

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

**IN THE MATTER OF THE APPLICATION OF)
OKLAHOMA GAS AND ELECTRIC COMPANY)
FOR AN ORDER OF THE COMMISSION)
AUTHORIZING APPLICANT TO MODIFY ITS)
RATES, CHARGES, AND TARIFFS FOR RETAIL)
ELECTRIC SERVICE IN OKLAHOMA)**

CAUSE NO. PUD 201700496

FILED
MAY 16 2018

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**COST OF SERVICE
RESPONSIVE TESTIMONY
OF
JASON C. CHAPLIN
MAY 16, 2018**

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INTRODUCTION

Q: Please state your name and your business address.

A: My name is Jason C. Chaplin. My business address is Oklahoma Corporation Commission, Public Utility Division, Jim Thorpe Office Building, Room 580, 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105.

Q: Have you previously testified before the Oklahoma Corporation Commission (“OCC” or “Commission”) and were your qualifications accepted?

A: Yes. I have previously testified before the Commission and my qualifications were accepted at that time.

Q: What is your occupation and who employs you?

A: I am employed as a Public Utility Energy Coordinator by the Public Utility Division (“PUD”) of the Commission.

Q: How long have you been so employed?

A: I have been employed by the Commission since October 2013.

Q: What are your duties and responsibilities with PUD?

A: I conduct research and perform comparative analysis of utility applications, reports, financial records, exhibits, and workpapers for PUD to make an accurate recommendation. My work focuses in the areas of cost of service (“COS”) and PUD’s involvement with the Southwest Power Pool (“SPP”) in the areas of regional transmission

1 planning and the responsibilities of the SPP Regional State Committee (“RSC”).¹ I serve
2 as the OCC's voting member on the SPP Cost Allocation Working Group (“CAWG”).
3 The membership of the CAWG, which reports to and advises the SPP RSC and assists the
4 RSC in addressing matters for which it has primary responsibility, consists of a
5 representative from each SPP member state, as chosen by each representative’s respective
6 state utility regulatory Commissioner who serves on the RSC. I directly assist OCC
7 Chairman Dana L. Murphy, who serves as the Oklahoma voting member on the SPP
8 RSC, on SPP transmission matters that fall under the SPP RSC purview.²

9 As an Energy Coordinator, I directly supervise a team of PUD analysts that, as authorized
10 by the State of Oklahoma, review and provide recommendations on electric, gas,
11 transmission, and water utility rates, terms, conditions of service, and safety that are in
12 Oklahoma's public interest, serve Oklahoma ratepayers in a fair, just, and reasonable
13 manner, and provide for a fair rate of return to utility shareholders. For a complete list of
14 my work history and educational background, please review my curriculum vitae
15 attached as Exhibit One to my Responsive Testimony filed in this Cause on May 2, 2018.

16 PURPOSE

17 **Q: What is the purpose of this testimony regarding the Application filed by Oklahoma**
18 **Gas and Electric Company (“OG&E” or “Company”) for an order of the**

¹ The SPP is one of nine Independent System Operators/Regional Transmission Organizations and one of eight North American Electric Reliability Corporation regional entities. The SPP is mandated by the Federal Energy Regulatory Commission (“FERC”) to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices for electricity.

² SPP Bylaws Section 7.2 Regional State Committee.

1 **Commission authorizing Applicant to modify its rates, charges, and tariffs as filed in**
2 **Cause No. PUD 201700496?**

3 A: The purpose of this testimony is to present PUD's review of OG&E's Application for a
4 change or modification to its rates, charges, and tariffs; specifically regarding the area of
5 COS.

REVIEW PROCESS

6 **Q: Please describe PUD's analysis of this Application.**

7 A: PUD reviewed all information and Testimony provided by OG&E in this Cause related to
8 COS. PUD further reviewed Commission orders and rules, testimony related to COS in
9 prior causes, and workpapers including supporting schedules relating to OG&E. PUD
10 communicated with OG&E through email, phone calls, in-person reviews, and
11 information/data requests and reviewed responses to these requests.

COST OF SERVICE OVERVIEW

12 **Q: What is the purpose of a cost of service study ("COSS")?**

13 A: A COSS is a fundamental tool used to determine the revenue requirement to be recovered
14 from a company's jurisdictional and/or customer classes. In a COSS, costs are either
15 allocated or directly assigned to jurisdictions and/or customer classes. This type of
16 analysis is typically referred to as an embedded COSS, which is based on historical costs
17 and the operating experience of the utility during the *pro forma* test year.³ The cost
18 principle applies not only to the overall level of rates, but also to the rates set for

³ S. J. Satterwhite Direct Testimony pg. 3, ln. 7-11.

1 individual services, classes of customers, and segments of the utility's business. Cost
2 studies, therefore, are used for the following:⁴

- 3 • To attribute costs to different categories of customers based on how those
- 4 customers cause costs to be incurred.
- 5 • To determine how costs will be recovered from customers within each customer
- 6 class.
- 7 • To calculate costs of individual types of service based on the costs each service
- 8 requires the utility to expend.
- 9 • To determine the revenue requirement for the monopoly services offered by a
- 10 utility operating in both monopoly and competitive markets.
- 11 • To separate costs between different regulatory jurisdictions.

12 **Q: What is the process of performing a COSS?**

13 A: There are three main steps in performing a COSS. First, accounts are identified by the
14 utility's main functions (production, transmission, distribution, and customer service).
15 Second, once the accounts have been functionalized, they are classified as either
16 customer, demand, or energy related costs. Third, these costs are assigned to each
17 customer class, using developed allocators or are directly assigned.

18 **Q: Please detail the second step of a COSS according to the National Association of**
19 **Regulatory Utility Commissioners ("NARUC") Cost Allocation Manual.**

20 A: The second step of a COSS is to separate the functionalized costs into classifications
21 based on the components of utility service being provided. These classifications are
22 demand costs, which vary with the demand imposed by customers; energy costs, which
23 vary with the commodity provided; and customer costs, which directly relate to the

⁴ National Association of Regulatory Utility Commissioners ("NARUC"). (1992). Electric Utility Cost Allocation Manual. Washington: NARUC.

number of customers served. Table One summarizes the Manual's guidelines for classification of costs.

Table One: Typical Cost Classification

FUNCTION	CLASSIFICATION
Production	Demand, Energy
Transmission	Demand
Distribution	Demand, Customer
Customer Service	Demand, Customer

Q: What types of costs are included in a COSS?

A: Fixed and variable are the two broad categories of costs included in a COSS. Fixed costs do not vary with output, remain constant in the short run, and include capital costs, return, depreciation expenses, income taxes, property taxes, and some operation and maintenance ("O&M") expense. Variable costs vary with output and include fuel costs, purchased power, and some O&M expense. In addition there are sub components of fixed and variable costs. These include directly assigned costs that are incurred to serve a particular customer or class of service and what are called joint or common costs. Joint or common costs are those costs that are shared by all customers because they are incurred to produce jointly beneficial products.

Q: How are joint and common costs allocated?

A: In a COSS, joint and common costs identified in the test year are allocated either on the basis of the overall ratios of those costs that have been directly assigned, or by a series of allocators that best reflect cost causation principles such as labor, wages or plant ratios, or

1 by an analysis of each account to determine whether it is beneficial.⁵

2 **Q: Please explain what PUD means by the term “cost causation.”**

3 A: Cost causation is the determination as to what, or who, is causing costs to be incurred by
4 the utility in providing service to its customers. Examples of cost causation may include:
5 a customer’s request for service at a new location causes the Company to incur costs such
6 as investment in line transformation, a service drop, metering facilities, and establishes a
7 commitment on the part of the utility to provide, among other things, answers to
8 questions and a monthly billing; or a customer’s energy use or usage, usually expressed
9 in kilowatt-hours.⁶

10 **Q: Is PUD familiar with the cost causation principles described in the NARUC Cost**
11 **Allocation Manual?**

12 A: Yes. PUD is familiar with these cost causation principles through NARUC rate school
13 training, the National Regulatory Research Institute⁷ (“NRRI”) regulatory ratemaking
14 coursework, and through its participation in SPP. As part of the Commission’s Strategic
15 Plan, every Commission employee is required to attend multiple training courses each
16 year in order to meet the goal to *Invest in our Workforce*. Within this goal the
17 Commission strives to provide a safe, healthy, respectful, and rewarding work
18 environment and to build organizational depth and succession plans by expanding skills
19 and increasing professional development and career advancement opportunities for all

⁵ NARUC Manual, pg. 15.

⁶ S. J. Satterwhite Direct Testimony p. 5, ln. 5-11.

⁷ NRRI was founded in 1976 by NARUC and serves as a research arm to NARUC and its members, utility regulatory commissions of the fifty states, and the District of Columbia in the United States.

1 employees. With an OCC goal of investing in its workforce, PUD is required to
2 participate in annual rate making coursework, trainings, and seminars resulting in PUD
3 being familiar with NARUC cost causation principles.

4 PUD is also familiar with NARUC cost causation principles from its active participation
5 in SPP, which follows FERC cost allocation principles. SPP uses FERC-approved cost
6 allocation principles that came out of FERC Order 1000 which are similar to NARUC
7 cost causation principles. The SPP RSC has primary responsibilities in the areas of
8 regional transmission cost allocation, regional financial transmission rights, and regional
9 resource adequacy. As an example, the RSC tasked the CAWG at its January 2018
10 meeting to develop a draft scope to assess cost allocation methodology for wind-rich
11 areas in the SPP footprint – specifically cost allocation for Byway (100kV-300kV)
12 facilities. At the RSC's April 2018 meeting, the RSC approved this scope and directed
13 the CAWG to bring a cost allocation recommendation for wind-rich areas in SPP to the
14 RSC by April 2019.

15 The RSC and CAWG are also voting and liaison members on the newly formed SPP
16 Holistic Integrated Tariff Team ("HITT"). One of the areas HITT is tasked to explore
17 and assess is transmission cost allocation issues including, but not limited to,
18 Highway/Byway regional cost allocation methodology, directly assigned costs,
19 Attachment Z2 credits, and cost allocation impacts on transmission pricing zones with
20 large wind resources. As cost allocation is a primary responsibility of the RSC, state
21 regulators have representation on HITT. Any cost allocation recommendations that come

1 out of SPP HITT will have to be approved by the RSC before being sent to FERC for
2 ultimate approval. Through PUD's work on SPP CAWG and RSC, PUD is familiar with
3 cost allocation principles, including the cost principle.

4 **Q: How long have you been the Commission's SPP CAWG voting member?**

5 A: I have been the Commission's SPP CAWG voting member since August 2014. I also
6 served as the CAWG Chairman in 2015 during which time Commission Chairman Dana
7 L. Murphy served as the President of the SPP RSC.

8 **Q: Please describe the cost allocation principles used in SPP and approved by FERC.**

9 A: For a cost allocation method or methods to be just and reasonable and not unduly
10 discriminatory or preferential, FERC Order 1000 requires that each cost allocation
11 method satisfy six general cost allocation principles:⁸

- 12 1. The cost of transmission facilities must be allocated to those within the
13 transmission planning region that benefit from those facilities in a manner that is
14 at least roughly commensurate with estimated benefits.
- 15 2. Those that receive no benefit from transmission facilities, either at present or in a
16 likely future scenario, must not be involuntarily allocated the costs of those
17 facilities.
- 18 3. If a benefit to cost threshold is used to determine which facilities have sufficient
19 net benefits to be included in a regional transmission plan for the purpose of cost
20 allocation, it must not be so high that facilities with significant positive net
21 benefits are excluded from cost allocation.
- 22 4. The allocation method for the cost of a regional facility must allocate costs solely
23 within that transmission planning region unless another entity outside the region
24 or another transmission planning region voluntarily agrees to assume a portion of
25 those costs.
- 26 5. The cost allocation method and data requirements for determining benefits and
27 identifying beneficiaries for a transmission facility must be transparent with
28 adequate documentation to allow a stakeholder to determine how they were
29 applied to a proposed transmission facility.

⁸ FERC Order 1000, Docket No. RM10-23-000, pg. 420-423.

1 6. A transmission planning region may choose to use a different cost allocation
2 method for different types of transmission facilities in the regional plan, such as
3 transmission facilities needed for reliability, congestion relief, or to achieve public
4 policy requirements established by state or federal laws or regulations.

5 **Q: How are costs allocated among customer classes in a COSS?**

6 A: The third step in a COSS helps to allocate costs among customer classes once they have
7 been functionalized and classified by using developed or internally-assigned allocators.
8 Customers are separated into several classes based on the nature of service and load
9 characteristics.

10 **Q: What is the result of a COSS?**

11 A: The result is a fully-allocated embedded COSS that establishes the cost responsibility to
12 the jurisdiction and individual retail customer classes. This information is used to design
13 rates to help recover a company's proposed revenue requirement. A fully-allocated
14 COSS allocates and assigns costs to customer classes based upon operating, legal, and
15 economic principles.

OG&E'S PROPOSED COST OF SERVICE

16 **Q: Did the Company perform a COSS?**

17 A: Yes. As part of the Application, OG&E submitted Schedule K and its sub-schedules
18 which set forth the Company's COS. These schedules and workpapers depict the
19 jurisdictional calculations that support the COS allocations. Schedule K-1 shows the pro
20 forma adjusted total Company cost of service. Each of the supporting schedules details,

by account, the associated allocation basis for the amounts shown on Schedule K-1.
Table Two lists these supporting schedules:

Table Two: Supporting Schedules for K-1:

Schedule Name	Description
Schedule K-2.1	Pro forma electric revenues based on current rates
Schedule K-2.2	Operation and maintenance expenses
Schedule K-2.3	Depreciation expense
Schedule K-2.4	Taxes other than income
Schedule K-2.5	Plant in service
Schedule K-2.6	Accumulated depreciation
Schedule K-2.7	Construction work in progress
Schedule K-2.8	Plant held for future use
Schedule K-2.9	Working capital
Schedule K-2.10	Other rate base adjustments

Q: What methodology does the Company use to ensure that the allocated costs are reasonable?

A: According to OG&E witness Shawna J. Satterwhite, the Company uses the following criteria to evaluate the appropriateness of its allocation methodology:

1. The method should reflect the planning and operating characteristics of the utility's system.
2. The method should recognize individual customer class characteristics such as energy use, peak demand on the relevant portion of the system, service diversity characteristics or the number of customers.

- 1 3. The method should produce reliable results that are relatively stable from year-to-
2 year.
3 4. Customers who benefit from the use of the system should also bear appropriate
4 cost responsibility for the system.⁹

CHANGES TO OG&E'S COST OF SERVICE STUDY

5 **Q: Please describe the changes to OG&E's COSS since its last base rate case in PUD**
6 **Cause No. 201500273.**

7 A: The Company has made two changes in its COSS since its last base rate case, a
8 transmission demand allocation change and an updated Zero-Intercept Study.

9 **Q: Please describe OG&E's proposed change related to transmission demand**
10 **allocation in the COSS.**

11 A: This change is reflected in the load data for the partial requirement customers. Partial
12 requirement customers are those customers whose energy needs are not completely met
13 by the Company. In Cause No. PUD 201500273, the load data used for the transmission
14 demand allocator was the same data used for the production demand allocator. The
15 transmission system serves total customer demand regardless of which specific utility
16 serves that demand. In this Cause, the Company is using total customer demand to create
17 a transmission demand allocator for these partial requirement customers. This change is
18 necessary in order to match costs with customer use of the transmission system, whether
19 they are partial requirement customers or not.¹⁰

⁹ S. J. Satterwhite Direct Testimony p. 10, ln. 1-12.

¹⁰ S. J. Satterwhite Direct Testimony pg. 11, ln. 4-12.

Q: Please describe OG&E's updated Zero-Intercept Study.

A: In OG&E's last base rate case, it relied on a Zero-Intercept Study that was performed in 2008. The Zero-Intercept Study allocates distribution assets in FERC accounts 364 through 368 between customer costs and demand costs. OG&E completed a new Zero-Intercept Study ("Study") and has incorporated this new Study into the COSS.¹¹ The Study results are shown below in Table Three:

Table Three: Zero-Intercept Cost Analysis Summary

Item	FERC	Customer Percent	Demand Percent
Poles	364	27.13%	72.87%
Overhead Conductor	365	27.13%	72.87%
Underground Conductor	367	64.70%	35.30%
Transformers	368	75.12%	24.90%

Q: What is the purpose of a Minimum Intercept study?

A By using the Minimum Intercept (Zero-Intercept) methodology, as is commonly done by other electric and gas utilities in Oklahoma and suggested under the NARUC Cost Allocation Manual, a utility attempts to identify that portion of plant related to a hypothetical no-load or zero-intercept situation. The technique is to relate installed cost to current carrying capacity or demand rating; create a curve for various sizes of the equipment involved using regression techniques; and extend the curve to a no-load intercept.¹²

¹¹ Ibid ln. 15-18.

¹² NARUC Electric Utility Cost Allocation Manual, January 1992, Page 92-96.

1 **Q: Does PUD differentiate between the results of a Minimum Intercept Study and the**
2 **output of a COSS? If yes, how?**

3 A: Yes. PUD believes the outputs from the two studies provide results for differing
4 purposes. As stated previously in this testimony, the result of the COS process is a fully-
5 allocated embedded COSS that establishes the cost responsibility for each class of
6 service, whereas a Minimum Intercept Study provides the customer component costs
7 related to the “zero-intercept”. In this Study, OG&E for the first time used a geospatial
8 information system (“GIS”) tool to obtain a richer set of data that in theory produces a
9 more precise output. PUD believes it is necessary to use a supporting study, such as the
10 Minimum Intercept Study, that provides a more robust analysis and classification of
11 costs. In other words, a Minimum Intercept Study provides supporting information to
12 allocate correctly the costs between demand and customer. PUD further supports
13 OG&E’s decision to use a GIS tool in its Study as this should produce a more precise
14 output.

PROPOSED REVENUE REQUIREMENT BY THE COMPANY

15 **Q: What are the components used to calculate the revenue requirement (“RR”)?**

16 A: In order for the Company to cover its expenses and have the opportunity to earn a fair
17 rate of return, the calculation of its RR should include the Company’s expenses, which
18 include its (O) operating expenses (Operation and Management /Administrative and
19 General), its (T) Taxes (corporate income taxes + other taxes), and its (d) annual
20 depreciation expense; plus the Company’s rate base calculated using the Company’s (V)

gross investment, (D) accumulated depreciation, and an (r) overall rate of return (weighted-average cost of capital).

$$RR = (O + T + d) + (r(V - D))$$

$$RR = Expenses + r(RateBase)$$

Q: What is the Company's proposed revenue requirement in this Cause?

A: OG&E is proposing a total, Oklahoma only, RR of \$1,190,503,177 or an increase of \$1,860,515.¹³ The total RR increase proposed by OG&E would increase total retail rates by 0.16% (see calculation below).

$$\begin{array}{r} \text{(Proposed Revenues \$1,190,503,177 – Current Revenues \$1,188,642,662)} \\ / \\ \text{Current Revenues \$1,188,642,662} \\ = 0.16 \text{ percent} \end{array}$$

RESULTS OF OG&E'S COST OF SERVICE STUDY

Q: What are the results from the Company's COSS under OG&E's existing rate of return ("ROR")?

A: As shown below in Table Four, the Company's ROR under existing rates yields revenues of approximately \$1.189 billion for the total retail class. It also shows the requested ROR of 7.763%, which would produce revenues of approximately \$1.190 billion for the total retail class. Therefore, the Company has proposed an increase of \$1,860,514 in revenues for the retail portion of this Cause.¹⁴

¹³ Schedule B-1 filed with OG&E's Application.

¹⁴ Schedule L-1 filed with OG&E's Application.

Q: What does the COSS show under the Company's proposed rates?

A: Tables Four and Five summarize the Company's COSS and current and PUD-recommended ROR and relative rate of return ("RROR") for each Customer Group, respectively. Table Four summarizes the COSS for OG&E Customer Groups with regard to rate base, return on rate base, requested ROR, RR, deficiency or surplus, and percentage increase or decrease from current rates. Table Five shows the Company's current ROR and RROR and PUD-recommended ROR and RROR.

Q: What does the COSS show under PUD's recommended rates?

A: Under PUD's recommendation, as shown in Table Five, all classes would move closer to achieving parity. For PUD's analysis and recommendations related RROR, revenue distribution, and rate design, please refer to PUD witness Kathy Champion's Rate Design Testimony.

Table Four: COSS Summary

DESCRIPTION: Summary Data from Schedule I-1	TOTAL RESIDENTIAL SERVICE Cols. 1 thru 4	TOTAL GENERAL SERVICE Cols. 11,12,57,& 58	TOTAL OIL & GAS PRODUCTION Cols. 60 & 61	TOTAL SCHOOLS SMALL Cols. 25, 63, & 64	TOTAL SCHOOLS LARGE Cols. 66 & 67	TOTAL POWER & LIGHT Cols. 69 & 70	TOTAL LARGE POWER & LIGHT Cols. 43 thru 47	TOTAL OKLA. RETAIL JURISDICTION Cols. 1 thru 53
CURRENT REVENUES	\$592,790,256	\$123,354,682	\$10,473,711	\$11,406,155	\$7,312,796	\$280,017,402	\$129,109,908	\$1,188,642,662
RETURN ON RATE BASE	6.96%	8.65%	13.63%	5.25%	6.41%	8.61%	8.86%	7.73%
RELATIVE RETURN ON RATE BASE	90.10%	111.90%	176.30%	67.90%	82.90%	111.30%	114.50%	100%
EQUALIZED FILED BY COMPANY								
REQUESTED RATE OF RETURN	7.763%	7.763%	7.763%	7.763%	7.763%	7.763%	7.763%	7.763%
TOTAL REVENUE REQUIREMENT	\$617,608,712	\$117,896,356	\$8,047,345	\$13,220,281	\$7,909,791	\$267,791,985	\$122,006,556	\$1,190,503,176
PROPOSED FILED BY COMPANY								
TOTAL RATE BASE	\$2,313,758,300	\$457,909,412	\$30,758,237	\$53,797,563	\$32,837,226	\$1,078,491,162	\$483,531,168	\$4,583,074,714
TOTAL DEFICIENCY / (SURPLUS)	\$24,818,455	(\$5,458,326)	(\$2,426,366)	\$1,814,126	\$596,995	(\$12,225,416)	(\$7,103,351)	\$1,860,514
PERCENT INCREASE / -DECREASE	4.20%	-4.40%	-23.20%	15.90%	8.20%	-4.40%	-5.50%	0.20%

Table Five: Current and PUD-Recommended ROR and RROR

Customer Group	Current Rate of Return	Current RROR	PUD Recommended Rate of Return	PUD Recommended RROR
RS	7.3%	93%	7.2%	100%
GS	8.9%	114%	7.3%	102%
OGP	13.3%	170%	8.3%	115%
PS-S	5.6%	71%	5.4%	76%
PS-L	6.5%	83%	6.5%	91%
PL	8.8%	112%	7.2%	100%
PL TOU	8.2%	105%	7.3%	102%
LPL TOU	8.1%	103%	7.1%	100%
MP	9.0%	115%	6.6%	92%
Lighting	6.6%	85%	6.6%	92%
Total Retail	7.8%	100%	7.1%	100%

Q: What are the results of the Company's COSS used for?

A: The results of the class cost of service submitted in this proceeding are used for two reasons:

1. Provide embedded cost information that is used as a tool in developing the pricing structures for each customer class; and
2. Provide information with which present and proposed relative rates of return by customer class can be compared and reviewed.¹⁵

Q: Has PUD's recommended base rate and total revenue requirement amounts changed from what was filed in the PUD Accounting Exhibit on May 2, 2018?

A: Yes. On May 10, 2018, OG&E submitted to PUD updated six-month post test year COS data for revenues, customer count, and allocators. Please see Table Six below for the updated six-month post test year amounts.

¹⁵ S. J. Satterwhite Direct Testimony p. 13, ln. 2-7.

Table Six: PUD as Filed vs. as Updated to six-month post test year amounts

	As Filed	As Updated
Rate Base	\$4,554,256,694	\$4,550,374,410
Revenue Requirement	\$1,138,834,156	\$1,137,955,461

Q: Based on PUD adjustments and updated six-month post test year data from the Company, what are the results of the COSS?

A: PUD's adjustments to update the COSS to six-month post test year amounts resulted in a reduction to rate base in the amount of \$3,882,284 and a reduction in revenue requirement in the amount of \$878,695.

1 **RECOMMENDATIONS**

2 **Q: What are PUD's recommendations regarding the Application filed by Oklahoma**
3 **Gas and Electric Company ("OG&E" or "Company") in this Cause?**

4 A: PUD recommends this Commission issue an order finding that OG&E has complied with
5 the minimum standard filing requirements in the Chapter 70 rules related to jurisdictional
6 separations and allocations/cost of service, specifically Section K found in 165:70-5-31.
7 PUD further recommends this Commission issue an order finding that the methodology
8 and customer class allocations OG&E used in its cost of service study were reasonable
9 and of sound utility decision-making including OG&E's updated Zero-Intercept Study
10 and the changes to transmission demand allocators. For PUD's analysis and
11 recommendations related to relative rate of return, revenue distribution, and rate design,
12 please refer to PUD witness Kathy Champion's Rate Design Testimony.

13 PUD believes that the recommendations are fair, just, reasonable, and in the public
14 interest.

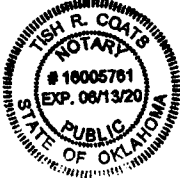
I state, under penalty of perjury under the laws of Oklahoma, that the foregoing is true and correct to the best of my knowledge and belief.



Jason C. Chaplin

State of Oklahoma
County of Oklahoma

Subscribed and sworn to before me this 16th day of May, 2018





NOTARY PUBLIC

(Seal, if any)

PUD Manager

Title

My Commission Number: 16005761

My Commission Expires: June 13, 2020

CERTIFICATE OF SERVICE

I, the undersigned, do hereby certify that on the 2nd day of May, 2018, a true and correct copy of the above and foregoing was sent **electronically**, addressed to the following:

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