

BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE FORMULA)	
RATE PLAN FILINGS OF OKLAHOMA)	
GAS AND ELECTRIC COMPANY)	DOCKET NO. 18-046-FR
PURSUANT TO APSC DOCKET)	
NO. 16-052-U)	

2020 Agreement Testimony

of

Donald R. Rowlett

on behalf of

Oklahoma Gas and Electric Company

Donald R. Rowlett
2020 Agreement Testimony

1 Q. **Please state your name, position, by whom you are employed, and your business**
2 **address.**

3 A. My name is Donald Rowlett. I hold the position of Managing Director of Regulatory
4 Affairs for Oklahoma Gas and Electric Company (“OG&E”). My business address is 321
5 N. Harvey, Oklahoma City, Oklahoma, 73102.

6
7 Q. **Are you the same Donald Rowlett who filed Direct and Rebuttal Testimony in this**
8 **Docket?**

9 A. Yes.

10
11 Q. **What is the purpose of your Agreement testimony?**

12 A. The purpose of my Agreement testimony is to support the negotiated settlement reached
13 among the General Staff (“Staff”) of the Arkansas Public Service Commission
14 (“Commission”) and the Office of Arkansas Attorney General Leslie Rutledge (“AG”)
15 (collectively the “Settling Parties”)¹ that addressed all issues in this proceeding. The
16 Settling Parties have prepared and executed a Non-Unanimous Settlement Agreement
17 (“Agreement”) evidencing the negotiated settlement, which is attached as Joint Motion
18 Exhibit 1 to the Joint Motion to Approve the Non-Unanimous Settlement Agreement,
19 Waive Hearing, and Excuse Witnesses (“Joint Motion”), which has been filed with the
20 Commission.

21
22 Q. **Please summarize OG&E’s application.**

23 A. On October 1, 2020, OG&E filed an Application pursuant to, and in compliance with, the
24 provisions of OG&E’s tariff Sheet No. 80, Formula Rate Plan Rider (“FRP Rider”). The
25 Company attached the OG&E FRP Rider Evaluation Report (“Evaluation Report”) as
26 Application Exhibit A that showed a revenue increase of approximately \$10.3 million,
27 which was limited to \$7.0 million due to the 4% cap constraint.

¹ The Arkansas River Valley Energy Consumers (“ARVEC”) is not a signatory to this Non-Unanimous Settlement Agreement but does not object thereto.

1 Q. **Why did OG&E seek a revenue change?**

2 A. OG&E provided notice of its intent to implement a Formula Rate Plan Rider mechanism
3 in its last general rate case in Docket No. 16-052-U, as required by Act 725 of 2015. In
4 Order No. 8 of that docket, issued on May 18, 2017, the Commission approved OG&E's
5 FRP Rider. OG&E will file its FRP annually, on or about October 1st of each year, during
6 the term of the FRP.

7
8 Q. **Please describe the events that led to entering into the Agreement.**

9 A. On December 31, 2020, after conducting extensive discovery, Staff, the AG, and Arkansas
10 River Valley Energy Consumers ("ARVEC") filed Errors and Objections ("E&O") to
11 OG&E's FRP Application. On January 15, 2021, OG&E filed its Response to E&O and
12 submitted Rebuttal Testimony. OG&E's Response to E&O resulted in no change to its
13 originally filed revenue requirement increase of approximately \$10.3 million but did accept
14 Staff's adjustment to the 4% cap resulting in a revised cap amount of \$6.7 million.

15 Beginning on January 19, 2021 OG&E began informal settlement discussions with
16 the Settling Parties. After many discussions and negotiations between the Settling Parties
17 a settlement was reached which resulted in a proposed revenue increase of \$10,104,779,
18 which due to the 4% constraint is limited to \$6,679,386. The Settlement Agreement is
19 attached to the Joint Motion as Joint Motion Exhibit 1.

20
21 Q. **Please describe the major provisions of the Agreement.**

22 A. For purposes of settlement, the Settling Parties agree to start their calculation of the FRP
23 Rider Revenue Change with OG&E's Response to Errors & Objections. This results in a
24 starting point revenue change of \$10,278,133, capped at \$6,679,386. For the purposes of
25 this settlement, the Settling Parties agree to accept the following adjustments:

- 26 ○ Decrease expenses by \$98,750 related to specific industry dues in the
27 Company's Historical Year. The revenue requirement impact of this change is
28 approximately \$9,045.
- 29 ○ Reduce Rate Base for the Working Capital Asset – Stores Expense
30 Undistributed by \$1,696,143. The revenue requirement impact of this change
31 is approximately \$10,138.

○ Reduce Rate Base by \$11,074,270 due to the Staff's Coal Inventory adjustment.

The revenue requirement impact of this change is approximately \$66,598.

○ Reduce Rate Base by an additional \$14,562,520 due to the AG's Coal Inventory adjustment. The revenue requirement impact of this change is approximately \$87,573.

The agreed upon adjustments for the purposes of this settlement result in a decrease of \$173,354 to OG&E's Response to Errors and Objections revenue change for a total agreed-upon Arkansas revenue change of \$10,104,779, capped at \$6,679,386. This amount is reflected in the FRP Tariff Attachment Schedules A and D which is Attachment No. 1 to the Settlement Agreement.

Q. Was there an additional agreement between the Settling Parties?

A. Yes. The Settling Parties agree that OG&E will agree to file updated quarterly information similar to the information provided on an annual basis in the 2nd and 3rd FRP filings to continue to monitor the performance of the Company's Grid Modernization projects for Series I, Series II, and any future Grid Modernization projects.

The Settling Parties will not object to OG&E's request for a finding that the Series II projects included in this filing are prudent in cost. Additionally, the Settling Parties agree that there is no prudence of cost determination in this proceeding for any additional Series II Grid Modernization investment not already in service during this Historical Year. The Company agrees to provide any cost benefit analysis considered by the Company for future Grid Modernization investments. In addition, if OG&E considers avoided economic harm benefits in such cost-benefit analysis, it shall also provide the analysis without those avoided economic harm benefits included.

In addition to the quarterly reporting agreed to in this settlement, the Company agrees to hold a stakeholder meeting regarding Grid Modernization within 90 days of the issuance of a Final Order in this Docket.

The Settling Parties will not object to OG&E's request for findings that installing dry scrubbers at the Sooner generating facility and converting Muskogee generating units 4 and 5 to natural gas are prudent, used and useful, and included in this FRP update.

1 The Settling Parties agree that if more than two years after the issuance of its most
2 recent IRP, the Company issues a request for proposal to satisfy a need demonstrated by
3 such IRP, it agrees to review current economic market conditions, including fuel and
4 market price forecasts, to ensure the project/resource remains the most reasonable path
5 forward in light of any material changes that may arise after the issuance of the IRP. This
6 requirement will apply to project(s) of more than \$25 million on a total company basis.

7 The Company agrees to provide the planned retirement schedules for both its
8 Sooner and Muskogee coal units in the issuance of its next IRP and explain the reasons and
9 economics for those retirement schedules.

10 The Settling Parties will not object to the jurisdictional allocation methodology
11 utilized by OG&E in the current FRP Revenue determination; however, they will work to
12 develop a standardized method to determine the jurisdictional allocations in the next FRP
13 filing and any future extension of the FRP.

14 The Settling Parties agree that OG&E will file, within 10 days of the Commission's
15 order (approving rates), in a TF docket, the following revision to Rider FRP: Attachment
16 F Section II Item 6 part A: "If OG&E requests an extension of the initial term of the FRP,
17 OG&E shall include such request in a separate docket and filed concurrently with the 4th
18 Evaluation Report." The parties would then work to develop and propose to the
19 Commission a procedural schedule for consideration of any extension request which
20 reflects dates staggered after the filings in the annual evaluation procedural schedule.

21
22 **Q. What is the FRP Rate Adjustment, by class, shown on Attachment A-1 after the**
23 **settlement revenue change was determined?**

24 **A.** Table 1 below shows the FRP Rate Adjustment by Rate Class, which is the adjustment
25 needed to the Projected Year base rate revenues in order for the Company to earn the
26 allowed ROE from Docket No. 16-052-U.

Table 1 FRP Rate Adjustment

Rate Class	FRP Rate (%)
Residential	14.4180%
General Service	13.9736%
Power and Light	15.6974%
Other*	13.1946%

*Other includes Municipal Water Pumping, Municipal Roadway and Area Lighting, Outdoor Security Lighting, Athletic Field Lighting, and the LED lighting rates

1 Q. **What is the rate impact of the Company's Projected Year revenue change after the**
2 **proposed increase?**

3 A. The average residential customer in Arkansas will see an increase of 4.00%, or \$3.48 per
4 month, on their total bill as a result of the settlement revenue change.

5
6 Q. **Does OG&E support the settlement agreement?**

7 A. Yes. OG&E believes the Agreement is a reasonable compromise of the positions of the
8 various parties and stakeholders and it produces an equitable balance of customer,
9 stakeholder, and shareholder interest. The provisions of the Agreement lie within the
10 bounds of the filed positions by the various parties and the end result is just and reasonable.

11
12 Q. **Is the Agreement in the public interest?**

13 A. Yes. The Agreement provides benefits to all classes of customers and is in the public
14 interest. The result of the Agreement reached by the parties is within the range of likely
15 outcomes if the issues in the proceeding were litigated. The Agreement is a carefully
16 crafted compromise that produces rates that are just and reasonable and are in the public
17 interest. OG&E believes the result reached in the Agreement fairly balances the needs of
18 all stakeholders.

19
20 Q. **Does the Agreement provide OG&E with everything it requested in its Application?**

21 A. No. As with any good compromise, the end product does not result in the attainment of all
22 the results sought by any one party. OG&E supports the Agreement as a reasonable
23 compromise that is in the overall public interest and it is committed to adhere to the
24 obligations pursuant to the Agreement.

- 1 Q. **Does this conclude your Agreement testimony?**
- 2 A. Yes.

CERTIFICATE OF SERVICE

I, Lawrence E. Chisenhall, Jr., hereby state that a copy of the foregoing instrument was served on all the parties of record via the APSC Electronic Filing System on this the 28th day of January, 2021.

/s/ Lawrence E. Chisenhall, Jr. _____
Lawrence E. Chisenhall, Jr.