

BEFORE THE CORPORATION COMMISSION 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)
RATES, CHARGES, AND TARIFFS FOR RETAIL)
ELECTRIC SERVICE IN OKLAHOMA)

CAUSE NO. PUD 201700496



Rebuttal Rate Design Testimony

of

Donald R. Rowlett

on behalf of

Oklahoma Gas and Electric Company

June 5, 2018

Donald R. Rowlett
Rebuttal Testimony

1 Q. **Would you please state your name and business address?**

2 A. My name is Donald R. Rowlett. My business address is 321 North Harvey, Oklahoma
3 City, Oklahoma, 73102.

4
5 Q. **Are you the same Donald R. Rowlett that previously filed direct testimony and
6 rebuttal testimony in this proceeding?**

7 A. Yes.

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

10 A. I will respond to the Responsive Testimony by OIEC and OER witness Norwood filed on
11 May 16, 2018. My Rebuttal Testimony will focus on some of the key themes raised by
12 Mr. Norwood. My failure to address each and every assertion or claim made by other
13 parties in this Cause does not indicate my acquiescence or agreement with such assertion
14 or claim.

15 **Fuel Cost Adjustment Rider**

16 Q. **Does Mr. Norwood recommend changes to the Company's Fuel Cost Adjustment
17 Rider ("FCA")?**

18 A. Yes. Mr. Norwood recommends three changes. First, that the annual submittal for factor
19 redetermination be changed from March 15 to September 15. Second, that the
20 information provided in that submission be expanded to include details on the fuel
21 forecast and consumption level and that this information is submitted not just to PUD
22 Staff, but to OIEC, OER and all other interested parties. Finally, that the provision for
23 changes between annual redeterminations be revised to limit instances of these changes
24 and to provide advance notice for such a change to customers.¹

¹ Responsive Testimony of Norwood on Rate Design Issues, p. 11 and Exhibit SN-6.

1 Q. **Please address Mr. Norwood's first recommendation.**

2 A. The Company is aware of the budget planning needs of its Commercial and Industrial
3 customers and takes those needs seriously. OG&E is a summer peaking utility, by
4 conducting the annual redetermination in March; we believe we are better able to forecast
5 fuel costs that will impact customers during the high usage summer months, and the
6 remainder of the year. The Company does not believe moving the annual redetermination
7 date will improve the accuracy of the fuel forecast and will not impact the overall
8 volatility of energy prices. With the understanding that moving the forecast further away
9 from the summer months may increase the likelihood of over or under recovering fuel
10 costs OG&E does not object to moving the annual redetermination submission to
11 September 15 of each year.
12

13 Q. **Please discuss Mr. Norwood's second recommendation.**

14 A. Mr. Norwood has recommended expanding the information provided during the annual
15 redetermination to align with the information that OG&E provides to the Arkansas Public
16 Service Commission. Annually, the Director of the PUD Staff opens a Cause to conduct
17 a financial audit and review the prudence of fuel procurement decisions; the annual filing
18 in Arkansas takes the place of this type of review. While requiring that OG&E annually
19 submit information like that of the Arkansas requirement would be somewhat duplicative
20 of the fuel prudence review process in Oklahoma, OG&E has no objection to providing
21 the additional information proposed by Mr. Norwood in Exhibit SN-6 of his responsive
22 testimony.
23

24 Q. **Does the Company agree with the tariff changes Mr. Norwood proposes to limit the**
25 **instances in which the FCA may be adjusted?**

26 A. No. Mr. Norwood is attempting to limit the Company's ability to adjust the FCA Rider
27 by raising the change in the over-under balance which may trigger a further adjustment of
28 the current FCA factor to \$50 million. The FCA currently allows OG&E to adjust the
29 FCA Rider if the over or under collected balance has exceeded 5% of the annual
30 recoverable costs. The Company typically does not begin considering an interim change
31 in the FCA factor until the over or under recovered balance exceeds \$50 million. OG&E

believes allowing for the possibility of changing the factor before the over or under collected balance reaches \$50 million may allow for less volatility customers' bills.

Southwest Power Pool Cost Tracker

Q. Please explain Mr. Norwood's recommendations as they relate to the Company's Southwest Power Pool Cost Tracker ("SPPCT").

A. First, Mr. Norwood recommends that the SPPCT be amended so that the Company credits to customers 100% of the SPPTTR credits it receives. Second, Mr. Norwood asserts that OG&E has failed to demonstrate the reasonableness of SPPCT charges. Finally, Mr. Norwood recommends that OG&E's SPPCT be amended to require that OG&E file testimony in its next rate case justifying the need for the SPPCT.

Q. Please explain the history of the SPPTTR credits.

A. Prior to the establishment of the SPPTTR, 80% of the jurisdictional share of revenues OG&E received for Point-to-Point transmission service on its system were credited to customers through the FCA. At the time the SPPTTR was established it made more sense to credit the customer portion of unexpected Point-to-Point transmission revenues through a transmission related rider. Point-to-Point revenues are incremental to the revenue requirement established for OG&E's retail jurisdictions and are for additional use of the system. A sharing of 80% of these incremental revenues for OG&E's customers and 20% retained by the Company is a reasonable sharing of the unexpected benefit.

Q. Is Mr. Norwood correct in his assertion that the intent of the 80/20 split was to account for the off-system sales margin?

A. No. The Company does not believe this to be the case, nor does Commission Order No. 559353, in Cause No. PUD 200800148 make any mention of the 20% retained by the Company as being related to off-system sales, but simply an element of an agreed upon Joint Stipulation and Settlement.

1 Q. **Do you agree that the Company has failed to demonstrate the reasonableness of**
2 **third-party SPPCT charges?**

3 A. No. The costs that OG&E is recovering through the SPPCT are from base plan charges
4 allocated to OG&E. These charges are based on rates that have been found to be *fair and*
5 *reasonable* by the Federal Energy Regulatory Commission (“FERC”).
6

7 Q. **Are third-party charges determined by OG&E?**

8 A. No. Third-party charges that are recovered through the SPPCT are approved by the SPP
9 using their authority under the Open Access Transmission Tariff (“OATT”).
10

11 Q. **Is OG&E a contributing and vocal member of the SPP?**

12 A. Yes. OG&E has not formally intervened in another SPP Transmission Owner’s rate
13 cases to question a proposed rate or cost recovery. However, as members of the SPP
14 Regional Transmission Organization, OG&E is very involved in the transmission
15 planning process, and other processes in which transmission projects are proposed, voted
16 upon, approved and implemented. Within the SPP construct, OG&E is constantly
17 questioning proposals, model inputs and revision requests to ensure, to the best of its
18 ability, that only the most cost-effective solutions are sent to the SPP Board of Directors
19 for approval. OG&E is also a voting member of the SPP Members Committee, which
20 acts as the senior advisory body to the SPP Board of Directors. In that role, we continue
21 to press for the most cost-effective solutions for OG&E customers. A recent, notable
22 example is the Potter-Tolk 345kV line that was proposed by SPP Staff in the Panhandle
23 of Texas. OG&E, and others, did not believe that the approximately \$170 million project
24 was cost-justifiable, and worked to have that project withdrawn, even after it was
25 approved by the Markets and Operations Policy Committee.
26

27 Q. **Do you agree with Mr. Norwood’s third recommendation?**

28 A. No. OG&E’s retail customers benefit from base plan upgrades in the SPP through greater
29 reliability and access to low cost energy from the SPP IM. The portion of Base Plan
30 upgrades that serve OG&E’s retail load, built and operated by OG&E, are included in the
31 Company’s base rates. OG&E should not be subjected to regulatory lag associated with

1 Base Plan projects that are built and operated by other transmission owners in the SPP.
2 The Company does not participate in managing the projects or have any ownership
3 interest in those projects. Forcing OG&E to bear the increase in the cost of these
4 Schedule 11 charges that are benefiting customers would jeopardize the Company's
5 opportunity to earn its authorized return.
6

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

A. Yes.