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	)	PUD 2023-000087
COMMISSION AUTHORIZING APPLICANT	)	
TO MODIFY ITS RATES, CHARGES, AND	)	
TARIFFS FOR RETAIL ELECTRIC SERVICE	)	
IN OKLAHOMA	)	

RESPONSIVE TESTIMONY OF JAMES A. LEYKO

ON BEHALF OF

THE FEDERAL EXECUTIVE AGENCIES

Ashley N. George, attorney for the Federal Executive Agencies ("FEA"), hereby submits the Responsive Testimony of James A. Leyko in the proceeding referenced above.

Respectfully submitted,

ASHLEY N. GEORGE, CAPT, USAF
FEA ATTORNEY

Ashley N George

Leslie R. Newton, Maj, USAF
Thomas A. Jernigan
FEDERAL EXECUTIVE AGENCIES
AF/JAOE-ULFSC
139 Barnes Drive, Suite 1
Tyndall Air Force Base, Florida 32403
(850) 283-6289
ashley.george.4@us.af.mil
leslie.newton.1@us.af.mil
thomas.jernigan.3@us.af.mil
Org Box Email: ULFSC.Tyndall@us.af.mil

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	)	**CASE NO. PUD2023-000087**

Responsive Testimony and Exhibits of

James A. Leyko

for Revenue Requirement Issues

On behalf of

Federal Executive Agencies

April 26, 2024

BRUBAKER & ASSOCIATES, INC.

Project 11603

**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	**CASE NO. PUD2023-000087**

**Table of Contents for the
<u>Responsive Testimony of James A. Leyko</u>**

<u>Page</u>

**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	**CASE NO. PUD2023-000087**

Responsive Testimony of James A. Leyko

I. INTRODUCTION

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A James A. Leyko. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a Consultant in the field of public utility regulation with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to my testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am testifying on behalf of the Federal Executive Agencies ("FEA"), consisting of certain agencies of the United States government which have offices, facilities, and/or installations in the service area of Oklahoma Gas and Electric Company ("OG&E" or "Company"), from whom they purchase electricity and energy services.

Q WHAT IS THE SUBJECT MATTER OF YOUR RESPONSIVE TESTIMONY?

A I will comment on the Company's claimed revenue deficiency and will summarize the FEA's proposed adjustment to OG&E's revenue requirement.

My silence with regard to any position taken by OG&E in its application or direct testimony in this proceeding does not indicate my endorsement of that position.

II. SUMMARY

Q PLEASE SUMMARIZE YOUR TESTIMONY.

A I recommend several adjustments to OG&E's claimed revenue deficiency. As outlined below, the Company is proposing a rate increase of approximately $332.5 million. As laid out in the table below, we believe the Company's revenue increase is overstated by approximately $122.1 million.

TABLE 1

Revenue Requirement Issues
($000)

Line	Description	Amount
1	OG&E Claimed Rev. Deficiency	$ 332,537
2	Percent Increase	13.20%
	Adjustments	
3	Return on Equity	$ 51,332
4	Capital Structure	8,415
5	Rate of Return	$ 59,747
6	Depreciation	$ 28,041
7	Vegetation Management	14,451
8	Pension Liability Amortization	4,637
9	Incentive Compensation	15,231
10	Total Adjustments	$ 122,107
11	Adjusted Rev. Deficiency	$ 210,430
12	Percent Increase	8.35%

The rate of return and depreciation adjustments in the table above are supported by my colleagues Christopher C. Walters and Brian C. Andrews, respectively. I will address the following issues in my direct testimony.

- The Company's proposal for a $24.4 million increase in vegetation management spending over its actual spending in the test year should be rejected. The Company has not fully justified this increase and provided little evidence on how the additional funds will be used to benefit customers through improved service or reliability. The significant increase is largely based on the Company's calculation of labor cost inflation since its 2015 rate case. I recommend a $14.4 million reduction to OG&E's proposed expense by removing the Company's 63% labor escalation factor. This results in a $10 million increase in vegetation management spending from the test year.

- I recommend the Commission deny the Company's request for a vegetation management tracker given the tracker does not offer enough protections to customers.

- I recommend the Commission amortize OG&E's pension tracker regulatory asset over 15 years, the same time period used in OG&E's last rate case - Cause No. PUD 202100164, rather than the 5 years proposed by the Company. The adjustment lowers OG&E's jurisdictional claimed revenue deficiency by approximately $4.7 million.

- I recommend removing a portion of the incentive compensation costs from cost of service, consistent with the Commission's practice in prior cases. In particular, incentive compensation costs that are tied to the financial performance of the Company should not be included in ratemaking cost of service. These incentives are designed to align the interests of employees with those of shareholders, and designed to enhance the value of shareholders' investments in the Company to the extent the financial incentive targets are achieved. The primary beneficiaries of employees achieving these financial goals are not customers. My adjustment lowers OG&E's jurisdictional claimed revenue deficiency by approximately $15.2 million.

III. VEGETATION MANAGEMENT

Q PLEASE EXPLAIN OG&E'S PROPOSAL REGARDING ITS VEGETATION MANAGEMENT PROGRAM.

A OG&E witness Robert Shaffer discusses the Company's proposal regarding its vegetation management program in his direct testimony. In OG&E's 2015 base rate case the Company included approximately $30 million of vegetation management in base rates. This included about $25 million per year for distribution vegetation management and $4.5 million per year for transmission vegetation management.[1] In this case, OG&E proposes to include approximately $58 million of vegetation management in base rates, or an increase of $28 million.[2] The $58 million includes about $51 million per year for distribution vegetation management and $7 million per year for transmission vegetation management.[3]

[1]Shaffer Direct at 3.
[2]*Id.*
[3]Shaffer Updated Workpaper.

Mr. Shaffer states that the amount of vegetation management included in OG&E's rates has not increased since the Commission Order in the Company's 2015 rate case and that inflation and increased demand for vegetation management services justifies the significant increase in vegetation management spending proposed in this case.[4] He further argues the increase is based upon increased labor rates, inflation, and overall rising inflationary costs in recent years.[5] He goes on to state the increased spending will allow the Company to utilize more expensive vegetation management practices.

> As contract labor rates increased over the years, OG&E has increasingly utilized less expensive, alternative vegetation methods such as herbicide, vegetation growth regulators and work prioritization to stretch the amount of authorized vegetation management expense to as many circuits as possible. The increased use of herbicides and work prioritization is not as expensive as trimming activities and vegetation removal, which have only become more expensive with inflation over the past few years. Essentially, the ideal tools for effectively managing vegetation have become more expensive to deploy. And continuing to cut back on the more effective techniques is not sustainable for OG&E's efforts to continue to operate the grid to reliably deliver electricity to our customers.[6]

Q HAS OG&E JUSTIFIED THE SIGNIFICANT INCREASE IN VEGETATION MANAGEMENT SPENDING?

A No. First, OG&E has not shown the $58 million of vegetation management is the most cost-effective level of spending. Rather, the adjustment is largely based on Mr. Shaffer's calculation that labor costs have increased by 63% since 2015 without proof that 2015 is the most appropriate starting point for an adjustment.

> **PUD 13-02(a) -** Explain how the Company determined that $58 million annually was the optimum level of annual vegetation management

[4] Shaffer Direct at 3.
[5] *Id.*
[6] *Id.* at 4-5.

> spending. Provide all workpapers, assumptions, inputs, calculations, and other materials used to develop this budget.
>
> **Response Part (a) -** Please refer to the supporting workpapers of Mr. Shaffer's Direct Testimony provided on the Company's OneDrive. The pro forma level of Vegetation Management expense for this case reflects the equivalent work from the 2015 Commission-approved levels, adjusted for inflation and or labor increases. The "distribution non-cycle" expense amount has been increased significantly to account for current volume of customer requests for assistance and reliability needs.[7]

I discuss Mr. Shaffer's workpapers and his distribution cycle and non-cycle assumptions in more detail below. OG&E intends to continue researching the appropriate level of vegetation management funding and simply rely on its proposed vegetation management tracker to true-up costs in the future.

> OG&E intends to continue the work with Satellite Imagery Technology to obtain a current state evaluation of the vegetation around the OG&E distribution system to determine an optimal funding level. While not expected to be less than $58M annually, if the optimum level is determined to be less or the actual spend is less than the proposed $58M, the proposed cost tracker would track and refund the difference to customers.[8]

Second, the Company has not shown what additional customer benefits will result from the increase in spending. Rather, the Company assumes the additional funding will be used to maintain its current quality of service. Mr. Shaffer states the increased vegetation management spending will allow the Company to, "focus on the most effective but more expensive actions."[9] Importantly, he does not quantify what customer benefits will be attributed to the more expensive actions. For example, Mr. Shaffer notes that tree-related outages have increased since 2015[10] but OG&E is not forecasting a change in these outages as a result of the additional resources.

[7] OG&E response to Data Request PUD 13-02, provided in Exhibit JAL-1.

[8] *Id.*

[9] Shaffer Direct at 6.

[10] Shaffer Direct at 5. Mr. Shaffer's Table 1 reports tree-related outages of 2,529 in 2015 and 3,294 in 2022.

> The additional funding request, along with better planning and awareness tools, are meant to stabilize the increases in tree related outages by aligning saw costs to current labor/equipment costs and building a policy and program to address customer vegetation requests. At this time, no estimate has been calculated for tree related cause outage improvements other than stabilization of the trend.[11]

OG&E has not justified why it needs a 72% increase in spending (compared to the test year) to maintain its current results. The Company responded similarly in discovery when discussing its reliability metrics:

> The requested increase in funding is expected to maintain levels consistent with recent performance of vegetation related SAIDI while providing additional resources to address customer requests and needs for vegetation management around the company's assets on their property.[12]

In addition, the Company has not shown that the additional spending will allow it to address vegetation on more of its system each year. OG&E provided the numbers of miles visited by the "Oklahoma Cycle" Vegetation Management Program in response to Data Request FEA 02-21 (The Company's response is provided in Exhibit JAL-1). The data response shows the Company visited between 20% to 25% of system miles between 2018 and 2022, meaning OG&E is effectively on a four- to five-year cycle. When asked about the number of miles the increased spending will enable, the Company stated it has not performed that calculation.

> The company intends to use the additional resources to perform additional saw work to remove vegetation from the system and establish a consistent policy, program, and resources, to address customer requests for vegetation management of the Company's assets on their property. A calculation of total miles per year with the additional funding has not been performed.[13]

Finally, OG&E is not assuming the additional resources will allow it to avoid any future capital or operation and maintenance ("O&M") spending:

---

[11] OG&E response to Data Request FEA 02-26, provided in Exhibit JAL-1.
[12] OG&E response to Data Request OIEC 17-19, provided in Exhibit JAL-1.
[13] OG&E response to Data Request FEA 02-23, provided in Exhibit JAL-1.

> **PUD 13-02(c) -** Provide the estimated decrease in i) future annual capital spending and ii) future annual O&M spending that is expected to be achieved as a result of the $28 million per year in additional vegetation management spending. Provide all workpapers, assumptions, inputs, calculations and other materials used to develop this estimate.

> **Response Part (c) -** OG&E has not identified any cost savings at this time. The purpose of requesting an additional $28M for vegetation management is to restore the scope and practices of our vegetation management to the levels we maintained in the years prior to 2023. This adjustment accounts for the observed increases in costs to perform the various vegetation management activities.[14]

In my opinion, OG&E has not provided sufficient evidence to justify the significant increase.

Q HOW DOES OG&E'S REQUEST COMPARE TO ITS HISTORICAL VEGETATION MANAGEMENT SPENDING?

A As shown in Table 2, below, OG&E's historical spending is consistent with the amount approved in the 2015 rate case. The evidence shows that OG&E has been able to manage its vegetation management spending by adjusting how vegetation management is performed. As noted above, Mr. Shaffer explains some of these changes on pages 4-5 of his direct testimony.

[14] OG&E response to Data Request PUD 13-02, provided in Exhibit JAL-1.

TABLE 2

Vegetation Management Spending
($000)

Line	Description	Historical[1] 2019	2020	2021	2022	Test Year YE 9/30/23	OG&E[2] Proposal	Pro Forma Increase
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Distribution							
1	Cycle Trimming	$ 21,876	$ 22,270	$ 25,910	$ 25,018	$ 23,597	$ 39,349	$ 15,752
2	Non-Cycle	1,664	1,122	1,799	2,010	1,805	10,000	8,195
3	Substations	560	681	638	706	1,515	1,599	84
4	Subtotal Distribution	$ 24,100	$ 24,074	$ 28,347	$ 27,734	$ 26,917	$ 50,948	$ 24,031
	Transmission							
5	Cycle	$ 4,596	$ 4,070	$ 5,474	$ 5,590	$ 4,435	$ 4,680	$ 245
6	Hazard Tree Program	-	-	-	-	-	37	37
7	Sub Grounds	197	271	303	351	2,426	2,560	134
8	Subtotal Transmission	$ 4,793	$ 4,341	$ 5,777	$ 5,941	$ 6,861	$ 7,277	$ 415
9	**Total**	**$ 28,893**	**$ 28,415**	**$ 34,124**	**$ 33,675**	**$ 33,778**	**$ 58,225**	**$ 24,446**

Sources:
[1] OG&E response to OIEC 04-06, Attachment 1. Provided in Exhibit MPG-1.
[2] Shaffer Updated Workpaper and OG&E WP H-2-40 and WP H-2-41.

Q HOW DID OG&E CALCULATE ITS PROPOSED LEVEL OF VEGETATION MANAGEMENT SPENDING?

A Mr. Shaffer provided the calculation of the Company's proposed $58 million of vegetation management as workpapers to his direct testimony. He makes three adjustments.

- First, he increases distribution customer and reliability requests (distribution non-cycle) from $1.8 million to $10.0 million. The increase related to customer requests is discussed on page 12 of Mr. Shaffer's direct testimony.
- Second, he escalates the test year costs for distribution and transmission cycle trimming by 6%. 6% is the average annual increase in labor costs for vegetation management calculated by Mr. Shaffer.
- Finally, he increases distribution cycle trimming (the largest cost category) by 63%.

Mr. Shaffer's 63% escalator is based on the 2015 to 2023 increase in labor costs calculated in his workpapers. Mr. Shaffer also discusses the 63% increase on page 7 of his direct testimony. Effectively, Mr. Shaffer escalates the previously authorized (from OG&E's 2015 rate case) distribution cycle trimming by 63% to reflect all increases in labor costs since 2015 and then escalates that amount by 6% to reflect an additional year of labor inflation. Importantly, the previously authorized distribution cycle trimming is very close to the test year amount according to Mr. Shaffer's workpapers. The test year ending 9/30/23 costs were $23,596,765 compared to the previously authorized amount of $23,359,503 approved in Cause No. PUD 201500273.[15] Therefore, the evidence and Mr. Shaffer's testimony show the Company has tools available to manage its vegetation management spending.

Q IS OG&E'S PROPOSED VEGETATION MANAGEMENT SPENDING REASONABLE?

A No. It is inappropriate to reflect a 63% increase in labor costs without showing how those additional resources will be used to benefit customers or showing that OG&E's proposed strategy is the most cost-effective. First, Mr. Shaffer's analysis does not appear to reflect any potential cost savings from how the Company has performed vegetation management over the past few years that may still be effective going forward. Rather, his analysis is based on escalating costs from 2015. He writes on page 11 of his direct testimony about new methods the Company plans to implement in its vegetation management program but is assuming no cost savings as a result of these new methods. Rather, the Company's forecasted spending for a majority of its

[15] Shaffer Updated Workpaper.

requested increase is based only on labor inflation since 2015 and the vegetation management spending approved in the 2015 rate case.

> No direct cost savings are currently projected. The new methods of using satellite imagery & analytics for better vegetation planning, re-alignment of saw costs, and the addition of a customer request program allow the company to better apply resources into execution of vegetation management work.[16]

Mr. Shaffer explains the Company's request will allow it to "redistribute resources and achieve the appropriate balance among its vegetation management techniques."[17] However, the forecasted increase in spending is only based on historical increases in labor costs. I do not dispute that Mr. Shaffer's evidence shows costs have increased but he has not justified his proposal to ignore the Company's actual spending in the test year and instead calculate his adjustment based on the previously authorized amount to reflect labor cost increases since 2015.

Q PLEASE DESCRIBE YOUR ADJUSTMENT.

A My adjustment is included as Exhibit JAL-2. I recommend a $14.4 million reduction to OG&E's proposed vegetation management spending. My adjustment excludes the 63% labor escalator to distribution cycle spending. I did not change the Company's proposed 6% inflation labor escalator to carry forward the test year expenses to the rate-effective period. I did not change the Company's requested increase in distribution non-cycle costs to $10 million. Although this amount is only an input in Mr. Shaffer's workpapers and the Company's discovery responses do not show an increase in the number of customer requests,[18] the responses do indicate that the

---

[16] OG&E response to Data Request FEA 2-28, provided in Exhibit JAL-1.
[17] Shaffer Direct at 6.
[18] OG&E response to Data Request AG 20-8, provided in Exhibit JAL-1. The data response shows that the number of customer requests was 15,179 in 2020, 12,472 in 2021, and 12,319 in 2022.

Company only schedules for work 59% of the customer requests[19] and that the Company also plans to improve how it manages these requests.[20] Mr. Shaffer notes these requests can take away dollars for other vegetation management activities.[21] My only adjustment was to remove the 63% escalator for the reasons I discuss above. The Oklahoma jurisdictional share of my adjustment is still $14.4 million because I only adjusted directly assigned distribution costs.

III.A. Vegetation Management Tracker

Q PLEASE EXPLAIN THE COMPANY'S REQUEST FOR A VEGETATION MANAGEMENT TRACKER.

A OG&E is requesting Commission approval of a vegetation management tracker. OG&E witness Jason J. Thenmadathil discusses the Company's proposal in his direct testimony. The proposed tracker would authorize OG&E to track its actual vegetation management spending relative to the amount included in base rates. Any spending above or below the amount in base rates would be deferred to a regulatory asset or liability to be addressed in OG&E's next rate case.[22] The Company would then either recover from customers the regulatory asset (if OG&E spent more than what is included in base rates) or credit back to customers the regulatory liability (if OG&E spent less than what is included in base rates). Mr. Thenmadathil states the vegetation management tracker would be similar to the Company's existing pension tracker.

[19]OG&E response to Data Request AG 20-9, provided in Exhibit JAL-1.
[20]OG&E response to Data Request AG 20-5, provided in Exhibit JAL-1.
[21]Shaffer Direct at 12.
[22]Thenmadathil Direct at 19.

Q HAS THE COMMISSION CONSIDERED WHETHER TO IMPLEMENT A VEGETATION MANAGEMENT TRACKER BEFORE?

A Yes. In OG&E's 2015 rate case, the Commission declined to approve a vegetation management tracker.[23] The Commission accepted the ALJ's recommendation:

> The ALJ further opposes OG&E's proposal for a vegetation management tracker. OG&E would like for the Commission to believe that OG&E may need to increase vegetation management expenditures between ratemakings. However, the ALJ finds that levels for distribution and transmission are adequate, and so a tracker is unnecessary.[24]

The Commission did accept the Company's proposed level of vegetation management spending in that case.[25]

Q DO YOU BELIEVE A VEGETATION MANAGEMENT TRACKER IS REASONABLE?

A No. The Company's proposal does not consider whether or not vegetation management cost increases could be offset by cost decreases in other areas or through managing its vegetation management spending. Additionally, the Company's proposal imposes too much cost risk on customers, and does not provide significant protections for customers from paying rates that are no more than a just and reasonable level. The Company should not be allowed to defer potential increases in spending for two main reasons. First, OG&E has not demonstrated that vegetation management expenses limited its ability to earn its authorized rate of return under the revenues generated during rate-effective periods in the past. Hence, regulatory asset/liability treatment for these costs is not needed to provide fair compensation to the Company. Second, OG&E has not demonstrated these expenses are outside of

[23]Final Order in Cause No. PUD 201500273, page 7.
[24]*Id.*, Appendix A, page 47.
[25]*Id.*, page 7.

its control. Table 2, above, shows that the Company has tools available to manage its vegetation management spending.

For these reasons, I recommend the Commission reject the Company's proposed tracker. However, if the Commission accepts OG&E's proposed tracker (as it has done with the pension expense tracker) then I recommend the Commission accept my adjustment to OG&E's vegetation management expense.

IV. AMORTIZATION OF PENSION TRACKER REGULATORY ASSET

Q PLEASE DESCRIBE THE COMPANY'S ADJUSTMENT FOR THE AMORTIZATION OF THE PENSION REGULATORY ASSET.

A OG&E's pro forma adjustment WP H 2-29 increases expense by $8,688,579 to reflect a five-year amortization of the Company's authorized pension tracker. The total amount in the pension tracker is $43,442,894. The pension tracker was established in Cause No. PUD 200500151 and it tracks the difference between the actual amount of pension expense and post-retirement medical expense and the amount included in base rates.

OG&E is proposing a five-year amortization because they characterize it as a middle-ground approach between the Company's rate cases, roughly every two years, and the 15-year amortization that was adopted as part of the Joint Stipulation and Settlement Agreement in the Company's last base rate case, Cause No. PUD 202100164.[26]

[26] Thenmadathil Direct at 11.

Q DO YOU AGREE WITH THE COMPANY'S FIVE-YEAR AMORTIZATION OF THE PENSION REGULATORY ASSET?

A No. I recommend a longer recovery period consistent with the approach taken in the last case. OG&E is proposing a 13.2%, or $332.5 million, increase in base rates. I believe the Commission should consider a longer amortization period as a rate mitigation effort and to offset a portion of the rate increase in this proceeding.

Q WHAT DO YOU RECOMMEND?

A I recommend the Commission approve a 15-year amortization consistent with the settlement approved in the last case. My adjustment is included as Exhibit JAL-3. This adjustment would lower OG&E's claimed revenue deficiency by approximately $5.1 million plus an offset from the larger unamortized balance of the regulatory asset in rate base. I estimate my adjustment lowers OG&E's claimed revenue deficiency by approximately $4.6 million after reflecting the offset and the Oklahoma jurisdictional allocation. Alternatively, the Commission could approve a 13-year amortization. The pension regulatory asset approved in the Company's last case will be fully recovered by 2037.[27] Mr. Thenmadathil notes the Company is not proposing a change to the pension regulatory asset approved in the last case.[28] A 13-year amortization would lower the Oklahoma jurisdictional revenue deficiency by approximately $4.3 million.

[27]Section H, WP H-2-29
[28]Thenmadathil Direct at 11.

V. INCENTIVE COMPENSATION

Q DOES OG&E INCLUDE ANY INCENTIVE COMPENSATION EXPENSE IN ITS TEST YEAR REVENUE REQUIREMENT?

A Yes. OG&E witness Kimber L. Shoop discusses the Company's incentive compensation in her direct testimony. The Company includes in rates a four-year average level of expense for its long-term incentives ("LTI") and short-term incentives ("STI"). OG&E has $9.1 million of LTI (WP H-2-32) and $16.5 million of STI (WP H-2-23) as shown in Table 3.

TABLE 3

Incentive Compensation
($000)

Line	Description	Utility Amount (1)	Utility Percent (2)	Holding Company Amount (3)	Holding Company Percent (4)	Rev. Req. Amount (5)	Rev. Req. Percent (6)
	Short-Term Incentives						
1	Earnings per Share	$ 5,118	46%	$ 3,116	57%	$ 8,233	50%
2	O&M	1,294	12%	605	11%	1,900	12%
3	Safety	806	7%	317	6%	1,123	7%
4	Customer Satisfaction	2,110	19%	789	15%	2,899	18%
5	Environmental	1,733	16%	592	11%	2,324	14%
6	Subtotal STI	$ 11,060	100%	$ 5,419	100%	$ 16,479	100%
	Long-Term Incentives						
7	PSU	$ 1,875	76%	$ 4,580	69%	$ 6,455	71%
8	RSU	584	24%	2,062	31%	2,645	29%
9	Subtotal LTI	$ 2,458	100%	$ 6,642	100%	$ 9,100	100%
10	**Total**	**$ 13,518**		**$ 12,061**		**$ 25,580**	

Source:
OG&E response to OIEC 2-02, Attachment 1. Provided in Exhibit MPG-1.

As shown above, OG&E's incentive compensation plans include a mix of operational or business performance goals, such as safety and customer satisfaction, and financial performance goals, such as earnings per share. Ms. Shoop argues that

OG&E's total compensation package allows the Company to hire and retain talented employees.[29] Therefore, she reasons, the Commission should allow the Company to recover 100% of its incentive compensation expenses. Ms. Shoop writes:

> Incentive compensation is a very necessary and reasonable expense for the utility. It makes little sense to disallow those necessary expenses because some of the metrics are financial in nature and involve a review of the Company's financial performance. These financial metrics simply indicate how efficiently the Company is run, which ends up benefiting customers as well through access to capital at reasonable rates and lower cost debt.[30]

Q IS EXCLUDING CERTAIN INCENTIVE COMPENSATION COSTS FROM COST OF SERVICE REASONABLE FROM A RATE-SETTING AND BALANCED POLICY BASIS?

A Yes. Ms. Shoop is incorrect when she argues that, "It makes little sense to disallow those necessary expenses because some of the metrics are financial in nature..." Rather, it is reasonable to exclude these costs from cost of service. Incentive compensation programs that are designed to align the interests of employees with shareholders (via incentivizing improved financial performance) should be paid for by the shareholders and not customers.

This position is consistent with Commission precedent. As shown in Table 3 above, approximately 50% of STI is awarded on the basis of earnings per share. Therefore, these costs should be paid for by shareholders. My table is based on the Company's response to Data Request OIEC 2-2 which provided the amount of each incentive plan for the 12 months ending 09/30/2023 test year.

Ms. Shoop argues in her direct testimony that earnings per share is only 30% of the STI program. However, she appears to be discussing the targeted breakdown

---

[29] Shoop Direct at 11.
[30] *Id.* at 12.

of STI and not the actual payout. Table 3, and the amount of incentive compensation OG&E proposes to include in rates, is based on a four-year average. Actual payouts of STI can range between 0% to 200% of the targeted amount.[31]

> Even if the Commission were to exclude financial metrics from the calculation of short-term incentives included in rates, which would mean that OG&E should be entitled to reflect 70 percent (not 50 percent) of short-term incentive costs in rates. The target breakdown for most OG&E members between operational and financial metrics is approximately 70 percent and 30 percent, respectively. That 70 percent of the short-term incentive metrics can be broken down into the following categories: O&M, customer satisfaction, safety, and environmental operations.[32]

OG&E did update the awards weightings for STI in response to Data Request OIEC 21-2 (see Exhibit JAL-1). That discovery response shows that EPS's share of STI dropped from 50% in OIEC 2-2 (and my Table 3) to 42% in OIEC 21-2. However, while the Company did provide an updated 4-year average in order to calculate the weightings of the various STI awards the Company did not update the pro forma amount of STI. Therefore, my recommendation is still based on the STI weightings as initially filed by the Company.

Metrics such as earnings per share are designed to enhance shareholder value and it makes sense from a policy perspective to disallow these expenses. Customers pay cost-based rates that provide OG&E fair earnings if the Company meets quality of service standards. Customers should not be obligated to pay the Company an additional incentive to incentivize a level of financial performance that will primarily benefit shareholders.

In addition to excluding these costs because they are designed to primarily benefit shareholders, there are also sound policy reasons to exclude them in development of just and reasonable rates. First, if incentive compensation tied to

[31]OG&E response to Data Request OIEC 05-20, provided in Exhibit JAL-1.
[32]Shoop Direct at 12-13

financial performance is excluded from cost of service, then shareholders would bear this cost only in the event that incentive compensation results are achieved, in which case this incentive compensation can be paid for out of the enhanced financial performance of the Company. In significant contrast, if incentive compensation programs tied to financial performance are included in cost of service, customers will bear this expense irrespective of whether or not the financial incentive results are actually achieved, and regardless of whether enhanced financial performance has any positive impact on cost of service or utility rates.

Second, customers may pay the costs but not receive any benefits. While Ms. Shoop argues there are customer benefits to the incentive compensation based on the financial performance of the Company,[33] she has not shown that the revenue deficiency in this proceeding was impacted through the assumed achievement of the financial incentive goals in the test year.

Hence, there is no reason to include incentive compensation related to financial goals in cost of service. Its inclusion exposes customers to the risk of paying incentive compensation costs, without any assurance that the financial targets will be achieved or provide any additional benefit to customers. This is a risk that would not be faced by investors if these financial compensation awards are excluded from cost of service. Shareholders would directly incur the costs of these programs, and can pay for them out of higher earnings achieved if the financial goals are achieved.

[33]Shoop Direct at 12. She argues, "These financial metrics simply indicate how efficiently the Company is run, which ends up benefiting customers as well through access to capital at reasonable rates and lower cost debt."

Q HAS THE COMMISSION CONSIDERED WHETHER TO ALLOW OG&E TO INCLUDE 100% OF ITS INCENTIVE COMPENSATION COSTS IN COST OF SERVICE?

A Yes. In OG&E's 2015 rate case (Cause No. PUD 201500273) the Commission declined to include 100% of OG&E's incentive compensation in cost of service. The Commission excluded 100% of OG&E's LTI:

> The Commission declines to adopt the recommendation of the ALJ for recovery of twenty-five percent of long-term incentive compensation. In this cause, the Commission is not persuaded that such compensation provided benefit to ratepayers. Therefore, no recovery is given for long-term incentive compensation.[34]

The Commission also limited recovery of STI to 50%:

> The Commission declines to adopt the recommendation of the AU for recovery of one hundred percent of the maximum amount of short-term incentive compensation of $14,209,108. In this cause, sufficient support was not provided by OG&E or PUD to move to allowing full recovery for short-term compensation beyond what has been historically awarded. Instead, based on the record before it, the Commission finds that fifty percent of short-term incentive compensation is appropriate. In future causes, the Commission will again evaluate the manner in which short-term incentive compensation is awarded.[35]

Q DID YOU REVIEW OG&E'S INCENTIVE COMPENSATION PLANS?

A Yes. OG&E provided information on its incentive compensation plans via discovery. A review of the Company's plan supports the Commission prior decisions to disallow certain incentive compensation costs. For example, the purpose of OG&E's LTI plan is to align the interests of employees with shareholders.

> 2022 Stock Incentive Plan
>
> Section 1. Purposes/Definitions.

[34]Final Order in Cause No. PUD 201500273, page 7.
[35]Final Order in Cause No. PUD 201500273, pages 6-7.

> The purpose of the Plan is to give the Company and its Affiliates a competitive advantage in attracting, retaining and motivating non-employee directors, officers and employees and to provide the Company and its Affiliates with the ability to provide incentives more directly linked to the profitability of the Company's businesses, increases in shareholder value and enhancement of performance relative to customers. Following the Effective Date of this Plan, no further awards will be granted under the Prior Plan but outstanding awards under the Prior Plan will continue following the Effective Date of the Plan.[36]

The plan description shows the LTI plan is primarily financial-based incentive compensation. The LTI plan includes both performance stock units ("PSU") and restricted stock units ("RSU"). RSUs are only 35% of the program and are awarded based on continued employment. PSUs can be based on a variety of goals, including financial goals.

> "Performance Goals" means the performance goals established by the Committee in writing prior to the grant of Restricted Stock, Restricted Stock Units or Performance Units that are based on the attainment of goals by the Company, one or more Affiliates or one or more business or functional units thereof relating to one or more, or a combination of performance goals that may include but are not limited to the following: total shareholder return; return on capital; earnings per share; market share; stock price; sales; costs; net operating income; net income; return on assets; earnings before income taxes, depreciation and amortization; return on total assets employed; capital expenditures; earnings before income taxes; economic value added; cash flow; cash available for distribution; retained earnings; return on equity; results of customer satisfaction surveys; aggregate product price and other product price measures; safety record; service reliability; demand-side management (including conservation and load management); operating and/or maintenance costs management (including operation and maintenance expenses per kwh); and energy production availability.[37]

Regarding OG&E's LTI costs, I recommend the Commission continue its policy of excluding 100% of LTI costs from cost of service.

OG&E has two STI plans, one for executives and one for non-executives. Both plan descriptions mention that STI includes both operational goals and financial

---

[36] OG&E response to Data Request OIEC 1-21, Attachment 1, provided in Exhibit JAL-1.
[37] *Id.*

goals.[38] Therefore, I recommend the Commission continue its policy of excluding 50% of STI costs from cost of service which is consistent with the amount of STI tied to financial goals. As mentioned above, approximately 50% of the STI costs OG&E includes in cost of service are tied to the financial performance of the Company.

Q PLEASE DESCRIBE YOUR ADJUSTMENT.

A My adjustment is included as Exhibit JAL-4. Excluding 100% of OG&E's LTI costs and 50% of STI costs lowers the Company's claimed revenue deficiency by approximately $15.2 million, after applying the supplemental O&M allocation factor.

Q DOES THIS CONCLUDE YOU RESPONSIVE TESTIMONY ON REVENUE REQUIREMENT ISSUES?

A Yes, it does.

[38] OG&E response to Data Request OIEC 1-21, Confidential Attachments 2 and 3.

Qualifications of James A. Leyko

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A James A. Leyko. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q PLEASE STATE YOUR OCCUPATION.

A I am a Consultant in the field of public utility regulation with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I received a Bachelor of Arts Degree in History from Tulane University in 2007. I attended Saint Louis University and received a Master of Business Administration Degree in 2011. I joined BAI and served in the analyst department until 2012. Prior to rejoining BAI as a Consultant in 2018, I worked as a Regulatory Economist for the Maryland Public Service Commission and as the Regulatory Affairs Manager for the Efficiency Maine Trust.

I have written testimony and appeared as an expert witness before the Illinois Commerce Commission, the Maryland Public Service Commission and the Maine Public Utilities Commission, and have supported filings for several regulated utility matters as a Consultant for BAI. These assignments included revenue requirement issues, income taxes, the impact of the Tax Cuts and Jobs Act of 2017, and resource planning.

BAI was formed in April 1995. BAI and its predecessor firm have participated in more than 700 regulatory proceedings in 40 states and Canada.

BAI provides consulting services in the economic, technical, accounting, and financial aspects of public utility rates and in the acquisition of utility and energy services through RFPs and negotiations, in both regulated and unregulated markets. Our clients include large industrial and institutional customers, state regulatory agencies, and some utilities. We also prepare special studies and reports, forecasts, surveys and siting studies, and present seminars on utility-related issues.

In general, we are engaged in energy and regulatory consulting, economic analysis and contract negotiation. In addition to our main office in St. Louis, the firm also has branch offices in Corpus Christi, Texas; Louisville, Kentucky and Phoenix, Arizona.

493111

**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	)	**CASE NO. PUD2023-000087**

STATE OF MISSOURI	)	
	)	**SS**
COUNTY OF ST. LOUIS	)	

<u>Affidavit of James A. Leyko</u>

James A. Leyko, being first duly sworn, on his oath states:

1. My name is James A. Leyko. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Federal Executive Agencies in this proceeding on their behalf.

2. Attached hereto and made a part hereof for all purposes are my responsive testimony and exhibits which were prepared in written form for introduction into evidence in the Corporation Commission of the State of Oklahoma Case No. PUD2023-000087.

3. I hereby swear and affirm that the testimony and exhibits are true and correct and that they show the matters and things that they purport to show.

James A. Leyko
James A. Leyko

Subscribed and sworn to before me this 26th day of April, 2024.

SALLY D. WILHELMS
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: Aug. 5, 2024
Commission # 20078050

Sally D Wilhelms
Notary Public

Oklahoma Gas and Electric Company
Case No. PUD 2023-000087

OG&E's Responses to Data Requests Referenced in the Responsive Testimony of FEA Witness James A. Leyko

OG&E's Responses to Data Requests: **Page**

Federal Executive Agencies

Data Request FEA 02-21

Docket No. PUD2023-000087

FEA 02-21

Please provide the numbers of miles visited by the Company's vegetation management program per year since OG&E's 2015 rate case. Please also express each year's amount as a percent of total system miles.

Response*

Miles visited by the "Oklahoma Cycle" Vegetation Management Program:

2015- 2,070.8 miles managed of 18,594 system miles,11%
2016- 3,909.2 miles managed of 18,594 system miles, 21%
2017- 5,620.8 miles managed of 18,653 system miles, 30%
2018- 4,650.8 miles managed of 18,669 system miles, 24.9%
2019- 4,653.5 miles managed of 18,705 system miles, 24.9%
2020- 4,255.9 miles managed of 18,764 system miles, 23.2%
2021- 4,681.2 miles managed of 18,804 system miles, 24.9%
2022- 4,245.7 miles managed of 18,838 system miles, 22.5%
2023- 1,373.5 miles managed of 18,869 system miles, 7.3%

Response provided by:	Robert Shaffer
Response provided on:	3/18/2024
Contact & Phone No:	Peggy Millspaugh -- (405) 553-3504

*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant, or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

Federal Executive Agencies

Data Request FEA 02-23

Docket No. PUD2023-000087

FEA 02-23

Please provide the numbers of miles the Company anticipates the vegetation management program will visit each year assuming the Commission approves the Company's requested $58 million increase in annual vegetation management expense. Please also express this amount as a percent of total system miles.

Response*

For clarification, the increase is about $28 Million, not $58 million as indicated in this data request.

The company intends to use the additional resources to perform additional saw work to remove vegetation from the system and establish a consistent policy, program, and resources, to address customer requests for vegetation management of the Company's assets on their property.

A calculation of total miles per year with the additional funding has not been performed.

Response provided by: Robert Shaffer
Response provided on: 3/18/2024
Contact & Phone No: Peggy Millspaugh -- (405) 553-3504

*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant, or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

Federal Executive Agencies

Data Request FEA 02-26

Docket No. PUD2023-000087

FEA 02-26

Please refer to Table 1 (Tree-Related Outages) in Robert Shaffer's direct testimony. Please estimate the change in Tree-Related Outages going forward assuming the Commission approves the Company's requested $58 million increase in annual vegetation management expense.

Response*

To clarify, the current year 1 requested increase is about $28M, not the $58 million indicated in the data request. The additional funding request, along with better planning and awareness tools, are meant to stabilize the increases in tree related outages by aligning saw costs to current labor/equipment costs and building a policy and program to address customer vegetation requests. At this time, no estimate has been calculated for tree related cause outage improvements other than stabilization of the trend.

Response provided by:	Robert Shaffer
Response provided on:	3/18/2024
Contact & Phone No:	Peggy Millspaugh -- (405) 553-3504

*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant, or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

Federal Executive Agencies

Data Request FEA 02-28

Docket No. PUD2023-000087

FEA 02-28

Please refer to pages 11-12 of Robert Shaffer's direct testimony. Does the Company include any cost savings in its request in this case as a result of the new methods discussed by Mr. Shaffer? If so, please provide an estimate of the savings.

Response*

No direct cost savings are currently projected. The new methods of using satellite imagery & analytics for better vegetation planning, re-alignment of saw costs, and the addition of a customer request program allow the company to better apply resources into execution of vegetation management work.

Response provided by:	Robert Shaffer
Response provided on:	3/18/2024
Contact & Phone No:	Peggy Millspaugh -- (405) 553-3504

Oklahoma Attorney General

Data Request AG 20-05

Docket No. PUD2023-000087

AG 20-05

Please refer to the Direct Testimony of Robert Shaffer, Page 12, Lines 12 through 24. How does the Company intend on changing its policy of customer initiated management trimming requests if the Company's proposed changes to vegetation management are approved in the current case?

Response*

OG&E plans to create a formal policy to address customer-initiated requests. When responding to customer requests, detailed assessment and feedback to customers will be provided. Where satellite imagery and analysis are available, a pre-assessment and job scoping can be performed prior to site visits as required. Additionally, if approved, all requested tree work will be performed to OG&E Vegetation Management Standards.

Response provided by:	Robert Shaffer
Response provided on:	3/7/2024
Contact & Phone No:	Peggy Millspaugh -- (405) 553-3504

*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant, or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

Oklahoma Attorney General

Data Request AG 20-08

Docket No. PUD2023-000087

AG 20-08

Please refer to the Direct Testimony of Robert Shaffer, Page 12, Lines 12 through 24. For the last three test years, please provide the number of customer-initiated distribution vegetation management requests the Company has received.

Response*

Please see attachment AG 20-08_Att1.

Response provided by: Robert Shaffer
Response provided on: 3/7/2024
Contact & Phone No: Peggy Millspaugh -- (405) 553-3504

*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant, or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

AG 20-8

Please refer to the Direct Testimony of Robert Shaffer, Page 12, Lines 12 through 24. For the last three test years, please provide the number of customer-initiated distribution vegetation management requests the Company has received.

See tabs for further response

year	Total tickets
2020	15179
2021	12472
2022	12319
2023	10277

Oklahoma Attorney General

Data Request AG 20-09

Docket No. PUD2023-000087

AG 20-09

Please refer to the Direct Testimony of Robert Shaffer, Page 12, Lines 12 through 24. For the last three test years, please provide the number of customer initiated distribution vegetation management requests the Company has accommodated.

Response*

Unfortunately, due to legacy system software issues, the company is unable to quantify exact number of locations accommodated by year. However, from June to December 2023 a detailed study of customer-initiated requests revealed approximately 59% of the requests were scheduled for work.

Response provided by: Robert Shaffer
Response provided on: 3/7/2024
Contact & Phone No: Peggy Millspaugh -- (405) 553-3504

*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant, or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

Oklahoma Industrial Energy Consumers

Data Request OIEC 01-21

Docket No. PUD2023-000087

OIEC 01-21

Please provide a copy of each employee incentive plan utilized by the Company.

Response*

Please see attachment OIEC 01-21_Att1, as well as the confidential attachments OIEC 01-21_Att2_Conf and OIEC 01-21_Att3_Conf for the STI Plan documents and the LTI plan that is reported in the annual Proxy for OGE. Some of the documents responsive to this request contains confidential information and will be provided to the parties subject to the terms of the protective order.

Response provided by:	Gena Perry
Response provided on:	1/15/2024
Contact & Phone No:	Peggy Millspaugh -- (405) 553-3504

*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant, or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

OGE ENERGY CORP. 2022 STOCK INCENTIVE PLAN

Section 1. Purposes/Definitions.

The purpose of the Plan is to give the Company and its Affiliates a competitive advantage in attracting, retaining and motivating non-employee directors, officers and employees and to provide the Company and its Affiliates with the ability to provide incentives more directly linked to the profitability of the Company's businesses, increases in shareholder value and enhancement of performance relative to customers. Following the Effective Date of this Plan, no further awards will be granted under the Prior Plan but outstanding awards under the Prior Plan will continue following the Effective Date of the Plan.

For purposes of the Plan, the following terms are defined as set forth below:

a."Affiliate" means (i) a corporation at least 50 percent of the common stock or voting power of which is owned directly or indirectly by the Company, and (ii) any other corporation, limited liability company, or other entity controlled by the Company and designated by the Committee from time to time.

b."Award" means a Stock Appreciation Right, Stock Option, Restricted Stock, Restricted Stock Unit or Performance Unit.

c."Award Cycle" shall mean a period of consecutive fiscal years or portions thereof designated by the Committee over which Performance Units or Restricted Stock Units are to be earned.

d."Board" means the Board of Directors of the Company.

e."Change of Control" has the meaning set forth in Section 9(b).

f."Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

g."Commission" means the Securities and Exchange Commission or any successor agency.

h."Committee" means the Committee referred to in Section 2.

i."Common Stock" means common stock, par value $.01 per share, of the Company.

j."Company" means OGE Energy Corp., an Oklahoma corporation.

k. "Disability" means permanent and total disability as determined under procedures established by the Committee for purposes of the Plan.

l."Disinterested Person" means a member of the Board who qualifies as a non-employee director as defined in Rule 16b-3, or any successor definition adopted by the Commission, as “independent” under the applicable listing standards of the New York Stock Exchange (or, if the Common Stock is not listed on such exchange, on any other national securities exchange on which the Common Stock is listed).

m."Early Retirement" of an employee means Termination of Employment at or after the time when the employee has attained age 55 and has completed at least five (5) years of service with the Company and its Affiliates.

n."Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

o."Fair Market Value" means, as of any given date, the mean between the highest and lowest reported sales prices of the Common Stock on such date on the New York Stock Exchange Composite Tape (or, if not listed on such exchange, on any other national securities exchange on which the Common Stock is listed) or, if there are no sales on such date, on the next preceding trading day during which a sale occurred. If such Common Stock is not readily tradable on an established securities market, the Fair Market Value of the Common Stock will be determined by the Committee in good faith using the reasonable application of a reasonable valuation method consistent with Section 409A of the Code.

p."Incentive Stock Option" means any Stock Option designated as, and qualified as, an "incentive stock option" within the meaning of Section 422 of the Code.

q."Nonqualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

r."Normal Retirement" means (i) with respect to an employee, Termination of Employment at or after the time when the employee has attained age 65 and (ii) with respect to a non-employee director, retirement from the Board or board of directors of the Affiliate on which he or she serves, pursuant to the applicable rules for such Board or board.

s."Performance Goals" means the performance goals established by the Committee in writing prior to the grant of Restricted Stock, Restricted Stock Units or Performance Units that are based on the attainment of goals by the Company, one or more Affiliates or one or more business or functional units thereof relating to one or more, or a combination of performance goals that may include but are not limited to the following: total shareholder return; return on capital; earnings per share; market share; stock price; sales; costs; net operating income; net income; return on assets; earnings before income taxes, depreciation and amortization; return on total assets employed; capital expenditures; earnings before income taxes; economic value added; cash flow; cash available for distribution; retained earnings; return on equity; results of customer satisfaction surveys; aggregate product price and other product price measures; safety record; service reliability; demand-side management (including conservation and load management); operating and/or maintenance costs management (including operation and maintenance expenses per kwh); and energy production availability. At the time of establishing a Performance Goal, the Committee shall specify the manner in which the Performance Goal shall be calculated. In so doing, the Committee may exclude the impact of certain specified events from the calculation of the Performance Goal. Such Performance Goals also may be based upon the attainment of specified levels of performance of the Company, one or more Affiliates or one or more business or functional units thereof under one or more of the measures described above relative to the performance of other corporations, business organizations or indices.

t."Performance Units" means an award made pursuant to Section 8.

u."Plan" means the OGE Energy Corp. 2022 Stock Incentive Plan, as set forth herein and as hereinafter amended from time to time.

v."Prior Plan" means the OGE Energy Corp. 2013 Stock Incentive Plan, as amended.

w."Restricted Stock" means an Award granted under Section 7(a).

x."Restricted Stock Unit" means an award granted under Section 7(b).

y."Retirement" means Normal Retirement or Early Retirement.

z."Rule 16b-3" means Rule 16b-3, as promulgated by the Commission under Section 16(b) of the Exchange Act, as amended from time to time.

Oklahoma Industrial Energy Consumers

Data Request OIEC 02-02

Docket No. PUD2023-000087

OIEC 02-02

Please provide an analysis of each incentive plan showing the amounts included in pro forma expenses based on company earnings; capital expenditures; O&M expenses; customer service; safety; time; and other.

Response*

The metrics for short term incentive compensation ("STI") and long-term incentive compensation ("LTI") are not categorized by OG&E in the manner requested. STI is categorized by earnings per share target, O&M target, Customer Satisfaction target, Safety and Enviromental targets. LTI is categorized by Performance Units and Restricted Stock.

The test year is the 12 months ending 09/30/2023. Please see attachment OIEC 02-02_Att1. Please note that test year STI expenses will be updated to actuals when data becomes available.

Response provided by: Jason Thenmadathil
Response provided on: 1/16/2024
Contact & Phone No: Peggy Millspaugh -- (405) 553-3504

*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant, or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

Oklahoma Gas & Electric Company
Cause No. PUD 2023000087
Response to OIEC 02-01 and 02-02

	STI - EPS		STI - O&M		STI - Safety		STI - Customer Satisf.		STI - Enviromental.		Total STI		Total Pro Forma STI	
	Utility	Holding Co.	Utility	Holding Co.	Utility	Holding Co.	Utility	Holding Co.	Utility	Holding Co.	Utility	Holding Co.	Utility	Holding Co.
Test Year Expense	4,891,891	3,114,456	1,237,177	605,208	770,143	317,151	2,016,509	788,848	1,656,328	591,342	10,572,048	5,417,005	11,060,017	5,419,074
Pro Forma	5,117,684	3,115,646	1,294,280	605,440	805,690	317,272	2,109,584	789,149	1,732,778	591,567	11,060,017	5,419,074		

	LTI - Perf Units		LTI - Restr Stock		Total LTI		Total Pro Forma LTI	
	Utility	Holding Co.	Utility	Holding Co.	Utility	Holding Co.	Utility	Holding Co.
Test Year Expense	1,365,190	6,143,439	425,040	2,765,337	1,790,230	8,908,777	2,458,380	6,642,118
Pro Forma	1,874,706	4,580,365	583,673	2,061,753	2,458,380	6,642,118		

Oklahoma Industrial Energy Consumers

Data Request OIEC 04-06

Docket No. PUD2023-000087

OIEC 04-06

Regarding vegetation management costs, please provide the expense level for vegetation management expenses for distribution and transmission for the years 2019, 2020, 2021, 2022, and 2023.

Response*

Please see attachment OIEC 04-06_Att1.

Response provided by: Robert Shaffer
Response provided on: 1/18/2024
Contact & Phone No: Peggy Millspaugh -- (405) 553-3504

*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant, or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

Vegetation Costs 2019 - 2023 Test Year

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					
Transmisson 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**

Oklahoma Industrial Energy Consumers

Data Request OIEC 05-20

Docket No. PUD2023-000087

OIEC 05-20

For each incentive plan, please state whether or not the Company made an adjustment to restate the amount requested in rates to target levels for each plan. If not, please explain why not and set for what that adjustment would have been if it had been made.

Response*

For 2023, total company budget levels were set assuming 100% total payout. As the year progresses, the STI estimate is moved up or down as needed depending on results for each metric, usually on a quarterly basis, as achievement information for each metric becomes available. The estimate is also adjusted to account for headcount, position, and base salary changes. At the end of the year, accrued expense is trued up to reflect the actual achievement of the mentioned performance metrics and current positions/salaries when the information becomes available. As the incentive metrics has many components to it and each metric is calculated independently with the range for each metric being between 0% to 200%, the Company does not adjust to the target level. Instead, the Company has used a four-year average to calculate STI and LTI expenses as these averages any variability over the years. Please see OG&E's response to OIEC 05-19 for an explanation on how target levels are set.

Response provided by:	Jason Thenmadathil
Response provided on:	1/22/2024
Contact & Phone No:	Peggy Millspaugh -- (405) 553-3504

*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant, or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

Oklahoma Industrial Energy Consumers

Data Request OIEC 17-19

Docket No. PUD2023-000087

OIEC 17-19

Please provide the expected improvement to SAIDI associated with the proposed increase in vegetation management expenses for the next three calendar years.

Response*

Please see attachment in response to OIEC 17-18 and refer to the "Oklahoma-Vegetation" SAIDI table. The requested increase in funding is expected to maintain levels consistent with recent performance of vegetation related SAIDI while providing additional resources to address customer requests and needs for vegetation management around the company's assets on their property.

Response provided by: Robert Shaffer
Response provided on: 3/18/2024
Contact & Phone No: Peggy Millspaugh -- (405) 553-3504

*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant, or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

Oklahoma Industrial Energy Consumers

Data Request OIEC 21-02

Docket No. PUD2023-000087

OIEC 21-02

Please see OIEC 02-02_Att1.xlsx. Please provide the performance metrics payout percentage for the test year for each of the identified metrics: STI-EPS, STI-O&M, STI-Safety, STI-Customer Satisfaction, and STI-Environmental. Please provide this information for both the Utility and the Holding Company.

Response*

Please see the attachment OIEC 21-02_Att2. Please note that pro forma percentages have been updated from the response provided in OIEC 2-02_Att1 to reflect the percentage associated with the 4-year average of payouts, to align with the Company's recommended 4-year average expense level, with available 2023 information.

Response provided by: Jason Thenmadathil
Response provided on: 4/1/2024
Contact & Phone No: Peggy Millspaugh -- (405) 553-3504

*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant, or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

	STI - EPS		STI - O&M		STI - Safety		STI - Customer Satisf.		STI - Enviromental.		Total STI		Total Pro Forma STI		
	Utility	Holding Co.	Utility	Holding Co.	Utility	Holding Co.	Utility	Holding Co.	Utility	Holding Co.	Utility	Holding Co.	Utility	Holding Co.	Total
Test Year Expense	4,891,891	3,114,456	1,237,177	605,208	770,143	317,151	2,016,509	788,848	1,656,328	591,342	10,572,048	5,417,005	11,060,017	5,419,074	16,479,091
Pro Forma	6,920,801		4,114,333		3,019,027		1,576,373		848,556		16,479,091				
Test Year Percent	46%	57%	12%	11%	7%	6%	19%	15%	16%	11%					
Pro Forma Percent*	42%		25%		18%		10%		5%						

4 Year Average (2020 through 2023)		
EPS	10,452,172.88	42%
O&M	6,213,691.03	25%
CS	2,380,725.03	10%
Safety	4,559,499.56	18%
Enviroment	1,281,535.76	5%
Total	**24,887,624.25**	**100%**

*** These amounts were based on a 4 year average with Utility and Holding amounts combined but with the total remaining the same.**

	LTI - Perf Units		LTI - Restr Stock		Total LTI	
	Utility	Holding Co.	Utility	Holding Co.	Utility	Holding Co.
Test Year Expense	1,365,190	6,143,439	425,040	2,765,337	1,790,230	8,908,777
Pro Forma	1,908,222	5,155,686	550,158	1,486,432	2,458,380	6,642,118
Test Year Percent	76%	69%	24%	31%		
Pro Forma Percent	78%	78%	22%	22%		

4 Year Average (2020 through 2023)			
Restricted	2,374,156.80	22%	0
Performance	8,234,758.14	78%	0
Total	**10,608,914.93**		0

Public Utility Division - Staff

Data Request PUD 13-02

Docket No. PUD2023-000087

PUD 13-02

Refer to Mr. Shaffer's testimony at 3:5 which states "The Company's requested $58 million annual vegetation management expense level includes an increase of approximately $28 million per year in addition to the $30 million currently included in base rates, which was last approved in OG&E's 2015 rate case."

a. Explain how the Company determined that $58 million annually was the optimum level of annual vegetation management spending. Provide all workpapers, assumptions, inputs, calculations, and other materials used to develop this budget.

b. Provide the improvement in system wide SAIFI, SAIDI and MAIFI, both with and without major event days, the Company expects if the Commission approves the $28 million per year in additional spending. Provide all workpapers, assumptions, inputs, calculations, and other materials used to develop this estimate. If the Company has any other methods for measuring the value of increased vegetation management, please provide details.

c. Provide the estimated decrease in i) future annual capital spending and ii) future annual O&M spending that is expected to be achieved as a result of the $28 million per year in additional vegetation management spending. Provide all workpapers, assumptions, inputs, calculations and other materials used to develop this estimate.

Response*

a. Please refer to the supporting workpapers of Mr. Shaffer's Direct Testimony provided on the Company's OneDrive. The pro forma level of Vegetation Management expense for this case reflects the equivalent work from the 2015 Commission-approved levels, adjusted for inflation and or labor increases. The "distribution non-cycle" expense amount has been increased significantly to account for current volume of customer requests for assistance and reliability needs.

OG&E intends to continue the work with Satellite Imagery Technology to obtain a current state evaluation of the vegetation around the OG&E distribution system to determine an optimal funding level. While not expected to be less than $58M annually, if the optimum level is determined to be less or the actual spend is less than the proposed $58M, the proposed cost tracker would track and refund the difference to customers.

b. Please refer to responses FEA 02-25, FEA 02-26, FEA 02-28, OIEC 17-18, OIEC 17-19 for any analysis performed.

c. OG&E has not identified any cost savings at this time. The purpose of requesting an additional $28M for vegetation management is to restore the scope and practices of our vegetation management to the levels we maintained in the years prior to 2023. This adjustment accounts for the observed increases in costs to perform the various vegetation management activities.

Response provided by:	Robert Shaffer
Response provided on:	4/3/2024
Contact & Phone No:	Peggy Millspaugh -- (405) 553-3504

*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant, or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

Oklahoma Gas and Electric Company

Vegetation Management Adjustment

Line	Description	Test Year Vegetation Management[1] (1)	Adjustment (2)	Pro Forma Vegetation Management (3)
	OG&E Proposed			
1	Annual Labor Escalator		6%	
2	2015-2023 Labor Escalator		63%	
	Distribution:			
3	Cycle Trimming	$ 23,596,765	$ 15,752,301	$ 39,349,066
4	Non-Cycle	1,805,041	8,194,959	10,000,000
5	Substations	1,515,185	83,575	1,598,760
6	Subtotal Distribution	$ 26,916,991	$ 24,030,835	$ 50,947,826
	Transmission:			
7	Cycle Trimming	$ 4,435,225	$ 244,640	$ 4,679,865
8	Hazard Tree Program	-	37,000	37,000
9	Substations	2,426,242	133,828	2,560,070
10	Subtotal Transmission	$ 6,861,468	$ 415,468	$ 7,276,936
11	**Total**	**$ 33,778,458**	**$ 24,446,303**	**$ 58,224,762**
	Adjusted			
12	Annual Labor Escalator		6%	
13	2015-2023 Labor Escalator		N/A	
	Distribution:			
14	Cycle Trimming	$ 23,596,765	$ 1,301,561	$ 24,898,326
15	Non-Cycle	1,805,041	8,194,959	10,000,000
16	Substations	1,515,185	83,575	1,598,760
17	Subtotal Distribution	$ 26,916,991	$ 9,580,096	$ 36,497,087
	Transmission:			
18	Cycle Trimming	$ 4,435,225	$ 244,640	$ 4,679,865
19	Hazard Tree Program	-	37,000	37,000
20	Substations	2,426,242	133,828	2,560,070
21	Subtotal Transmission	$ 6,861,468	$ 415,468	$ 7,276,936
22	**Total**	**$ 33,778,458**	**$ 9,995,564**	**$ 43,774,022**
23	**Difference**			**$ 14,450,739**

Source:
[1] Shaffer Updated Workpaper.

Oklahoma Gas and Electric Company

Pension Regulatory Asset Adjustment

Line	Description	OG&E Proposed Amortization (1)	Adjusted Amortization (2)
1	Pension Tracker - 2023 Regulatory Asset	$ 43,442,894	$ 43,442,894
2	Years	5	15
3	Pro Forma Adjustment - Pension Expense	$ 8,688,579	$ 2,896,193
4	**Difference**		**$ (5,792,386)**
5	Oklahoma Retail Juris.		$ (5,087,956)

Source:
WP H-2-29.

Oklahoma Gas and Electric Company

Incentive Compensation Adjustment

Line	Description	OG&E Proposed (1)	Adjustment (2)	Revised Expense (3)
	Short-Term Incentives			
1	Earnings per Share	$ 8,233,330		
2	O&M	1,899,720		
3	Safety	1,122,962		
4	Customer Satisfaction	2,898,733		
5	Environmental	2,324,346		
6	Subtotal STI	$ 16,479,091	50%	$ 8,239,545
	Long-Term Incentives			
7	PSU	$ 6,455,072		
8	RSU	2,645,427		
9	Subtotal LTI	$ 9,100,498	0%	$ -
10	**Total**	**$ 25,579,589**		**$ 8,239,545**
11	**Difference**			**$ (17,340,043)**
12	Oklahoma Retail Juris.			$ (15,231,266.80)

Sources:
OG&E response to OIEC 2-02, Attachment 1. Provided in Exhibit JAL-1.
WP H-2-32 and WP H-2-32.

CERTIFICATE OF SERVICE

On this 26th day of April 2024, a true and correct copy of the *Responsive Testimony of James A. Leyko on Behalf of the Federal Executive Agencies* 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@cswp-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

Leslie R. Newton, Maj, USAF
Ashley N. George, Capt, USAF
Thomas A. Jernigan
FEDERAL EXECUTIVE AGENCIES
139 Barnes Dr., Ste. 1
Tyndall AFB, FL 32403-5317
leslie.newton.l@us.af.mil
ashley.george.4@us.af.mil
thomas.jernigan.3@us.af.mil

Ashley N George

ASHLEY N. GEORGE, Capt, USAF
FEA ATTORNEY