

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

Rebuttal Testimony

of

Gwin Cash

on behalf of

Oklahoma Gas and Electric Company

April 11, 2016

Gwin Cash
Rebuttal 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. **Are you the same Gwin Cash that previously filed direct testimony in this**
6 **proceeding?**

7 A. Yes.

8
9 Q. **What is the purpose of your rebuttal testimony?**

10 A. The purpose of my testimony is to discuss the differences OGE has with the PUD staff
11 witness Kathy Champion proposed changes to the Company's miscellaneous fees: service
12 initiation fee ("SIF"), reconnect fee, and the meter test fee. OG&E's costs incurred to
13 initiate new service, to reconnect service, and to perform special customer requested
14 meter tests are not in dispute. The dispute is over who pays for the costs, the customer
15 requesting the service or all customers.

16
17 Q. **Please describe the Service Initiation Fee ("SIF") and the steps OG&E takes when a**
18 **request to initiate new service is made?**

19 A. The SIF is a fee assessed by OG&E any time a customer initiates new service. New
20 service refers to both the first time a customer starts service and any successive time a
21 customer sets up a new account for service. If the customer lacks a recent pay history
22 (most recent 12 months) then a credit check with Equifax is ran to determine if a security
23 deposit is needed. If a meter is required to be installed then a new meter set request is
24 issued through the Company's dispatch system and a field representative is scheduled to
25 install a meter. If no security deposit needs to be paid then the customer's service is
26 activated, or left on, and the process is complete. If a security deposit is required then it
27 must be paid first to have service activated, or if service is already active then the
28 customer is given three business days to pay the deposit or service will be deactivated.

1 All service activations and deactivations are handled remotely utilizing the Company
2 SmartGrid infrastructure.

3
4 **Q. What is Staff witness Champion's recommendation for the SIF?**

5 A. In this proceeding OG&E proposed to decrease the service initiation fee from \$25.00 to
6 \$22.50 per service initiation. Witness Champion recommends that the SIF be reduced
7 further to \$14.¹ Ms. Champion's proposed SIF does not include the customer service and
8 customer service call center cost incurred to initiate service.

9
10 **Q. Do you agree with Staff witness Champion's recommendations on the SIF?**

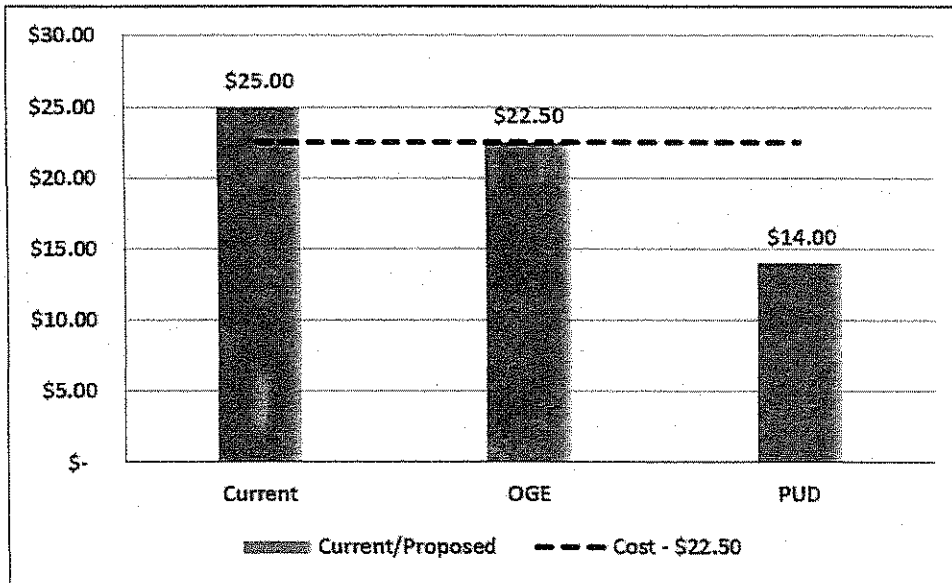
11 A. No. Ms. Champion's proposed SIF reduction to \$14 moves away from matching
12 recovery of cost with customers who use the service requested to an approach where
13 more of the costs are paid by all customers. This is often referred to as socializing the
14 cost recovery. Elsewhere in her testimony, Ms. Champion states that a goal of cost
15 recovery is to match recovery to those who cause the costs (cost causation)². Ms.
16 Champion did not dispute that the service initiation costs presented by OG&E are an
17 accurate reflection of those associated with service initiation. OG&E's proposal is purely
18 cost based and the Company's proposed SIF reduction accurately matches the
19 Company's cost of providing that service. While OG&E is seeking to move the recovery
20 of cost associated with service initiations to their true cost of service, the
21 recommendation of witness Champion accomplishes the reverse by moving cost recovery
22 further from their true cost of service. These different approaches to cost based pricing of
23 the SIF are demonstrated below in Chart 1. The current fee of \$25 is 11% above cost
24 while OGE's proposed fee of \$22.50 is at cost and Ms. Champion's proposal of \$14 is
25 38% below cost. Adopting Ms. Champion's approach would force OG&E to collect
26 service initiation cost associated with customer service and the call center through
27 another avenue, base rates. By utilizing the smart grid technology the Company has been
28 able to reduce the cost to initiate service and has proposed to reduce the SIF accordingly.

¹ Responsive Testimony of Kathy Champion, page 32, lines 1-3.

² Responsive Testimony of Kathy Champion, page 31, lines 17-18.

1 Witness Champion has not presented a compelling reason for socializing part of these
2 costs to all customers.

3
4 Chart 1 – Service Initiation Fee – Current and Proposed



5
6
7 Q. **Please describe the reconnection fee and the steps OG&E takes when these requests**
8 **are made?**

9 A. The reconnection fee is charged when a customer has had their service disconnected for
10 non-payment and the customer has paid the delinquent balance in order to get service
11 reconnected. When a customer becomes delinquent they pass through the Company's
12 credit and collection processes to determine what type of collection activity needs to take
13 place. These activities include:

- 14 • charging late penalties,
- 15 • charging an additional security deposit if an inadequate deposit is securing the
16 account,
- 17 • mailing late notices,
- 18 • outbound collection calls,
- 19 • generating disconnect orders, and
- 20 • creating reconnect orders.

1 When the customer becomes delinquent they will likely call the call center to:

- 2 • inquire about the disconnection date,
- 3 • inquire about the amount they need to pay prevent disconnection,
- 4 • request an installment plan,
- 5 • find out where they can pay the bill,
- 6 • notify that they have made a payment, and/or
- 7 • inquire about when service will be reconnected.

8 Once the customer pays the amount needed to have service reconnected a reconnection
9 order is issued. All service disconnections and reconnections are handled remotely
10 utilizing the Company SmartGrid infrastructure.

11
12 **Q. What is Staff witness Champion's recommendation for the Reconnect Fee?**

13 A. Witness Champion recommends that OG&E's proposed decrease to \$26 per service
14 reconnection be reduced further to \$18.³ Ms. Champion accomplishes this reduction in
15 the same manner as she did the SIF, by removing costs associated with customer service
16 and the call center.

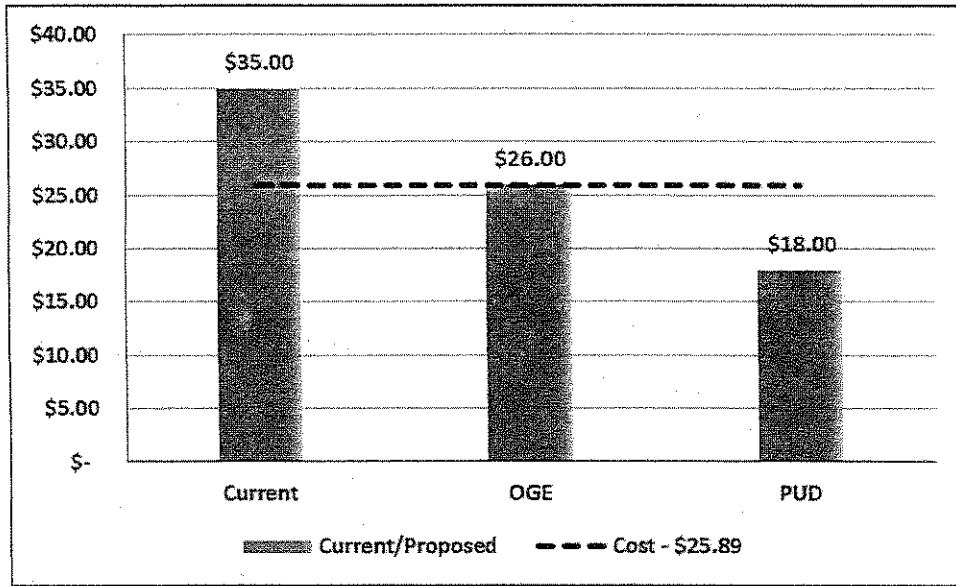
17
18 **Q. Do you agree with Staff witness Champion's recommendations on the Reconnection
19 Fee?**

20 A. No. Just as with the SIF, Ms. Champion's proposed reduction of the reconnection fee to
21 \$18 is a movement away from matching recovery with cost causers to a socialized
22 approach to cost recovery by requiring OG&E to collect this missing revenue through
23 base rates. All of the same arguments made in regards to the SIF likewise apply to the
24 reconnect fee and result in the same conclusions. OG&E seeks to move costs to their true
25 cost of service, while witness Champion's proposal causes the reverse, moving costs
26 further from their true cost of service. These different approaches to cost based pricing of
27 the reconnect fee are demonstrated below in Chart 2. The current fee of \$35 is 35%
28 above cost while OGE's proposed fee of \$26.00 is at cost and Ms. Champion's proposal
29 of \$18 is 31% below cost.

³ Responsive Testimony of Kathy Champion, page 32, lines 1-3.

1

Chart 2 – Reconnect Fee – Current and Proposed



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3

4 Q. **Please describe the meter test fee and the steps OG&E takes when these requests are**
 5 **made?**

6 A. The meter test fee is a fee assessed for sending a skilled field representative to test a
 7 meter for accuracy. The process can be initiated via the phone or the web. The customer
 8 is then notified that pre-payment of the fee is required, in the form of mailing a check.
 9 The payment is processed as received by a back office clerk, and issues an order to have a
 10 skilled field representative scheduled. If the customer wishes to be present during the test
 11 then this request is accommodated. The test usually takes one hour to perform.

12

13 Q. **What is Staff witness Champion’s recommendation for the Meter Test Fee?**

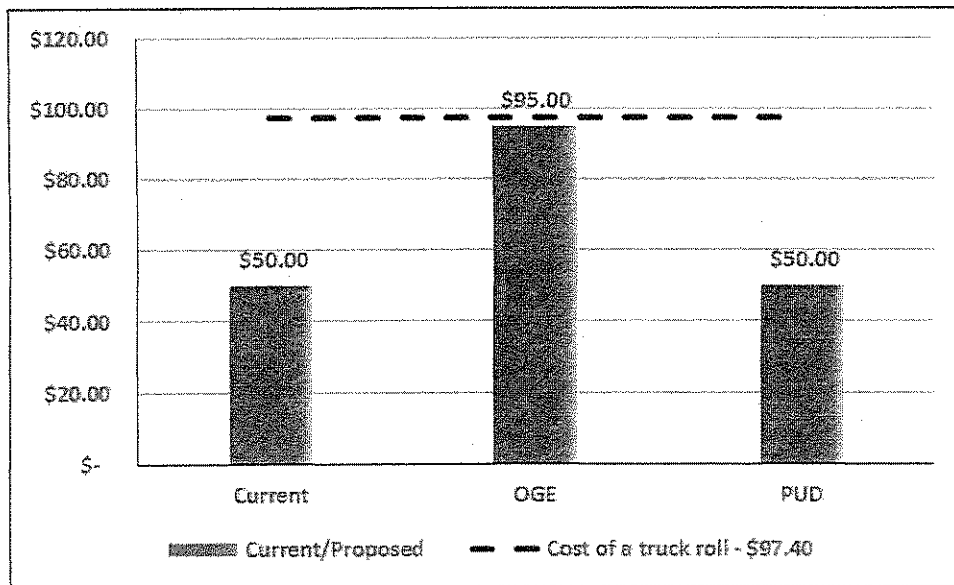
14 A. Witness Champion recommends that OG&E’s meter test fee of \$50 remain unchanged.
 15 Ms. Champion proposal is founded on the belief that OG&E’s proposal makes the fee
 16 unaffordable for those requesting this service.⁴

⁴ Responsive Testimony of Kathy Champion, page 32, lines 4-5.

1 Q. Do you agree with Staff witness Champion's recommendations on the Meter Test
2 Fee?

3 A. No. Ms. Champion's status quo proposal leaves the meter test fee revenues well below
4 cost. In contrast, as with the SIF and Reconnection Fee, OG&E's goal is to move meter
5 test revenues closer to their true cost of service. While computing the revenue
6 requirement for Meter testing OG&E was sensitive to the magnitude of the increase of
7 this fee and chose to only include the cost associated with a truck roll and leave all other
8 cost in base rates. The Company's approach is fair in that it balances its desire to get
9 closer to matching cost recovery with cost causation with its desire to minimize the
10 impact of the fee increase to customers. The different meter test fee proposals are
11 demonstrated below in Chart 3. The current fee of \$50 is 49% below the cost of a truck
12 roll while OGE's proposed fee of \$95.00 is 2% below the cost of a truck roll.
13
14

Chart 3 – Meter Test Fee – Current and Proposed



15
16
17 Q. Do you have any other points to make in support of the Company's position
18 regarding the meter test fee?

19 A. Yes. Meter testing is an entirely optional service. During the test year there were 33
20 meter tests requested and none of those tests resulted in confirmation of a faulty meter.
21 All of the tests resulted in confirmation of the meter being in good working order. This is

1 an indication that, ultimately, none of these tests were needed. If any of the meter tests
2 had resulted in confirmation of a faulty meter the customer would not have been charged
3 (their cashier check sent back or their personal check not cashed) and the cost of the test
4 would have been assumed by OG&E and the customer's billing would be corrected.
5 OG&E believes that a socialized approach to cost recovery of the meter test fee is
6 unnecessary when considering the optional nature of the service and also that none of the
7 tests during the test year found any fault with the meter. The Company has submitted a
8 fair proposal in requesting that none of the cost of the truck roll be passed along to other
9 customers.
10

11 **Q. What is your response to the claim made by Ms. Champion that the customers**
12 **affected by OG&E's miscellaneous fees may find them punitive or less affordable at**
13 **a time when they are struggling to pay for basic service⁵?**

14 A. Ms. Champion offers no support in her responsive testimony that the customers affected
15 by these fees find them punitive. Ms. Champion offers no support in her responsive
16 testimony that the customers affected by these fees find them less affordable. In the case
17 of the SIF and the reconnect fee they are *more affordable* since OG&E's proposal is to
18 *reduce* the fee. Ms. Champion offers no support in her responsive testimony that the
19 customers affected by these fees are struggling to pay for basic service. I would like to
20 point out that at the time of the filing of this rebuttal testimony there are outstanding data
21 requests to the PUD seeking any support they may have demonstrating these issues.
22

23 **Q. What is your response to the claim made by Ms. Champion that OG&E's proposed**
24 **change to the meter test fee may make it unaffordable for those requesting this**
25 **service?**

26 A. Ms. Champion offers no support in her responsive testimony that the customers
27 requesting this service will deem OG&E's proposal unaffordable. At the time of the
28 filing of this rebuttal testimony there is an outstanding data request to the PUD seeking
29 any support they may have demonstrating this issue.

⁵ Responsive Testimony of Kathy Champion, page 31, lines 10-11.

1 Q. **What are your recommendations?**

2 A. I recommend that the Commission reject the PUD's proposals to 1.) reduce the service
3 initiation fee to \$14, 2.) reduce the reconnection fee to \$18, and 3.) not change the meter
4 test fee. Secondly, I recommend that the Commission deem that the PUD's
5 miscellaneous fee proposals are an unnecessary socialized approach to the pricing of
6 these fees.

7

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

9 A. Yes.