

BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE FORMULA)	
RATE PLAN FILINGS OF OKLAHOMA GAS)	
GAS AND ELECTRIC COMPANY)	DOCKET NO. 18-046-FR
PURSUANT TO APSC DOCKET)	
NO. 16-052-U)	

Direct Testimony

of

Jeremy K. Schwartz

on behalf of

Oklahoma Gas and Electric Company

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

2 A. My name is Jeremy K. Schwartz. My business address is 321 North Harvey, Oklahoma
3 City, Oklahoma 73102.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Oklahoma Gas and Electric Company (“OG&E” or “Company”) as a
7 Senior Pricing Analyst. I am responsible for assisting in the development of retail
8 electricity pricing, rate design, and tariffs.

9
10 **Q. Please summarize your educational background and professional qualifications.**

11 A. I earned my Bachelor’s degree in Economics from Oklahoma State University in Stillwater,
12 Oklahoma. Prior to assuming my current position in OG&E, I spent four and a half years
13 with the Oklahoma Corporation Commissions (“OCC”) Public Utility Division (“PUD”).
14 During my time with the OCC’s PUD I was responsible for conducting research and
15 performing comparative analysis of utility applications, reports, financial records, and all
16 work papers to ensure that PUD could can make an accurate recommendation to the
17 Commission. My work focused in the areas of cost of service, rate design, and the
18 preparation of PUD’s Accounting Exhibit. While an employee with PUD, I attended
19 numerous utility industry trainings, most of which were related to retail rate and product
20 pricing. My current responsibilities with OG&E include assisting in the analysis of retail
21 customers in order to develop pricing schedules for incorporation into the Company’s retail
22 tariffs.

23
24 **Q. Have you previously testified before the Arkansas Public Service Commission (the**
25 **“APSC” or “Commission”)?**

26 A. No. However, I have testified and/or participated in over 50 causes before the OCC
27 regarding electric, gas, water, and telecommunication issues. I request that my credentials
28 be accepted at this time to testify before the APSC.

Q. **What is the purpose of your testimony?**

A. The purpose of this testimony is to discuss the revenue adjustments made by OG&E, which breakdown into historical, filing, and projected periods. These adjustments are in compliance with the requirements found in the Company's Formula Rate Plan ("FRP") tariff, Attachment C.

Q. **What is the purpose of the revenue adjustments discussed in this testimony?**

A. In accordance with OG&E's FRP¹, revenues associated with riders which recover specific costs or other rate mechanisms the Company may have in effect are removed from booked revenues to reflect what is recovered through base rate charges. The purpose of these revenue adjustments is to calculate base rates applicable to the FRP rider.

HISTORICAL YEAR ("HY")

Adjustments to Book

Q. **Please describe the adjustments the Company is making to calculate HY base rate revenue.**

A. The Company made the adjustments found in Table 1 to the HY per book figures to comply with the FRP requirements. All of these amounts come from the Company's accounting system and are unmodified.

Table 1. HY Adjustments

Schedule	Amount
Over/Under	\$13,364,379
Energy Cost Recovery Rider ("ECR")	\$(75,989,241)
Energy Efficiency Cost Recovery Rider ("EECR")	\$(9,462,039)
Transmission Cost Recovery Rider ("TCR")	\$(9,930,786)
Smart Grid Rider ("SGR")	\$(208,547)
Environmental Compliance Plan Rider ("ECP")	\$(241,697)
Crossroads Rider ("CRR")	\$(269,818)
Day Ahead Pricing ("DAP") incremental and decremental energy only	\$(1,575,670)
Mustang Credit Rider ("MCR")	\$45,278
Renewable Energy Credits ("REC")	\$(208,364)

¹ FRP Tariff Attachment C, Section I. (A).

The combination of these adjustments result in a reduction of \$84,476,505 to the Company's total book unadjusted HY revenues. The resulting total HY adjusted Arkansas revenues are \$99,147,241.

FILING YEAR ("FY")

Purpose of FY Calculation

Q. What is the purpose of the FY calculations?

A. According to the Company's FRP tariff, Attachment A-2 – Note 1, "The FRP Constraint Calculation determines the limit of the FRP revenue increase/decrease per rate class, which shall not exceed four percent (4%) of Total Unadjusted Annualized Filing Year (the year in which the Evaluation Report is filed) revenues". Therefore, the FY revenue is the basis for calculating the 4% cap on revenue changes.

Adjustments to Book

Q. How does FY revenue compare to HY revenue?

A. First, the Company started with HY revenues then made an adjustment to update for actual revenues for April, May, and June of 2018. This "rate recalculation" adjustment accomplished two things. One, the historical year included two months where the rates of Docket No. 16-052-U were not yet effective and two, using actuals for these three months provides the most current data. The resulting revenues represent a full 12-month period under the rates approved in Docket No. 16-052-U. Second, FY revenues include all rider revenues while HY excludes all rider revenues. Third, FY revenue also forecasts no over/under amounts and incorporates weather normalization and customer growth. Finally, FY revenue excludes the sale of renewable energy certificates ("REC") as this should not impact the FRP base rate retail revenues. These amounts are found in Table 2.

Table 2. FY Adjustments

Schedule	Amount
Over/Under	\$15,742,220
Weather Normalization	\$(538,502)
REC Removal	\$(219,944)
Customer Growth	\$112,955
Rate Recalculation	\$(2,002,940)

1 The combination of these adjustments result in an increase of \$13,093,789 to the
2 Company's per book unadjusted HY revenues. The resulting total FY adjusted Arkansas
3 revenues to be utilized in the calculation of the FRP cap are \$196,517,535. For the purpose
4 of calculating the FRP revenue constraint included in Attachment A-2, the Company
5 included an adjustment to reflect the impact of the tax change in Docket No. 18-049 TF.
6 The impact of this adjustment reduces the necessary FY revenues by \$11,598,816. The
7 result is a total FY adjusted Arkansas revenue level of \$184,918,719.

8
9 **Weather Normalization and Customer Growth**

10 **Q. What was the Company's approach regarding weather normalization?**

11 A. According to "Attachment C", section II-a-1, of the FRP, the Company was to utilize the
12 "adjustments for customer growth and thirty-year weather normalized average usage and
13 average demands established from 16-052-U." The Company has complied with this
14 requirement.

15 In accordance with the calculations established for weather and customer growth in
16 16-052-U, the Company utilized the compliance work papers from that case to incorporate
17 heating and cooling degree days for the period of 1988 through 2017. OG&E also updated
18 the customer count and kWh totals to reflect the new study period from April 2012 to
19 March 2018. Both of these updates are in compliance with the requirement in the FRP and
20 result in the adjustments proposed for each category.

21
22 **PROJECTED YEAR ("PY")**

23 **Difference from HY**

24 **Q. How did the Company calculate PY revenues?**

25 A. The majority of the adjustments made to HY revenues apply to the calculation of PY
26 revenues. However, amounts for SGR, ECP, and CRR as shown in Table 1 become zero
27 as SGR and CRR have been cancelled per Docket No. 16-052-U, and no recovery is
28 currently being sought through the ECP rider at this time. When calculating PY revenues,
29 the Company also included the same three month actual revenue update ("rate
30 recalculation") as shown in Table 2. As discussed previously in this testimony, OG&E
31 also included adjustments for weather and customer growth. The customer growth counts

were updated further from the FY level to reflect a two year change between HY and PY as opposed to the one year between HY and FY.

Adjustments from Book to PY

Q. What are the total adjustments from book revenue included?

A. The adjustments included in the Company's PY revenue schedule are shown in Table 3. The adjustments shown in the "amount" column of Table 3 are total changes from HY unadjusted book revenues, these amounts should not be interpreted as additions to those listed in Table 1.

Table 3. PY Adjustments

Schedule	Amount
Over/Under	\$15,742,220
Energy Cost Recovery Rider ("ECR")	\$(73,574,230)
Energy Efficiency Cost Recovery Rider ("EECR")	\$(8,916,756)
Transmission Cost Recovery Rider ("TCR")	\$(10,229,326)
Day Ahead Pricing ("DAP") incremental and decremental energy only	\$(1,735,431)
Mustang Credit Rider ("MCR")	\$116,433
Weather Normalization	\$(538,502)
Renewable Energy Credits ("REC")	\$(219,944)
Customer Growth	\$106,199
Rate Recalculation	\$(2,002,940)

The combination of these adjustments result in a decrease of \$81,252,277 to the Company's per book HY unadjusted revenues. The resulting total PY adjusted Arkansas revenues are \$102,171,469.

RATE CLASS IMPACTS

Q. What rate class allocation percentages is the Company utilizing in this Docket?

A. OG&E's FRP rate class allocation percentages are based on the base rate revenues agreed upon in the compliance process of Docket No. 16-052-U. These percentage are shown in the Company's FRP Attachment A-2 and are also summarized in Table 4.

Table 4. FRP Rate Class Allocation

	Total	Residential	General Service	Power and Light	Other
Base Rate Revenues: Docket No. 16-052-U	\$102,193,196	\$38,919,157	\$11,861,458	\$48,208,613	\$3,203,968
Rate Class Allocation		38.08%	11.61%	47.17%	3.14%

1 **Q. Please list the rate class increases that result from this FRP filing.**

2 A. As shown in the Company's FRP Attachment A-1 and summarized in Table 5, the percent
3 FRP rate increase impacts by class are as follows. The impacts listed below are PY base
4 rate increases, not total bill increases.

Table 5. FRP Rate Adjustment

Rate Class	FRP Rate (%)
Residential	6.2586%
General Service	6.4370%
Power and Light	6.5166%
Other*	4.8339%

*Other includes Municipal Water Pumping, Municipal Roadway and Area Lighting, Outdoor Security Lighting, Athletic Field Lighting, and the LED lighting rates

5 **Q. How will OG&E's Arkansas customers see the change to their bill resulting from this**
6 **FRP implementation?**

7 A. There will be a new FRP rider section added to each of OG&E's Arkansas customer bills.
8 The amount recovered through the rider, which will be calculated in a line item on customer
9 bills, is based on the base rate portion of individual bills multiplied by the applicable FRP
10 percentage shown in Table 5. Based on the Company's filing, the overall average impact
11 to the residential class is a monthly bill increase of 3.90% or \$3.67 per month per customer.
12 Table 6 shows the class average rate impacts for Residential, General Service, Power and
13 Light, and Other customers. As stated in the FRP tariff², the total amount of such revenue
14 increase or decrease for each rate class shall not exceed four percent (4%) of each rate
15 class's revenue for the Filing Year.

² FRP Tariff Sheet No. 80.3, Section 80.5.4.

Table 6. FRP Rate Adjustment Bill Impact

	Residential	General Service	Power and Light	Other
Average FRP Change (\$/month)	\$3.67	\$6.33	\$239.64	\$1.61
Percent Change of Total Bill	3.90%	4.00%	3.10%	4.00%

RECOMMENDATION

Q. **What is your overall recommendation to the Commission?**

A. I recommend that the Commission approve the adjustments discussed in this testimony and find that OG&E is in compliance with the requirements of the FRP regarding all revenue adjustments.

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

A. Yes.

CERTIFICATE OF SERVICE

I, Lawrence E. Chisenhall, Jr., hereby state that a copy of the foregoing instrument was served on all the parties of record via the APSC Electronic Filing System on this the 1st day of October, 2018.

/s/ Lawrence E. Chisenhall, Jr.
Lawrence E. Chisenhall, Jr.