

**BEFORE THE CORPORATION COMMISSION 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 )  
RATES, CHARGES, AND TARIFFS FOR RETAIL )  
ELECTRIC SERVICE IN OKLAHOMA )

CAUSE NO. PUD 201500273

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CORPORATION COMMISSION  
OF OKLAHOMA

Rebuttal Testimony

of

Bryan J. Scott

on behalf of

Oklahoma Gas and Electric Company

April 11, 2016

Bryan J. Scott  
*Rebuttal Testimony*

1                                    QUALIFICATIONS, EXPERIENCE AND PURPOSE

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

3    A.    My name is Bryan J. Scott. My business address is 321 N. Harvey Ave., Oklahoma  
4           City, Oklahoma 73102.

5  
6    Q.    **Are you the same Bryan J. Scott who previously filed direct testimony in this  
7           proceeding?**

8    A.    Yes.

9  
10   Q.    **What is the purpose of your rebuttal testimony?**

11   A.    The purpose of my testimony is to respond to issues raised regarding pricing by Public  
12           Utility Division (“PUD”) Staff Witness Champion, Attorney General (“AG”) Witness  
13           Daniel, AG Witness Farrar, Wal-Mart Witness Chriss, Oklahoma Hospital Association  
14           (“OHA”) Witnesses Athas and Kelly and Citizens Potawatomi Nation (“CPN”) Witness  
15           Barrett. My silence on any issue raised by any of the parties to this Cause should not be  
16           considered endorsement of their position.

17  
18                                    PUD Staff Witness Champion

19   Q.    **What are the issues raised by PUD Staff witness Champion that you will address?**

20   A.    In this rebuttal testimony, I will address several issues raised in PUD witness Champion’s  
21           responsive testimony on pricing. These issues include her testimony on the concept of  
22           gradualism, the customer charges, demand charges, and OG&E’s PayGo program. I will  
23           address PayGo issues in my response to AG Witness Farrar.

24  
25   Q.    **What is your response to the Ms. Champion’s interpretation of gradualism?**

26   A.    OG&E witness Faruqui will respond to Ms. Champion regarding proper application of  
27           Bonbright principles. However, I believe the Commission should consider the impact to  
28           customers who pay more than their share of the cost of providing service when prices do  
29           not reflect the cost of service. These customers deserve to receive relief regardless of

1 whether they use more than the average customer, have a better load factor, or have a  
2 lower cost to serve load profile than the average customer. “Gradualism” should not be  
3 used as an excuse to delay introduction of more accurate pricing to these customers.  
4

5 **Q. Please respond to PUD’s discussion of the Company’s proposed customer charge**  
6 **and demand charge proposals.**

7 A. I believe prices that accurately reflect costs are inherently fair. OG&E’s proposal to  
8 establish three part pricing is a move to increase the fairness of its pricing. The addition  
9 of a demand charge along with an increased customer charge more accurately reflects the  
10 cost of providing service to customers. OG&E’s proposal is a positive step in that  
11 direction.  
12

13 **Q. Do you agree with Ms. Champion’s customer charge recommendation?**

14 A. Yes, in part. I appreciate Ms. Champion’s recognition that an increase to the customer  
15 charge is warranted, but while I believe her recommended \$20 customer charge is a step  
16 in the right direction, it is still below cost.  
17

18 **Q. Is OG&E taking steps to ease certain customer classes into appropriate pricing?**

19 A. Yes. OG&E is reducing the revenue requirement allocated to residential customers. As I  
20 stated in direct testimony, OG&E also reduced the revenue requirement allocated to the  
21 Public Schools (“PS”) classes. OG&E kept the PS classes in name only; their pricing  
22 was set at the same level as the corresponding commercial tariff pricing<sup>1</sup>. OG&E believes  
23 this treatment is reasonable and fair and a positive step forward and recognize the  
24 principles of “gradualism”, “fairness”, and “efficiency”.  
25

26 **Q. Do you believe that the Company’s proposed rate design will negatively impact its**  
27 **energy efficiency efforts?**

28 A. No, I do not. The fact that two-part tariff energy prices are higher than those in  
29 equivalent three-part tariffs should not be surprising, nor is it a sign that three part pricing

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<sup>1</sup> The remaining difference is that the various public school TOU rates incorporate a peak period definition of 3pm-7pm, instead of 2pm-7pm used by the commercial rates.

1 is inefficient. The opposite is true. As described by witness Faruqi, three-part non time-  
2 differentiated tariffs are inherently more efficient than equivalent two-part non time-  
3 differentiated tariffs. Overpricing a product to achieve conservation is as inefficient as  
4 underpricing the same product. Economically, efficient pricing reflects the cost of  
5 making that product. Conservation of resources, simply for the purpose of conservation,  
6 without regard of the cost of the resource has no inherent economic merit.

7  
8 **Q. Please discuss the issues that will result from Ms. Champion's energy efficiency**  
9 **recommendations.**

10 A. Ms. Champion advocates recovery of fixed costs through the variable energy charge to  
11 encourage customers to reduce usage<sup>2</sup>. If customers reduce usage, the Company will  
12 collect less of its fixed costs resulting in upward pressure on its prices. The proper course  
13 of action is to establish tariff prices that reflect the cost of providing the service, and then  
14 let customers respond. To summarize, gradualism should not be allowed to serve as a  
15 "stall tactic" to prevent implementation of accurate pricing that reflects the cost of  
16 providing service.

17  
18 **Q. What is your response to the issue raised by PUD that customers cannot control**  
19 **their demands?**<sup>3</sup>

20 A. OG&E customers have already demonstrated they can adopt new technologies to manage  
21 their usage and control their costs. The SmartHours plans encourage customers to use less  
22 during higher cost periods during the summer months. The foundation laid by  
23 SmartHours education will make it easier for customers to understand and accept  
24 education regarding demand charges.

25  
26 **Q. How does a demand charge increase the accuracy of pricing?**

27 A. The demand charge properly assigns costs to customers, including to those who have  
28 higher demands with corresponding lower usage. This ratio of energy to demand is

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<sup>2</sup> Witness Champion Responsive Testimony, p. 16 ln 1-10.

<sup>3</sup> Witness Champion Responsive Testimony, p. 18 ln 10-16.

1 known as load factor.<sup>4</sup> Lower load factor customers impose higher costs on the utility; a  
2 demand rate properly assesses higher bills to these customers relative to customers with  
3 the same kWh usage but with a lower demand.  
4

5 **Q. Will customers's receive benefit for their energy efficiency actions under the new**  
6 **three-part rate?**<sup>5</sup>

7 A. Yes. Other than using existing equipment less, energy efficiency savings are derived  
8 from a reduction in the demand used by an appliance. For example, replacing a 100 watt  
9 incandescent light with a 15 watt LED light provides kWh savings by reducing kW over  
10 time. kWh or energy is simply kW or power as it is applied over time, hence kilowatt-  
11 hours. Therefore, 1 kW consumed over the period of one hour is 1 kWh. Other than  
12 using existing equipment less, kWh savings from energy efficiency measures generally  
13 include a corresponding reduction in demand.

14 Customers who have chosen to remain on the standard residential rate still have  
15 option to manage their load by not starting appliances at the same time. By simple  
16 actions like waiting to start their electric clothes dryer until the dishwasher has finished  
17 its cycle, customers can manage their kW. OG&E plans to communicate to customers  
18 who choose to remain on the standard residential tariff a list of actions that can be taken  
19 to manage their demand, very similar to the current energy efficiency tips provided to  
20 customers. As customers become more accustomed to the concept of managing their  
21 demands, they will become more successful.  
22

23 **Q. Do you agree with PUD's statement on page 19 lines 6-13 that that OG&E must**  
24 **prove financial harm in order to move forward with a dramatic rate design change?**

25 A. No. First, OG&E disagrees that a standard of proof of financial harm is required in order  
26 to change price structures. Second, OG&E disagrees with the notion that the inclusion of  
27 a demand charge is harmful to customers; in fact, OG&E believes that more accurate  
28 pricing is better for all customers. Ms. Champion's assumption of harm also ignores the

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<sup>4</sup>  $[\text{kWh}/(\text{max kW} \times \text{hours})] \times 100\% = \text{LF}\%$

<sup>5</sup> Witness Champion Responsive Testimony, p. 15 ln. 17-p. 16 ln. 10.

1 proposed corresponding reduction to energy charges. Demand charges are proposed to  
2 ensure each customer's bills are aligned with the cost to provide them service.

3  
4 AG Witness Daniel

5 Q. **What are the issues are raised by AG Witness Daniel will you address?**

6 A. I will address Mr. Daniel's arguments on OG&E's rate design related to his concerns  
7 about the impact of the proposed rates on residential customers, distribution of revenue  
8 issues, customer charge and demand charge increases, bill impacts issues and the  
9 Company's PayGo pilot.

10  
11 Q. **Do you have any initial comments regarding Mr. Daniel's testimony and exhibits?**

12 A. Yes. On the Friday, April 8, 2016, one business day before the Company's Rebuttal  
13 Testimony was due, the Company received Mr. Daniel's Errata Responsive Testimony  
14 showing substantial change, including an update to several of his exhibits. The Company  
15 also received workpapers from him that do not align with tables in testimony, even when  
16 considering the errata corrections. With the additional analysis needed, I reserve the right  
17 to supplement my testimony prior to hearing.

18  
19 Q. **What is your response to AG witness Daniel's criticism of the Company's proposed  
20 customer charge?**

21 A. On page 2, lines 9-12, AG witness Daniel states "*OG&E's proposed residential monthly  
22 customer charge increase of over 100% is excessive and contrary to one of OG&E's  
23 witness's testimony. It results in severe rate increases for many customers and should be  
24 rejected by the Commission.*" OG&E's proposed customer charge is supported by the  
25 COS study. Mr. Daniel fails to recognize the offsetting reduction in energy charges  
26 proposed by OG&E.

27  
28 Q. **Have you reviewed Table 3 on page 12 of Mr. Daniel's responsive testimony and do  
29 you have any issues with the presentation of the data therein?**

30 A. Yes, I have reviewed Table 3. I will summarize the table as follows:

- 1 • The values in the “Current Base Revenue” and “OGE Cost of Service” columns  
2 appear to be taken from the Company’s filed L-1.
- 3 • The values in the “Revised Cost of Service” column appear to be from the AG’s  
4 revised cost of service results.
- 5 • The “OGE Proposed Base Revenue Increase/(Decrease)” column is mislabeled.  
6 The values contained in this column are the class deficiencies as determined by  
7 the Company’s cost of service study and do not incorporate the Company’s  
8 revenue re-allocation step.
- 9 • The next column, “Recommended Base Revenue Increase/(Decrease)”, is the  
10 AG’s proposed base revenue increase/decrease and does appear to incorporate the  
11 AG’s revenue re-allocation step as the values to differ greatly from the deficiency  
12 identified by the AG’s revised cost of service.
- 13 • The last column, “Change from OGE Increase”, is simply the difference between  
14 the two base revenue increase/decrease proposals.

15 The table is misleading as it inaccurately states the Company’s proposal for the base  
16 revenue increase/decrease. Additionally, the fact that the table only discusses the base  
17 rate revenue increase/decrease is misleading to the reader. Without considering the large  
18 PTC credits the Company is proposing to credit to customers through the fuel cost  
19 adjustment, the reader is left with the impression that the Company’s request for a rate  
20 increase is much larger than it is.

21 Mr. Daniel proposes this alternate revenue distribution of OG&E’s proposed rate increase  
22 in Table 3 of his testimony. He subsequently submitted a Revenue Allocation workpaper  
23 to the Company on April 8, 2016 that is significantly different than Table 3. However,  
24 since Mr. Daniel did not update Table 3 in his Errata Corrections, I must presume, at this  
25 time, he did not intend to do so.

26  
27 **Q. Please discuss the AG’s argument on revenue distribution.**

28 **A.** As previously stated, on page 12 lines 4-8, Mr. Daniel proposes an alternate revenue  
29 distribution of OG&E’s proposed rate increase level in his Table 3 which I have  
30 reproduced below. While he lowers the revenue requirement to residential, general  
31 service, and power and light customers, his proposal appears overly harsh toward several

rate classes, including OGP, PSND, PSD, and MP; he also fails to propose increases sufficient to recover the revenue requirement by over \$1 million. Mr. Daniel's proposal is not practical. If Mr. Daniel's proposal to raise Public School (PS) rates above the equivalent General Service or Power and Light tariffs, schools will simply request to be served under the GS or PL tariffs.

Table 3  
OAG's Recommended Revenue Distribution

Customer Class	Current Base Revenue	OGE Cost of Service	Revised Cost of Service	OGE Proposed Base Revenue Increase/(Decrease)	Recommended Base Revenue Increase/(Decrease)	Change from OGE Increase
Residential	\$ 572,223,764	\$ 664,539,473	\$ 641,036,295	\$ 92,315,709	\$ 72,270,599	\$ (20,045,110)
General Service	113,520,858	134,309,466	118,430,749	20,788,608	5,156,633	(15,631,974)
Oil & Gas	12,303,451	9,547,527	9,379,969	(2,755,924)	35,247,939	38,003,862
Schools Non-Demand	11,434,894	18,196,628	20,940,560	6,761,734	14,432,431	7,670,697
Schools Demand	7,370,409	10,075,344	11,505,964	2,704,935	12,895,026	10,130,090
Power & Light	268,707,532	289,194,665	316,010,751	20,487,133	-	(20,487,133)
Large Power & Light	131,905,428	136,143,490	144,126,312	4,238,022	2,212,602	(2,025,370)
Municipal Pumping	4,454,026	4,173,748	4,303,683	(280,278)	1,426,174	1,706,452
Lighting	28,454,177	33,740,688	33,080,157	5,286,511	4,858,451	(428,059)
Total	\$ 1,150,374,539	\$ 1,299,920,989	\$ 1,298,814,440	\$ 149,546,450	\$ 148,439,904	\$ (1,106,546)

\*Amounts in Table 3 are based on OG&E's total proposed revenue requirement

Another significant problem is his proposal for OGP customers. Mr. Daniel proposes a \$35 million increase for those customers even though his own table indicates they should receive a decrease of almost \$3 million<sup>6</sup>, representing an increase of almost 400%. Unless Mr. Daniel intends to file another errata, and correct all of these issues, thereby producing a revenue allocation very similar to the Company's proposal, I recommend his alternative revenue allocation proposal in Table 3 be dismissed. I will restate that if Mr. Daniel updates his testimony, Table 3, exhibits, and workpapers once again, I reserve the right to review his updates and rebut them.

**Q. Do you agree with Mr. Daniel's recommendation regarding revenue allocation?**

**A.** No. On page 12 line 11 to page 13 line 7, he lists recommendations for how the final revenue allocation should be computed. Given his apparent failure to reflect his proposed recommendations in his alternative revenue allocation shown in Table 3, I recommend his suggestions be dismissed and OG&E's proposed revenue allocation be adopted.

<sup>6</sup> See Witness Daniel Responsive Testimony, Table 3, and the column labeled Revised Cost of Service compared to the Current Base Revenue column.

1 Q. **Please respond to Mr. Daniel's gradualism comments.**

2 A. Beginning on page 14, line 15 and continuing through page 15, line 23, Mr. Daniel states  
3 that OG&E applied gradualism to its revenue allocation but did not apply it to the  
4 customer charge. He then states his cost of service study supports a customer charge of  
5 \$14.52 (see also Mr Daniel's testimony on page 10, line 11) and that even it could  
6 produce a substantial increase to customers. Finally he states that if the customer charge  
7 only recovered the cost of metering, billing and customer care, then the monthly charge  
8 would only be 9.5¢. Even without any investigation, all can see this is simply not correct,  
9 postage for mailing bills is more than 9.5¢ per month. Mr. Daniel submitted errata  
10 testimony correcting the obvious errors and I anticipate he will submit additional errata  
11 corrections; I believe these are reasons to be concerned about the accuracy of his work  
12 and his subsequent recommendations.

13  
14 Q. **What is your response to Mr. Daniel's claims that OG&E's proposals are too  
15 complex for its customers to understand.**

16 A. On Page 21, lines 3-12, Mr. Daniel attempts to refute whether OG&E can explain  
17 complex rate plans to customer by stating, "...the OG&E customer survey indicated that  
18 most OG&E residential customers do not even understand basic rate plans, much less  
19 complex rate plans." The research he is referring to was an OG&E conjoint survey that  
20 was conducted in late 2012.

21 OG&E received approval for customer education in a rate case that was  
22 concluded in August 2012 and in the DPR case that concluded in December 2012.  
23 Although OG&E had begun some education efforts regarding the SmartHours program  
24 earlier in 2012, it was after these orders were issued that OG&E's customer education  
25 efforts for the Company's SmartHours program were increased. Since that time OG&E  
26 has successfully educated over 100,000 customers regarding the benefits of time of use  
27 rates and variable peak pricing rates and the savings that can be achieved by responding  
28 to peak period prices. OG&E has won the JD Power award three years in a row for  
29 residential customer satisfaction. So, the customer survey was conducted at the initiation  
30 of these substantial efforts by the Company to explain the SmartHours program and does  
31 not support Mr Daniel's premise.

1 Q. **Are there any recommendations of AG Witness Daniel on pages 34-35 of his**  
2 **testimony with which you agree?**

3 A. OG&E appreciates witness Daniel's recognition of the merits of a demand charge for  
4 residential customers. I support his recommendation that the Commission consider the  
5 recommendations of AG Witness Farrar regarding rate design and PayGo, subject to  
6 certain caveats I present below.

7

8 AG Witness Farrar

9 Q. **What issues raised by AG Witness Farrar do you wish to discuss?**

10 A. I will comment on Mr. Farrar's testimony related to the Company's residential time of  
11 use proposal, the SmartHours Program, OG&E's proposed demand charges and his  
12 recommendations regarding the PayGo program.

13

14 Q. **What is your response to the Mr. Farrar's testimony on the residential time of use**  
15 **tariffs embodied in the SmartHours program?**

16 A. OG&E appreciates the support from Mr. Farrar for its SmartHours programs. OG&E  
17 plans to continue the programs and maintain existing subscription levels. OG&E does  
18 not believe there is a need to track levels of subscription to the SmartHours programs and  
19 report them at this time beyond what reporting OG&E has previously agreed.

20

21 Q. **What is your response to the demand charge issue raised by Witness Farrar?**

22 A. OG&E shares Mr. Farrar's concern regarding the implementation of demand charges to  
23 the SmartHours programs. OG&E has not proposed the addition of demand charges to  
24 SmartHours rates in this Cause.

25

26 Q. **Please address the Company's position on the PayGo waiver issue raised by Witness**  
27 **Farrar.**

28 A. Regarding waivers to Commission rules for the PayGo prepayment plan, OG&E did not  
29 plan to request any waivers to the rules as it believes it received them with the initial  
30 approval of the program in Cause No. PUD 200800375<sup>7</sup>, Cause No. PUD 200800398<sup>8</sup>

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<sup>7</sup> See Final Order 568005, pages 8 and 9.

1 and additional refinements were agreed to in Cause No. PUD 201100087<sup>9</sup>. However, if  
2 the Commission determined that OG&E needs to re-request these waivers to rules, except  
3 as otherwise provided in the Company's Terms and Conditions of Service, Sections 219  
4 and 220, OG&E would request waivers to OAC 165:35-21-10(d) and (e); OAC 165:35-  
5 21-11; OAC 165:35-21-20(a), (b), (c), and (d); and OAC 165:35-21-21.

6  
7 **Q. What are your responses to the recommendations made by Witness Farrar**  
8 **regarding the PayGo prepayment plan on page 12 line 5- page 13 line 21?**

9 **A.** Witness Farrar made eight recommendations. I will discuss them each individually  
10 below.

- 11 1. **PayGo customers should be able to return to standard post-pay service without**  
12 **paying a fee.** OG&E agrees.
- 13 2. **PayGo customer discontinues participation with a credit balance.** OG&E agrees  
14 that the credit would remain applied to the customer's account balance.
- 15 3. **Provide a statement of information about the terms of Paygo to subscribers and**  
16 **require PayGo customers provide a formal acknowledgement.** OG&E can agree  
17 to a modified version of the statement language. The propose clarification to the  
18 language would be to the last sentence, stating that there are no "switching fees" for  
19 exiting the PayGo plan. However, all fees that normally apply to customer accounts,  
20 including any waived by the terms of the PayGo program, will apply. OG&E also  
21 believes maintaining a record of such acknowledgement is an unwarranted program  
22 expense.
- 23 4. **Tracking and reporting PayGo information including customers' income and**  
24 **OG&E's savings to debt reduction costs that would be attributable to PayGo.**  
25 OG&E objects to reporting information regarding customer's income: OG&E  
26 generally does not have access to customer income information. OG&E is not certain  
27 that it can accurately identify saving to debt reduction costs due to PayGo  
28 subscriptions. Therefore, OG&E objects to this recommendation.
- 29 5. **Additional description requirements for PayGo tariff.** OG&E agrees.

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<sup>8</sup> See Final Order 569281, page 3, lines 12-13; page 10, lines 6-12, page 17, lines 20-26, and page 25, lines 14-16.

<sup>9</sup> See Final Order 599558, Attachement E, pages 4-5, Section C "Miscellaneous Issue", 6.



1 recovered through the peak and the off-peak kWh charges, as well as the production  
2 energy costs. The monthly charge is designed to recover the customer related costs.

3 OG&E offers another tariff to customers similar to those represented by Witness  
4 Chriss that has a larger kW charge: it is the PL-1 SL5 tariff. OG&E believes it has  
5 reasonably and sufficiently differentiated the PLTOU tariff from the PL-1 tariff using the  
6 unit cost data, and, does not propose to redesign the PLTOU to resemble the PL-1 tariff.  
7 OG&E does not believe its proposed changes of a few tenths of a cent per kWh will  
8 materially reduce response from customers as the base tariff prices do not include fuel  
9 costs. Customers pay the combined price of base energy rate plus fuel cost adjustment.  
10 Since fuel costs change annually, the differential in peak and off peak fuel costs changes  
11 annually and results in differences each year in the ratio of peak to off peak period kWh  
12 prices.

13 Mr. Chriss also recommends that any reduction in revenue requirement assigned  
14 to PLTOUSL5 be assigned 50% to the kW charge and 50% to the off peak energy  
15 charges for both seasons. OG&E disagrees with this recommendation. Instead, OG&E  
16 recommends any adjustment to the revenue requirement should be incorporated into  
17 prices based on the design criteria proposed by the Company based upon its costs.

18  
19 OHA Witnesses Athas and Kelly

20 Q. **What issues raised by OHA Witnesses Athas and Kelly are you going to address?**

21 A. I will address OHA's concerns regarding OG&E's rate design issues involving class  
22 revenue assignments that do not represent a range of Relative Rate of Return ("RRoR")  
23 close enough to 100%, the request that aggregation of load through a single customer  
24 charge and a single demand charge based on the coincident hourly demands of the  
25 adjacent, campus based accounts be adopted and that a new Healthcare Incentive  
26 Transition Rider be implemented.

1 Q. **What is your response to the OHA position that OG&E has not done enough in the**  
2 **Company's proposed revenue allocation to move the small and medium commercial**  
3 **classes to a RRoR of 100%?**

4 A. As stated in my direct testimony on page 7, lines 5 – 6, the Company's primary concern  
5 is to set each class' revenue requirement as close as possible to RRoR of 100%. The  
6 majority of the small and medium commercial customers are in the GS and PL rate  
7 classes. In my Direct Testimony, page 17, lines 14 thru 24, I explain that in the effort to  
8 bring the PS Non-Demand & PS Demand classes and their associated time differentiated  
9 tariffs to full COSS revenue would have resulted PS prices being above the equivalent  
10 GS and PL tariffs. Some of the PS revenue requirements were shifted to the GS and PL  
11 tariffs and the PS prices were set equal to the resulting GS and PL equivalent tariffs.  
12

13 Q. **What is the Company's response to OHA request for aggregation of a hospital's**  
14 **accounts at "campus" like locations into a single account with one customer charge**  
15 **and demand based on a coincident one hour demand?**

16 A. OG&E does not agree with the aggregation approach requested for existing OHA  
17 members' campus locations. OG&E has already made the significant infrastructure  
18 investment in the distribution system required to serve the hospital campus facilities, or  
19 any large customer campus location for that matter. It is appropriate and described in  
20 Commission rules that utilities shall individually meter and bill each separate electric  
21 consuming facility (building).<sup>10</sup> If at the time of the initial construction a hospital desired  
22 a single metering point and one bill, the Company could have designed its system to  
23 accommodate such a request. Further, at that time the customer could have made the  
24 distribution system investment, requesting to be relieved from paying for these  
25 investments now is not reasonable. OG&E's standard for demand measurement for  
26 billing is 15-minute demands and there is no reason to alter it for OHA members. These  
27 requests should be rejected.

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<sup>10</sup> OAC 165:35-13-4.

1 Q. **What is your response to OHA request for a Healthcare Incentive Transition Rider?**  
2 A. OHA requests the Healthcare Incentive Transition (“HIT”) rider to return the additional  
3 revenue collected as a result of rates established at above 100% RRoR applied to OHA  
4 accounts. On page 18 of OHA testimony asserts that this would be in line with the  
5 treatment to public schools and through the economic development incentive rider. In this  
6 proceeding OG&E is proposing to remove the PS benefit by increasing tariff price to the  
7 level of GS and PL equivalent tariffs. If an OHA member meets the requirements of the  
8 economic development rider, they would be eligible for receiving the economic  
9 development rider benefits. OG&E did not see any recommendation for how or who  
10 would pay for the incentives provided to OHA. For these reason I would recommend that  
11 the OHA request for its HIT rider not be accepted.

12  
13 CPN Witness Barrett

14 Q. **Do you have any response to CPN witness Chairman Barrett?**

15 A. Yes. OG&E appreciates the CPN as a large customer on the OG&E system. As a  
16 vertically integrated electric utility, generation, distribution and transmission services are  
17 bundled into the cost of providing retail electric service. The Company does not have a  
18 tariff that will allow it to provide each service in isolation. Retail customers within  
19 OG&E’s service territory buy a bundled retail service. CPN is a retail customer and  
20 OG&E will gladly work with CPN to explore retail rate making solutions and options.

21  
22 Q. **On page 13, beginning on line 17, Chairman Barrett complains about OG&E’s**  
23 **application of franchise fees being collected by the Company on certain CPN**  
24 **accounts located in Shawnee, Oklahoma. Do you have a response to these**  
25 **complaints?**

26 A. Yes. While the CPN may or may not be exempt from the laws of the state of Oklahoma,  
27 OG&E, as a corporate citizen of the state is not exempt from complying with the laws of  
28 the State of Oklahoma. As such, when the citizens of the City of Shawnee, Oklahoma  
29 granted OG&E a franchise to utilize the public streets and ways within the municipal  
30 limits, OG&E became obligated to collect, report and remit a franchise fee on the gross  
31 receipts from the sale of electricity within such municipal limits. To the Company’s

1 knowledge, the City of Shawnee, Oklahoma has never acquiesced or agreed to forgo  
2 franchisee fees on sales of electricity to the CPN. Absent such an agreement or other  
3 state law change, OG&E is not at liberty to unilaterally decide to forgo the collection,  
4 reporting and remittance of these fees.

5

6 Q. **Does this conclude your rebuttal testimony at this time?**

7 A. Yes.