

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

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)
_____)

Cause No. PUD 201700496

RESPONSIVE RATE DESIGN AND COST OF SERVICE TESTIMONY AND EXHIBITS OF

GREGORY W. TILLMAN

ON BEHALF OF

WAL-MART STORES EAST, LP, AND SAM'S EAST, INC.

Dated: May 16, 2018

1 **Table of Contents**

2	Introduction.....	1
3	Purpose of Testimony and Summary of Recommendations.....	4
4	Cost of Service	7
5	Revenue Allocation.....	8
6	PL TOU SL5 Rate Design.....	9

7

8 **Exhibits**

9 **Exhibit GWT-1 – Witness Qualifications Statement**

1 **Introduction**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

3 A. My name is Gregory W. Tillman. My business address is 2001 SE 10th St.,
4 Bentonville, AR 72716-0550. I am employed by Walmart Inc. as Senior Manager,
5 Energy Regulatory Analysis.

6 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?**

7 A. I am testifying on behalf of Wal-Mart Stores East, LP, and Sam's East, Inc. (collectively,
8 "Walmart").

9 **Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.**

10 A. I earned a Bachelor of Science in Electrical Engineering from the University of Tulsa in
11 1987. Prior to joining Walmart in 2015, I had over 22 years of experience in the
12 regulated and deregulated energy industry including roles in regulatory, pricing,
13 billing, and metering information. In 1990, after serving on active duty as a Signal
14 Officer in the United States Army, I joined Public Service Company of Oklahoma
15 ("PSO"). From 1990 through 1997, I was employed in various positions at PSO,
16 including in the Information Services, Business Planning, Rates and Regulatory, and
17 Ventures departments. During my tenure with the Rates and Regulatory Department,
18 I served as the Supervisor of Power Billing and Data Collection. In this position, I
19 managed the billing for large industrial and commercial customers and led the
20 implementation of PSO's real-time pricing program. I also managed the
21 implementation of real-time pricing for the three remaining utilities in the Central and

1 South West Corporation – Southwestern Electric Power Company, Central Power and
2 Light, and West Texas Utilities. In 1997, I joined the Retail Energy Department of the
3 Williams Energy Company as the Manager of Systems for the retail gas and electric
4 data and billing. I also managed the customer billing function at Williams Thermogas
5 as well as the billing and accounting systems support functions at Williams
6 Communications. From 2000 to 2002, I served as the Vice President of Energy
7 Solutions for Automated Energy. In 2008, following several assignments as a
8 consultant and project manager in various industries, I joined Oklahoma Gas & Electric
9 Company (“OG&E”) as a Senior Pricing Analyst. I was promoted to Manager of Pricing
10 in January 2010 and became the Product Development Pricing Leader in 2013. While
11 at OG&E, I was instrumental in developing and managing OG&E’s pricing strategy and
12 products, including the design and implementation of OG&E’s SmartHours™ rate. I
13 have been in my current position with Walmart since November 2015. My Witness
14 Qualification Statement is included herein as Exhibit GWT-1.

15 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE OKLAHOMA**
16 **CORPORATION COMMISSION (“THE COMMISSION”)?**

17 A. Yes. I submitted testimony in Cause No. PUD 201100087.

18 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE OTHER STATE**
19 **REGULATORY COMMISSIONS?**

20 A. Yes. I have testified in twenty-two (22) other proceedings before the Arizona
21 Corporation Commission, the Arkansas Public Service Commission, the Connecticut

Public Utilities Regulatory Authority, the Indiana Utility Regulatory Commission, the Iowa Utilities Board, the Kentucky Public Service Commission, the Michigan Public Service Commission, the Rhode Island Public Utilities Commission, the South Carolina Public Service Commission, the Public Utility Commission of Texas, and the Wisconsin Public Service Commission. My testimony addressed the topics of revenue requirement, rate design, revenue allocation, pricing, customer impacts, tariffs, and terms and conditions of service. See Exhibit GWT-1.

Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?

A. Yes. I am sponsoring the exhibits listed in the Table of Contents.

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS IN OKLAHOMA.

A. As shown on Walmart's website, there are 135 retail units and two distribution centers employing 32,713 associates in Oklahoma. In fiscal year ending 2017, Walmart purchased \$775.5 million worth of goods and services from 704 Oklahoma-based suppliers, supporting 22,604 supplier jobs.¹

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN THE COMPANY'S SERVICE TERRITORY.

A. Walmart has 57 stores, one distribution center and related facilities that take electric service from Oklahoma Gas & Electric Company ("OG&E" or "the Company"), primarily on Power and Light Time-of-Use, Service Level 5 ("PL TOU SL5").

¹ <http://corporate.walmart.com/our-story/locations/united-states#/united-states/oklahoma>

1 ***Purpose of Testimony and Summary of Recommendations***

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

3 A. The purpose of my testimony is to address the cost of service and rate design aspects
4 of OG&E's rate case filing and to provide recommendations to assist the Commission
5 in thoroughly and carefully considering the customer impact of the Company's
6 proposed rate increase.

7 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE COMMISSION.**

8 A. My recommendations to the Commission are as follows:

9 1) The Commission should thoroughly and carefully consider the impact on
10 customers in examining all of the Company's requests in this cause to ensure
11 that any increase in the Company's rates is only the minimum amount
12 necessary to provide adequate and reliable service, while also providing an
13 opportunity to earn a reasonable return.

14 2) Walmart does not take a position on the company's proposed cost of service
15 model at this time.

16 3) For the purposes of this docket and at the Company's proposed revenue
17 requirement, Walmart does not oppose the Company's proposed revenue
18 allocation.

19 4) If the Commission determines that the appropriate revenue requirement is
20 less than that proposed by the Company, the Commission should begin with
21 the allocation proposed by the Company and apply the reduced revenue

1 requirement to the subsidizing classes in proportion to the existing subsidy
2 levels.

3 6) At the Company's proposed revenue requirement, Walmart does not oppose
4 the Company's proposed rate changes for PL TOU SL5.

5 5) If the Commission approves a lower revenue requirement than proposed by
6 the Company for PL TOU SL5, the Commission should begin with the
7 Company's proposed rate design and reduce the on-peak and off-peak energy
8 charges proportionately to reflect the reduced revenue requirement.

9 **Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR POSITION ADVOCATED**
10 **BY THE COMPANY INDICATE WALMART'S SUPPORT?**

11 A. No. The fact that an issue is not addressed herein or in related filings should not be
12 construed as an endorsement of any filed position.

13 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED ELECTRIC**
14 **REVENUE REQUIREMENT INCREASE?**

15 A. My understanding is that the Company proposes a \$1.86 million revenue increase,
16 based on a test year ending September 30, 2017. See Application ¶¶ II.C. and II.D.

17 **Q. WHAT IS THE TAX CUTS AND JOBS ACT OF 2017 ("TCJA")?**

18 A. On December 22, 2017, the President signed the TCJA into law. Among other
19 modifications to the tax code, the TCJA reduced the federal income tax rate from 35%
20 to 21% beginning on January 1, 2018. This change as well as other impacts affect the
21 Company's overall cost of providing electric service.

1 **Q. HAS THE COMPANY INCLUDED THE IMPACT OF THE TCJA IN ITS PROPOSED REVENUE**
2 **REQUIREMENTS?**

3 A. Yes. According to Company witness Rowlett, the TCJA impact reduced the revenue
4 requirement increase from approximately \$72 million to the \$1.86 million proposed
5 increase. See Direct Testimony of Donald R. Rowlett, p. 3 line 9-10.

6 **Q. ARE RATE REDUCTION IMPACTS OF THE TCJA RELEVANT TO THE COMMISSION'S**
7 **CONSIDERATION OF THE MERITS OF OG&E'S PROPOSED RATE INCREASE?**

8 A. No. While the TCJA impacts are beneficial to customers and generally reduce utility
9 revenue requirements, those impacts are not relevant to the Commission's
10 consideration of the merits of the Company's proposed rate increase. Tax liabilities
11 are essentially pass-through items for the Company. The reduced liabilities resulting
12 from the TCJA should accrue to the benefit of customers regardless of the impact
13 resulting from other issues in this docket. At issue in this docket is the approval of
14 fair, just, and reasonable rates related to OG&E's provision of reliable electric service
15 to its customers. Only changes in the non-tax-based portion of base rates reflect the
16 Company's ongoing cost of providing electric service. Those changes should not be
17 deemed any more or less reasonable due to contemporaneous changes in the federal
18 income tax rates applicable to the Company's earnings. In short, proposed base rate
19 increases must stand on their own merits and do not become reasonable just because
20 customer impacts are partially or completely offset by benefits produced by the TCJA.

1 **Q. IN SETTING THE OVERALL COST OF SERVICE FOR THE COMPANY, SHOULD THE**
2 **COMMISSION CONSIDER THE IMPACT OF THE ESTIMATED \$72 MILLION RATE**
3 **INCREASE EXCLUSIVE OF THE IMPACT OF THE TCJA?**

4 **A.** Yes. Electricity is a significant operating cost for retailers. When electric rates
5 increase, that increased cost to retailers can put pressure on consumer prices and on
6 the other expenses required by a business to operate. The Commission should
7 thoroughly and carefully consider the impact on customers in examining all of the
8 Company's requests in this cause to ensure that any increase in the Company's rates
9 is the minimum amount necessary to provide adequate and reliable service, while also
10 providing an opportunity to earn a reasonable return.

11 ***Cost of Service***

12 **Q. GENERALLY, WHAT IS WALMART'S POSITION ON SETTING RATES BASED ON THE**
13 **UTILITY'S COST OF SERVICE?**

14 **A.** Walmart advocates that rates be set based on the utility's cost of service. This
15 produces equitable rates that reflect cost causation, send proper price signals, and
16 minimize price distortions.

17 **Q. DOES WALMART TAKE A POSITION ON THE COMPANY'S PROPOSED COST OF**
18 **SERVICE MODEL AT THIS TIME?**

19 **A.** No. However, to the extent that alternative cost of service models or modifications
20 to the Company's model are proposed by other parties, Walmart reserves the right to
21 address any such proposals.

1 **Revenue Allocation**

2 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S COST OF SERVICE STUDY**
3 **("COSS") RESULTS?**

4 A. My understanding is that the Company's COSS results indicate a significant difference
5 in current class revenue requirement levels and the revenue requirement levels
6 needed for each class to recover its respective cost of service. At the Company's
7 proposed revenue requirement, the percentage change to current rates required to
8 bring all classes to their respective cost ranges from a decrease of 12.7 percent for the
9 OGP class to an increase of 8.1 percent to the PS-S class. See Direct Testimony of
10 Bryan J. Scott, p. 5, Table 1.

11 **Q. WHAT IS THE COMPANY'S REVENUE ALLOCATION PROPOSAL IN THIS DOCKET?**

12 A. The Company proposes to allocate revenue in a manner that reflects minimal changes
13 to the tariffs that were implemented May 1, 2017. *Id.* p. 6, lines 3-4.

14 **Q. DOES THE COMPANY'S PROPOSED REVENUE ALLOCATION BRING ALL CLASSES TO**
15 **THEIR RESPECTIVE COSTS OF SERVICE?**

16 A. No. The Company's revenue allocation proposal results in several classes paying more
17 than their allocated cost of service. Under the Company's proposal, these classes are
18 subsidizing those classes that are assigned revenue responsibility less than their cost
19 to serve. *Id.* p. 7, Table 2.

1 **Q. DOES WALMART OPPOSE THE COMPANY'S PROPOSED REVENUE ALLOCATION AT**
2 **THE PROPOSED REVENUE REQUIREMENT?**

3 A. For the purposes of this docket and at the Company's proposed revenue requirement,
4 Walmart does not oppose the Company's proposed revenue allocation.

5 **Q. WHAT ARE YOUR RECOMMENDATIONS TO THE COMMISSION IF IT DETERMINES**
6 **THAT A LOWER REVENUE REQUIREMENT IS APPROPRIATE?**

7 A. If the Commission determines that the appropriate revenue requirement is less than
8 that proposed by the Company, the Commission should begin with the allocation
9 proposed by the Company and apply the reduced revenue requirement to the
10 subsidizing classes in proportion to the existing subsidy levels. This will reduce the
11 level of subsidization and move classes closer to their respective costs of service.

12 ***PL TOU SL5 Rate Design***

13 **Q. WHAT IS YOUR UNDERSTANDING OF THE PROPOSED CHANGE TO THE PL TOU SL5**
14 **RATE?**

15 A. My understanding is that the proposed change to the PL TOU SL5 rate reflects a
16 minimal increase to the KW Demand Charge from \$6.00 to \$6.05. *See Direct*
17 Testimony of William H. Wai, pages 16 - 17, Table 9.

1 **Q. DOES THE COMPANY'S PROPOSED PL TOU SL5 RATE REFLECT THE RATE'S**
2 **UNDERLYING COST OF SERVICE?**

3 A. No. An examination of PL TOU SL5 unit cost analysis shows that the proposed demand
4 charge of \$6.05/kW collects only 45 percent of what a cost-based demand charge of
5 \$13.33/kW would collect. *See* WP L-8.1.

6 I recognize that some of the disconnect between PL TOU SL5 rates and the
7 underlying cost of service is an artifact of the price response function of the rate, as
8 the rates are designed to incentivize customers to manage their load and to drive
9 usage off-peak. However, even within the bounds of the development of a price
10 responsive rate, it is important that the rates reflect the underlying cost of service.

11 **Q. AT THE COMPANY'S PROPOSED REVENUE INCREASE, DOES WALMART OPPOSE**
12 **OG&E'S PROPOSED RATE CHANGE FOR PL TOU SL5?**

13 A. At the Company's proposed revenue requirement, Walmart does not oppose the
14 proposed rate change for PL TOU SL5.

15 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION IF THE COMMISSION**
16 **APPROVES A LOWER REVENUE REQUIREMENT FOR PL TOU SL5?**

17 A. If the Commission approves a lower revenue requirement than proposed by the
18 Company for PL TOU SL5, the Commission should begin with the Company's proposed
19 rate design and reduce the on-peak and off-peak energy charges proportionately to
20 reflect the reduced revenue requirement. This will make the PL TOU SL5 rate more
21 reflective of the unit costs.

1 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

2 **A. Yes.**

Gregory W. Tillman

Senior Manager, Energy Regulatory Analysis

Wal-Mart Stores, Inc.

Business Address: 2001 SE 10th Street, Bentonville, AR, 72716-5530

Business Phone: (479) 204-7993

EXPERIENCE

November 2015 – Present

Wal-Mart Stores, Inc., Bentonville, AR

Senior Manager, Energy Regulatory Analysis

November 2008 – November 2015

Oklahoma Gas & Electric, Oklahoma City, OK

Product Development Pricing Leader

Manager, Pricing

Senior Pricing Analyst

May 2006 – November 2008

LSG Solutions, Oklahoma City, OK

Project Manager, International Registration Plan/Interstate Fuel Tax Agreement Systems Development

August 2002 – May 2006

OnPeak Utility Solutions, Oklahoma City, OK

Owner/Consultant

May 2000 – August 2002

Automated Energy, Inc., Oklahoma City, OK

Vice President, Utility Solutions

November 1997 – May 2000

Williams Energy, Tulsa, OK

Sr. Manager Accounting Services

Process Manager, Customer Billing and Accounting

Retail Systems Manager, Billing and Electricity

May 1990 – November 1997

Public Service Company of Oklahoma, Tulsa, OK

Manager, Software Development and Support

Supervisor, Data Translation and Power Billing

Administrator, Disaster Recovery and Research and Development

Programmer/Analyst

June 1987 – May 1990

United States Army, Signal Command, Ft. Monmouth, NJ

Project Officer, Joint Tactical Information Distribution System

EDUCATION

1991-1994	The University of Tulsa	Graduate Coursework, M.B.A.
1987	The University of Tulsa	B.S., Electrical Engineering

TESTIMONY BEFORE REGULATORY COMMISSIONS

2018

Public Utility Commission of Texas Docket No. 47527, in the matter of the Application of Southwestern Public Service for Authority to Change Rates.

The Rhode Island Public Utilities Commission Docket No. 4770: In re: The Narragansett Electric Company d/b/a National Grid Electric and Gas Distribution Rate Filing.

Connecticut Public Utilities Regulatory Authority Docket No. 17-10-46: Application of the Connecticut Light and Power Company D/B/A Eversource Energy to Amend its Rate Schedules.

2017

Indiana Utility Regulatory Commission Cause No. 44967-NONE: Petition of Indiana Michigan Power Company, an Indiana corporation, for (1) authority to increase its rates and charges for electric utility service through a phase in rate adjustment; (2) approval of: revised depreciation rates; accounting relief; inclusion in basic rates and charges of qualified pollution control property, clean energy projects and cost of bringing I&M's system to its present state of efficiency; rate adjustment mechanism proposals; cost deferrals; major storm damage restoration reserve and distribution vegetation management program reserve; and amortizations; and (3) for approval of new schedules of rates, rules and regulations.

Public Service Commission of Wisconsin Docket No. 4220-UR-123: Application of Northern States Power Company, a Wisconsin Corporation for Authority to Adjust Electric and Natural Gas Rates

Michigan Public Service Commission Case No. U-18255. In the matter of the Application of DTE ELECTRIC COMPANY for authority to increase its rates for its rate schedules and rules governing the generation and distribution of electricity and for other relief.

Michigan Public Service Commission Case No. U-18322. In the matter of the Application of CONSUMERS ENERGY COMPANY for authority to increase its rates for its rate schedules and rules governing the generation and distribution of electricity and for other relief.

Iowa Utilities Board Docket No. RPU-2017-0001: In re: Interstate Power and Light Company.

Public Service Commission of Kentucky Case No. 2017-00179: In the Matter of the Electronic Application of Kentucky Power Company for (1) A General Adjustment of its Rates for Electric Service; (2) An Order Approving its 2017 Environmental Compliance Plan; (3) An Order Approving its Tariffs and Riders; (4) An Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities; and (5) An Order Granting all other Required Approvals and Relief.

Public Service Commission of Kentucky Case No. 2016-00370: In the Matter of the Electronic Application of Kentucky Utilities Company for an Adjustment of Its Electric Rates and for Certificates of Public Convenience and Necessity.

Public Service Commission of Kentucky Case No. 2016-00371: In the Matter of the Electronic Application of Louisville Gas and Electric Company for an Adjustment of Its Electric and Gas Rates and for Certificates of Public Convenience and Necessity.

2016

Arizona Corporation Commission Docket No. E-01345A-16-0036: In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes, to Fix a Just and Reasonable Rate of Return Thereon, to Approve Rate Schedules Designed to Develop Such Return.

Public Service Commission of South Carolina Docket No. 2016-227-E: IN RE: Application of Duke Energy Progress, LLC for Authority to Adjust and Increase Its Electric Rates and Charges

Arkansas Public Service Commission Docket No. 16-027-R: In The Matter of Net Metering and The Implementation of Act 827 of 2015.

Public Utility Commission of Texas Docket No. 45524, in the matter of the Application of Southwestern Public Service for Authority to Change Rates

Public Service Commission of Wisconsin Docket No. 4220-UR-122: Application of Northern States Power Company, a Wisconsin Corporation for Authority to Adjust Electric and Natural Gas Rates

Michigan Public Service Commission Case No. U-18014. In the matter of the Application of DTE ELECTRIC COMPANY 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.

Arizona Corporation Commission Docket No. E-01933A-15-0322: In the Matter of the Application of Tucson Electric Power Company For the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on the Fair Value of the Properties of Tucson Electric Power Company Devoted to its Operations Throughout the State of Arizona, and for Related Approvals.

2015

Arizona Corporation Commission Docket No. E-04204A-15-0142: In the Matter of the Application of UNS Electric, Inc. For the Establishment of Just and Reasonable Rates and Charges Designed to Realize a Reasonable Rate of Return on the Fair Value of the Properties of UNS Electric, Inc. Devoted to Its Operations Throughout the State of Arizona, and for Related Approvals.

2012

Arkansas Public Service Commission Docket No. 12-067-U: In the Matter of the Application of Oklahoma Gas and Electric Company for an Order Approving a Temporary Surcharge to Recover the Costs of a Renewable Wind Generation Facility

2011

Oklahoma Corporation Commission Cause No. PUD 201100087: 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

2010

Arkansas Public Service Commission Docket No. 10-067-U: In the Matter of the Application of Oklahoma Gas and Electric Company for Approval of a General Change in Rates and Tariffs