

**BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION**

IN THE MATTER OF THE FORMULA	)	
RATE PLAN FILINGS OF OKLAHOMA	)	
GAS AND ELECTRIC COMPANY	)	DOCKET NO. 18-046-FR
PURSUANT TO APSC DOCKET	)	
NO. 16-052-U	)	

Direct Testimony

of

Jeremy K. Schwartz

on behalf of

Oklahoma Gas and Electric Company

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

2 A. My name is Jeremy K. Schwartz. My business address is 321 North Harvey, Oklahoma  
3 City, Oklahoma 73102.

4  
5 Q. **By whom are you employed and in what capacity?**

6 A. I am employed by Oklahoma Gas and Electric Company (“OG&E” or “Company”) as a  
7 Lead Pricing Analyst. I am responsible for assisting in the development of retail electricity  
8 pricing, rate design, and tariffs. I have been employed by OG&E since 2018.

9  
10 Q. **Please summarize your educational background and professional qualifications.**

11 A. I earned my bachelor’s degree in Economics from Oklahoma State University in Stillwater,  
12 Oklahoma. Prior to assuming my current position in OG&E, I spent four and a half years  
13 with the Oklahoma Corporation Commissions (“OCC”) Public Utility Division (“PUD”).  
14 During my time with the OCC’s PUD, I was responsible for conducting research and  
15 performing comparative analysis of utility applications, reports, financial records, and all  
16 work papers to ensure that PUD could make an accurate recommendation to the  
17 Commission. My work focused in the areas of cost of service, rate design, and the  
18 preparation of PUD’s Accounting Exhibit. While an employee with PUD, I attended  
19 numerous utility industry trainings, most of which were related to retail rate and product  
20 pricing. My current responsibilities with OG&E include assisting in the analysis of retail  
21 customers in order to develop pricing schedules for incorporation into the Company’s retail  
22 tariffs.

23  
24 Q. **Have you previously testified before the Arkansas Public Service Commission (the  
25 “APSC” or “Commission”)?**

26 A. Yes, I have previously provided written testimony before the APSC on OG&E’s 2018,  
27 2019, and 2020 Formula Rate Plan Filings in Docket No. 18-046-FR. I also provided oral  
28 testimony before the APSC in Docket No. 16-027-R. In addition, I have testified and/or  
29 participated in over 50 causes before the OCC regarding electric, gas, water, and  
30 telecommunication issues.

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

2 A. The purpose of this testimony is to discuss the revenue adjustments made by OG&E, which  
3 breakdown into historical, filing, and projected periods. These adjustments comply with  
4 the requirements found in the Company's FRP tariff, Attachment C.

5  
6 Q. **What is the purpose of the revenue adjustments discussed in this testimony?**

7 A. The FRP is used to establish changes to base rates. These revenue adjustments remove  
8 revenues that are not associated with base rates. In accordance with OG&E's FRP<sup>1</sup>,  
9 revenues associated with riders which recover specific costs, other rate mechanisms, or  
10 other revenue accounting adjustments the Company may have in place, are removed from  
11 booked revenues so that the remaining revenues reflect only base rate revenues. For  
12 example, revenue from the Energy Cost Recovery rider ("ECR") which is associated with  
13 fuel costs is removed from total Arkansas revenues as such revenues are not included in  
14 COS studies in AR and are not part of base rate revenues.

15  
16 **2019 EVALUATION REPORT COMPLIANCE**

17 Q. **Why does the 2021 Evaluation Report contain FY and PY revenue amounts?**

18 A. As a result of the Company's settlement agreement<sup>2</sup> in the 2019 Evaluation Report, the  
19 Company agreed to only make revenue changes based on a historical Evaluation Period.  
20 The Company did not make any projections to rate base, expense, or capital amounts in its  
21 2021 Evaluation Report, but did make adjustments to revenues for the Filing Year ("FY")  
22 and Projected Year ("PY"). This is required by the Company's most recently approved  
23 FRP Tariff that was approved in Docket No. 19-017-TF Order No. 3. The purpose of the  
24 FY revenue adjustments is to determine the 4% cap constraint and the purpose of the PY  
25 revenue adjustments is to be able to apply the revenue change percentage to an appropriate  
26 future base revenue amount for when the 2021 FRP revenue change will be implemented.  
27 Both the FY and PY revenue amounts can be seen on Attachment A-2 and in the  
28 Company's supporting workpapers.

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<sup>1</sup> FRP Tariff Attachment C, Section I. (A).

<sup>2</sup> Docket No. 18-046-FR Order No. 10.

## **HISTORICAL YEAR**

### **Adjustments to Book**

Q. Please describe the adjustments the Company is making to calculate HY base rate revenue.

A. The Company made the adjustments found in Table 1 to the HY actual revenues to comply with the FRP requirements. All these amounts come from the Company's accounting system and are unmodified.

**Table 1. HY Adjustments**

<b>Schedule</b>	<b>Amount</b>
Over/Under recovery rider balances	\$(102,802,407)
Unbilled Revenues	\$500,000
Energy Cost Recovery rider ("ECR")	\$(46,264,058)
Energy Efficiency Cost Recovery rider ("EECR")	\$(7,480,339)
Transmission Cost Recovery rider ("TCR")	\$(6,243,324)
Tax Adjustment rider ("TA")	\$(346)
Mustang Credit rider ("MCR")	\$271,542
2019 FRP Filing Collection Only	\$(4,865,185)
Environmental Compliance Plan ("ECP")	\$4,285,227
Day Ahead Pricing ("DAP") incremental and decremental energy only	\$17,276,939
Renewable Energy Credits ("REC")	\$(351,657)

The combination of these adjustments results in a reduction of \$145,673,608 to the Company's total Arkansas book unadjusted HY revenues. The resulting total HY adjusted Arkansas revenues are \$102,479,990. The FRP collection adjustment made should not be included in the calculation of earned ROE as stated in attachment D-3 note 4. Instead, the Company will include the 2019 Evaluation Report FRP revenue on attachment D-6 line 12 to net any of the increase/decrease in FRP revenue with the revenue already collected from the 2019 FRP projection.

## **PROJECTED YEAR**

### **Difference from HY**

Q. How did the Company calculate PY revenues?

A. The adjustments made to HY revenues apply to the calculation of PY revenues. In addition, OG&E also included adjustments for weather and customer growth. For the PY, the customer growth counts were updated to reflect a two-year change between HY and PY.

**Weather Normalization and Customer Growth**

Q. **What was the Company's approach regarding weather normalization?**

A. According to "Attachment C", section II-a-1, of the FRP, the Company is to utilize the "adjustments for customer growth and thirty-year weather normalized average usage and average demands established from 16-052-U." The Company has complied with this requirement.

In accordance with the calculations established for weather and customer growth in 16-052-U, the Company utilized the compliance work papers from that case to incorporate heating and cooling degree days for the period of 1991 through 2020. OG&E also updated the customer count and kWh totals to reflect the updated five-year period from April 2015 to March 2021. These updates comply with the requirements in the Company's FRP and result in the adjustments proposed for each category.

**Adjustments from Book to PY**

Q. **What are the total adjustments from book revenue included?**

A. The adjustments included in the Company's PY revenue schedule are shown in Table 3. The adjustments shown in the "Amount" column of Table 2 are total changes from HY adjusted book revenues.

**Table 2. PY Adjustments**

Schedule	Amount
Weather Normalization	\$(764,958)
Customer Growth	\$330,854

The combination of these adjustments results in a reduction of \$434,104 to the Company's HY adjusted revenues. The resulting total PY adjusted Arkansas revenues are \$102,045,886.

**4% CAP CALCULATION - FILING YEAR**

**Purpose of FY Calculation**

Q. **What is the purpose of the FY calculations?**

A. According to the Company's FRP tariff, Attachment A-2 – Note 1, "The FRP Constraint Calculation determines the limit of the FRP revenue increase/decrease per rate class, which

shall not exceed four percent (4%) of Total Unadjusted Annualized Filing Year (the year in which the Evaluation Report is filed) revenues”. Therefore, the FY revenue is the basis for calculating the 4% cap on revenue changes.

### Adjustments to Revenue

**Q. How does FY revenue compare to HY revenue?**

A. FY revenue is determined similar to the HY, with a few exceptions. First, FY begins with HY revenues, but does not make an adjustment to remove rider revenues. Second, FY revenue have been updated for actuals from April 2021 to June 2021 and incorporates adjustments for weather normalization and customer growth. Third, FY revenue includes an adjustment to reflect the expected revenues from the 2020 FRP factors that were put in place in April 2021. It is important to reflect the projected recovery of 2020 FRP revenues in order to accurately calculate the 2020 FRP 4% cap on revenue changes. Finally, to reflect the Commission’s decision in Docket No. 15-034-U, Order No. 17, the Company has removed the revenues associated with the ECP rider from the FY. These amounts are found in Table 3.

**Table 3. FY Adjustments<sup>3</sup>**

<b>Schedule</b>	<b>Amount</b>
Over/Under	\$(94,913,369)
Unbilled Revenues	\$(800,000)
Weather Normalization	\$(763,937)
REC Removal	\$(355,180)
Customer Growth	\$328,078
Projected 2018 FRP Revenues	\$5,120,954
ECP	\$5,130,914

The combination of these adjustments results in a reduction of \$86,072,540 to the Company’s Arkansas per book unadjusted HY revenues. The resulting total FY adjusted Arkansas revenues to be utilized in the calculation of the FRP cap are \$160,877,229.

<sup>3</sup> Please note, the FY adjustments for Over/Under, Unbilled Revenues, and REC Removal are not incremental to the adjustments made to determine the PY revenues.

**RATE CLASS IMPACTS**

Q. What rate class allocation percentages is the Company utilizing in this Docket?

A. OG&E's FRP rate class allocation percentages are based on the base rate revenues agreed upon in the compliance process of Docket No. 16-052-U. These percentage are shown in the Company's FRP Attachment A-2 and are also summarized in Table 4.

**Table 4. FRP Rate Class Allocation**

	<b>Total</b>	<b>Residential</b>	<b>General Service</b>	<b>Power and Light</b>	<b>Other</b>
<b>Base Rate Revenues: Docket No. 16-052-U</b>	\$102,193,196	\$38,919,157	\$11,861,458	\$48,208,613	\$3,203,968
<b>Rate Class Allocation</b>		38.08%	11.61%	47.17%	3.14%

Q. Please list the rate class increases that result from this FRP filing.

A. As shown in the Company's FRP Attachment A-1 and summarized in Table 5, the percent FRP rate increase impacts by class are as follows. The impacts listed below are PY base rate increases, not total bill increases.

**Table 5. FRP Rate Adjustment**

<b>Rate Class</b>	<b>FRP Rate (%)</b>
Residential	20.8052%
General Service	20.8292%
Power and Light	22.2666%
Other*	19.0791%

\*Other includes Municipal Water Pumping, Municipal Roadway and Area Lighting, Outdoor Security Lighting, Athletic Field Lighting, and the LED lighting rates

Q. How will OG&E's Arkansas customers see the change to their bill resulting from this FRP implementation?

A. The amount recovered through the rider, which will be calculated in a line item on customer bills, is based on the base rate portion of individual bills multiplied by the applicable FRP percentage shown in Table 5. Based on the Company's filing, the overall average impact to the residential class for the 2021 Evaluation report is a monthly bill increase of 4.00% or \$3.68 per month per customer. Table 6 shows the class average rate impacts for Residential, General Service, Power and Light, and Other customers. As stated in the FRP

tariff<sup>4</sup>, the total amount of such revenue increase or decrease for each rate class shall not exceed four percent (4%) of each rate class's revenue for the Filing Year.

**Table 6. 2021 Evaluation Report FRP Rate Adjustment Bill Impact**

	<b>Residential</b>	<b>General Service</b>	<b>Power and Light</b>	<b>Other</b>
<b>Average FRP Change (\$/month)</b>	\$3.68	\$5.95	\$233.08	\$1.80
<b>Percent Change of Total Bill</b>	4.00%	4.00%	4.00%	4.00%

**RECOMMENDATION**

**Q. What is your recommendation to the Commission?**

**A.** I recommend that the Commission approve the adjustments discussed in this testimony and find that OG&E is in compliance with the requirements of the FRP regarding all revenue adjustments.

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

**A.** Yes.

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<sup>4</sup> FRP Tariff Sheet No. 80.3, Section 80.5.4.



**CERTIFICATE OF SERVICE**

I, Lawrence E. Chisenhall, Jr., hereby state that a copy of the foregoing instrument was served on all the parties of record via the APSC Electronic Filing System on this the 1<sup>st</sup> day of October 2021.

/s/ Lawrence E. Chisenhall, Jr.  
Lawrence E. Chisenhall, Jr.