BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE FORMULA	)	
RATE PLAN FILINGS OF OKLAHOMA	)	
GAS AND ELECTRIC COMPANY	)	DOCKET NO. 18-046-FR
PURSUANT TO APSC DOCKET	)	
NO. 16-052-U	)	

Direct Testimony

of

Gwin Cash

on behalf of

Oklahoma Gas and Electric Company

Q. **Please state your name, position, by whom you are employed, and your business address.**

A. My name is Gwin Cash. I am the Manager of Cost of Service and Rate Administration for Oklahoma Gas and Electric Company ("OG&E" or "Company"). My business address is 321 N. Harvey, Oklahoma City, Oklahoma, 73102.

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

A. I have worked for OG&E in various capacities going on 20 years. Most recently I joined the Company's regulatory department in January 2015 as the Rate Administration Manager and in July of 2017 I assumed additional responsibilities as the manager of Cost of Service. My Cost of Service responsibilities include oversight of the department's responsibility for operating and maintaining the Cost of Service model. My Rate Administration responsibilities include maintaining OG&E's tariffs on file with the regulatory commissions and ensuring consistent application of these tariffs in the manner which they are intended. Additional duties include computing rider factors and monthly retail revenue reporting. Prior to joining OG&E's regulatory department I worked as a Senior Business Analyst in OG&E's Sales and Customer Support department and as a Workforce Analyst in OG&E's Customer Service department. I received a Bachelor of Science in Applied Mathematics with a Specialization in Computing from the University of California, Los Angeles in 1999.

Q. **Have you previously testified before this Commission?**

A. Yes. I have previously testified in this docket supporting the Company's jurisdictional allocations. I filed direct testimony supporting these allocations in the third Evaluation Report filing and rebuttal testimony in the Company's first Evaluation Report filing. Additionally, I filed direct testimony in Docket No. 19-017-TF requesting updates to the Company's Formula Rate Plan tariff, in Docket No. 16-052-U, the Company's last general rate case, supporting revenue pro formas and tariff updates, including introduction of the Formula Rate Plan tariff, and in Docket No. 19-013-U supporting the Company's request to build 10 MW of solar generation in Oklahoma.

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

A. The purpose of my direct testimony is to support the Company's update of its cost-of-service study ("COSS") and the resulting update to the jurisdictional allocators. I also validate compliance with the requirements of the Formula Rate Plan ("FRP") tariff. I support the Company's schedules G-1, G-2, G-3, and G-4 which can be found in the Company's filed COSS model as referenced by Attachment E Item 14 of the FRP tariff.

Additionally, because the COSS is providing jurisdictional updates for the historical period of April 2020 through March 2021, which was the projected year for the Company's second Evaluation Report filed in 2019, I will summarize the change in jurisdictional allocators from that Report.

I will also address the requirement from the Commission approved non-unanimous settlement agreement of the third annual FRP Evaluation Report that the parties "will work to develop a standardized method to determine the jurisdictional allocations in the next FRP filing and any future extension of the FRP."[1] I will also explain how OG&E's proposed standardized method was incorporated into this filing.

I. COMPLIANCE COSS

Q. **Why is the Company updating its COSS?**

A. Item 14 of Attachment E of the Company's FRP tariff requires OG&E to submit a COSS that will provide updated jurisdictional cost allocators. This update will reflect changes in usage between the Company's Arkansas and Oklahoma customers to ensure that costs are properly allocated between jurisdictions. Please note that although jurisdictional allocators are being updated, the Company's FRP requires that class allocators remain unchanged from those set in Docket No. 16-052-U.

Q, **Is the Company utilizing the approved methodology from Docket No. 16-052-U to update its jurisdictional allocators?**

[1] Third annual FRP Evaluation Report Non-Unanimous Settlement Agreement pg. 5 paragraph 2

A. Yes. The Company is using the same allocation methodologies that were approved for use in the settled COSS from Docket No. 16-052-U as well as the 2018 Evaluation Report and 2019 Evaluation Report.

The Company is using the:

- Four coincident peak ("CP") average and excess methodology for the Production Demand and Production Wind jurisdictional allocators;
- 12CP methodology for the Transmission Demand and Transmission Demand/SPP jurisdictional allocators;
- Non Coincident Peak methodology for the Distribution Demand allocator; and
- Total Energy for the Production Energy allocator.

While these allocation methodologies are the same as those previously approved and therefore represent no change in methodology, the Company is modifying the calculation of the Production Demand and Transmission Demand allocations to accommodate a requirement from the Commission approved Settlement from the third FRP Evaluation Report. This modification is discussed below in section II.

Q. **Please summarize the specific areas within the COSS the Company is updating for this filing.**

A. The Company is updating the coincident system peak load, customer individual peak load, customer counts, and customer energy data.

Q. **What is the impact when these components are updated in the COSS?**

A. These updates will change the jurisdictional percentage of the following external allocators: Production Demand, Transmission Demand, Transmission Demand/SPP, Distribution Demand, Production Energy, Production Wind, Service Drops, Customer, and Account Reps.

Q. **Please summarize the change in these jurisdictional external allocators from the 2019 second Evaluation Report projected year.**

A. The Production Demand and Production Wind allocator is 8.86% which is a 0.25% increase.

The Transmission Demand and Transmission Demand/SPP allocators are 7.83% and 8.97% respectively and are 0.30% and 0.40% increases.

The Distribution Demand, Customer, and Service Drops allocators all reduced by less than 0.1% while the Account Reps allocator remains unchanged.

II. SETTLEEMENT AGREEMENT

Q. **With respect to jurisdictional allocations what was the outcome of the third annual FRP Evaluation Report Settlement Agreement?**

A. There were two outcomes from this agreement. First, the Settling Parties did "not object to the jurisdictional allocation methodology utilized by OG&E" in the then current FRP Revenue determination. Second, as stated above, the Settling Parties would "work to develop a standardized method to determine the jurisdictional allocations in the next FRP filing and any future extension of the FRP."[2]

Q. **Who were the Settling Parties?**

A. The Settling parties were OG&E, the General Staff of the Arkansas Public Service Commission ("Staff"), and the Attorney General of Arkansas ("AG").

Q. **What was OG&E's position with respect to the jurisdictional allocation issue?**

A. OG&E's position was that the tariff required use of actual load, *i.e.*, no adjustments for weather normalization or growth, for the purpose of computing its allocators.[3] The relevant section of the tariff is at Attachment C-II-F and reads, "For the Historical Year, load data shall reflect actual load. There will be no adjustments for customer growth or weather normalization."

[2] Id.
[3] Third Annual FRP Evaluation Report, Cash Rebuttal, pg. 3, lns. 27 - 28.

Q. **What was the Staff's position with respect to the jurisdictional allocation issue?**

A. The Staff did not address this issue in either direct or rebuttal testimony. The Staff did, however, in its testimony in support of the non-unanimous Settlement Agreement, express the opinion that the tariff requires use of actual load data for jurisdictional allocator calculations. Additionally, the Staff did not object to further discussion on the matter.[4]

Q. **What was the AG's position with respect to the jurisdictional allocation issue?**

A. The AG advocated for use of normalized load and stated that the use of actual load date is inappropriate. AG witness Michael P. Gorman, in his direct testimony, addressed the issue from the perspective of cost causation by making the claims that production and transmission planning expenses are based on normalized load characteristics.[5] An excerpt from this part of his testimony is as follows:

> **Q. IS IT APPROPRIATE TO DEVELOP JURISDICTIONAL ALLOCATION FACTORS BASED ON ACTUAL KW AND KWH?**
>
> A. No. The development of jurisdictional allocation factors should fairly and equitably allocate fixed production and transmission costs across both jurisdictions in a manner that reasonably aligns with how OG&E is making investments in production and transmission capacity, and incurring these costs to provide service in each jurisdiction. These production and transmission capacity investments are based on normalized system and jurisdictional load characteristics. The amount of production and transmission capacity does not vary from year to year based on abnormal variations in actual load, but rather is driven by changes in normalized load outlooks that are considered in OG&E's Integrated Resource Plan.

Q. **Did OG&E develop a proposal for the jurisdictional allocation issue that addressed the different opinions of the Settling parties?**

[4] Third Annual FRP Evaluation Report Butler Agreement, pg. 6, ln. 16 - pg 7, ln. 2.
[5] Third Annual FRP Evaluation Report Gorman Direct, pg. 21, ln. 12 - pg. 23, ln. 2.

A. Yes. OG&E's proposal is to utilize a rolling average of four years of actual load data for the purpose of calculating the Production Demand and Transmission Demand allocators. This proposal balances both the tariff requirement of using actual load data and the AG's proposal that the data should be normalized, by averaging multiple years of actual load data. This averaging of the actual load data will have the effect of smoothing out highs and lows from year to year as seen in actual load data.

Q. **Which four years of data is the Company using for its initial calculation of the four-year average?**

A. The Company is utilizing the Historical Years of each of the first four FRP Evaluation Reports. These periods are all 12 months ending March 31 for the years 2018, 2019, 2020, and 2021. The Company filed a COSS for each of the first three Evaluation Report Historical Years with production and transmission allocators developed using actual data. The Company is also providing, as part of the averaging calculation, the actual data for this fourth Evaluation Report filing.

Q. **Did OG&E share this proposal with the Settling parties prior to filing?**

A. Yes, the Company shared the proposal with both Staff and the AG and held discussions with both parties prior to filing.

Q. **With respect to the Settlement parties' positions about whether actual or normalized load data should be used, have there been any developments since the third Evaluation Report that give weight in favor to either argument?**

A. Yes, the COVID-19 pandemic began and continued throughout the test year and had significant impacts to the load data. Many people began working from home and as a result average residential customer usage increased. Additionally, some non-residential customers were shutting down or not operating at full capacity and decreases in average usage for these classes were observed.

Q. **How can these changes to customer usage impact jurisdictional allocation?**

A. This can happen when these usage changes occur disproportionately across the jurisdictions and this happened during the test year. The Power & Light Time-of-Use Service Level 1 ("PLTOU1") class usage was significantly reduced from March to July of 2020. This class typically represents between 9 and 10% of the Arkansas jurisdictional load and with a temporary reduction in this load, it contributed to a significant decrease in the allocation to the Arkansas retail jurisdiction for both the Production and Transmission demand allocators. The following table below summarizes the reduction to the PLTOU1 class allocator load metrics by comparing the actual load data of the historic year to the average of the previous three years.

Table 1

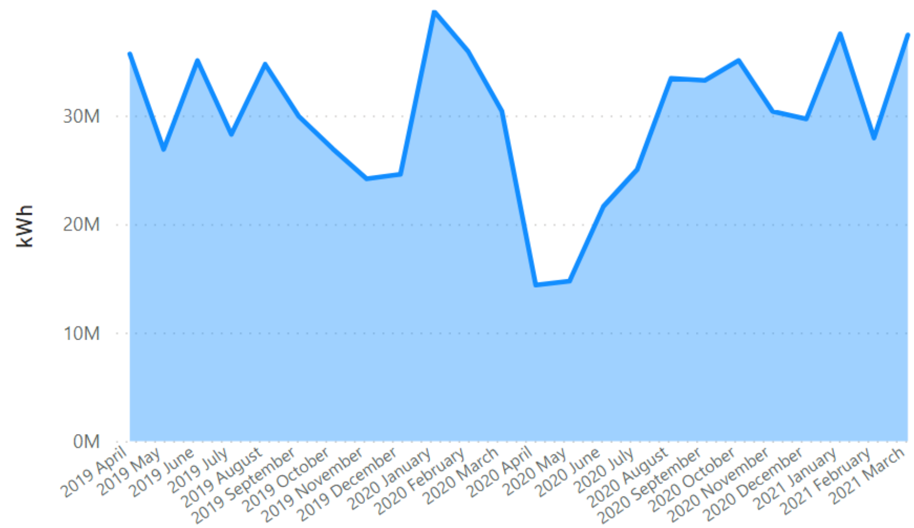
	FRP1	FRP2	FRP3	FRP4	% Reduction
4CP	48,448	58,482	44,230	24,475	51.43%
Average Demand	46,576	51,786	43,398	39,632	16.13%
12CP	45,206	55,079	43,431	27,438	42.72%

Q. **What was the overall impact to the Production and Transmission demand allocators?**

A. When measured against the normalized allocators from the projected year of the second Evaluation report the Production demand allocator dipped by 0.42% to 8.19% and the transmission demand and transmission demand/SPP allocators dipped by 0.24% and 0.22% to 7.29% and 8.35%.

Q. **Has the usage for the Power & Light service level 1 class recovered?**

A. Yes, this class has recovered and appears to be using electricity at pre COVID levels. This class' usage over the last two FRP historical years can be viewed in the following chart:



Q. **Does this example support OG&E's allocation proposal and AG witness Gorman's arguments?**

A. Yes, it does. This class clearly never left the system but instead just reduced usage in response to the COVID19 event. This temporary reduction in usage did not change the level of production and transmission investment that is needed and will be needed to serve this customer and therefore should not change what should be included for cost recovery from the Arkansas retail jurisdiction.

Q. **What type of adjustment would be required to address this issue?**

A. Normalization of the data would be required; however, this particular issue would not require a normalization due to weather, but instead one due to the effects of COVID.

Q. **Does the tariff prohibit COVID normalization?**

A. No. The tariff only refers to adjustments to actual load data for the historical year due to customer growth and weather normalization.

Q. **Are there any other sections of the tariff that may address this issue which could allow a normalization approach?**

A. Yes, Section III-C of Attachment C states, "Nothing in this Attachment shall preclude OG&E or any party from proposing additional adjustment(s) beyond those described above." This language, at minimum, allows for an adjustment to address the effects of COVID and certainly accommodates the proposal to adopt a rolling average of actual load data.

Q. **How will OG&E's customers benefit from the Company's proposed methodology?**

A. The proposed methodology supports the intent Arkansas legislature in passing the Formula Rate Review Act ("FRRA"). In part, the stated intent of the FRRA is "…to provide just and reasonable rates to consumers in this state and enables public utilities in this state to provide reliable service ***while maintaining stable rates***."[6] The proposed methodology provides rate stability by removing large swings in jurisdictional cost assignment each year, reducing the likelihood of a large rate increase due to factors outside the Company's control.

Q. **What impact might there be on customers if OG&E were to use the actual jurisdictional allocator rather than the proposed methodology?**

A. Due to the load recovery in the Power & Light Service Level 1 class that has already been experienced after the end of the Historic Year, OG&E can be confident that the jurisdictional allocation to Arkansas will revert back to normal levels in the Company's 5th Evaluation Report, resulting in a rate increase based solely on this change.

Further, I would note that using the rolling average methodology provides OG&E's customers the benefit of this Historic Year's unusually low allocation beyond this Evaluation Report. Using the proposed methodology, the lower than normal allocation will be part of the 4-year average allocations for three additional Evaluation Reports.

Q. **Does OG&E believe the proposed methodology satisfies the intent of the Settlement Agreement and result in a reasonable approach for allocating costs in the 4th Evaluation Report and in future Reports?**

A. Yes.

[6] A.C.A. § 23-4-1202 [Bold emphasis added].

III. RECOMMENDATION

Q. **What is the Company's recommendation to the Commission?**

A. I recommend that that the Commission accept the Company's updated COSS and the resulting updated jurisdictional allocators and retail revenue requirement, as seen on line 12 of Attachment D-1 of the FRP Tariff, for the Historical Period.

I also recommend that the Commission accept the Company's modification to the calculation of the Production and Transmission Demand allocators by declaring that this adjustment satisfied the term of the third Evaluation Report Settlement Agreement and shall be utilized for this Evaluation and all future Evaluations of the FRP.

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

A. Yes

CERTIFICATE OF SERVICE

I, Lawrence E. Chisenhall, Jr., hereby state that a copy of the foregoing instrument was served on all the parties of record via the APSC Electronic Filing System on this the 1st day of October 2021.

/s/ Lawrence E. Chisenhall, Jr.
Lawrence E. Chisenhall, Jr.