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. PUD 2023-000087

COST OF SERVICE/RATE DESIGN RESPONSIVE TESTIMONY

OF

DAVID SCALF

MAY 3, 2024

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EXECUTIVE SUMMARY

On December 29, 2023, Oklahoma Gas and Electric Company ("OG&E" or "Company") filed an Application for a modification of its rates, charges, and tariffs for electric utility service in Oklahoma. The Public Utility Division ("PUD") of the Oklahoma Corporation Commission ("Commission") reviewed the Application, workpapers and testimony filed by Company witnesses, and prior Commission Orders. PUD issued data requests and reviewed the responses provided by OG&E as well as the responses to data requests issued by other parties in the case. Additionally, PUD conducted multiple onsite and virtual audit conferences with Company personnel.

After review, PUD recommends that the Commission modify OG&E's proposed Cost of Service ("COS") and Rate Design as follows:

- Allocate 50% of wind production costs on a blended allocation of 84% energy and 16% demand, the remainder (50%) to be allocated using the current Commission approved methodology;
- Allocate 50% of transmission costs using 12CP, the remainder (50%) to be allocated using the current Commission approved methodology;
- Limit the residential monthly service charge to $17.00; and
- Require the Company to work with the parties to this case to develop rates that follow PUD's recommendations once a revenue requirement has been determined through the proceedings in this case.

INTRODUCTION

Q: Please state your name and your business address.

A: My name is David Scalf.

Q: Are you the same David Scalf who filed testimony in this case on April 26, 2024?

A: Yes, I am.

PURPOSE

Q: What is the purpose of this Responsive Testimony?

A: The purpose of this Responsive Testimony is to present PUD's analysis and recommendations regarding the Company's proposed COS and rate design.

PUD'S REVIEW PROCESS

Q: Please explain PUD's review process in this Case.

A: PUD reviewed the Application, Direct Testimony, schedules, workpapers, and sponsored exhibits filed by the Company related to COS and the associated revenue distribution. PUD also reviewed data requests issued by intervenors, as well as the associated responses. On site and virtual audit conferences were held to discuss the COS. In these conferences, PUD posed questions to the Company and reviewed documentation requested on an informal basis. Additionally, PUD reviewed Commission orders, prior testimony and workpapers associated with OG&E.

COST OF SERIVICE OVERVIEW

Q: What is the purpose of a Cost of Service Study?

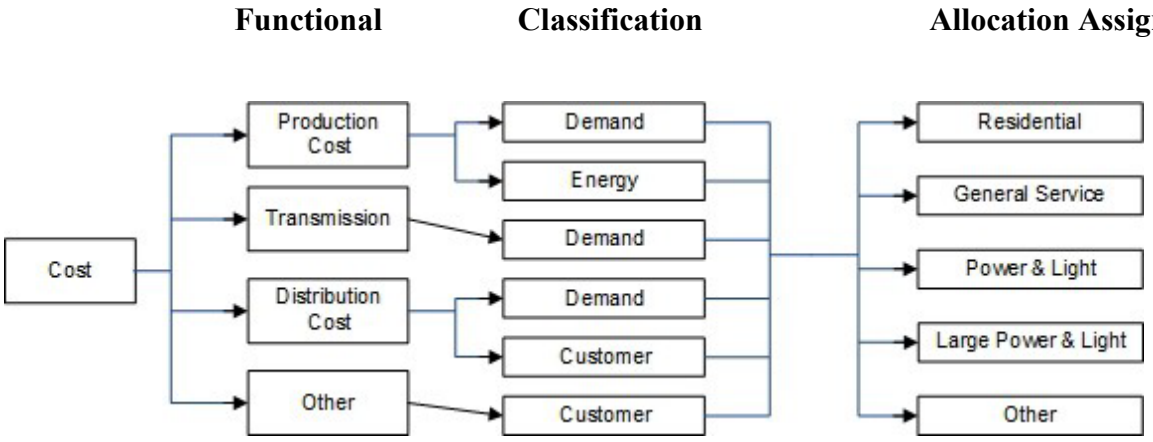
A: The COS is a basic tool of ratemaking. The cost principle applies not only to the overall level of rates, but also to the rates set for individual services, classes of customers, and segments of the utility's business. Cost studies are therefore used by regulators for the following purposes:[1]

- To attribute costs to different categories of customers based on how those customers caused those costs to be incurred;
- To determine how costs will be recovered from customers within each customer class;
- To calculate the costs of individual types of service based upon the costs each service requires the utility to expend;
- To determine the revenue requirement for the monopoly services offered by a utility operating in both monopoly and competitive markets; and
- To separate costs between different regulatory jurisdictions.

Q: What is the process for preparing a COS?

A: There are three main steps in preparing a COS.[2] Accounts are first identified by the utility's main functions (production, distribution, transmission, and customer service). Next, the accounts are classified as either customer, energy, or demand related costs. Finally, the costs are assigned to each customer class using developed allocators or are directly assigned. The following table highlights the COS process.[3]

[1] Electric Utility Cost Allocation Manual, National Association of Regulatory Commissioners, 1992
[2] Ibid.
[3] Direct Testimony of Lauren E. Maxey, page 7, December 29, 2023.



Q: Please discuss the process of classification of costs in the COS.

A: Classification separates the functional costs based on the components of utility service being provided.[4] These classifications are demand costs, which vary with the demand imposed by customers; energy costs which vary with the commodity provided; and customer costs, which directly relate to the number of customers served. The table below summarizes the functional classification of costs.[5]

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

[4] Electric Utility Cost Allocation Manual, National Association of Regulatory Commissioners, 1992
[5] Direct Testimony of Lauren E. Maxey, page 9, December 29, 2023.

Q: How are costs allocated among customer classes in a COS?

A: The third step in a COS allocates costs among customer classes using developed or internally calculated allocators.[6] Customers are separated into several classes based on the use of the system, the nature of the service, and load characteristics.

OG&E'S PROPOSED COST OF SERVICE

Q: Did the Company perform a COS?

A: Yes. Company witness, Lauren E. Maxey states that the purpose of her direct testimony is to support the Company's cost-of service study.[7]

Q: What are the main highlights of OG&E's COS?

A: The Company's filed COS purports to show that OG&E's Oklahoma retail rates were deficient by $332.5million. The resulting impacts to the class revenue requirements are:

- Residential class deficient by $160.5 million;
- General Service class deficient by $37.7 million;
- Power & Light class deficient by $62.7 million;
- Large Power & Light deficient by $47.5 million; and
- All other classes deficient by $24.2 million. [8]

The Company's COS also updated the Oklahoma jurisdictional allocators. The changes were relatively minor and are identified in the table below.[9]

[6] Electric Utility Cost Allocation Manual, National Association of Regulatory Commissioners, 1992
[7] Direct Testimony of Lauren E. Maxey, page 3, lines 7 through 12, December 29, 2023.
[8] Ibid. page 3, lines 15 through 21.
[9] Ibid. page 4.

	PUD 2023000087	PUD 202100164	Difference
Production Demand	91.74%	91.39%	0.35%
Transmission Demand	80.38%	79.60%	0.78%
Transmission Demand SPP	91.71%	91.19%	0.52%

Q: What are the steps taken by OG&E in developing customer rates within this case?

A: The major steps were:

1) Develop proforma year data – actual test year revenues and billing determinates were collected and then adjusted to design rates consistent with the revenues and expenses which are expected to occur in a normal year.
2) Determination of the proforma year revenues for current rates – annual revenue was calculated by applying the rates approved in the Company's previous rate case to the billing determinants contained within the proforma year data.
3) Cost of Service Study – the proforma year data along with other inputs are used in the development of the COS. The resulting COS serves as the starting point for rate design.
4) Rate Design – the cost of providing service calculated in the COS is compared to the proforma revenue from current rates and the differential identifies a revenue deficiency or surplus that needs to be addressed when rates are determined. Proposed rates are then designed to recover the appropriate revenue. The COS results identify the revenue allocation process.
5) Proof of Revenue – the proposed rates are used to calculate the proposed revenue for each class. [10]

[10] Direct Testimony of Gwin Cash, page 4, line 12 through page 5, line 11.

Q: What are OGE's objectives in designing rates?[11]

A: The Company's objectives are to:

1) Promote efficient consumption of energy.

2) Provide pricing product choices that meet customer's pricing preferences.

3) Recover the authorized revenue requirements.

Q: Did the Company use the allocation methodologies approved by the Commission in Cause No. PUD 2021-00164 (OG&E's last rate case)?

A: No, there are two changes. These are to allocate wind production on a blended demand and energy allocator and to allocate transmission costs using a twelve coincident peak ("12CP") allocator.

Wind Production Modification

Q: What modification is the Company proposing regarding wind production cost allocation?

A: OG&E is proposing to change the allocation of wind production costs to a blended allocation of 84% energy and 16% demand. Currently the Company allocates all wind production costs based on a production demand allocator, which is a four coincident peak ("4CP") average and excess ("A&E") allocator ("4CP A&E").

[11] Ibid. page 5, lines 13 through 17.

Q: Why is the Company proposing to change the allocation of wind production?

A: The Company states that this proposed change is to reflect the proper allocation of these costs and better align the cost allocation with the cost causation related to these production assets. The use of a production demand allocator alone does not match how the costs and benefits of wind generation are delivered to customers. OG&E's goal is to match the demand and energy characteristics of wind generation so that the costs are allocated properly.[12]

The Company also identifies that this split between demand and energy allocators is meant to reflect the value of wind resources to customers. OG&E and its customers receive a capacity value of 14% from the wind facilities, but the highest benefit comes from the fuel-free energy sold into the Southwest Power Pool ("SPP") Integrated Marketplace. The Company identifies that attributing 14% of the nameplate capacity as providing demand benefits is a reasonable value to assign as it matches the portion of cost providing capacity value to OG&E's system.[13]

OG&E further states that the main benefit of producing wind energy is the fuel savings related to production. These energy benefits are then captured by customers through their kWh consumption through fuel cost savings. This means that high volume users retain a greater proportion of fuel offsets compared to the amount these same customers contribute to wind facility costs when using the production demand allocator. Moreover, the significant financial benefits derived from the production tax credits associated with wind generation are provided to customers on an energy basis. This means the current

[12] Direct Testimony of Lauren E. Maxey, page 14, lines 22 through 26, December 29, 2023.
[13] Ibid. page 15, lines 11 through 16.

methodology allocates costs on a demand basis while providing the unique benefits of wind generation on an energy basis. Therefore, high-volume users reap unproportionate benefits solely due to the unique nature of wind generation versus traditional generation resources.[14] Finally, the Company states that while wind production benefits could be assigned solely on a production energy allocator, OG&E is proposing a blended allocator that better mirrors the appropriate capacity and energy benefits of wind resources. While the larger benefit of wind energy production is the lower cost of energy produced by these assets (via fuel cost offsets), the SPP does recognize a certain value of the capacity provided by wind resources.[15]

Q: How does the SPP treat OG&E's wind facilities?

A: SPP uses an effective load carrying capacity ("ELCC") methodology to "correctly assess the capacity value of renewable resources.[16] Under this approved ELCC methodology, OGE's wind facilities have been assigned a capacity value of 14% of their nameplate value by the SPP. OG&E has 791 MW of wind generation in its generating resource portfolio, but the SPP accreditation rules only let OG&E count 109 MW or 14% of the nameplate value for purposes of generation capacity. That is, while wind generating resources provide significant energy to the grid, the value assigned for reliable capacity is limited given the intermittent nature of those resources.[17]

[14] Ibid. page 16, lines 1 through 12.
[15] Ibid. page 16, lines 14 through 22.
[16] SPP ELCC Wind and Solar Study Report, SPP Resource Adequacy, November 2022.
[17] Direct Testimony of Lauren E. Maxey, page 14, lines 22 through 26, December 29, 2023.

Q: How did the Company determine the percentages associated with their proposed blended production demand allocator?

A: OG&E is proposing a 16% demand to reflect the average summer value of wind determined by the SPP ELCC Wind and Solar Study, as well as the blended allocator approved for Public Service Company of Oklahoma ("PSO") for a portion of their wind generation. Based upon OG&E's specific accreditation, OG&E could have proposed a blended allocator of 14% production demand and 86% production energy but has slightly modified the allocator to reflect the blended allocator contained in the SPP study and the recently issued PSO Commission order.[18]

Q: Has the Commission previously authorized a production demand and production energy allocation methodology associated with wind production?

A: Yes. Commission Order No. 738226 dated November 3, 2023, authorized PSO to use an 84% energy and 16% demand allocator for the Sundance wind facility. This order further stated "that in authorizing this methodology, in this proceeding, the Commission is not making a final determination on this issue – rather, in an effort to further study the appropriate allocation of wind facilities, it will utilize Sundance as a pilot project to further evaluate proper allocations. Further, the Commission makes no such finding as other facilities within PSO's portfolio at this time. PSO and/or other parties may request the Commission consider adjusting the allocation for Sundance and/or other facilities in future Chapter 70 base rate proceedings."

[18] Ibid. page 15, lines 18 through 26.

Q: Does the change in the allocation of wind production costs effect the rates that OG&E will collect from customers? In other words, will OG&E collect more or less from customers based solely on whether the Commission authorizes/does not authorize the proposed change in the allocation of wind production costs?

A: No. The allocation methodology that is authorized by the Commission in this Case only effects which customer classes pay what level of wind production costs.

Q: Is it PUD's opinion that OG&E's proposal to change the allocation of wind production costs to a blended allocation of 84% energy and 16% demand is appropriate?

A: Yes. However, to mitigate the effects on customers that will pay higher rates as a result of this change in allocation, using the theory of gradualism, it is PUD's recommendation that only 50% of OG&E's wind production cost allocation be changed in this case to use the blended allocation of 84% energy and 16% demand.

Q: What is gradualism?

A: Gradualism in utility rate regulation is the practice of implementing new rates, or any substantive changes in smaller increments over time to avoid dramatic increases all at once. This will give customers, the utility, and/or the market time to adapt to those changes and avoid or mitigate any unintended consequences.

Transmission Cost Modification

Q: What is the modification that the Company is proposing regarding transmission costs?

A: The Company is proposing to use a 12CP allocator for transmission costs. This will mirror the allocation methodology that is used by OG&E to assign transmission costs in other Company jurisdictions.

Q: What OG&E jurisdictions use the 12CP allocator for transmission costs?

A: All OG&E jurisdictions except the Oklahoma jurisdiction use the 12CP allocator for transmission costs. These are:

- Arkansas. The Company uses a 12CP allocator to assign costs in Arkansas and in determining Arkansas' jurisdictional costs the Arkansas customers will pay and to assigning costs to each customer class.
- FERC. FERC uses a 12CP allocator in setting rates for transmission service through their approved formula rates.
- SPP. SPP uses a 12CP allocator when assigning costs across the SPP.

Q: It appears that Oklahoma is the outlier in not using the 12CP to allocate transmission costs among all jurisdictions in which the Company serves. Is that correct?

A: Yes.

Q: Other than reaching consistency across all jurisdictions in which it serves, is there other reason(s) the Company is proposing this change?

A: Yes. OG&E's position is that this allocation change is necessary to reflect proper cost causation principles and that the proposed allocation of transmission costs is critical because transmission costs make up 14% of total plant in service.[19]

Q: What is the cost causation principle?

A: The cost causation principle simply means that those who caused the costs should pay the costs.

Q: Did the Company provide examples of how this principle applies in using the 12CP allocation for transmission costs?

A: Yes. OG&E identified that SPP plans and operates its transmission grid to provide cost-effective power to customers within the SPP for all twelve months of the year, not just the four summer months. Transmission and the associated transmission plant costs are not built and incurred for just four months of the year; they are built to serve load all twelve months.

Q: Has OG&E quantified the difference by class between the 12CP allocation methodology verses the 4CP allocation methodology.

A: Yes. The table below was prepared by the Company:[20]

[19] Ibid. page 20, line 3.
[20] Ibid. page 19.

Customer Class	Transmission Costs - 12CP	Transmission Costs - 4CP	Dollar Difference	% Difference
Residential	$160,494,539	$165,981,818	($5,487,280)	(3%)
Gen. Service	$37,717,056	$38,695,838	($978,783)	(3%)
Public Sch.	$12,083,634	$12,602,318	($518,684)	(4%)
PL SL1	($2,653,627)	($3,055,210)	$401,582	(15%)
PL SL2	$4,225,765	$4,159,759	$66,006	2%
PL SL3	$2,071,299	$1,315,968	$755,331	36%
PL SL4	$1,595,927	$1,499,233	$96,693	6%
PL SL5	$57,413,802	$57,571,476	($157,674)	0%
PL Total	$60,575,602	$61,491,227	$1,161,939	2%
LPL SL1	$3,177,216	$2,651,622	$525,595	17%
LPL SL2	$36,329,096	$32,696,104	$3,632,992	10%
LPL SL3	$5,776,558	$5,188,786	$587,771	10%
LPL SL4	$812,540	$734,418	$78,123	10%
LPL SL5	$1,404,252	$1,297,269	$106,982	8%
LPL Total	$41,100,527	$42,568,199	$4,931,464	10%
Other	$12,089,285	$11,197,941	$891,343	5%

Q: Has the Commission previously addressed a utility's request to modify the allocation of transmission costs from 4CP to 12CP?

A: Yes. Commission Order No. 738226 dated November 3, 2023, stated, "The Commission recognizes a need to further assess and evaluate whether the current cost allocations for

transmission remains appropriate in light of the arguments raised and PSO being a summer peaking system in Oklahoma. However, based upon the record in this Case it is without enough information to persuade it to change allocations at this time. Further study and evaluation should be presented to the Commission in PSO's next Chapter 70 general rate case, or other applicable filing properly addressing transmission cost allocations, which ever first occurs."

Q: Does the allocation methodology associated with transmission costs affect the rates that OG&E will collect from customers? In other words, will OG&E collect more or less from customers based solely on whether the Commission authorizes as 12CP or a 4CP transmission allocation methodology?

A: No. As identified in the chart above, the methodology only effects what customer classes pay the transmission costs.

Q: Is it PUD's opinion that OG&E's proposal to use a 12CP allocator for transmission costs appropriate?

A: Yes. However, using the theory of gradualism, it is further PUD's opinion that only 50% of OG&E's transmission costs be allocated using the 12CP allocator and the remaining 50% be allocated using the 4CP in this case.

1 MEGAWATT ("MW") COS

Q: Does OG&E's prior rate case order require the Company to complete a separate COS for 1 MW customers?

A: Yes. Commission Order No. 72877 issued in Case No. PUD 2021000164 required the Company to evaluate 1 MW customers, at least those initially being served by OG&E after January 1, 2014, through a separate COS during their next rate case to allow parties to verify the accuracy of the decision used by the Company in this Case to treat the 1 MW customers class's coincident peak as their own customer class. It also required the Company to develop a rate tariff for prospective 1 MW customers. Further, this order stated that the initial pricing for 1 MW customers must be the same as LPL-TOU (or PL-TOU) classes and that the cost allocation method with respect to this new class be the same as the cost allocation methods used for other customers.

Q: Did the Company calculate the required separate COS for 1 MW customers?

A: Yes, the required study was performed.[21]

[21] Response to OIEC Data Request 19-04, Lauren E. Maxey, March 25, 2024.

Q: Does Enrolled House Bill 2845 ("Bill") come into play in this case regarding 1 MW customers?

A: No. The effective date of this Bill is November 1, 2023, which is after the test year in this Case.[22] [23] Further, the Company does not anticipate any additional 1 MW customers to be signed/and or active during the six-month post-test year period.[24]

RESULTS OF OG&E'S COS

Q: What are the results of the Company's COS under OG&E's existing Rate of Return ("ROR")?

A: The following table summarizes the Company's COS and includes class returns at current base rate revenue levels.[25]

[22] Response to OAEC Data Request 01-13, Lauren E. Maxey, February 14, 2024.
[23] Response to OAEC Data Request 02-07, Gwin Cash, March 5, 2024.
[24] Response t0 OAEC Data Request 01-09, Lauren E. Maxey, February 14, 2024.
[25] Pleadings/MFR/Support Workpapers/M-4/Revenue Allocation 2023000087, Tab Oklahoma Rev/Alloc Summary.

Customer Group	Current Base Rate Revenue	Current Rate of Return	Current Relative RoR	Current Percent of Total COS
RESIDENTIAL	$ 647,049,430	4.4%	100.1%	80%
GENERAL SERVICE	$ 140,178,520	4.3%	97.3%	79%
OIL & GAS PRODUCTION	$ 12,155,292	6.7%	152.2%	93%
PUBLIC SCHOOLS SM	$ 9,866,440	0.8%	19.3%	59%
PUBLIC SCHOOLS LG	$ 10,748,530	2.4%	54.1%	67%
POWER & LIGHT	$ 297,574,344	4.9%	111.5%	83%
LRG. PWR & LGHT	$ 158,074,089	3.7%	83.6%	77%
MUNICIPAL PUMPING	$ 4,282,130	5.0%	114.9%	84%
LIGHTING	$ 38,068,923	5.0%	115.0%	79%
BACK UP & MAINTENANCE	$ 320,465	-0.6%	-13.3%	44%
OKLA RETAIL JURISDICTION	$ 1,318,318,162	4.4%	100.0%	80%

RELATIVE RATE OF RETURN

Q: What is relative rate of return ("Relative ROR") and why is it important?

A: Relative ROR is produced by dividing the individual classes' ROR by the system ROR. The resulting figure indicates a level of parity among specific classes, with a goal to have each class at parity, i.e., with a Relative ROR of 100%. The Relative ROR provides a means of comparison and measures the level of cross-class subsidies that exist between classes.[26]

[26] The Benefits of Cost of Service Studies, John Wolfram, Catalyst Consulting LLC, 2017.

Q: What are the changes to the classes' rates using an equalized Relative ROR?

A: The following table summarizes this information.[27]

Customer Group	*Proposed Base Rate Revenue*	*Proposed Revenue Increase*	*Proposed % Change*	*Proposed Rate of Return*	*Proposed Relative RoR*
RESIDENTIAL	$ 807,543,969	$ 160,494,539	24.8%	7.88%	100.0%
GENERAL SERVICE	$ 177,895,576	$ 37,717,056	26.9%	7.88%	100.0%
OIL & GAS PRODUCTION	$ 13,053,053	$ 897,761	7.4%	7.88%	100.0%
PUBLIC SCHOOLS SM	$ 16,734,481	$ 6,868,041	69.6%	7.87%	100.0%
PUBLIC SCHOOLS LG	$ 15,964,123	$ 5,215,593	48.5%	7.88%	100.0%
POWER & LIGHT	$ 360,227,510	$ 62,653,166	21.1%	7.88%	100.0%
LRG. PWR & LGHT	$ 205,573,751	$ 47,499,662	30.0%	7.88%	100.0%
MUNICIPAL PUMPING	$ 5,123,249	$ 841,119	19.6%	7.88%	100.0%
LIGHTING	$ 48,005,208	$ 9,936,285	26.1%	7.88%	100.0%
BACK UP & MAINTENANCE	$ 734,584	$ 414,120	129.2%	7.87%	99.9%
OKLA RETAIL JURISDICTION	$ 1,650,855,503	$ 332,537,341	25.2%	7.88%	100.0%

OG&E'S PROPOSED RATE OF RETURN

Q: What are the changes in ROR and Relative ROR under the Company's proposed revenue distribution?

A: The following table is the result of the Company's COS and summarizes the class returns at OG&E's proposed revenue distribution.[28]

[27] Ibid.
[28] Ibid.

Customer Group	Proposed Revenue Increase	Proposed Base Rate Revenue	Base Rate % Increase	Proposed Rate of Return	Proposed Relative RoR
RESIDENTIAL	$ 160,494,538	$ 807,543,968	24.8%	7.88%	100.0%
GENERAL SERVICE	$ 43,017,056	$ 183,195,576	30.7%	8.38%	106.5%
OIL & GAS PRODUCTION	$ 897,761	$ 13,053,053	7.4%	7.88%	100.0%
PUBLIC SCHOOLS SM	$ 1,530,589	$ 11,397,029	15.5%	2.41%	30.6%
PUBLIC SCHOOLS LG	$ 2,211,013	$ 12,959,543	20.6%	4.70%	59.7%
POWER & LIGHT	$ 67,255,709	$ 364,830,053	22.6%	8.10%	102.8%
LRG. PWR & LGHT	$ 47,500,563	$ 205,574,652	30.0%	7.88%	100.0%
MUNICIPAL PUMPING	$ 841,119	$ 5,123,249	19.6%	7.88%	100.0%
LIGHTING	$ 8,679,715	$ 46,748,638	22.8%	7.52%	95.5%
BACK UP & MAINTENANCE	$ 109,278	$ 429,743	34.1%	1.65%	20.9%
OKLA RETAIL JURISDICTION	**$ 332,537,341**	$ 1,650,855,503	**25.2%**	7.88%	100.0%

Q: What are the total bill increases associated with OG&E's proposed revenue distribution?

A: The following table contains this information.[29]

Class	Proposed Total Bill Impact
RESIDENTIAL SERVICE	13.8%
GENERAL SERVICE	18.1%
PUBLIC SCHOOLS SM	7.7%
OIL & GAS PRODUCTION	3.0%
PUBLIC SCHOOLS LG	9.4%
POWER & LIGHT	9.6%
LRG. PWR & LGHT	9.0%
MUNICIPAL PUMPING	7.2%
LIGHTING	19.1%

[29]Pleadings/MFR/Support Workpapers/M-4/Revenue Allocation 2023000087, Tab Oklahoma Rev/Alloc Summary.

Q: What are the class cross subsidies as calculated by the Company based upon OG&E's proposed revenue distribution?

A: The table below contains this information.[30]

Customer Group	*Net Subsidy*	*Percent of Total Cost of Service*
RESIDENTIAL	$ (1)	100%
GENERAL SERVICE	$ 5,300,000	103%
OIL & GAS PRODUCTION	$ -	100%
PUBLIC SCHOOLS SM	$ (5,337,452)	68%
PUBLIC SCHOOLS LG	$ (3,004,580)	81%
POWER & LIGHT	$ 4,602,543	101%
LRG. PWR & LGHT	$ 901	100%
MUNICIPAL PUMPING	$ -	100%
LIGHTING	$ (1,256,570)	97%
BACK UP & MAINTENANCE	$ (304,842)	59%
OKLA RETAIL JURISDICTION	$ -	100%

Q: What does this table show?

A: This table indicates that the general service class and the power and light class are subsidizing the Public School, Lighting, and the Back up and Maintenance classes.

[30] Pleadings/MFR/Support Workpapers/M-4/Revenue Allocation 2023000087, Tab Oklahoma Rev/Alloc Summary.

RATE DESIGN OVERVIEW

Q: Please describe the rate design changes proposed in this case for the residential classes.

A: The Company has proposed several changes to the residential rates and tariff schedules in this case. As summarized from the testimony of Company witnesses Gwin Cash and James Alexander, those changes include:

- Residential Summary: The Company is proposing an average monthly increase of $19.02 (13.85%) to the residential class. Changes to this class include modifications to each of the Time of Use ("TOU") tariffs and expanding the senior citizen discount. OG&E is also proposing an increase in the residential monthly service charge of $8.00 raising the service charge from the current $13.00 to $21.00 (62% increase) and modifying the residential energy prices.

Q: What were the changes made to the senior citizen TOU discount?

A: OG&E is proposing to expand the $5.00 discount to all twelve months of the year. This increases the applicable months from the current five months to every month of the year. The Company is also proposing to increase the amount of the discount during the summer months from $5.00 to $10.00. The result of these proposed modifications increases the total available discount for eligible customers from $25.00 to $85.00.

Q: Does PUD agree with all the proposed modifications to the residential class?

A: No. The monthly service change should be increased only to $17.00. This amount is equivalent to the residential monthly service charge authorized by the Commission for Public Service Company Oklahoma in Final Order 738226. It should also be noted that the level of energy charges will be modified from the Company's proposal based upon the base rate increase authorized in the case's final order.

Q: Please describe the rate design changes proposed in this case for the non-residential classes.

A: The Company has proposed several changes to the non-residential rates and tariff schedules in this case. As summarized from the testimony of Company witnesses Gwin Cash and James Alexander, those changes include:

- General Service Summary: OG&E is proposing an average monthly increase of $38.66 (18.1%) to the general service class, including increases to the monthly service charges and to energy charges. The General Service ("GS"), General Service Time of Use ("GS-TOU") service levels 2 thru 5, and General Service Variable Peak Pricing ("GS-VPP) service levels 2 thru 5 classes have an increase in the customer charge and modifications to their summer and winter charges.
- Public Schools Summary: OG&E is proposing an average monthly increase of $60.66 per month resulting in an increase of 7.99%. The Company is proposing an increase in the monthly customer charge for the Public Schools Small ("PS-SM") from $20.95 to $56.00 an increase of $35.05 from current rates, or a 167% increase; as well as modifications to the energy charges, while the demand charge

remains the same. The Public School Large ("PS LG") Service Level 3 has a proposed reduction in the monthly service charge from $135.00 to $125.00, a reduction of $10.00 from current rates and increases in their demand and energy charges. The Service Level 4 class has a proposed increase in the monthly service charge of $25.00 (26%) raising the current rate of $95.00 to $120.00 and increases in their demand and energy charges. The Service Level 5 has a proposed increase of $49.00 (70%) to the monthly service charge, raising the current level of $70.00 to $119.00. OG&E has also proposed changes to the demand and energy charges. The average increase to the PS-LG class's monthly bills is 9.5% or $393.03.

- Oil and Gas Producers ("OGP") Summary: The Company is proposing an average monthly increase of 3% or $15.51 for this class.
- Municipal Pumping ("PM") Summary: OG&E is proposing an average monthly increase of 7.2% or $52.31 for this class.
- Power and Light ("PL") and PL Time of Use ("PL-TOU") Summary: The Company proposed modifications result in an average monthly increase to the PL class of $223.02 (8.5%) and $752.86 (10.90%) to the PL-TOU class. However, the impacts for a specific customer will vary based upon service level, size, and load factor. OG&E has proposed an increase in the monthly customer charge of $40.00 (51%) from the current $79.00 to $119.00. OG&E has also proposed modifications to the demand and energy charges.
- Large Power and Light ("LPL") Summary: The average monthly increases resulting from the Company's proposed modifications are LPL TOU-2 = 9.9% or $50,396; LPL TOU-3 =7.6% or $13,146; LPL TOU-4 = 8.3% or $13,478; and

LPL TOU-5 = 5.7% or $9,530. However, the impacts for a specific customer will vary based upon service level, size, and load factor.

- Lighting Summary: The rates for three lighting programs (Outdoor Security Lighting, Municipal Lighting, and LED) have a proposed average monthly increase of 19.1%. These modifications have been proposed to move the proposed rates closer to the costs of providing lighting service.

Q: Does PUD agree with all the proposed modifications to the non-residential class?

A: No, as all the proposed changes in both the monthly service charge, and demand and energy charges will be modified based upon the base rate increase authorized in the Case's final order.

OG&E'S SIX-MONTH POST-TEST YEAR COS RESULTS

Q: Did OG&E provide an update to the COS to reflect the six-month post-test year updates?

A: Yes, and the following table summarizes the Company's COS including the class returns associated with the six-month post-test yar period implementing and Equalized Return.[31]

[31] Data Request Response to PUD 10-7, second supplement, Attachment Supp2_Att1_Supp-COSS.

Customer Group	Current Sales Revenues	Miscellaneous Revenue	Proposed Revenue Increase	Requested Revenue	Proposed % Class Change
Residential	$637,650,599	$14,830,946	$151,801,819	$804,283,364	23.27%
General Service	$139,480,749	$1,285,644	$34,403,726	$175,170,119	24.44%
Oil & Gas Production	$12,310,148	$56,134	$552,560	$12,918,842	4.47%
Public Schools SM	$9,757,577	$42,570	$6,648,534	$16,448,681	67.84%
Public Schools LG	$10,544,058	$36,267	$4,966,497	$15,546,822	46.94%
Power & Light	$294,758,982	$1,585,082	$56,930,133	$353,274,197	19.21%
Lrg. Power & Light	$170,589,218	$346,955	$45,762,772	$216,698,945	26.77%
Municipal Pumping	$4,284,167	$11,880	$773,654	$5,069,701	18.01%
Lighting	$38,026,837	$45,777	$10,962,593	$49,035,207	28.79%
Back Up & Maintenance	$320,319	$218	$384,432	$704,969	119.93%
Total	$1,317,722,654	$18,241,473	$313,186,720	$1,649,150,847	23.44%

RECOMMENDATION

Q: What is the Public Utility Division's ("PUD") recommendation to the Oklahoma Corporation Commission ("Commission") in Case No. PUD 2023-000087?

A: PUD recommends that the Commission modify OG&E's proposed COS and Rate Design as follows:

- Allocate 50% of wind production costs on a blended allocation of 84% energy and 16% demand, the remainder (50%) to be allocated using the current Commission approved methodology;
- Allocate 50% of transmission costs using 12CP, the remainder (50%) to be allocated using the current Commission approved methodology;
- Limit the residential monthly service charge to $17.00; and
- Require the Company to work with the parties to this case to develop rates that follow PUD's recommendations once a revenue requirement has been determined through the proceedings in this case.

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.

David Scalf

David Scalf

CERTIFICATE OF ELECTRONIC SERVICE

This is to certify that on the 3rd day of May, 2024, a true and correct copy of the above and foregoing 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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