

**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 )

Rebuttal Testimony

of

Gwin Cash

on behalf of

Oklahoma Gas and Electric Company

May 17, 2024

## TABLE OF CONTENTS

	<b>RESIDENTIAL CUSTOMER CHARGE .....</b>	<b>3</b>
1	Rate Design Objectives and Customer Charge.....	3
2	Response to AARP .....	5
3	Response to AG .....	8
4	Response to PUD .....	8
	<b>POWER AND LIGHT TIME-OF-USE SERVICE LEVEL 5.....</b>	<b>8</b>
5	Response to Walmart .....	8
	<b>COMPETITIVE LOAD RATEMAKING.....</b>	<b>9</b>
6	Response to OAEC .....	9
7	Final Adopted Commission Rules, Chapter 35.....	11
8	RM2023-000015, Filed February 16, 2024 .....	11
9	Response to OIEC and FEA .....	12
	<b>RECOMMENDATIONS.....</b>	<b>13</b>

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 filed Direct Testimony in this Case on December  
6 29, 2023?**

7 A. Yes.

8  
9 Q. **What is the purpose of your Rebuttal Testimony?**

10 A. The purpose of my testimony is to rebut the following claims and recommendations  
11 regarding:

- 12 1. AARP, the Attorney General (“AG”), and the Public Utility Division (“PUD”) of the  
13 Oklahoma Corporation Commission (“Commission”) to Oklahoma Gas & Electric  
14 Company’s (“Company” or “OG&E”) request to update the residential rates’ customer  
15 charge;
- 16 2. The rate design of the Power and Light Time-of-Use Service Level 5 rate made by  
17 Walmart Inc. (“Walmart”); and
- 18 3. The Company’s rate design proposal for competitive load customers outside the  
19 certified territory of OG&E of the Oklahoma Association of Electric Cooperatives  
20 (“OAEC”), Oklahoma Industrial Electric Consumers (“OIEC”), and the Federal  
21 Executive Agencies (“FEA”).

22  
23 **RESIDENTIAL CUSTOMER CHARGE**

24 *Rate Design Objectives and Customer Charge*

25 Q. **What are OG&E’s rate design objectives when designing rates?**

26 A. As described in my Direct Testimony,<sup>1</sup> OG&E’s requested price updates are intended to  
27 reflect a balance between embedded cost, marginal cost, customer preference, and recovery

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<sup>1</sup> Direct Testimony of Gwin Cash, page 5 line 13 – page 7 line 16.

1 of the proposed revenue requirement, all without undue impacts on customers. Each  
 2 component of this balance is both an objective and a constraint. The Company's cost-of-  
 3 service study ("COSS") reflects the concept of cost-to-serve from an embedded cost  
 4 causation standpoint and provides the unit cost analysis reflective of that embedded cost.  
 5 Effective rate design must also consider the cost of future allocation of resources and  
 6 therefore must look beyond the embedded cost data to marginal cost information, which is  
 7 the added cost of producing one additional unit of a product or service. While marginal  
 8 cost data will lead to proper response it may lead to revenue recovery different than what  
 9 is authorized.

10 The primary objective of all OG&E's rate proposals, and the mandate for regulated  
 11 electric utilities in Oklahoma, is to recover the authorized revenue requirement which is  
 12 based on the embedded COSS. As a secondary objective, marginal cost information is  
 13 utilized in developing rate features that incentivize customers to manage their electricity  
 14 consumption for efficient use of system resources. Additionally, the Company's rate  
 15 design provides optional rate plans to allow OG&E residential customers to select the plan  
 16 that best fits their preference for electricity consumption.

17  
 18 **Q. What is the Company's rate design objective with respect to the fixed monthly**  
 19 **customer charge for Residential rates?**

20 A. The rate design objective for the Residential customer charge is to set the price equal to the  
 21 unit cost of the customer component as provided by the Company's embedded COSS.  
 22 While the unit cost for the Residential class is \$25.36,<sup>2</sup> the Company instead elected a  
 23 gradual approach by requesting a lower customer charge of \$21, or approximately 83% of  
 24 cost.

25  
 26 **Q. Why does OG&E believe the Residential customer charge should be set at unit cost?**

27 A. The customer charge should be set at unit cost because that is the true cost for customers  
 28 to connect to the electric grid. By updating the customer charge to 83% of its true cost,

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<sup>2</sup> Workpaper "WP K's and L's - 2023.xlsx" tab "WPs L-8.1" cells E41 through G41; data in cells: Residential Standard: \$24.80, Residential TOU: \$26.14, Residential VPP: \$25.15; simple average: \$25.36.

1 OG&E is promoting economic efficiency for the entire Residential class by ensuring that  
2 all customers are closer to paying their true cost for access to electric service.

3  
4 Response to AARP

5 **Q. What is the Company's response to AARP witness Mr. Sullivan's reference to policy**  
6 **goals?**<sup>3</sup>

7 A. Mr. Sullivan has not described specifically the policy goals to which he is referring. He  
8 does refer to energy efficiency programs ("EE"), but he fails to mention that the while the  
9 Commission has program rules, and utilities like OG&E have energy efficiency programs,  
10 the Commission has not set specific policy mandates around energy efficiency or demand  
11 response programs. The Commission has put rules in place that are designed to guide the  
12 implementation of Demand Programs and the Company has closely followed these rules.

13  
14 **Q. Does the Company agree that appropriate fixed charges disincentivize EE?**

15 A. No. The proper customer charge results in energy charges that match the cost of the energy  
16 consumed; and, in turn, those energy charges provide the appropriate incentive for EE.  
17 Moving costs out of the customer charge and into the energy charge sets an artificially high  
18 energy price. The Company does not believe an artificially high energy price should be  
19 set in order to provide an even greater incentive.

20  
21 **Q. What is the consequence of keeping volumetric rates artificially high to support**  
22 **payback on EE measures?**

23 A. Artificially high volumetric rates create additional inter- and intra-class subsidies. For  
24 example, if saving a kWh today is compensated at \$0.05 while the true value of that kWh  
25 saved is only \$0.03 then other customers must subsidize the \$0.02 per kWh for every kWh  
26 saved. This type of subsidy is not good policy as it harms nonparticipants.

27 The Company understands that it might be in the public interest to offer additional  
28 program-specific incentives for EE; however, additional incentives can be more effectively  
29 and efficiently managed and targeted through the individual programs themselves,

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<sup>3</sup> Responsive Testimony of Patrick Sullivan, page 27, line 18 – page 28 line 5.

1 avoiding any unintended consequences such as leaving only the non-EE participants paying  
2 for the infrastructures built for the whole class.

3  
4 **Q. What data has AARP provided that proves there will be a negative impact to EE**  
5 **efforts if the customer charge is closer to unit cost?**

6 A. AARP has not provided any evidence to show how a customer charge set appropriately at  
7 unit cost would negatively impact EE efforts. In addition, AARP has not demonstrated  
8 that there would be any detrimental impact to the cost effectiveness or overall  
9 energy/demand savings through the EE programs if the customer charge were moved to  
10 unit cost. While AARP has opposed any increases to customer charges, it ignores the unit  
11 cost from the COSS and cannot demonstrate the harm it claims might occur.

12  
13 **Q. Is there evidence to suggest that OG&E's request to update its Residential customer**  
14 **charge will not have a negative effect to its EE Program?**

15 A. Yes. While both OG&E and PSO have led very successful efforts related to EE in  
16 Oklahoma for many years, PSO was able to achieve high levels of success for over a decade  
17 while having a similar customer charge to that requested by OG&E in this case. The  
18 accusation that higher customer charges will weaken EE efforts is contrary to clear facts as  
19 shown through PSO's continued energy efficiency successes even with a \$20 residential  
20 customer charge.<sup>4</sup>

21  
22 **Q. What is the Company's response to Mr. Sullivan's claim<sup>5</sup> that customers do not prefer**  
23 **rates with higher fixed charges?**

24 A. This assumption by Mr. Sullivan appears to be based primarily on a claim by the National  
25 Association of State Utility Advocates ("NASUCA") and not on any actual survey data of  
26 OG&E or Oklahoma customers. There are many customers that prefer price security  
27 offerings by utilities. In fact, as of March 31, the Company had 120,270 total Residential

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<sup>4</sup> In 2023 PSO's residential customer charge of \$20 per month was lowered by agreement with parties in Case No. PUD 2022-93 to \$17 per month, Order No. 738571.

<sup>5</sup> Sullivan Responsive Testimony, page 18 line 6 – 10.

1 customers enrolled in price security offerings provided by the Company.<sup>6</sup> This shows 17%  
 2 of OG&E's own Residential customers prefer what is essentially a 100% fixed charge bill  
 3 as those customers subscribe to either the Guaranteed Flat Billing rate or Average Monthly  
 4 Billing. Both Guaranteed Flat Billing and Average Monthly Billing are rate options that  
 5 provide bills with little to no variability from month to month.

6 Mr. Sullivan also states that the customer charge update should be limited to avoid  
 7 shocking customers but again, his recommendation is arbitrary and not based on any  
 8 evidence. Adjusting the customer charge does not increase customers' overall bill, and  
 9 therefore bill impact is not an issue when we are talking about the customer charge.  
 10 Further, his recommendation places customers at a higher risk of volatile bills because  
 11 more cost is collected through the volumetric electric prices which could make bills more  
 12 susceptible to fluctuations in weather, something beyond their control. In other words, if  
 13 customers have a rate design weighted more towards the energy charge, then they will see  
 14 higher bills during hot summer months, or cold winter months, than they would have under  
 15 the Company's recommendation. This can be particularly harmful to fixed income or low-  
 16 income customers who may be unable to make energy efficiency upgrades within their  
 17 home.

18  
 19 **Q. Is there any customer segment for which the current insufficient customer charge is**  
 20 **providing a subsidy?**

21 **A.** Yes. There are non-typical residential customers, inclusive of secondary homes, vacation  
 22 houses, unoccupied rental homes, shop buildings, and neighborhood gates, which are  
 23 paying below their cost to serve due to extremely low use of kWh. For these types of  
 24 customers with extremely low usage the bill is rarely much more than the customer charge,  
 25 which is too little to cover the cost of connection to the grid. This results in these accounts  
 26 being subsidized by all other members of the residential class. The requested update to the  
 27 customer charge would go a long way towards ending this inappropriate subsidy.

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<sup>6</sup> OG&E has 64,709 customers enrolled on Average Monthly Billing and 55,570 customers enrolled on Guaranteed Flat Bill.

*Response to AG*

1  
2 Q. **What is the Company's response to the AG's contention<sup>7</sup> that the proper comparison**  
3 **for residential customer charges is a comparison to other investor-owned utilities**  
4 **("IOUs") as provided by witness Beling?**

5 A. Witness Beling's list is flawed. Of the twelve IOUs presented in Mr. Beling's Responsive  
6 Testimony, nine are from jurisdictions outside Oklahoma. This is important because each  
7 jurisdiction has its own set of ratemaking circumstances and considerations that contribute  
8 to how the final approved customer charge is determined. OG&E believes that a more apt  
9 comparison is that of the table provided in my Direct Testimony which lists only utility  
10 residential customer charges applicable to Oklahoma customers.

11  
12 *Response to PUD*

13 Q. **What is the Company's response to PUD witness David Scalf's recommendation<sup>8</sup> that**  
14 **the residential customer charge match PSO's customer charge at \$17?**

15 A. While OG&E does appreciate that the PUD agrees the customer charge should be raised,  
16 the Company disagrees that the price should simply match PSO. OG&E believes that it is  
17 inappropriate to set rates for one company solely based upon the circumstances of another  
18 as opposed to relying on the results from the COSS. OG&E has conducted this study,  
19 determined the costs, and then made a fair recommendation to recover 83% of these costs  
20 within the customer charge.

21  
22 **POWER AND LIGHT TIME-OF-USE SERVICE LEVEL 5**

23 *Response to Walmart*

24 Q. **What is the Company's response to Walmart witness Eric Austin's recommendation<sup>9</sup>**  
25 **that the cost increase for the Power and Light Time-of-Use service level 5 rate be**  
26 **included entirely in the demand charge and that energy rates remain unchanged?**

27 A. Mr. Austin has expressed concern that the Company's proposal does not collect all the  
28 demand related cost via the demand charge, and he is correct. This design aspect of this

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<sup>7</sup> Responsive Testimony of Frank J. Beling, page 22 line 1 – page 23 line 10.

<sup>8</sup> Responsive Testimony of David Scalf, page 25 line 1 – 6.

<sup>9</sup> Responsive Testimony of Eric S. Austin, page 14 line 16 – page 19 line 14.



1 time-of-use rate is purposeful. Production demand-related cost is moved to the energy  
2 charges with the bulk of it included in the on peak energy charge and the purpose of this  
3 decision is to incentivize customers to shift load away from peak hours. The type of rate  
4 design that Mr. Austin favors is the Power and Light Standard rate which includes demand  
5 rates higher than that of the time-of-use rates and designed to recover all demand related  
6 cost. Walmart has the option to subscribe to the type of rate that Mr. Austin favors, and  
7 that type of rate is Power and Light Standard, not the Time-of-Use rate. It would be  
8 inappropriate to change the way the Time-of-Use tariff works when there is already an  
9 existing tariff that works the way Mr. Austin describes.

10  
11 **COMPETITIVE LOAD RATEMAKING**

12 *Response to OAEC*

13 **Q. OAEC witness David Hedrick contends<sup>10</sup> that the proposed rates for the Outside**  
14 **Certified Territory (“OCT”) tariff are incorrect and should be based on the**  
15 **separately provided 1MW cost-of-service study provided in the Company’s filing and**  
16 **modified by Mr. Hedrick.<sup>11</sup> What is the Company’s response?**

17 **A.** Mr. Hedrick is not correct regarding this issue. The Availability clause of the OCT tariff  
18 clearly states that the tariff is available for customers who have “executed an agreement  
19 for service with OG&E after September 30, 2022.” OG&E has not executed any  
20 agreements with new customers outside its service territory since this date and through the  
21 six-month pro forma period beyond the test year. As was explained in my Direct  
22 Testimony, it is for this reason that there is no relevant cost data to be used for rate making  
23 purposes for the OCT-1 tariff.

24  
25 **Q. If there was no relevant data to be used for the OCT tariff then how did the Company**  
26 **determine the rates for this tariff?**

27 **A.** The Company deferred to the treatment prescribed in the final order of Case No. PUD  
28 2021-000164 which required the initial rates of the OCT tariff to tie to the Large Power  
29 and Light Time-of-Use (“LPL-TOU”) rates. Until such time that the Company signs a

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<sup>10</sup> Responsive Testimony David W. Hedrick, page 31 line 14 – page 32 line 3.

<sup>11</sup> Id. at page 19 line 20 – line 22.

1 contract for service with a new customer that is located outside the Company's certified  
2 territory that is bound to the OCT tariff, the OCT tariff remains in the initial rates phase  
3 with rates tied to the LPL-TOU tariff.  
4

5 **Q. If there was no relevant data to be used for the OCT tariff then how was the Company**  
6 **able to provide a 1 MW COSS?**

7 A. The COSS was provided to satisfy the requirements of the final order of Case No. PUD  
8 2021-000164. The purpose of providing this additional study is solely informational. It  
9 can serve as a potential indicator of what *future* rates for competitive load customers may  
10 look like if, and when the Company does sign a contract to serve a new competitive load  
11 customer subject to the OCT tariff. Additionally, the 1MW COSS includes some allocation  
12 decisions intended to reflect requirements of House Bill 2845 ("HB 2845") which went  
13 into effect November 1, 2023. Company witness Lauren Maxey addresses these cost-of-  
14 service matters in her Rebuttal Testimony.  
15

16 **Q. Mr. Hedrick also claims<sup>12</sup> that new legislation associated with HB 2845 states that all**  
17 **customers currently served outside its certified territory are required to be served**  
18 **according to the OCT-1 tariff and therefore their cost data, which is what is included**  
19 **in the 1MW COSS, should be used to determine the new rates. Is Mr. Hendrick**  
20 **correct?**

21 A. No, Mr. Hedrick is not correct. Mr. Hedrick attempts to justify his position by providing  
22 the new language that HB 2845 adds as part F of section 158.25 of Oklahoma law, however,  
23 *he excludes the last sentence of that section which reads as follows:* "If the electric service  
24 provider, in whose certified territory the competitive load is seeking service, chooses in  
25 writing not to compete for said competitive load or does not respond within thirty (30) days  
26 of receiving written notice by the customer, the terms of this subsection shall not apply."  
27 This section is key as to whether this new section F is applicable for rate making purposes  
28 for the OCT tariff. This section requires that the customer notify the cooperatives of their  
29 intention to locate in their territory. Depending on how the Cooperative responds, or does  
30 not respond, then the OCT tariff may not apply. Prior to this new legislation no notice

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<sup>12</sup> Id. at page 8 line 18 – page 9 line 21.

1 requirement was in effect. Because this condition cannot be applied retroactively to  
2 customers prior to the effective date of the legislation and can only be in effect  
3 prospectively, the terms of the new subsection F do not apply. Due to the prospective  
4 nature of the new legislation and the fact that no new customers have been signed within  
5 the test year, or post test year 6-month *pro forma* period, there is no relevant data to use for  
6 rate making purposes for the OCT tariff and the Company's decision to continue to use  
7 initial rates tied to the LPL-TOU tariff are correct.

8  
9 **Q. Is Mr. Hedrick's claim that the new legislation and the OCT tariff apply retroactively**  
10 **to current customers consistent with that of the OAEC?**

11 A. No. As a participating subject matter expert during the drafting of HB 2845, I can attest  
12 that all parties involved, inclusive of the OAEC, agreed that the new bill would apply to  
13 new customers on a strictly prospective basis only.

14 Additionally, the OAEC was a participating member in draft writing sessions when  
15 the Oklahoma Corporation Commission rules were being updated to accommodate the new  
16 legislation associated with HB 2845. The following Figure 1 shows the new language that  
17 was the outcome of these sessions:

18 *Final Adopted Commission Rules, Chapter 35*  
19 *RM2023-000015, Filed February 16, 2024*  
20

21 *(b) Section 17 O.S. (2023) §158.25(F) contains the following provisions, to achieve the*  
22 *purposes of the Retail Electric Supplier Certified Territory Act, retail electric service*  
23 *providers are required to establish and utilize rate tariffs which are specifically applicable*  
24 *to a rate class of customers composed of electric-consuming facilities being served in*  
25 *accord with the 1,000 kw size exception found in 17 O.S. § 158.25(E) and located outside*  
26 *the retail electric service provider's certified territory. Such tariffs for any new customers*  
27 *that have signed contracts for service on or after November 1, 2023 shall conform to the*  
28 *following criteria:*

29 *(1) They may be created for either a specific electric-consuming facility or for a*  
30 *class of electric-consuming facilities taking service under this provision.*

31 *(2) For retail electric service providers that are rate-regulated by the Commission,*  
32 *the rates supporting this rate class shall be determined in the rate-regulated service*  
33 *provider's most recent rate proceeding.*

34 *(3) Rates for this rate class shall be designed to recover*

1 (i) the costs of extending service to the competitive load of electric-  
2 consuming facilities of 1,000 kw or larger located outside the retail electric  
3 service provider's certified territory; and

4 (ii) the allocated share of other costs associated with providing service to  
5 the new electric-consuming facility.

6 (4) They shall be cost-of-service based and shall not subsidize other rate classes or  
7 be subsidized by other rate classes.

8 (5) Unless costs of extending service to such a new load are collected from the  
9 customer, those costs shall be included in the cost-of-service study in the next rate  
10 proceeding  
11

12 The new rule clearly includes language that new tariffs applicable to these competitive load  
13 customers shall apply to “new customers that have signed contracts for service on or after  
14 November 1, 2023.” OAEC publicly supported these revisions to the rules. It is unclear  
15 whether Mr. Hedrick’s is at odds with the OAEC, or if the OAEC has changed their mind  
16 regarding applicability of the new legislation and new rules.  
17

18 Response to OIEC and FEA

19 **Q. What is the Company’s response to the arguments made by OIEC witness Mark  
20 Garrett<sup>13</sup> and FEA witness Michael Gorman?<sup>14</sup>**

21 **A.** Generally, OIEC and FEA similarly argue that there is a subsidy of these 1MW customers,  
22 which, as shown above and further explained in the rebuttal testimonies of OG&E  
23 witnesses Jeremy Schwartz and Lauren Maxey, is simply incorrect. They also state that  
24 the legislation tied to HB 2845 is retroactive to current customers, which, as shown above,  
25 is not factual.

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<sup>13</sup> Responsive Testimony of Mark Garrett, page 19 line 14 – page 27 line 9.

<sup>14</sup> Responsive Testimony of Michael Gorman, page 12 line 1 – page 16 line 17.

**RECOMMENDATIONS**

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17

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

A. I recommend the following:

- The Commission reject the argument of the AARP, AG, and the PUD regarding the residential customer charge and approve the Company’s requested update of said charge to \$21;
- The Commission reject Walmart’s requested changes to the PL-TOU SL5 rates as they are essentially duplicative of the PL standard rate design and to approve the Company’s requested updates to the tariff;
- The Commission reject the requests and recommendations of the OAEC, OIEC, and FEA to the OCT tariff. This is due to their reliance on a faulty interpretation that the OCT tariff is to be applied retroactively; and
- The Commission affirm that the Company correctly continues to tie the initial rates of the OCT-1 tariff to LPL-TOU rates.

**Q. Does this conclude your Rebuttal Testimony?**

A. Yes.