

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 RATES, CHARGES, AND
TARIFFS FOR RETAIL ELECTRIC SERVICE
IN OKLAHOMA

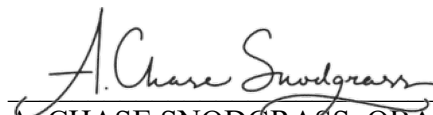
PUD 2023-000087

RESPONSIVE TESTIMONY OF GREG J. MATEJCIC
ON BEHALF OF
GENTNER F. DRUMMOND, OKLAHOMA ATTORNEY GENERAL

Gentner F. Drummond, the Attorney General of Oklahoma, on behalf of the utility customers of this State, hereby submits the Responsive Testimony of Greg J. Matejcic in the proceeding referenced above. The Attorney General urges close consideration of the testimony.

Respectfully submitted,

GENTNER F. DRUMMOND
ATTORNEY GENERAL OF OKLAHOMA



A. CHASE SNODGRASS, OBA #33275
Deputy Attorney General

K. CHRISTINE CHEVIS, OBA #33483
Assistant Attorney General

ASHLEY N. YOUNGBLOOD, OBA #35784
Assistant Attorney General

UTILITY REGULATION UNIT
OKLAHOMA ATTORNEY GENERAL
313 NE 21st Street
Oklahoma City, Oklahoma 73105
Telephone: (405) 521-3921
Facsimile: (405) 522-0608
chase.snodgrass@oag.ok.gov
christine.chevis@oag.ok.gov
ashley.youngblood@oag.ok.gov

CERTIFICATE OF SERVICE

On this 26th day of April 2024, a true and correct copy of the *Responsive Testimony of Greg J. Matejic on Behalf of Gentner F. Drummond, Oklahoma Attorney General* was sent via electronic mail to the following interested parties:

Mark Argenbright
Director, Public Utility Division
OKLAHOMA CORP. COMM'N
Jim Thorpe Building
2101 N. Lincoln. Blvd.
Oklahoma City, OK 73105
pudenergy@occ.ok.gov

Natasha Scott
Michael L. Velez
Michael Ryan
Justin Cullen
E.J. Thomas
OKLAHOMA CORP. COMM'N
Jim Thorpe Building
2101 N. Lincoln. Blvd.
Oklahoma City, OK 73105
natasha.scott@occ.ok.gov
michael.velez@occ.ok.gov
michael.ryan@occ.ok.gov
justin.cullen@occ.ok.gov
ej.thomas@occ.ok.gov

William L. Humes
OKLA. GAS & ELEC. CO.
P.O. Box 321, MC 1208
Oklahoma City, OK 73101
humeswl@oge.com
reginfor@oge.com

Deborah R. Thompson
Kenneth A. Tillotson
THOMPSON TILLOTSON PLLC
P.O. Box 54632
Oklahoma City, OK 73154
deborah@ttfirm.com
kenneth@ttfirm.com

J. David Jacobson
JACOBSON & LAASCH
212 East Second Street
Edmond, OK 73034
jdj8788@aol.com

Thomas P. Schroedter
HALL, ESTILL, HARDWICK, GABLE,
GOLDEN & NELSON, P.C.
521 East 2nd Street, Suite 1200
Tulsa, OK 74120
tschroedter@hallestill.com

Jack G. Clark, Jr.
CLARK, WOOD & PATTEN, P.C.
3545 N.W. 58th St., Ste. 400
Oklahoma City, OK 74112
cclark@eswp-law.com

J. Eric Turner
Adam J. Singer
DERRYBERRY & NAIFEH, LLP
4800 N. Lincoln Blvd.
Oklahoma City, OK 73105
etruner@derryberrylaw.com
asinger@derryberrylaw.com

Rick D. Chamberlain
Attorney for WALMART INC.
P.O. Box 21866
Oklahoma City, OK 73156
rick@chamberlainlawoffices.com

Paul D. Trimble
TRIBMLE LAW GROUP, PLLC
5510 N. Francis Avenue
Oklahoma City, OK 73118
ptrimble@trimblelawgroup.com

PUD 2023-000087
Responsive Testimony of Greg J. Matejcic

Leslie R. Newton, Maj, USAF
FEDERAL EXECUTIVE AGENCIES
139 Barnes Dr., Ste. 1
Tyndall AFB, FL 32403-5317
leslie.newton.l@us.af.mil


A. CHASE SNODGRASS
Deputy Attorney General

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 RATES, CHARGES, AND
TARIFFS FOR RETAIL ELECTRIC SERVICE
IN OKLAHOMA

PUD 2023-000087

RESPONSIVE TESTIMONY

OF

GREG J. MATEJCIC

ON BEHALF OF

GENTNER F. DRUMMOND,

OKLAHOMA ATTORNEY GENERAL

April 26, 2024

TABLE OF CONTENTS

I. Introduction6

II. Board of Directors' Compensation.....13

III. Investor Relations16

IV. Directors' and Officers' Liability Insurance.....18

V. Short-Term Incentive Compensation21

VI. Long-Term Incentive Compensation28

VII. Vegetation Management.....30

VIII. Dues, Donations, and Contributions36

IX. Summary and Conclusion.....43

I. Introduction

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

Q. PLEASE STATE YOUR NAME.

A. My name is Greg J. Matejcic.

Q. PLEASE IDENTIFY YOUR EMPLOYER AND YOUR BUSINESS ADDRESS.

A. I am employed by the Oklahoma Office of the Attorney General (“Attorney General”). My business address is 313 NE 21st Street, Oklahoma City, Oklahoma 73105.

Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?

A. I graduated from LeTourneau University in Longview, Texas, with a Bachelor of Arts degree in Business Management. For more than 30 years, I have been employed in multiple capacities that together provide a broad background of the natural gas and electric industries with experience including business operations and regulations. Initially, I worked for CenterPoint Energy performing activities in the gas pipeline control and measurement departments. I then served as an analyst at Ameren Energy on the AmerenIP distribution system, where I prepared Sendout models and PGA budgets while performing detailed statistical load and weather analysis. Next at Ameren, I managed the AmerenUE purchases for spot, daily, forward including financial hedging for the natural gas-powered generation fleet. I then worked for Devon Energy/EnLink Midstream managing its Gas Control Department which operates over 12,500 miles of pipeline with 25 plants. The systems of responsibility included natural gas, natural gas liquids and crude pipeline facilities in Oklahoma, Texas, and Louisiana. In April 2023, I joined the Attorney General’s office as a Senior Regulatory Analyst in the Utility Regulation Unit. Please refer to Exhibit GJM-1 for my curriculum vita.

*PUD 2023-000087
Responsive Testimony of Greg J. Matejic*

1 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THE OKLAHOMA**
2 **CORPORATION COMMISSION?**

3 A. Yes. I have filed testimony on behalf of the Attorney General in prior proceedings before
4 the Oklahoma Corporation Commission (“Commission”) as detailed in Exhibit GJM-1. My
5 credentials were previously accepted at that time.

6 **Q. WHAT MATERIALS DID YOU REVIEW PRIOR TO FILING YOUR**
7 **TESTIMONY IN THIS PROCEEDING?**

8 A. I read the direct testimonies filed on behalf of the Oklahoma Gas & Electric Company
9 (“OGE” or “Company”) and reviewed responses to the data requests from the Attorney
10 General and the other intervening parties. I also read the transcripts of management
11 discussions with equity analysts from OGE Energy, Inc.’s (“OGE Energy” or “Parent”) quarterly
12 earnings. Finally, I read OGE Energy’s securities filings, including its Form 10-
13 K and its most recent Proxy Statement filed last year.

14 **Q. PLEASE IDENTIFY THE ATTORNEY GENERAL’S WITNESSES THAT ARE**
15 **PROVIDING RESPONSIVE TESTIMONY REGARDING OGE’S REVENUE**
16 **REQUIREMENT FOR THE TWELVE-MONTH TEST YEAR ENDING**
17 **SEPTEMBER 30, 2023.**

18 A. The Attorney General is presenting four witnesses who are sponsoring responsive
19 testimony regarding OGE’s revenue requirement or cost of service/rate design in this cause.
20 The Attorney General’s expert witnesses and their responsive testimony areas are
21 summarized in the following table.

Table 1

Witness	Testimony
Greg J. Matejcic	Board of Directors Fee D&O Liability Insurance Expense Investor Relations Expense Incentive Compensation Vegetation Management Dues and Membership Fees Expense
Brice Betchan	Selected Revenue Requirement Issues
Randall Woolridge, Ph.D.	Cost of Capital
Frank Beling	Cost of Service / Rate Design

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

2 A. The purpose of my testimony is to recommend that the Commission take the following
 3 actions regarding the Company's rate proposal:

4 1) Reduce OGE's annual revenue requirement by \$1,464,418 to represent a 50 percent
 5 reduction in recoverable cash-based compensation and disallow 100 percent of
 6 stock-based compensation for OGE Energy's paid independent members of its
 7 Board of Directors.

8 2) Disallow 50 percent of Investor Relation charges resulting in a reduction of
 9 \$370,428 to OGE's annual revenue requirement.

- 1 7) Disallow 50 percent of the \$355,815 spent on Chamber of Commerce Fees equaling
2 a reduction of \$156,416 to OGE’s annual revenue requirement after jurisdictional
3 adjustments.
- 4 8) Deny OGE recovery of \$820,835 after jurisdictional adjustments, or 100 percent of
5 its Edison Electric (“EEI”) industry association membership dues incurred by or
6 allocated to the Company during the test year.
- 7 9) Deny OGE recovery of \$152,323 after jurisdictional adjustments or 100 percent of
8 member association fees that the Company incurred during the test year. OGE is a
9 member of ten associations, and it is unclear what benefits ratepayers receive
10 through the Company’s participation.

11 **Q. HOW DO RATES FOR OGE’S RESIDENTIAL CUSTOMERS COMPARE WITH**
12 **OTHER ELECTRIC UTILITIES NATIONWIDE?**

13 A. I compared OGE’s residential rates with rates from other investor-owned electric utilities
14 with more than 100,000 customers for 2022.¹ As shown in Exhibit GJM-2, OGE’s
15 residential rate² ranked 87th of 115 utilities. The highest rate within this group was nearly
16 three times higher than OGE’s 12.64¢ per kilowatt-hour (“kwh”).

17 **Q. HOW DO RATES FOR OGE’S INDUSTRIAL CUSTOMERS COMPARE WITH**
18 **OTHER ELECTRIC UTILITIES NATIONWIDE?**

19 A. As shown in Exhibit GJM-3, OGE’s industrial rates rank 82nd out of 115 investor-owned
20 electric utilities.

¹ Investor-owned electric utilities in Alaska and Hawaii were excluded for this analysis.

² In this context, the word “rate” shall refer to revenue received from a utility’s residential customers divided by residential customers energy sales, expressed in cents per kilowatt-hour.

PUD 2023-000087
Responsive Testimony of Greg J. Matejic

1 **Q. HOW SHOULD THE COMMISSION INTERPRET THESE DATA TO REACH A**
2 **FAIR, JUST, AND REASONABLE OUTCOME IN THIS PROCEEDING?**

3 A. The Commission should continue to exercise the two levers at its disposal—regulatory lag³
4 and the potential to disallow recovery for imprudent investments or unreasonable
5 expenses⁴—to incentivize its jurisdictional electric utilities to exercise strict cost discipline.
6 OGE is seeking a \$332.5 million, or a 12.0 percent, increase in its overall revenue
7 requirement in this proceeding.⁵ With the data showing that many Oklahoma families and
8 businesses continue to economically recover what was lost during the COVID-19
9 pandemic, it is paramount that the Commission exercise its role in balancing the interests
10 of OGE’s shareholders and customers. The Attorney General proposes that the
11 Commission reduce OGE’s request by \$221,121,678. This reduces the revenue
12 requirement increase to \$111,415,664. Please refer to Attorney General witness Brice
13 Betchan’s Exhibit BB-2 for calculation. If the Attorney General’s recommended
14 adjustments are adopted, each customer within OGE’s service area, including its
15 employees, contractors, and suppliers, would experience a 66.5 percent smaller increase in
16 their rates compared with the Company’s initial filing.

³ Leland L. Johnson, *Behavior of the Firm Under Regulatory Constraint: A Reassessment*, 63 Am. Econ. Rev., 90–97 (May 1973).

⁴ Thomas P. Lyon & John W. Mayo, *Regulatory Opportunism, and Investment Behavior: Evidence from the U.S. Electric Utility Industry*, 36 RAND J. of Econ. 3, 628–44 (Autumn 2005).

⁵ Direct Testimony of Kimber Shoop on behalf of Oklahoma Gas & Elec. Co. 3:12–14 (Dec. 29, 2023) [hereinafter “Shoop Direct”].

PUD 2023-000087
Responsive Testimony of Greg J. Matejic

1 **Q. HOW MUCH DOES A RESIDENTIAL CUSTOMER CURRENTLY PAY**
2 **ANNUALLY FOR ELECTRIC SERVICE FROM OGE?**

3 A. Electricity consumption for a residential customer is dependent on several factors,
4 including time of year; size of home; family size; age of major appliances (e.g., air
5 conditioner); and tastes and preferences. Based on the Company's calculations, a typical
6 residential customer using 12,312 kwh annually would pay \$1,592 per year (or \$0.1293
7 per kwh) under current rate schedules.⁶

8 **Q. WHEN DID THE COMPANY'S CURRENT BASE RATES GO INTO EFFECT?**

9 A. The Company's current base rates have been effective since October 1, 2022.⁷

10 **Q. HOW MUCH WOULD A RESIDENTIAL CUSTOMER PAY ANNUALLY FOR**
11 **THEIR ELECTRIC SERVICE FROM OGE IF THE COMMISSION APPROVED**
12 **THE COMPANY'S APPLICATION AS FILED?**

13 A. OGE is requesting a change in its overall revenue requirement of \$332.5 million for the
14 test year ending September 30, 2023.⁸ This proposed change to the Company's revenue
15 requirement would create a 13.6 percent increase in the annual electricity cost for the
16 typical residential customer. In other words, the average residential customer would
17 experience an increase from current rates of \$1,592 (or \$0.1293 per kwh) to \$1,807 (or
18 \$0.1467 per kwh) under OGE's proposed rate schedules.⁹

⁶ Supplemental Package, Workpaper M-5 Res (This value includes Commission-approved riders, such as the fuel cost adjustment rider, storm cost recovery rider, energy efficiency program rider, grid enhancement mechanism, and the SPP cost tracker.).

⁷ Oklahoma Gas & Electric Company, Standard Pricing Schedule: R-1, Residential Service, Residential Service. 4th (eff. Oct. 1, 2022).

⁸ Shoop Direct 4:11-12.

⁹ Supplemental Package, Workpaper M-5 Res.

1 **Q. DOES OGE ENERGY MANDATE THAT THE INDEPENDENT DIRECTORS**
2 **TAKE ACTION TO ALIGN THEIR INTERESTS WITH THE SHAREHOLDERS'**
3 **INTEREST?**

4 A. Yes. The Board of Directors of OGE Energy has adopted the following stock ownership
5 guidelines:

6 [The Board] believes that linking a significant portion of . . . current and
7 potential future net worth to the Company's success, as reflected in the
8 ownership of the Company's Common Stock and the price of the
9 Company's Common Stock, helps to ensure that officers . . . have a stake
10 similar to that of the Company's shareholders.¹⁴

11 These stock ownership guidelines mandate that independent directors own shares at a level
12 equal to the aggregate of their five most recent years of share-based compensation.¹⁵

13 **Q. DO OGE'S CUSTOMERS HAVE ANY ROLE IN THE NOMINATION AND**
14 **ELECTION OF OGE ENERGY'S BOARD MEMBERS?**

15 A. No. Customers have no role in the nomination or election of OGE Energy's Board
16 members.

¹⁴ *Id.* at 41.

¹⁵ *Id.*

1 **Q. HOW ARE INDEPENDENT MEMBERS OF OGE ENERGY'S BOARD OF**
2 **DIRECTORS COMPENSATED?**

3 A. Independent members receive an annual retainer fee, payable in cash and OGE Energy
4 shares. For the test year, total compensation among these independent members was
5 \$2,211,250 of which \$1,120,000 was in OGE Energy shares.¹⁶

6 **Q. WHAT IS YOUR PROPOSAL REGARDING THE RECOVERY OF SHARE-**
7 **BASED COMPENSATION FOR THE COMPANY'S BOARD OF DIRECTORS?**

8 A. I recommend that the Commission disallow recovery of 100 percent of share-based
9 compensation to OGE Energy's Board of Directors through base rates in this proceeding,
10 for the following reasons. First, the Board of Directors are selected by OGE Energy's
11 shareholders, represent the shareholders, and have fiduciary duties of care and loyalty to
12 the shareholders, which supersede any responsibility the Board may have to the Company's
13 customers. Second, as shareholders themselves, the Board of Directors are motivated to
14 take actions that will increase the value of their holdings, which may have marginal impact
15 on the provision of service to customers. Third, stock-based incentive compensation could
16 encourage directors to avoid long-term stability projects for short-term gains and
17 potentially result in decisions that benefit shareholders over ratepayers. To illustrate this
18 concern, OGE Energy increased dividend payments by an "average of 1.00% over the past
19 12 months, 1.99% over the past 36 months, 4.04% over the past 60 months, and 7.12%
20 over the past 120 months."¹⁷ Such patterns raise concerns that the Board may be pursuing

¹⁶ OGE's response to OIEC-OGE-2-17.

¹⁷ OGE Energy Corp. (OGE) Dividend Date & History, koyfin, www.koyfin.com/company/oge/dividends/ (last visited Apr. 23, 2024).

PUD 2023-000087
Responsive Testimony of Greg J. Matejcic

1 short-term benefit of increasing stock prices in favor of shareholders over delivering
2 benefits to ratepayers.

3 **Q. PLEASE IDENTIFY THE ADJUSTMENT THAT YOU ARE RECOMMENDING**
4 **FOR SHARE-BASED BOARD OF DIRECTOR'S COMPENSATION.**

5 A. I recommend a decrease of \$1,464,418 to OGE's annual revenue requirement, which
6 represents a 50 percent reduction in recoverable cash-based compensation and a 100
7 percent reduction in stock-based compensation that OGE Energy paid to independent
8 members of its Board of Directors. Please refer to Exhibit GJM-4 for more information
9 regarding this adjustment.

10 **III. Investor Relations**

11 **Q. HOW DOES OGE ENERGY DISTRIBUTE INFORMATION TO ITS**
12 **SHAREHOLDERS?**

13 A. OGE Energy maintains an investor relations unit to provide publicly available information
14 in various formats to existing and potential shareholders in the investing community. For
15 example, OGE Energy's website contains information under its "Investors" tab which
16 provides press releases, investor presentations, regulatory filings with this Commission as
17 well as the Federal Energy Regulatory Commission ("FERC") and other public utility
18 commissions in other jurisdictions in which its regulated utility subsidiaries operate, and
19 filings with the U.S. Securities and Exchange Commission. An existing or potential
20 shareholder can also download documents related to the Parent's Environmental, Social,
21 and Governance ("ESG") reports, Corporate Governance reports, and the Direct Stock
22 Purchase Plan. The Parent's website also provides access to other relevant information for

1 a potential shareholder, such as historical share prices, historical dividends paid, and a
2 dividend payment schedule.¹⁸

3 **Q. ARE THERE OTHER MEANS BY WHICH OGE ENERGY COMMUNICATES**
4 **WITH THE INVESTMENT COMMUNITY?**

5 A. Yes. After OGE Energy publishes its earnings results from the prior quarter, the Parent will
6 host a conference call with equity analysts to provide a summary of the prior quarter's
7 earnings results as well as respond to the analysts' questions about the impact specific
8 actions or decisions may have on the Parent's market value. Additionally, OGE Energy
9 often participates in investor conferences that allow the Parent to communicate with the
10 investment community. The Q4 2023 Earnings & Business Update presentation provides
11 an example given to the investment community covering information about OGE Energy's
12 strategic vision and execution, historic and expected actions taken including operating
13 earnings guidance, its five-year capital expenditure forecast, its five-year cash flow and
14 financial metrics forecast, information regarding its non-regulated subsidiaries, and other
15 data relevant to its shareholders.¹⁹

16 **Q. WHAT COSTS DID OGE ENERGY ALLOCATE TO THE COMPANY TO**
17 **MAINTAIN THESE COMMUNICATION CHANNELS WITH ITS EXISTING**
18 **AND POTENTIAL SHAREHOLDERS?**

19 A. OGE Energy allocated \$842,648 to maintain these communication channels with its
20 existing and potential shareholders.²⁰

¹⁸ Company Profile, Oklahoma Gas & Elec. Company, www.oge.com/wps/portal/ord/investors/investor-center (last visited Apr. 23, 2024).

¹⁹ OGE Energy, Q4 2023 Earnings & Business Update Conference Call (Feb. 21, 2024) <https://ogeenergy.gcs-web.com/static-files/4f898b5d-a859-41fd-9418-a6e81c9737f6>.

²⁰ OGE's response to OIEC-OGE-2-23, Attachment 1.

1 **Q. WHAT BENEFITS DO INVESTOR RELATIONS PROVIDE TO THE COMPANY**
2 **AND ITS RATEPAYERS?**

3 A. Investor relations (“IR”) is often the Company’s first point of contact with its investment
4 community. Well-structured IR teams can more effectively attract additional investors to
5 improve access to capital, which also benefits shareholders by maintaining the lowest price
6 of credit which supports rate certainty and promotes lower rates benefiting ratepayers.

7 **Q. WHAT ADJUSTMENT DO YOU RECOMMEND FOR INVESTOR RELATIONS?**

8 A. I believe that a 50/50 allocation between shareholders and customers is reasonable given
9 the extent to which these groups benefit from the theory and use of investor relations. As
10 reflected in Exhibit GJM-5, I would recommend a decrease of \$370,428 to OGE’s annual
11 revenue requirement to represent a 50 percent reduction in recoverable investor relations
12 expenses.

13 **IV. Directors’ and Officers’ Liability Insurance**

14 **Q. WHAT IS DIRECTORS’ AND OFFICERS’ LIABILITY (“D&O”) INSURANCE?**

15 A. D&O liability insurance generally protects a company’s directors and officers from the
16 financial impact of litigation that arises from actions and decisions taken by the directors
17 and officers on the company’s behalf. D&O liability insurance also neutralizes the impact
18 of such litigation upon the shareholders.²¹

²¹ M. Martin Boyer, *Directors’ and Officers’ Insurance and Shareholder Protection* (Mar. 2005), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=886504.

1 **Q. PLEASE DISCUSS THE RATEMAKING POLICY REASONS FOR**
2 **RECOMMENDING THE SHARING OF D&O INSURANCE COSTS.**

3 A: D&O insurance is in place to protect not only the directors and officers of the Company,
4 but ultimately, its shareholders. Ratepayers should not be expected to bear the full amount
5 of D&O insurance because officers and directors have legal fiduciary duties of loyalty and
6 care to the corporation itself and not to its customers. These individuals are required by
7 law to put the interests of the company first. Undoubtedly, the interests of the company and
8 the interests of customers are not always the same, and at times, can be quite divergent.
9 This natural divergence of interests creates a situation where not every compensation cost
10 is presumed to be a necessary cost of providing utility service. Sharing D&O liability
11 insurance is appropriate because it provides benefits to shareholders and ratepayers alike.

1 Q. ARE YOU AWARE OF REGULATORY COMMISSIONS IN OTHER
 2 JURISDICTIONS THAT REQUIRE SHARING OF D&O LIABILITY
 3 INSURANCE COSTS?

4 A. Yes. I am aware that regulatory commissions in Arkansas,²² California,²³ Connecticut,²⁴
 5 Nevada,²⁵ New Mexico,²⁶ Florida,²⁷ Texas,²⁸ New York,²⁹ and Washington³⁰ have
 6 recognized that both shareholders and customers benefit from D&O liability insurance and
 7 have mandated that a portion of these costs should be borne by shareholders.

²² See Order No. 16, 39–40, *Application for a General Change or Modification in CenterPoint Energy Arkla, a Division of CenterPoint Energy Resources Corp. Rates, Charges and Tariffs*, Docket No. 04-121-U, (Ark. Pub. Svc. Comm’n Sept. 19, 2005); See also Order No. 10, 70, *Application of Entergy Arkansas, Inc. for Approval of Changes in rates for Retail Electric Service*, Docket No. 06-101-U, (Ark. Pub. Svc. Comm’n June 15, 2007).

²³ See Decision 14-08-032, at 551, *Application of Pacific Gas & Elec. For Authority, Among Other Things, to Increase Rates and charges for Elec. & Gas Service Eff. on Jan. 1, 2014 (U39M)*, Appl. 12-11-009 (Cal. Pub. Util. Comm’n Aug. 14, 2014).

²⁴ Order, 76–77, *Application of the Connecticut Light & Power Co., to Amend its Rate Schedules*, Docket No. 14-05-06 (Conn. Pub. Util. Reg. Authority Dec. 17, 2014).

²⁵ See Modified Order, 152, *Application of Southwest Gas Corporation for Authority to Increase Rates*, Docket No. 18-05031, (Pub. Util. Comm’n of Nev. May 15, 2019) (The PUCN has followed this ruling in later cases involving SWG.); see, *Application of Southwest Gas Corp. for Authority to Increase Its Retail Natural Gas Util. Serv. Rates et al.*, Docket No. 20-02023, 2020 WL 6119350, at *86 (Nev. P.U.C. Sept. 20, 2020).

²⁶ Recommended Decision (RD), 167, *Application of El Paso Electric Co. for Revision of its Retail Electric Rates*, Case No. 20-00104-UT (New Mex. Pub. Reg. Comm’n April 6, 2021) (The treatment of D&O insurance was not raised as an exception, and the NMPRC adopted, approved and accepted the ALJ’s RD in its Order Adopting Recommended Decision with Modifications, issued June 23, 2021, pp. 33–34.).

²⁷ Order No. PSC-12-0179-FOF-EI, 100-101 *In re Gulf Power Co., Florida Pub. Serv. Comm’n*, Docket No. 110138-EI, (Florida Pub. Serv. Comm’n, Apr. 3, 2012).

²⁸ Final Order, OS-22-00009896, ¶ 74, *In re Texas Gas Services*, Docket No. 9896, (Tex. Railroad Comm’n Jan. 19, 2023).

²⁹ Order Setting Electric Rates, 90-91, *Proceeding on Mot. of Comm’n as to Rates, Charges, Rules & Regulations of Consolidated Edison Co. of N.Y., Inc. and Petition for Approval of a Proposed Allocation of Certain Tax Refunds between Consolidated Edson Co. of N.Y., Inc. and Ratepayers*, Case 08-E-0539 and Case 08-M-0618, respectively (N.Y. Pub. Serv. Comm’n. April 24, 2009).

³⁰ Order 10, Final Order Rejecting Tariff Filing; Approving and Adopting Multi-Party Partial Settlement Stipulation; Deferring Lancaster Costs; Extending Decoupling Mechanism; Authorizing Tariff Filing; and Requiring Compliance Filing, *Petition of Avista Corp. for an Order Authorizing Implementation of a Natural Gas Decoupling Mechanism & to Record Accounting Entries Associated with the Mechanism*, Docket Nos. UE-090134, UG-090135, & UG-060518 (consolidated), ¶137 (Wash. Util. & Transp. Comm’n Dec. 22, 2009).

PUD 2023-000087
Responsive Testimony of Greg J. Matejic

1 **Q. WHAT AMOUNT IS THE COMPANY REQUESTING IN RATES FOR D&O**
2 **LIABILITY INSURANCE EXPENSE IN THIS PROCEEDING?**

3 A. During the test year, OGE Energy allocated the Company \$1,409,391 for D&O liability
4 insurance expense.³¹

5 **Q. WHAT ADJUSTMENT DO YOU RECOMMEND FOR D&O LIABILITY**
6 **INSURANCE?**

7 A. As stated previously, the proportion of benefits that shareholders receive from expenses
8 such as D&O liability insurance is a matter of judgment. I believe a 50/50 allocation
9 between shareholders and customers is reasonable, given the extent to which these groups
10 benefit from the theory and use of D&O liability insurance. As reflected in Exhibit GJM-
11 6, I would recommend a decrease of \$619,568 to OGE's annual revenue requirement to
12 represent a 50 percent reduction in recoverable D&O liability insurance expense.

13 **V. Short-Term Incentive Compensation**

14 **Q. PLEASE DESCRIBE THE COMPANY'S SHORT-TERM INCENTIVE**
15 **COMPENSATION PLANS.**

16 A. OGE has two short-term incentive compensation plans: 1) the Short-Term Incentive Plan,
17 which is available to all full-time employees other than officers and executives; and 2) the
18 Annual Compensation Plan, which is available to officers and executives. The short-term
19 incentive performance goals are established by the Compensation Committee and are the
20 same for both short-term incentive plans. Both plans have the potential to award their
21 participants an annual incentive payment based on performance, which is measured by set

³¹ Supplemental Package, Section H Vol. II, W/P H-2-20 (Jan. 2, 2024).

1 targets and ranges. These targets establish standards for the Company to meet in areas such
2 as earnings per share, O&M reductions, customer satisfaction, safety, and environmental.³²

3 **Q. HOW DO YOU DISTINGUISH BETWEEN FULL RECOVERY FOR**
4 **PRUDENTLY INCURRED WAGES AND SALARIES, AND LIMITING**
5 **RECOVERING INCENTIVE COMPENSATION?**

6 A. Wages and salaries are payments to employees in exchange for their physical and
7 intellectual labor to meet certain standards for safety, reliability, and value imposed by a
8 company, the industry, a regulatory agency, or by customers. When a company meets these
9 standards, customers are the primary beneficiaries of safe, reliable, cost-effective service,
10 and recovery of these prudently incurred costs from customers is reasonable. Further, when
11 a company provides safe, reliable, cost-effective service, its rates should allow the
12 company to recover the cost to provide such service, including a reasonable return for its
13 shareholders.

14 However, when employees respond effectively to well-designed incentives to *exceed* these
15 standards, the incentives create shareholder value beyond a reasonable return as measured
16 by factors such as higher earnings, lower operating costs, higher return on common equity
17 (“ROE”) values, and ultimately, higher share prices. Thus, shareholders are the primary
18 beneficiaries when a company exceeds these standards. The shareholders *choose* to share
19 this incremental value with the company’s employees at intervals and amounts at their sole
20 discretion. By seeking cost recovery of incentive compensation in this proceeding, the
21 Company is seeking recovery for costs that already have a funding source.

³² OGE’s Response to OIEC-OGE-2-3.

PUD 2023-000087
Responsive Testimony of Greg J. Matejcic

1 **Q. SHOULD THE COMMISSION INFER THAT YOU ARE RECOMMENDING**
2 **THAT THE COMPANY SUBSTITUTE HIGHER WAGES AND SALARIES FOR**
3 **ITS INCENTIVE COMPENSATION?**

4 A. No. That resides squarely within the Company's managerial discretion. OGE has the right
5 to compensate its employees in a manner the Company believes will maximize its
6 objectives, subject to the constraints the Company faces.

7 **Q. THE COMPANY STATED THAT A COMPETITIVE COMPENSATION**
8 **PACKAGE, WHICH INCLUDES INCENTIVE COMPENSATION, IS**
9 **NECESSARY TO "ATTRACT AND RETAIN THE NECESSARY PEOPLE TO**
10 **PROVIDE EXCELLENT SERVICE TO [ITS] CUSTOMERS."³³ HOW DO YOU**
11 **RESPOND?**

12 A. OGE implies that employers use compensation as the only means to attract and retain
13 employees with the skills and knowledge to provide excellent service to its customers.
14 Although compensation may be a primary factor, most employees also respond to
15 employers who can provide stability, work-life balance, a corporate culture, and career
16 opportunities consistent with their personal and professional goals.

17 **Q. SHOULD A WELL-DESIGNED INCENTIVE COMPENSATION PLAN MEET**
18 **ITS TARGETS EACH YEAR?**

19 A. No. A well-designed incentive compensation plan should challenge the Company and its
20 employees to reach beyond merely a marginal increase from the prior year's performance
21 to qualify for this year's incentive compensation award. Targets and ranges should be

³³ Shoop Direct 11:11-14.

1 established in a way that provides an equal likelihood for employees to earn no award or
2 the maximum award. A well-designed incentive compensation plan does not condition
3 employees to expect an award every year, nor make purchase or investment decisions
4 contingent upon receiving an award every year.

5 **Q. WHY IS IT APPROPRIATE FOR THE COMMISSION TO ALLOCATE A**
6 **PORTION OF THE COMPANY'S INCENTIVE COMPENSATION TO**
7 **SHAREHOLDERS?**

8 A. The cornerstone of utility ratemaking is that a utility's base rates should be established to
9 allow the utility a fair opportunity to recover its lowest reasonable costs, including its
10 authorized rate of return on common equity. A well-designed incentive compensation
11 program effectively chooses financial and operational criteria that are consistent with the
12 Company's values, strategy, and capabilities. Certain financial criteria, such as earnings
13 per share and O&M expense targets, however, are designed to push the Company's return
14 on common equity above its authorized ROE. The Commission should not set the
15 Company's base rates in such a way that would provide the Company an *unfair* opportunity
16 to earn higher than its authorized ROE.

17 **Q. HOW IS THE ANNUAL AMOUNT FOR SHORT-TERM INCENTIVE**
18 **COMPENSATION DETERMINED?**

19 A. Each year, the Compensation Committee of the Board sets a target, as well as minimum
20 and maximum thresholds, to determine the total amount to distribute as short-term
21 incentive compensation as based on OGE Energy's performance metrics. For example, the
22 Board set a 2022 earnings target at \$1.92/share with a range of \$1.85/share to \$1.99/share;
23 this incentive structure provided eligible employees an opportunity to earn between 50 and

*PUD 2023-000087
Responsive Testimony of Greg J. Matejic*

1 150 percent of the payout based on performance metrics. Because OGE Energy's actual
2 earnings were greater than \$1.99/share, the payout percentage for this component was 150
3 percent. If OGE Energy had met the target of \$1.92/share, its payout would have been 100
4 percent. Similarly, the payout would have been 50 percent if OGE Energy's earnings were
5 at least \$1.85/share.³⁴ If performance for a given metric fell between the minimum and
6 maximum thresholds, the payout percentage would have been interpolated between 50 and
7 150 percent. The final payout percentage is the weighted average of each metric's payout
8 percentage.

9 **Q. PLEASE DESCRIBE THE RECOVERY REQUESTED BY THE COMPANY**
10 **RELATED TO THE INCENTIVE COMPENSATION PLANS YOU HAVE**
11 **DESCRIBED.**

12 A. OGE has requested that the Commission allow 100 percent of its four-year average for
13 short-term incentive compensation expense to be recovered through base rates in this
14 proceeding.³⁵

15 **Q. WHAT CRITERIA DOES THE COMPANY USE TO CALCULATE ITS SHORT-**
16 **TERM INCENTIVE COMPENSATION?**

17 A. Currently, the Company uses five criteria—earnings per share; O&M expenses; customer
18 satisfaction; environmental operations; and safety—to calculate its short-term incentive
19 compensation. OGE classifies the first criteria, earnings per share, as a financial measure,
20 while it classifies the other four criteria, O&M, customer satisfaction, safety and

³⁴ 2023 Proxy Statement at 35.

³⁵ Supplemental Package, Section H Vol. II, W/P H-2-23.

1 environmental operations as operational metrics.³⁶ That said, I would classify O&M
2 expenses as a financial criterion. For the past four years, the earnings per share and O&M
3 expenses components have accounted for approximately 62 percent of the short-term
4 incentive compensation that the Company has paid to its employees.³⁷

5 **Q. WHY IS IT APPROPRIATE FOR THE COMMISSION TO DISALLOW 50**
6 **PERCENT OF THE COMPANY'S SHORT-TERM INCENTIVE**
7 **COMPENSATION?**

8 A. Past Commission orders have generally recognized that a 50/50 allocation of short-term
9 incentive compensation between the company and its customers is appropriate because
10 both groups benefit from the efficiencies that employees create while responding to these
11 incentives.³⁸

12 **Q. HOW DO SHAREHOLDERS BENEFIT FROM PROVIDING SHORT-TERM**
13 **INCENTIVE COMPENSATION PAID TO ITS EMPLOYEES?**

14 A. On an annual basis, the Company sets the criteria, targets, and thresholds at its discretion
15 to determine whether and how much the Company would incur in short-term incentive
16 compensation. It would be counter-intuitive and counter-factual to suggest that the
17 Company would allow its employees to capture all the efficiencies associated with meeting
18 the target and thresholds for a given criterion. In fact, the thresholds set a ceiling on the
19 incentive compensation that the Company would incur once that threshold is met. For

³⁶ Shoop Direct 12:27–13:2.

³⁷ OGE's response to OIEC-OGE-2-2, Attachment 1.

³⁸ See, e.g., Final Order, Order No. 662,059, at 6–7, *Okla. Gas & Elec. Co. Rates, Charges, & Tariffs for Elec. Serv.*, No. PUD 201500273 (Okla. Corp. Comm'n Mar. 20, 2017); Final Order, Order No. 545,168, at 145, *Pub. Serv. Co. of Okla. Rates & Charges for Elec. Serv.*, No. PUD 200600285 (Okla. Corp. Comm'n Oct. 9, 2007); Final Order, Order No. 516,261, at 99, *Okla. Gas & Elec. Co. Rates, Charges, & Tariffs for Elec. Serv.*, No. PUD 200500151 (Okla. Corp. Comm'n Dec. 12, 2005).

PUD 2023-000087
Responsive Testimony of Greg J. Matejcic

1 example, the Company set its minimum threshold of \$411 million in O&M expenses for
2 2022,³⁹ and OGE's actual O&M expenses were \$401.1 million. The Company paid \$1.8
3 million in incentive compensation for this component alone. To achieve this \$1.8 million
4 payment, however, employees needed to create \$9.9 million in efficiencies below the
5 minimum threshold.⁴⁰

6 **Q. WHAT IS THE APPROPRIATE ADJUSTMENT FOR THE COMPANY'S**
7 **SHORT-TERM INCENTIVE COMPENSATION?**

8 A. For its Oklahoma jurisdiction, the Company has incurred an average of \$16,129,977 per
9 year for short-term incentive compensation expense over the most recent four-year
10 period.⁴¹ A 50 percent disallowance would reduce the amount of short-term incentive
11 compensation expense recovered through base rates by \$7,090,738 on a jurisdictional
12 basis. Please refer to Exhibit GJM-7 for these calculations.

13 **Q. WHAT IS THE APPROPRIATE ADJUSTMENT FOR THE PAYROLL TAXES**
14 **ASSOCIATED WITH THE COMPANY'S SHORT-TERM INCENTIVE**
15 **COMPENSATION?**

16 A. The Company's 8.09 percent payroll tax rate⁴² is reasonable. Given the \$7,090,738.
17 reduction in operating expense that I recommend for short-term incentive compensation, I
18 would further recommend a reduction to operating expense for the associated payroll taxes
19 of \$573,161 on a jurisdictional basis. Please refer to Exhibit GJM-7 for this calculation.

³⁹ 2023 Proxy Statement at 35.

⁴⁰ OGE's response to OIEC-OGE-2-2, Attachment 1; 2023 Proxy Statement at 35.

⁴¹ OGE's supp. resp. to PUD-OGE-10-7, PUD 10-7-Supp1_Att3_Supp Expenses, H2-23.

⁴² Supplemental Package, Section H Vol. II, W/P H-2-23, Line 16.

1 **VI. Long-Term Incentive Compensation**

2 **Q. HOW DOES OGE ENERGY'S LONG-TERM INCENTIVE COMPENSATION**
3 **PLANS DIFFER FROM ITS SHORT-TERM INCENTIVE COMPENSATION**
4 **PLANS?**

5 A. With its short-term incentive compensation, the Company incents its employees to operate
6 efficiently and effectively for multiple classes of stakeholders (*i.e.*, customers,
7 shareholders, employees, and the communities OGE serves). In contrast, long-term
8 incentive compensation enables OGE Energy to provide incentives directly linked to the
9 profitability of its businesses and to increase shareholder value.

10 **Q. WHY IS IT APPROPRIATE FOR THE COMMISSION TO DISALLOW 100**
11 **PERCENT OF THE COMPANY'S LONG-TERM INCENTIVE**
12 **COMPENSATION?**

13 A. The Commission has historically excluded the cost of long-term incentive plans from the
14 revenue requirement of its jurisdictional electric utilities.⁴³ The Commission's primary
15 reasoning for excluding 100 percent of long-term incentive compensation has been because
16 it is overwhelmingly financial in nature and it is designed to increase the utility's share
17 price regardless of whether or not the incentive is connected to the provision of utility
18 service.

⁴³ See Report and Recommendation of the Administrative Law Judge, 162, *Pub. Serv. Co. of Okla. Rates and Charges for Elec. Serv.*, No. PUD 201500208 (Okla. Corp. Comm'n May 31, 2016); Final Order, Order No. 662,059, at 7, *Okla. Gas & Elec. Co. Rates and Charges for Elec. Serv.*, No. PUD 201500273 (Okla. Corp. Comm'n Mar. 30, 2017).

PUD 2023-000087
Responsive Testimony of Greg J. Matejic

1 **Q. HOW IS THE COMPANY'S LONG-TERM INCENTIVE COMPENSATION**
2 **PAID?**

3 A. For employees eligible for long-term incentive compensation, the Company pays in the
4 form of OGE Energy common stock based on the following: 65 percent based on the OGE
5 Energy's financial performance,⁴⁴ and 35 percent based on the employee's continued
6 employment with the Company.⁴⁵

7 **Q. WHAT IS THE APPROPRIATE ADJUSTMENT FOR THE COMPANY'S LONG-**
8 **TERM INCENTIVE COMPENSATION?**

9 A. I recommend that the Commission disallow 100 percent of the Company's pro forma long-
10 term incentive compensation expense incurred during the test year, or \$7,946,751 on a
11 jurisdictional basis.⁴⁶ Please refer to Exhibit GJM-8 for how this value was calculated.

12 **Q. WHAT IS THE APPROPRIATE ADJUSTMENT FOR THE PAYROLL TAXES**
13 **ASSOCIATED WITH THE COMPANY'S LONG-TERM INCENTIVE**
14 **COMPENSATION?**

15 A. With a payroll tax factor of approximately 8.09 percent, the adjustment for payroll taxes is
16 the product of the adjustment to long-term incentive compensation and the payroll tax
17 factor, or nearly \$642,354, on a jurisdictional basis.⁴⁷ Please refer to Exhibit GJM-8 shows
18 for how this value was calculated.

⁴⁴ For its long-term incentive compensation program, OGE Energy tracks its financial performance with one parameter, Total Shareholder Return, compared with the EEI Index over the preceding three-year period.

⁴⁵ Shoop Direct 13:5-17.

⁴⁶ OGE's Supp. Resp. to PUD-OGE-10-7, PUD 10-7-Supp1_Att3_Supp Expenses.

⁴⁷ Supplemental Package, Section H Vol. II, W/P H-2-22a.

PUD 2023-000087
Responsive Testimony of Greg J. Matejic

1 proceeding.⁴⁸ This requested expense level is twice the amount that OGE is recovering in
2 its existing base rates.⁴⁹

3 **Q. HAS THE COMPANY SUBSTANTIATED ITS NEED FOR ADDITIONAL**
4 **VEGETATION MANAGEMENT FUNDS?**

5 A. No. As indicated in Attorney General witness Brice Betchan's responsive testimony,
6 OGE's request for additional vegetation management funds is not supported by the
7 Company's planned spending.

8 **Q. IS THE COMPANY SEEKING EXTRAORDINARY REGULATORY**
9 **TREATMENT FOR FUTURE VEGETATION MANAGEMENT O&M**
10 **EXPENSES?**

11 A. Yes. OGE is requesting the Commission to authorize a tracker mechanism for vegetation
12 management O&M expenses. If approved, the Company would record a regulatory asset
13 or liability for those expenses above or below the amount recovered in base rates set in this
14 proceeding.⁵⁰

15 **Q. WHAT CRITERIA SHOULD THE COMMISSION CONSIDER WHEN**
16 **DETERMINING WHETHER TO APPROVE OGE'S TRACKER**
17 **MEASUREMENTS FOR VEGETATION MANAGEMENT?**

18 A. The Commission should evaluate whether the applicable costs meet each of the following
19 criteria when considering the Company's request for a tracker mechanism. The costs must

⁴⁸ Direct Testimony of Jason J. Thenmadathil on behalf of Oklahoma Gas & Elec. Company 18:3-9 (Dec. 29, 2023) [hereinafter "Thenmadathil Direct"]; Supplemental Package, Section H Vol. II, W/P H-2-40-H-2-41.

⁴⁹ Direct Testimony of Robert Shaffer on behalf of Oklahoma Gas & Elec. Company 3:15-22 (Dec. 29, 2023) [hereinafter "Shaffer Direct"].

⁵⁰ Thenmadathil Direct 18:26-20:2.

1 be 1) substantial; 2) volatile; and 3) outside the utility’s control.⁵¹ Although exceptions
 2 could be made on a case-by-case basis, costs that do not meet all three criteria are generally
 3 more appropriately recovered through base rates.⁵²

4 **Q. ARE VEGETATION MANAGEMENT EXPENSES THAT WOULD BE**
 5 **CHARGED OR CREDITED TO THE PROPOSED TRACKER MECHANISM**
 6 **SUBSTANTIAL?**

7 A. No. OGE’s vegetation management expenses are not substantial enough to warrant
 8 recovery outside of base rates. OGE is requesting approximately \$58.2 million in pro forma
 9 vegetation management expenses during the test year which represent less than 2.5 percent
 10 of the Company’s per book electric operating revenues for that same period.⁵³
 11 Furthermore, the Company would track actual vegetation expenses, and record a regulatory
 12 asset or liability after comparing actual expenses with the pro forma expenses. During the
 13 four-year period from 2019 to 2022, OGE’s actual vegetation management expenses
 14 ranged from \$28.4 million to \$34.1 million, with an average of \$31.3 million. If the
 15 Commission adopted the Company’s proposal as filed, it would be reasonable for OGE to
 16 experience charges and credits to the tracking mechanism as much as \$6 million each year,
 17 or approximately 0.2 percent of OGE’s test year per book electric operating revenues. In

⁵¹ Responsive Test. of Kathy Champion on behalf of Oklahoma Public Utilities Division, 10:1–7, *Pub. Serv. Co. of Okla. Rates & Charges for Elec. Serv.*, No. PUD 201500208 (Okla. Corp. Comm’n Oct. 23, 2015); Supplemental Direct Test. of Karl A. McDermott on Behalf of Rocky Mountain Power, 2:37, *Rocky Mountain Power Proposed Energy Cost Adjustment*, No. 09-035-15 (Utah Pub. Serv. Comm’n Aug. 17, 2009); Larkin & Associates, *Increasing Use of Surcharges on Consumer Utility Bills*, AARP 2–3 (May 2012), https://www.aarp.org/content/dam/aarp/aarp_foundation/2012-06/increasing-use-of-surcharges-on-consumer-utility-bills-aarp.pdf; *Cost Trackers*, Electric Consumers Resource Council, <https://elcon.org/cost-trackers/> (last visited Apr. 23, 2024).

⁵² Final Order, Order No. 14546, at 2–5, *In re: Cost Recovery Methods for Fuel-Related Expenses*, No. 850001-EI-B (Fla. Pub. Serv. Comm’n Jul. 8, 1985).

⁵³ Appl., Schedule H-1, Line 2

1 contrast, OGE fuel and purchased power costs, which the Company recovers through its
2 fuel cost adjustment rider during the test year, were nearly \$982 million, or 37 percent, of
3 its electric operating revenues.⁵⁴

4 **Q. ARE VEGETATION MANAGEMENT EXPENSES VOLATILE?**

5 A. No. OGE's vegetation management expenses are not volatile enough to warrant recovery
6 outside of base rates. The Company identified several variables it experienced in recent
7 years that caused fluctuations in vegetation management expenses. Some examples include
8 changes in labor cost, trimming crew availability, and bucket versus climbing work.⁵⁵

9 Because the Company is the party that constructs, designs, and operates its systems, OGE
10 should reasonably know the extent to which these changes in the factors identified above
11 will impact, or could impact its vegetation management activities. OGE has the ability to
12 adapt its activities when changes in these factors occur, to minimize the difference between
13 budgeted and actual expenses. The Company also states that customer growth rates and
14 customer density are two factors that impact vegetation management activities, but again
15 since the OGE is in the strongest position to actively control cost and efficiently oversee
16 vegetation management and its effects on related assets.

17 **Q. ARE VEGETATION MANAGEMENT EXPENSES OUTSIDE THE COMPANY'S**
18 **CONTROL?**

19 A. No. Although cost fluctuations experienced by OGE may be relatively small, the Company
20 maintains significant control over its vegetation management expenses. For over 100 years,
21 OGE has designed, constructed, owned, operated, and maintained the transmission and

⁵⁴ Appl., Schedule H-1, Lines 6–7.

⁵⁵ Shaffer Direct 3:28–4:12, 8:16–9:2.

PUD 2023-000087
Responsive Testimony of Greg J. Matejic

1 distribution facilities that are impacted by vegetation growth. Thus, the Company has
2 several methods at its disposal to limit the impact vegetation has on their transmission and
3 distribution facilities. For example, the Company can either perform these activities with
4 its own employees or using outside contractors. The Company is also best situated to select
5 the appropriate combination of capital and labor that would minimize these expenses.

6 **Q. SHOULD THE COMMISSION APPROVE OGE'S PROPOSED TRACKER FOR**
7 **VEGETATION MANAGEMENT EXPENSES?**

8 A. No. As explained above, vegetation management expenses are largely within the
9 Company's control and are neither substantial nor volatile enough to warrant extraordinary
10 recovery outside of base rates in this proceeding. If approved, the proposed vegetation
11 management tracker will inappropriately shift risk away from the utility to the customers.
12 Furthermore, OGE can maintain tighter financial discipline on expenses recovered through
13 base rates as compared with a tracker mechanism.⁵⁶

14 **Q. THE COMPANY HAS INDICATED THAT ITS VEGETATION MANAGEMENT**
15 **BUDGET HAS REMAINED RELATIVELY FLAT AT \$30 MILLION ANNUALLY**
16 **SINCE ITS 2015 RATE CASE.⁵⁷ OGE IS SEEKING THE REQUESTED**
17 **INCREASE TO BE RECOVERED IN BASE RATES AS WELL AS THE**
18 **TRACKER MECHANISM SO THAT IT CAN ADDRESS THE RESOURCE GAP**
19 **IN ITS VEGETATION MANAGEMENT PROGRAM AND BE ABLE TO FOCUS**

⁵⁶ Ken Costello, *Alternative Rate Mechanisms and Their Compatibility with State Utility Commission Objectives*, National Regulatory Research Center, Report No. 14-03, 8-9 (Apr. 2014), <https://pubs.naruc.org/pub/FA86C519-AF31-D926-BE12-2AC7AE0CD8D6>.

⁵⁷ Shaffer Direct 3:12-22.

1 **ON THE MOST EFFECTIVE, BUT MORE COSTLY, ACTIONS.⁵⁸ HOW DO YOU**
2 **RESPOND?**

3 A. The belief that the Company is limited to an amount for a specific activity the Commission
4 approved in OGE's 2015 rate case is a fallacy. During a rate proceeding, the Commission
5 sets base rates to recover the Company's test year revenue requirement in *aggregate*.
6 Unless an adjustment to a specific expense is addressed, the Company should not infer that
7 the Commission's approval extends down to each line item for each activity or for each
8 team, group, unit, or department. Once the Commission sets base rates, the Commission
9 and other stakeholders rely upon OGE to shift resources as needed within the Company to
10 address emerging challenges without losing sight of its core objectives (*i.e.*, safe, reliable,
11 cost-effective retail electric service). When base rates no longer provide a compensatory
12 return to shareholders, then OGE may initiate its next rate proceeding. If it operated
13 otherwise, the Company would be inviting a level of micro-managing by the Commission
14 and other stakeholders that would be counterproductive and not in the public interest.

15 **Q. WHAT DO YOU RECOMMEND AS A REASONABLE LEVEL FOR**
16 **VEGETATION MANAGEMENT EXPENSES TO BE RECOVERED IN BASE**
17 **RATES?**

18 A. First, the Commission should deny the Company's request for a \$24,446,304 increase that
19 would bring the Proforma vegetation management expenses to 58,224,762. I recommend
20 a total vegetation management amount of \$35,050,770, which reflects a \$20,374,574
21 decrease from the Company's requested amount on a jurisdictional basis but is \$2,803,928

⁵⁸ Shaffer Direct 6:3-9.

PUD 2023-000087
Responsive Testimony of Greg J. Matejic

1 higher than the Company's actual test year expense of \$32,246,842. Please refer to Exhibit
2 GJM-13. This is a reasonable level of vegetation management expenses to be recovered in
3 base rates. In recognizing that price inflation has run higher in recent years, I adjusted
4 OGE's actual vegetation management expenses for the years 2019 through 2022 at the rate
5 of change in U.S. consumer prices during this period. This results in a four-year average
6 for inflation-adjusted vegetation management expenses of \$35.1 million. Please refer to
7 Exhibit GJM-9 for more information regarding how these calculations were made.

8 **VIII. Dues, Donations, and Contributions**

9 **Q. WHAT PURPOSE DOES A CHAMBER OF COMMERCE SERVE?**

10 A. A Chamber of Commerce, whether at the national, state, regional, or local level, is a
11 voluntary organization that promotes economic growth and development among its
12 members and the communities its members serve.

13 **Q. WHAT HAS BEEN THE COMMISSION'S POLICY ON THE RECOVERY OF**
14 **CHAMBER OF COMMERCE DUES THROUGH BASE RATES?**

15 A. The Commission has historically allocated the costs associated with Chamber of
16 Commerce dues 50/50 between customers and shareholders.⁵⁹ This allocation is warranted
17 because both groups benefit as the Company's service area experiences economic growth
18 and development. As the number of OGE customers increase, the Company can spread its
19 fixed costs over a larger customer base, which leads to lower rates for customers. In
20 addition, shareholders benefit as the additional revenues from OGE's added customers
21 increase the Company's earnings between rate proceedings.

⁵⁹ Final Order, Order No. 662,059, at 52 ¶ 21, Attachment 2, *Okla. Gas & Elec. Co. Rates, Charges, & Tariffs for Elec. Serv.*, No. PUD 201500273 (Okla. Corp. Comm'n Mar. 20, 2017).

PUD 2023-000087
Responsive Testimony of Greg J. Matejic

1 **Q. WHAT AMOUNT DID OGE INCUR FOR CHAMBER OF COMMERCE DUES**
2 **DURING THE TEST YEAR?**

3 A. The Company incurred Chamber of Commerce dues during the test year of \$355,815.

4 **Q. WHAT ADJUSTMENT DO YOU RECOMMEND FOR THE REMOVAL OF**
5 **CHAMBER OF COMMERCE DUES?**

6 A. As shown in Exhibit GJM-10, the Commission should make a \$156,416 downward
7 adjustment to the Company's Oklahoma jurisdiction to reflect that both customers and
8 shareholders benefit from OGE's membership and participation in Oklahoma-based
9 Chambers of Commerce.

10 **Q. WHAT IS THE EDISON ELECTRIC INSTITUTE?**

11 A. The Edison Electric Institute ("EEI") is the association that represents every U.S. investor-
12 owned electric company in all 50 states and the District of Columbia. Organized in 1933,
13 EEI provides public policy leadership, strategic business intelligence, and essential
14 conferences and forums.

15 **Q. WHAT AMOUNT IS OGE SEEKING TO RECOVER FOR ITS EEI DUES**
16 **INCURRED DURING THE TEST YEAR?**

17 A. After removing the lobbying expenses that EEI self-reported on its dues invoice to the
18 Company, OGE is seeking to recover \$933,616 in EEI dues incurred during the test year.
19 However, I believe that the self-reported lobbying expenses are understated. After
20 examining its legislative and regulatory filings and how EEI is internally organized, I do
21 not believe that the Commission can reasonably distinguish between EEI's advocacy on
22 behalf of its members' private interests and other services EEI performs which serve the
23 public interest.

PUD 2023-000087
Responsive Testimony of Greg J. Matejcic

1 **Q. IS THE PERCENTAGE ALLOCATED TO LOBBYING AS SHOWN ON ITS EEI**
2 **MEMBERSHIP DUES INVOICE SUFFICIENT TO DETERMINE THE AMOUNT**
3 **OF THE COMPANY’S EEI DUES THAT SHOULD BE RECOVERED FROM ITS**
4 **CUSTOMERS?**

5 A. No. EEI underreports the percent of OGE’s EEI dues allocated to lobbying shown on its
6 EEI invoice. EEI and its members rely upon a narrow definition for “lobbying” as defined
7 by IRS regulations. This allocation method may be appropriate for tax reporting purposes,
8 but the IRS lobbying definition is not sufficient to determine how much of EEI’s efforts
9 are better defined as advocating for its members’ private interests to federal, state, and local
10 officials and policymakers.

11 **Q. IS THE CONCERN THAT EEI UNDERREPORTS A PORTION OF ITS DUES**
12 **COLLECTED FROM ITS MEMBERS FOR LOBBYING PURPOSES LIMITED**
13 **TO ONLY OKLAHOMA UTILITIES?**

14 A. No. As I describe below, this issue has captured the attention of the U.S Congress, the
15 Federal Energy Regulatory Commission (“FERC”), state legislatures, and state public
16 utility commissions for both investor-owned electric and gas utilities.

17 **Q. WHAT WAS THE CATALYST THAT INITIATED THIS CONCERN FROM**
18 **BOTH FEDERAL AND STATE LEGISLATORS AND REGULATORS?**

19 A. Counsel informs me that a recent appellate court decision overturned a FERC decision,
20 where FERC found that *indirect* influence expenses (*e.g.*, industry associations that provide
21 public policy advocacy services on behalf of dues-paying members) should not be recorded

PUD 2023-000087
Responsive Testimony of Greg J. Matejic

1 in Account 930.2. The appellate court instead found such expenses should be recorded in
2 Account 426.4.⁶⁰

3 **Q. PLEASE DESCRIBE THE ACTIONS FERC HAS TAKEN REGARDING THE**
4 **APPROPRIATE REGULATORY TREATMENT FOR INDUSTRY**
5 **ASSOCIATION DUES.**

6 A. FERC subsequently issued a Notice of Inquiry (“NOI”) to better understand the nature of
7 industry and trade association expenses included in Account 930.2, and consider other
8 potential Uniform System of Accounts (“USofA”) amendments to protect consumers from
9 paying for activities that principally serve private interests, rather than the public interest.⁶¹
10 In their comments to the NOI, customer groups,⁶² non-utility competitors, and issue
11 advocates stated that such customer-financed legislative and regulatory advocacy provides
12 groups, such as EEI, an unlevel playing field that promotes private interests over the public
13 interest.

14 **Q. HAS FEDERAL LEGISLATION BEEN INTRODUCED THAT WOULD DIRECT**
15 **THE FERC TO PROHIBIT UTILITIES FROM RECOVERING DUES AND FEES**
16 **FROM CUSTOMERS THAT ARE PAID TO TRADE AND INDUSTRY**
17 **ASSOCIATIONS SUCH AS EEI?**

18 A. Yes. In 2023, federal legislation was introduced that would direct FERC to promulgate
19 regulations that would prohibit a utility from recovering direct or indirect expenses

⁶⁰ *Newman v. Federal Energy Regulatory Comm’n*, 22 F.4th 189 (D.C. Cir. Mar. 9, 2022).

⁶¹ *Rate Recovery, Reporting, and Accounting Treatment of Industry Association Dues and Certain Civic, Political, and Related Expenses*, 86 Fed. Reg. 72,958, at 72,959 (Fed. Energy Regul. Comm’n Dec. 23, 2021).

⁶² Comments Of the State Agencies before the Fed. Energy Regul. Comm’n, *Rate Recovery, Reporting, and Accounting Treatment of Industry Association Dues and Certain Civic, Political, and Related Expenses*, 86 Fed. Reg. 72,958 (Fed. Energy Regul. Comm’n Dec. 23, 2021).

1 associated with political influence activities from its customers. If enacted, FERC would
2 also be directed to amend the USofA to instruct utilities to record such expenses as
3 presumptively not recoverable from customers. The legislation specifically identifies “dues
4 or fees paid to trade associations or industry associations” as a political influence activity.⁶³

5 **Q. HAS THERE BEEN ANY STATE LEGISLATION ENACTED THAT PROHIBITS**
6 **THE RECOVERY OF TRADE OR INDUSTRY ASSOCIATIONS’ DUES?**

7 A. Yes. Colorado,⁶⁴ Connecticut,⁶⁵ New York,⁶⁶ and Maine⁶⁷ have each enacted legislation
8 that prohibits its jurisdictional utilities from recovering the expenses for trade or industry
9 association dues from their retail customers.

10 **Q. HOW HAVE OTHER STATE PUBLIC UTILITY COMMISSIONS WEIGHED IN**
11 **REGARDING INDUSTRY ASSOCIATION DUES ASSOCIATED WITH**
12 **ADVOCACY ACTIVITIES?**

13 A. Several public utility commissions, such as Kentucky,⁶⁸ Minnesota,⁶⁹ and California,⁷⁰
14 have disallowed all or part of a utility’s trade or industry association dues expenses because
15 the utility failed to demonstrate that such expenses were required or necessary for the

⁶³ Ethics in Energy Act of 2023, H.R. 5075, 118th Cong. (1st Sess. 2023).

⁶⁴ Colo. Rev. Stat. § 40-3-114(2)(g) (2024).

⁶⁵ Conn. Gen. Stat. §16-243p(b)(3) (2020).

⁶⁶ N.Y. Pub. Serv. Law § 114-A (2021).

⁶⁷ Me. Stat. tit. 35-A §302(2)(B) (2023).

⁶⁸ Order, 25–28, *Appl. of Ky. Util. Co. for an Adjustment of its Elec. Rates*, Case No. 2020-00349, (Ky. Pub. Serv. Comm’n June 30, 2021); Order, Appendix A, *Appl. of Louisville Gas & Elec. Co. for an Adjustment of its Elec. & Gas Rates*, Case No. 2020-00350 (Ky. Pub. Serv. Comm’n Dec. 6, 2021).

⁶⁹ Findings of Fact, Conclusions, and Order, *Appl. of Otter Tail Pwr. Co. for Authority to Increase Rates for Elec. Service in the State of Minn.*, Docket No. E-017/GR-20-719, (Minn. Pub. Util. Comm’n Feb. 1, 2022).

⁷⁰ Decision 21-08-036, *Appl. of S. Calif. Edison Co. for Authority to Increase its Authorized Revenues for Elec. Service in 2021, among other things, and to Reflect that Increase in Rates (U338E)* Application 19-08-013, (Cal. Pub. Util. Comm’n Aug. 20, 2021).

PUD 2023-000087
Responsive Testimony of Greg J. Matejcic

1 provision of utility service. Although Michigan did allow for recovery for these expenses,
2 that Commission reiterated to the utility “the need to continually justify that [membership]
3 fees are truly required and/or are in the interests of ratepayers,” and “of its continuing
4 obligation to identify, describe, and explain projected costs associated with membership
5 fees in future rate cases.”⁷¹ Separately, Louisiana has recently opened an investigation to
6 determine whether recovery of such costs is appropriate.⁷²

7 **Q. DOES EEI UNDERESTIMATE THE PERCENT OF ITS REVENUE ALLOCATED**
8 **TO ITS ADVOCACY FOR ITS MEMBERS’ PRIVATE INTERESTS?**

9 A. Yes. For 2023, EEI self-reported that 16.4 percent of its dues were used for lobbying
10 purposes based on the IRS’ narrow definition of lobbying.⁷³ For many of EEI’s functions,
11 it is extremely difficult to distinguish between EEI educating its membership and the public
12 regarding the safe, reliable, and cost effective retail electric utility service and EEI
13 advocating for its members’ private interests, such as protecting market share, a
14 competitive advantage, or earnings, which may conflict with customer and stakeholder
15 interests. When examining EEI’s functions through this lens, the expenses EEI incurs to
16 advocate for its members’ legislative and regulatory priorities is substantially larger than
17 the 16.4 percent EEI reported to its members for 2023. Please refer to GJM-14 for more
18 information regarding EEI’s 2024 budget by function.

⁷¹ Order, 200, *Appl. of DTE Elec. Co. for Authority to Increase its Rates, Amend Its Rate Schedules and Rules Governing the Distribution and Supply of Electric Energy, and for Miscellaneous Accounting Authority*, Case No. U-20561, (Mich. Pub. Util. Comm’n May 8, 2020).

⁷² La. Pub. Serv. Comm’n, *Minutes from June 7, 2023 Open Session Of The Louisiana Public Service Commission Held In New Orleans, Louisiana* (2023).

⁷³ Edison Electric Institute, *2024 Lobbying, Advocacy, and Other Expenditures Report*, 4 (2024).

PUD 2023-000087
Responsive Testimony of Greg J. Matejczik

1 **Q. SHOULD THE COMPANY RECOVER THE EXPENSES ASSOCIATED WITH**
2 **ITS MEMBERSHIP DUES TO EEI?**

3 A. No. EEI provides services to its members that I do not believe the Commission could
4 reasonably distinguish as EEI advocating for its members' private interests versus other
5 services provided that do serve the public interest. Until the Company can demonstrate that
6 its request for recovery of industry association membership dues is adjusted to reflect all
7 advocacy efforts that these groups conduct for their members' private interests, the
8 Commission should disallow OGE recovery of \$820,835 on a jurisdictional basis or 100
9 percent of its industry association membership dues incurred by or allocated to the
10 Company during the test year.⁷⁴ Please refer to Exhibit GJM-11.

11 **Q. DOES THE COMPANY BELONG TO OTHER INDUSTRIAL OR TRADE**
12 **ASSOCIATIONS IN WHICH NO CLEAR DISTINCTION EXISTS BETWEEN**
13 **ADVOCATING FOR THE MEMBERS' PRIVATE INTERESTS AND SERVING**
14 **THE PUBLIC INTEREST?**

15 A. Yes. OGE is a member of ten such associations, for which it is unclear what benefit
16 ratepayers receive from the Company's participation. As seen in Exhibit GJM-12, the
17 Company incurred \$152,323 on a jurisdictional basis in membership fees during the test
18 year.⁷⁵ Again, until the Commission knows how these industrial and trade associations
19 serve their members' private interests compared to the public interests, the Commission
20 should disallow 100 percent of these expenses.

⁷⁴ Supplemental Package, Workpaper H-16, cell D68.

⁷⁵ Supplemental Package, Workpaper H-16, cells D86-96.

PUD 2023-000087
Responsive Testimony of Greg J. Matejic

1 **Q. ARE THERE ANY FURTHER ADJUSTMENTS THAT THE ATTORNEY**
2 **GENERAL IS MAKING AT THIS TIME?**

3 A. Yes. The Attorney General's witnesses Brice Betchan and Dr. Randall Woolridge are also
4 proposing adjustments. Additionally, the Attorney General has adopted the depreciation
5 recommendations of Oklahoma Industrial Energy Consumers ("OIEC") witness David
6 Garrett.

7 **IX. Summary and Conclusion**

8 **Q. PLEASE SUMMARIZE YOUR RESPONSIVE TESTIMONY.**

9 A. The Attorney General recommends that the Commission reduce OGE's requested rate
10 increase by \$221,121,678 million, to a total increase of \$111,415,664 million in the
11 Company's annual revenue requirement. This increase will allow OGE an opportunity to
12 earn a fair return on invested capital while keeping electric rates fair, just, and reasonable.

13 **Q. DO YOU HAVE ANY ADDITIONAL COMMENTS?**

14 A. My testimony does not address every potential issue; therefore, my recommendations
15 should not be construed as the only recommendations or requests that I may support in the
16 record. Other recommended courses of action may be presented in the record of which I
17 may support. In addition, the fact that I do not express an opinion on a particular issue
18 should not be interpreted as agreement with or support for the Company's position on that
19 issue.

20 **Q. DOES THIS CONCLUDE YOUR RESPONSIVE TESTIMONY FOR REVENUE**
21 **REQUIREMENT ISSUES?**

22 A. Yes, it does.

Gregory Matejcic

Education LeTourneau University Business Management 3.75 GPA

Experience 2023 **Attorney General's Office** **Oklahoma City, OK**
Senior Regulatory Analyst

2011– 2023 **EnLink Midstream** **Dallas, Texas**
Manager, Pipeline Control

- Coordinate and Manage Pipeline Control Staff in normal and emergency operations, with a goal of executing plans and schedules to accomplish regional, division goals. Effectively communicate plans and activities to stakeholders both internally and externally.
- Build relationships both internally and externally by providing seamless communication.
- Communicate with and assist internal and external customers to maintain safe and efficient pipeline systems
- Monitor, control, and re-route product flow via SCADA system to maintain safe operations
- Track and evaluate pipeline maintenance schedules for impact on gas/liquid flow: notify internal customers to minimize down time and optimize deliveries
- Recognize, analyze, resolve problems and take corrective action to handle emergency and non-emergency situations
- Update system daily reports and imbalance schedules
- Assist in resolving various issues associated with the transportation of gas and liquids and the operations of pipeline and processing systems on an as-needed basis
- Gather and document information for pipeline related incident reports
- Comply with all state and federal regulations
- Develop and implement efficiency gains to our business by adding value related services

2007–2011 **Ameren** **St. Louis, Missouri**
Natural Gas Trader

- Purchase natural gas in the daily, forward, and financial markets necessary to support the fuel requirements of Ameren's gas-fired generation.
- Act as point contact for generation operations including morning generation assessment meeting, and unscheduled activities outside of normal business hours
- Coordinate dispatch and operation of gas-fired generation plants with Energy Supply Operations, Ameren Energy and Ameren Energy Marketing, including determination of variable cost, unit dispatch order, and daily operating parameters.
- Develop and execute optimization strategies for the transportation and storage assets associated with Ameren's generating fleet.
- Manage the inventory and injection/withdrawal activities of storage assets.

- Negotiate and administer gas supply agreements.
- Monitor natural gas markets via industry publications, direct market contacts, and industry conferences.
- Build and maintain relationships with natural gas marketers and producers to ensure viable selection of competitive and secure gas supply resources.
- Create price hedging strategies and implement hedging instruments to achieve a balanced portfolio.
- Work closely with Ameren Energy and Ameren Energy Marketing personnel to develop and execute strategies for the economic benefit of Ameren.

Capacity Procurement and Management

- Monitor capacity markets for competitive options to existing suppliers
- Monitor the daily and monthly capacity markets for potential benefits through releases of pipeline capacity into secondary markets
- Develop explicit knowledge of applicable pipeline rates, services, and tariff provisions
- Perform agency duties to manage gas supply and capacity management services for third parties

Natural Gas Facilities Development for Generation

- Coordinate and supervise the siting, design, development, permitting, and construction of natural gas facilities for generating units, including engineering design review, field construction review, and operations support
- Provide support in generation related supply and gas control issues.
- Provide technical support for potential acquisitions of generating assets.

State and Federal Regulatory

- Assist in the analysis of pipeline regulatory filings for economic and operational impacts on company's gas systems
- Assist in the preparation of data requests, testimony, and presentations before state and federal regulatory commissions

2005–2007 Ameren St. Louis, Missouri
Gas Supply Analyst

- Develop, maintain, and stay proficient with SENDOUT models of the AmerenIP distribution system.
- Prepare annual PGA budgets for AmerenIP Demand and Weather Statistical Analysis
- Acquire, database, and analyze historical weather data for gas distribution regions to develop statistical models for gas supply planning.
- Analyze historical demand volumes for the IP distribution system.
- Perform statistical analysis of weather and demand relationships to develop forecasting models.
- Support operating the system forecasts and daily configuration of the integrated distribution systems with the Gas Operations Specialists.
- Maintain gas supply hedging models in accordance with the AFS Risk Management Policy.
- Perform gas planning and purchasing for IP on Trunkline and ANR Gas Companies
- Maintain gas supply hedging models in accordance with the AFS Risk Management Policy

2003–2005 CenterPoint Energy ENTEX Houston, Texas

Superintendent Gas Control

- Started new Gas Control Department. Position is very detail oriented and requires constant analyzing of conditions which include split second and long-term decision making.
- Responsible for managing the Gas Control Department that facilitates the delivery of natural gas to the Houston Metropolitan Area Distribution System. Department also handles all cut gas lines in the city of Houston.
- Developed numerous Excel databases including one that linked to the WonderWare SCADA System to house daily supplier volumes. Stored this data for load predicting and daily measurement comparisons between the upstream pipelines and our distribution system. Also utilized information for daily/monthly usage reports.
- Assisted Long Range Facility Planning Department in analyzing models of the Houston Metropolitan Area. Troubleshooting model data to discover and eliminate system low pressure locations.
- Familiar with reading models of gas systems.
- Develop and support Gas Control WonderWare SCADA System.
- Department consists of 9 Distribution Gas Controllers.
- Considered a proficient user of all Microsoft Office Products.

Expert Witness Testimony

Responsive Testimony on behalf of Gentner F. Drummond, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 2023-000012

Responsive Testimony on behalf of Gentner F. Drummond, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 2023-000028

Responsive Testimony on behalf of Gentner F. Drummond, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 2023-000039

Responsive Testimony on behalf of Gentner F. Drummond, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 2022-000128

Responsive Testimony on behalf of Gentner F. Drummond, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 2023-000030

Responsive Testimony on behalf of Gentner F. Drummond, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 2023-000085

Responsive Testimony on behalf of Gentner F. Drummond, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 2023-000041

Responsive Testimony on behalf of Gentner F. Drummond, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 2023-000055

Responsive Testimony on behalf of Gentner F. Drummond, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 2023-000067

Responsive Testimony on behalf of Gentner F. Drummond, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 2023-000070

Responsive Testimony on behalf of Gentner F. Drummond, Attorney General of Oklahoma, in Oklahoma Corporation Commission Cause No. PUD 2023-000087

Oklahoma Gas and Electric Company
 CAUSE NO. PUD 2023-000087; TEST YEAR END SEPTEMBER 30, 2023
 2022 UTILITY BUNDLED RETAIL SALES - RESIDENTIAL
 (Data from Forms EIA-861 - Schedules 4A & 4D and EIA-861S)
 Investor-owned Utilities; Contiguous U.S., 100,000 or more Customers

Entity	State	Average Price (cents/kWh)
San Diego Gas & Electric Co	CA	37.92
Pacific Gas & Electric Co.	CA	30.98
NSTAR Electric Company	MA	29.31
Consolidated Edison Co-NY Inc	NY	28.76
Massachusetts Electric Co	MA	28.53
Public Service Co of NH	NH	25.98
Connecticut Light & Power Co	CT	25.48
Southern California Edison Co	CA	24.62
Orange & Rockland Utils Inc	NY	23.79
United Illuminating Co	CT	23.55
Versant Power	ME	23.33
The Narragansett Electric Co	RI	22.98
Central Maine Power Co	ME	22.37
Central Hudson Gas & Elec Corp	NY	22.26
Green Mountain Power Corp	VT	20.37
Atlantic City Electric Co	NJ	19.36
Duquesne Light Co	PA	18.70
Niagara Mohawk Power Corp.	NY	18.64
DTE Electric Company	MI	18.37
Madison Gas & Electric Co	WI	18.20
Consumers Energy Co	MI	18.11
Interstate Power and Light Co	IA	17.75
Public Service Elec & Gas Co	NJ	17.43
Southern Indiana Gas & Elec Co	IN	17.32
Northern Indiana Pub Serv Co	IN	17.01
Wisconsin Electric Power Co	WI	16.94
PPL Electric Utilities Corp	PA	16.86
Commonwealth Edison Co	IL	16.48
Pennsylvania Electric Co	PA	16.46
Dominion Energy South Carolina, Inc	SC	16.22
Indiana Michigan Power Co	MI	16.09
Kentucky Power Co	KY	16.05
Delmarva Power	MD	15.96
Rochester Gas & Electric Corp	NY	15.79
Indiana Michigan Power Co	IN	15.77
New York State Elec & Gas Corp	NY	15.70
Northern States Power Co - Minnesota	MN	15.60
Duke Energy Florida, LLC	FL	15.51
Alabama Power Co	AL	15.50
Ohio Power Co	OH	15.48
Ameren Illinois Company	IL	15.37
El Paso Electric Co	TX	15.34
Potomac Electric Power Co	MD	15.32
Appalachian Power Co	WV	15.31
Empire District Electric Co	MO	15.20
Wisconsin Power & Light Co	WI	15.18
Georgia Power Co	GA	15.18
Duke Energy Indiana, LLC	IN	15.15
Northern States Power Co	WI	15.09
Wisconsin Public Service Corp	WI	15.07
Pennsylvania Power Co	PA	15.01
Cleco Power LLC	LA	14.74
Metropolitan Edison Co	PA	14.42
Public Service Co of NM	NM	14.39
PECO Energy Co	PA	14.38
Evergy Kansas Central, Inc	KS	14.16
Public Service Co of Colorado	CO	14.13

Entity	State	Average Price (cents/kWh)
Nevada Power Co	NV	14.13
Evergy Kansas South, Inc	KS	14.11
Mississippi Power Co	MS	14.03
Entergy New Orleans, LLC	LA	13.90
Arizona Public Service Co	AZ	13.87
ALLETE, Inc.	MN	13.83
Tucson Electric Power Co	AZ	13.73
Tampa Electric Co	FL	13.66
Portland General Electric Co	OR	13.64
Jersey Central Power & Lt Co	NJ	13.60
Baltimore Gas & Electric Co	MD	13.59
Florida Power & Light Co	FL	13.46
Southwestern Public Service Co	TX	13.44
Entergy Texas Inc.	TX	13.41
Virginia Electric & Power Co	VA	13.41
Delmarva Power	DE	13.38
Sierra Pacific Power Co	NV	13.30
Southwestern Electric Power Co	LA	13.28
Cleveland Electric Illum Co	OH	13.19
Duke Energy Kentucky	KY	13.18
Appalachian Power Co	VA	13.03
Evergy Metro	KS	12.99
Indianapolis Power & Light Co	IN	12.98
Evergy Metro	MO	12.97
Southwestern Electric Power Co	AR	12.85
Southwestern Electric Power Co	TX	12.84
Entergy Louisiana LLC	LA	12.69
Potomac Electric Power Co	DC	12.69
Ohio Edison Co	OH	12.66
Oklahoma Gas & Electric Co	OK	12.64
Dayton Power & Light Co	OH	12.59
NorthWestern Energy LLC - (MT)	MT	12.43
West Penn Power Company	PA	12.39
Louisville Gas & Electric Co	KY	12.34
Public Service Co of Oklahoma	OK	12.33
Duke Energy Progress - (NC)	SC	12.23
Kentucky Utilities Co	KY	12.19
Duke Energy Progress - (NC)	NC	12.18
Entergy Arkansas LLC	AR	11.80
Duke Energy Ohio Inc	OH	11.80
Puget Sound Energy Inc	WA	11.76
Evergy Missouri West	MO	11.75
Virginia Electric & Power Co	NC	11.65
Entergy Mississippi LLC	MS	11.62
Monongahela Power Co	WV	11.57
Duke Energy Carolinas, LLC	SC	11.55
Union Electric Co - (MO)	MO	11.34
PacifiCorp	UT	11.13
MidAmerican Energy Co	IA	11.01
PacifiCorp	WY	10.84
Idaho Power Co	ID	10.70
The Potomac Edison Company	WV	10.57
The Potomac Edison Company	MD	10.45
Duke Energy Carolinas, LLC	NC	10.44
Avista Corp	WA	10.05
PacifiCorp	OR	9.91
Avista Corp	ID	9.87
PacifiCorp	WA	9.46

Oklahoma Gas and Electric Company
CAUSE NO. PUD 2023-000087; TEST YEAR END SEPTEMBER 30, 2023
2022 UTILITY BUNDLED RETAIL SALES - INDUSTRIAL
(Data from Forms EIA-861 - Schedules 4A & 4D and EIA-861S)

Entity	State	Average Price (cents/kWh)
NSTAR Electric Company	MA	32.29
The Narragansett Electric Co	RI	23.96
Massachusetts Electric Co	MA	23.95
Pacific Gas & Electric Co.	CA	23.87
Connecticut Light & Power Co	CT	23.11
Public Service Co of NH	NH	21.73
San Diego Gas & Electric Co	CA	20.74
Liberty Utilities (Granite State Electri	NH	20.53
United Illuminating Co	CT	20.11
Central Maine Power Co	ME	19.56
Southern California Edison Co	CA	17.47
Pennsylvania Electric Co	PA	16.87
Rochester Gas & Electric Corp	NY	16.64
Central Hudson Gas & Elec Corp	NY	16.47
Baltimore Gas & Electric Co	MD	16.41
The Potomac Edison Company	MD	15.98
Metropolitan Edison Co	PA	14.04
Jersey Central Power & Lt Co	NJ	13.66
Duquesne Light Co	PA	13.21
New York State Elec & Gas Corp	NY	12.83
Atlantic City Electric Co	NJ	12.44
UGI Utilities, Inc	PA	12.36
PacifiCorp	CA	11.56
West Penn Power Company	PA	11.27
PPL Electric Utilities Corp	PA	11.11
Indiana Michigan Power Co	MI	10.51
Puget Sound Energy Inc	WA	10.48
Commonwealth Edison Co	IL	10.34
PECO Energy Co	PA	10.28
Indianapolis Power & Light Co	IN	10.27
Northern States Power Co - Minnesota	MN	10.26
Cleco Power LLC	LA	10.06
Ameren Illinois Company	IL	10.05
Duke Energy Indiana, LLC	IN	10.03
Evergy Metro	KS	9.77
Dayton Power & Light Co	OH	9.69
Duke Energy Kentucky	KY	9.66
Dominion Energy South Carolina, Inc	SC	9.54
Nevada Power Co	NV	9.5
NorthWestern Energy LLC - (MT)	MT	9.41
Wisconsin Electric Power Co	WI	9.41
Niagara Mohawk Power Corp.	NY	9.35
Public Service Elec & Gas Co	NJ	9.32
Empire District Electric Co	MO	9.27
Georgia Power Co	GA	9.25
Arizona Public Service Co	AZ	9.22
Evergy Kansas Central, Inc	KS	9.14
Southwestern Electric Power Co	LA	9.1
Duke Energy Florida, LLC	FL	9.01
ALLETE, Inc.	MN	8.94
Entergy New Orleans, LLC	LA	8.9
Kentucky Power Co	KY	8.89
Southwestern Electric Power Co	AR	8.72
Consumers Energy Co	MI	8.7
Tucson Electric Power Co	AZ	8.64
Southern Indiana Gas & Elec Co	IN	8.63
Florida Power & Light Co	FL	8.59

Entity	State	Average Price (cents/kWh)
Wisconsin Power & Light Co	WI	8.43
Alabama Power Co	AL	8.42
Indiana Michigan Power Co	IN	8.42
Northern States Power Co	WI	8.4
Interstate Power and Light Co	IA	8.36
Tampa Electric Co	FL	8.36
Oklahoma Gas & Electric Co	AR	8.24
Public Service Co of Colorado	CO	8.12
Southwestern Electric Power Co	TX	8.08
Superior Water and Light Co	WI	8.08
Sierra Pacific Power Co	NV	8.03
Appalachian Power Co	VA	7.82
Kingsport Power Co	TN	7.8
Appalachian Power Co	WV	7.78
Idaho Power Co	OR	7.76
Entergy Mississippi LLC	MS	7.75
Virginia Electric & Power Co	VA	7.74
DTE Electric Company	MI	7.71
Evergy Kansas South, Inc	KS	7.68
Louisville Gas & Electric Co	KY	7.51
PacifiCorp	WA	7.41
Kentucky Utilities Co	KY	7.38
Wisconsin Public Service Corp	WI	7.34
PacifiCorp	ID	7.25
Oklahoma Gas & Electric Co	OK	7.2
Ohio Power Co	OH	7.19
Entergy Louisiana LLC	LA	7.17
Duke Energy Progress - (NC)	NC	7.16
Idaho Power Co	ID	7.11
Northern Indiana Pub Serv Co	IN	7.09
Union Electric Co - (MO)	MO	7.08
Mississippi Power Co	MS	7.05
PacifiCorp	OR	7.02
Montana-Dakota Utilities Co	MT	7.01
Portland General Electric Co	OR	6.99
Evergy Metro	MO	6.89
Entergy Texas Inc.	TX	6.86
Ohio Edison Co	OH	6.83
PacifiCorp	UT	6.79
Duke Energy Progress - (NC)	SC	6.75
Avista Corp	WA	6.66
Evergy Missouri West	MO	6.66
Entergy Arkansas LLC	AR	6.59
Wheeling Power Co	WV	6.46
MidAmerican Energy Co	IA	6.35
The Potomac Edison Company	WV	6.33
The Toledo Edison Co	OH	6.33
Monongahela Power Co	WV	6.32
Public Service Co of Oklahoma	OK	6.13
PacifiCorp	WY	6.13
Cleveland Electric Illum Co	OH	6.12
Southwestern Public Service Co	NM	6.04
Duke Energy Carolinas, LLC	SC	5.91
Duke Energy Carolinas, LLC	NC	5.89
Public Service Co of NM	NM	5.6
Duke Energy Ohio Inc	OH	5.51
Southwestern Public Service Co	TX	5.43
Avista Corp	ID	4.66

Oklahoma Gas and Electric Company
CAUSE NO. PUD 2023-000087; TEST YEAR END SEPTEMBER 30, 2023
BOARD OF DIRECTORS COMPENSATION

Line No.	Description	Amount
1	Total Board of Directors Compensation request (cash and stock).	\$2,211,250
2	Stock Recommended Recovery Amount for Board of Directors (0 percent recovery)	(\$1,120,000)
3	Adjustment for Cash-based Board of Directors Compensation (50 percent recovery)	(\$545,625)
4	Total Reduction in Board of Directors Compensation	(\$1,665,625)
5	Jurisdictional Adjustment for Stock-based Board of Directors Compensation	(\$984,704)
6	Jurisdictional Adjustment for Cash-based Board of Directors Compensation	(\$479,714)
7	Total Jurisdictional Adjustment for recovery for Board of Directors Compensation	(\$1,464,418)

Oklahoma Gas and Electric Company
CAUSE NO. PUD 2023-000087; TEST YEAR END SEPTEMBER 30, 2023
INVESTOR RELATIONS CHARGES

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	Investor Relations Charges	\$842,648
2	Recommended Recovery Amount (50 percent)	\$421,324
3	Oklahoma Allocation Factor	0.8792
4	Attorney General Oklahoma Recommended Adjustment	(\$370,428)

Oklahoma Gas and Electric Company
CAUSE NO. PUD 2023-000087; TEST YEAR END SEPTEMBER 30, 2023
D&O LIABILITY INSURANCE

Line No.	Description	Amount
1	D&O Liability Insurance	\$1,409,391
2	Recommended Recovery Amount (50 percent)	\$704,696
3	Oklahoma Allocation Factor	0.8792
4	Attorney General Oklahoma Adjustment	(\$619,568)

Oklahoma Gas and Electric Company
CAUSE NO. PUD 2023-000087; TEST YEAR END SEPTEMBER 30, 2023
SHORT-TERM INCENTIVE COMPENSATION

Line No.	Description	Amount
1	Short-Term Incentive Compensation	\$26,407,588
2	Short-Term Incentive Compensation Expense	\$16,129,977
3	Attorney General Adjustment Gross	(\$8,064,989)
4	Short-Term Incentive OK Allocation Factor	0.8792
5	Attorney General OK Adjustment Before Payroll Tax	(\$7,090,738)
6	Payroll OK Allocation Factor	0.8784
7	Payroll Tax Rate	8.09%
8	Ok Payroll Tax Adjustment	(\$573,161.00)
9	Attorney General OK Adjustment With Payroll Tax Included	(\$7,663,899)

Oklahoma Gas and Electric Company
CAUSE NO. PUD 2023-000087; TEST YEAR END SEPTEMBER 30, 2023
LONG-TERM INCENTIVE COMPENSATION

Line No.	Description	Amount
1	Long-Term Incentive Compensation Expense -- Holding Company	\$7,078,369
2	Long-Term Incentive Compensation Expense -- Utility	\$1,960,247
3	Total Long-Term Incentive Compensation Expense	(\$9,038,616)
4	Long-Term Incentive OK Allocation Factor	87.92%
5	Attorney General Adjustment before payroll tax	(\$7,946,751)
6	Payroll OK Allocation Factor	87.84%
7	Payroll Tax Rate	8.09%
8	OK Payroll Tax Adjustment	(\$642,354)
9	Attorney General OK Adjustment With Payroll Tax Included	(\$8,589,105)

Oklahoma Gas and Electric Company
CAUSE NO. PUD 2023-000087; TEST YEAR END SEPTEMBER 30, 2023
INFLATION-ADJUSTED VEGETATION MANAGEMENT EXPENSE

Test Year and History OK Vegetation Mgmt.	2019	2020	2021	2022	Test Year Ending Sep. 30, 2023
Distribution Cycle Trimming	\$21,875,580	\$22,270,393	\$25,910,296	\$25,017,855	\$23,596,765
Distribution Non-Cycle	1,664,396	1,122,319	1,798,848	2,010,123	1,805,041
Distribution Substations	560,017	681,084	637,783	705,526	868,147
Transmission Cycle	4,596,163	4,070,424	5,474,054	5,590,132	5,503,881
Transmission Hazard Tree Program					
Transmission Subs Grounds	196,753	270,920	303,330	351,337	473,008
Distribution Total	24,099,994	24,073,796	28,346,928	27,733,504	26,269,953
Transmission Total	4,792,916	4,341,344	5,777,384	5,941,470	5,976,889
Total	\$28,892,910	\$28,415,140	\$34,124,312	\$33,674,973	\$32,246,842
CPI (1982-1984=100)	255.65	258.85	270.97	292.62	302.29
Inflation-Adjusted VM expenses	\$34,163,274	\$33,183,826	\$38,068,675	\$34,787,305	\$32,246,842
4 year average (2019-2022)					\$35,050,770
AG Recommendation Above Test-Year					\$2,803,928

Oklahoma Gas and Electric Company
CAUSE NO. PUD 2023-000087; TEST YEAR END SEPTEMBER 30, 2023
CHAMBER OF COMMERCE DUES

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
1	Chamber of Commerce Dues, Non-EEI	\$355,815
2	Attorney General Adjustment Gross	\$177,908
3	Oklahoma O&M Jurisdiction Factor	0.8792
4	Attorney General Adjustment	(\$156,416)

Oklahoma Gas and Electric Company
CAUSE NO. PUD 2023-000087; TEST YEAR END SEPTEMBER 30, 2023
EDISON ELECTRIC INSTITUTE ("EEI") MEMBERSHIP DUES

Line No.	Description	Amount
1	EEI Membership Dues	\$933,616
2	Recommended Recovery Amount	\$0
3	Adjustment for EEI Membership Dues	(\$933,616)
4	Oklahoma O&M Jurisdiction Factor	0.8792
5	Jurisdictional Adjustment for EEI Membership Dues	(\$820,835)

Oklahoma Gas and Electric Company
CAUSE NO. PUD 2023-000087; TEST YEAR END SEPTEMBER 30, 2023
OTHER INDUSTRY DUES/MEMBERSHIPS

Line No.	Description	Amount
1	Professional Membership	\$173,252
2	Oklahoma O&M Jurisdiction Factor	0.8792
3	Jurisdictional Adjustment for EEI Membership Dues	\$152,323

Oklahoma Gas and Electric Company
CAUSE NO. PUD 2023-000087; TEST YEAR END SEPTEMBER 30, 2023
VEGETATION MANAGEMENT EXPENSE

Line No.	Description	Amount
1	Company Proforma Vegetation Management Expenses	\$58,224,762
2	AG Proforma Vegetation Management Expenses	\$35,050,770
3	Adjustment	(\$23,173,992)
4	Oklahoma O&M Jurisdiction Adjustment Factor	0.8792
5	Jurisdictional Adjustment	(\$20,374,574)



Edison Electric
INSTITUTE

2024 Lobbying, Advocacy, and Other Expenditures

February 2024

The Edison Electric Institute (EEI) is the trade association that represents all U.S. investor-owned electric companies. EEI's member companies provide electricity for nearly 250 million Americans and operate in all 50 states and the District of Columbia.

EEI's member companies are woven tightly into the fabric of our nation. They provide the reliable, affordable, and resilient clean energy that drives our economy and powers communities and customers across the country. The electric power industry supports more than 7 million jobs and contributes at least 5 percent annually to our nation's GDP.

In addition to our U.S. members, EEI has more than 70 international electric companies as International Members, and hundreds of industry suppliers and related organizations as Associate Members.

Organized in 1933, EEI provides public policy leadership, strategic business intelligence, and essential conferences and forums.

Delivering Resilient Clean Energy Across Our Economy

Across the country, EEI's member companies are leading the clean energy transformation. They are focused on ensuring that customers have the energy they need when and where they need it, affordably and reliably, as they work to get the energy they provide as clean as they can as fast as they can.

Thanks largely to the clean energy leadership of EEI's member companies, carbon emissions from the U.S. electric power sector today are as low as they were 40 years ago, while electricity use has climbed 73 percent since then. Already, 50 EEI member companies have announced ambitious emissions reduction commitments, 41 of which aim for net-zero or equivalent by 2050 or sooner.

Equally important, more than 40 percent of our nation's electricity now comes from clean, carbon-free sources, including nuclear energy, hydropower, wind, and solar energy. And, over the past decade, more than 60 percent of new generation capacity was wind and solar—more than 78 percent of new generation has been wind and solar since 2020.

To create a cleaner economy, we will need a cleaner transportation sector. EEI's member companies are investing more than \$5.2 billion in customer programs and projects to deploy charging infrastructure to support the more than 4 million EVs on U.S. roads today.

As part of our commitment to build a clean energy future that benefits all Americans in all communities, we are working to understand and to address environmental justice concerns and equity considerations.

EEl's member companies are well-positioned to be a major part of the climate solution. They will be the catalyst for delivering resilient clean energy and for achieving a clean energy economy as quickly and as affordably as possible for all customers.

Our Federal and State Policy Activities

EEl's member companies are among the most regulated companies in the country, and EEl engages on their behalf with federal and state legislators, regulators, and other policymakers through lobbying, advocacy, and regulatory proceedings, with the goal of providing customers with the affordable, reliable, and resilient clean energy they need and expect.

EEl also engages with a range of other industry stakeholders on issues related to grid reliability; cyber and physical security; mutual assistance and disaster response; finance and tax matters; and programs, services, and solutions for electricity customers.

EEl's Core Budget

EEl's core budget is funded through member dues. EEl's Board of Directors approves EEl's budget annually, including any increase in dues and proposed expected expenditures. In general, the dues a company pays are a function of its average number of customers, total revenues attributed to its electric operations, and owned generating capacity. For transmission-only members, dues reflect total revenues attributed to electric operations and to transmission and distribution year-end assets that are either wholly or jointly owned.

Total dues revenue for 2024 is anticipated to be \$62.5 million; non-dues revenue, from meetings, publications, and international and associate memberships, is expected to be \$18.9 million.

EEl's core budget is devoted to business and policy issues that support our member companies' commitment to provide affordable, reliable, and resilient clean energy to the customers and communities they serve. The budget includes employee salaries and benefits; general office expenses and overhead; and programs and activities.

EEl's Board of Directors approved core budget expenditures by issue area for 2024 as follows.

Business and Policy Issues	Core 2024 Expense Budget <i>(in millions of \$s)</i>
Fuel Diversity and Clean Energy	14.1
Grid Security & Reliability	11.4
Grid Investment & Modernization	8.1
Customer Solutions	8.1
Finance and Taxes	7.4

Member Services	5.4
Human Resources/Diversity, Equity & Inclusion & Workforce Development	4.1
FERC Policy	3.9
Total	62.5

The approved core budget expenditures by department for 2024 are noted below.

Department	Core 2024 Expense Budget <i>(in millions of \$s)</i>
Clean Energy & Environment	4.6
Communications & Member Engagement	10.2
Customer Solutions	5.9
Energy Supply & Finance	8.0
General Counsel's Office	4.6
Government Relations	4.7
Human Resources	1.9
Political & External Affairs	6.9
Security, Preparedness & Reliability	10.2
State & Federal Regulatory Affairs	5.5
Total	62.5

Lobbying Expenditures and Disclosure

EEl reports its lobbying expenses to Congress as required by federal law via the quarterly filing of Lobbying Disclosure Reports. EEl uses the definitions provided by both the Lobbying Disclosure Act and the Internal Revenue Code (IRC) section 162(e) to identify lobbying expenses. This includes both federal lobbying and state-level lobbying and grassroots advocacy.

Following are links to EEI's lobbying disclosure reports for 2023:

- [Quarter 1](#)
- [Quarter 2](#)
- [Quarter 3](#)
- [Quarter 4](#)

EEI estimates the amount of member dues that likely will be spent on lobbying each year and provides that percentage to members as part of their annual dues invoice. EEI provides an actual percentage at the end of the year after all reports have been filed.

In 2023, 16.4 percent of EEI dues was used for lobbying activities. For 2024, we estimate that the amount will be 16 percent.

In addition, EEI runs the Political Action Committee (PAC) known as PowerPAC. PowerPAC is funded by contributions made by EEI member companies, member company executives and other employees, and eligible EEI employees. EEI matches employee PowerPAC contributions, directed to the charity of an employee's choice. In 2023, the PowerPAC match was approximately \$65,000 and came from EEI's core budget.

PowerPAC reports its activities to the Federal Election Commission (FEC) every month as required by law. These reports can be found on the [FEC website](#).

Contributions

EEI makes contributions to various political and charitable groups, including IRC section 501(c)(4) and section 527 organizations. These amounts are included in the amounts EEI reports to members as lobbying expenses. The 2023 contributions to these groups totaled \$779,400. A similar contributions budget is expected for 2024.

A complete list of the groups to which EEI makes contributions that are greater than \$5,000 is reported each year on the Form 990, Return of Organization Exempt From Income Tax, filed with the Internal Revenue Service.

EEI's 2023 Form 990 will be filed in November 2024. The 2022 Form 990 can be found [here](#).

Organizations to which EEI contributed more than \$5,000 in 2022:

- | | |
|--|---|
| ▪ African American Mayors Association | ▪ American Council for Capital Formation – Center for Policy Research |
| ▪ All Hazards Consortium | ▪ American Gas Association |
| ▪ Alliance for Automotive Innovation | ▪ American Legislative Exchange Council |
| ▪ Alliance to Save Energy | ▪ American Society of Association Executives |
| ▪ Alzheimer's Association | ▪ Americans for Tax Reform* |
| ▪ American Association of Blacks in Energy | ▪ Association of Power Biologists |
| ▪ American Benefits Council | ▪ Birds of Prey NCA Partnership |
| ▪ American Cancer Society | ▪ Bobette Gillette & Company |
| ▪ American Consumer Institute CCR | |

(continued)

(Contributions, continued)

- Business Council for Sustainable Energy
- Center for Energy Workforce Development
- Citizens Against Government Waste
- Citizens for Responsible Energy Solutions*
- Community Leaders of America †
- Congressional Black Caucus Institute*
- Congressional Hispanic Caucus Institute, Inc.
- Congressional Hispanic Leadership Institute, Inc.
- Congressional Sports for Charity
- Consumer Energy Alliance*
- Council of State Governments
- CWAG dba AG Alliance
- Democratic Attorneys General Association †
- Democratic Governors' Association †
- Democratic Legislative Campaign Committee †
- Democratic Mayors Association †
- Electric Drive Transportation Association
- Environmental Council of the States
- Forth Mobility Fund
- Foundation for Public Affairs
- Foundation to Eradicate Duchenne
- Freight Rail Customer Alliance
- GOPAC Inc. †
- Hispanics for Energy
- Horton's Kids, Inc.
- Institute for Energy Research
- International Emissions Trading Association
- J Street Cup DBA NGS Invitational
- Keystone Policy Center
- Maine Affordable Energy †
- March on Washington Film Festival
- Mid-America Regulatory Conference, Inc.
- Mid-Atlantic Conference or Regulatory Utilities Commissioners
- Moore Miller Inaugural Committee, Inc. †
- Mount Vernon Ladies' Association of the Union
- NALEO Educational Fund
- National Association of Counties*
- National Association of Manufacturers
- National Association of Regulatory Utility Commissioners*
- National Association of State Energy Officials
- National Association of State Utility Consumer Advocates*
- National Black Caucus of State Legislators
- National Black Chamber of Commerce
- National Capital Area Council Boy Scouts of America
- National Conference of State Legislatures
- National Democratic Club
- National Endangered Species Act Reform Coalition
- National Energy & Utility Affordability Coalition
- National Foundation for Women Legislators
- National Governors Association
- National Hispanic Caucus of State Legislators
- National Labor & Management Public Affairs
- National League of Cities*
- National Organization of Black Elected Legislative Women
- National Urban League, Inc.
- National Wildlife Rehabilitators
- NCSL Foundation for State Legislatures
- NERO
- New England Conference of Public Utilities Commissions
- No Blank Checks †
- North American Electric Reliability Corporation

(continued)

(Contributions, continued)

- North American Energy Standards Board
- Northwestern University School of Law
- Our Energy Policy
- Peter Damon Group, LLC.
- Pollinator Partnership
- Prevent Cancer Foundation
- Public Affairs Council*
- Republican Governors Association †
- Resources for the Future, Inc.
- Republican State Leadership Committee †
- Roosevelt Institute
- Senate Presidents' Forum
- Sexual Minority Youth Assistance League, Inc.
- So Others Might Eat
- Southeastern Association of Regulatory Utility Commissioners
- Southern States Energy Board
- St. Coletta of Greater Washington
- State Government Affairs Council
- Taste of the South
- Taxpayers Protection Alliance*
- The Artists and Athletes Alliance
- The Aspen Institute
- The Congressional Institute*
- The Council of State Governments
- The First Tee of Greater Washington, DC
- The Latino Coalition
- The Peregrine Fund, Inc.
- The Permitting Institute
- The Third Way Foundation, Inc.
- The U.S. Conference of Mayors
- United States Conference of Mayors
- United States Energy Association
- United States Hispanic Chamber of Commerce
- University of Missouri-FRI/PUD
- U.S. Chamber of Commerce
- U.S. Navy Memorial Foundation
- Veterans in Energy
- Washington Humane Society
- Washington State Society
- Washington Tennis & Education Foundation
- Western Conference
- Western Governors' Association
- Women in Government Foundation, Inc.
- Women's Energy Summit

* 501(c)(4) organization

† Section 527 entity

Separately Funded Activities

Some EEI member companies choose to pay for separate activities and programs that fall outside of the core EEI budget. EEI runs these programs for the benefit of these members. These activities and their expected budgets for 2024 are noted below.

For a fee, members and other electric companies can access a range of employment tests that are validated specifically for job functions within the electric industry, including power plant operators, maintenance and craft positions, power dispatching positions, and customer service representatives, among others. Fees are based on the size of the company, with a maximum annual fee of \$7,500. These funds are not used for lobbying or advocacy. More information about the Employment Testing Consortium can be found [here](#).

In addition, most EEI member companies contribute to the Restoration, Operations, and Crisis Management Program (Restore Power), which focuses on improvements to industry-wide responses to major outages; continuity of industry and business operations; and EEI's all hazards (storms, wildfires, cyber, etc.) support and coordination of the industry during times of crises. Contributions to Restore Power depend on the

number of customers a member company has, with a maximum contribution of \$15,000 annually. These funds are not used for lobbying or advocacy.

In 2006, federal energy regulators approved the Spare Transformer Equipment Program (STEP), an electric industry program that strengthens the sector's ability to restore the nation's transmission system more quickly in the event of a terrorist attack. STEP represents a coordinated approach to increasing the industry's inventory of spare transformers and to streamlining the process of transferring those transformers to affected companies in the event of a transmission outage caused by a terrorist attack. To participate in STEP, members make an annual voluntary contribution of not more than \$7,500. These funds are not used for lobbying or advocacy. More information about STEP can be found [here](#).

Activity	Budget (\$s)
Employment Testing Consortium	3,758,000
Restoration, Operations & Crisis Management (Restore Power)	589,000
Spare Transformer Equipment Program	416,000

Emerging Issues

Many EEI member companies choose to make an additional annual contribution of 10 percent of their dues to an emerging issues fund. This fund, controlled by EEI's President & CEO, is designed to allow EEI to respond to issues that were not expected and could not be planned for during the normal budgeting process. In addition, these funds are used to pay for political consultants, litigation expenses, and engagement in state legislation and policy matters.

The 2024 emerging issues budget is \$6.4 million.

Some of these funds also are used for any advertising that EEI does, particularly social media ads designed to educate the public about power restoration events; public and media relations; and public opinion polling. In 2023, \$71,000 was spent on advertising, including social media ads designed to educate the public about power restoration events; \$900,000 was spent on public and media relations. For 2024, these expenses are expected to be similar.

EEI estimates the amount of funds in the emerging issues budget that likely will be spent on lobbying each year and provides that percentage to members as part of their annual dues invoice. EEI provides an actual percentage at the end of the year.

In 2023, 24.1 percent of these funds were used on lobbying activities. For 2024, EEI estimates that this amount will be 27 percent.

Separately Controlled Groups

In the past, EEI has provided accounting and other services to three unincorporated, issue-specific groups. These groups are the [Avian Power Line Interaction Committee](#), the [Energy Wildlife Action Coalition](#), and the [Utility Solid Waste Activities Group](#). In addition, the Executive Directors of two of these groups have been EEI employees for purposes of payroll and benefits. These groups sent separate invoices to their members, and these amounts were not included in EEI dues.

The last full year in which EEI provided these services to these groups was 2023. All three groups are in the process of becoming separately recognized 501(c)(6) organizations. Once their separations are complete, EEI will no longer hold any funds for these groups nor provide any administrative support. In addition, the Executive Directors will no longer be EEI employees. It is expected that all three groups will be fully separated from EEI before the end of the second quarter of 2024. As of the start of 2024, EEI is no longer a member of these groups and does not pay them dues.

Charitable Organizations and Foundations

EEI has two associated IRC section 501(c)(3) organizations: The Center for Energy Workforce Development (CEWD) and The Thomas Alva Edison Foundation (the Edison Foundation).

EEI pays dues of \$100,000 to CEWD annually. These funds are from the core budget. In 2024, EEI anticipates providing \$300,000 of in-kind support to CEWD in the form of administrative, accounting, and legal support services.

EEI does not make any contributions to the Edison Foundation, but does provide in-kind support. In 2023, EEI provided \$121,000 of in-kind support, which represented employee time related to new clean energy transition initiatives.

EEI member companies can choose to support these organizations via separate voluntary contributions. To learn more about these groups, visit:

[The Center for Energy Workforce Development](#)

[The Edison Foundation](#)

About EEI

The **Edison Electric Institute** (EEI) is the association that represents all U.S. investor-owned electric companies. Our members provide electricity for nearly 250 million Americans, and operate in all 50 states and the District of Columbia. As a whole, the electric power industry supports more than 7 million jobs in communities across the United States. In addition to our U.S. members, EEI has more than 70 international electric companies with operations in more than 90 countries, as International Members, and hundreds of industry suppliers and related organizations as Associate Members.

Organized in 1933, EEI provides public policy leadership, strategic business intelligence, and essential conferences and forums.

For more information, visit our Web site at **www.eei.org**.

Contact

Emily Sanford Fisher

Executive Vice President,
Clean Energy, General
Counsel & Corporate
Secretary

efisher@eei.org

202-508-5616

February 2024



Edison Electric Institute
701 Pennsylvania Avenue, NW
Washington, DC 20004-2696
202-508-5000 | www.eei.org



/EdisonElectricInstitute



@Edison_Electric



Edison Electric Institute