

**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**  
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CORPORATION COMMISSION  
OF OKLAHOMA**

Direct Testimony

of

Gwin Cash

on behalf of

Oklahoma Gas and Electric Company

December 18, 2015

Gwin Cash  
*Direct Testimony*

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

2 A. My name is Gwin Cash. My business address is 321 North Harvey, Oklahoma City,  
3 Oklahoma 73102.

4

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

6 A. I am employed by Oklahoma Gas and Electric (“OG&E” or “Company”) as the Rate  
7 Administration Manager.

8

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

10 A. I received a Bachelor of Science in Applied Mathematics with a Specialization in  
11 Computing from the University of California, Los Angeles in 1999.

12 I have worked in OG&E’s regulatory department since January 2015 as the Rate  
13 Administration Manager. My responsibilities include maintaining OG&E’s tariffs on file  
14 with the regulatory commissions and ensuring consistent application of these tariffs in the  
15 manner in which they are intended. Additional duties include, but are not limited to,  
16 computing rider factors and monthly retail revenue reporting. Prior to joining OG&E’s  
17 regulatory department I worked as a Senior Business Analyst for one year in OG&E’s  
18 Sales and Customer Support department and as a Workforce Analyst for seven years in  
19 OG&E’s Customer Service department.

20

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

22 A. I sponsor the pro forma revenue and sales adjustments to Schedule H and explain the  
23 revisions to OG&E’s Terms and Conditions (“T&C”), and rider changes.

24

25 Q. **Please list the pro forma adjustments on Section H, Schedule H-2 that you are  
26 sponsoring.**

27 A. There are thirteen pro forma adjustments affecting the Oklahoma jurisdiction that I am  
28 sponsoring and they are summarized below in Table 1 – Adjustment Summary.

**Table 1 – Adjustment Summary**

|    | <b>Adjustment</b>   | <b>Amount</b>          |
|----|---|------------------------|
| 1  | Unbilled Revenue and Over/Under Recovery Amounts                                | \$71,079,308           |
| 2  | Special Contracts   | (\$1,691,615)          |
| 3  | Day-Ahead Pricing (“DAP”)   | (\$1,102,478)          |
| 4  | Year End Customer   | \$12,511,435           |
| 5  | Manual Postings   | (\$799,027)            |
| 6  | Removal of Rider Revenue  | (\$145,531,351)        |
| 7  | Rider Revenue Rolling into Base Rates or the Fuel Cost Adjustment rider (“FAC”) | \$83,043,903           |
| 8  | Time-of-Use Best Bill Provision   | \$2,644                |
| 9  | Renewable Energy Certificates   | (\$3,676,668)          |
| 10 | Demand Program Rider Savings  | (\$2,145,908)          |
| 11 | Removal of FAC revenue  | (\$753,683,704)        |
| 12 | Weather Normalization   | \$6,366,505            |
| 13 | Municipal Free Service, LIAP, and Senior Citizen Discount Surcharges            | (\$4,429,526)          |
|    | <b>TOTAL</b>  | <b>(\$740,056,483)</b> |

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

2 A. These adjustments are necessary to accurately normalize revenues and kilowatt hour sales  
3 for OG&E’s Oklahoma customer groups. First, normalizing test-year financial data  
4 provides the basis for rate design by removing any non-recurring or atypical revenues  
5 that may have occurred during the test year, but are not related to revenues from the  
6 billed energy (kWh) used for establishing cost-based rates. Such non-recurring or  
7 atypical revenues include credits associated with time-of-use rates best bill provisions or  
8 special contract revenues. Second, the process of normalizing test-year revenues  
9 involves making adjustments for unusual events that create abnormal revenues.  
10 Examples of this are adjusting revenues to reflect normal weather and adjusting revenues  
11 to remove under-recovery of fuel revenues. Third, this normalization process also adds

1 certain revenues that are related to billed energy (kWh), but should be annualized for an  
2 entire year. Examples of this are the year-end customer adjustments and the kilowatt-  
3 hour and kilowatt savings associated with OG&E's demand programs. By making these  
4 adjustments to test-year revenues, the Company is able to develop normalized revenues  
5 and kWh sales in order to design fair and reasonable rates to recover the allocated cost of  
6 service.

7  
8 **Adjustment #1**

9 **Q. Please describe Adjustment #1 related to Unbilled Revenue and Over/Under**  
10 **Recovery Amounts.**

11 A. This adjustment has two parts. The first is the removal of unbilled revenue and  
12 associated kWh which results in a \$3,400,000 reduction in revenues and a reduction of  
13 54,269,600 kWh. The second is the removal of an under-recovery of fuel and rider  
14 revenue collections, which has the effect of increasing revenue by \$74,479,308. The net  
15 of these two revenue adjustments results in an increase of \$71,079,308 to the Oklahoma  
16 jurisdiction.

17  
18 **Q. Why is removal of unbilled revenue and kWh sales necessary?**

19 A. The unbilled revenue and kWh book balances are accounting entries that allow billing  
20 cycle books to be aligned with calendar month books. Since these entries are not  
21 representative of billed sales, it is necessary to remove the entries to ensure rate design is  
22 performed on the actual billing units and revenues that occurred in the billing cycle test  
23 year.

24  
25 **Q. Please explain why it is necessary to remove the over/under recovery of fuel expense**  
26 **revenue and rider collections.**

27 A. The over/under fuel and rider revenue recovery book balance includes accounting entries  
28 that track historical billed fuel cost adjustment revenues based on projections versus  
29 actual fuel expense. In addition, the rider collections over/under recoveries reflect  
30 accounting entries that track historical rider revenue balances versus actual annual  
31 revenue requirements. Since rider adjustments to the test year should be made based on

1 billed revenues these entries must also be removed. In the test year, there was a net over  
2 recovery of fuel and rider revenue. The accounting entry credit for this over recovery is  
3 adjusted back up to make the normalized revenues seem like this over-recovery did not  
4 occur.

### 6 Adjustment #2

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

8 A. There are two contracts that require an adjustment to revenues within Schedule H,  
9 Special Contracts T and O. For Special Contract T this adjustment removes its revenues  
10 and reallocates those revenues to all other rate classes according to distribution demand  
11 allocators as determined by the cost of service study. For Special Contract O Renewable  
12 Energy Credit (“REC”) revenues are removed. These two adjustments result in a net  
13 revenue decrease of \$1,691,615.

14  
15 **Q. Please explain why the Special Contract T adjustment is necessary.**

16 A. The Special Contract T adjustment is required per Order No. 588610 in Cause No. PUD  
17 201000194. In this order, the Commission found that the revenues related to Special  
18 Contract T shall be allocated to OG&E’s Oklahoma retail customer classes using  
19 OG&E’s distribution allocator. The effect of this adjustment is a decrease in the  
20 deficiency for each of the customer classes which lessens the impact of a rate increase.

21  
22 **Q. Please explain why the Special Contract O adjustment is necessary.**

23 A. The Special Contract O adjustment is required because this REC revenue is not standard  
24 rate revenue and is also not included in the Renewable Energy Program rider revenues  
25 and is, therefore, not included in Adjustment #7.

### 26 27 Adjustment #3

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

29 A. Adjustment #3 removes all incremental and decremental revenue and kWh associated  
30 with the Day-Ahead Pricing (“DAP”) tariff participants from the test year. The  
31 remaining revenue is revenue that is only associated with the Customer Base Line

1 (“CBL”) portion of their bill. This adjustment produces a revenue decrease of  
2 \$1,102,478 and a sales decrease of 33,353,021 kWh to the Oklahoma jurisdiction.

3  
4 **Q. Why is this adjustment appropriate?**

5 A. The costs associated with incremental and decremental kWh are based upon current  
6 system marginal costs and are therefore unrelated to embedded costs. In contrast, the  
7 CBL portion of the DAP billings is based upon standard rates and should be included in  
8 the cost of service study (“COSS”) and base rate design.

9  
10 **Adjustment #4**

11 **Q. What is the purpose of Adjustment #4 – Year End Customers?**

12 A. This adjustment modifies revenue, kWh, kW, and customer counts to account for  
13 customers that have either left the system, are new to the system, migrated to another  
14 rate, or were re-billed in a month different than the month that usage occurred. The  
15 adjustment results in a net revenue increase of \$12,511,435 and a net sales increase of  
16 295,593,301 kWh to the Oklahoma jurisdiction.

17  
18 **Q. Please explain why this adjustment is necessary.**

19 A. Customer counts and consumption volumes vary month-to-month during the test year.  
20 Adjusting test year books to reflect customer counts and consumption volumes at test  
21 year-end captures any growth or decline in customer counts and consumption volumes  
22 for each rate class.

23  
24 **Q. What were the different methods used for this adjustment?**

25 A. For all customer classes at service level one through four and for the large power and  
26 light customer class at service level five, adjustments were handled on a customer by  
27 customer basis based on knowledge obtained from existing and new customers. For all  
28 other customer classes at service level five, which is the large volume rate classes  
29 (excluding the public school non-demand, general service, and power and light customer  
30 classes at service level five), OG&E employed an average customer adjustment  
31 technique. The public school non-demand, general service, and power and light customer

1 classes at service level five are year-end adjusted using a combination of these two  
2 adjustment methods.

3  
4 **Q. Please describe in further detail the average customer adjustment technique.**

5 A. For each month of the test year, the customer counts were adjusted to the August 2015  
6 level, or most recent level that data was available. The sales adjustments were obtained  
7 using the average billing units per customer from the test year book data, their associated  
8 prices, and the incremental monthly customer counts. This adjustment resulted in a net  
9 revenue increase of \$11,346,695 and a sales increase of 212,801,327 kWh.

10  
11 **Q. Please describe in further detail the customer adjustments applied on a customer by  
12 customer basis.**

13 A. At test year-end, the sales associated with customers who switched rate classes during the  
14 test year were included in their new rate class for the entire test year. For those  
15 customers new to the system during the test year, *pro forma* sales are added to the months  
16 in the test year for which sales did not previously exist. These “annualized” sales were  
17 based on average customer sales similar in size to the customer being adjusted. This  
18 adjustment resulted in a net revenue increase of \$1,164,741 and a sales increase of  
19 117,986,724 kWh.

20  
21 **Q. Please describe in further detail the customer adjustment for public school non-  
22 demand classes at service level five.**

23 The public school non-demand customer classes at service level five experienced a large  
24 migration from the standard and time-of-use rates to the variable peak pricing rate. This  
25 migration was the largest contributor to the increase of customers to the variable peak  
26 pricing (“VPP”) rate during the test year. The VPP rate customer count increased from  
27 53 in July 2014 to 689 in June 2015 and further increased to 770 in August 2015. Due to  
28 the small number of customers in the VPP rate class in the first half of the test year,  
29 purely using an average customer adjustment resulted in a large disparity between the  
30 sales and revenues migrating from the standard and time-of-use classes and the sales and  
31 revenues migrating to the VPP rate class. A customer by customer adjustment for all

1 2,471 public school non-demand at service level 5 customers, though necessary, was time  
2 consuming and not ideal. To account for customer growth the average customer usage  
3 technique was utilized, however, instead of using book data the fully migrated sales were  
4 utilized.

5  
6 **Q. Please describe in further detail the customer adjustment for the general service and  
7 power and light customer classes at service level five.**

8 Each year in November, OG&E checks customer usage to determine if they are on the  
9 correct tariff applicable to their usage. If the customer's usage warrants a change in rate,  
10 then OG&E will migrate the customer to the applicable rate. The largest of the  
11 migrations was between the general service and power and light rate classes at service  
12 level five. There were 2,653 service level five customers that migrated from general  
13 service to power and light and 283 service level five customers that migrated from power  
14 and light to general service. The average size of the migrated customers compared to the  
15 average size of the customer classes created large revenue disparities. A customer by  
16 customer adjustment for all 2,936 of these customers, though necessary, was time  
17 consuming and not ideal. To account for customer growth the average customer usage  
18 technique was utilized, however, instead of using book data the fully migrated sales were  
19 utilized.

20  
21 **Adjustment #5**

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

23 **A.** Manual postings are revenue credits entered into the billing system for non-typical  
24 customer specific issues. For example, these postings may be for customer refunds for  
25 burned out security lights that were not repaired for an extended time and billing was not  
26 temporarily halted. These postings are manual revenue entries and do not correspond to  
27 an equivalent billing determinant adjustment. In total, for the test year, this adjustment  
28 resulted in a \$799,027 reduction to revenues to the Oklahoma jurisdiction. Since these  
29 revenues are not considered an ongoing occurrence or not tied to base rate revenue,  
30 Adjustment #5 removes the postings to reflect normal revenue levels.

1 Q. **Are there any specific manual posting that warrant discussion?**

2 A. There were two. One customer had manual postings during the test year totaling  
3 \$697,542 for minimum bill charges. They were included in the manual postings  
4 adjustment because the minimum bill contract terminated in June 2015 and therefore the  
5 contract revenue will not continue going forward. The second customer had manual  
6 postings during the test year totaling \$161,310 for Southwest Power Pool Transmission  
7 Service Charges. This customer is outside of OG&E's service territory and because this  
8 customer is physically interconnected to another utility system that utility charges OG&E  
9 for use of its lines. These charges are assessed to OG&E via the SPP and passed through  
10 to the customer. Because the expenses associated with these service charges are excluded  
11 from the cost of service study the associated customer revenues had to also be excluded.  
12

13 **Adjustment #6 and #7**

14 Q. **Please explain Adjustment #6 – Rider Removal, and Adjustment #7 – Riders Rolling  
15 into Base Rates.**

16 A. These two adjustments modify book revenues and credits for riders that: i) do not have  
17 expenses or plant that will be included in base rates; ii) have plant in base rates or the  
18 FAC at different levels than revenues in the test year; or iii) are pass-through  
19 mechanisms. Adjustment #6 removes all rider revenue reducing test year revenues by  
20 \$145,531,351. Adjustment #7 reintroduces rider revenue for riders that will have  
21 expenses or plant rolled into base rates or the FAC and adjusts revenues for riders that  
22 have plant or expenses in base rates at different levels than test year revenues.  
23 Adjustment #7 increases test year revenues by \$83,043,903. The net effect of these two  
24 adjustments is a reduction to test year revenues by \$62,487,448.  
25

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

28 A. Since the associated investment and expenses have not been included in the COSS, the  
29 rider revenues must be removed. The riders to which this portion of the adjustments  
30 pertain are the Storm Cost Recovery Rider, Demand Program Rider (energy efficiency  
31 program costs, incentives, and carrying costs), and the Green Power Wind Rider.

1 Q. **Please explain why it is necessary to adjust revenues for riders that have expenses or**  
2 **plant included in base rates or the FAC.**

3 A. *Pro forma* base rate revenues should align with investment and expenses included in the  
4 COSS and proposed revenues in Schedule M to ensure there is not a mismatch between  
5 costs and revenue. The riders for which this adjustment is necessary are the New  
6 Renewable Energy Credit (“NREC”) component of the Renewable Transmission System  
7 Additions (“RTSA”) Rider, System Hardening Program Rider, SmartGrid Rider,  
8 Crossroads Rider, Demand Program Rider (demand response program costs, energy  
9 efficiency labor cost, and lost net revenues), Southwest Power Pool Transmission System  
10 Additions Rider (“STSA”), and the Cogen Credit Rider.

11  
12 Q. **Please explain why it is necessary to remove riders that are pass-through**  
13 **mechanisms.**

14 A. Generally, pass-through mechanisms are designed to collect revenue for expenses that are  
15 not included in base rates. The riders this adjustment impacts are the Rider for Annual  
16 Public Utilities Assessment Fee, Military Base Tariff Credit, Southwest Power Pool Cost  
17 Tracker, Southwest Power Pool Transmission Revenues component of the RTSA,  
18 Transmission Service Revenue Credits component of the RTSA, Green Power Wind  
19 Rider Revenue component (“GPWRR”) of the RTSA, New Renewable Energy Credits  
20 component of the RTSA, and Renewable Energy Program.

21  
22 **Adjustment #8**

23 Q. **What is the purpose of the adjustment for the Time of Use (“TOU”) Best Bill**  
24 **Provision?**

25 A. This adjustment removes booked credits from billed revenue associated with the best bill  
26 provision of various time-differentiated rate schedules. The TOU, VPP, and Critical  
27 Peak Pricing (“CPP”) tariffs all have a one year best bill provision that guarantees  
28 participating customers be billed at either the time-differentiated rates as set forth in the  
29 enrolled tariff or at their previous tariff depending on which billing is in favor of the  
30 customer. The provision provides for the credit to be applied after one full year of

1 participation in the elected tariff if their previous tariff would have been less over the  
2 entire year's billings. This adjustment increases the test year revenues by \$2,644.

3  
4 **Q. Please explain why this adjustment is necessary.**

5 A. OG&E anticipates these customers will remain enrolled in their current time-  
6 differentiated rate schedules. The credits are being removed to ensure the remaining  
7 billed revenue aligns with book billing units.

8  
9 **Adjustment #9**

10 **Q. Please explain the adjustment to remove Renewable Energy Certificate ("REC")**  
11 **revenue.**

12 A. This adjustment removes revenues booked as a result of REC sales from various wind  
13 resources to the wholesale market during the test year. The proceeds from these sales are  
14 booked into miscellaneous revenue each month and are then credited through rider  
15 mechanisms or retained by shareholders in accordance with the order in each respective  
16 wind resource case. For the test year, this results in a revenue decrease of \$3,676,668.

17  
18 **Adjustment #10**

19 **Q. What is the adjustment related to the Demand Program Rider and explain why it is**  
20 **necessary?**

21 A. This adjustment decreases energy, demand, and revenue to account for lost sales resulting  
22 from energy efficiency measures implemented through the Demand Program Rider  
23 through August 2015 and projected through December 2015. Since energy saved by  
24 customers implementing energy efficiency measures is cumulative and changes every  
25 month when new measures are implemented, it is necessary to adjust each month of the  
26 test year to December 2015 levels. Decreasing test year sales to the savings recognized at  
27 December 2015 allows revenue, energy, and demand to be representative of the expected  
28 levels of sales going forward. This adjustment results in a revenue decrease of  
29 \$2,145,908 and a decrease of 58,550,923 kWh.

1 **Adjustment #11**

2 Q. **What is OG&E proposing in Adjustment #11?**

3 A. Adjustment #11 removes billed FAC revenue. Because expenses associated with the fuel  
4 are excluded from the cost of service study the associated fuel cost adjustment revenues  
5 need to also be removed. This adjustment decreases test year revenue by \$753,683,704.  
6

7 **Adjustment #12**

8 Q. **What is a weather normalization adjustment?**

9 A. A weather normalization adjustment changes revenue, energy, and demand to reflect  
10 normal weather in the test year. In this case this adjustment results in a revenue increase  
11 of \$6,366,505 and an increase of 109,089,041 kWh or approximately 0.45 percent to the  
12 Oklahoma jurisdiction.  
13

14 Q. **Why are such adjustments necessary?**

15 A. The effects temperature has on heating and cooling loads in relation to electricity usage  
16 can cause significant annual revenue swings and cause test year revenue to differ from  
17 the expected revenue outcome for a normal year.  
18

19 **Adjustment #13**

20 Q. **Please explain the adjustment for Municipal Free Service, Low Income Assistance  
21 Program (“LIAP”), and Senior Citizen Discount Surcharges.**

22 Several OG&E programs provide service to customers for free or at a discount. These  
23 programs are free municipal lighting service, the LIAP discount, and the Senior Citizen  
24 Discount. These programs create a revenue shortfall that is collected from other  
25 customers through a surcharge. The collection of this surcharge represents revenue that  
26 should be removed from test-year revenues. The resulting adjustment decreases the test  
27 year revenue by \$4,429,526.  
28

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

30 A. Book revenues and billing units in the Municipal Lighting class do not include portions  
31 associated with the granting of free service to certain municipalities. Since these portions

1 are not included, it is necessary to add the missing fixtures, kWh, and revenue into the  
2 lighting class to ensure proper rate design and COSS assignment. The adding of these  
3 revenues and billing units can be seen in adjustment W/P H-2-4a where the book portions  
4 are removed and total year-end levels are added back including the free service portions.  
5 If the revenues were not added, the Municipal Lighting class would show a deficiency  
6 commensurate with these revenues and all other Municipal Lighting customers would be  
7 solely responsible to pay for it. In order to recover the revenue recognized but not  
8 received by the Company, the other specified classes are assessed a surcharge equal to  
9 the amount of revenue added. This process spreads the cost of free service to the other  
10 Oklahoma retail customers.

11  
12 **Q. Why are the LIAP and Senior Citizen Discount portions of this adjustment proper?**

13 A. Eligible low-income customers receive a \$10 credit each month. Eligible senior citizen  
14 customers receive a \$5 credit each month during the five summer months of June through  
15 October. These credits decrease book revenues. The recovery of these credits is  
16 distributed among all retail customer classes to ensure the Residential class does not  
17 solely bear the cost associated with providing this credit. Both the credits and the  
18 distributed recoveries are backed out to restore base rate revenue.

19  
20 **Q. Please summarize the total pro forma revenue adjustments you are recommending?**

21 A. The total test year Oklahoma book revenue of \$1,890,555,713 has been reduced by the  
22 adjustments I have discussed above by the amount of \$740,056,483 resulting in adjusted  
23 Oklahoma base rate revenue of \$1,150,499,230<sup>1</sup>. The supporting calculations and  
24 spreadsheets for the above pro forma adjustments are found in Schedule H-2 of the  
25 Company's application.

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<sup>1</sup> Schedule OKREV of the Company's application.

1 CHANGES TO TERMS AND CONDITIONS OF SERVICE

2 Q. **What changes is the Company proposing to the Terms and Conditions section of the**  
3 **tariff?**

4 A. There are six modifications to the Terms and Conditions (“T&C”) that I am sponsoring.  
5 They are:

- 6 • Addition of a Rate Index,
- 7 • Update Standard Meter Type,
- 8 • Remove Meter Testing Plan suspension language,
- 9 • Update Reconnect Fee,
- 10 • Update Service Initiation Fee, and
- 11 • Update Meter Test Fee.

12  
13 Q. **Please describe the Company’s decision to add a Rate Index.**

14 A. OG&E would like to insert at the front of the T&C a rate index for all of the fees,  
15 charges, and rates in the T&C and rate schedules. This addition will be inserted as page  
16 102 of the tariff. The purpose of this addition is to have a single location at the front of  
17 the tariff to make it convenient to locate these fees, changes, and rates.

18  
19 Q. **Please describe the update of the Standard Meter type from mechanical registers to**  
20 **digital registers.**

21 A. OG&E completed the SmartGrid deployment in 2013. The result of this deployment is  
22 that the Company’s Standard Meter type is one with digital registers, not mechanical  
23 registers. This update is in Section 210 of the T&C.

24  
25 Q. **Why is the Company proposing to remove Meter Testing Plan suspension language?**

26 A. In Cause No PUD201100087, the Company added language to Section 210 of the T&C  
27 suspending the Company’s meter testing plans only during the SmartGrid deployment.  
28 With the deployment complete, this language is no longer necessary.

1 Q. **What is the Company's update to the Reconnect Fee?**

2 A. The Company is decreasing the Reconnect Fee to \$26.00 from \$35.00. The decrease of  
3 this fee is made possible by the virtual elimination of costs associated with having to  
4 dispatch OG&E personnel to manually disconnect and reconnect meters. The SmartGrid  
5 deployment allows OG&E to remotely disconnect and reconnect customers. The  
6 reduction in the cost associated with manual disconnects and reconnects has allowed for  
7 the inclusion of the cost associated with clerical salaries and wages (previously included  
8 in base rates), and the cost associated with the automated disconnect and reconnect  
9 process. The benefits are two-fold, removing a subsidy by all other rate payers and  
10 lowering the reconnect fee. This update is reflected in Sections 212 and 214 of the T&C.

11

12 Q. **Why is the Company updating the Service Initiation Fee?**

13 A. The Company is decreasing the Service Fee to \$22.50 from \$25.00. The reasons for this  
14 change are the same as the reasons for the Reconnect Fee. The SmartGrid deployment  
15 allows OG&E to remotely read meters at initiation and termination of service. The  
16 reduction in the cost associated with manual meter reads has allowed for the inclusion of  
17 the cost associated with clerical salaries and wages (previously included in base rates),  
18 and the cost associated with the automated meter reads. This moves costs out of base  
19 rates and lowers the Service Initiation Fee. This update is reflected in Sections 202 and  
20 206 of the T&C.

21

22 Q. **What is the Company's update to the Meter Test Fee?**

23 A. The Company is proposing to increase the Meter Test Fee to \$95.00 from \$50.00. The  
24 Company is proposing to collect close to the full cost of a meter test. The full cost of a  
25 meter test is \$97.40 and OG&E's proposed fee is 97.5 percent of this cost. This update is  
26 reflected in Section 210 of the T&C.

27

28 RIDER CHANGES

29 Q. **Is OG&E proposing changes to any of its riders?**

30 A. Yes. The Company's goal is to both reduce and simplify its riders. In accordance with  
31 these goals, the Company is proposing to discontinue the following riders: RTSA,

1 SmartGrid, STSA, System Hardening Program Rider, Security, and Crossroads. The  
2 Company is also recomputing the Military Base Tariff Credit (“MBTC”) rider, and is  
3 resetting the Cogen Credit Rider (“CCR”) to zero. Additionally, OG&E is proposing to  
4 credit all REC revenue through the FAC rider.  
5

6 **Q. Please describe the RTSA rider.**

7 A. The RTSA rider is comprised of five components: the Renewable Transmission  
8 Surcharge (“RTS”), the Southwest Power Pool Transmission Revenue (“SPPTR”), the  
9 Transmission Service Revenue Credits (“TSRC”), the NREC, and the GPWRR. The  
10 purpose of the RTS was to recover the monthly revenue requirements associated with the  
11 construction of a transmission line connecting Woodward to Oklahoma City. The  
12 SPPTR credits to customers 80% of OG&E’s Oklahoma jurisdictional share of the  
13 Southwest Power Pool (“SPP”) point-to-point transmission revenues. The TSRC credits  
14 to customers the Oklahoma jurisdictional share of the transmission service revenue  
15 associated with the transmission line corresponding with the RTS. The NREC credits to  
16 customers a portion of the Oklahoma jurisdictional share of the net earnings received  
17 from sales of Renewable Energy Credits. The GPWRR credits to customers the revenues  
18 received from the Green Power Wind Rider less educational, advertising, and ancillary  
19 expenses.  
20

21 **Q. Why is OG&E proposing to terminate RTSA?**

22 A. The revenue requirement for the Woodward to Oklahoma City transmission line for  
23 which the RTS portion of the RTSA rider was designed to collect has been fully  
24 recovered or already rolled into base rates in Cause No. PUD 201100087. The remaining  
25 four components (SPPTR, TSRC, NREC, and GPWRR) of the RTSA can be  
26 appropriately credited through OG&E’s other existing riders, thereby, negating the need  
27 for the RTSA.

1 Q. **Through what riders does OG&E propose to pass through credits associated with**  
2 **the SPPTR, TSRC, NREC, and GPWRR?**

3 A. OG&E proposes to pass the credits associated with the SPPTC and the TSRC through the  
4 Southwest Power Pool Cost Tracker (“SPPCT”) rider. As the SPPCT rider is already a  
5 means of tracking certain expenses and credits associated with the transmission system  
6 within the SPP it seems a natural fit. OG&E proposes to pass the credits associated with  
7 the NREC and GPWRR through the FAC.

8  
9 Q. **Please briefly explain OG&E’s proposal to pass all REC revenue through the FAC.**

10 A. OG&E is proposing to credit, through the FAC, the Oklahoma jurisdictional customer  
11 share of revenues associated with REC sales. Consolidating all of the REC revenue  
12 credits into one rider simplifies the mechanism and calculation by which RECs are  
13 credited to customers.

14  
15 Q. **What are RECs?**

16 A. RECs represent the positive environmental attributes associated with energy supplied  
17 from renewable energy facilities. They are tradable, non-tangible energy commodities  
18 that represent proof that 1 mega-watt hour (MWh) of electricity was generated from an  
19 eligible renewable energy resource.

20  
21 Q. **Currently, how does OG&E handle REC sales?**

22 A. OG&E sells RECs through subscription sales to retail customers. Any unsubscribed  
23 RECs are sold through the wholesale REC market. The revenue from these sales are  
24 credited back to OG&E’s retail customers through the RTSA rider via the NREC and  
25 GPWRR components, the Crossroads rider, and the FAC.

26  
27 Q. **Is OG&E proposing to retain a share of the REC revenues?**

28 A. Yes, OG&E is proposing to credit back to customers 80% of the Oklahoma jurisdictional  
29 share of the REC revenues. This revenue split is consistent with current treatment of  
30 REC revenues that flow back to customers through the NREC.

1 Q. **Has the Commission previously approved crediting RECs back to customers**  
2 **through the FAC?**

3 A. Yes, in Cause No. PUD 201000092, Order No. 580622, the Commission recommended  
4 that Public Service Company of Oklahoma credit all RECs, not required through their  
5 Green Tariff, to be credited through the FAC.  
6

7 Q. **Why is OG&E proposing to terminate STSA, SmartGrid, System Hardening**  
8 **Program, Security, and Crossroads riders?**

9 A. There are no plans to accumulate any additional plant associated with the STSA,  
10 SmartGrid, System Hardening Program, Security, and Crossroads riders and OG&E is  
11 proposing to move existing plant into base rates and the associated revenue requirements  
12 will be collected through base rate revenue. This treatment negates the need for these  
13 riders and, thus, allows for their termination.  
14

15 Q. **Please describe the change to the MBTC that OG&E is proposing.**

16 A. OG&E is proposing to recalculate the billing factor for the surcharge associated with the  
17 MBTC. This charge to customers is based on test year pro forma adjusted kWh sales and  
18 is updated with each base rate case. These kWh sales are increasing from 22,043,407,278  
19 to 23,980,267,256. The total amount being collected will remain unchanged at \$804,731.  
20 The increase in kWh sales results in a decrease in the factor from \$0.000036 to  
21 \$0.000034. The billing factor associated with the credit the military receives will also  
22 change. The military added a third account to be eligible to receive the credit and this  
23 increased the total kWh over which the credit will be applied. These kWh increased from  
24 397,220,400 to 419,835,200. This results in a factor change from (\$0.002025) to  
25 (\$0.001916).  
26

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

28 A. Yes.