

BEFORE THE CORPORATION COMMISSION OF THE STATE 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) CASE NO. PUD 2023-000087
RATES, CHARGES, AND TARIFFS FOR RETAIL)
ELECTRIC SERVICE IN OKLAHOMA)

Direct Testimony

of

Bryan J. Scott

on behalf of

Oklahoma Gas and Electric Company

December 29, 2023

Bryan J. Scott
Direct Testimony

QUALIFICATIONS, EXPERIENCE AND PURPOSE

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- Q. Please state your name and business address.**
- A. My name is Bryan J. Scott. My business address is 321 N. Harvey Ave., Oklahoma City, Oklahoma 73102.
- Q. By whom are you employed and in what capacity?**
- A. I am employed by Oklahoma Gas and Electric Company (“OG&E” or “Company”) as the Director of Pricing and Load Analysis. In that capacity, I am responsible for overseeing the development of rates for each of the services provided to our customers.
- Q. Please summarize your educational qualifications and professional experience.**
- A. I graduated from the University of Tulsa with a Bachelor of Science degree in Economics. I joined OG&E in March 2008 and became the Director of Pricing and Load Analysis in January 2010. I have been involved with electricity pricing, costing, rate administration, and regulatory issues for over 44 years.
- I began my career with Public Service Company of Oklahoma (“PSO”) in 1979 where I held various positions in its Rates Department and with the parent company Central and South West (“CSW”), and then with American Electric Power (“AEP”). (AEP assumed control of CSW in 2000). In January 2002, I left AEP to become a utility consultant with B&B Consulting International and then with UtiliPoint International.
- Q. Have you previously filed testimony before the Oklahoma Corporation Commission (the “Commission”)?**
- A. Yes. I have previously filed testimony on behalf of OG&E in Cause Nos. PUD 200800398, 200900230, 200900231, 201000037, 201100087, 201200134, 201400286, 201400307, 201500247, 201500273, 201600366, 201600441, 201700216, 201700496, 201800070, 201800074, 201800140, 202100018, 202100159, and 202100164. I have also previously submitted testimony on behalf of PSO in various proceedings before this Commission. I have also submitted testimony before the Arkansas Public Service Commission, the

1 Louisiana Public Service Commission, the Public Utility Commission of Texas, and the
2 Federal Energy Regulatory Commission.

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

5 A. The primary purpose of my testimony is to support the allocation of the Oklahoma
6 jurisdictional revenue requirement among customer classes as recommended by OG&E in
7 this Case.

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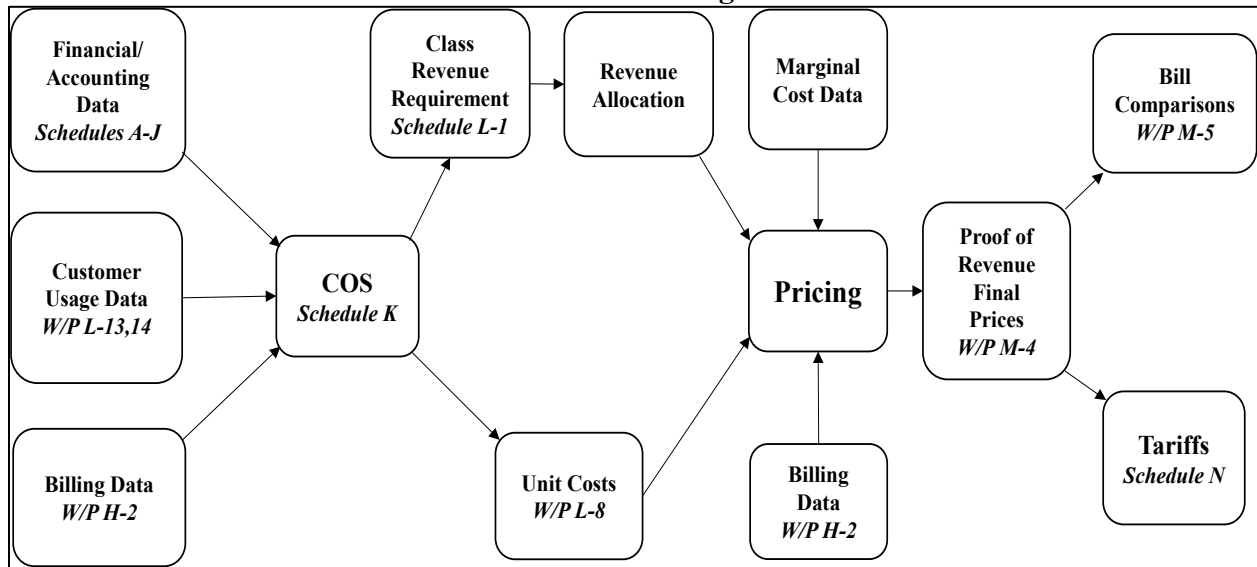
REVENUE ALLOCATION

10 Q. **What is revenue allocation and what role does it play in the development of proposed
11 rates?**

12 A. In its simplest form, rate design is the process of pricing the services offered to OG&E's
13 customers to produce the revenues needed to pay for the costs of providing those services.
14 That process begins with the identification of the costs assigned to each customer class in
15 a Cost of Service Study ("COSS"); and revenue allocation is the process of adjusting results
16 of the COSS to establish the target revenue requirement for each class or group of retail
17 customers. The pricing process then establishes rates for each tariffed service to collect
18 the targeted revenue requirement.

19 As can be seen in Chart 1 below, the Minimum Filing Requirements package for
20 OG&E's Application in this Case includes schedules and work papers which provide in
21 detail the information the Company uses to develop the proposed rates for each of the
22 tariffed services offered to our customers. As seen below, revenue allocation is one of the
23 final, primary inputs which the Company considers when developing the pricing for those
24 tariffs.

Chart 1. The Rate Design Process



1 Q. **What is the purpose of a COSS?**

2 A. As mentioned earlier, COSS results are used to establish the amount of revenues that would
 3 be collected from each customer group or class if each class were to pay its full cost for
 4 receiving electric service. In those circumstances, the class’s revenue requirement is
 5 described as being at 100% *relative rate of return* (“RROR”) or at an *equalized* rate of
 6 return (“ROR”). OG&E witness Lauren Maxey supports the company’s COSS.

8 Q. **What were the results from the COSS for this Cause?**

9 A. Table 1 shows the results of the COSS found in Section K of the Company’s filing package
 10 and depicts the revenue requirements, revenue deficiencies and percent increases which
 11 would provide a 100% RROR for each customer group or class.

12 The first column is the customer group. The second column is the current revenue
 13 from each customer group after *pro forma* adjustments are made and also include fuel
 14 revenue and continuing rider revenues. These *pro forma* adjustments are described on
 15 Schedule H-2 of the Application package and discussed by OG&E witness Johnny Nguyen.
 16 The third column is the total proposed revenue, which also includes current fuel revenue
 17 and rider revenues. The proposed revenues represent the amount needed to fund the
 18 Company’s costs of service when new rates become effective, assuming no changes to
 19 riders or fuel costs. The fourth column shows the difference between current revenues and

1 proposed revenues at 100% RROR based on current rider and fuel revenues. The last
 2 column is the proposed percent change for each class or group of Oklahoma retail
 3 customers and represents the impact to customers' bills *if* all groups were taken to 100%
 4 RROR.

Table 1. Cost of Service Study Results

Class	Total Current Revenue	Proposed Total Revenue @ 100% RROR	Proposed Increase @ 100% RROR	% Change from Current @ 100% RROR
RESIDENTIAL SERVICE	\$ 1,159,349,024	\$ 1,319,843,563	\$ 160,494,539	13.8%
GENERAL SERVICE	\$ 237,459,820	\$ 275,176,876	\$ 37,717,056	15.9%
PUBLIC SCHOOLS SM	\$ 19,757,590	\$ 26,625,631	\$ 6,868,041	34.8%
OIL & GAS PRODUCTION	\$ 29,977,635	\$ 30,875,396	\$ 897,761	3.0%
PUBLIC SCHOOLS LG	\$ 23,569,743	\$ 28,785,336	\$ 5,215,593	22.1%
POWER & LIGHT	\$ 703,175,642	\$ 766,242,928	\$ 63,067,286	9.0%
LRG. PWR & LGHT	\$ 289,315,915	\$ 336,815,577	\$ 47,499,662	16.4%
MUNICIPAL PUMPING	\$ 11,639,839	\$ 12,480,958	\$ 841,119	7.2%
LIGHTING	\$ 45,479,945	\$ 55,416,230	\$ 9,936,285	21.8%
OKLA RETAIL JURISDICTION	\$ 2,519,725,153	\$ 2,852,262,495	\$ 332,537,341	13.2%

5 Q. Are these the revenue requirements OG&E utilized to price tariffs for the respective
 6 classes?

7 A. No. As mentioned above, at times in the rate design process the revenue allocation process
 8 may result in a particular class's allocated revenues being set at an amount higher or lower
 9 than is required to pay its full cost of service as identified in the COSS.

10
 11 Q. What are the considerations in the revenue allocation process?

12 A. From OG&E's perspective, the preference is to set each class's revenue requirement as
 13 close as possible to a target RROR of 100%. The Company believes that ultimately each
 14 customer group should pay the full cost for its electric service. However, external, or
 15 unusual circumstances are legitimate considerations in the allocation of revenue recovery
 16 to each class and the Company pricing proposals have historically been reflective of other
 17 circumstances.

1 Q. **Please describe the total impact proposed by the Company in this case.**

2 A. The Oklahoma retail jurisdiction average increase is 13.2%.

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4 Q. **What were the results from the Company's revenue allocation process?**

5 A. The average base rate increase is 25.2%. The base rate increase computation only includes
 6 the amounts recovered through the class rate tariffs and does not include fuel expenses
 7 (recovered through the FCA rider) or other cost recovery riders (e.g., GEM, SC, EECR,
 8 etc.). For revenue allocation, the base rate increases for each class were capped at 135%
 9 of the Oklahoma Jurisdiction retail average base rate increase and no decreases were
 10 proposed. The results of the revenue allocation process, including the impact on class
 11 relative rates of return are shown in Table 2.

Table 2. Proposed Revenue Allocation

Class	Total Current Revenue	Proposed Increase	Proposed Total Revenue	Proposed Total Bill Impact	Proposed ROR	Proposed Relative ROR
RESIDENTIAL SERVICE	\$ 1,159,349,024	\$ 160,494,538	\$ 1,319,843,562	13.8%	7.9%	100.0%
GENERAL SERVICE	\$ 237,459,820	\$ 43,017,056	\$ 280,476,876	18.1%	8.4%	106.5%
PUBLIC SCHOOLS SM	\$ 19,757,590	\$ 1,530,589	\$ 21,288,179	7.7%	2.4%	30.6%
OIL & GAS PRODUCTION	\$ 29,977,635	\$ 897,761	\$ 30,875,396	3.0%	7.9%	100.0%
PUBLIC SCHOOLS LG	\$ 23,569,743	\$ 2,211,013	\$ 25,780,756	9.4%	4.7%	59.7%
POWER & LIGHT	\$ 703,175,642	\$ 67,364,987	\$ 770,540,629	9.6%	8.1%	102.6%
LRG. PWR & LGHT	\$ 289,315,915	\$ 47,500,563	\$ 336,816,478	16.4%	7.9%	100.0%
MUNICIPAL PUMPING	\$ 11,639,839	\$ 841,119	\$ 12,480,958	7.2%	7.9%	100.0%
LIGHTING	\$ 45,479,945	\$ 8,679,715	\$ 54,159,660	19.1%	5.8%	73.5%
OKLA RETAIL JURISDICTION	\$ 2,519,725,153	\$ 332,537,341	\$ 2,852,262,494	13.2%	7.9%	100.0%

12 Q. **Were the allocated revenues identified in Table 2 used to establish the prices in the**
 13 **proposed tariffs?**

14 A. Yes.

1

RECOMMENDATIONS

2 Q. **Please summarize your recommendations to the Commission.**

3 A. OG&E requests the Commission approve tariffs based on the Company's recommended
4 Revenue Allocation for customer classes as described above and shown in Table 2 of this
5 Testimony.

6

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

8 A. Yes.

AFFIDAVIT

STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA)

On the 28th day of December 2023, before me appeared Bryan Scott, to me personally known, who, being by me first duly sworn, states that he is the Director of Pricing and Load for Oklahoma Gas and Electric ("OG&E") and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge, and belief.

Print Bryan Scott

Signature *Bryan Scott*

Subscribed and sworn to before this 28th day of December, 2023.

Harrison L. Burton
Notary Public

My commission expires: 10-17-2026

Seal

