

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

**REBUTTAL TESTIMONY OF JUSTIN BIEBER
ON BEHALF OF CMC STEEL OKLAHOMA**

COMES NOW, CMC Steel Oklahoma ("CMC") by and through the undersigned counsel, and, pursuant to the Preliminary Order entered in this cause, hereby submits the Rebuttal Testimony of Justin Bieber in the above captioned proceeding. Thank you for your attention to this matter.

Respectfully submitted,



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May 17, 2024

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1 **I. INTRODUCTION**

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

3 A. My name is Justin Bieber. My business address is 111 E Broadway, Suite 1200, Salt Lake City,
4 Utah, 84111.

5 **Q. ARE YOU THE SAME JUSTIN BIEBER THAT FILED RESPONSIVE TESTIMONY IN**
6 **THIS CASE ON MAY 3, 2024?**

7 A. Yes, I am.

8

9 **II. OVERVIEW AND CONCLUSIONS**

10 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**
11 **PROCEEDING?**

12 A. My rebuttal testimony responds to the responsive testimony of The Public Utility Division
13 (“PUD”) of the Oklahoma Corporation Commission (“Commission”) witness David Scalf,
14 Oklahoma Attorney General (“AG”) witness Frank J. Beling, and AARP witness Patrick Sullivan
15 in regard to the allocation of transmission costs and Company-owned wind plant in the class cost
16 of service study (“COSS”).

17 **Q. PLEASE SUMMARIZE YOUR PRIMARY RECOMMENDATIONS.**

18 A. I offer the following primary recommendations and conclusions:

19 1) *Regarding the allocation of transmission costs*, I disagree with Mr. Beling, Mr. Scalf, and Mr.
20 Sullivan that OG&E’s proposal to allocate transmission costs utilizing a 12 coincident peak
21 (“12 CP”) allocator is aligned with cost causation.

22 2) *Regarding the allocation of OG&E owned wind plant*, I disagree with Mr. Beling, Mr. Scalf,
23 and Mr. Sullivan that OG&E’s proposal to carve out the allocation of wind plant from the rest

1 of the production fleet and allocate wind plant using a blended 84% energy and 16% demand
2 (16%/84%) allocation factor is aligned with cost causation.

3
4 **III. TRANSMISSION COST ALLOCATION**

5 **Q. PLEASE EXPLAIN MR. SCALF'S POSITION REGARDING THE ALLOCATION OF**
6 **TRANSMISSION COSTS.**

7 A. PUD witness Mr. Scalf claims that OG&E's proposal to use a 12 CP allocator for transmission
8 costs among Oklahoma jurisdictional retail customer classes is appropriate.¹ To support this claim,
9 Mr. Scalf refers to OG&E's claim that the Southwest Power Pool ("SPP") plans and operates the
10 transmission grid to provide cost-effective power for all twelve months of the year, not just the
11 four summer months.² However, in the interest of gradualism, Mr. Scalf recommends that only
12 50% of OG&E's transmission costs should be allocated using the 12 CP allocator while the
13 remaining 50% should be allocated using the 4 coincident peak ("4 CP") allocator *in this*
14 *proceeding*.³

15 **Q. PLEASE EXPLAIN MR. BELING'S POSITION REGARDING THE ALLOCATION OF**
16 **TRANSMISSION COSTS.**

17 A. Mr. Beling recommends that the Commission approve OG&E's proposal to allocate transmission
18 costs among Oklahoma jurisdictional retail customer classes using a 12 CP allocator. In support
19 of this recommendation, Mr. Beling claims that OG&E's transmission costs are driven by year-
20 round peaks.⁴

¹ PUD Cost of Service/Rate Design Responsive Testimony of David Scalf at 17:13-15.

² *Id.* at 15: 11-13.

³ *Id.* at 17: 15-17.

⁴ AG Responsive Testimony of Frank J. Beling at 11:4-6.

1 **Q. PLEASE EXPLAIN MR. SULLIVAN'S POSITION REGARDING THE ALLOCATION**
2 **OF TRANSMISSION COSTS.**

3 A. AARP witness Mr. Sullivan also claims that OG&E's proposal to allocate transmission costs
4 among the Oklahoma jurisdictional retail classes using the 12 CP is reasonable. In support of this
5 claim, Mr. Sullivan explains that OG&E uses the 12 CP methodology to allocate transmission
6 costs in its other jurisdictions. He also claims that it aligns with how SPP assigns costs across its
7 transmission system on a load ratio basis and is consistent with SPP's transmission planning, which
8 allows customers to access cost-effective power for twelve months of the year, not just during the
9 system peak or summer months.⁵

10 **Q. HOW DO YOU RESPOND REGARDING THE APPROPRIATE METHOD TO**
11 **ALLOCATION TRANSMISSION COSTS?**

12 A. For the reasons I explained in my responsive testimony, I continue to recommend that the
13 Commission reject OG&E's proposal to change its transmission cost allocator from the 4 CP to
14 the 12 CP method and instead continue to utilize the 4 CP allocator. Although transmission is
15 typically utilized throughout the year, the underlying cost causation is driven by the need to plan
16 and build a transmission system that can serve peak loads. As I quantitatively demonstrated in my
17 responsive testimony, OG&E is a summer peaking utility with very pronounced summer
18 coincident peaks relative to the rest of the year, and the transmission system is planned in order to
19 meet those peak needs. The 4 CP allocation method more accurately aligns with cost causation
20 driven by the needs of OG&E's summer peaking system.

21

⁵ AARP Responsive Testimony of Patrick Sullivan at 11:16-23.

1 **IV. PRODUCTION PLANT COST ALLOCATION**

2 **Q. PLEASE EXPLAIN MR. SCALF'S POSITION REGARDING THE ALLOCATION OF**
3 **WIND PLANT.**

4 A. PUD witness Mr. Scalf claims that OG&E's proposal to change the allocation of production plant
5 costs to a blended 16%/84% energy and demand allocation factor is appropriate. However, in the
6 interest of gradualism, Mr. Scalf recommends that only 50% of OG&E's wind plant costs should
7 be allocated using the 16%/84% allocator *in this proceeding*.⁶ To support his claim, Mr. Scalf
8 references OG&E's direct testimony on this topic.⁷

9 **Q. PLEASE EXPLAIN MR. BELING'S POSITION REGARDING THE ALLOCATION OF**
10 **WIND PLANT.**

11 A. Mr. Beling claims that OG&E's proposed 16%/84% blended allocation method to allocate wind
12 plant is reasonable. In support of this claim, Mr. Beling explains that he performed an estimate-
13 level analysis that indicates a 10%/90% blended allocation method would be reasonable, which he
14 claims is similar to OG&E's proposal.⁸ In Mr. Beling's estimate-level analysis he estimates the
15 capacity value of OG&E's wind resources based on the level of accredited capacity and an
16 escalated cost of new entry ("CONE") compared to an adjusted net present value calculation of
17 his forecast of OG&E's future wind plant revenue requirements.⁹ Mr. Beling also refers to the
18 Commission's approval of a 16%/84% blended allocation method for the Sundance wind facility
19 in Public Service Company of Oklahoma's ("PSO's") recent rate case to support his position.¹⁰

⁶ PUD Cost of Service/Rate Design Responsive Testimony of David Scalf at 13:7-13.

⁷ *Id.* at 10:1-12:20.

⁸ Responsive Testimony of Frank J. Beling at 18:19-21

⁹ *Id.* at 17:7-18:8.

¹⁰ *Id.* at 18:14-16

1 Finally, Mr. Beling asserts that the Company is correct to propose an allocation method
2 that is not a strict cost-of-service based approach for Company-owned wind resources.¹¹ Mr.
3 Beling alleges that a strict cost-of-service-based allocation would allocate 100% of fixed wind
4 plant costs using a demand allocator.¹² According to Mr. Beling, that would create a mismatch
5 between costs and benefits that can shift costs between customer classes with different load
6 factors.¹³

7 **Q. PLEASE EXPLAIN MR. SULLIVAN’S POSITION REGARDING THE ALLOCATION**
8 **OF WIND PLANT.**

9 A. Mr. Sullivan also claims that OG&E’s proposal to allocate wind plant using a 16%/84% blended
10 allocation wind production costs is aligned with cost causation. Mr. Sullivan claims that the
11 Company’s proposed allocation method appears to align cost recovery with SPP’s capacity
12 accreditation methodology. And he claims that OG&E’s proposal aligns with the Commission’s
13 approval of an 16%/84% blended allocation method for the Sundance wind facility in PSO’s recent
14 rate case.¹⁴

15 **Q. WHAT IS YOUR ASSESSMENT OF THESE RECOMMENDATIONS?**

16 A. For the reasons that I explained in my responsive testimony, I continue to recommend that the
17 Commission reject OG&E’s proposal to carve out the cost allocation for Company-owned wind
18 resources to be allocated on a separate basis from the rest of the production fleet. The 4 CP Average
19 and Excess (“A&E”) method that OG&E uses to allocate the rest of the production fleet is a robust

¹¹ *Id.* at 13:1-4.

¹² *Id.* at 12:16-18.

¹³ *Id.* at 13:7-8.

¹⁴ Responsive Testimony of Patrick Sullivan at 11:6-13.

1 allocation method that already includes an *energy component* which reflects the fact that certain
2 resources are built to serve primarily energy needs.

3 **Q. HOW DO YOU RESPOND TO MR. BELING'S ASSERTION THAT THE COMPANY IS**
4 **CORRECT TO PROPOSE AN ALLOCATION METHOD FOR WIND RESOURCES**
5 **THAT DOES NOT ALLOCATE 100% OF FIXED WIND COSTS USING A DEMAND**
6 **ALLOCATOR?**

7 A. As I explained in my responsive testimony, OG&E historically has allocated all production plant,
8 including the Company-owned wind resources using the 4 CP A&E method. It is important to
9 recognize that the 4 CP A&E method does *not* allocate 100% of production costs using a demand
10 allocator. The 4 CP A&E method is an energy-weighted method that *already includes a 57.5%*
11 *energy weighting* based on OG&E's system load factor. Further, OG&E's proposal to utilize a
12 blended 16%/84% method for Company-owned wind resources would actually allocate 84% of
13 the cost on an energy basis and the remaining 16% using the *4 CP A&E method*. Since the 4 CP
14 A&E method already includes a 57.5% energy weighting, that means 93.2% of Company-owned
15 wind would effectively be allocated on an energy basis in OG&E's proposed COSS.¹⁵

16 **Q. HOW DO YOU RESPOND TO MR. BELING AND MR. SULLIVAN THAT OG&E'S**
17 **PROPOSED BLENDED ALLOCATION METHOD FOR WIND PLANT WAS**
18 **APPROVED BY THE COMMISSION IN PSO'S MOST RECENT RATE CASE FOR THE**
19 **SUNDANCE WIND FACILITY?**

20 A. As I explained in my responsive testimony, the Commission's Order made it clear that its
21 authorization of the blended allocation methodology for the Sundance wind facility was not a final

¹⁵ 16% Wind Plant Allocated on 4 CP A&E x 57.5% 4 CP A&E Energy Weighting + 84% Wind Plant Allocated on Energy = 93.2%.

1 determination on the issue, but rather an effort to utilize Sundance as a pilot project to further
2 evaluate proper allocations. The Commission also made it clear that its findings did not apply to
3 other wind facilities within PSO's portfolio.¹⁶

4 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

5 **A. Yes, it does.**

¹⁶ See Case No. PUD 2022-000093, *Application Of Public Service Company Of Oklahoma, An Oklahoma Corporation, For An Adjustment In Its Rates And Charges And The Electric Service Rules, Regulations, And Conditions Of Service For Electric Service In The State Of Oklahoma And To Approve A Formula Base Rate Proposal*, Order No. 738571 (Order Modifying Final Order No. 738226) at 16 (Nov. 21, 2023).

CERTIFICATE OF SERVICE

This is to certify that on the 17th day of May 2024, a true and correct copy of the above and foregoing document was electronically served via the Electronic Case Filing System to those on the Official Electronic Case Filing Service List, or via electronic mail to the following persons:

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AFFIDAVIT OF JUSTIN BIEBER

STATE OF UTAH)
COUNTY OF SALT LAKE)

Justin Bieber, being first duly sworn, deposes and states that:

- 1. He is a Principal with Energy Strategies. L.L.C., in Salt Lake City, Utah;
2. He is the witness who sponsors the accompanying testimony entitled "Rebuttal Testimony of Justin Bieber;"
3. Said testimony was prepared by him and under his direction and supervision;
4. If inquiries were made as to the facts and schedules in said testimony he would respond as therein set forth; and
5. The aforesaid testimony and schedules are true and correct to the best of his knowledge, information and belief.

[Handwritten signature of Justin Bieber]
Justin Bieber

Subscribed and sworn to or affirmed before me this 16th day of May, 2024, by Justin Bieber.

[Handwritten signature of Kimberlie A. Ignjatovic]
Notary Public

