

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

FILED
APR 11 2016

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

REBUTTAL TESTIMONY

OF

MARK E. GARRETT

COST OF SERVICE/
RATE DESIGN ISSUES

ON BEHALF
OF

THE ALLIANCE FOR SOLAR CHOICE ("TASC")

APRIL 11, 2016

Rebuttal Testimony of Mark E. Garrett

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I. WITNESS IDENTIFICATION AND PURPOSE OF TESTIMONY

1 **Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A: My name is Mark Garrett. My business address is 50 Penn Place, Suite 410, 1900 NW
3 Expressway, Oklahoma City, Oklahoma 73118.

4
5 **Q: ARE YOU THE SAME MARK GARRETT WHO PROVIDED RESPONSIVE**
6 **TESTIMONY ON BEHALF OF THE ALLIANCE FOR SOLAR CHOICE**
7 **(“TASC”) IN THIS CAUSE?**

8 A: Yes.

9

10 **Q: WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**
11 **PROCEEDING?**

12 A: The purpose of this testimony is to briefly reply to the positions taken by witnesses of
13 the Public Utility Division (“PUD” or “Staff”) and the Office of the Attorney General
14 (“AG”) on Oklahoma Gas & Electric Company’s (“OG&E” or “Company”) proposed
15 residential rate design in this cause. In particular, I respond to the testimony of PUD
16 witness Kathy J. Champion and AG witnesses Edwin C. Farrar and James W. Daniel
17 with respect to their positions on the Company’s proposal to increase customer charges
18 and to impose a demand charge as part of the standard service tariff.

19

II. RESPONSE TO PUD WITNESS CHAMPION

20 **Q: WHAT DOES WITNESS CHAMPION PROPOSE WITH REGARDS TO THE**

1 **COMPANY’S PROPOSAL TO INCREASE THE RESIDENTIAL CUSTOMER**
2 **CHARGE?**

3 A: Witness Champion opposes the Company’s full proposed increase, but proposes a
4 \$7/month increase as a more gradual step that makes “movement toward full recovery of
5 the customer component of the unit costs within the customer charge.”¹

6
7 **Q: WHAT IS YOUR RESPONSE TO THE PROPOSAL TO INCREASE THE**
8 **CUSTOMER CHARGE BY \$7 PER MONTH FOR RESIDENTIAL**
9 **CUSTOMERS?**

10 A: First, my concern is that increasing the customer charge by \$7/month would overshoot
11 the mark of capturing only customer-related costs. In this respect, I agree with AG
12 witness Daniel that the customer-related costs are inflated by including costs like
13 distribution poles, conductors, and conduit, which are “designed and constructed to meet
14 area demands and should be classified as 100% demand-related costs.”² Under witness
15 Daniel’s revised Cost of Service Study, his calculations (excluding these inappropriate
16 demand-related costs) would result in a cost-based customer charge of only
17 \$12.61/month.³ Thus, the Company’s charge is already collecting beyond truly
18 customer-related costs and need not collect an additional \$7/month as Staff proposes.

19 Second, I am concerned that increasing the customer charge by \$7/month will
20 have negative impacts on the conservation price signal in rates. As Ms. Champion
21 correctly notes, a significant increase in the customer charge “provides customers no

¹ Responsive Testimony of Kathy J. Champion at p. 22.
² Responsive Testimony of James W. Daniel at p. 5.
³ Errata Responsive Testimony of James W. Daniel at p. 1, lines 18-19.

1 control over that portion of their bill”⁴ and would (in conjunction with demand charges)
2 “diminis[h] the overall signal sent to customers to reduce consumption.”⁵ A \$7 will
3 implicate the same concern because it is a significant increase.
4

5 **Q: WHAT DOES WITNESS CHAMPION PROPOSE WITH REGARDS TO THE**
6 **COMPANY’S PROPOSAL TO IMPOSE A RESIDENTIAL DEMAND CHARGE?**

7 A: Witness Champion proposes that OG&E’s proposed three-part residential rate structure
8 be rejected in this cause. She goes on to recommend that if OG&E were to consider
9 demand charges again, they should do so within a pilot program only. She further states
10 that findings from such a pilot should inform whether any change in rate structure is
11 necessary.⁶
12

13 **Q: DO YOU AGREE WITH PUD’S POSITION ON THE IMPOSITION OF**
14 **RESIDENTIAL DEMAND CHARGES?**

15 A: I agree that the Commission should reject the proposed residential demand charge in this
16 case, but disagree that a non-coincident demand charge is an appropriate mechanism for
17 residential customers, as I discuss at some length in my Responsive Testimony for
18 TASC. I believe a time-variant rate structure, as currently is mandatory for Residential
19 DG customers and is optional for other residential customers, is a far superior means of
20 reflecting cost causation in residential rates. I also agree with Ms. Champion on the
21 principle of gradualism and concur that imposing a demand charge on residential and

⁴ Champion at p. 25, lines 8-16.

⁵ Champion at p.20, line 1-6.

⁶ Champion at pp. 20-21.

1 DG customers violates that principle.

II. RESPONSE TO AG WITNESSES FARRAR AND DANIEL

2 **Q: WHAT IS THE AG OFFICE'S POSITION ON THE COMPANY'S PROPOSED**
3 **RESIDENTIAL DEMAND CHARGE?**

4 A: AG witness Daniel suggests that the Company's argument has merit on a cost-causation
5 basis.⁷ AG witness Farrar suggests that a non-coincident demand charge could
6 undermine the effectiveness of time-of-use rates available to residential customers.⁸ The
7 AG favors a gradual phase in of residential demand charges, but proposes that some
8 level of demand charges would be appropriate at this time.

9

10 **Q: DO YOU AGREE?**

11 A: No. I disagree with the concept that a demand charge is an appropriate mechanism to
12 reflect cost causation of distribution costs, for all of the reasons stated in my Responsive
13 testimony for TASC. I do agree with witness Farrar, however, that imposing a demand
14 charge on top of a time-variant charge, as the Company proposes to do with R-TOU-kW
15 for Residential DG customers, works to undermine the price signal embedded in the
16 time-variant, volumetric rate. Time-variant rates are beneficial to the grid and can help
17 incentivize consumer behavior toward conservation. A demand charge would jeopardize
18 these benefits by working against the time-variant rate.

19

⁷ Daniel at p. 19.

⁸ Responsive Testimony of Edwin C. Farrar at p.5.

1 IV. CONCLUSION

2 Q: DOES THIS CONCLUDE Y OUR REBUTTAL TESTIMONY?

3 A: Yes, it does.