

BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

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

DOCKET NO. 18-046-FR

Direct Testimony

of

Seth Knight

on behalf of

Oklahoma Gas and Electric Company

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

2 A. My name is Seth Knight. My business address is 321 North Harvey, Oklahoma City,
3 Oklahoma 73102.

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

6 A. I am employed by Oklahoma Gas and Electric (“OG&E” or “Company”) as a Senior Cost
7 Analyst.

8
9 **Q. Please summarize your educational background and professional qualifications.**

10 A. I received a Bachelor of Business Administration in Accounting from the University of
11 Central Arkansas in 2005, and a Master of Business Administration in Finance from
12 Oklahoma Christian University in 2016. I joined OG&E in March 2016 and I am currently
13 a Senior Cost Analyst.

14 Prior to joining OG&E, I was employed by Chaparral Energy as a Financial Analyst
15 IV from 2014 to 2016. I handled all aspects of budgeting, forecasting, and financial
16 analysis of costs and revenue. From 2011-2014, I was employed by Select Energy
17 Services. I held many roles ranging from Business Manager to Assistant Controller. I
18 handled items such as: contract analysis and pricing, trend analysis, profit and loss analysis,
19 and led the monthly accounting close process. I started my career with Stephens, Inc., a
20 private investment banking firm headquartered in Little Rock, Arkansas, from 2006-2011
21 where I worked as an Accountant. My main duties were leading the monthly forecast and
22 annual budget process. I also handled accounts payable and worked with financial
23 statement and general ledger analysis.

24 In my current role, I attended New Mexico State University’s Practical Regulatory
25 Training for the Electric Industry in May 2016. I also represented the Company as a
26 working member of EPRI’s Understanding Electric Utility Customers program in February
27 2017. Finally, I attended the Electric Utility Consultants, Inc. (“EUCI”) workshops for
28 Cost-Of-Service and Rate Design for Electric Utilities in March 2017.

1 **Q. Have you previously filed testimony before the Arkansas Public Service Commission**
2 **(the “APSC” or “Commission”)?**

3 A. No. However I have provided testimony to the Oklahoma Corporation Commission in
4 OG&E’s last general rate case Cause No. PUD 201700496.

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

7 A. The purpose of my testimony is to explain the Company’s update to the cost of service
8 (“COS”) to comply with the requirements in the Formula Rate Plan “(FRP)” tariff, and
9 support the Company’s schedules G-1, G-2, G-3, and G-4 which can be found in the filed
10 COS model at Attachment E Item 15 in Volume 2.

12 **Q. Why is the Company updating its COS model?**

13 A. Since customer usage changes over time, it is important to update the COS model to reflect
14 those changes so that costs can be properly allocated to the appropriate jurisdiction.
15 Although jurisdictional allocators are being updated, the FRP requires that class allocators
16 remain unchanged from Docket No. 16-052-U.

18 **Q. Is this update to the jurisdictional allocators permitted in this FRP filing?**

19 A. Yes. The Company is required to process total company projected costs and other data
20 through the approved COS model from Docket No. 16-052-U to update its jurisdictional
21 allocators in order to calculate the Arkansas jurisdictional revenue requirement¹. As noted
22 in the direct testimony of Company witness Cash in Docket No. 16-052-U, the
23 jurisdictional allocators will be updated with each FRP filing.² APSC Staff witness Hilton
24 supports this in the settlement testimony by stating “the jurisdictional allocators, including
25 the revised Wind Production Allocator, will be re-determined in each FRP Rider filing, but
26 will continue to reflect the allocation methodology approved by the Commission in the
27 instant rate case; whereas the class percentages will be fixed at the level approved in this
28 docket.”³

¹ Formula Rate Plan Rider, Tariff Sheet No. 80.0, Attachment B-1, Note [2].

² Direct Testimony of Gwin Cash, p. 27, lines 24-32 and p. 28, lines 1-5.

³ Settlement Testimony of Jeff Hilton, p. 7, lines 3-7.

1 Q. **Does this update to the jurisdictional allocators change the approved methodology**
2 **from Docket No. 16-052-U?**

3 A. No. The Company used the same approved allocation methodologies from the settled Cost
4 of Service model from Docket No. 16-052-U. There were no changes to how costs were
5 allocated, only the percentages of the allocators were updated.
6

7 Q. **What is the Company updating in the COS?**

8 A. The Company is updating the coincident system peak load, customer individual peak load,
9 customer counts and customer energy data.
10

11 Q. **What is the impact when these components are updated in the COS?**

12 A. This update will change the jurisdictional percentage of the following external allocators:
13 Production Demand, Transmission Demand, Transmission Demand/SPP, Distribution
14 Demand, Production Energy, Production Wind, Service Drops, Customer, and Account
15 Reps.
16

17 Q. **Was there a significant change in the Production Demand and Production Wind**
18 **Allocator?**

19 A. Yes. The Arkansas jurisdiction allocation for both Production Demand and Production
20 Wind increased 1.21%⁴ from Docket No. 16-052-U. This increase was driven by changes
21 in the updated coincident system peak data. The average of the four summer peak months
22 or 4 coincident peak ("4CP") increased 10.68% for Arkansas while Oklahoma decreased
23 2.39% when compared to Docket No. 16-052-U. These swings in demand, coupled with
24 little to no change in Production Energy, led to an increase in the Arkansas jurisdictional
25 piece of the Production Demand Allocator. More detail on which classes were affected by
26 these changes can be seen in Table 1 below:

⁴ At the jurisdictional level both Production Demand and Production Wind Allocator are allocated using the 4CP Average and Excess, Settlement Testimony of Jeff Hilton, p. 5, lines 11-14.

Table 1

	16-052-U 4CP Average (kW)	FRP 4CP Average (kW)	Difference
Arkansas	462,319	511,688	10.68%
Residential	192,111	181,757	-5.39%
General Service & Others	56,162	60,888	8.42%
Power & Light Total	214,047	269,043	25.69%
Oklahoma	5,259,237	5,133,460	-2.39%
Residential	2,491,837	2,320,710	-6.87%
General Service & Others	598,271	608,078	1.64%
Power & Light Total	1,268,166	1,446,643	14.07%
Large Power & Light	900,963	758,030	-15.86%

As seen in Table 1, the Arkansas 10.68% increase in the 4CP average was largely driven by the Power & Light and Power & Light Time-of-Use (“TOU”) classes which increased 25.69%. A significant driver to this increase was that an Arkansas Power & Light TOU customer had a lower system peak contribution in 16-052-U than in this FRP filing (22MW vs 60MW). General Service and Other Rate classes also increased 8.42%. While Residential had a decrease of 5.39% it wasn’t large enough to overcome the increases in the other rate classes. The Oklahoma 2.39% decrease in the 4CP average was driven by a 15.86% reduction in the Large Power & Light class which is made up of very large commercial and industrial customers. There was also a decrease to the Residential class of 6.87%. While the Oklahoma jurisdiction did have increases to the Power & Light, Power & Light TOU, General Service, and Other classes, these increases weren’t enough to offset the decrease to the Large Power & Light class.

Q. Was there a change in the Transmission Demand and Transmission Demand/SPP Allocators?

A. Yes. The Arkansas jurisdiction increased 0.73% for Transmission Demand and 0.76% from Transmission Demand/SPP when compared to Docket No. 16-052-U. This increase is also due to the updated coincident system peak data. The average of the twelve-monthly coincident peaks (12CP) increased 6.97% for Arkansas while Oklahoma decreased 2.90% from Docket 16-052-U. The Transmission Demand and Transmission Demand/SPP

1 allocators are computed from this data, which led to a slight increase in the Arkansas
2 jurisdictional share.

3
4 **Q. Was there a change in the Distribution Demand Allocator?**

5 A. Yes. The Arkansas retail jurisdiction decreased 2.54% from Docket No. 16-052-U. The
6 Distribution Demand allocator divides Arkansas direct assigned distribution costs between
7 retail and wholesale. Maximum Demands for the wholesale increased from 1,554 kW in
8 Docket No. 16-052-U to 15,374 kW in this filing. This increase in Arkansas wholesale
9 demands decreased the Arkansas retail share.

10
11 **Q. What was the magnitude of changes to the other external allocators?**

12 A. The Production Energy, Service Drops, Major Account Representatives, and Customer
13 allocators had either a less than 0.15% change or minimal revenue requirement change
14 from Docket No. 16-052-U.

15
16 **Q. Do you have a recommendation for the Commission?**

17 A. Yes. I recommend that that the Commission accept the Company's updated COS which
18 updates the jurisdictional allocators and the retail revenue requirement as seen on line 12
19 of Attachments B-1 and D-1 of the FRP Tariff.

20
21 **Q. Does this conclude your testimony?**

22 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.