

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

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

GENERAL STAFF’S PRESENTATION OF 2023 ERRORS AND OBJECTIONS

Comes now the General Staff (“Staff”) of the Arkansas Public Service Commission (“Commission”) and for its Presentation of 2023 Errors and Objections (“E&O”) states as follows:

1. On October 2, 2023, Oklahoma Gas and Electric Company (“OG&E” or “Company”) filed an Application (“Application”) pursuant to and in compliance with its Tariff Sheet No. 80, Formula Rate Plan Rider (“Rider FRP”), which was approved in Docket No. 16-052-U, along with an errata filed on October 9, 2023.

2. OG&E’s Rider FRP tariff, section 80.4(B) states:

The Parties shall file a statement of error(s) or objection(s) and supporting Testimony with or without Exhibits at least 90 days before the date on which the Rate Adjustment becomes effective. The Company shall have fifteen (15) days to review the statement of error(s) or objection(s), to work with the Parties to resolve any differences, and to address the error(s) and objection(s) raised by the Parties by filing either a corrected Attachment A.1 or Rebuttal Testimony with or without Exhibits.

3. As required by OG&E’s Rider FRP tariff, Staff presents the following errors and objections to the Application filed by OG&E:

OVERALL LEVEL OF INCREASE

4. The results of Staff's errors and objections are shown on the Attachments to General Staff's 2023 Presentation of Errors and Objections and discussed in the supporting testimonies filed herein.¹

5. As explained in Staff's Supporting Testimonies of Jeffrey J. Roberts, Dan Daves, and Middleton Ray along with their respective exhibits and attachments, Staff's recommended increase or Total Revenue Change for the Historical Year ended March 31, 2023, is \$3,469,159, as shown on Attachment A-2, Line 9, Net Change in Required Rider FRP Revenue. This recommended increase, prior to the 4% revenue constraint, is a reduction of the Company's amount of \$4,738,362 by \$1,269,203.

FILING YEAR REVENUES

6. As discussed in the Supporting Testimony of Middleton Ray, Staff's evaluation utilized an update to Annualized Filing Year Revenues as of October 2023 rather than the Company's use of Annualized Filing Year Revenues as of June 2023. This update resulted in an increase in Filing Year Revenues of \$563,302 over OG&E's Application. The resulting adjustment to the 4% revenue constraint is an increase of \$22,532. Because of the 4% constraint, the required Rider FRP revenue amount is limited to \$11,126,160. Staff is supporting a Total FRP Revenue Change of \$3,469,159, which varies from the Company's amount of \$4,738,362 by \$1,269,203.

¹ 2023 Supporting Testimony of Dan Daves, Middleton Ray, and Jeffrey J. Roberts filed contemporaneously herein. See, Attachments to General Staff's 2023 Presentations of Errors and Objections ("Staff's Attachments" or "Attachments")

Therefore, Staff's recommended Total FRP Revenue Change is unaffected by the updated Filing Year Revenues.

CAPITAL STRUCTURE

Long- Term Debt Rate

7. As discussed in the Supporting Testimony of Dan Daves, Staff revised OG&E's long-term debt rate from 4.82% to 4.65%.²

Current, Accrued and Other Liabilities (CAOL)

8. As discussed in the Supporting Testimony of Middleton Ray, OG&E's Total Company adjusted CAOL level in Attachment D-5 is \$1,547,240,399. OG&E's CAOL was adjusted to reflect the Company's updated amount in its errata filing and the interest payable amount as discussed in the Supporting Testimony of Dan Daves.³ These adjustments reduce CAOL by \$1,790,646 resulting in Staff's recommended level of CAOL of \$1,545,449,753 on a Total Company basis.

RATE BASE

9. As shown on Staff's E&O Attachment D-2, Staff's Total Company average Rate Base is \$9,130,297,320 (D-2, Column C, Line 27). On an Arkansas jurisdictional basis, Staff's average Rate Base is \$761,219,728 (D-2, Column D, Line 27), which is \$7,189,319 less than OG&E's Application.

Working Capital Assets (WCA)

10. As discussed in the Supporting Testimony of Middleton Ray, OG&E's

² 2023 Supporting Testimony of Dan Daves, p. 4, lines 13-20 – p. 5, lines 1-18.

³ 2023 Supporting Testimony of Dan Daves p. 5, lines 19-20 – p. 6, lines 1-5.

Total Company adjusted WCA level in Attachment D-2 is \$585,852,146. Consistent with the prior FRP Evaluation and the Company's last Rate Case, Staff is recommending reducing coal inventory to the 43-day level set by the Company as being sufficient to meet normal operational needs and to maintain operations during periods of uncontrollable events or supply interruptions. This results in a reduction to WCA in the amount of \$55,507,807. Additionally, consistent with the prior FRP, Staff is recommending the removal of the Undistributed Stores Expense account in the amount of \$1,308,338. Staff also removed the regulatory assets for COVID costs in Arkansas and the deferred Debit for the OKC Economic Development Trust Note. These adjustments reduce WCA by \$61,844,571 resulting in Staff's recommended level of WCA of \$585,852,146 on a Total Company basis. On an Arkansas basis, Staff's WCA of \$53,399,669, reflects a reduction of \$7,189,319.⁴

EXPENSE

11. As shown on Staff's E&O Attachment D-3, Total Company net income is \$522,430,960 (D-3, Column C, Line 28), which is \$632,797 less than OG&E's Application net income of \$523,063,757, or a difference of \$60,664, on an Arkansas basis. As discussed below and in the Supporting Testimony of Middleton Ray, Staff made adjustments to the Company's Operation and Maintenance Expense, totaling \$987,310 on a Total Company basis, or \$129,102 on an Arkansas basis. In addition, Staff reduced Total Company Taxes Other than Income by \$49,500, or \$5,637 on an Arkansas basis.

⁴ 2023 Supporting Testimony of Middleton Ray pp. 9-11.

Advertising Expense

12. As explained in the Supporting Testimony of Middleton Ray, Staff removed \$343,620 on a Total Company basis and \$39,133 on an Arkansas basis which the Company erroneously included in its expenses for promotional advertising.⁵

Payroll Expense

13. As explained in the Supporting Testimony of Middleton Ray, Staff removed \$643,690 and related payroll taxes of \$49,500 on a Total Company basis and \$89,968 and \$5,638 on an Arkansas basis which the Company included in its expenses for executive perquisites and volunteer work, which should not be borne by ratepayers.⁶

REVENUE CONVERSION FACTOR (RCF)

14. As shown on Staff's E&O Attachment D-6 and discussed in the Supporting Testimony of Middleton Ray, Staff's RCF is 1.274172 (D-6, Line 9). The Company's RCF was adjusted to reflect the Arkansas corporate tax rate of 4.8 percent that will be in effect when the FRP revenue change is effective in 2024.

GRID MODERNIZATION

15. Staff's analysis of the Grid Modernization program, as set forth in the Supporting Testimony of Jeffrey J. Roberts, indicates that the Series II and III circuits, based on 2022 data revised to exclude several factors which are outside of the scope of Grid Modernization projects, are not meeting the modeled projections. Because the

⁵ 2023 Supporting Testimony of Middleton Ray p. 12.

⁶ 2023 Supporting Testimony of Middleton Ray pp. 11-12.

level of reliability improvements made with respect to the Modeled Projections are, in most cases, marginal, Staff agrees with OG&E's decision to conclude the Grid Modernization capital investment program. However, Staff witness Roberts recommends that OG&E should be encouraged to devote the necessary operation and maintenance expenses adequate to maintain and operate the circuits enhanced through the Grid Modernization program.

CONCLUSION

16. Staff recommends that the Commission approve the revisions to OG&E's proposed Rider FRP Rate Adjustment discussed in this filing and the 2023 Supporting Testimony of Staff witnesses Ray, Daves, and Roberts, and approve Staff's recommended Total FRP Revenue Change of \$35,275,342, which includes the Historical Year increase of \$3,469,159 and the Annualized Filing Year FRP Revenues of \$31,806,183, as shown on E&O Attachment A-2 and resulting FRP Rate Class percentage increases to base rate revenues as shown on E&O Attachment A-1.

WHEREFORE, Staff presents its Errors and Objections.

Respectfully submitted,

GENERAL STAFF OF THE
ARKANSAS
PUBLIC SERVICE COMMISSION

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CERTIFICATE OF SERVICE

I, Luke Kinder hereby certify that a copy of the foregoing has been served on all parties of record by electronic mail via the Electronic Filing System this 28th day of December 2023.

/s/Luke Kinder
Luke Kinder, #2018122