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	)	CASE NO. PUD 2023-000087
RATES, CHARGES, AND TARIFFS FOR RETAIL	)	
ELECTRIC SERVICE IN OKLAHOMA	)	

Rebuttal Testimony

of

Bryan J. Scott

on behalf of

Oklahoma Gas and Electric Company

May 17, 2024

Q. **Please state your name and business address.**

A. My name is Bryan J. Scott. My business address is 321 N. Harvey Ave., Oklahoma City, Oklahoma 73102.

Q. **Are you the same Bryan J. Scott that filed Direct Testimony in this case on December 29, 2023?**

A. Yes.

Q. **Please state the purpose of your Rebuttal Testimony.**

A. I will address various issues raised by the Public Utility Division ("PUD") of the Oklahoma Corporation Commission ("Commission"), the Oklahoma Attorney General ("AG"), the Oklahoma Industrial Energy Consumers ("OIEC"), the Federal Executive Agencies ("FEA"), CMC Steel, Walmart, and AARP regarding the revenue allocation proposed by the Company. I then also address OIEC and CMC Steel testimony related the proposed elimination of co-subscription between the Day-Ahead Pricing ("DAP") or Flex Price ("FP") pricing plans with the Load Reduction ("LR") program.

Revenue Allocation

Q. **Can you generally describe the various parties' positions regarding the revenue allocation proposed by the Company?**

A. Yes. PUD witness Scalf, AG witness Beling, and OIEC witnesses Norwood and Garrett offered no specific critique regarding the Company's proposed revenue allocation.

CMC witness Bieber generally agrees with OG&E's revenue allocation methodology but objects that certain sub-classes (GS standard, PL-TOU SL3[1]) are proposed by the Company's allocation to assist with mitigating subsidies at a level higher than he believes appropriate.[2]

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[1] Witness Bieber references PL-TOU SL3; however, the data to which he refers in Table JB-3 is PL-Standard SL3.

[2] Justin Bieber Responsive, page 27 line 11 to page 28 line 3.

Walmart witness Austin did not have specific issues with the Company's proposed revenue allocation but stated that changes would be required to accommodate the final decision by the Commission establishing the final revenue requirement.[3] Witness Austin also offered suggestions as to how the revenue allocation could be accordingly adjusted.

AARP witness Sullivan at pages 20-23 and FEA witness Gorman at pages 6-24 recommended substantive changes to the Cost of Service Study ("COSS") and therefore to the resulting revenue allocation.

Q. **For the parties that modified that revenue allocation, do you agree with their proposed modifications?**

A. No. I disagree that the principles embodied in the Company's proposed revenue allocation are faulty, but I certainly agree that the final revenue allocation will be adjusted to comply with any final order issued by the Commission in this matter and will align with the compliance Cost of Service study performed by the Company.

To assist with describing the impacts and results of the various modifications proposed to the Company's revenue allocation, Table 1 below was extracted from the Excel® workpaper used to produce the tables in my Direct Testimony and this additional detailed backup from the workpaper is provided to the parties. It provides the proposed increase as calculated on base rates as well as on total revenue. I will refer to Table 1 as I address other parties' proposals for revenue allocation.

[3] Eric Austin Responsive, page 6, lines 13-17 and page 14, lines 5-14.

Table 1: Additional Revenue Allocation detail from Revenue Allocation W/P

Revenue Allocation										
PUD 202300087										
OG&E										
					Proposed Allocation for Rate Design					
Customer Group	*Current Base Rate Revenue*	*Current Rate of Return*	*Current Relative RoR*	*Current Percent of Total COS*	*Proposed Revenue Increase*	*Proposed Base Rate Revenue*	*Base Rate % Increase*	*Proposed Rate of Return*	*Proposed Relative RoR*	*Net Subsidy*
RESIDENTIAL	$ 647,049,430	4.4%	100.1%	80%	$ 160,494,538	$ 807,543,968	**24.8%**	7.88%	100.0%	$ (1)
GENERAL SERVICE	$ 140,178,520	4.3%	97.3%	79%	$ 43,017,056	$ 183,195,576	30.7%	8.38%	106.5%	$ 5,300,000
OIL & GAS PRODUCTION	$ 12,155,292	6.7%	152.2%	93%	$ 897,761	$ 13,053,053	7.4%	7.88%	100.0%	$ -
PUBLIC SCHOOLS SM	$ 9,866,440	0.8%	19.3%	59%	$ 1,530,589	$ 11,397,029	**15.5%**	2.41%	30.6%	$ (5,337,452)
PUBLIC SCHOOLS LG	$ 10,748,530	2.4%	54.1%	67%	$ 2,211,013	$ 12,959,543	20.6%	4.70%	59.7%	$ (3,004,580)
POWER & LIGHT	$ 297,574,344	4.9%	111.5%	83%	$ 67,255,709	$ 364,830,053	22.6%	8.10%	102.8%	$ 4,602,543
LRG. PWR & LGHT	$ 158,074,089	3.7%	83.6%	77%	$ 47,500,563	$ 205,574,652	**30.0%**	7.88%	100.0%	$ 901
MUNICIPAL PUMPING	$ 4,282,130	5.0%	114.9%	84%	$ 841,119	$ 5,123,249	19.6%	7.88%	100.0%	$ -
LIGHTING	$ 38,068,923	5.0%	115.0%	79%	$ 8,679,715	$ 46,748,638	22.8%	7.52%	95.5%	$ (1,256,570)
BACK UP & MAINTENANCE	$ 320,465	-0.6%	-13.3%	44%	$ 109,278	$ 429,743	34.1%	1.65%	20.9%	$ (304,842)
OKLA RETAIL JURISDICTION	$ 1,318,318,162	4.4%	100.0%	80%	**$ 332,537,341**	$ 1,650,855,503	**25.2%**	7.88%	100.0%	$ -

Q. **What are issues that parties may fail to recognize when trying to revise revenue allocation?**

A. In general, other parties sometimes propose unworkable solutions as they fail to consider how some tariffs are connected to others. For example, if the prices to Public Schools Small (PS-SM) are increased above the General Service (GS) tariff prices, then PS-SM customers would simply request to be billed on the GS tariff and would not receive the specified increase. In the rate development process, the PS-SM proposed prices were set equal to the GS prices and the proposed pricing for both GS and PS-SM produce revenues equal to the combined GS and PS-SM revenue requirement. This illustrates the practical limitation that exists on the increase that can be assigned to some sub-classes. Therefore, for example, it is not feasible to raise PS-SM pricing by an additional $5.3 million as is shown in Table 1, column Net Subsidy. It is certainly not feasible to increase PS-SM by an additional $6.3 million while reducing GS by $22 million from the Company's proposal as is recommended by AARP witness Sullivan (see Table 3 below).

I would note that PUD witness Scalf recognizes[4] that GS and PL offset their counterparts in Public School tariffs. The PL tariffs also offset the increase to Back Up and Maintenance tariffs, which are derived from Power and Light cost data, as well as Lighting.

[4] David Scalf Responsive, page 23, lines 5-6.

Stated from a different perspective, the additional granularity of costs provided by service level and sub-class divisions in the COSS is sometimes not usable when setting prices for each tariff. This is the reason the revenue allocation data was presented by "*Customer Group*" instead of by sub-class in the tables supporting the revenue allocation process in my Direct Testimony.

OG&E provides interested parties with more detailed data by service level and sub-class in the revenue allocation workpaper to fully disclose how the COSS data was used to develop the proposed revenue allocation.

Q. **Is there an example of this in CMC witness Bieber's testimony?**

A. Yes. While I understand witness Bieber's desire to argue for an allocation methodology particularly beneficial to his client's sub-class and the argument to address every sub-class and its ability to pay its full revenue requirement, he fails to consider the impact on "customer groups" and how various sub-classes are impacted. Because of this, witness Bieber's recommendations[5] should be rejected, and the Company's revenue allocation process should be adopted as it reflects a holistic evaluation of impacts of the revenue allocation and setting prices for each tariff.

Q. **Please address the specific changes to the Company's revenue allocation proposed by AARP witness Patrick Sullivan.**

A. Witness Sullivan proposes a process that the revenue allocation be based upon his version of a COSS (Sullivan Direct, page 20, lines 10-12). Using the new COSS, he then also proposed that no customer group receive a decrease, no customer group pay more than 105% of their revenue requirement (their total cost of service), and any resulting reduction amounts be used to reduce subsidies. Witness Sullivan also appears to use a floor of 90% of a customer group's total cost of service as shown on page 16 in Table 4 of his testimony.

[5] Justin Bieber Responsive, page 27 line 11 to page 28 line 3.

Q. **Do you agree with witness Sullivan's specific recommendations?**

A. No. I believe the Company's COSS is the appropriate basis (i.e., starting point) for the revenue allocation process as supported by Company witnesses Lauren[6] and Gwin Cash[7], not the "1 MW COSS". The Company's compliance revenue allocation process will be guided by the Commission's decisions contained in its final order in this case. Regarding his recommendation that no customer group should receive a decrease, the Company's revenue allocation aligns with this recommendation.

Regarding his recommendation that no customer group pays more than 105% of their total cost of service, I respectfully disagree since this proposal relies upon a tertiary metric for evaluation. The metric utilized in the Company's proposal as a cap or upper limit is the percentage of the retail average base rate increase[8] and the primary metric is relative rate of return ("RRoR"). RRoR is the percentage of the class return is of the retail system average return. For example, in Table 1, the Residential proposed rate of return is 7.88% and the retail system average return is also 7.88%. Therefore, the RRoR for Residential is 100% (i.e., the residential class revenues cover 100% of the class costs). As previously stated, the Company's revenue allocation does include a cap[9], but it is not based on the percentage of total cost of service. Rather, it is based upon the percentage of retail average base rate increase. As can be seen in Table 1, the RRoR provides insight as to whether a class is providing the desired return and any increases to a class are moderated by the cap based on retail average base rate increase.

Q. **Why do you state that the percentage of total cost of service ("%COS") used by witness Sullivan should not be used as a primary metric or benchmark for evaluation?**

A. The reason is the %COS can be misleading. A score of 90% with this metric would appear to be a good score: in scholastic terms, a grade of "A". It is not. A score of 90% for %COS produces an average score of 78% RRoR, or a "C" grade. For this reason, the Company does not generally rely upon the %COS metric as its primary metric. The Company calculates and includes the %COS metric in its studies, but the Company does not rely

[6] Lauren Maxey Direct: pg. 9 line 14, through pg. 10 line 9 and including Figure 6: Allocation Flowchart.
[7] Gwin Cash Rebuttal: pg. 10 lines 7-9.
[8] 25.2% is the average retail base rate increase. Bryan Scott Direct, page 6, line 5.
[9] 135% of the average retail base rate increase. Bryan Scott Direct, page 6, lines 8-10.

upon it as the primary benchmark for evaluation. Instead, the Company bases its proposal upon the RRoR combined with a cap based upon percentage of retail average base rate increase.

Q. **Do you agree with witness Sullivan's process and corresponding results?**

A. No. Witness Sullivan's results are untenable. The process he employs results in substantial increases to the Public Schools groups without understanding the limitations I explained earlier. Specifically, witness Sullivan recommends[10] PS-SM receive an increase of $7.8 million and PS-LG receive an increase of $6.5 million, whereas the Company's revenue allocation proposes an increase of $1.5 million for PS-SM and $2.2 million for PS-LG. Witness Sullivan recommends the Backup and Maintenance class receive an increase of 107%, more than doubling their bills. These are the type of untenable results that require careful consideration of the many impacted parts when determining revenue allocation.

Table 2 below is an expanded version of witness Sullivan's Table 4 (extracted from his W/P submitted in response to discovery). As previously stated, his Table 4 is based upon his version of a cost study. Table 2 reveals additional unjustified details such as not having classes such as Power and Light ("PL") and Large Power and Light ("LPL") pay their full cost of service while continuing to increase the GS and OGP classes. Also, the classes that appear to be at 100% of total cost of service, are not actually 100% when the percentages are not rounded, and meaningful subsidies are revealed.

[10] Patrick Sullivan Responsive, pg. 16, Table 4.

Table 2: Expanded Table 4 - AARP Sullivan

From supporting W/P for Table 4	***Proposed Allocation for Rate Design***					
Customer Group	*Proposed Revenue Increase*	*Base Rate % Increase*	*Proposed Rate of Return*	*Proposed Relative RoR*	*Net Subsidy*	*Percent of Total Cost of Service*
RESIDENTIAL	$ 149,527,723	23.1%	7.83%	99.4%	$ (2,013,218)	99.7%
GENERAL SERVICE	$ 20,968,718	15.0%	8.73%	110.9%	$ 7,312,231	104.8%
OIL & GAS PRODUCTION	$ 930,809	7.7%	9.04%	114.8%	$ 794,712	106.5%
PUBLIC SCHOOLS SM	$ 7,820,871	79.3%	6.28%	79.8%	$ (1,885,750)	90.4%
PUBLIC SCHOOLS LG	$ 6,512,020	60.6%	6.74%	85.6%	$ (1,289,389)	93.0%
POWER & LIGHT	$ 82,743,103	27.8%	7.80%	99.0%	$ (1,723,065)	99.5%
LRG. PWR & LGHT	$ 52,322,743	33.1%	7.82%	99.3%	$ (675,596)	99.7%
MUNICIPAL PUMPING	$ 945,472	22.1%	7.77%	98.7%	$ (31,284)	99.4%
LIGHTING	$ 10,422,073	27.4%	7.76%	98.5%	$ (418,331)	99.1%
BACK UP & MAINTENANCE	$ 343,810	107.3%	6.44%	81.7%	$ (70,310)	90.4%
OKLA RETAIL JURISDICTION	**$ 332,537,342**	**25.2%**	7.88%	100.0%	$ 1	100.0%

Witness Sullivan's execution of his revenue allocation process does not seem to accomplish what he states as goals on pages 20-21. The Company's revenue allocation process produces more reasonable results among customer groups and uses the proper COSS as its foundation. For these reasons, I recommend the Commission reject witness Sullivan's recommendations.

Q. **Please describe the basis for the revenue allocation proposed by witness Gorman.**

A. Witness Gorman rejects the COSS presented by Company witness Maxey and instead uses a version of the 1 MW COSS, submitted by the Company in this proceeding to comply with the settlement in its last general rate case, Case No. PUD 202100164. Witness Gorman changes the transmission allocation and wind resource allocations in that study to produce his version of a COSS and his recommended results. I note that Table 1 on page 3 and Table 2 on page 6 of his Responsive Testimony do not accurately reflect the Company's proposed revenue allocation. Witness Gorman incorrectly reports the amount of increase proposed for *BK & Maintenance* as $414,120 and *Total Retail* as $332,951,461. The correct amounts for the Company's proposal are $109,278 for *BK & Maintenance* and $332,537,341 for *Total Retail* and are shown in Table 1 above.

Q. **Please address the specific objections to the Company's revenue allocation raised by witness Gorman.**

A. As stated previously, witness Gorman[11] bases his revenue allocation upon a different COSS. Instead of the Company's COSS, witness Gorman relies on the compliance filing for 1 MW COSS. Company witness Cash addresses issues with parties attempting to rely on the 1 MW COSS in his Rebuttal Testimony.

Witness Gorman then modifies the 1 MW COSS by changing the transmission allocation and the wind allocation. The impacts and concerns related to the appropriate transmission and wind allocation are addressed in Company witness Maxey's Rebuttal Testimony.

Q. **Should the Company and the Commission consider the impacts to customers resulting from the revenue allocation proposals?**

A. Yes. As stated in my Direct Testimony, there are legitimate reasons to propose a revenue change for a class different from the COSS. Witness Gorman's proposal inappropriately reduces the costs allocated to the groups where his largest customers are served (LPL) and increases the costs to the most vulnerable state customers (Public Schools and Municipals). Witness Gorman states his proposal allocates more costs to the Public Schools group and less to the LPL group, and then declares, "My recommended spread reflects the most reasonable COSS and should be adopted."[12] His proposal doubles the increase proposed by the Company to Public Schools. His proposal also raises the increase proposed by the Company to Municipal Pumping ("MP") by $241,379. According to his Table 3, the cost-based increase from his COSS for MP is $539,254, while his revenue allocation is $1,082,498 or double his COSS amount. He states no reasoning for doing so, other than stating that all classes should have an increase of 50% of the system average base rate increase[13].

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[11] Michael Gorman Responsive, page 4, lines 1-12.
[12] Michael Gorman Responsive, page 4, lines 10-12.
[13] Michael Gorman Responsive, page 8, lines 1-3.

Q. **Do the results of witness Gorman's revenue allocation produce unreliable results?**

A. Yes. In his Table 3, he reports that his preferred COSS would change Oil and Gas Pumping (OGP) rates by $158,154; however, he proposes an increase of $1,475,300 or almost ten times larger than required by his study. For Backup and Maintenance customers who have current base rate revenues of $320,316, his COSS calls for a decrease of $243,409, or 76%; the result is proposed base rate revenue of $76,907. Instead of proposing no adjustment to their rates, his methodology proposes to increase their rates by $40,537 or almost 13%; he increases them to $360,853. As a result of his methods, his COSS says the customer should only pay $76,907; while he asks them to pay $360,853. These examples demonstrate why witness Gorman's proposal does not produce reasonable results and therefore is not a reasonable revenue allocation and should be disregarded.

Q. **Do you have other comments to offer the Commission regarding the revenue allocation proposals by AARP, FEA, and CMC?**

A. Yes. Table 3 below summarizes the results of the recommendations from each party. As can be seen, the Company's proposal is more balanced and considers the impacts on all customers, not just the residential customers (AARP), or larger industrial customers (FEA, CMC). Note that the data for the parties were taken from their responsive testimonies and the recommendation from CMC witness Bieber is based on a lower total increase than that of the other proposals ($313 million instead of $332 million).

Table 3: Revenue Allocation Comparison

PUD 202300087		OG&E - as filed		AARP		CMC		FEA	
Customer Group	Current Base Rate Revenue	Proposed Revenue Increase	Base Rate % Increase	Proposed Revenue Increase	Base Rate % Increase	Proposed Revenue Increase	Base Rate % Increase	Proposed Revenue Increase	Base Rate % Increase
RESIDENTIAL	$ 647,049,430	$ 160,494,538	24.8%	$ 149,527,723	23.1%	$ 169,676,164	26.2%	$ 172,383,319	26.6%
GENERAL SERVICE	$ 140,178,520	$ 43,017,056	30.7%	$ 20,968,718	15.0%	$ 36,948,525	26.4%	$ 41,653,867	29.7%
OIL & GAS PRODUCTION	$ 12,155,292	$ 897,761	7.4%	$ 930,809	7.7%	$ 350,996	2.9%	$ 1,475,300	12.1%
PUBLIC SCHOOLS SM	$ 9,866,440	$ 1,530,589	15.5%	$ 7,820,871	79.3%	$ 3,104,061	31.5%	$ 3,739,525	37.9%
PUBLIC SCHOOLS LG	$ 10,748,530	$ 2,211,013	20.6%	$ 6,512,020	60.6%	$ 3,300,143	30.7%	$ 4,074,161	37.9%
POWER & LIGHT	$ 297,574,344	$ 67,255,709	22.6%	$ 82,743,103	27.8%	$ 57,909,368	19.5%	$ 61,369,532	20.6%
LRG. PWR & LGHT	$ 158,074,089	$ 47,500,563	30.0%	$ 52,322,743	33.1%	$ 33,376,792	21.1%	$ 31,725,444	20.1%
MUNICIPAL PUMPING	$ 4,282,130	$ 841,119	19.6%	$ 945,472	22.1%	$ 540,065	12.6%	$ 1,082,498	25.3%
LIGHTING	$ 38,068,923	$ 8,679,715	22.8%	$ 10,422,073	27.4%	$ 8,135,047	21.4%	$ 12,341,325	32.4%
BACK UP & MAINTENANCE	$ 320,465	$ 109,278	34.1%	$ 343,810	107.3%	$ 101,525	31.7%	$ 40,537	12.6%
Gorman - LPL 1 MW								*$ 3,065,953*	*38.0%*
OKLA RETAIL JURISDICTION	$ 1,318,318,162	$ 332,537,341	25.2%	$ 332,537,342	25.2%	*$ 313,442,686*	23.8%	$ 332,951,461	25.3%
Source:	OG&E Revenue Allocation Workpaper			Patrick Sullivan Responsive - Table 4, P21		Justin Bieber Responsive - Table JB6, P34		Michael Gorman Responsive - Table 3, P8	

Co-subscription of DAP or FP with LR tariff

Q. **Who has opposed tariff modifications to limit co-subscription to the DAP or the FP pricing plans with the Load Reduction (LR) program that was described on page 5 of Company witness Alexander's Direct Testimony?**

A. OIEC witness Norwood makes claims on pages 13-15 of his Responsive Testimony opposing the elimination of co-subscription. While CMC is not co-subscribed to these specific tariffs, CMC witness Bieber at pages 35-36 of his Responsive Testimony opposes the elimination of the co-subscription option for DAP and FP with the LR tariff.

Q. **Do you agree with the recommendation set forth by witnesses Norwood and Bieber opposing the elimination of customer ability to subscribe simultaneously to similar tariffs?**

A. No, I do not agree. As I describe below, both witnesses fundamentally misunderstand how these tariffs were developed. The Company wants to maintain multiple tariff offerings for its customers, and customers should assess and subscribe to the tariff that best meets their needs, whether it be DAP, FP or LR, but not allow co-subscription to multiple similar tariffs.

Q. **Can you address the accuracy of certain statements made by witness Norwood regarding DAP and LR?**

A. Many statements made by witness Norwood do not accurately describe the DAP and LR tariffs.

1. Page 13, line 6. The DAP tariff was not initiated in 2014; it was introduced in 1996 in Cause No. PUD 960000005 and approved in Order No. 402103.
2. Page 13, line 7. While the current form of an interruptible service rider, LR, was approved in 2009, OG&E originally introduced similar programs (LC-1, IL-1) in 1983 (Cause No. 27946, Order No. 233982) in response to the OCC Order No. 213164 issued in Cause No. 26600 regarding the rate design standards established in Title 1 of the Public Utility Regulatory Policy Act of 1978.

3. Page 13, lines 17-20. Witness Norwood states that DAP is "energy related" and later in his testimony asserts that LR is "peak demand related" in an attempt to contrast DAP with LR. DAP is not merely "energy related." OG&E specifically adds marginal **capacity** costs to the hourly prices to induce a reduction in load during higher load and cost hours. This is specifically noted on DAP tariff sheet 33.03 in the term "$MC_{Hr.}$" where it states, "the marginal supply costs for the Hour (includes energy **and capacity costs**)" (emphasis added). <u>Hourly</u> energy prices can be a more surgically precise method of pricing than demand charges for generation capacity.

4. Page 14, lines 1-4. Witness Norwood infers that LR is **peak** demand related and not energy related. LR has several energy-related aspects. The most recent use of LR (outside of annual test purposes) was not related to system **peak** demand, but instead was better characterized as related to the lack of energy (unavailable natural gas supplies and unavailable renewable resources). Witness Norwood also ignores that the LR tariff pays an energy-based credit for customer performance during a reduction event. Customers are compensated for their energy reduced below the baseline kWh (kWh_{base}) during an event using the Curtailment Price stated in <u>$ per kWh</u>.[14] Customers are also assessed a performance penalty, stated in <u>$ per kWh</u>, referred to as the Buy-through Charge for the volume of their failure to perform during an event for each hourly interval, <u>measured in kWh</u>. The point is LR incorporates $ per kWh pricing which is an energy-based credit or penalty.

5. Page 15, lines 1-2. Witness Norwood states, "The DAP and LR tariffs provide different services…." This is not accurate as both are flavors of demand response programs based upon marginal costs, both use a baseline to establish performance, and both rely upon hourly interval kWh and associated energy pricing to reward reductions in usage.

[14] See LR tariff, Sheet No. 51.34, Determination of Performance Credits.

Q. **Is witness Norwood's attempt to characterize the LR and DAP tariffs as demand versus energy related correct and is it a basis for continuing with a customer being able to subscribe to multiple overlapping tariffs?**

A No. Witness Norwood misunderstands the OG&E programs: these programs address the same issue (using pricing to allocate resources) and use similar underlying marginal costs to establish pricing. While these programs have permitted co-subscription for several years, the actual number of Oklahoma customers who co-subscribe is very small – currently only two customers with a total of 5 points of service. In all, there are approximately 9 subscribers to DAP, 315 subscribers to FP, and 54 subscribers to LR. There are 5 accounts co-subscribed to LR: DAP has one customer with two points of service and FP has one customer with three points of service.

OG&E believes co-subscription is not necessary as subscribing to either LR or DAP provides customers with adequate opportunities to respond to market conditions, earn benefits for themselves, and provide benefits to other customers.

Q. **Please respond to the arguments made by CMC witness Bieber on this issue.**

A. Witness Bieber states, "Since the DAP and FP tariffs only apply to a customer's load in excess of its CBL[15], and the credits for load reduction are applied to the CBL, the LR tariff does not apply to the same portion of a co-subscribed customer's load that is subject to DAP or FP pricing tariffs."[16] This statement is incorrect. As a result, the conclusion is faulty. While the DAP hourly price[17] is assessed for usage above the CBL, the DAP hourly price is also the basis for a credit for usage reductions below the CBL.[18] DAP customers are credited for their reductions in response to posted hourly prices. During times with higher hourly prices, DAP customers receive compensation for reductions below the CBL, just as LR customers are paid a Curtailment Price for their kWh reductions below the kWh_{base}. As I have stated previously, the LR and DAP/FP tariffs incorporate similar

[15] CBL is the Customer Baseline Load. For DAP and FP, the CBL defines by hour the amount of the subscriber's load that is billed according to the subscriber's standard tariff. Changes in usage from the CBL are billed (or credited) at the hourly DAP prices or 4-hour FP block prices posted each day for the next day.
[16] Justin Bieber Responsive, page 36, lines 3-6.
[17] The same applies to FP for its 4-hour block pricing.
[18] DAP tariff, Sheet No. 33.00, Day-Ahead Price: "The hourly price component will be the sum over all hours of the difference between each hour's actual kilowatt-hour use and the CBL kilowatt-hour use multiplied by the respective hourly Day-Ahead Price."

concepts, are based upon similar costs, and are best described as different flavors of the same product. The company's proposal to eliminate co-subscription is reasonable and does not hamper either the program's individual success or a customer's ability to benefit from these program offerings.

RECOMMENDATIONS

Q. **Please summarize your recommendations to the Commission.**

A. I recommend the following:

- The Commission approve the revenue allocation proposed by OG&E in my Direct Testimony, with modifications as needed based upon the final approved revenue requirement and compliance Cost of Service study; and
- The Commission approve the Company's tariff changes to eliminate co-subscription to LR with DAP and with FP.

Q. **Does this conclude your Rebuttal Testimony?**

A. Yes.