

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

Jennifer E. Nelson

on behalf of

Oklahoma Gas and Electric Company

December 30, 2021

1 **I. INTRODUCTION**

2 **Q. Please state your name, affiliation, and business address.**

3 A. My name is Jennifer E. Nelson. I am an Assistant Vice President at Concentric Energy
4 Advisors, Inc. (“Concentric”). My business address is 293 Boston Post Road West, Suite
5 500, Marlborough, Massachusetts 01752.

6 **Q. On whose behalf are you submitting this Direct Testimony?**

7 A. I am submitting this Direct Testimony before the Corporation Commission of Oklahoma
8 (“Commission”) on behalf of Oklahoma Gas and Electric Company (“OG&E” or the
9 “Company”).

10 **Q. Please describe your education and experience.**

11 A. I have worked in the energy industry for thirteen years, having served as a consultant and
12 energy/regulatory economist for state government agencies. Since 2013, I have provided
13 consulting services to utility and regulated energy clients on a range of financial and
14 economic issues including rate case support (*e.g.*, cost of capital and integrated resource
15 planning) and policy and strategy issues (*e.g.*, alternative ratemaking and natural gas
16 distribution expansion). Prior to consulting, I was a staff economist at the Massachusetts
17 Department of Public Utilities, where I worked on regulatory filings related to energy
18 efficiency, renewable power contracts, smart grid and electric grid modernization, and
19 retail choice. I hold a Bachelor of Science degree in Business Economics from Bentley
20 College (now Bentley University) and a Master of Science degree in Resource and Applied
21 Economics from the University of Alaska. A summary of my professional and educational
22 background, including a list of my testimonies filed before regulatory commissions, is
23 included as Direct Exhibit JEN-1.

24 **Q. Please describe Concentric’s activities in energy and utility engagements.**

25 A. Concentric provides financial and economic advisory services to energy and utility clients
26 across North America. Our regulatory, economic, and market analysis services include
27 utility ratemaking and regulatory advisory services; energy market assessments; market
28 entry and exit analysis; corporate and business unit strategy development; demand

1 forecasting; resource planning; and energy contract negotiations. Our financial advisory
2 activities include buy and sell-side merger, acquisition, and divestiture assignments; due
3 diligence and valuation assignments; project and corporate finance services; and
4 transaction support services. Additionally, Concentric provides litigation support services
5 on a wide range of financial and economic issues on behalf of clients throughout North
6 America.

7 **Q. Have you testified before any regulatory authorities?**

8 A. Yes, I have. A list of proceedings in which I have filed expert testimony is provided in
9 Direct Exhibit JEN-1.

10 **II. PURPOSE AND OVERVIEW OF DIRECT TESTIMONY**

11 **Q. What is the purpose of your Direct Testimony in this proceeding?**

12 A. The purpose of my Direct Testimony is to provide an assessment of the Company's
13 proposed Performance Based Ratemaking Plan ("PBR Plan") and to evaluate whether the
14 PBR Plan is in the public interest. I also sponsor Direct Exhibit JEN-2 which was prepared
15 by me or under my direction.

16 **Q. Please summarize your conclusion regarding the Company's request for the PBR**
17 **Plan.**

18 A. For the reasons explained throughout my Direct Testimony, I conclude that the Company's
19 PBR Plan is in the public interest and should be approved. As detailed in my Direct
20 Testimony, my conclusion is supported by the following:

- 21 • The Company's proposal is substantially similar to the PBR mechanisms the
22 Commission has found to be in the public interest for natural gas utilities in Oklahoma;
- 23 • The Company's proposed PBR is conceptually similar to its annual rate review
24 mechanism in place in its Arkansas jurisdiction,¹ which has demonstrated to have
25 produced benefits for customers; and

¹ OG&E's Arkansas FRP Rider, approved in Arkansas Public Service Commission ("APSC") Docket No. 16-052-U, Order No. 8, at 19 (May 18, 2017).

- The Company’s proposed PBR Plan is consistent with sound ratemaking principles and regulatory objectives and will provide benefits to customers.

Q. How is the remainder of your Direct Testimony organized?

A. The remainder of my Direct Testimony is organized as follows:

- Section III – Summarizes the Company’s proposed PBR Plan in this proceeding and reviews PBR mechanisms approved by the Commission for natural gas utilities in Oklahoma;
- Section IV – Provides an overview of the traditional ratemaking framework and universal ratemaking principles, and explains how the Company’s PBR Plan is consistent with sound ratemaking principles and regulatory objectives; and
- Section V – Summarizes my conclusions and recommendations.

III. OVERVIEW OF OG&E’S PROPOSED PBR PLAN

Q. For context, what is an annual rate review mechanism?

A. Annual rate review mechanisms are an alternative form of ratemaking that departs from the more traditional “return on rate base” cost-of-service ratemaking framework in which utility rates are set through general base rate proceedings that occur periodically. Under annual rate review frameworks, utilities make annual streamlined rate filings pursuant to commission-approved requirements contained within the annual rate review tariff.

Simply, under an annual rate review mechanism, rates are adjusted to reduce variances between the earned ROE and authorized “target” (or “benchmark”) ROE. These mechanisms often include a “deadband” around the target ROE in which a rate adjustment is not triggered. Annual rate review mechanisms may include either a historical or projected test year. Additionally, annual rate review mechanisms may include a customer protection component such as earnings sharing component outside of the deadband or a cap on rate increases.

Generally speaking, annual rate review frameworks streamline the regulatory review and approval process, reducing both the regulatory burden and expense to customers relative to large complex base rate proceedings. Additionally, annual filings can

1 provide the regulator and stakeholders more frequent insight and greater transparency into
2 a utility's operations, improving regulatory efficiency. Annual rate review mechanisms
3 also improve the timeliness of rate changes, which better align a utility's rates with its costs
4 to serve. Lastly, annual rate review mechanisms can improve bill stability – and, therefore,
5 revenue stability – as rate changes may be smaller and more gradual over time. In other
6 words, the potential for rate shock is mitigated relative to base rate cases when large
7 amounts of capital may be added to rate base at once.

8 **Q. Please summarize the Company's proposed PBR Plan.**

9 A. As explained in the testimony of Company witness Zachary Quintero, the proposed PBR
10 Plan creates a streamlined, annual process through which the Company's actual
11 performance is reviewed and rates are subsequently adjusted. Under the proposed PBR
12 Plan, the Company would file an application on July 31 of each year to review the
13 Company's financial performance using a test period of the twelve months ending March
14 31. The Company's earned return during that period would be compared to the target rate
15 of return, as approved by the Commission in this Cause. If the earned return is more than
16 50 basis points less than the target rate of return, rates would be prospectively adjusted to
17 increase the Company's return to the target rate. If the earned return is at least 50 basis
18 points above the target rate of return, the Company would return 75 percent of the over-
19 earnings to its customers.

20 The proposed PBR Plan is consistent with the PBR mechanisms approved by the
21 Commission for natural gas utilities in Oklahoma, and conceptually similar to the
22 Company's FRP Rider approved by the Arkansas Public Service Commission and found
23 to be in the public interest of Arkansas customers.²

24 **Q. Has the Commission previously authorized the implementation of PBR mechanisms**
25 **for utilities in Oklahoma?**

26 A. Yes, the Commission has authorized PBR mechanisms for Arkansas Oklahoma Gas Corp.,
27 CenterPoint Energy Resources, and Oklahoma Natural Gas. These PBR mechanisms
28 adjust rates annually to reconcile earned returns against the target return authorized by the

² APSC Docket No. 16-052-U, Order No. 8, at 19 (May 18, 2017).
Direct Testimony of Jennifer E. Nelson
Cause No. PUD 202100164

Commission, outside of a 100-basis point deadband around the target return. As is the case under OG&E's proposed PBR Plan, rates for the natural gas utilities are prospectively adjusted upward if the utility earns more than 50 basis points less than the target rate of return. Similarly, if the natural gas utility earns more than 50 basis points above the target rate of return, customers receive 75 percent of the over-earnings.

Mr. Quintero explains the benefits of the Performance Based Rate plans in Oklahoma and notes that the Commission has found that the PBR mechanisms implemented for the natural gas utilities are in the public interest.³ For example, the Commission recently concluded that CenterPoint Energy Oklahoma Gas's PBRC Plan (1) encourages CenterPoint Oklahoma to achieve greater efficiency and performance, (2) reduces the cost of service to customers through significantly lower regulatory and rate cases expenses, and (3) results in closer supervision of CenterPoint Energy Oklahoma through the annual review process.⁴

Q. Is the proposed PBR Plan consistent with the PBR mechanisms approved for the natural gas utilities in Oklahoma?

A. Yes. As shown in Direct Exhibit JEN-2, the components of the Company's proposed PBR Plan are consistent with the components of the PBR mechanisms the Commission has approved for the natural gas utilities.

Q. What has been the effect of the implementation of the Company's FRP Rider in Arkansas?

A. The Arkansas Public Service Commission approved OG&E's annual rate review mechanism, FRP Rider, in May 2017. Similar to the Company's proposed PBR Plan for Oklahoma, FRP Rider is a streamlined annual performance review process in which rates are adjusted if its historical earned return is outside of a 100-basis point deadband around its authorized target return. During the initial five-year term of FRP Rider in Arkansas, the Company has maintained stable rates for its customers and reduced non-fuel operation and maintenance ("O&M") expenses by approximately four percent. At the same time, the

³ Direct Testimony of Zachery Quintero, at 7-9.

⁴ See e.g., Order No. 701439, Cause No. PUD 201900019, at 8-9 (August 29, 2019). In Order No. 701439, the Commission adopted the Report and Recommendation of the Administrative Law Judge. Commissioner J. Todd Hiatt did not concur that a general rate case was unnecessary.

1 FRP Rider framework in Arkansas has facilitated investments in grid reliability. As such,
2 the Company's Arkansas FRP Rider has enabled it to successfully achieve the goals of
3 Arkansas' Formula Rate Review Act to provide reliable service, maintain stable rates, and
4 mitigate the magnitude of future rate changes.⁵

5 **Q. Does the proposed PBR Plan balance risks between customers and the Company?**

6 A. Yes, the proposed PBR Plan provides benefits and protections to customers while also
7 balancing the risks between customers and the Company. As Mr. Quintero and Mr.
8 Rowlett explain, the Commission retains its right and responsibility to review the
9 Company's expenses and investments in each annual filing for prudence.⁶ Commission
10 staff and intervening parties will continue to scrutinize the Company's filings each year
11 and file testimony proposing changes. While the proposed process would be more
12 streamlined as compared to a base rate case, the ability to review in detail the Company's
13 revenues, expenses, and investments would not change. Additionally, the Company's
14 proposal includes filing an annual cost of service study, allowing for a timelier review of
15 cost allocations. Importantly, as Mr. Quintero explains, annual filings would provide more
16 timely insight into the Company's operations than less frequent base rate case filings may
17 provide.⁷ Nonetheless, changes in rates are ultimately subject to review and approval by
18 the Commission. Therefore, regulatory oversight is not diminished as a result of the
19 streamlined process proposed under the PBR Plan.

20 Second, rates would not change within the 100-basis point deadband around the
21 target ROE, limiting rate changes. Additionally, the proposed earnings sharing mechanism
22 refunds to customers 75 percent of earnings above the ROE deadband. In other words, the
23 Company's ability to retain earnings above the ROE deadband is limited to 25 percent.

24 Lastly, the PBR Plan would mitigate regulatory lag, supporting the Company's cash
25 flow and credit metrics. However, it would not eliminate regulatory lag, nor would it
26 guarantee the Company will earn its authorized return. Whereas four jurisdictions allow

⁵ Arkansas Code §23-4-1202(b); State of Arkansas 93rd General Assembly, Act 894 of 2021, Section 8.

⁶ See e.g., Corporation Commission of the State of Oklahoma, Cause No. PUD 201900019, Order No. 701439, at 10 (August 29, 2019).

⁷ Direct Testimony of Zachary Quintero, at 5.

1 for a projected or partially projected test year in the annual rate review mechanism,⁸ the
2 Company's proposed PBR Plan utilizes an historical test year. As Mr. Quintero explains,
3 under the proposed PBR Plan, in the event a rate adjustment is triggered, rates would be
4 adjusted prospectively without a true-up mechanism.⁹ As such, I conclude that the PBR
5 Plan would balance risks between the Company and customers.

6 **IV. RATEMAKING PRINCIPLES AND THE BENEFITS OF THE** 7 **PROPOSED PBR PLAN**

8 **Q. Before discussing general ratemaking principles and the benefits of OG&E's**
9 **proposed PBR Plan, please provide an overview of the ratemaking framework that**
10 **has been applied under traditional regulation.**

11 A. Under traditional regulation, utilities are granted an exclusive service territory in exchange
12 for the obligation to provide service to customers within that territory, and to be subject to
13 rate regulation, including a regulated rate of return. In large measure, cost of service
14 regulation that establishes the authorized level of revenue and returns arises from the
15 "essential" nature of utility services, in which unit costs decrease with increasing levels of
16 output. Because of their declining cost structures, utility services in a given market area
17 are more efficiently provided by a single firm than by multiple firms. Although they may
18 serve different sectors (*e.g.*, electricity, natural gas, water, wastewater), utilities typically
19 are capital-intensive enterprises, whose investments are long-lived, essentially irreversible,
20 and represent high "sunk" costs.

21 Under traditional cost-of-service ratemaking, the process of setting of just and
22 reasonable rates applies historical costs to a test year to determine revenue requirements
23 and billing determinants. The rates approved in the rate proceeding are then fixed until the
24 next rate case. That is, historical costs are used to set future rates, which results in a lag
25 between the time funds are expended, and the time rates are set to recover those costs. If
26 sales are higher than anticipated, the utility's profit will be higher, all else equal. Under a
27 traditional ratemaking approach, the utility retains the excess profit between rate cases to

⁸ See Direct Exhibit JEN-2.

⁹ Direct Testimony of Zachary Quintero, at 12.

1 fund additional investment. However, if sales are lower than anticipated, revenues will be
2 lower (all else equal), and the utility may not have sufficient earnings to cover its fixed
3 costs and invest in the capital necessary to provide safe and reliable service. Therefore,
4 under traditional ratemaking, regulatory lag is a significant challenge for utilities in
5 situations in which costs are rising more rapidly than sales.

6 **Q. How does the current environment differ from the circumstances in which traditional**
7 **cost of service regulation enabled utilities to maintain their financial strength and to**
8 **provide safe and reliable service?**

9 A. Electric utility sales volumes have been flat or declining for about the last fifteen years,
10 driven in part by conservation efforts.¹⁰ However, the need to maintain service reliability
11 and address public policy objectives has continued, or even increased, thus putting
12 increased cost pressure on utilities. For electric utilities, many of the investments required
13 to maintain system integrity and reliability do not generate incremental revenue through
14 additional volume growth; these non-revenue producing investments include investments
15 for infrastructure replacement and grid modernization, vegetation management, and
16 environmental compliance expenditures. As the U.S. Energy Information Administration
17 (“EIA”) noted in a recent article:

18 Distribution spending has outpaced growth in both the number of
19 electric customers and in retail electricity sales because much of the
20 increased distribution spending in the last 20 years has been on
21 projects that are not directly related to customer growth or increased
22 sales. These investments are not driven by an increase in the number
23 of customers or sales. These projects include replacing aging
24 equipment, modernizing and upgrading maintenance and billing
25 technology, and fortifying distribution structures against weather-
26 related damage.¹¹

27 Furthermore, states are placing more emphasis on energy efficiency and conservation
28 programs, which have contributed to flat or declining electricity sales. Unlike earlier

¹⁰ See, U.S. Energy Information Administration, Electricity Data Browser, Annual U.S. retail sales of electricity, all sectors, 2005-2020. <https://www.eia.gov/electricity/data/browser/> For all sectors, the compound annual growth rate of retail sales of electricity in the U.S. was 0.01 percent from 2005-2020. The average year-over-year change in retail sales during that same period was 0.03 percent.

¹¹ U.S. Energy Information Administration, “Major Utilities’ spending on the electric distribution system continues to increase,” *Today in Energy*, May 27, 2021. <https://www.eia.gov/todayinenergy/detail.php?id=48136>

1 periods when traditional cost of service regulation and volume growth enabled the timely
2 return of and on incremental non-revenue producing investments, the current environment
3 does not.

4 As a result, utilities cannot rely on load growth or increased profitability generated
5 through reduced O&M costs to fund their infrastructure replacements, or to sustain their
6 financial integrity as those investments are being undertaken. That condition presents
7 considerable financial challenges for utilities with a continuing need to invest capital in
8 non-revenue producing infrastructure. Earnings pressure becomes even more acute as the
9 rate of capital expenditures accelerates.

10 The ability to efficiently acquire the capital needed to fund the growing level of
11 infrastructure investments is dependent on the ability to recover that investment in a timely
12 manner. As noted by the American Gas Association:

13 Timely cost recovery of prudently incurred safety and reliability
14 investments is of utmost importance to the financial stability of
15 natural gas utilities. Because traditional ratemaking allows
16 recovery of infrastructure investments only following approval in a
17 rate case, there is often a multi-year delay before the recovery of
18 such investments begins. Investments that are recovered long after
19 they are incurred cause the utility to bear carrying costs without the
20 opportunity to recover these prudent expenditures. Credit agencies
21 criticize companies with lag in the recovery of their costs and assign
22 a lower credit rating to such utilities that ultimately translates into
23 higher rates for customers. The only alternative is to file a rate case
24 each year, which is a costly activity that also leads to higher rates
25 for customers.¹²
26

27 These concepts hold true for electric utilities as well. Increasing capital
28 investments, together with reduced sales, creates a circumstance under which each dollar
29 of invested assets produces fewer dollars of revenue. When that occurs, the ability to fund
30 capital investments through revenue increases will be limited. As the American Gas
31 Association noted, absent other solutions, the only alternative to funding those investments
32 is more frequent rate cases, which are costly and time consuming.

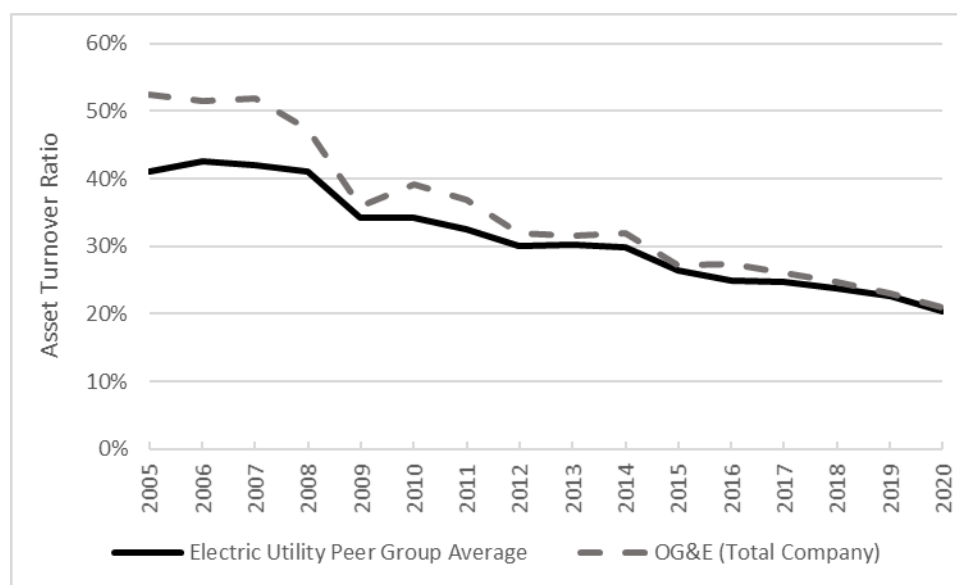
¹² American Gas Association, Infrastructure Cost Recovery Update, June 2012, at 2.
Direct Testimony of Jennifer E. Nelson
Cause No. PUD 202100164

1 **Q. What has been the trend in revenues generated from electric assets for electric**
2 **utilities?**

3 A. The ratio of a company's operating revenues to average assets is defined as the Asset
4 Turnover ratio.¹³ The Asset Turnover ratio is an efficiency ratio that measures the ability
5 of a company's assets to produce revenue. A decrease in the Asset Turnover ratio occurs
6 when there is an increase in assets with a less than one-to-one increase in revenues (*e.g.*,
7 assets that are non-revenue producing). That is, a declining Asset Turnover ratio is an
8 indication of the situation noted earlier in which each dollar of invested assets produces
9 fewer dollars of revenue.

10 As Figure 1 below shows, OG&E's Asset Turnover ratio on a total company basis
11 has declined between 2005-2020 years, as did its peers.¹⁴ Whereas the average Asset
12 Turnover ratio for OG&E's peers declined approximately 50.60 percent, the Company's
13 Asset Turnover ratio declined approximately 60.20 percent over the same period.

Figure 1: Asset Turnover Ratio, 2005-2020¹⁵



¹³ See *e.g.*, <https://www.investopedia.com/terms/a/assetturnover.asp>

¹⁴ For consistency, I have used the same group of companies Company witness Ann Bulkley has defined as comparable proxy companies to OG&E. See, Section V of the Direct Testimony of Ann E. Bulkley.

¹⁵ Source: S&P Capital IQ Pro.

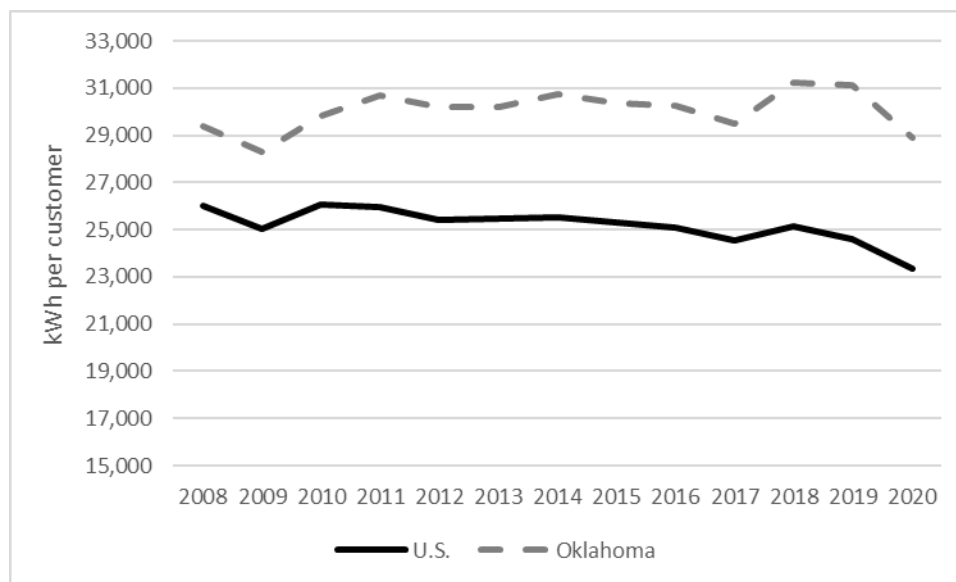
1 **Q. How do retail sales of electricity in Oklahoma compare to the trend in the U.S.?**

2 A. As noted earlier, electricity sales in the U.S. have been relatively flat over the last 15 years.
3 According to data from the EIA, on a compound annual growth basis, retail sales of
4 electricity for all sectors grew less than 0.01 percent per year between 2005 and 2020. On
5 a year-over-year basis, retail sales from all sectors grew 0.03 percent on average during
6 that same period. In Oklahoma, total retail sales of electricity from all sectors increased at
7 a rate of less than one percent per year, from both a compound annual rate and year-over-
8 year average rate of growth basis.

9 On a per-customer basis, retail sales have been on a slow decline since 2008,
10 declining by 10.25 percent and 1.65 percent in the U.S. and Oklahoma, respectively,
11 between 2008 and 2020 (*see* Figure 2 below).¹⁶ For the residential class, retail sales per
12 customer declined by approximately 3.40 percent and 3.70 percent, respectively, in the
13 U.S. and Oklahoma over the same period. The compound annual growth rate in retail sales
14 per customer for all sectors from 2008 to 2020 was -0.90 percent per year for the U.S., and
15 -0.14 percent per year for Oklahoma. The compound annual growth rate in retail sales per
16 customer for the residential class between 2008 and 2020 was -0.29 percent per year for
17 the U.S., and -0.31 percent per year for Oklahoma. These statistics demonstrate that
18 customers have been using less electricity over the last twelve years.

¹⁶ Annual sales per customer data is not available from the EIA prior to 2008.
Direct Testimony of Jennifer E. Nelson
Cause No. PUD 202100164

Figure 2: Retail Sales of Electricity per Customer, All Sectors, 2008-2020¹⁷



Q. What are your conclusions regarding the effectiveness of traditional ratemaking in the current environment for electric utilities?

A. The combination of (1) flat or declining sales and (2) increased pressure from non-revenue producing investments has resulted in a significant decline in the efficiency of electric utility assets' ability to produce revenue. Under such circumstances, the effectiveness of a traditional ratemaking framework is likely impeded, resulting in a need for frequent, costly, and time-consuming rate cases. Given that the costs that drive public utility rates are changing, the regulatory framework in which those costs are recovered need to adapt in response.

Q. Turning now to the Company's PBR Plan, would the Company and its customers benefit from its PBR Plan?

A. Yes. As explained below, the proposed PBR Plan is consistent with sound ratemaking principles and would provide important benefits to both customers and the Company. Notably, both customers and the Company would benefit from the streamlined review process and reduced regulatory lag. As Mr. Quintero explains, the annual review

¹⁷ Source: Energy Information Administration, annual retail sales of electricity, all sectors; annual number of customer accounts, all sectors. Data series begins in 2008.

framework would enable the Company to recover costs in a timelier manner, and customers would receive the benefits of realized savings during the same period. Additionally, customers would receive the majority of earnings above the ROE deadband through the earnings sharing component.

Q. What are ratemaking principles?

A. In his seminal text Principles of Public Utility Rates, James C. Bonbright outlined the principles of a sound rate structure, as summarized in Figure 3 below:

Figure 3: Ratemaking Principles and Regulatory Objectives¹⁸

Ratemaking Principle	Regulatory Objectives
Economic Efficiency	<ul style="list-style-type: none">▪ Rates are cost-based▪ Rates encourage efficient consumption of resources▪ Rates encourage prudent cost control
Equity	<ul style="list-style-type: none">▪ Rates are non-discriminatory▪ Fair allocation of costs and risks▪ Avoidance of cross-subsidization
Revenue Adequacy and Stability	<ul style="list-style-type: none">▪ Revenue sufficient to ensure financial integrity and encourage new investment▪ Recovers prudent utility costs▪ Profit stability
Bill Stability	<ul style="list-style-type: none">▪ Rate Stability and continuity▪ Avoidance of rate shock▪ Affordability
Public Acceptance	<ul style="list-style-type: none">▪ Simplicity & understandability▪ Reliable service▪ Moderate regulatory burden▪ Promotion of social objectives

¹⁸ Sources: Adapted from James C. Bonbright, Albert L. Danielsen and David R. Kamerschen, Principles of Public Utility Rates, 2nd Edition, Public Utilities Reports (March, 1988); *Alternative Rate Mechanisms and Their Compatibility with State Utility Commission Objectives*, National Regulatory Research Institute (April 2014); *Alternative Electricity Ratemaking Mechanisms Adopted By Other States*, Christensen Associates prepared for Public Utility Commission of Texas (May 25, 2016); *Alternative Regulation for Emerging Utility Challenges: 2015 Update*, Edison Electric Institute (November 11, 2015).

As discussed below, the Company's proposed PBR is consistent with sound ratemaking principles and is therefore in the public interest.

Q. How does the Company's proposed PBR Plan promote economic efficiency?

A. The Company's proposed PBR Plan would result in rates that are cost-based. Consistent with PBR mechanisms approved for the Oklahoma natural gas utilities and the Company's annual review mechanism currently in place in Arkansas, the proposed PBR Plan will use an historical test year based on data for the twelve months ending March 31. Therefore, rates produced by the PBR Plan will be based on the Company's actual cost of service. Additionally, I understand the Company proposes to file an updated Class Cost of Service study in each annual filing. As such, rates will be based on the most current cost of service data.

Further, the 100-basis point deadband around the target ROE encourages prudent cost control. Because the Company retains earnings above the target ROE, but within the deadband, it is incented to contain costs, as rates are not adjusted within the deadband. Additionally, the earnings sharing component and the prospective-only nature of rate adjustments incents the Company to achieve efficient operations, as it can retain a share of surplus earnings, but also bears the risk of earnings below the ROE deadband in a test year.¹⁹

Importantly, the annual nature of the PBR Plan review filings would allow customers to benefit from O&M cost reductions closer to real time.²⁰ That is, consistent with the regulatory principle of Economic Efficiency, the PBR Plan would ensure rates reflect the Company's actual cost of service in a timelier basis.

Q. Has Company's Arkansas annual rate review mechanism enabled prudent cost control?

A. Yes. The Company's FRP Rider in Arkansas has enabled prudent control of O&M expenses during its initial term. The Company's proposed total non-fuel O&M expense in its 2021 Evaluation Report is approximately four percent less than the total non-fuel O&M

¹⁹ See, e.g., Cause No. PUD 201900019, Order No. 701439, at 4 (August 29, 2019).

²⁰ Direct Testimony of Zachary Quintero, at 10.

1 expense approved in the Company's 2016 Arkansas rate case that approved the FRP
2 Rider.²¹ Furthermore, during the initial term of its FRP Rider, the Company has maintained
3 some of the lowest electric rates in the nation.²²

4 **Q. Does the Company's proposed PBR Plan also promote equity?**

5 A. Yes. The proposed PBR Plan would allocate costs based on the Class Cost of Service study
6 approved by the Commission in this proceeding, resulting in an allocation of costs the
7 Commission determines produces just and reasonable rates. The Company also proposes
8 to file an updated Class Cost of Service Study in each annual filing.

9 Further, consistent with the PBR mechanisms approved for the Oklahoma natural
10 gas utilities, the Company proposes to refund 75 percent of earnings that are more than 50
11 basis points above the target ROE. Additionally, because rates are only adjusted
12 prospectively, the Company bears the financial risk of a test year in which it earns below
13 the ROE deadband.²³ This customer protection component fairly allocates costs and risks
14 between customers and shareholders as the Company bears the risk of underearning in the
15 test year and the potential for upside rewards to the Company is limited to 25 percent.
16 Therefore is, even in a circumstance in which sales increase, the proposed PBR Plan would
17 protect customers by returning 75 percent of earnings above the ROE deadband to
18 customers.

19 **Q. Does the Company's proposed PBR Plan enable revenue and bill stability?**

20 A. Yes, it does. The PBR Plan would enable revenue stability in two ways. First, the ability
21 to recognize investments in rates through annual PBR filings mitigates (but does not
22 eliminate) regulatory lag and stabilizes revenues. Regulatory lag would not be eliminated
23 because the Company's proposed PBR Plan would use an historical test year. For example,
24 under the Company's proposal, the first PBR filing would occur on or before July 31, 2023,
25 based on revenues and expenses incurred for the twelve months ended March 31, 2023.
26 Approved rate adjustments would not go into effect until 120 days later. Therefore, it could
27 be eighteen months or more before the Company begins to receive recovery of certain

²¹ APSC Docket No. 21-087-U, Direct Testimony of Donald R. Rowlett, at 9 (October 1, 2021).

²² Direct Testimony of Zachary Quintero, at 7.

²³ See, Cause No. PUD 201900019, Order No. 701439, at 4 (August 29, 2019).

1 investments. Second, rates would not be adjusted when earnings are within the 100-basis
2 point deadband, limiting rate adjustments.

3 As noted earlier, revenue stability benefits both the Company and customers by
4 supporting its financial integrity, which enables the Company to provide safe and reliable
5 service. Moreover, revenue stability enables bill stability. Under a traditional cost-of-
6 service ratemaking framework, rate shock can occur when large capital investments are put
7 into rate base at once. Under the PBR Plan, the Company's investments would be reviewed
8 each year and included in rates as approved by the Commission, subject to the 100-basis
9 point deadband and earnings sharing component. Lastly, as noted earlier, rates are not
10 adjusted if the earned ROE is within the 100-basis point deadband, further stabilizing rates.

11 **Q. How is the PBR Plan consistent with the regulatory principle of "Public Acceptance"?**

12 A. As shown in Figure 3 above, one objective under the regulatory principle of "Public
13 Acceptance" is "moderate regulatory burden." The proposed PBR Plan would streamline
14 the regulatory review process reducing the need to file costly rate cases. As the
15 Commission has found, the PBR mechanisms in place at the natural gas utilities has
16 reduced regulatory and rate case expenses significantly. Additionally, if the Company's
17 proposed PBR Plan is approved, the Company proposes to close some of its cost recovery
18 riders,²⁴ simplifying its rate structures. Lastly, the annual nature of the review filings would
19 improve transparency, enable closer supervision of the Company, and lead to
20 improvements in regulatory efficiency.²⁵

21 Further, annual rate review mechanisms are common in southern U.S. regulatory
22 jurisdictions, indicating their acceptance by U.S. regulatory commissions geographically
23 near Oklahoma. In addition to Oklahoma, annual rate review mechanisms have been
24 implemented for electric or natural gas utilities in Alabama, Arkansas, Georgia, Illinois,
25 Louisiana (both the New Orleans City Council and the Louisiana Public Service
26 Commission), Mississippi, South Carolina, Tennessee, and Texas (*see* Direct Exhibit JEN-
27 2).

²⁴ Direct Testimony of Zachary Quintero, at 13-14.

²⁵ *See, e.g.*, Cause No. PUD 201900019, Order No. 701439, at 4, 8 (August 29, 2019).

1 **Q. Have you reviewed the major components of the Company's proposed PBR Plan and**
2 **compared them to other utilities' annual rate review mechanisms?**

3 A. Yes, I have. As an additional check on the reasonableness of the Company's proposed
4 PBR Plan, I reviewed the major components of annual rate review mechanisms in place at
5 other utilities to benchmark the proposed PBR Plan against other approved annual rate
6 review mechanisms. Direct Exhibit JEN-2 presents the results of that analysis.

7 As Direct Exhibit JEN-2 shows, the major components of the Company's proposed
8 PBR Plan are consistent with annual rate review mechanisms in place at other utilities.
9 First, of the annual rate review mechanisms in which a term is specified, the term of the
10 mechanism generally ranges from three to five years. In particular, Oklahoma Natural Gas'
11 PBR mechanism and OG&E's Arkansas FRP Rider are both approved for five-year terms.
12 Second, the substantial majority of annual rate review mechanisms include a 100-basis
13 point deadband around the target ROE, similar to the deadband included in the PBR
14 mechanisms currently in place for the Oklahoma natural gas utilities and OG&E's
15 Arkansas FRP Rider. Third, many annual rate review mechanisms include a customer
16 protection component, such as an earning sharing component (as is the case in Oklahoma)
17 or a cap on rate increases. Based on my review, I conclude that the major components of
18 the Company's proposed PBR Plan are consistent with annual rate review mechanisms
19 currently in place at other utilities.

20 **Q. What is your conclusion regarding the Company's proposed PBR Plan as it relates to**
21 **universal ratemaking principles?**

22 A. As demonstrated above, the Company's proposed PBR Plan is consistent with universally
23 accepted principles of sound ratemaking. Additionally, the proposed PBR Plan would
24 provide important benefits to customers, while enabling OG&E to invest in the necessary
25 capital to provide safe, reliable service.

26 **V. CONCLUSIONS AND RECOMMENDATION**

27 **Q. What is your conclusion regarding the Company's proposed PBR Plan?**

28 A. I conclude the Company's proposed PBR Plan is in the public interest. The Company's
29 proposed PBR Plan is consistent with sound ratemaking principles and regulatory

1 objectives and would provide important benefits to customers. Second, the Company's
2 proposal is consistent with the PBR mechanisms the Commission has found to be in the
3 public interest. Lastly, the proposed PBR Plan is similar in concept to OG&E's FRP Rider
4 in place in Arkansas, which has successfully enabled it to (1) prudently control its O&M
5 costs, (2) facilitate capital investments needed to provide safe and reliable service, and (3)
6 maintain stable, affordable rates during the term of its Arkansas annual rate review
7 mechanism. Therefore, in my opinion, the proposed PBR Plan would enable the Company
8 to make the necessary investments to provide safe and reliable service while maintaining
9 affordable rates for its Oklahoma customers. For these reasons, I recommend the
10 Commission approve the Company's request for the PBR Plan.

11 **Q. Does this conclude your Direct Testimony?**

12 **A.** Yes, it does.

JENNIFER E. NELSON

Assistant Vice President

Ms. Nelson has thirteen years of experience in the energy industry, spanning the oil, natural gas, electric, and renewable energy segments. She has provided expert witness testimony for electric and natural gas utilities regarding the cost of capital and alternative ratemaking proposals. In her time as a consultant, Ms. Nelson has provided research and analysis on a variety of utility regulatory matters including ratemaking and regulatory policy, integrated resource planning, renewable power contracts, natural gas pipeline development, and natural gas utility supply planning issues. Ms. Nelson has extensive experience performing statistical analyses, developing economic and financial models, and providing policy analyses and recommendations.

Prior to joining Concentric, Ms. Nelson was a Director at ScottMadden, Inc., and prior to that a managing consultant at Sussex Economic Advisors, LLC. Prior to consulting, she was a staff economist at the Massachusetts Department of Public Utilities and a petroleum economist for the State of Alaska. Ms. Nelson holds a Master of Science degree in Resource and Applied Economics from the University of Alaska and a Bachelor of Science degree in Business Economics from Bentley College.

PROFESSIONAL HISTORY**Concentric Energy Advisors, Inc. (2021 – present)**

Assistant Vice President

ScottMadden Management Consultants (2016 – 2021)

Director

Sussex Economic Advisors, LLC (2013 – 2016)

Managing Consultant

Massachusetts Department of Public Utilities (2011 – 2013)

Economist, Electric Power Division

State of Alaska (2007 – 2010)

Petroleum Economist



EDUCATION

University of Alaska

Master of Science, Resource and Applied Economics

Bentley College

Bachelor of Science, Business Economics

Graduated *magna cum laude*

REPRESENTATIVE PROJECT EXPERIENCE

Cost of Capital

- Submitted expert testimony on behalf of an electric utility before the Arkansas Public Service Commission, the New Hampshire Public Utilities Commission, the New Mexico Public Regulation Commission, and the Public Utilities Commission of Texas regarding the cost of capital.
- Submitted expert testimony on behalf of a natural gas utility before the North Carolina Utilities Commission and the Public Service Commission of West Virginia regarding the cost of capital.
- Submitted expert testimony on behalf of a water utility before the Kentucky Public Service Commission regarding the appropriate capital structure and cost of debt.
- Supported expert testimony regarding the cost of capital before numerous state utility regulatory commissions and the FERC on behalf of electric and natural gas utilities through state and company-specific research and analysis, financial analysis and modeling, and testimony development.

Alternative Ratemaking Mechanisms

- Submitted expert testimony on behalf of an electric utility and a water utility before the Arkansas Public Service Commission regarding the utility's proposed Formula Rate Plan.
- Co-sponsored expert testimony on behalf of a natural gas utility before the Maine Public Utilities Commission regarding the utility's proposed capital investment cost recovery mechanism.
- Supported expert testimony and performed research and analysis on alternative ratemaking frameworks.

Resource and Supply Planning

- Supported expert testimony on the reasonableness of utility resource supply portfolio decisions.
- Assisted in a benchmarking analysis on behalf of a Northeast natural gas utility regarding its supply planning standards and design day demand forecast process.
- Supported the development of a New Hampshire electric utility's Integrated Resource Plan filed with the New Hampshire Public Utility Commission.



- Performed research and financial analysis to evaluate the benefits, costs, and policy options associated with natural gas expansion by Massachusetts natural gas utilities as part of a prepared report for the Massachusetts Department of Energy Resources.
- Developed a dynamic natural gas demand forecast model for in-state use for the State of Alaska, which included forecasting demand from both existing and anticipated natural gas utilities, power consumption, and large commercial operations.
- Conducted research and prepared analyses for a natural gas pipeline Open Season.

Other Regulatory Financial Issues

- Supported expert testimony on the appropriate level of remuneration associated with electric utilities' long-term contract for wind power through financial analysis and modeling, and testimony development.
- Provided research and analytical support estimating financial damages incurred as a result of construction delays for an electric transmission company.
- Prepared a Feasibility Study for an electric cooperative utility supporting a utility-owned solar project.

Mergers & Acquisitions

- Performed buy-side benchmarking and regulatory analysis for a utility acquisition.

DESIGNATIONS AND PROFESSIONAL AFFILIATIONS

Member, Society of Utility and Regulatory Financial Analysts

AVAILABLE UPON REQUEST

Extensive client and project listings, and specific references.



SPONSOR	DATE	CASE/APPLICANT	DOCKET NO.	SUBJECT
Arkansas Public Service Commission				
Oklahoma Gas & Electric	10/21	Oklahoma Gas & Electric	21-087-U	Formula Rate Plan
Liberty Utilities (Pine Bluff Water)	10/18	Liberty Utilities (Pine Bluff Water)	18-027-U	Sponsored testimony supporting Liberty Utility's proposed Formula Rate Plan and tariff
Entergy Arkansas, LLC	11/20	Entergy Arkansas, LLC	16-036-FR	Sponsored testimony evaluating the Return on Equity included in Rider FRP
Kentucky Public Service Commission				
Bluegrass Water Utility Operating Company, LLC	09/20	Bluegrass Water Utility Operating Company, LLC	2020-290	Capital Structure and Cost of Long-Term Debt
Maine Public Utilities Commission				
Unitil Corporation	06/19	Northern Utilities, Inc.	19-00092	Co-sponsored testimony supporting Northern Utilities proposed CIRA capital tracking mechanism
New Hampshire Public Utilities Commission				
Unitil Energy Systems, Inc.	04/21	Unitil Energy Systems, Inc.	DE 21-030	Return on Equity
New Mexico Public Regulation Commission				
El Paso Electric Company	07/20	El Paso Electric Company	20-00104-UT	Cost of Capital
North Carolina Utilities Commission				
Public Service Company of North Carolina d/b/a Dominion Energy North Carolina	04/21	Public Service Company of North Carolina d/b/a Dominion Energy North Carolina	G-5, Sub 632	Return on Equity
Public Utilities Commission of Texas				
El Paso Electric Company	06/21	El Paso Electric Company	52195	Return on Equity
Sharyland Utilities L.L.C.	12/20	Sharyland Utilities L.L.C.	51611	Cost of Capital
Public Service Commission of West Virginia				
Hope Gas, Inc. d/b/a Dominion Energy West Virginia	11/20	Hope Gas, Inc. d/b/a Dominion Energy West Virginia	20-0746-G-42T	Cost of Capital

Comparison of Electric and Gas Utility Annual Rate Review Mechanism Components

State	Company	Ultimate Parent Ticker	Service Type	Term of Plan	Test Year	ROE (target)	ROE (band)	Caps on Rate Adjustment (Y/N)	Caps on Rate Adjustment (Description)	Special Provisions
Alabama	Alabama Power Co.	SO	Elec.	Unspecified	Historical	5.98% (WRRCE)	WRRCE (weighted equity return range) band: 5.75% - 6.15%	Y	Adjustments for any consecutive two-year period, when averaged together, do not exceed four percent (4%). The maximum increase in any one year associated with the operation of Rate RSE shall not exceed five percent (5%)	The performance-based adder shall be added to the adjusting point if, at the time of the annual Rate RSE filing, the Company satisfies at least one of the following criteria: (i) an "A" credit rating equivalent with at least one of the recognized rating agencies, or (ii) a ranking in the top third of the most recent customer value benchmark survey or its successor in function.
Alabama	Spire Alabama Inc.	SR	Gas	4 years (2018 -2022), absent a Commission order modifying RSE for the Company, RSE will continue in effect beyond 2021	Historical (with quarterly review)	10.40%	RCE (return on average common equity) band: 10.15% - 10.65%	Y	Annual increases or decreases derived by the operation of the RSE shall be limited to not more than four percent (4%) of the Annual Revenue (AR) as hereinafter defined.	Only rate decreases shall be allowed for the RSEs effective April 1, July 1 and October 1. In any year in which the RSE mechanism produces a revenue adjustment, the Company will be allowed to earn an additional ten (10) basis points (0.10%) above the 10.4% adjusting point of the RCE range in the event the Company performs according to the Accelerated Infrastructure Modernization (AIM) Program on tariff Sheet Nos. 7-9. Conversely, in any year in which the RSE mechanism produces a revenue adjustment, the Company may be required to reduce the 10.4% adjusting point of the RCE range in accordance with the Accelerated Infrastructure Modernization (AIM) program.
Alabama	Spire Gulf Inc.	SR	Gas	4 years (2017 - 2021), Adjustments hereunder shall continue after September 30, 2022 unless and until the Commission enters an Order to the contrary in a manner consistent with the law.	Historical (with quarterly review)	10.70%	RCE (return on average common equity) band: 10.45% - 10.95%	Y	Annual increases or decreases derived by the operation of the RSE shall be limited to not more than four percent (4%) of the Annual Revenue (AR) as hereinafter defined.	The above notwithstanding, in any year in which the RSE mechanism produces a revenue adjustment, the Company will be allowed to earn an additional ten (10) basis points (0.10%) above the 10.4% adjusting point of the RCE range in the event the Company performs according to the Accelerated Infrastructure Modernization (AIM) Program on tariff Sheet Nos. 7-9. Conversely, in any year in which the RSE mechanism produces a revenue adjustment, the Company may be required to reduce the 10.4% adjusting point of the RCE range in accordance with the Accelerated Infrastructure Modernization (AIM) program as outlined on tariff Sheet Nos. 7-9.
Arkansas	CenterPoint Energy Resources	CNP	Gas	5 years	Projected	9.50%	0.50% above or 0.50% below Target Return Rate	Y	The total amount of such revenue increase or decrease for each rate class shall not exceed four percent (4%) of each rate class's revenue for the Filing Year.	
Arkansas	Entergy Arkansas	ETR	Elec.	5 years	Projected	9.75%	0.50% above or 0.50% below Target Return Rate	Y	During the five-year extension term of Rider FRP, the total change in the formula rate revenue level shall be allocated to each applicable rate class based on an equal percentage of the base rate revenue as determined in the EAL cost of service filed with the 2020 Evaluation Report filing. Additionally, the Large General Service (LGS) Rate Class' allocated amount shall be reduced annually during the fiveyear extension term by one-fifth of the amount by which the LGS Rate Class' base rate revenues were adjusted for mitigation in Docket No. 15-015-U; this amount shall be allocated to the remaining classes based on an equal percentage of the base rate revenue as determined in the EAL cost of service that was filed with the 2020 Evaluation Report filing	
Arkansas	Oklahoma Gas & Electric	OGE	Elec.	5 years	Projected (year 1-2), Historical (year 3-5); proposing historical test year if FRP is extended	9.50%	0.50% above or 0.50% below Target Return Rate	Y	The total amount of such revenue increase or decrease for each rate class shall not exceed four percent (4%) of each rate class's revenue for the Filing Year.	The annual evaluation of the Formula Rate Review shall be based upon data for the twelve-month period ended March 31 of the Projected Year for the 1st and 2nd Evaluation Reports filed on or about October 1 of 2018 and 2019. Beginning with the Company's 3rd Evaluation Report filed on or about October 1 of 2020 and each subsequent year thereafter the annual evaluation of the Formula Rate Review shall be based upon data for the twelve-month period ended March 31 of the Historical Year.
Arkansas	Southwestern Electric Power	AEP	Elec.	5 years	Historical	9.45%	0.50% above or 0.50% below Target Return Rate	Y	The total amount of such revenue increase or decrease for each rate class shall not exceed four percent (4%) of the revenue for each rate class for the Prior Year.	Note: FRP Approved in Docket No. 19-008-U, but withdrawn in April 2021. In Docket No. 21-070-U, SWEPCO requested approval of FRP similar to that approved in 19-008-U (with 10.35% requested ROE)
Georgia	Atlanta Gas Light Co.	SO	Gas	Unspecified	Projected	10.25%	0.20% above or 0.20% below target earned ROE	N		
Georgia	Liberty Utilities (Peach State Nat. Gas) Corp.	AQN	Gas	Unspecified	Projected	10.20%	0.20% above or 0.20% below target earned ROE	N		

State	Company	Ultimate Parent Ticker	Service Type	Term of Plan	Test Year	ROE (target)	ROE (band)	Caps on Rate Adjustment (Y/N)	Caps on Rate Adjustment (Description)	Special Provisions
Illinois	Ameren Illinois Co.	AEE	Elec.	EIMA Statute sunsets December 31, 2022	Historical	8.382% (based on 2020 filing)	50 basis points above or below target earned ROE	Y	2.5%; In the event that the average annual increase exceeds 2.5% as calculated pursuant to this subsection (g), then Sections 16-108.5, 16-108.6, 16-108.7, and 16-108.8 of this Act, other than this subsection, shall be inoperative as they relate to the utility and its service area as of the date of the report due to be submitted pursuant to this subsection and the utility shall no longer be eligible to annually update the performance-based formula rate tariff pursuant to subsection (d) of this Section.	Cost of equity calculated as the sum of the following: (A) the average for the applicable calendar year of the monthly average yields of 30-year U.S. Treasury bonds published by the Board of Governors of the Federal Reserve System in its weekly H.15 Statistical Release or successor publication; and (B) 580 basis points. Performance based adjustments can include adder or penalty to ROE.
Illinois	Commonwealth Edison Co.	EXC	Elec.	EIMA Statute sunsets December 31, 2022	Historical	8.38% (based on 2020 filing)	50 basis points above or below target earned ROE	Y	2.5%; In the event that the average annual increase exceeds 2.5% as calculated pursuant to this subsection (g), then Sections 16-108.5, 16-108.6, 16-108.7, and 16-108.8 of this Act, other than this subsection, shall be inoperative as they relate to the utility and its service area as of the date of the report due to be submitted pursuant to this subsection and the utility shall no longer be eligible to annually update the performance-based formula rate tariff pursuant to subsection (d) of this Section.	Cost of equity calculated as the sum of the following: (A) the average for the applicable calendar year of the monthly average yields of 30-year U.S. Treasury bonds published by the Board of Governors of the Federal Reserve System in its weekly H.15 Statistical Release or successor publication; and (B) 580 basis points. Performance based adjustments can include adder or penalty to ROE.
Louisiana (NOCC)	Entergy New Orleans LLC	ETR	Elec.	3 years	Historical	9.35%	0.50% above or 0.50% below target earned ROE	N		In the event that the change in Total Rider FRP Revenues determined under the provisions of Section II.C.2 is less than 10% and the comparison in the above paragraph shows a rate class increase of greater than 10% in the Total Rider EFRP Revenue for the Mastered Metered Non-Residential, High Voltage, or Large Interruptible Service rate classes individually, then such rate class's EFRP Revenue Increase shall be limited to 10% and the increase above 10% shall be allocated to all other rate classes (to the extent not subject to the cap described in this paragraph) in proportion to their individual rate class Total Rider FRP Revenues.
Louisiana (NOCC)	Entergy New Orleans LLC	ETR	Gas	3 years	Historical	9.35%	0.50% above or 0.50% below target earned ROE	N		
Louisiana (PSC)	CenterPoint Energy Resources Corp. (N LA)	CNP	Gas	Effective 2007; term unspecified	Historical	9.95%	0.50% above or 0.50% below target earned ROE	N		
Louisiana (PSC)	CenterPoint Energy Resources Corp. (S LA)	CNP	Gas	Effective 2007; term unspecified	Historical	9.95%	0.50% above or 0.50% below target earned ROE	N		
Louisiana (PSC)	Entergy Louisiana LLC	ETR	Elec.	3 years	Historical	2017: 9.95%; 2018-2019: 9.80%	0.60% above or 0.60% below target earned ROE; A change in the Base Rider FRP Revenue level shall not be made unless it changes the EROE for the Evaluation Period by more than 0.05%	Y	For the 2018 and 2019 Evaluation Periods, with the exception of the items listed in Sections 3, 4 and 5, herein and other matters as shall be determined by the Louisiana Public Service Commission, the amount of ELL Base Rider FRP Revenue rate increases pursuant to Section 2.C.2.c may not exceed \$35 million per year for the 2018 Evaluation Period, and shall not exceed \$70 million for the cumulative 2018 and 2019 Evaluation Periods.	
Louisiana (PSC)	Entergy Louisiana LLC	ETR	Gas	3 years (2020, 2021, 2022)	Historical	9.80%	0.50% above or 0.50% below target earned ROE; A change in the Rider RSP Revenue level shall not be made unless it changes the EROE for the Evaluation Period by more than 0.05%	Y	For differences between the EROE and the EPCOE of up to 200 basis points, rates will be increased or decreased by 50 percent of the difference necessary to bring the EPCOE to the end point of the dead band. For example, if EROE were 200 basis points above the EPCOE, rates would be reduced by the amount necessary to reduce the EROE by 75 basis points (or one half of the difference between 200 basis points and 50 basis points above the EPCOE). For differences of more than 200 basis points above or below the EPCOE, rates will be adjusted by 100 percent of the amount necessary to eliminate the return differential in excess of 200 basis points plus one half of the difference between 200 basis points and the end point of the dead band. For example, if the EROE was 250 basis point below the EPCOE, rates would be increased by an amount equal to that necessary to increase the return by the 50 basis points in excess of the EPCOE minus 200 basis points plus 75 basis points for one half of the difference between 200 basis points and 50 basis points below the EPCOE.	ELL Rate Stabilization Plan Rider ("RSP") Evaluation Period Earnings in Excess of 10.3% EROE: Commencing with the RSP Evaluation Period of 2019 (i.e., Test Year Ended September 30, 2019), to the extent that ELL's annual RSP demonstrates that ELL has earned in excess of the Upper Band of the Common Equity Bandwidth (i.e., 10.3%) ("RSP Excess"), instead of reducing rates by 50 percent of the first 200 basis points above the allowed return on equity (ROE) and 100 percent of any amount in excess of the allowed ROE plus 200 basis points, as currently required by the RSP, any RSP Excess shall first be applied to prospectively offset the Rider IIRR-G revenue requirement associated with the return on and of Rider IIRR-G eligible property as reported in the, then effective, Rider IIRR-G in Attachment C, Page 1, Line 15. The RSP Excess shall be applied to reduce the referenced Rider IIRR-G revenue requirement to a value of zero. Any residual RSP Excess remaining after offsetting Rider IIRR-G revenue requirement shall be reflected and implemented as a prospective reduction of the RSP rate on a dollar-for-dollar basis effective for bills rendered on and after the first billing cycle of April of the year of the RSP Evaluation Report filing.

State	Company	Ultimate Parent Ticker	Service Type	Term of Plan	Test Year	ROE (target)	ROE (band)	Caps on Rate Adjustment (Y/N)	Caps on Rate Adjustment (Description)	Special Provisions
										Benchmark Return on Rate Base is calculated each year as the average of DCF analysis and Risk Premium Regression Analysis; 12.5 basis points added for flotation costs. The Company's Performance Adjuster is determined annually in conjunction with the Company's annual evaluation. Based on the Company's performance, a score of 0 to 10 on each indicator is determined, the scores are weighted as provided herein, and the overall score is rounded to the nearest tenth (.05 and greater being rounded to .1). This performance score is then multiplied by .001 and .005 is subtracted from the resulting number to determine the Performance Adjuster which may be a positive or negative number. This Performance Adjuster is then added to the Benchmark Return to calculate the Company's Performance Based Benchmark Return. The Performance Adjuster falls between a positive and a negative 50 basis points.
Mississippi	Atmos Energy Corp.	ATO	Gas	Unspecified	Hybrid: Historical O&M; certain rate base items (plant in service, accumulated depreciation, ADIT) may be projected	Initial BRORB of 10.8%	If the revenue deficiency or excess calculated in accord with Appendix "C" is less than \$250,000, no change in revenue will occur.	N		
									The Net Rate Adjustments that result from the Evaluation Report filing shall be implemented effective April 1 of the filing year on a temporary basis subject to refund or credit to customer accounts with such temporary implementation subject to a cap of 2% of Evaluation Period Retail Revenues. If the ERORB is less than the Lower Point, the then currently effective Annual Rate Adjustments shall be increased in accordance with the provisions of Section C.3 below so that, when the Annual Rate Adjustments so revised are applied to the Evaluation Period billing units ("kW" or "kWh"), the resulting increase in revenue would increase the ERORB for the Evaluation Period to the Point of Adjustment as described below. However, the amount of such revenue increase shall not exceed 4% of the Company's unadjusted Evaluation Period revenue.	Benchmark Return on Rate Base is calculated each year as the average of DCF analysis and Risk Premium Regression Analysis; Base ROE was 10.07%, performance adjustments was 0.49% in the most recent rate case in 2014.
Mississippi	Entergy Mississippi LLC	ETR	Elec.	Unspecified	Hybrid	Initial Base ROE of 10.07%	0.50% above or 0.50% below target earned ROE	Y		
Mississippi	Mississippi Power Co.	SO	Elec.	Unspecified	Historical	9.00%	0.50% above or 0.50% below target earned ROE	Y	The Interim Rate is subject to a 2% cap of the Evaluation Period aggregate retail revenues. No annual revenue adjustment shall exceed four percent (4%) of the annual aggregate retail revenues of the Company during the Evaluation Period.	Benchmark Return on Rate Base is calculated each year as the average of DCF analysis and Risk Premium Regression Analysis; 12.5 basis points added for flotation costs. The Company's PROI will be determined by adjusting the Company's weighted average ROE for performance. Three performance indicators will be used to measure the operational performance of the Company: Customer Price, Customer Satisfaction, Customer Service Reliability.
Oklahoma	Arkansas Oklahoma Gas Corp	-	Gas	Unspecified	Historical	10.50%	10.00% - 11.00%	N		If, for the twelve month period ended December 31, the Company's ER is greater than 11.00%, the portion of ER that is greater than 11.00% shall be shared on a 75/25 basis between the customers and the Company, respectively. Customer bills shall receive a credit over a twelve-month period beginning on or after July 1
Oklahoma	CenterPoint Energy Resources Corp.	CNP	Gas	Unspecified	Historical	10.00%	9.50% - 10.50%	N		Earnings sharing when earned return is greater than 10.50%, shared on a 75/25 basis between customers and the Company.
Oklahoma	Oklahoma Natural Gas Co.	OGS	Gas	2021-2026	Historical	9.40%	8.90% - 9.90%	N		Earnings sharing when earned return is greater than 9.90%, shared on a 75/25 basis between customers and the Company. Due to practical constraints, no adjustments provided for under this Rate Schedule will be made for amounts less than \$200,000.
South Carolina	Piedmont Natural Gas Company	DUK	Gas	Until next base rate case	Historical	12.60%	12.10% -13.10%	N		Ratified by the General Assembly (S.C. Code Ann. § 58-5-400) in 2005. Utilities file quarterly Monitoring Reports for each 12-month period ending end of March, June, September, and December. March 31 report is used in ORS Audit for adjusting rates
South Carolina	South Carolina Electric & Gas	D	Gas	Until next base rate case	Historical	10.25%	9.75% - 10.75%	N		Ratified by the General Assembly (S.C. Code Ann. § 58-5-400) in 2005. Utilities file quarterly Monitoring Reports for each 12-month period ending end of March, June, September, and December. March 31 report is used in ORS Audit for adjusting rates
Tennessee	Atmos Energy Corp.	ATO	Gas	Unspecified	Projected	9.80%		N		
Texas	Atmos Energy Corp. - Mid-Tex Division	ATO	Gas	Unspecified	Historical	9.80%		N		
Texas	Atmos Energy Corp. - West Texas Division	ATO	Gas	Unspecified	Historical	9.80%		N		
Texas	CenterPoint Energy Resources Corp.	CNP	Gas	Unspecified	Historical	9.50% (CNP AR)		Y	CenterPoint Arkansas 4% cap would apply.	The Formula Rate Plan Rider (Rider FRP) shall be the amount charged to CenterPoint Energy's customers residing or located in Texarkana, Arkansas under Arkansas tariff Rider Schedule Rider Schedule No. 9 Formula Rate Plan Rider (Rider FRP).
Texas	Texas Gas Service Co. Inc.	OGS	Gas	Unspecified	Historical	9.50%		Y	North Texas: The actual percentage change in total calendar year operating expenses shall not exceed three and one-quarter percent (3.25%), provided that the costs for the Company to provide public notice and reimburse City and Company rate case expenses as required herein, shall not be included in calculating the (3.25%) limitation. Rio Grande Valley: The actual percentage change in total calendar year operating expenses shall not exceed five percent (5%).	

[1] Sources: RRA, *Alternative Ratemaking Plans in the US*, April 16, 2020; Individual company tariffs and commission Orders.