

**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 )

CAUSE NO. PUD 202100164



Direct Testimony

of

Bryan J. Scott

on behalf of

Oklahoma Gas and Electric Company

December 30, 2021

**QUALIFICATIONS, EXPERIENCE AND PURPOSE**

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

A. I am employed by Oklahoma Gas and Electric Company ("OG&E" or "Company") as the Director of Pricing and Load Analysis. In that capacity, I am responsible for overseeing the development of rates for each of the services provided to our customers.

**Q. Please summarize your educational qualifications and professional experience.**

A. I graduated from the University of Tulsa with a Bachelor of Science degree in Economics. I began working at Public Service Company of Oklahoma ("PSO") in 1979 where I held various positions in its Rates Department. In 1994, I joined the Central and South West ("CSW") Rates Department as Manager of Pricing and Costing (CSW was the holding company for PSO at that time). In 1995, I became responsible for new pricing programs as Senior Project Manager for Pricing Development for CSW. In 2000, I became the Manager of Texas Retail Pricing for American Electric Power ("AEP") in preparation for the deregulated market in Texas (AEP assumed control of CSW in 2000). In 2002, I left AEP to become a consultant with B&B Consulting International and then with UtiliPoint International. I joined OG&E in March 2008. I have been involved with electricity pricing, costing, rate administration and regulatory issues for over 42 years.

**Q. Have you previously filed testimony before the Oklahoma Corporation Commission (the "Commission")?**

A. Yes. I have previously filed testimony on behalf of OG&E in Cause Nos. PUD 200800398, 200900230, 200900231, 201000037, 201100087, 201200134, 201400286, 201400307, 201500247, 201500273, 201600366, 201600441, 201700216, 201700496, 201800070, 201800074, 201800140, 202100018, and 202100159. I have previously submitted testimony on behalf of PSO in proceedings before this Commission. I have also submitted testimony before the Arkansas Public Service Commission, the Louisiana Public Service

1 Commission, the Public Utility Commission of Texas, and the Federal Energy Regulatory  
2 Commission.

3  
4 **Q. What is the purpose of your testimony?**

5 A. The primary purpose of my testimony is to support the allocation of the Oklahoma  
6 jurisdictional revenue requirement among customer classes as recommended by OG&E in  
7 this Cause.

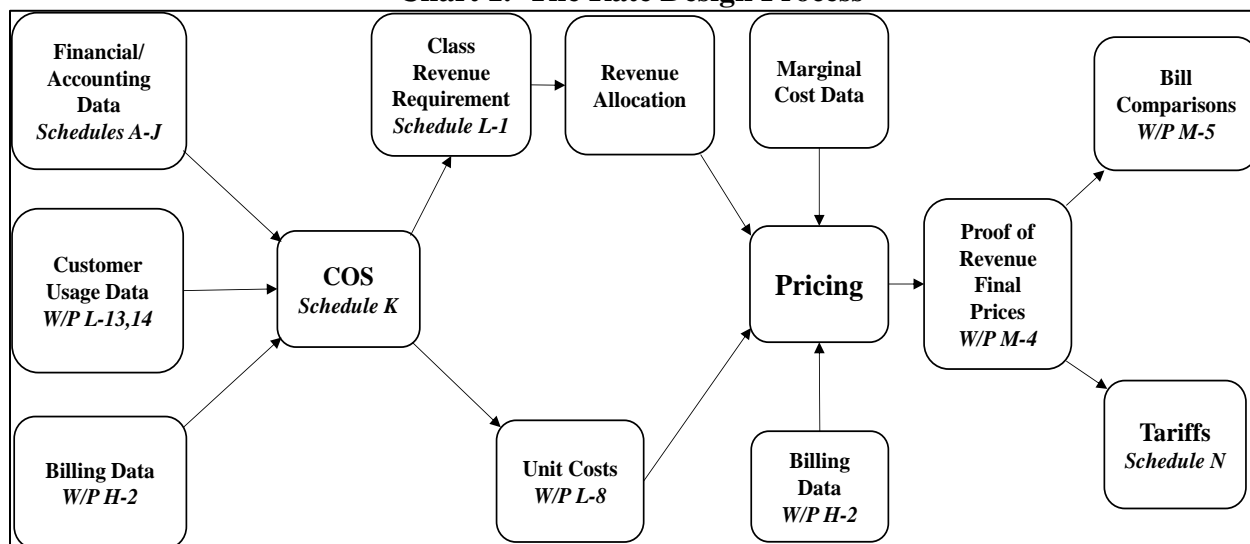
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9 **REVENUE ALLOCATION**

10 **Q. What is revenue allocation and what role does it play in the development of proposed**  
11 **rates?**

12 A. In its simplest form, rate design is the process of pricing the services offered OG&E's  
13 customers so as to produce the revenues needed to pay for the costs of providing those  
14 services. That process begins with the identification of the costs assigned to each customer  
15 class in a Cost of Service Study ("COSS"); and revenue allocation is the process of  
16 adjusting results of the COSS to establish the target revenue requirement for each class or  
17 group of retail customers. The pricing process then establishes rates for each tariffed  
18 service so as to collect the targeted revenue requirement.

19 As can be seen in Chart 1 below, the Minimum Filing Requirements package for  
20 OG&E's Application in this Cause includes schedules and work papers which provide in  
21 detail the information the Company uses to develop the proposed rates for each of the  
22 tariffed services offered to our customers. As seen below, Revenue Allocation is one of  
23 the final, primary inputs which the Company considers when developing the pricing for  
24 those tariffs.

**Chart 1. The Rate Design Process**



**Q. What is the purpose of a COSS?**

A. As mentioned earlier, COSS results are used to establish the amount of revenues that would be collected from each customer group or class if each class were to pay its full cost for receiving electric service. In those circumstances, the class' revenue requirement is described as being at 100% relative rate of return ("RROR") or at an equalized rate of return ("ROR"). OG&E Witness Cash supports the company's COSS.

**Q. What were the results from the COSS for this Cause?**

A. Table 1 shows the results of the COSS found in Section K of the Company's filing package and depicts the revenue requirements, revenue deficiencies and percent increases which would provide a 100% RROR for each customer group or class.

The first column is the customer group. The second column is the current revenue from each customer group after *pro forma* adjustments are made and also include fuel revenue and continuing rider revenues. These *pro forma* adjustments are described on Schedule H-2 of the Application package and discussed by OG&E Witness Cash. The third column is the total proposed revenue, which also includes current fuel revenue and rider revenues. The proposed revenues represent the amount needed to fund the Company's costs of service when new rates become effective, assuming no changes to riders or fuel costs. The fourth column shows the difference between current revenues and

proposed revenues at 100% RROR based on current rider and fuel revenues. The last column is the proposed percent change for each class or group of Oklahoma retail customers and represents the impact to customers' bills if all groups were taken to 100% RROR.

**Table 1. Cost of Service Study Results**

<b>Class</b>	<b>Total Current Revenue</b>	<b>Proposed Total Revenue @ 100% RROR</b>	<b>Proposed Increase @ 100% RROR</b>	<b>% Change from Current @ 100% RROR</b>
<b>RESIDENTIAL SERVICE</b>	\$ 919,191,981	\$ 1,003,512,461	\$ 84,320,480	9.2%
<b>GENERAL SERVICE</b>	\$ 189,501,292	\$ 203,403,855	\$ 13,902,563	7.3%
<b>PUBLIC SCHOOLS SM</b>	\$ 15,673,870	\$ 22,292,209	\$ 6,618,339	42.2%
<b>OIL &amp; GAS PRODUCTION</b>	\$ 19,027,240	\$ 18,154,731	\$ (872,508)	-4.6%
<b>PUBLIC SCHOOLS LG</b>	\$ 14,381,034	\$ 18,025,916	\$ 3,644,882	25.3%
<b>POWER &amp; LIGHT</b>	\$ 485,592,371	\$ 513,407,670	\$ 27,815,299	5.7%
<b>LRG. PWR &amp; LGHT</b>	\$ 253,022,330	\$ 269,403,883	\$ 16,381,554	6.5%
<b>MUNICIPAL PUMPING</b>	\$ 8,449,545	\$ 8,612,063	\$ 162,518	1.9%
<b>MUNICIPAL LIGHTING S/L-5</b>	\$ 6,051,604	\$ 8,502,289	\$ 2,450,725	40.5%
<b>SECURITY LIGHTING S/L-5</b>	\$ 13,794,478	\$ 16,297,820	\$ 2,503,431	18.1%
<b>LED LIGHTING S/L-5</b>	\$ 14,001,310	\$ 20,614,529	\$ 6,613,270	47.2%
<b>OKLA RETAIL JURISDICTION</b>	<b>\$ 1,938,687,054</b>	<b>\$ 2,102,227,427</b>	<b>\$ 163,540,553</b>	<b>8.4%</b>

**Q. Are these the revenue requirements OG&E utilized to price tariffs for the respective classes?**

**A.** No, as mentioned above, at times in the rate design process the revenue allocation process may result in a particular class' allocated revenues being set at an amount higher or lower than is required to pay its full cost of service as identified in the COSS.

**Q. What are the considerations in the revenue allocation process?**

**A.** From OG&E's perspective, the preference is to set each class' revenue requirement as close as possible to a target RROR of 100%. We believe that ultimately each customer group should pay the full cost for its electric service. However, external, or unusual circumstances are legitimate considerations in the allocation of revenue recovery to each class and the Company pricing proposals have historically been reflective of other circumstances.

1 Q. Please describe the total impact proposed by the Company in this case.

2 A. The Oklahoma retail jurisdiction average increase is 8.4%.

4 Q. What were the results from the Company's revenue allocation process?

5 A. Table 2 shows the results of the revenue allocation process and includes the RROR for  
6 each rate class. In this Cause, OG&E proposes to limit most class increases to  
7 approximately ten percent (10%); the lighting classes were limited to an increase of 30%.  
8 Classes that should receive a decrease did not receive a change to their revenue  
9 requirement; those decreases were used to offset other classes' increases. These results are  
10 also shown in Schedule M and associated Schedule M work papers of the Application  
11 package.

12 **Table 2. Proposed Revenue Allocation**

Class	Total Current Revenue	Proposed Increase	Proposed Total Revenue	Proposed Total Bill Impact	Proposed ROR	Proposed RROR
RESIDENTIAL SERVICE	\$ 919,191,981	\$ 82,525,898	\$ 1,001,717,879	9%	7.5%	99.4%
GENERAL SERVICE	\$ 189,501,292	\$ 18,955,721	\$ 208,457,013	10%	8.1%	107.4%
PUBLIC SCHOOLS SM	\$ 15,673,870	\$ 1,567,460	\$ 17,241,330	10%	2.4%	31.8%
OIL & GAS PRODUCTION	\$ 19,027,240	\$ 0	\$ 19,027,240	0%	9.1%	120.4%
PUBLIC SCHOOLS LG	\$ 14,381,034	\$ 1,438,175	\$ 15,819,209	10%	4.5%	60.0%
POWER & LIGHT	\$ 485,592,371	\$ 32,144,538	\$ 517,736,909	7%	7.8%	103.2%
LRG. PWR & LGHT	\$ 253,022,330	\$ 16,603,445	\$ 269,625,775	7%	7.6%	100.3%
MUNICIPAL PUMPING	\$ 8,449,545	\$ 151,096	\$ 8,600,641	2%	7.5%	99.4%
MUNICIPAL LIGHTING S/L-5	\$ 6,051,604	\$ 1,815,481	\$ 7,876,756	30%	6.0%	80.1%
SECURITY LIGHTING S/L-5	\$ 11,463,381	\$ 4,138,343	\$ 17,954,480	30%	9.7%	128.2%
LED LIGHTING S/L-5	\$ 14,001,310	\$ 4,200,393	\$ 18,214,145	30%	5.9%	77.7%
OKLA RETAIL JURISDICTION	\$ 1,938,687,054	\$ 163,540,550	\$ 2,102,227,423	8.4%	7.5%	100.0%

13 Q. Were the allocated revenues identified in Table 2 used to establish the prices in the  
14 proposed tariffs?

15 A. Yes. The results from the revenue allocation establish the target revenues for the rate  
16 design sponsored by Witness William Wai. The actual revenue increase achieved by the  
17 proposed pricing is shown in Schedule M-4 and the associated workpapers.

**RECOMMENDATIONS**

1

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

3    **A.     I respectfully recommend that the Commission approve tariffs based on the Company's**  
4           **recommended Revenue Allocation for customer classes as described above and shown in**  
5           **Table 2 of this Testimony.**

6

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

8    **A.     Yes.**