

**BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION**

IN THE MATTER OF THE APPLICATION OF )  
OKLAHOMA GAS AND ELECTRIC COMPANY )  
FOR A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY ) DOCKET NO. 20-037-U  
AUTHORIZING THE CONSTRUCTION AND )  
OPERATION OF A RENEWABLE ENERGY )  
RESOURCE AND ASSOCIATED TARIFF )

**REDACTED VERSION**

Direct Testimony

of

Donald R. Rowlett

on behalf of

Oklahoma Gas and Electric Company

## I. INTRODUCTION

1 Q. **Please state your name, by whom you are employed, and your business address.**

2 A. My name is Donald R. Rowlett. I am employed by Oklahoma Gas and Electric Company  
3 (“OG&E” or “Company”) and my business address is 321 N. Harvey, P.O. Box 321,  
4 Oklahoma City, Oklahoma 73101.  
5

6 Q. **What position do you hold with OG&E?**

7 A. I hold the position of Managing Director of Regulatory Affairs at OG&E.  
8

9 Q. **Please state your educational qualifications and employment history with OG&E.**

10 A. I earned a Bachelor of Science degree in Business with an accounting emphasis (1980) and  
11 a Master’s in Business Administration (1992), from Oklahoma City University. I have also  
12 completed all work, except for the dissertation, on a Ph.D. from Oklahoma State University  
13 in Business Administration. I joined OG&E in 1989. I currently serve as Managing  
14 Director of Regulatory Affairs where I am responsible for overseeing the Company’s  
15 economic regulatory activities with the Oklahoma Corporation Commission (“OCC”), the  
16 Arkansas Public Service Commission (“APSC”) and the Federal Energy Regulatory  
17 Commission. I have served in various financial roles in the Company including ten years  
18 as Vice President, Controller and Chief Accountant. As the Company’s Controller I was  
19 responsible for financial and operations accounting, federal, state and local income and  
20 property taxes and budgeting. I have also made investor presentations and participated in  
21 numerous public equity and debt offerings. Prior to joining OG&E, I was employed by  
22 Arthur Andersen & Co. as a financial consultant and audit manager. During my  
23 employment, I performed audits of financial statements in a variety of industries.  
24 Additionally, I prepared filings with the Securities and Exchange Commission (“SEC”)  
25 and provided clients with guidance on the financial reporting requirements of the SEC and  
26 Generally Accepted Accounting Principles (“GAAP”).

1 Q. **Have you previously testified before this Commission?**

2 A. Yes, including most recently in Docket No. 17-030-U, OG&E's request for prudence of its  
3 Mustang Modernization project, Docket No. 16-052-U OG&E's last general rate case, and  
4 Docket No. 15-034-U, OG&E's filings under Act 310 of 1981, as amended by Act 1000  
5 of 2015. I have also testified before the OCC, and before the Environmental and Public  
6 Works Committee in the United States Senate.

7  
8 **II. PURPOSE**

9 Q. **What is the purpose of your testimony in this proceeding?**

10 A. The purpose of my testimony is to support the Company's relief requested for a Certificate  
11 of Public Convenience and Necessity ("CCN") to construct and operate a five (5) megawatt  
12 ("MW") solar farm in Branch, Arkansas ("Branch Solar Project" or "Project"), and for  
13 approval of the Arkansas Universal Solar Program ("USP"), a voluntary solar offering  
14 associated with the Project that allows participants to receive a share of the energy output  
15 of the Project. To support the Company's request, I will:

- 16 • Describe the Company's history with renewables, including the Company's  
17 Oklahoma experience with solar projects and its corresponding voluntary solar  
18 offering similar to the proposed USP;
- 19 • Discuss the Company's recent survey of Arkansas customers interest in solar  
20 generation;
- 21 • Provide a description of the Project and the competitive bidding process utilized to  
22 select the resource;
- 23 • Detail how OG&E meets the requirements for approval of a CCN as required by  
24 Ark. Code Ann. §§ 23-3-201 *et seq*; and,
- 25 • Address the cost recovery of the Project and discuss how the USP revenues will be  
26 used to offset the costs for non-participants.

27  
28 Q. **Are there other OG&E witnesses providing Direct Testimony?**

29 A. Yes, OG&E witness William Wai will provide testimony more fully describing the  
30 proposed USP offering.

**III. OG&E SOLAR BACKGROUND AND CUSTOMER INTEREST**

**Q. Does OG&E have a history of supporting renewable energy?**

A. Yes, OG&E has a history of advancing renewable energy initiatives. With wind energy, OG&E was an early adopter. In 2003, OG&E brought the 50 MW Sooner Wind Farm into its generation mix and introduced the Green Power Wind Rider offering to its Oklahoma customers. In 2007, OG&E added the Centennial Wind Farm and subsequently introduced the Renewable Energy Program (“REP”) in 2008 for Oklahoma customers and a similar program in 2009 for Arkansas customers. Since then, OU Sprit, Keenan, Taloga, Crossroads, and Cowboy wind farms were added, making up a total of 791 MW<sup>1</sup> of nameplate capacity representing almost 12% of OG&E’s total generation capability.

OG&E currently has 22.5 MW of solar located in Oklahoma. In 2016, OG&E’s first solar farm, a 2.5 MW farm located at its Mustang Power Plant, was constructed. Soon thereafter, a new 10 MW farm was added in Covington, Oklahoma. Very recently, OG&E completed construction of two 5 MW (10 MW total) farms in southeastern Oklahoma. With the output of these solar projects, the Company has been able to offer its Oklahoma customers an opportunity to participate in the Oklahoma USP since April 2016.

**Q. Have Oklahoma customers participated in the USP?**

A. Yes. The USP has been at or near full subscription since its inception. With the recent addition of the newly constructed 10 MW, subscription is already full, and several customers have requested to be placed on a waitlist in the event subscription becomes available.

**Q. Does OG&E currently offer any renewable energy programs to its Arkansas customers?**

A. Yes. OG&E currently offers its Arkansas customers an opportunity to acquire Renewable Energy Credits (“RECs”) under the Company’s REP tariff.

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<sup>1</sup> The Sooner Wind Farm PPA expired in 2018.

1 Q. **Please explain why the Company seeks to construct the Project and offer a USP to its**  
2 **Arkansas customers.**

3 A. Given the Company's successful experience with the Oklahoma USP, it would like to  
4 provide its Arkansas customers a similar opportunity to participate in an elective solar  
5 offering. The Company also wants to ensure Arkansas customers receive the benefits that  
6 result from the Project being located in Arkansas, such as the construction jobs associated  
7 with the Project, increased ad valorem taxes, and other economic development benefits that  
8 complement the environmental and sustainability goals of many entities.

9 The Company also seeks to test the demand for this type of product and to  
10 understand how to better serve the renewable energy needs of its Arkansas customers,  
11 including low income customers. The Company believes there are customers who cannot  
12 access or accommodate rooftop solar but would participate in a program like the one  
13 OG&E is proposing. Unlike the traditional roof-top solar model, the proposed USP does  
14 not require access to a sizable upfront capital outlay, nor does it require home ownership  
15 or physical use of a rooftop which may be impediments for customers who want to support  
16 solar.

17  
18 Q. **Has the Company conducted any market research to ascertain whether its Arkansas**  
19 **customers will be supportive of the Project, particularly the USP?**

20 A. Yes. OG&E surveyed its Arkansas residential customers in the "OG&E Arkansas  
21 Customer Interest in Solar Power Survey". The survey asked customers about their  
22 perceptions regarding solar-generated power and willingness to participate in a program  
23 such as the proposed USP. Please see Direct Exhibit DRR-1 and DRR-2\_HSPI for the  
24 survey questions and corresponding summary of results, respectively.

25  
26 Q. **What were the key areas of interest addressed by the survey?**

27 A. The survey was intended to address three key areas: first, to gauge the interest of Arkansas  
28 residential customers regarding solar power; second, to learn what proportion of Arkansas  
29 residential customers are willing to pay to support solar power; and third, to determine how  
30 much Arkansas residential customers are willing to pay to support solar-generated power.

1 Q. **Do the survey results support a customer interest for the type of program the**  
2 **Company is proposing?**

3 A. Yes. In summary, findings suggest that there is interest in solar-generated power among  
4 Arkansas residential customers, as a majority of respondents agreed, or strongly agreed, it  
5 is important their energy be generated from solar power. A majority of the respondents  
6 also indicated a willingness to pay at least \$2 more on monthly electric bills to support  
7 solar. Additionally, the fact that over half of respondents added their name to the Arkansas  
8 Solar Power Waiting List is a strong indicator that Arkansas customers will support a solar  
9 program such as the proposed USP.

10  
11 **IV. BRANCH SOLAR PROJECT DESCRIPTION**

12 Q. **Please provide the details of the proposed Branch Solar Project.**

13 A. The Branch Solar Project is a 5 MW solar facility located in Franklin County near the town  
14 of Branch, Arkansas. The Project will be constructed on a single axis tracking array  
15 mechanism which follows the sun's position. This tracking system serves to maximize  
16 total annual energy production. The array will be made up of approximately 16,250 panels.  
17 The Project array will have an expected capacity factor of [REDACTED]. The kW ratings are  
18 alternating current (AC) with a [REDACTED] DC to AC ratio.

19  
20 Q. **How much solar energy is estimated to be available to customers from the proposed**  
21 **Project?**

22 A. The Project will provide an expected annual energy production of [REDACTED] MWh, which is  
23 enough energy to serve approximately 2,000 residential participants under the proposed  
24 program at the maximum subscription level of 50% of the customer's annual usage.

25  
26 Q. **Please describe how OG&E selected the site for its proposed Project.**

27 A. The Company identified several potential sites to construct this Project and ultimately  
28 decided on the proposed location for several reasons including its proximity to an adjacent  
29 distribution substation and the available land and its configuration. These reasons, among  
30 others, were instrumental to determining the site selected.

1 Q. **Is this site able to accommodate more solar, or other renewable energy generation,**  
2 **and are there any cost efficiencies that would exist?**

3 A. Yes. The site will allow the Company to install approximately 5 MW of additional solar  
4 in the future, if desired. This will create efficiencies for a future installation because the  
5 site will be able to utilize the same distribution system and SCADA equipment installed  
6 for the proposed project.  
7

8 Q. **Please provide a timeline of when the proposed Project will be complete.**

9 A. The Company is requesting a CCN by the end of November in order to maximize the  
10 investment tax credits available for the project, which are greater in 2020 than 2021. If the  
11 CCN is approved by the end of November 2020, engineering and material procurement  
12 will begin immediately thereafter, with construction on the site beginning second quarter  
13 2021. Completion of the Project will likely occur in the third or fourth quarter of 2021.  
14 This timeline is subject to change due to various reasons that may impact construction such  
15 as supply chain factors, timing of the CCN approval, and weather conditions.  
16

17 Q. **Did OG&E competitively bid the proposed Project?**

18 A. Yes. OG&E issued a Request for Proposal (“RFP”) for an Engineering Procurement  
19 Construction (“EPC”) contract for the Project. The RFP requested prospective contractors  
20 to, among other things, provide bids for the project, describe their experience building  
21 solar, bidder company information, bidder employer/subcontractor information, and  
22 projected project timeline. The RFP is attached as Direct Exhibit DRR-3  
23

24 Q. **Please describe the process and analysis conducted by OG&E when evaluating the**  
25 **RFP bids.**

26 A. OG&E evaluated the bids utilizing a Kepner-Tregoe (“KT”) analysis process that defined  
27 the must and wants of the project and scored each of the bids against those attributes for  
28 comparison. A team of OG&E experts scored each bid and documented their evaluation  
29 on a KT matrix (“KT sheet”). The Company also utilized an outside Owners Engineer to  
30 provide comments on the bid proposals. The KT sheet is provided as Direct Exhibit DRR-  
31 4\_HSPI.

1 Q. **After review and analysis of all bids, who was selected as the winning bidder?**

2 A. After evaluating and scoring each item listed in the KT analysis, GenPro Energy Solutions,  
3 LLC proposal received the highest score and was evaluated by the team as being the  
4 superior bid.

5  
6 Q. **Does OG&E have a signed contract with the winning bidder from the RFP?**

7 A. No, the Company is in the process of contract negotiations and expects to have an executed  
8 contract in the near future. Upon its execution, the contract will be submitted as highly  
9 sensitive protected information to the Commission as a supplemental filing in this docket.

10  
11 **V. Ark. Code Ann. §§ 23-3-201 REQUIREMENTS**

12 Q. **Why is the Company seeking a CCN prior to commencing construction of the**  
13 **Project?**

14 A. It is OG&E's understanding that in Arkansas, a utility, prior to the construction or operation  
15 of equipment or facilities for supplying a public service, must obtain a certificate from the  
16 Commission<sup>2</sup> finding that the public convenience and necessity requires, or will require the  
17 requested or operation of the subject facilities, which in this instance is a renewable solar  
18 energy generation resource.

19  
20 Q. **What are the specific statutory or other requirements that OG&E must satisfy in**  
21 **order to be granted a CCN?**

22 A. The Commission, in its Rules of Practice and Procedure ("RPPs"), has adopted rules  
23 regarding the information to be provided to it by an electric utility seeking a CCN in  
24 conformance with Ark . Code Ann. § 23-3 201, *et seq.* RPP Rule 6.07 (a) outlines six (6)  
25 elements or areas of information that are to be included in any CCN application.

26 In certain instances, some notice provisions apply in conjunction with the filing of  
27 the CCN application and the Company's Articles of Incorporation must be on file with the  
28 Commission. OG&E has previously filed its Articles with the Commission and the notice  
29 provisions will be addressed below.

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<sup>2</sup> Arkansas law, in particular Ark . Code Ann. § 23-3 201, *et seq.*,



1 Q. Will you sequentially provide the information necessary to respond to each of the six  
2 specific areas to be addressed under RPP Rule 6.07(a)?

3 A. Yes.  
4

5 Q. Please provide facts showing that the proposed new construction is or will be required  
6 by public convenience and necessity (Rule 6.07 (a) (1)).

7 A. There are numerous factors as set forth below that demonstrate this Project is required by  
8 public convenience and necessity and ultimately in the public interest.

9 First, the Project is consistent with enactments of the Arkansas Legislature that  
10 express its support for clean, renewable energy resources, such as that proposed by the  
11 Company's Project.

12 Almost 20 years ago, the Arkansas Legislature enacted the Arkansas Renewable  
13 Development Act of 2001.<sup>3</sup> This act states "Increasing the consumption of renewable  
14 resources promotes the wise use of Arkansas's natural energy resources to meet a growing  
15 energy demand, increases Arkansas's use of indigenous energy fuels while reducing  
16 dependence on imported fossil fuels, fosters investments in emerging renewable  
17 technologies to stimulate economic development and job creation in the state, including  
18 the agricultural sectors, reduces environmental stresses from energy production and  
19 provides greater consumer choices."

20 In 2007 the Arkansas Legislature enacted the Arkansas Clean Energy Development  
21 Act.<sup>4</sup> The General Assembly found "it in the public interest to require all electric and  
22 natural gas public utilities subject to the jurisdiction of the Arkansas Public Service  
23 Commission to consider clean energy and the use of renewable energy resources as part of  
24 any resource plan...".

25 The proposed Project clearly meets the Legislature's desire for increased renewable  
26 resources by nature of its solar makeup. It also meets the goal of providing customers  
27 choices by facilitating the USP offering.

28 Second, this Project allows the Company to meet its Arkansas customers' desire  
29 for solar by utilizing a low-risk approach that has proven successful for its Oklahoma

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<sup>3</sup> Ark. Code Ann. §23-18-601 *et seq.*

<sup>4</sup> Ark. Code Ann. § 23-18-701 *et. seq.*

1 customers. As previously stated, the Project will facilitate the proposed USP offering  
2 which will allow customers to support solar energy at varying levels without incurring  
3 upfront costs or physically siting the solar on their residence or business. As I will more  
4 fully describe below, the offering is structured such that USP revenues will be used as an  
5 offset to the Project's revenue requirement.

6 Third, the Project is consistent with the Company's most recently filed Integrated  
7 Resource Plan. While the Company is not proposing to build this project solely to meet  
8 capacity needs, it will be considered a load reduction resource consistent with the treatment  
9 of OG&E's solar farms. This means that the proposed solar production will be connected  
10 to the distribution system and will be embedded in the Company's net demand forecast,  
11 consistent with the treatment of existing solar farms.

12 Fourth, as previously discussed, the Project was competitively procured and  
13 negotiated at arm's length as a result of the Company's RFP process.

14 Fifth, the Project has positive economic development attributes. Although the  
15 Project itself will not require any incremental OG&E employees, it will create up to 30  
16 jobs during the construction of the facility. Additionally, OG&E believes that the  
17 opportunity to offer renewables is becoming increasingly important as a factor for other  
18 companies as environmental and sustainability goals are becoming more widespread.  
19 Further, as the renewable energy industry continues to increase both investment and job  
20 creation, having more of that type of asset in our service territory helps support our efforts  
21 to attract attention within that industry and its associated supply chain partners.

22 Finally, as shown in the revenue requirement later in my testimony, the proposed  
23 project will include additional ad valorem taxes paid to the state of Arkansas, and the  
24 project will be eligible for federal Investment Tax Credits to offset a portion of the Project's  
25 cost.

26  
27 **Q. Please describe the proposed location or route of the new construction or operation**  
28 **and a describe the manner in which it will be constructed (Rule 6.07 (a) (2)).**

29 **A.** The location of construction is Branch, Franklin County, Arkansas which is 1.5 miles east  
30 of Branch, Arkansas on Hwy 22 (67.45 acres) North side of the road. The proposed Project  
31 is to install a solar system consisting of 16,250 Trina 395W panels mounted on Valmont

Convert TRJ Single-Axis trackers into 2 Sungrow SG125HV inverters that will output a maximum of 6.42 MW DC and will result in 5 MW AC of production. The output power will be injected at 34.5 kV into OG&E's Branch circuit 922462 substation, which is 0.5 miles away. The land the Project will be constructed on is owned by OG&E, and OG&E will own and operate the facility.

**Q. Please provide a map(s) to suitable scale showing the location or route of the proposed new construction or operation, locations of nearby airports, and reference to all allocation boundaries (Rule 6.07 (a) (3)).**

**A.** Please see Direct Exhibit DRR-5 for a layout of the solar panels and map of the Project location. There are no nearby airports and as stated earlier, the Project will be just north of Hwy 22 and west of the school.

**Q. Please provide all data, including an estimate of cost, as necessary for a complete understanding of the application (Rule 6.07 (a) (4)).**

**A.** The total estimated capital cost of the project is \$9.7 million in addition to a third party estimated maintenance cost of \$100,000 annually. Both the cost of the Project and maintenance costs are consistent with costs of the Company's solar projects in the Oklahoma.

The proposed Project will result in a first-year revenue requirement of just over \$1 million. This revenue requirement includes return cost, O&M expenses, depreciation expense<sup>5</sup>, property taxes, and tax credits. The revenue requirement would be 100% allocated to the Company's Arkansas jurisdiction, similar to the way the Company's solar facilities in Oklahoma are allocated 100% to the Company's Oklahoma jurisdiction.

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<sup>5</sup> OG&E used the approved depreciation rates from its last rate case in Docket No. 16-052-U.

1 Q. **Please describe the manner proposed to finance the new construction or operation or**  
2 **extension (Rule 6.07 (a) (5)).**

3 A. The Company will finance the new construction of this Project through its current capital  
4 structure. The after-tax Return on Rate base is 6.6% and was approved in the Company's  
5 2019 Formula Rate Plan Evaluation Report.<sup>6</sup> The Project will not result in any new debt  
6 or equity issuance.

7  
8 Q. **Please explain how the notice of the filing has been given in accordance with Rule**  
9 **6.03(a) (Rule 6.07 (a) (6)).**

10 A. OG&E owns the land the Project will be constructed on, and the Project will not traverse  
11 or cross any property not owned by OG&E, or where there is not an existing easement or  
12 right of way. Therefore, it is not necessary to notify any other persons of the proposed  
13 Project. The Project will be entirely on the distribution system, and will not be on the  
14 transmission system, and therefore, will not utilize any new or existing transmission assets.

## 15 16 VI. Cost Recovery

17 Q. **Is OG&E seeking cost recovery of in the Project in this Docket?**

18 A. No. As stated earlier in my testimony, the Company is providing an estimated revenue  
19 requirement in this Docket. The Company will include the costs for recovery of the  
20 revenue requirement in a separate general rate case or formula rate plan filing only after  
21 the Project has been completed and is used and useful. At that point, the costs can be  
22 reviewed.

23  
24 Q. **How will the revenues received from the USP tariff be treated in a general rate case**  
25 **or formula rate plan filing?**

26 A. Similar to Project costs, all revenues received from the USP tariff rate subscriptions will  
27 be included in the next general rate case or formula rate plan filing and used to pay for the  
28 revenue requirement associated with the Project. Over the life of the facility, subscribers,  
29 assuming full subscription, will pay the full revenue requirement, eliminating the impact

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<sup>6</sup> Docket No. 18-046-FR Order No. 10.

1 on non-participants. The USP revenues are further described in the Direct Testimony of  
2 OG&E witness Wai.  
3

4 **Q. What is your recommendation?**

5 A. I recommend the Commission approve the Company's request for a CCN to construct and  
6 operate the Project and approve the corresponding proposed USP offering. OG&E  
7 respectfully requests that the Commission issue its order on this Application by the end of  
8 November 2020 in order for the Company to be eligible for higher investment tax credits  
9 and to have the opportunity to offer this tariff option to customers for the peak season of  
10 2021.  
11

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

13 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 29<sup>th</sup> day of July, 2020.

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