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 RATES, CHARGES, AND TARIFFS FOR RETAIL ELECTRIC SERVICE IN OKLAHOMA	))))))	CASE NO. PUD 2023-000087

Direct Testimony

of

Gwin Cash

on behalf of

Oklahoma Gas and Electric Company

December 29, 2023

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Q. **Please state your name, position, by whom you are employed, and your business address.**

A. My name is Gwin Cash. I am the Manager of Pricing and Rate Administration for Oklahoma Gas and Electric Company ("OG&E" or "Company"). My business address is 321 N. Harvey, Oklahoma City, Oklahoma, 73102.

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

A. I have worked for OG&E in various capacities for over 22 years. I joined the Company's regulatory department in January 2015 as the Rate Administration Manager and in July of 2017 I assumed additional responsibilities as the manager of Cost of Service. In May of 2023 I became the manager of Pricing and Rate Administration. My Pricing responsibilities include oversight of the department's development of rates and charges in the Company's retail electric tariffs. My Rate Administration responsibilities include maintaining OG&E's tariffs on file with the regulatory commissions and ensuring consistent application of these tariffs in the manner which they are intended. Additional duties include computing rider factors and monthly retail revenue reporting. Prior to joining OG&E's regulatory department I worked as a Senior Business Analyst in OG&E's Sales and Customer Support department and as a Workforce Analyst in OG&E's Customer Service department. I received a Bachelor of Science in Applied Mathematics with a Specialization in Computing from the University of California, Los Angeles in 1999.

Q. **Have you previously testified before the Oklahoma Corporation Commission ("OCC") or any other regulatory commission?**

A. Yes. I have testified before the OCC in the following Causes: PUD 202100164, PUD 202100072, PUD 202000021, PUD 201800140, PUD 201700496, and PUD 201500273. I have also testified in multiple cases before the Arkansas Public Service Commission.

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

A. The purpose of my testimony is to:

- Describe the process of developing the rates proposed by the Company in its Application;
- Show comparisons between the current and proposed rates and discuss customer impacts associated with these changes and updates; and
- Sponsor OG&E's Proof of Revenue, Schedule M and associated workpapers, as well as Schedule N, the proposed tariffs.

INTRODUCTION - RATE DESIGN

Developing Proposed Rates

Q. **Please generally describe how the Company develops the rates requested in a general rate case.**

A. The major steps in updating existing rates or developing new rates are as follows:

1) Develop *pro forma* year data - actual test year data (revenues and billing determinants[1]) is collected and then adjusted to design rates consistent with the revenues and expenses which are expected to occur in a normal year of operations. The result of these normalizing adjustments is typically referred to as the *pro forma* year data. The specific revenue and billing determinants adjustments made for the test year used in this application are presented in Schedule H-2 of this filing and addressed in more detail by OG&E Witness Johnny Nguyen.

2) Determination of the *pro forma* year revenue from current rates - annual revenue is calculated by applying the rates approved in the Company's previous rate case to the billing determinants contained within the *pro forma* year data. The Proof of Revenue Schedule M-1 and W/P M-4, which I sponsor, includes the calculation of current rate revenue for each rate class.

3) Cost of Service Study ("COSS") - the *pro forma* year data along with other inputs are used in the development of the COSS as described in the direct testimony of OG&E witness Lauren Maxey. The resulting COSS serves as the starting point for rate design.

[1] Billing determinants are customers' kWh usage, kW demand, and customer count.

4) Rate design – the cost of providing service calculated in the COSS is compared to the *pro forma* revenue from current rates and the differential identifies a revenue deficiency or surplus to be addressed when rates are determined. Proposed rates are then designed to recover the appropriate revenue. The COSS results identify the revenue requirement by class and then may be adjusted through the revenue allocation process. OG&E witness Bryan Scott describes the revenue allocation process and presents those results in his Direct Testimony.

5) Proof of revenue – the proposed rates are used to calculate the proposed revenue for each rate class. W/P M-4 shows these calculations, including, the sum of the revenue requested from each rate classes, plus other listed revenue, equaling the total OG&E requested revenue. Schedule M-1 summarizes the results and shows the proposed increase.

Q. **What are the Company's objectives when designing rates?**

A. The Company's rate design is driven by the objectives to:

- Promote efficient consumption of energy;
- Provide pricing product choices that meet customers' pricing preferences; and
- Recover authorized revenue requirements.

Q. **How does OG&E develop the proposed rates?**

A. The proposed rates are designed so that proposed revenues in a normal year will match the *pro forma* revenue requirement, *i.e.*, any deficiency or surplus has been incorporated. Major steps of the rate design process include determination of the unit costs for each rate class, application of the unit costs and marginal costs to create initial price levels, determination of rate structure and final rates through an iterative process to ensure proper recovery of revenue requirements. The iterative process includes the evaluation of proposed rates against rate design objectives through impact and unit cost analyses.

Unit Costs

Q. **What are unit costs?**

A. Unit costs are the costs for the attributes of electric service, which are generally categorized as customer, demand, and energy costs. Customer costs are those costs associated with metering, billing, customer care, and local distribution facilities. Demand costs are those fixed costs associated with wires (transmission and distribution system) and can also include fixed production costs. Energy costs are variable costs associated with electricity supply such as fuel and other variable costs. Unit costs are these costs by each category or billing determinant.

Unit costs are developed from the functionalized and classified cost components in the COSS and are calculated by dividing the revenue requirements of these components by the associated billing units (such as demand and time-differentiated kWh) for each class and service level of customers.

Q. **Would it be proper to set prices using only unit costs?**

A. No. While unit costs provide an embedded cost basis for each rate and represent the simplest division of costs among customer classes, reliance on these costs alone may not satisfy other rate design objectives. For example, unit cost pricing does little to recognize the variations of costs by time periods (*e.g.* hourly marginal costs) and time-period sensitive pricing can encourage more efficient allocation of resources to customers. OG&E's proposed prices are intended to reflect a balance between embedded cost, marginal cost, customer preference, and recovery of the proposed revenue requirement without undue impacts on customers.

Q. **Have you developed a unit cost for each rate category and service level based on the component cost revenue requirements?**

A. Yes. The unit costs for each rate class and service level contained within the Company's cost of service study were calculated in the manner I have described above. As an example, Direct Exhibit GC-1 illustrates the unit cost calculations for the Residential classes.

Marginal Costs

Q. **What are marginal costs?**

A. Marginal costs are the change in the total cost of production that results from producing one additional unit of energy. Marginal costs are also divided into short-run marginal costs and long-run marginal costs. Short-run marginal costs typically include only the variable costs such as fuel and variable operations and maintenance costs associated with production occurring within the constraints of currently available assets. Long-run marginal costs consider the cost of expanding production capabilities to meet future load growth.

Q. **How are marginal costs used within the rate design process?**

A. Marginal costs are used to set rates that promote more efficient use of resources. One example is the use of marginal costs in setting on-peak period pricing. If consumers are exposed to the marginal cost of energy, the resulting consumption decisions should encourage a more efficient use of production resources and serve to lower the overall production cost to all consumers.

Changes to Existing Rates

Q. **Has the Company provided the proposed tariff changes to existing rates?**

A. Yes. The proposed tariff changes to existing rates are shown in Schedule N of the MFR package. Schedule N is sponsored by OG&E Witness James Alexander.

CURRENT VERSUS PROPOSED RATES

Overall Modification to Rates

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

A. OG&E's customers will see an increase in base rates of approximately $332.5 million annually as compared to the revenue which would be produced in a normal year by the current base rates.

Residential

Q. **What is the overall result of the proposed rate design changes to a standard residential ("R-1") customer?**

A. The average impact to an R-1 customer as compared to current rates is a monthly increase of approximately 13.85% or $19.02 per month per customer.

Q. **Please describe the proposed changes to OG&E's current residential rates.**

A. The price changes to the tariff includes an increase in the monthly customer charge, from $13.00 to $21.00, and a lowering of the energy prices paid by those customers. The change in the customer charge will more accurately reflect the fixed cost of providing electric service to a residential customer. The proposed rate changes are presented in Table 1 below.

Table 1. Comparison of Proposed Residential Prices

Residential (R-1) Monthly Prices	Proposed	Current	Change
Customer Charge			
$/ per Month	$21.00	$13.00	$8.00
Energy Charge			
Summer Season	Jun-Oct	Jun-Oct	
First 1,400 kWh	$0.0830 Per kWh	$0.0685 Per kWh	$0.0145 Per kWh
Over 1,400 kWh	$0.0830 Per kWh	$0.0760 Per kWh	$0.0070 Per kWh
Winter Season	Nov-May	Nov-May	
First 600 kWh	$0.0580 Per kWh	$0.0685 Per kWh	($0.0105) Per kWh
Over 600 kWh	$0.0580 Per kWh	$0.0263 Per kWh	$0.0317 Per kWh

Q. **What is the basis for increasing the monthly customer charge to $21.00?**

A. As shown in Direct Exhibit GC-1, the unit cost for the customer component is approximately $25.00 on average. OG&E's current customer charge for R-1 customers is $13.00 per month, which covers approximately one-half the cost. OG&E proposes to transition to the higher monthly charge by moving to $21.00 per month in this Cause.

Q. **Why should the customer charge be set at unit cost?**

A. Customer charges should be set at the customer unit cost level as it is appropriate, effective, efficient, reasonable, and contributes to bill stability.

Q. **Why is setting the customer charge at unit cost appropriate?**

A. Customer unit cost reflects the cost to serve an average customer regardless of the level of electricity consumption on an embedded cost basis. In other words, the customer unit cost is the cost to provide customers the capability of receiving electric service safely and reliably.

Q. **How is setting the customer charge at unit cost more effective?**

A. In a modern world, access to electrical services is a necessity and a matter of public interest. Customer charges are not intended to incentivize customers entering or leaving a utility; however, the economic efficiency of the rate structure as a whole depends on setting a proper customer charge as other components of the rate structure are residuals from the level of customer charge being set. Setting the customer charge at less than unit cost can lead to the energy charge being artificially high, resulting in less than efficient numbers of kWh being consumed as economic productivity suffers.

Q. **Why is setting the customer charge at unit cost more efficient?**

A. It is more efficient because it reduces the amount of intra-class subsidy. When the price of access to electric service is set at its unit cost, the intra-class subsidies will be reduced between average residential customers and some non-typical residential customers including secondary homes, vacation houses, rarely occupied barns, and neighborhood gates, all of which are paying below their cost to serve due to extremely low use of kWh.

Q. **Why is setting the customer charge at unit cost reasonable?**

A. It may be counter-intuitive but increasing recovery of customer cost through customer charge itself does not change how much an average customer is paying for electric service as the increase in customer charge will be offset by a decrease in the kWh energy charge. These corresponding changes will result in no additional revenue recovery. Only those

customers whose kWh usages are abnormally low will experience a noticeable increase in their bills. These customers are atypical and should not be considered as representative of the Company's average customer.

Q. **Is a customer charge set below unit cost effective or efficient?**

A. No. Maintaining a basic customer charge that is below unit cost to mitigate bill impacts for a small group of low kWh use customers is neither effective nor efficient. A customer charge set at the customer unit cost promotes economic efficiency for the entire residential class and helps to ensure the cost causers are paying their fair share for access to electric service. At the same time, OG&E's Low-Income Assistance Program ("LIAP") and Senior Citizen Discount (Silver Energy) are more effective and efficient approaches for mitigating the impact to potentially low-use and/or low-income customers. OG&E's rate proposal includes continuing its LIAP that offers qualified Oklahoma low-income customers a fixed $13 per month bill offset and increasing the Senior Citizen Discount that offers qualified Oklahoma senior citizens a fixed monthly bill offset. The Senior Citizen Discount is proposed to increase annually from $25 to $85.

Q. **Does setting the customer charge at unit cost provide more stability for both the customer and the Company?**

A. Yes. Setting the customer charge at the customer unit cost level can contribute to bill stability for customers and revenue stability for the Company. OG&E's proposed recovery of customer costs through the customer charge properly reduces the portion of the customer's bill that varies with kWh energy used, and as a result, the customer's bill fluctuates less.

Q. **Where does OG&E rank among electric utilities and cooperatives in the State of Oklahoma regarding its customer charge level?**

A. Direct Exhibit GC-2 attached to this Testimony provides a list of customer charges in Oklahoma for electric utilities that are investor owned, regulated cooperatives, and un-

regulated cooperatives.[2] This Exhibit includes basic customer charges that are associated with serving a standard (non-time of use ("TOU")) residential customer. Out of the 48 different customer charges in this Exhibit, OG&E currently ranks as the 41st lowest. If the Commission were to accept the Company's proposed modification to the customer charge in this case, OG&E would rank 32nd lowest out of the 48 differing amounts. Further, Public Service Company of Oklahoma ("PSO") has a residential customer charge level of $17 that was approved by the Commission[3] in 2023. Additionally, Oklahoma's largest natural gas utility, Oklahoma Natural Gas ("ONG") has implemented a Commission approved customer charge in excess of $20 since 2005,[4] in fact, this rate is currently $39.23.

The Company acknowledges that there are varying costs of services for each entity in its Exhibit that correlate to differing customer charges. It is important to recognize that most Oklahoma utilities set their residential customer charges well in excess of the Company's proposal in this Case. Residential customers in Oklahoma would, on average, be paying a lower customer charge if they obtained service through OG&E even with OG&E's requested increase to move toward unit cost.

Q. **Does the Company agree that fixed charges harm customers due to reduced customer control?**

A. No. When fixed charges are set at cost, customers as a whole benefit the most from improved economic efficiency. As discussed earlier, energy rates can only be set at appropriate levels after customer charges are set properly. Absent any specific considerations in externalities, customer's control of electricity consumption should follow the guideline of general economic principles. Setting kWh prices too low leads to waste of valuable resource and artificially inflated kWh prices result in an inefficient amount of electricity being produced. OG&E believes that a fixed customer charge based on the unit cost of giving customers access to the electric system benefits customers as a whole by providing customers with a more efficient level of control.

[2] Data was obtained from the OCC Imaging System and is what was publicly available as of December 2023. These rates are based on the service offering of each applicable entity that would apply to standard residential service.
[3] Case No. PUD 2022-000093, Order Modifying Final Order, Order No. 738571, November 21, 2023.
[4] Cause No. PUD 200400610.

Under the proposed rates, the vast majority of an average Residential standard customer's bill will be based on the volumetric (kWh) portion of their bills. For an average Residential standard customer, the change from a $13 customer charge to $21 maintains volumetric control of approximately 78% of the total bill.

General Service

Q. **What are the proposed changes to the General Service ("GS") tariff?**

A. OG&E proposes to increase the customer charge and make some minor modifications to the energy charges. Table 3 below shows the proposed prices and the current prices.

Table 3. Comparison of GS Current and Proposed Rates

General Service (GS) SL - 2 thru 5 Monthly Prices	Proposed	Current	Change
Customer Charge			
$/ per Month	$56.00	$28.51	$27.49
Energy Charge			
Summer Season	Jun-Oct	Jun-Oct	
First 5,000 kWh	$0.0940 Per kWh	$0.0845 Per kWh	$0.0095 Per kWh
Over 5,000 kWh	$0.0940 Per kWh	$0.0897 Per kWh	$0.0043 Per kWh
Winter Season	Nov-May	Nov-May	
First 1,000 kWh	$0.0770 Per kWh	$0.0680 Per kWh	$0.0090 Per kWh
Over 1,000 kWh	$0.0380 Per kWh	$0.0321 Per kWh	$0.0059 Per kWh

Q. **What is the basis for the increased customer charge for the GS class?**

A. The change in the customer charge is based on the allocated share of customer component costs for the GS-1, service level 5 class, which is $56.00 per customer per month.

Q. **What is the impact of these changes to GS customers?**

A. The average increase on a current GS standard customer bill, service level ("SL") 5, is approximately 18.1% or $38.66 per month.

Time-of-Use ("TOU")

Q. **What changes are you proposing to the non-demand TOU tariffs?**

A. The proposed pricing for most of these tariffs include an increased customer charge relative to the current customer charges. The Company is also adjusting energy charges where appropriate. These changes are shown in Table 4 below. As explained in the Direct Testimony of James Alexander, OG&E is updating the name of Time-of-Use to "SmartHours Fixed."

Table 4. Comparison of TOU Rates

Residential TOU (R-TOU) Monthly Prices	Proposed	Current	Change
Customer Charge			
$/ per Month	$21.00	$13.00	$8.00
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
On Peak	$0.2840 Per kWh	$0.1970 Per kWh	$0.0870 Per kWh
Off- Peak	$0.0460 Per kWh	$0.0360 Per kWh	$0.0100 Per kWh
Winter Season	Nov-May	Nov-May	
First 600 kWh	$0.0830 Per kWh	$0.0685 Per kWh	$0.0145 Per kWh
Over 600 kWh	$0.0350 Per kWh	$0.0263 Per kWh	$0.0087 Per kWh

General Service TOU (GS-TOU) SL-2 thru 5 Monthly Prices	Proposed	Current	Change
Customer Charge			
$/ per Month	$56.00	$28.51	$27.49
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
On Peak	$0.2200 Per kWh	$0.1880 Per kWh	$0.0320 Per kWh
Off- Peak	$0.0440 Per kWh	$0.0321 Per kWh	$0.0119 Per kWh
Winter Season	Nov-May	Nov-May	
First 1,000 kWh	$0.0770 Per kWh	$0.0680 Per kWh	$0.0090 Per kWh
Over 1,000 kWh	$0.0380 Per kWh	$0.0321 Per kWh	$0.0059 Per kWh

Oil and Gas Producers TOU (OGP-TOU) SL-2 thru 5 Monthly Prices			
	Proposed	Current	Change
Customer Charge			
$/ per Month	$40.25	$29.37	$10.88
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
On Peak	$0.1900 Per kWh	$0.1900 Per kWh	$0.0000 Per kWh
Off- Peak	$0.0330 Per kWh	$0.0330 Per kWh	$0.0000 Per kWh
Winter Season	Nov-May	Nov-May	
All kWh	$0.0220 Per kWh	$0.0200 Per kWh	$0.0020 Per kWh

Public Schools Small - TOU (PS-SM-TOU) SL 2 thru 5 Monthly Prices			
	Proposed	Current	Change
Customer Charge			
$/ per Month	$56.00	$20.95	$35.05
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
On Peak	$0.2200 Per kWh	$0.3500 Per kWh	($0.1300) Per kWh
Off- Peak	$0.0440 Per kWh	$0.0330 Per kWh	$0.0110 Per kWh
Winter Season	Nov-May	Nov-May	
First 1,000 kWh	$0.0770 Per kWh	$0.0680 Per kWh	$0.0090 Per kWh
Over 1,000 kWh	$0.0380 Per kWh	$0.0330 Per kWh	$0.0050 Per kWh

Municipal Water Pumping TOU (PM-TOU) SL 2 thru 5 Monthly Prices			
	Proposed	Current	Change
Customer Charge			
$/ per Month	$43.00	$29.35	$13.65
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
On Peak	$0.2550 Per kWh	$0.1900 Per kWh	$0.0650 Per kWh
Off- Peak	$0.0390 Per kWh	$0.0350 Per kWh	$0.0040 Per kWh
Winter Season	Nov-May	Nov-May	
All kWh	$0.0260 Per kWh	$0.0210 Per kWh	$0.0050 Per kWh

Variable Peak Pricing ("VPP")

Q. **Are you proposing changes to the VPP program?**

A. Yes. The Company proposes to update the customer charge and energy prices to all VPP classes. As explained in the Direct Testimony of James Alexander, OG&E is also updating the name of Variable Peak Pricing to "SmartHours Daily."

Q. **How many customers participate in the VPP programs?**

A. As of September 2023, 67,998 Residential, 3,949 GS, and 1,377 other customers are enrolled in VPP rates.

Q. **What are the proposed rate changes to the VPP rates?**

A. The proposed pricing for the VPP tariffs is shown in Table 5 below.

Table 5. Comparison of VPP Rates

Residential Service VPP (R-VPP) Monthly Prices	Proposed	Current	Change
Customer Charge			
$/ per Month	$21.00	$13.00	$8.00
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
Off- Peak	$0.0460 Per kWh	$0.0360 Per kWh	$0.0100 Per kWh
Critical Peak	$0.5100 Per kWh	$0.4160 Per kWh	$0.0940 Per kWh
On Peak tier 1	$0.0700 Per kWh	$0.0360 Per kWh	$0.0340 Per kWh
On Peak tier 2	$0.1300 Per kWh	$0.0850 Per kWh	$0.0450 Per kWh
On Peak tier 3	$0.2500 Per kWh	$0.1970 Per kWh	$0.0530 Per kWh
On Peak tier 4	$0.4900 Per kWh	$0.4160 Per kWh	$0.0740 Per kWh
Winter Season	Nov-May	Nov-May	
First 600 kWh	$0.0830 Per kWh	$0.0685 Per kWh	$0.0145 Per kWh
Over 600 kWh	$0.0350 Per kWh	$0.0263 Per kWh	$0.0087 Per kWh

General Service VPP (GS-VPP) SL- 2 thru 5 Monthly Prices			
	Proposed	Current	Change
Customer Charge			
$/ per Month	$56.00	$28.51	$27.49
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
Off- Peak	$0.0440 Per kWh	$0.0321 Per kWh	$0.0119 Per kWh
Critical Peak	$0.4600 Per kWh	$0.4500 Per kWh	$0.0100 Per kWh
On Peak tier 1	$0.0600 Per kWh	$0.0321 Per kWh	$0.0279 Per kWh
On Peak tier 2	$0.1200 Per kWh	$0.0900 Per kWh	$0.0300 Per kWh
On Peak tier 3	$0.2200 Per kWh	$0.2300 Per kWh	($0.0100) Per kWh
On Peak tier 4	$0.4400 Per kWh	$0.4500 Per kWh	($0.0100) Per kWh
Winter Season	Nov-May	Nov-May	
First 1,000 kWh	$0.0770 Per kWh	$0.0680 Per kWh	$0.0090 Per kWh
Over 1,000 kWh	$0.0380 Per kWh	$0.0321 Per kWh	$0.0059 Per kWh

Oil and Gas Producers VPP (OGP-VPP) SL 2 thru 5 Monthly Prices			
	Proposed	Current	Change
Customer Charge			
$/ per Month	$40.25	$29.37	$10.88
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
Off- Peak	$0.0330 Per kWh	$0.0321 Per kWh	$0.0009 Per kWh
Critical Peak	$0.4000 Per kWh	$0.4500 Per kWh	($0.0500) Per kWh
On Peak tier 1	$0.0330 Per kWh	$0.0321 Per kWh	$0.0009 Per kWh
On Peak tier 2	$0.0600 Per kWh	$0.0900 Per kWh	($0.0300) Per kWh
On Peak tier 3	$0.1900 Per kWh	$0.2300 Per kWh	($0.0400) Per kWh
On Peak tier 4	$0.3800 Per kWh	$0.4500 Per kWh	($0.0700) Per kWh
Winter Season	Nov-May	Nov-May	
All	$0.0200 Per kWh	$0.0200 Per kWh	$0.0000 Per kWh

Municipal Water Pumping VPP (PM-VPP) SL 2 thru 5 Monthly Prices			
	Proposed	Current	Change
Customer Charge			
$/ per Month	$43.00	$29.35	$13.65
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
Off- Peak	$0.0390 Per kWh	$0.0321 Per kWh	$0.0069 Per kWh
Critical Peak	$0.5200 Per kWh	$0.4500 Per kWh	$0.0700 Per kWh
On Peak tier 1	$0.0390 Per kWh	$0.0321 Per kWh	$0.0069 Per kWh
On Peak tier 2	$0.0900 Per kWh	$0.0900 Per kWh	$0.0000 Per kWh
On Peak tier 3	$0.2550 Per kWh	$0.2300 Per kWh	$0.0250 Per kWh
On Peak tier 4	$0.5000 Per kWh	$0.4500 Per kWh	$0.0500 Per kWh
Winter Season	Nov-May	Nov-May	
First 1,000 kWh	$0.0260 Per kWh	$0.0210 Per kWh	$0.0050 Per kWh

Public Schools Small VPP (PS SM VPP) SL 2 thru 5 Monthly Prices			
	Proposed	Current	Change
Customer Charge			
$/ per Month	$56.00	$20.95	$35.05
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
Off- Peak	$0.0440 Per kWh	$0.0330 Per kWh	$0.0110 Per kWh
Critical Peak	$0.4600 Per kWh	$0.4700 Per kWh	($0.0100) Per kWh
On Peak tier 1	$0.0600 Per kWh	$0.0381 Per kWh	$0.0219 Per kWh
On Peak tier 2	$0.1200 Per kWh	$0.1060 Per kWh	$0.0140 Per kWh
On Peak tier 3	$0.2200 Per kWh	$0.2700 Per kWh	($0.0500) Per kWh
On Peak tier 4	$0.4400 Per kWh	$0.4700 Per kWh	($0.0300) Per kWh
Winter Season	Nov-May	Nov-May	
First 1,000 kWh	$0.0770 Per kWh	$0.0680 Per kWh	$0.0090 Per kWh
Over 1,000 kWh	$0.0380 Per kWh	$0.0330 Per kWh	$0.0050 Per kWh

Public Schools

Q. **What are the Public Schools tariffs?**

A. The Public Schools tariffs are tariffs that are structured similar to the GS (non-demand) and PL (demand) tariffs and are available only to Public Schools. Based on the Company's COSS, the Public Schools class of tariffs have consistently required large subsidies from other classes (GS, PL).

To address this issue, the Company proposes to return the Public Schools class of tariffs to the equivalent GS or PL tariffs in a future Cause. In this Cause, the PS-S tariff prices have been set equal to the equivalent GS tariff prices and the PS-L tariff prices have been set equal to the equivalent PL tariff prices. The results of setting prices equal to the GS and PL tariffs are a smaller increase to the Public Schools classes than would have otherwise been proposed by the Company.

Q. **What are the proposed rate changes to the Public Schools-Small ("PS-S") rates?**

A. The Company proposes that PS-S base rates be increased to move those customers closer to their actual cost of service. This includes a proposed increase to the customer charge portion of the bill and modifications to the energy charges. The proposed prices are shown below in Table 6. In this Case, the PS-S prices have been set equal to the equivalent GS tariff prices.

Table 6. Comparison of current and proposed Public Schools-SM Rates

Public Schools Small (PS SM) SL-2 thru 5 Monthly Prices			
	Proposed	Current	Change
Customer Charge			
$/ per Month	$56.00	$20.95	$35.05
KW Demand Charge			
All kW	$0.00 Per kW	$0.00 Per kW	$0.00 Per kW
Energy Charge			
Summer Season	Jun-Oct	Jun-Oct	
All kWh	$0.0940 Per kWh	$0.0860 Per kWh	$0.0080 Per kWh
Winter Season	Nov-May	Nov-May	
First 1,000 kWh	$0.0770 Per kWh	$0.0680 Per kWh	$0.0090 Per kWh
Over 1,000 kWh	$0.0380 Per kWh	$0.0330 Per kWh	$0.0050 Per kWh

Q. **What is the overall impact to the PS-S customers?**

A. The average impact to PS-S customer's current base rate bill is 7.9% or $60.66 per month.

Q. **What are the proposed rate changes to the Public Schools Large ("PS-L") rates?**

A. The Company is proposing a modification to the PS-L rates as shown in Table 7 below. In this Cause, the PS-L prices have been set equal to the equivalent PL tariff prices.

Table 7. Comparison of current and proposed Public Schools-L Rates

Public Schools Large (PS LG)SL -3 Monthly Prices	Proposed	Current	Change
Customer Charge			
$/ per Month	$125.00	$135.00	-$10.00
KW Demand Charge			
Summer kW	$11.95 Per kW	$8.90 Per kW	$3.05 Per kW
Winter kW	$5.95 Per kW	$4.45 Per kW	$1.50 Per kW
Energy Charge			
Summer Season	Jun-Oct	Jun-Oct	
All kWh	$0.0130 Per kWh	$0.0130 Per kWh	$0.0000 Per kWh
Winter Season	Nov-May	Nov-May	
All kWh	$0.0130 Per kWh	$0.0130 Per kWh	$0.0000 Per kWh

Public Schools Large (PS LG) SL -4 Monthly Prices	Proposed	Current	Change
Customer Charge			
$/ per Month	$120.00	$95.00	$25.00
KW Demand Charge			
Summer kW	$12.80 Per kW	$9.80 Per kW	$3.00 Per kW
Winter kW	$6.50 Per kW	$4.55 Per kW	$1.95 Per kW
Energy Charge			
Summer Season	Jun-Oct	Jun-Oct	
All kWh	$0.0140 Per kWh	$0.0130 Per kWh	$0.0010 Per kWh
Winter Season	Nov-May	Nov-May	
All kWh	$0.0140 Per kWh	$0.0130 Per kWh	$0.0010 Per kWh

Public Schools Large (PS LG) SL -5 Monthly Prices	Proposed	Current	Change
Customer Charge			
$/ per Month	$119.00	$70.00	$49.00
KW Demand Charge			
Summer kW	$16.15 Per kW	$9.80 Per kW	$6.35 Per kW
Winter kW	$8.08 Per kW	$4.55 Per kW	$3.53 Per kW
Energy Charge			
Summer Season	Jun-Oct	Jun-Oct	
All kWh	$0.0182 Per kWh	$0.0290 Per kWh	($0.0108) Per kWh
Winter Season	Nov-May	Nov-May	
All kWh	$0.0182 Per kWh	$0.0290 Per kWh	($0.0108) Per kWh

Q. **What is the overall impact to the PS-L class?**

A. The average impact to PS-L customer's current base rate bill is 9.5% or $393.03 per month per customer.

Oil & Gas Producers ("OGP")

Q. **What is the impact of these changes to OGP customers?**

A. The average increase on a current OGP standard customer bill is approximately 3.0% or $15.51 per month. The OGP tariffs are available to oil and gas produces for smaller loads. Unlike GS and PS-S tariffs, the OGP tariffs do not have a load factor restriction. As a result, the OGP class load factor is higher than the GS or PS-S class load factors. This results in a lower cost to serve for OGP customers when compared to GS or PS-S. Commercial and Industrial customers with a higher load factor are offered the PL tariffs and Public Schools customers with a higher load factor are offered the PS-L tariffs.

Municipal Pumping ("PM")

Q. **What is the impact of these changes to PM customers?**

A. The average increase on a current PM standard customer bill, SL-5, is approximately 7.2% or $52.31 per month.

Power & Light ("PL") and PL Time of Use ("PL-TOU")

Q. **What are the proposed prices for the PL and PL-TOU rates?**

A. The proposed and current prices for these tariffs for Service Level 5 are reflected in Tables 8 and 9.

Table 8. Comparison of current and proposed PL SL-5 Rates

Power and Light (PL) SL-5 Monthly Prices			
	Proposed	Current	Change
Customer Charge			
$/ per Month	$119.00	$79.00	$40.00
KW Demand Charge			
Summer kW	$16.15 Per kW	$16.15 Per kW	$0.00 Per kW
Winter kW	$8.08 Per kW	$8.05 Per kW	$0.03 Per kW
Energy Charge			
Summer Season	Jun-Oct	Jun-Oct	
All kWh	$0.0182 Per kWh	$0.0105 Per kWh	$0.0077 Per kWh
Winter Season	Nov-May	Nov-May	
All kWh	$0.0182 Per kWh	$0.0105 Per kWh	$0.0077 Per kWh

Table 9. Comparison of current and proposed PL-TOU SL-5 Rates

Power and Light TOU (PL-TOU) SL-5 Monthly Prices			
Customer Charge	Proposed	Current	Change
$/ per Month	$119.00	$79.00	$40.00
KW Demand Charge			
All kW	$9.30 Per kW	$7.13 Per kW	$2.17 Per kW
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
On Peak	$0.1400 Per kWh	$0.1014 Per kWh	$0.0386 Per kWh
Off- Peak	$0.0171 Per kWh	$0.0131 Per kWh	$0.0040 Per kWh
Winter Season	Nov-May	Nov-May	
All kWh	$0.0171 Per kWh	$0.0131 Per kWh	$0.0040 Per kWh

Q. **What are the impacts to PL customers from the proposed prices?**

A. The class impact results vary based on a division of customers by service level, size, and load factor. However, in aggregate, the average impact to PL customers current bill is 8.5% or $223.02 per month per customer.

Q. **What are the impacts to PL TOU customers from the proposed prices?**

A. Again, the class impacts results vary based on a division of customers by service level, size, and load factor. However, in aggregate, the average impact to PL TOU customers' current bill is 10.9% or $752.86 month per customer.

Q. **What changes are proposed for the SBAM tariff?**

A. There is one customer receiving service under the Supplemental, Backup and Maintenance ("SBAM") tariff and the SBAM demand charges were increased to recover the allocated.

Q. **What changes are proposed for the OCT-1 tariff?**

A. No customers have joined the OG&E system pursuant to the OCT-1 tariff. Because there are no active customers on the rate, OG&E is not able to design cost-based rates on actual active OCT-1 customers. Due to this circumstance OG&E is maintaining the OCT-1 price structure and prices as being tied to the LPL-TOU tariff, as proposed in this filing, which matches the treatment prescribed in the final order in Case No. PUD 2021-000164.[5]

[5] Order No. 728277 pgs. 7 – 8

Large Power & Light ("LPL") TOU

Q. **What changes are proposed for the LPL TOU rates?**

A. The proposed prices and the prices currently in effect are reflected in Table 10.

Table 10. Comparison of current and proposed LPL Rates

Large Power and Light TOU (LPL-TOU) SL-1 Monthly Prices			
	Proposed	Current	Change
Customer Charge			
$/per Month	$400.00	$300.00	$100.00
KW Demand Charge			
All kW	$8.40 Per kW	$6.94 Per kW	$1.46 Per kW
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
On Peak	$0.0640 Per kWh	$0.0443 Per kWh	$0.0197 Per kWh
Off- Peak	$0.0035 Per kWh	$0.0031 Per kWh	$0.0004 Per kWh
Winter Season	Nov-May	Nov-May	
First 2,000,000 kWh	$0.0035 Per kWh	$0.0031 Per kWh	$0.0004 Per kWh
Over 2,000,000 kWh	$0.0035 Per kWh	$0.0031 Per kWh	$0.0004 Per kWh
Large Power and Light TOU (LPL-TOU) SL-2 Monthly Prices			
	Proposed	Current	Change
Customer Charge			
$/per Month	$400.00	$350.00	$50.00
KW Demand Charge			
All kW	$9.83 Per kW	$7.63 Per kW	$2.20 Per kW
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
On Peak	$0.0650 Per kWh	$0.0443 Per kWh	$0.0207 Per kWh
Off- Peak	$0.0045 Per kWh	$0.0031 Per kWh	$0.0014 Per kWh
Winter Season	Nov-May	Nov-May	
First 2,000,000 kWh	$0.0045 Per kWh	$0.0031 Per kWh	$0.0014 Per kWh
Over 2,000,000 kWh	$0.0045 Per kWh	$0.0031 Per kWh	$0.0014 Per kWh

Large Power and Light TOU (LPL-TOU) SL-3 Monthly Prices			
	Proposed	Current	Change
Customer Charge			
$/ per Month	$160.00	$135.00	$25.00
KW Demand Charge			
All kW	$10.60 Per kW	$8.66 Per kW	$1.94 Per kW
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
On Peak	$0.0920 Per kWh	$0.0758 Per kWh	$0.0162 Per kWh
Off- Peak	$0.0050 Per kWh	$0.0039 Per kWh	$0.0011 Per kWh
Winter Season	Nov-May	Nov-May	
All kWh	$0.0050 Per kWh	$0.0039 Per kWh	$0.0011 Per kWh

Large Power and Light TOU (LPL-TOU) SL-4 Monthly Prices			
	Proposed	Current	Change
Customer Charge			
$/ per Month	$150.00	$135.00	$15.00
KW Demand Charge			
All kW	$11.75 Per kW	$9.36 Per kW	$2.39 Per kW
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
On Peak	$0.0940 Per kWh	$0.0758 Per kWh	$0.0182 Per kWh
Off- Peak	$0.0050 Per kWh	$0.0039 Per kWh	$0.0011 Per kWh
Winter Season	Nov-May	Nov-May	
All kWh	$0.0050 Per kWh	$0.0039 Per kWh	$0.0011 Per kWh

Large Power and Light TOU (LPL-TOU) SL-5 Monthly Prices			
	Proposed	Current	Change
Customer Charge			
$/ per Month	$120.00	$77.00	$43.00
KW Demand Charge			
All kW	$13.95 Per kW	$11.80 Per kW	$2.15 Per kW
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
On Peak	$0.0960 Per kWh	$0.0844 Per kWh	$0.0116 Per kWh
Off- Peak	$0.0080 Per kWh	$0.0073 Per kWh	$0.0007 Per kWh
Winter Season	Nov-May	Nov-May	
All kWh	$0.0080 Per kWh	$0.0073 Per kWh	$0.0007 Per kWh

Q. **What are the impacts to these customer classes under the proposed tariffs?**

A. Similar to the PL classes, the impacts to the LPL classes vary based on service level, size, and load factor. The average impact to the LPL customer' bill is 16.4% or $32,679.04 per month. The average impacts to a current SL 2-5 customer bill per customer, per month, is as follows.

- LPL TOU-2 – 9.9% or $50,396
- LPL TOU-3 – 7.6% or $13,146
- LPL TOU-4 – 8.3% or $13,478
- LPL TOU-5 – 5.7% or $9,530

LPL Standard

Q. **What changes are proposed for the LPL Standard rates?**

A. The Company has priced the LPL Standard rate to recover most of the class's cost to serve. The Revenue Allocation proposed by the Company caps the increase to the LPL class. If the prices were set to the full cost to serve, the single customer currently being served under the LPL Standard rate would benefit by switching to LPL TOU. The proposed prices and the prices currently in effect are reflected in Table 11.

Table 11. Comparison of current and proposed LPL Standard Rates

Large Power and Light TOU (LPL-TOU) SL-2 Monthly Prices	Proposed	Current	Change
Customer Charge			
$/ per Month	$400.00	$300.00	$100.00
KW Demand Charge			
All kW	$9.84 Per kW	$7.13 Per kW	$2.71 Per kW
Energy Charge			
Summer Season	Jun- Oct	Jun- Oct	
On Peak	$0.0640 Per kWh	$0.0443 Per kWh	$0.0197 Per kWh
Off- Peak	$0.0045 Per kWh	$0.0031 Per kWh	$0.0014 Per kWh
Winter Season	Nov-May	Nov-May	
First 2,000,000 kWh	$0.0045 Per kWh	$0.0031 Per kWh	$0.0014 Per kWh
Over 2,000,000 kWh	$0.0045 Per kWh	$0.0031 Per kWh	$0.0014 Per kWh

Municipal Lighting ("LM"), Outdoor Security Lighting ("OSL"), and LED

Q. **What are the proposed changes for the lighting classes?**

A. Lighting service consists of two components. The first component is the lighting fixture and can also include a separate pole to position the light at the location desired by the customer. The second component is the energy to power the light. OG&E's primary objective is to move the proposed prices closer to current costs of providing for lighting service. Each price was increased proportionately by the proposed base rate increase. The average monthly bill increase proposed is 19.1%.

PROOF OF REVENUE

Q. **Why must current rate revenues be determined for the pro forma year data?**

A. Current rate revenues are the foundation of the proposed rate design. The proposed rates are determined to ensure that the revenue deficiency—the difference between the current rate revenue and the proposed rate revenue—will be recovered following the implementation of the rate changes approved in the rate case.

Q. **How is current rate revenue determined for the purpose of rate design?**

A. Current rate revenue is calculated by applying the rates approved in the Company's previous rate case to the billing determinants contained within the pro forma year data. The Proof of Revenue section of Minimum Filing Requirements, Schedule W/P M-4, includes the calculation of current rate revenue for each rate class.

Q. **Is the current rate revenue shown in the Proof of Revenue equivalent to the *pro forma* year revenue shown in Schedule H-2?**

A. Yes, they are equivalent, but there are some differences which are discussed below. The *pro forma* revenue reflected on Schedule H-2 and Schedule W/P M-4 revenue differ due to the manner in which they are derived. The Schedule W/P M-4 revenue contains adjustments to account for these differences and ensure that rates are designed against the appropriate revenue deficiency.

Q. **Can you provide examples of specific differences between Schedule H-2 and Schedule W/P M-4 revenue?**

A. Returned check fees are an example of miscellaneous revenue that is not directly attributable to the billing determinants used to calculate current rate revenue. While the revenue from returned check charges is applicable to the Company's allowed revenue, it is not included in Schedule W/P M-4 revenue calculations based on billing determinants. The difference due to these types of charges is captured in the Schedule W/P M-4 revenue by allocating these to the various classes and adjusting the current revenues by the allocated amount.

Cancel and re-bill activities create differences between the revenue within each schedule. When a bill is cancelled and re-billed outside of the accounting period in which the original bill was issued, a mismatch of the determinants and revenues is created in the month containing the cancel/re-bill. The issue is compounded when the rates in the original period are different than those in the current period. If a winter bill is re-billed in a summer period, the cancellation and re-bill results in the removal and addition of the quantities through an adjustment in the current month. While these procedures are appropriate for accounting purposes, for rate design the resulting misalignment of these adjustments creates a difference in the calculation of the revenue within Schedule M current rate revenue. To ensure the current rate revenue upon which rate design is based is accurately reflected in the Schedule W/P M-4 revenues, a reconciliation adjustment is made to match the current rate revenue to Schedule H-2 revenue. The same adjustment is made to then adjust the proposed rate revenues in Schedule W/P M-4.

Q. **Why is it important for the current rate revenues to match the *pro forma* year revenues?**

A. The Company must ensure that the proposed rate change results in a level of revenue recovery that is consistent with the COSS. See the Direct Testimony of OG&E witness Bryan J. Scott for a detail of the resulting COSS and revenue allocation.

Q. **What are the results from the Proof of Revenues?**

A. M-4, the Proof of Revenues statement, shows that the proposed prices when applied to the test year *pro forma* billing determinants will produce the revenues requested by the Company as shown in its COSS.

CONCLUSION

Q. **What are your recommendations to the Commission?**

A. I respectfully recommend that the Commission approve the price changes as proposed by the Company and approve the Proof of Revenue, Schedule M, and associated workpapers as proposed by the Company.

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

A. Yes.

AFFIDAVIT

STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA)

On the 28th day of December 2023, before me appeared Gwin Cash, to me personally known, who, being by me first duly sworn, states that he is the Manager of Pricing and Rate Administration 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 GWIN CASH

Signature Gwin Cash

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

Harrison Burton
Notary Public

My commission expires: 10-17-2026

Seal