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

Scott Briggs

on behalf of

Oklahoma Gas and Electric Company

May 17, 2024

QUALIFICATIONS, EXPERIENCE, AND PURPOSE

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

A. My name is Scott Briggs. My business address is 321 North Harvey, 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 Vice President of Human Resources.

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

A. I earned a Juris Doctorate from the University of Oklahoma College of Law and a Bachelor of Business Administration from the University of Oklahoma. I have been employed by OG&E since 2019. In my current position I am responsible for the Human Resources function, including oversight of compensation and benefits. Prior to OG&E, I worked for The Oklahoman Media Company from 2003-2018 as Compensation Manager, Assistant Director of Human Resources, Vice President of Human Resources, Vice President of Administration, and Chief Operating Officer. During that time, and my time at OG&E, I have been responsible for establishing and overseeing policies and practices designed to attract and retain employees, including but not limited to compensation and benefit offerings. Outside of my role for OG&E, I serve on the Southwest Power Pool's Human Resources Committee, with primary focus on compensation and benefits. I serve on the EEI Chief Human Resources Officer Executive Advisory Committee as Vice-Chair and serve on the Oklahoma Workforce Commission as a Commissioner.

Q. **Have you previously testified or appeared before the Oklahoma Corporation Commission ("Commission")?**

A. No, I have not.

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

A. The purpose of my Rebuttal Testimony is to confirm the reasonableness of OG&E's compensation plans and to support the recovery of costs for these plans as a necessary cost of doing business. I will also discuss the challenges that OG&E is facing in the marketplace given the changes within our industry, our aging workforce, and the high demand for critical skills. Then I will respond to portions of the Responsive Testimony of Public Utility Division ("PUD") witness Andrew Scribner, Attorney General ("AG") witness Greg J. Matejcic, and Oklahoma Industrial Energy Consumers ("OIEC") witness Mark E. Garrett regarding the Company's request for recovery of its incentive compensation plans.

OG&E's COMPENSATION OBJECTIVES

Q. **Can you generally summarize OG&E's compensation objectives?**

A. Yes. The Company is responsible for meeting the obligation to provide reliable, safe, and reasonable cost electric service to our customers. OG&E is subject to ongoing regulatory and environmental compliance changes, changes in customer expectations, and technology changes which impact how we will operate as a business in the future. Meeting our responsibility to customers requires OG&E to attract and retain a talented, highly motivated, and sufficiently experienced work force. OG&E works to provide competitive, but reasonable, compensation and benefits to our existing members considering the competition we face from other utilities and employers in other industries. Also, our aging workforce, with an increasing number of retirements and retirement eligible members, requires us to focus on compensation packages that are attractive to those who are or will be replacing members with 25 to 40 years in the company. These changes and our existing workforce demographics impact how we attract and retain talent. An attractive total compensation package allows OG&E to be competitive in the job market and attract and retain the necessary people to provide excellent service to our customers.

Q. **What is OG&E's overall approach to compensation?**

A. OG&E focuses on the development of compensation programs that are both market and performance-based and align with the business strategy. OG&E incorporates the establishment of market-based levels of compensation that enable the company to compete for, attract and retain experienced, motivated, and diverse members with skill sets necessary to execute the business strategy to provide our customers with excellent service.

Q. **What is incentive compensation?**

A. Incentive compensation is compensation that is provided to incentivize or drive behavior and is intended to motivate performance by providing rewards for specific results. Incentive compensation plans are often designed to attract and retain employees as well as align the interests of employees to the goals of the company. Payouts are not guaranteed and are usually tied to specific performance measures. These programs can be short term (usually a year or less) or long term (generally multi-year).

Q. **Please describe OG&E's incentive compensation programs and their purpose.**

A. OG&E has a Short-Term Incentive program ("STI") and a Long-Term Incentive program ("LTI"). The STI program is offered to all full-time employees. This program is provided to motivate and reward members to drive performance. The awards for STI are based on a combination of performance-based metrics that include Customer Satisfaction (including but not limited to the availability and reliability of power), Safety, Environmental Operations, Operating and Maintenance Expense, and Earnings Per Share. The LTI program is generally offered to officers, executives, and select managers who are responsible for or contribute to the management, growth, and profitability of the business of the Company. The awards in this program are based on benchmarking of the most common and best practice for long-term incentive plans of our peers which include a mix of performance units and restricted units.

OG&E's STI program is provided to motivate and reward our members to drive performance, particularly in the areas of safety, customer service, environmental stewardship, and fiscal responsibility. The STI performance measures are designed using a balanced scorecard approach which includes a combination of operating performance measures and traditional financial performance measures to give members a more balanced approach to successful organizational performance. OG&E establishes Customer Satisfaction, Safety, Environmental Operations, Operating and Maintenance Expense and Earnings Per Share as performance metrics that are beneficial to customers. Operating metrics are important for the customer, as they lower costs and improve reliability. Financial metrics also benefit customers because they are indicative of how well the utility is run over time. A healthy utility with reasonable investor returns compared to its peers ultimately lowers costs to customers through better credit metrics and lower cost of capital.

OG&E's LTI program is designed to motivate leaders to operate at high levels through innovation, ownership, and strategic thinking. LTI is composed of two separate features: performance units and restricted units. The performance units are granted and then, dependent on the performance of the Company, may or may not pay out at the end of the three-year performance cycle. This approach promotes a longer-term view of the business. The performance units component of LTI is at-risk compensation, meaning that it is not paid if performance metrics are not achieved. The restricted units are designed to be time-based and to help retain key talent by being granted and then vesting based on the three-year cliff vesting schedule. These restricted stock units pay out if the employee continues to be employed through the vesting date. The restricted stock units were added to the mix of long-term incentive compensation as 35% of the overall LTI grant, and their vesting is not based on financial metrics, but rather the time of employment.

The purpose of these programs is to attract and retain a workforce that is not only experienced, but talented, and highly motivated. It is crucial that the Company attracts and retains a workforce that will uphold our responsibility to customers to ensure we provide reliable, safe, and reasonable-cost electric service. Although some of the metrics are considered financial metrics, it is still true that customers benefit if these metrics are strong because OG&E will attract more investors and have access to cheaper capital, lowering the cost of providing service to customers. Conversely, if these metrics are weak as compared to the market, customer costs go up.

Q. **How do you determine that OG&E's compensation levels are reasonable and market competitive?**

A. The Company uses data provided by independently verified third-party salary surveys and compares the Company's salaries to the external market data. Once a company job is matched to a benchmark in the third-party survey data, it is placed within the salary grade structure and the pay for an individual who has that grade is then determined based on the member's experience, skills, and performance.

The Company also sets annual incentive compensation targets, which is the annual compensation available to employees if targeted levels of performance are met under our STI program. The annual incentive targets are set as a percentage of annual salary, designed so that when annual salary and STI are combined for a position, they deliver market-comparable total cash compensation. The incentive targets as a percentage of salary are reviewed by an independent compensation consultant on a periodic basis to ensure that annual incentive targets remain appropriate for delivering market-competitive cash compensation.

Q. **Is long term compensation an accepted form of compensation in the utility industry?**

A. Yes, it is used by OG&E's industry peers as well as many of its local competitors for talent. Long term incentive grants are intended to drive business decision-making that results in long-term company performance and promotes customer and shareholder value. Therefore, the performance period is more than one year and why grants are only offered to members who can influence long-term business results such as officers, executives, and select managers of the company. By offering both short-term and long-term incentives, OG&E balances short-term objectives with long-term outcomes.

Q. **Please describe OG&E's approach to attracting talent?**

A. OG&E takes a holistic approach to attracting talent, which means we establish, maintain, and promote an employee value proposition based not only on a competitive compensation and benefits package but also a culture and work environment that engages and retains our employees. By growing and developing our existing employees, we are able to achieve recognition as an employer of choice by multiple third parties – designations which can be utilized to attract new employees as current employees retire. For jobs that are hard to fill because of specialized skill sets or labor shortages, the Company may need to utilize other recruitment levers, including sign-on bonuses or relocation benefits.

Q. **Please further describe OG&E's challenge of an aging workforce and how you plan to address the challenge.**

A. We have experienced significant increases in retirements in recent years, and 29% of OG&E's current workforce will be eligible to retire (*i.e.*, be at least 55 years of age and have at least five years of service) by the end of 2024. We have anticipated the need to fill critical positions as baby boomers retire and continue to recruit new members and/or develop internal members through mentorships and training with the goal of promoting them into these roles over time. We utilize developmental roles and offer phased retirement to encourage the passing on of institutional knowledge. Additionally, we focus on workforce development and building talent pipelines through career awareness programs with middle schools, high schools, career tech schools, other trade schools, and colleges and universities. In some areas of the business where there are gaps in filling positions, we utilize contract labor to perform work. Maintaining a competitive compensation package, including short-term and long-term incentives, allows OG&E to attract skilled talent from underdeveloped and/or shrinking talent pools and to retain existing talent over the long term.

Q. **Does the cost of STI increase the cost of service to OG&E's customers?**

A. No. If the Company did not offer an annual incentive program, the Company would have to increase base salaries to reflect a competitive market position to attract and retain talent. Incentive compensation places a portion of employee pay at risk, making it dependent on their performance and the Company's performance. If the Company does not perform well, the Company will not pay out incentives. If the Company does pay out incentives, this means that the Company has benefited customers with greater efficiency, lower costs, improved reliability, safety, compliance, and healthier financial performance, which translates to lower costs for customers. Incentive programs are offered to drive behavior and increase productivity. This results in running our business more efficiently and effectively.

Q. **What is the position regarding incentive compensation of PUD, AG, OIEC, and FEA?**

A. The Public Utility Division, Attorney General, OIEC, and FEA all support the same status quo position in past rate proceedings: OG&E's recovery of incentive compensation should be limited to 50% of its STI compensation, with zero recovery for its LTI compensation. These parties believe shareholders are the primary beneficiaries of any earnings per share metrics included in STI and LTI compensation and therefore, the portion of STI and LTI compensation tied to those earnings per share metrics should be disallowed from recovery. It is important to note that PUD changed its position in this case. PUD, in case number PUD 2021-0000164, supported 100% recovery of STI and 25% recovery of LTI.

Q. **Please summarize OG&E's position on incentive compensation.**

A. OG&E provides its employees with a comprehensive total rewards package composed of a base salary, incentive compensation, and other health and welfare and retirement benefits. An attractive total rewards package allows OG&E to be competitive in the job market and attract and retain the necessary people to provide excellent service to our customers. OG&E must provide market-based compensation, which includes incentive compensation.

Removal of incentive compensation from its compensation packages would require OG&E to increase base salaries to remain competitive. That is not an optimal approach. It is important to link a portion of individual compensation to company performance. Incentive compensation allows individual employees to be rewarded when they help the Company succeed in operating under safe conditions, achieving improvements in customer satisfaction, managing O&M costs, and generally running the utility well. While OG&E could just pay a base salary at a higher level, it would remove this important link between employee compensation and individual and Company performance.

Q. **Does it make sense that the Commission has continually excluded incentive compensation from rates?**

A. No. In every rate case, OG&E has recommended recovery of the total amount of compensation it pays OG&E employees. Despite evidence this incentive compensation is necessary to attract and retain employees and to keep up with market compensation practices, the Commission routinely disallows 100% of long-term incentive compensation and 50% of the short-term incentive compensation. The rationale for excluding these reasonable and necessary costs comes from the Company's inclusion of some financial metrics in assessing performance. The Commission's prior decisions on this issue are particularly perplexing when considering they have consistently awarded 100% STI recovery to certain Oklahoma gas utilities, whose plans are designed similarly to OG&E's.

Q. **Is the Commission's historical disallowance of 50% of the short-term incentive compensation performance measures and 100% of long-term incentive compensation consistent with the contribution of earnings per share metrics to the level of cost?**

A. No. Even if the Commission were to exclude earnings per share metrics from the amount of short-term incentives included in rates, a 50% reduction does not reflect the amount of earnings per share metrics used in OG&E's performance measures. The target breakdown for most OG&E Members between other metrics and earnings per share metrics is approximately 70% and 30%, respectively. That 70% can be broken down into the following categories: Operating and Maintenance Expense (20%), Customer Satisfaction (20%), Safety (20%), and Environmental Operations (10%). If you look at the average percentage of those non-earnings per share actual payouts for OG&E's members over the past 4 years, the percentage is still higher than 50%. At a minimum, OG&E should receive at least 58% of its STI, which reflects the average percentage of its non-earnings per share metrics for employees over the past 4 years.

Likewise, removing 100% of long-term incentive is unreasonable. This is also part of employee compensation. However, at a minimum, the Commission should include at least 35% of the long-term incentive because this amount is awarded to employees as restricted stock awards. This part of the long-term incentive is primarily designed for employee retention. Those awards automatically vest at the end of each 3-year performance cycle if the employee stays with the Company and are not subject to achieving any financial metrics.

Q. **Do you think it should matter whether STI or LTI is tied to an earnings per share metric in order to have recovery of STI and LTI from customers?**

A. No. OG&E has a cost of attracting and retaining employees. That cost includes incentive compensation. OG&E should be able to recover those costs in its rates, as those are valid costs of doing business. No party has argued that OG&E's incentive compensation is unreasonable or unnecessary. It should make no difference that some of the performance metrics revolve around earnings per share. And frankly, when the Company has higher earnings, it reflects a healthy utility. It shows that all employees are controlling spending, managing budgets, executing business plans, attracting capital on reasonable terms, and effectively managing the day-to-day operations and risks. Customers ultimately benefit from these results by paying lower rates and receiving safe and reliable service.

RESPONSE TO PUD WITNESS SCRIBNER

Q. **In Responsive Testimony, Mr. Scribner states "PUD must evaluate each utility's filing holistically."[1] Please explain the company's position on this statement.**

A. OG&E agrees with taking a holistic approach to things, which is why the Company evaluates and offers a total rewards package that includes base pay, incentive compensation (both short and long term), and health and welfare and retirement benefits. If Mr. Scribner believes in taking a holistic approach, he should be supportive of OG&E recovering the cost of all its reasonably-established employee compensation and benefits rather than taking a stance that would incentivize OG&E to abandon at-risk, performance-based pay in favor of artificially inflating salaries in order to provide total compensation that would remain competitive in the marketplace.

Q. **In Responsive Testimony, Mr. Scribner states "PUD must evaluate further than "actual" or "target" levels of expenses. PUD must consider the behaviors that utilities attempt to drive through incentive programs and benefits realized by not only the ratepayers, but the shareholders, through implementation of these programs."[2] Do you agree with this statement?**

A. Not completely. Many of the behaviors OG&E is attempting to drive through these incentive programs are behaviors aimed at availability and reliability of power for our customers. For example, EFOR is one measure of Customer Satisfaction in OG&E's STI program, with a one-third weighting. EFOR measures the availability of the Company's power generation units, and the better employees perform in ensuring availability of units, the less likely customers will be faced with interruptions in their power. SAIDI is another measure of Customer Satisfaction in OG&E's STI program, with a one-third weighting. SAIDI measures the reliability of OG&E's transmission and distribution system. Again, the better employees perform in improving reliability, the less likely customers will be faced with interruptions in their power. Finally, our Customer Centricity efforts are

1 Responsive Testimony of Andrew Scribner page 20, line 5.
2 Responsive Testimony of Andrew Scribner, page 20, lines 12-16.

designed to understand what our customers want so that we can be responsive in how we serve and communicate with them. Employee performance against this goal shows up in residential and business customer survey data, which is used to calculate the final one-third of the Customer Satisfaction performance in OG&E's STI program.

RESPONSE TO AG WITNESS MATEJCIC

Q. **Do you agree with Mr. Matejcic that shareholders are the primary beneficiaries when employees respond effectively to well-designed incentives?[3]**

A. No. Customers receive significant benefits when employees respond to well-designed incentives focused on safety, cost management, availability of power, reliability of power, customer satisfaction, and earnings per share. When a utility performs well against all these metrics, facilitated by the efforts of its skilled workforce, it is primarily OG&E's customers who benefit from those efforts leading to the incentive payouts in the form of safe, reliable, and affordable electricity.

Q. **In Responsive Testimony, Mr. Matejcic states "OGE implies that employers use compensation as the only means to attract and retain employees."[4] Do you agree with that statement?**

A. No. I would disagree with that statement. OG&E deploys significant effort towards providing a workplace culture and environment that includes and engages a workforce that is motivated to provide life-sustaining and life-enhancing products and services, while honoring our commitment to strengthen our communities. A comprehensive total rewards package that includes health and welfare and retirement benefits in addition to various forms of compensation is a necessary and appropriate supplement to any company's attraction and retention efforts.

---

[3] Responsive Testimony of Greg J. Matejcic, page 22, lines 14-18.

[4] Id. at page 23, lines 12-13.

Q. **In Responsive Testimony, Mr. Matejcic stated that targets in a well-designed incentive compensation plan should not be met each year.**[5] **How do you respond to this statement?**

A. Mr. Matejcic implies that OG&E meets its targets for incentive compensation plans every year. On the contrary, it is not uncommon for there to be a zero percent payout for one or more STI program measures in any given year. The fact that the 5-year average payout for the vast majority of OG&E's employees is 89% is proof that the Company establishes stretch goals for its STI program measures. That is why OG&E uses a four-year average when it proposes STI and LTI amounts for inclusion in rates. Using averages over several years reflects the variable nature of actual payouts from year to year.

RESPONSE TO OIEC WITNESS MARK GARRETT

Q. **Do you agree with Mr. Garrett's disallowance of severance pay?**

A. No. Severance payments are part of a process that occurs in the normal course of business. Severance pay typically comes into play when positions are being eliminated to remove roles or functions that are no longer needed or providing the same value to customers that they have in the past. The amounts requested are not out of the ordinary, nor are they excessive, and should be considered for recovery.

Q. **Do you agree with Mr. Garrett's rationale for excluding incentive compensation tied to financial performance?**

A. No. Customers benefit from having a utility with healthy financial statements. For example, OG&E has multiple departments and many employees that contribute to both business and residential customer growth, which is an indicator of strong financial performance. When customer growth positively impacts a financial metric like earnings per share and employees receive incentive compensation as a result, there is a legitimate cause and effect that benefits customers.

---

[5] Id. at page 23, lines 19-21.

Q. **Do you agree with Mr. Garrett's point that "Earnings-based incentive plans can discourage conservation?**[6]

A. No. In fact, OG&E is an active participant and vigorously pursues programs through the Energy Efficiency Programs ("EEP") Rider and offers many opportunities for its customers to participate in energy conservation.

Q. **In Responsive Testimony, Mr. Garrett states "most of the utilities that OG&E competes with for talent generally do not recover all of their incentive compensation in rates."**[7] **Is this an accurate statement?**

A. I do not know who Mr. Garrett is referring to when he says "most," but "most" also suggests that some utilities do recover all their short-term incentive compensation in rates. Further, OG&E competes with many non-utility companies for talent, and those organizations do not face the same regulatory restrictions that OG&E does when it comes to recovering the cost of doing business. OG&E must remain competitive in its total rewards offerings compared to utility and non-utility talent competitors.

CONCLUSION

Q. **Are any arguments to exclude portions of OG&E's compensation costs from rates reasonable?**

A. No. No party in this case claims that any of these costs are unreasonable or imprudent expenses. No party in this case claims that OG&E is spending too much on these items.

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

A. I recommend the Commission allow OG&E to recover 100% of its STI expense. If the Commission does not allow 100% of its STI expense, I recommend the Commission allow OG&E to recover a minimum of 58% of its STI expense, which reflects the recent payout amounts over the past several years that are not tied to any "earnings per share"

---

6 Responsive Testimony of Mark E. Garrett, page 16, lines 6-13.

7 Id. at page 24, lines 10 – 11.

performance metric. For LTI expenses, I recommend that the Commission allow 100% recovery. If the Commission does not allow 100% recovery of LTI expense, then as an alternative, I recommend the Commission allow OG&E to recover 35% of its LTI expense, which reflects the amount awarded through restricted stock awards and is not tied to any performance metric. In addition, I recommend the Commission allow OG&E to recover its severance expense for the reasons discussed herein. These compensation expenses are reasonable and necessary costs for OG&E, are beneficial to customers, and should be included in rates.

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

A. Yes.