.

Q. **Please describe any adjustments made for Large New Customers.**

A. This adjustment accounts for Large New Customers which are expected to join the system within the test year and *pro forma* test year periods. There are two customers to which this applies in this filing. Corresponding estimates of kWh and kW are added into the test year to account for these customers. These adjustments resulted in a net revenue increase of $1,231,404 and a sales increase of 36,825,288 kWh.

Q. **Please describe in further detail the customer adjustment for the customer migration for customer classes at SL5.**

A. OG&E periodically checks customer usage to determine if they are on the correct tariff applicable to their usage. This test year included a check in May 2023. If the customer's usage warrants a change in rate category, then OG&E will migrate the customer to the applicable rate effective for the following month's billing. The largest of the migrations was between the General Service and Power and Light rate classes at SL5. To account for these movements, actual kWh, and kW, as available, were moved to the new rate code. This adjustment resulted in a net revenue decrease of $1,070,782.

<u>Adjustment 8 – Energy Efficiency Program Savings</u>

Q. **Please discuss the adjustment related to the Energy Efficiency Programs ("EEP") Savings and why it is necessary.**

A. This adjustment decreases energy, demand, and revenue to account for lost sales resulting from energy efficiency measures implemented through the EEP Rider through September 2023 and projected through March 2024. Since energy saved by customers implementing energy efficiency measures is cumulative and changes every month when new measures are implemented, it is necessary to adjust each month of the test year to March 2024 levels. Decreasing test year sales to the savings recognized in March 2024 allows revenue, energy, and demand to be representative of the expected levels of sales going forward. This adjustment results in a revenue decrease of $6,802,317 and a decrease of 188,993,217 kWh.

Adjustment 9 – Weather Normalization

Q. **What is the purpose of a weather normalization adjustment?**

A. A weather normalization adjustment changes revenue, energy, and demand to reflect normal weather in the test year. In this case this adjustment results in a revenue decrease of $17,368,760 and a decrease of 282,012,521 kWh to the Oklahoma jurisdiction.

Q. **Why are weather normalization adjustments necessary?**

A. The effects temperature has on heating and cooling loads in relation to electricity usage can cause significant annual revenue swings and cause test year revenue to differ from the expected revenue outcome for a normal year. Therefore, the Company normalizes its revenues to reflect a more "average" weather year.

Adjustment 10 – VPP Normalization

Q. **What is the purpose of the VPP Normalization adjustment?**

A. The VPP Normalization adjustment modifies revenue to reflect what is considered a typical year's level of revenue recovery through the VPP program. As discussed in the Company's Commission approved VPP tariff,[3] the expectation is that there would be 10 Low price days, 30 Standard price days, 36 High price days, and 10 Critical price days in a typical year. In this adjustment, the VPP class energy sales bands are normalized. In this case, this adjustment results in a revenue decrease of $2,539,602 to the Oklahoma jurisdiction.

Adjustment 11 – Municipal Free Service and Discount Programs

Q. **Please explain the revenue adjustment for Municipal Free Service, Low Income Assistance Program ("LIAP"), and Senior Citizen Discount (Silver Energy).**

A. Several OG&E programs provide service to customers for free or at a discount. These programs include municipal lighting service provided at no cost as part of franchise

[3] 4th Revised Tariff Sheet No. 3.51.

agreements with certain municipalities, the LIAP discount, and the Senior Citizen Discount. These programs create a revenue shortfall that is collected from other customers.

Q. **Why is the Municipal Lighting portion of this adjustment proper?**

A. Book revenues and billing units in the Municipal Lighting class do not include portions associated with the granting of free service to certain municipalities as a condition of certain OG&E franchise agreements. Consequently, it is necessary to add the missing fixtures, kWh, and revenue into the lighting class to ensure proper rate design and COSS assignment. The adding of these revenues and billing units can be seen in adjustment W/P H-2-8a where the book portions are removed, and total year-end levels are added back including the free service portions. If the revenues were not added, the Municipal Lighting class would show a deficiency commensurate with these free service revenues and all other Municipal Lighting customers would be solely responsible to pay for this. To recover the revenue recognized but not received by the Company, all classes other than lighting, are assessed a charge equal to the amount of revenue added. This process spreads franchise costs of free service to the other Oklahoma retail customers. This adjustment resulted in a $1,389,016 reduction to revenue.

Q. **Why are the LIAP and Senior Citizen Discount portions of this adjustment proper?**

A. Eligible low-income customers receive a $13 credit each month. Eligible senior citizen customers receive a $5 credit during the five summer months of June through October. These credits decrease book revenues. The recovery of these credits is distributed among all retail customer classes to ensure the Residential class does not solely bear the cost associated with providing this credit. The amount of the LIAP discount to be recovered from other customers is $4,808,209 and the Senior Citizen Discount (Silver Energy) amount is $329,953.

***PRO FORMA* REVENUE TOTAL ADJUSTMENTS**

Q. **Please summarize the total *pro forma* revenue adjustments you are recommending?**

A. The total test year Oklahoma book revenue of $2,336,984,886 has been reduced by the adjustments discussed in this Testimony by the amount of $1,018,666,724 resulting in adjusted Oklahoma base rate revenue of $1,318,318,162. The supporting calculations and spreadsheets for the above *pro forma* adjustments are found in Schedule H-2 of the Company's Application Package.

CONCLUSION

Q. **What are your recommendations to the Commission?**

A. I respectfully request that the Commission approve the *pro forma* revenue adjustments to Schedule H of the Company's Application Package and the modifications to specific tariffs as discussed in this Testimony.

Q. **Does this conclude your Direct Testimony?**

A. Yes.

AFFIDAVIT

STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA)

On the 28th day of December 2023, before me appeared Johnny Nguyen, to me personally known, who, being by me first duly sworn, states that he is the Lead Pricing Analyst for Oklahoma Gas and Electric ("OG&E") and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge, and belief.

Print Johnny Nguyen

Signature ______________________

Subscribed and sworn to before this 28th day of December, 2023.

____
Notary Public

My commission expires: 10-17-2026

Seal

HARRISON L. BURTON
NOTARY
14009452
EXP. 10/17/26
PUBLIC
STATE OF OKLAHOMA