

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

Robert Doupe

On behalf of

Oklahoma Gas and Electric Company

May 17, 2024

Robert Doupe
Rebuttal Testimony

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

2 A. My name is Robert Doupe. My business address is 321 North Harvey, Oklahoma City,
3 Oklahoma 73102.

4
5 Q. **Are you the same Robert Doupe 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 Rebuttal Testimony is to respond to the Responsive Testimony of
11 Oklahoma Industrial Energy Consumers ("OIEC") witness Scott Norwood regarding
12 OG&E's level of coal inventory, and I will address why a 25 year service life is
13 operationally appropriate for the Company's wind assets and not 30 years as proposed by
14 Federal Executive Agencies' ("FEA") witness Brian Andrews, Public Utility Division
15 ("PUD") witness William Dunkel and OIEC witness David Garrett.

16
17 **COAL INVENTORY**

18 Q. **Please describe Mr. Norwood's recommendation regarding the Company's coal
19 inventory value and level.**

20 A. Mr. Norwood recommends a reduction for the total company coal inventory of
21 approximately \$76 million. He believes that OG&E has an "excessive volume of
22 inventory," as a result of declining production from the Company's coal units. Instead of
23 OG&E basing its coal inventory levels off a full day's burn, Mr. Norwood proposes
24 calculating a lower coal inventory level of 962,406 tons using an average burn rate of
25 22,382 tons per day, which translates to a recommended coal inventory of 43 days.

1 Q. **Do you agree with Mr. Norwood's adjustment to the Company's coal inventory level?**

2 A. No. OG&E does not determine its coal inventory level using an average burn rate. The
3 appropriate standard to use in calculating how many days of coal to maintain is the full day
4 burn rate. The entire purpose of having a coal inventory is to ensure the plant can operate
5 at full power during periods of supply disruptions. An inventory level based on an average
6 burn rate would not have enough coal to supply fuel during periods of high demand for a
7 long enough duration to provide security and reliability. Mr. Norwood's coal inventory
8 recommendation would only be approximately 34 days of coal at a full burn rate of
9 approximately 28,000 tons per day, which I believe is too low and would hinder the amount
10 of coal generation available to provide reliable power to our customers. OG&E's proposed
11 level of coal inventory is approximately 90 days of coal at a full day's burn rate. This coal
12 inventory level is appropriate given the coal supply disruptions in the recent past and the
13 need for greater coal inventory on the ground to preserve reliability.

14

15 Q. **Does OG&E carry coal inventory to match an average coal burn?**

16 A. No. Mr. Norwood's argument that coal inventory should be reduced to reflect an average
17 coal burn is based on a faulty premise. The purpose of having coal inventory is not to
18 match historical average coal usage. The purpose of coal inventory is to ensure reliability
19 by having enough coal supply to handle disruptions in supply. The Company needs to
20 maintain a level of coal inventory that allows it to use the most economical and reliable
21 generation resources at any given time. In some months, this may require significantly
22 more coal usage than in others. Therefore, OG&E does not believe it is appropriate to set
23 coal inventory solely based on a simple average coal burn.

24

25 Q. **Why is it appropriate to base coal inventory levels on a full burn instead of an average
26 day burn?**

27 A. OG&E has always viewed a "day" of coal as a full-power day rather than an average burn
28 day, as averages will change over time and fail to account for significant supply
29 disruptions. Additionally, the SPP Balancing Authority ("BA") has an Emergency
30 Operating Plan ("EOP") aimed at maintaining reliable power system operation in the
31 region and preventing widespread or major power outages due to insufficient generating

1 capacity. The SPP EOP requires coal inventories to be reported in days at maximum output
2 for reliability purposes. Also, a full day burn rate is a constant number where an average
3 burn rate constantly changes due to outside variables. Looking at a historical number to
4 set future coal inventory levels could mean that we may not have an adequate amount of
5 coal to respond to a future event.
6

7 **Q. Are there any other reasons why Mr. Norwood's 34-day coal inventory level is**
8 **inappropriate?**

9 **A.** Yes. Mr. Norwood's recommendation fails to take into account the recent rail
10 transportation issues experienced by the Company that necessitated the Company's
11 increased inventory levels. In 2021 and 2022, OG&E experienced national rail
12 transportation delays of coal deliveries that led to rapidly declining coal inventory levels.
13 This caused OG&E to have to work with the SPP by developing market offering strategies
14 to limit off-peak coal generation in an effort to conserve coal for when needed most for
15 customers.¹

16 The purpose of having coal inventory is not to match historical average coal usage,
17 but to ensure future reliability by having enough coal supply to manage disruptions in
18 supply. A larger coal inventory helps protect customers from future delivery disruptions.
19 Analyses using the average daily coal burn calculation also overlook the seasonality of
20 dispatch/utilization of OG&E's units in the Southwest Power Pool Integrated Market
21 ("SPP IM"). The Company must maintain a higher inventory level to comply with SPP
22 dispatch requirements and to mitigate supply chain and rail transportation disruptions.
23 OG&E believes that a higher coal inventory equivalent with the 90-day supply included in
24 the requested rate increase is necessary for reliability going forward. OG&E does not
25 believe it is appropriate to set coal inventory solely based on an average day coal burn and
26 previous coal inventory levels that do not take into account future risks to reliability and
27 the Company's customers.

¹ Direct Testimony of Shawn McBroom filed in Case No. PUD 2023-000055.

WIND AND SOLAR ASSETS

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Q. What are recommendations of FEA witness Brian Andrews, PUD witness William Dunkel and OIEC witness David Garrett regarding the service life of the Company's wind assets?

A. All three witnesses propose a 30-year service life for the Company's wind assets. None of the witnesses provide any evidence for their recommendations other than citing a survey and erroneously pointing to OG&E's Integrated Resource Plan ("IRP").

Q. Does the Company agree with the witnesses proposed 30-year service life?

A. No. I will explain why 25 years is a better service life for OG&E's wind assets, given their age and vintage. OG&E witness Riley explains why the survey used by the intervenor witnesses actually supports a 25-year service life (and not a 30-year life) for OG&E's specific wind assets. Also, she explains that OG&E's IRP uses a 30-year life for new wind generation but has used a 25-year life consistently as an assumption for OG&E's existing wind assets.

Q. Do you believe that a 25-year life is appropriate for OG&E's specific wind farms?

A. Yes. OG&E believes that the 25 years is the appropriate service for OG&E's wind farms. This is confirmed by the manufacturer design life certificates OG&E has received for the wind turbines at OG&E's wind facilities. For example, the Crossroads wind turbines have a manufacturer certificate from Siemens for a design life of 20 years. The Crossroads turbines are the same Siemens turbines that have been installed at the OU Spirit wind farm. It certainly makes sense to have a service life of 25 years as opposed to 30 years for turbines with a design life certificate for 20 years. Also, the GE turbines used at the Centennial facility should also have a 25-year life given their age and vintage. First constructed in 2006, they are the very first wind turbines installed in the OG&E generation portfolio. GE promotional materials for these turbines shows that this vintage of turbines underwent 20-year fatigue testing. I could find nothing from GE that would indicate anything longer than 25 years is advisable or recommended.

1 Q. **Are there any other reasons to use a 25-year service life for wind?**

2 A. Yes. It is my understanding that each of OG&E's depreciation studies performed since
3 2015 have used a 25-year life.

4
5 Q. **Has the Commission specifically authorized the use of a 25-year service life for the
6 Company's wind farms?**

7 A. Yes. In the Company's 2015 rate case² this Commission agreed with the Administrative
8 Law Judge ("ALJ") authorizing OG&E to utilize a 25-year life span for the Company's
9 wind farms.

10

11 Q. **What was the ALJ's reasoning for recommending the Company utilize a 25-year
12 service life instead of 30?**

13 A. One of the reasons the ALJ recommended a 25-year service life was because "[w]hen the
14 Commission approved the OG&E units, the Commission based useful life on the
15 manufacturer's suggested useful life, which was then twenty-five years."³

16 The same reasoning in 2015 still applies in 2024. The Company's wind assets are
17 the same vintage, make, and model that were approved by the Commission when the units
18 were first placed into service. The Company's wind assets do not possess this newer
19 technology so there is no reason to change the current service life of 25 years to 30 years.
20 Furthermore, in 2015, the ALJ pointed out the proponents of a 30-year service life "lacked
21 an engineering study showing that at each OG&E owned wind farm, the model or models
22 of wind turbines used at that wind farm would be economic to operate for thirty years."⁴
23 As in 2015, no party in this current rate case has produced an engineering report or any
24 other evidence refuting the Company's 25 year service life for its wind assets.

25

26 Q. **What is your recommendation for the service life of the Company's wind assets?**

27 A. My recommendation is to continue the current service life of 25 years for the wind farms.
28 It is not appropriate at this time to increase the life span of the assets to 30 years based on

² Cause No. PUD 2015000273, Order No. 662059, at pg. 9.

³ Cause No. PUD 20150073, Report of the Administrative Law Judge at pg. 61.

⁴ *Id.*, pgs. 61-62.

1 speculation by Mr. Norwood and Mr. Garrett that the Company wind assets might be able
2 to last longer.

3

4 **Q. What is the proposed service life of the Company's solar assets?**

5 A. The Company has proposed a 25-year average service life for its solar assets.

6

7 **Q. Do you agree with this recommended service life for OG&E's solar facilities?**

8 A. Yes. It makes sense from an operational perspective for two reasons. First, solar panel
9 technology is evolving rapidly. For example, the Covington solar farm constructed in 2017
10 are only mono-facial panels and rated at 250 Watts, but OG&E's Davis and Durant
11 facilities constructed in 2020 are 405 Watts with bi-Facial panels (which collect the sun's
12 irradiance from both sides of the panels). We are now seeing proposals for 550-watt panels.
13 These panels will require less area and provide the same power. It does not make sense to
14 push the cost recovery out for a period longer than 25 years when technology is developing
15 so rapidly, creating the potential for solar facilities to become obsolete and unsupported
16 before the end of their service life. I would recommend that we stay with the 25-year life
17 for our existing solar farm given this rapid technological evolution.

18 Second, given the frequency of severe weather in Oklahoma (including damaging
19 hailstorms), a longer service life is not advisable. I therefore disagree with the
20 recommendations by the PUD and OIEC to extend the service lives for solar to 30 years.

21

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

23 A. Yes.