

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF)
OKLAHOMA GAS AND ELECTRIC COMPANY)
FOR AN ORDER OF THE COMMISSION)
APPROVING THE COMPANY'S 2016 DEMAND)
PORTFOLIO AND AUTHORIZING RECOVERY)
OF THE COSTS OF THE DEMAND PROGRAMS)
THROUGH THE DEMAND PROGRAM RIDER)

CAUSE NO. PUD 201 500217

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CORPORATION COMMISSION
OF OKLAHOMA

Direct Testimony

of

B. Dean Pollock

on behalf of

Oklahoma Gas and Electric Company

July 1, 2015

1 QUALIFICATIONS, INTRODUCTION AND PURPOSE

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

3 A. My name is Dean Pollock and I am the Manager of Sales and Customer Support for
4 Oklahoma Gas and Electric Company (“OG&E” or “Company”). My business address is
5 321 N. Harvey, Oklahoma City, Oklahoma 73102.
6

7 Q. **What are your responsibilities as Manager of Sales and Customer Support?**

8 A. I have direct oversight of the tracking, reporting and evaluation of all Demand Programs
9 (*i.e.*, all energy efficiency and demand response programs) in both the Oklahoma and
10 Arkansas jurisdictions. I am also responsible for other sales support analytics for
11 customer relationship management.
12

13 Q. **Briefly summarize your educational background and professional experience.**

14 A. I hold a Bachelor of Business Administration and Master of Business Administration
15 from the University of Central Oklahoma. I have been employed by Oklahoma Gas and
16 Electric Company for over 34 years. From 1980 to 1994, I held various positions in
17 power plant operations and customer accounting. From 1994 to 2002, I held analyst
18 positions in Corporate Planning, Financial Planning and Power Supply. In 2002, I was
19 promoted to Business Unit Finance Manager for OG&E’s Power Supply division and was
20 responsible for the O&M and Capital budgets. In 2007, I was promoted to Community
21 Affairs manager in OG&E’s Durant office and was responsible for the direction,
22 coordination and implementation of the Company’s business, economic and community
23 strategies at the local level. In 2010, I was promoted to my current position of Manager,
24 Sales and Customer Support.
25

26 Q. **Have you previously testified before the Oklahoma Corporation Commission**
27 **(“Commission”)?**

28 A. No, I have not previously testified before the Commission. However, I have testified
29 before the Arkansas Public Service Commission in Docket 07-075-TF in support of

1 OG&E's energy efficiency programs in Arkansas. In addition, I participated in the
2 technical conferences for Cause No. RM 201300012, which revised the Demand Rules
3 in Subchapter 41.
4

5 **Q. Please explain why OG&E is filing this Application.**

6 A. Pursuant to the Commission's Demand Program rules, OG&E is required to propose,
7 administer and implement a demand portfolio of demand programs at least once every
8 three years¹. OG&E's current Demand Portfolio, approved in Cause No. PUD
9 201200134 for the years 2013-2015, will end December 31, 2015. OG&E's Application
10 in this Cause includes energy efficiency programs that will be implemented beginning
11 January 1, 2016, for the years 2016-2018. This Demand Portfolio will be subject to
12 revised demand program rules effective January 1, 2016.
13

14 **Q. Does the Application comply with the requirements set forth in the Commission**
15 **rules?**

16 A. Yes. OAC 165:35-41-4(a) states that the Application must describe the Demand
17 Portfolio and include specific information regarding the portfolio and its demand
18 programs. OG&E has included the required information in Exhibit A to its Application.
19

20 **Q. What is the purpose of your testimony in this proceeding?**

21 A. My testimony supports OG&E's Application for approval of its 2016-2018 Demand
22 Program Portfolio, including the supporting information contained in Exhibit A to the
23 Application. I also provide an overview of OG&E's prior demand side programs,
24 describe the programs in the 2016-2018 Demand Portfolio, review portfolio costs,
25 performance, evaluation, cost-effectiveness, and support OG&E's request for funding
26 associated with research and development.
27

28 **Q. Are additional witnesses testifying in support of this Application?**

29 A. Yes. Company Witness Bryan Scott describes the Demand Program Rider ("DPR")
30 which is the recovery mechanism for OG&E's Demand Portfolio. Company Witness

¹ OAC 165:35-41-4(a)

1 Cristi Killian supports the Integrated Volt Var Control Program (“IVVC”). Witness Alek
2 Antczak, with CLEAResult Inc. (“CLEAResult”), discusses the cost-benefit of the IVVC
3 program. Witness Melissa Culbertson, with CLEAResult, discusses the Demand
4 Program Plan, how it was developed and the cost-effectiveness of the energy efficiency
5 measures. Witness Adam Thomas of ADM Associates Inc. discusses the approaches to
6 Evaluation, Measurement and Verification (“EM&V”) for OG&E’s Demand Portfolio.
7

8 OVERVIEW OF DEMAND PROGRAMS AT OG&E
9

10 Q. **Please briefly describe OG&E’s efforts to help customers manage energy usage.**

11 A. OG&E has successfully managed many energy efficiency and demand response offerings
12 during the past 30 years. As far back as the late 1970’s, OG&E experienced wide spread
13 acceptance of its in-home energy audit program, known as AWARD, that paid customers
14 to make home energy improvements. OG&E had strong participation in its direct load
15 control residential air conditioning program, known as PEAKS, in the 1980’s. OG&E
16 currently offers price response options as well as Day-Ahead Pricing, curtailable and
17 interruptible rate tariffs (which have been in operation since 1997), and several time-of-
18 use tariffs (some of which have been offered since 1985). In addition, OG&E introduced
19 a successful ENERGY STAR® New Home Program in 1996 and continues a new home
20 construction program today. Participation in these programs indicates customers are
21 interested in lowering energy consumption and managing energy use.
22

23 Q. **Has the Commission previously approved demand program portfolios filed by
24 OG&E?**

25 A. Yes. Prior to Subchapter 41 rules, OG&E filed a Quick Start Program in Cause No.
26 PUD 200800059 which was in effect until December 31, 2009. The Quick Start Program
27 allowed OG&E to quickly begin offering programs for all classes of customers primarily
28 by providing rebates to help increase customer awareness and to help accelerate market
29 transformation of products such as compact fluorescent lamps. OG&E’s first
30 comprehensive portfolio of Demand Programs under Subchapter 41 was approved by the
31 Commission in Cause No. PUD 200900200 for implementation in years 2010-2012.

1 OG&E's most recent Demand Portfolio was approved by the Commission in Cause No.
2 PUD 201200134 for implementation in years 2013-2015. Since the inception of the
3 QuickStart Program in 2008 through the end of 2014, OG&E has secured a total of 174
4 MW of demand savings and 374,010 MWh of energy savings.

5
6 PROPOSED DEMAND PORTFOLIO FOR 2016-2018
7

8 **Q. Please explain how the proposed Demand Portfolio was developed.**

9 A. OG&E engaged CLEAResult to design a portfolio of programs for the 2016-2018
10 Demand Portfolio. OG&E worked closely with CLEAResult throughout the portfolio
11 design. OG&E also commissioned Cadmus Group Inc. to conduct a potential study to
12 determine the potential for energy savings in Oklahoma over the next ten years.
13 CLEAResult reviewed the potential study as part of their portfolio design process. In
14 addition, OG&E hired ADM and Associates for a third party review of the portfolio
15 measures included in the program design and to develop EM&V protocols for the
16 programs.

17
18 **Q. Please briefly describe the proposed 2016 Demand Portfolio.**

19 A. OG&E is proposing to continue, with some modifications, the energy efficiency
20 programs from the 2013 Demand Portfolio.

21 The proposed Demand Portfolio includes five energy efficiency programs and an
22 education program:

- 23 1. Home Energy Efficiency Program ("HEEP") which comprises:
24 a. Residential Solutions and Schools Outreach
25 b. Residential HVAC Replacement and Tune-up
26 c. Consumer Products
27 2. Positive Energy – New Home Construction Program ("PE-NHC")
28 3. Weatherization Residential Assistance Program ("WRAP")
29 4. Commercial Energy Efficiency Program ("CEEP") which comprises:
30 a. Commercial and Industrial Solutions
31 b. Education and Governmental Outreach

1 c. Small Business Solutions

2 5. Integrated Volt Var Control Program (“IVVC”)

3 6. Education Program

4
5 **Q. Please briefly explain what modifications have been made to the energy efficiency**
6 **programs.**

7 A. OG&E has expanded the HEEP program to include more options for residential
8 customers. The additional options are expected to increase adoption of energy saving
9 measures. The HEEP program components offer a variety of measures for residential
10 customer segments including hard-to-reach customers². Multi-family units and
11 manufactured housing units will have more options to participate in energy savings
12 measures in the proposed Demand Portfolio. Similarly, the CEEP program consolidates
13 what were once stand-alone programs and/or measures (e.g. Commercial Lighting
14 Program, Industrial Energy Efficiency Program) under one umbrella. This offering of
15 multiple energy savings measures and targeted programs will help address the needs of a
16 wider variety of commercial and industrial customers. Witness Culbertson’s testimony
17 explains in more detail the modifications and measure additions for both the HEEP and
18 CEEP programs.

19
20 **Q. Is OG&E’s SmartHours program included in the proposed 2016-2018 Demand**
21 **Portfolio?**

22 A. No. The program was designed to enroll and maintain approximately 20% of residential
23 customers as noted in Ken Grant’s testimony in Cause No. PUD 201200134³. By the
24 end of 2015, OG&E expects to meet the 20% target.

25
26 DEMAND PORTFOLIO COST

27
28 **Q. What are the program costs for the proposed 2016-2018 Demand Portfolio?**

² OAC 165:35-41-3

³ Direct Testimony of Ken Grant, p. 2, lines 16-17

1 A. The total program cost of the 2016-2018 Demand Portfolio is approximately \$103
 2 million. Table 1, below, summarizes the program costs for the 2016-2018 Demand
 3 Portfolio. Detailed program costs are covered in Witness Culbertson's Exhibit MGC-1 to
 4 her Direct Testimony.

5
 6 **Table 1: Portfolio Program Costs**

PROGRAM	2016	2017	2018	TOTAL
HEEP	\$10,003,516	\$10,701,270	\$11,151,473	\$31,856,259
PE-NHC	\$1,132,614	\$1,133,607	\$1,133,607	\$3,399,828
WRAP	\$5,192,143	\$5,417,792	\$6,551,102	\$17,161,037
CEEP	\$13,352,584	\$12,853,295	\$12,685,800	\$38,891,679
EDUCATION	\$800,000	\$800,000	\$800,000	\$2,400,000
IVC*	\$1,553,265	\$2,884,148	\$3,107,016	\$7,544,429
TOTAL**	\$32,619,122	\$34,475,112	\$36,063,997	\$103,158,232

*Revenue Requirement

**Includes R&D, Regulatory, and Planning.

7
 8 **Q. Does the program cost of the proposed portfolio remain within the residential**
 9 **customer limit established by Commission rules?**

10 A. Yes. As explained in Witness Scott's direct testimony, the 2016-2018 Demand Portfolio
 11 program costs remain below the \$2.50 per month cap for the average residential customer
 12 for all three years of the Demand Portfolio.

13
 14 **Q. How does OG&E propose to recover the costs associated with the 2016-2018**
 15 **Demand Portfolio?**

16 A. OG&E proposes to recover costs through the Demand Program Rider. The recovery of
 17 costs for the Demand Portfolio are discussed in Witness Scott's direct testimony.

1 PORTFOLIO PERFORMANCE

2

3 Q. What are the planned annual and total savings of the proposed 2016-2018 Portfolio?

4 A. Table 2, below, contains detailed amounts of projected energy and demand savings. In
5 addition, these savings numbers will be utilized in the Company’s integrated resource
6 planning process.

7

8 Table 2: Planned Demand and Energy Savings

PROGRAM	2016		2017		2018		TOTAL	
	MW	MWH	MW	MWH	MW	MWH	MW	MWH
HEEP	6.0	23,500	6.5	25,319	7.5	27,801	20.1	76,620
PE-NHC	1.2	1,810	1.2	1,810	1.2	1,810	3.6	5,429
WRAP	1.9	6,962	1.9	7,256	2.4	8,600	6.2	22,818
CEEP	8.0	42,631	8.0	40,923	7.9	40,573	23.9	124,128
IVC	12.1	5,091	15.2	5,939	0.0	0	27.3	11,030
TOTAL	29.2	79,994	32.8	81,247	19.0	78,783	81.1	240,024

9

10 Q. What do the MW and MWh reductions stated in Table 1 represent in terms of value
11 to customers?

12 A. The net present value of the savings is \$213 million in avoided capacity and energy costs.

13

14 Q. Are utilities responsible for the EM&V of their demand programs?

15 A. Yes. Pursuant to OAC 165: 35-41-6, utilities are “responsible for timely evaluation,
16 measurement and verification of their energy efficiency and demand response programs.”
17 Adam Thomas with ADM Associates addresses the approach to EM&V for the proposed
18 Demand Programs. OG&E will contract with a third party EM&V consultant to perform
19 the annual evaluation of the Portfolio.

1 Q. **Is OG&E requesting lost net revenues (“LNR”) and utility incentives associated**
2 **with the 2016-2018 Demand Portfolio?**

3 A. Yes. The Company is requesting recovery of LNR for all programs and is seeking utility
4 incentives for all programs. Performance based incentives are calculated on operation
5 and maintenance costs only. Witness Scott will address the mechanics of LNR recovery
6 and incentives.

7
8 Q. **Is there a portfolio performance requirement for a utility to be eligible for**
9 **incentives?**

10 A. Yes. Pursuant to OAC 165:35-41-8(a) , the Company’s Demand Portfolio must achieve:
11 a minimum of 80% of its energy savings goal; a total resource cost test benefit/cost ratio
12 that is greater than one; and a utility cost test benefit/cost ratio that is greater than 1.2 to
13 qualify for an incentive.

14

15 EVALUATION OF COST-EFFECTIVENESS

16

17 Q. **How does OG&E evaluate the cost-effectiveness of the demand programs?**

18 A. OG&E uses the five economic tests required by OAC 165:35:41-5(c), commonly referred
19 to as the California Standard Practice Manual tests, to evaluate cost-effectiveness of its
20 proposed Demand Programs. The five economic tests are the Participant Cost Test
21 (“PCT”), the Program Administrator Cost Test (“PACT”) also known as the Utility Cost
22 Test (“UCT”), the Total Resource Cost Test (“TRC”), the Societal Cost Test (“SCT”),
23 and the Ratepayer Impact Measure (“RIM”). Table 3 below, shows the cost-effectiveness
24 test results for the programs and portfolio. For a more detailed description of the method
25 of calculation, the results of the five tests, and why these programs are cost-effective, see
26 Witness Culbertson’s testimony.

1

Table 3: Cost-Effectiveness Results

PROGRAM	TRC	UCT/PACT	PCT	RIM	SCT
HEEP	1.80	2.06	3.31	0.78	2.58
PE-NHC	1.27	3.63	0.99	1.37	2.22
WRAP	2.25	1.38	5.06	0.66	3.40
CEEP	1.47	1.98	3.58	0.63	1.94
IVC	2.20	2.20	1.04	2.20	3.11
TOTAL	1.73	2.00	2.73	0.84	2.45

Note: A rating of 1 or higher indicates benefits are greater than costs

2

3 Q. Do each of the proposed demand programs pass all five tests?

4 A. No. Certain energy efficiency programs do not pass all five economic tests. OG&E
5 weighs the results of all five tests to determine the overall cost-effectiveness of the
6 programs. A program will not necessarily be excluded from consideration because it fails
7 one of the five tests.

8

9 FUNDING FOR RESEARCH AND DEVELOPMENT

10

11 Q. Please explain OG&E's request for research and development funds.

12 A. OAC 165:35-41-4(c) (2) states that demand portfolios may include research and
13 development as long as the total budget for such programs does not exceed 5% of the
14 total budget for the Demand Portfolio. In this Application, OG&E is requesting
15 \$1,693,000 for customer research and development to be spent during the 2016-2018
16 portfolio period. Research to test and validate expanded features in program offerings is
17 important to the success of OG&E's ability to meet its customer needs. OG&E's
18 customers have increasing expectations for programs and services. The intent of research
19 is to integrate more advanced technology into program offerings to make them more
20 successful and robust.

21

1 Q. **Please describe the research OG&E is proposing.**

2 A. OG&E's research will address areas of need for residential, commercial, industrial, and
3 municipal customers.

4 • For residential customers, OG&E seeks to test and evaluate customer's
5 interest in an expansion of efficiency and demand response benefits through
6 new and more advanced technology building on the previous SmartHours
7 Program's success. For instance, pool pumps or other smart appliances could
8 react to predetermined customer settings.

9 • For Commercial and Industrial customers, OG&E seeks to provide customers
10 with "set and forget" technology making it easier to create savings
11 opportunities and leveraging previous research. Previous research indicated
12 that customers desire technology that is simple to use and saves time and
13 money.

14 • OG&E will expand its customer engagement approach using behavior based
15 studies and techniques. Mobile applications are a key element of all of the
16 proposed research.

17 • OG&E will test technology which allows customers to manage their LED
18 light fixtures provided by OG&E with services that include light on/off
19 notification, consumption information, customer control, and automated
20 scheduling of one or more light fixtures. These services will be tested for
21 customers that utilize security lighting service and municipal lighting service.
22

23 Q. **How will OG&E utilize research to achieve its energy and demand savings goal?**

24 A. Incorporation of new technology with smart grid capability is key to building programs
25 that customers will be willing to adopt. Customers will be able to participate in
26 additional energy saving opportunities. Because many of these technologies are
27 relatively new and developing, OG&E will utilize research to demonstrate, prove, pilot,
28 and then deploy when it is clear customer offerings will have a high chance of success.

1 Q. **What are your recommendations to the Commission?**

2 A. OG&E recommends approval of the proposed Demand Portfolio and recovery of the
3 costs associated with implementing the portfolio.

4

5 Q. **Does this conclude your direct testimony?**

6 A. Yes.