

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF)
OKLAHOMA GAS AND ELECTRIC COMPANY)
FOR APPROVAL OF A GENERAL CHANGE IN) DOCKET NO. 16-052-U
RATES, CHARGES AND TARIFFS)

DIRECT TESTIMONY

OF

ELANA FOLEY
SENIOR RATE CASE ANALYST

ON BEHALF OF THE GENERAL STAFF OF THE
ARKANSAS PUBLIC SERVICE COMMISSION

JANUARY 31, 2017

1 **INTRODUCTION**

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

3 A. My name is Elana Foley and my business address is Arkansas Public Service
4 Commission (Commission), 1000 Center Street, Little Rock, Arkansas 72201.

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

6 A. I am employed by the Commission's General Staff (Staff) as a Senior Rate Case
7 Analyst in the Electric Section. In that capacity, I analyze utility company filings,
8 identify and evaluate issues, develop positions on those issues, and present
9 those positions, when necessary, in written and oral testimony before the
10 Commission.

11 **Q. Please state your qualifications and background.**

12 A. I have more than sixteen years of experience in utility regulation, accounting, and
13 finance including financial analysis, property accounting and general accounting.
14 My educational qualifications include a Bachelor of Business Administration in
15 Accounting and a Master of Business Administration both from the University of
16 Central Arkansas. I joined Staff in August of 2005, as a Rate Analyst. In
17 October 2008, I was promoted to Audit Supervisor. In November 2016, I was
18 promoted to my current position. Since joining Staff, I have received specialized
19 training, including the National Association of Regulatory Utility Commissioners'
20 Annual Regulatory Studies Program at Michigan State University, the Electric
21 Industry Regulation Course at the Center for Public Utilities at New Mexico State
22 University, the Electric Utility Consultants, Inc.'s Introduction to Electric Utility
23 Systems, and the IPU Grid School sponsored by Michigan State University's

1 Institute for Public Utilities Regulatory Research and Education. I have
2 previously presented testimony and exhibits before this Commission in several
3 proceedings concerning various rate making, rulemaking, revenue requirement,
4 and policy issues.

5 **PURPOSE OF TESTIMONY**

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

7 A. I address the Application for Approval of a General Change in Rates, Charges
8 and Tariffs filed by Oklahoma Gas and Electric (OG&E or Company) on August
9 25, 2016. Specifically, I address the proposed Large Capital Additions Rider
10 (LCA Rider) as discussed in the Direct Testimonies of OG&E witnesses Gwin
11 Cash and Donald R. Rowlett. I also address the proposal to discontinue the
12 Smart Grid Recovery Rider (SGR Rider) addressed in the Direct Testimony of
13 OG&E witness Cash and other issues related to Smart Grid.

14 **LARGE CAPITAL ADDITIONS RIDER**

15 **Q. Please describe OG&E's proposed LCA Rider.**

16 A. The proposed LCA Rider was designed to recover from OG&E's retail customers
17 the cost associated with large capital projects as approved by Commission order
18 that have achieved commercial operation. The proposed LCA Rider includes an
19 Arkansas-jurisdictional revenue requirement that will be allocated based on the
20 most recently approved applicable class allocation factors and billed on a per
21 kilowatt-hour (kWh) basis.

22 The LCA Rider will require Commission approval prior to recovery of a
23 capital addition. The proposed LCA Rider does not include a provision for a true-

1 up adjustment or an annual redetermination of the LCA billing factors. The LCA
2 billing factors would remain in effect until either another LCA project has been
3 approved by the Commission and has achieved commercial operation or the
4 capital addition is included in base rates during the course of a general rate filing.

5 **Q. Has OG&E provided information that suggests there is a need for the LCA**
6 **Rider at this time?**

7 A. No. OG&E's proposed LCA Rider does not include a request for recovery of any
8 specific capital additions. OG&E witness Rowlett states that the purpose of the
9 request is to establish a mechanism that will allow for inclusion of capital cost at
10 the time they occur and a means of recovering such costs without disrupting the
11 bandwidths established in the Formula Rate Plan Rider proposed in this docket.¹

12 **Q. What is your recommendation regarding the proposed LCA Rider?**

13 A. I recommend the Commission reject OG&E's proposed LCA Rider. The purpose
14 of the LCA Rider is to establish a mechanism that will allow for the inclusion of
15 capital costs approved by the Commission at an unspecified time in the future.
16 It is premature to approve the LCA rider mechanism prior to the Commission's
17 evaluation and approval of a specific capital project. The recovery of capital costs
18 through a rider is discretionary and should be addressed on a case-by-case
19 basis, considering specific circumstances at the time, including the appropriate
20 costs and terms of the rider, the components of the revenue requirement,
21 allocation factors, and rate structure.

¹ Direct Testimony of Donald R. Rowlett, p. 9, l. 10-13.

SMART GRID

Q. What are the changes OG&E is proposing related to Smart Grid?

A. OG&E proposed a transition plan for the SGR Rider. Because the costs currently being recovered in the SGR Rider will be reflected in base rates at the conclusion of this case, OG&E proposes to end cost recovery in the SGR Rider in accordance with the Final True-up Provision set forth in the tariff. The Final True-Up Provision requires that, upon termination of the rider, OG&E will calculate a final true-up adjustment and the over/under-recovery will be refunded or collected through the Energy Cost Recovery (ECR) Rider.

OG&E is also proposing to remove the exemption language related to the Meter Testing Program from Sections 104 and 309 of the Terms and Conditions of Service (T&C) tariff.

Lastly, OG&E is proposing to be released from the Smart Grid reporting requirements established in Attachment 2 to the Settlement Agreement approved by Order No. 8 of Docket No. 10-109-U since the SGR Rider will no longer be in effect.

Q. Do you agree with OG&E's recommendations regarding Smart Grid?

A. Yes. I recommend that the collections under the SGR Rider end with the implementation of new base rates from this case and that the tariff be withdrawn, because costs currently being recovered in the SGR Rider will be included in base rates in this case. OG&E's proposal is consistent with the approved transition plan in the SGR Rider.

1 Additionally, I recommend approval of OG&E's request to remove the
2 Meter Testing Program suspension language from the T&C section of its tariff.
3 The suspension language was approved as a temporary waiver of the meter
4 testing requirements in the Commission's *Special Rules – Electric* during the
5 Smart Grid deployment period.

6 Due to the termination of the SGR Rider and the related annual updates, I
7 recommend that OG&E be released from the reporting requirements established
8 in Attachment 2 to the Settlement Agreement approved by Order No. 8 of Docket
9 No. 10-109-U.

10 **Q. Do you have any other recommendations regarding Smart Grid?**

11 A. Yes. The Settlement Agreement approved by Order No. 8 in Docket No. 10-109-
12 U included a provision for the prudence of OG&E's Smart Grid expenditures to
13 be evaluated in the Company's next rate case. To fulfill this requirement, OG&E
14 responded to Staff's Data Request APSC-084 with a reconciliation of the total
15 project budget to actuals. The reconciliation revealed that the Smart Grid project
16 was five percent (5%) under budget and that it was implemented on time as
17 proposed.² In addition, OG&E provided a confidential addendum to Data
18 Request APSC-084 that included a Performance Audit of the Smart Grid project
19 costs conducted by KPMG on behalf of the Department of Energy (DOE) and an
20 Implementation Closeout Checklist from the DOE.³ This information allowed
21 Staff to further evaluate the total expenditures of the Smart Grid program and

² See Direct Exhibit EF-1.

³ See Confidential Direct Exhibit EF-2.

1 review the findings of the DOE. After reviewing the information provided, I
2 recommend the Commission find that the Smart Grid expenditures are prudent
3 and in the public interest.

4 **RECOMMENDATIONS**

5 **Q. Please summarize your recommendations.**

6 A. I recommend that the Commission:

- 7 • Reject OG&E's proposed LCA Rider;
- 8 • Approve OG&E's proposed closing of the SGR Rider because the costs will
9 be included in base rates at the conclusion of this case;
- 10 • Approve OG&E's proposal to remove the Meter Testing Program suspension
11 language from the T&C section of its tariff;
- 12 • Approve OG&E's proposal to be released from the Smart Grid reporting
13 requirements established in Attachment 2 to the Settlement Agreement
14 approved by Order No. 8 of Docket No. 10-109-U; and
- 15 • Find that the Smart Grid expenditures are prudent and in the public interest.

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

17 A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served on all parties of record by electronic mail via the Commission's Electronic Filing System this 31st day of January, 2017.

/s/ Justin A. Hinton
Justin A. Hinton