

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF AN INTERIM RATE SCHEDULE)
OF OKLAHOMA GAS AND ELECTRIC COMPANY)
IMPOSING A SURCHARGE TO RECOVER ALL)
INVESTMENTS AND EXPENSES INCURRED)
THROUGH COMPLIANCE WITH LEGISLATIVE OR)
ADMINISTRATIVE RULES, REGULATIONS OR)
REQUIREMENTS RELATING TO THE PUBLIC)
HEALTH, SAFETY, OR THE ENVIRONMENT)
UNDER THE FEDERAL CLEAN AIR ACT FOR)
CERTAIN OF ITS EXISTING GENERATION FACILITIES)

DOCKET 15-034-U

AGREEMENT TESTIMONY

OF

WILLIAM L. MATTHEWS
PUBLIC UTILITY AUDITOR
AUDITS SECTION

ON BEHALF OF THE STAFF OF THE
ARKANSAS PUBLIC SERVICE COMMISSION

September 25, 2015

1 **INTRODUCTION**

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

3 A. My name is William L. Matthews.

4 **Q. Are you the same William L. Matthews who filed Direct and Surrebuttal**
5 **Testimony in this docket on August 10, 2015 and September 11, 2015,**
6 **respectively, on behalf of the General Staff (Staff) of the Arkansas Public**
7 **Service Commission (APSC or Commission)?**

8 A. Yes.

9 **PURPOSE OF TESTIMONY**

10 **Q. What is the purpose of your Agreement Testimony in this docket?**

11 A. My testimony supports as reasonable the Stipulation and Settlement Agreement
12 (Agreement) filed in this Docket on September 25, 2015.

13 **Q. What is the purpose of the Agreement?**

14 A. The Agreement addresses and resolves all outstanding issues in Docket No. 15-
15 034-U, regarding Oklahoma Gas and Electric Company's, (OG&E or Company)
16 Interim Rate Schedule Pursuant to Act 310 of 1981, as amended by Act 1000 of
17 2015, Ark. Code Ann. § 23-4-501, *et seq.* (Act 310) and comprehends all of
18 Staff's recommendations as set forth in my Direct and Surrebuttal Testimonies,
19 along with other requirements as specified.

20 **TERMS OF THE AGREEMENT**

21 **Q. What is the Revenue Requirement as provided in the Agreement?**

1 A. As shown in Agreement Attachment No. 1 to the Agreement, the Arkansas
2 jurisdictional Revenue Requirement is \$473,299, which is the same amount I
3 recommended in my Surrebuttal Testimony and \$16,635 less than the
4 Company's application amount of \$489,934.

5 **Q. Were there any changes made to Staff's Surrebuttal case?**

6 A. No. All parties to the docket, OG&E, the Consumer Utilities Rate Advocacy
7 Division of the Arkansas Attorney General (AG), the Arkansas River Valley
8 Energy Consumers (ARVEC) and the Wal-Mart Stores Arkansas, LLC and Sam's
9 West, Inc. (Wal-Mart and Sam's), accept my recommended Revenue
10 Requirement and surcharge calculation. They also accept my recommended use
11 of the cost allocation factors approved in OG&E's rate case, Docket No. 10-067-
12 U, in allocating the costs of the surcharge. In addition, the parties agree with my
13 Surrebuttal recommendation regarding the design of rates. I recommend that,
14 consistent with the Rebuttal Testimony of OG&E witness Donald R. Rowlett, the
15 Power & Light and the Power & Light –Time of Use subclasses be separated for
16 purposes of determining the surcharge. In addition, for those classes that have
17 demand charges, the rate should be determined on a demand and energy basis,
18 rather just an energy basis. The resulting revised tariff is included in Agreement
19 Attachment No. 2.

20 **Q. Were there any other conditions in order to reach an Agreement?**

21 A. Yes. As specified in the Agreement, all parties in this docket agree not to oppose
22 up to two updated Act 310 surcharge filings by OG&E associated with this project

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1 and filed in this docket with the first filing being made no sooner than six months
2 from its May 8, 2015 filing consistent with the provisions of Act 310, subject to
3 examination for accuracy; calculation of the revenue requirement and surcharge
4 consistent with my recommendations; and including the use of the approved cost
5 allocation factors from the previous rate case, Docket No. 10-067-U. OG&E
6 agrees it will refund the amounts I excluded from the revenue requirement
7 calculation that have been collected through its Surcharge, including carrying
8 charges at the Company's last overall rate of return in Docket No. 10-067-U, as a
9 bill credit in the month following the Commission's order in this docket.
10 Additionally, OG&E will file a general rate case prior to the end of 2016. Finally,
11 Separate and apart from its general rate case application, OG&E Commits to
12 provide to the parties as a work paper, on the filing date of its general rate case
13 application in 2016, a cost of service study reflecting the Average and Excess
14 4CP cost allocation as well as a rate design for its largest customer class
15 consistent with the provisions of Ark. Code Ann. §23-4-422. OG&E commits to
16 develop those cost of service results and rate design for its largest class using
17 the same revenue requirement and billing determinants underlying cost of
18 service and rate design recommendations in its rate case application. OG&E is
19 not obligated to support that cost allocation methodology and may advocate a
20 different cost allocation methodology.

21 **Q. Are these additional provisions reasonable?**

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1 A. Yes. These additional provisions were required by other parties to settle the
2 case. These provisions are reasonable, and I recommend approval of the
3 Agreement including those provisions.

4 **CONCLUSION**

5 **Q. What are your conclusions and recommendations?**

6 A. The Agreement includes the recommendations set forth in my Surrebuttal
7 Testimony. The Agreement also establishes a timeline for OG&E's next Act 310
8 and general rate case filings. For the reasons set forth herein, I support as
9 reasonable the Agreement and recommend its approval.

10 **Q. Does this conclude your testimony?**

11 A. Yes, it does.

CERTIFICATE OF SERVICE

I, certify that a copy of the foregoing has been delivered to all Parties of Record by electronic mail via the Electronic Filing System, this 25th day of September 2015.

/s/ Fran C. Hickman
Fran C. Hickman