

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)	CASE NO. PUD 2024-000048
APPROVING THE COMPANY'S 2025 DEMAND)	
PORTFOLIO; AUTHORIZING RECOVERY)	
OF PROGRAM COSTS, LOST NET REVENUES)	
AND INCENTIVES THROUGH THE ENERGY)	
EFFICIENCY PROGRAM RIDER; AND FOR)	
WAIVER OF OAC 165:35-41-4(B)(5), OAC 165:35-)	
41-4(B)(7), AND OAC 165:35-41-5(D)(2))	

Direct Testimony

of

James Alexander

on behalf of

Oklahoma Gas and Electric Company

July 1, 2024

James Alexander
Direct Testimony

QUALIFICATIONS, INTRODUCTION, AND PURPOSE

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

2 A. My name is James Alexander. My business address is 321 N. Harvey Ave., Oklahoma
3 City, Oklahoma 73102.

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

6 A. I am employed by Oklahoma Gas and Electric Company (“OG&E” or “Company”) as a
7 Senior Pricing Analyst. My business address is 321 N. Harvey, Oklahoma City, Oklahoma,
8 73102. As a pricing analyst I am a part of the team that develops and supports pricing
9 structures, charges and service provisions of tariffs, product platforms, pilot programs and
10 other retail electricity pricing initiatives. The pricing department collects customer usage
11 and revenue data, analyzes various cost information, research different regulated retail
12 electricity pricing practices, and studies the impacts of OG&E’s pricing practices on
13 customers.

14
15 Q. **Please summarize your educational qualifications and professional experience.**

16 A. I am a graduate of the University of Oklahoma, Price College of Business. I graduated in
17 2013 with a Bachelor of Business Administration, majoring in Energy Management. I have
18 also completed a dual degree graduate school program in 2024 through the University of
19 Oklahoma earning degrees in Master of Business Administration and Master of Finance. I
20 have worked in various positions in the energy and finance field since completion of my
21 BBA. I began my career at Invenergy, LLC as a Power Scheduler in the Operations
22 Department. Following Invenergy, I took a position as a Power Trader and Operations
23 Analyst at the Oklahoma Municipal Power Authority. In 2017, I began working for the
24 Oklahoma Attorney General as a Regulatory Analyst in the Utility Regulation Unit. There,
25 I testified on a wide variety of topics concerning Oklahoma regulated utilities. In 2021, I
26 left the energy industry and began a career in banking where I worked as a Credit Analyst
27 at Simmons Bank and Credit Specialist at Bank of Oklahoma. In October 2023, I began
28 working for OG&E’s regulatory department.

1 Q. **Have you previously filed testimony before the Oklahoma Corporation Commission**
 2 **(“Commission”)?**

3 A. Yes, I have. My credentials have previously been accepted by the Commission.
 4

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

6 A. This testimony details: (1) the customer impact resulting from the energy efficiency
 7 programs proposed by the Company for 2025-2029; (2) the methodology for recovery of
 8 lost net revenues (“LNR”) and incentives the Company is requesting in this Case, and (3)
 9 the Company’s request for a waiver of the maximum monthly residential cost cap.
 10

PORTFOLIO IMPACT

11 Q. **What are the expected cumulative energy and demand savings for the proposed**
 12 **five-year portfolio period?**

13 A. As shown in Table 1, OG&E expects the total cumulative demand and energy savings to
 14 be approximately 337 Megawatts (MW) and 746 Gigawatt-hours (GWh) by the end of the
 15 fifth year of the comprehensive portfolio. Note that these projected savings will carry on
 16 in subsequent years.
 17

18 **Table 1. Cumulative Planned Demand and Energy Savings***

All Programs	Planned Demand Savings (MW)	Planned Energy Savings (GWh)
2025	127	141
2026	182	293
2027	245	444
2028	296	596
2029	337	746

*Unlike energy efficiency program savings with multi-year impacts and cumulative totals, SmartHours and Business Demand Response kW and kWh impacts represent 1-year impacts, with the Program Cycle Total aligned with the 1-year impacts achieved in Program Year 2029.

1 Q. Please discuss the bill impacts for each year of the proposed 2025-2029 demand
 2 portfolio period.

3 A. For Residential customers based on a monthly usage of 1,100 kWh per month, the
 4 estimated residential customer impact is expected to be \$3.27 in 2025, \$3.45 in 2026, \$3.45
 5 in 2027, \$3.42 in 2028, and \$3.44 in 2029. These impacts are all above the \$2.50 cap as
 6 required by the Demand Program Rules.¹ Thus the Company's request for the waiver to
 7 the Residential cost cap. For General Service customers based on typical usage of 1,800
 8 kWh per month, the monthly cost is expected to be \$6.71 in 2025, \$8.57 in 2026, \$9.10 in
 9 2027, \$9.34 in 2028, and \$9.54 in 2029. The monthly cost for a typical Power and Light
 10 customer is expected to be \$160.28 in 2025, \$204.83 in 2026, \$217.51 in 2027, \$223.01 in
 11 2028, and \$227.95 in 2029.

12 Table 2 summarizes the projected EEP portfolio costs and customer impacts by
 13 year.

14 **Table 2. Portfolio Costs and Customer Impacts**

		Residential - TOTAL				
Line	Description	2025	2026	2027	2028	2029
1	Program Cost	\$ 27,356,239	\$ 29,134,276	\$ 29,443,711	\$ 29,452,570	\$ 29,985,557
2	Lost Net Revenue	\$ 4,740,486	\$ 5,429,971	\$ 5,610,919	\$ 5,760,196	\$ 5,760,196
3	Incentive	\$ 3,919,036	\$ 4,152,666	\$ 4,180,737	\$ 4,176,722	\$ 4,245,618
4	Total Cost w/o Labor	\$ 36,015,761	\$ 38,716,913	\$ 39,235,368	\$ 39,389,488	\$ 39,991,371
5	Annual kWh	9,196,812,862	9,291,326,364	9,386,811,160	9,483,277,231	9,580,734,661
6	EEP Factor per kWh ((1+3) / 5)	\$ 0.003401	\$ 0.003583	\$ 0.003582	\$ 0.003546	\$ 0.003573
7	EEPLNR Factor per kWh (2 / 5)	\$ 0.000515	\$ 0.000584	\$ 0.000598	\$ 0.000607	\$ 0.000601
8	Average Monthly Usage - Residential	1,100	1,100	1,100	1,100	1,100
9	EEP Customer Impact (6 * 8)	\$ 3.74	\$ 3.94	\$ 3.94	\$ 3.90	\$ 3.93
9a	LNR Customer Impact (7 * 8)	\$ 0.57	\$ 0.64	\$ 0.66	\$ 0.67	\$ 0.66
10	Program Cost Customer Impact ((1+1a) / 5 * 8)	\$ 3.27	\$ 3.45	\$ 3.45	\$ 3.42	\$ 3.44
		Non Residential - TOTAL				
Line	Description	2025	2026	2027	2028	2029
11	Program Cost	\$ 21,816,955	\$ 28,859,216	\$ 31,441,444	\$ 32,857,776	\$ 34,271,846
12	Lost Net Revenue	\$ 10,319,673	\$ 12,755,641	\$ 13,403,933	\$ 13,828,788	\$ 14,182,788
13	Incentive	\$ 3,088,144	\$ 4,111,407	\$ 4,480,397	\$ 4,687,503	\$ 4,888,562
14	Total Cost	\$ 35,224,772	\$ 45,726,264	\$ 49,325,774	\$ 51,374,066	\$ 53,343,195
15	Annual kWh	9,449,871,349	9,599,484,556	9,751,466,484	9,905,854,635	10,062,687,106
16	EEP Factor per kWh ((11+13) / 15)	\$ 0.002635	\$ 0.003435	\$ 0.003684	\$ 0.003790	\$ 0.003892
17	EEPLNR Factor per kWh (12 / 15)	\$ 0.001092	\$ 0.001329	\$ 0.001375	\$ 0.001396	\$ 0.001409
General Service Impact						
16	Average Monthly Usage (kWh) - General Service	1,800	1,800	1,800	1,800	1,800
17	Customer Impact ((16+17) * 18)	\$ 6.71	\$ 8.57	\$ 9.10	\$ 9.34	\$ 9.54
Power & Light Impact						
18	Average Monthly Usage (kWh) - Power & Light	43,000	43,000	43,000	43,000	43,000
19	Customer Impact ((16+17) * 20)	\$ 160.28	\$ 204.83	\$ 217.51	\$ 223.01	\$ 227.95

¹ OAC 165:35-41-5(d)(2).

LOST NET REVENUE AND INCENTIVES

1 Q. **Please describe the Company's proposal regarding the recovery of LNR and**
2 **incentives for the 2025-2029 portfolio.**

3 A. For the recovery of LNR and incentives in this portfolio, the Company proposes to follow
4 the same mechanics laid out in the applicable portions of the Joint Stipulation and
5 Settlement Agreement that resulted from Cause No. PUD 201800074.

6
7 Q. **How will annual projected LNR be recovered under this portfolio?**

8 A. Annual projected LNR will be recovered concurrently along with projected program costs
9 and projected incentives with no year-to-year accumulation of LNR.

10

11 Q. **How has the Company calculated LNR in this request?**

12 A. The Company has calculated the LNR portion of the portfolio based upon each year's
13 projected kWh and KW savings. Those savings are then multiplied by a factor of two.
14 This 2.0 multiplier is meant to account for the accumulated savings from prior years which
15 would otherwise be lost. This change was originally introduced to the Commission in the
16 Settlement Agreement from Cause No. PUD 201800074 as previously noted. Prior to that
17 change the LNR calculation included a rolling accumulation of revenues to be collected
18 from customers.

19

20 Q. **Does this methodology differ from Cause No. PUD 202100121?**

21 A. Yes. The Settlement Agreement from Cause No. PUD202100121 altered the multiplier to
22 1.85x.

23

24 Q. **Why has the Company requested the multiplier increase to 2.0x?**

25 A. The Company has essentially rebuilt its portfolio in this offering with a greater emphasis
26 on demand programs. As further discussed below, the Company loses potential earnings
27 in the future through the means of return on generation resources, which would otherwise
28 be built to serve this demand. The Company believes this emphasis on demand side
29 management warrants a greater multiplier. Further, this request is consistent with the

1 Company's filed position in Cause No. PUD 202100121 which intended to maintain the
2 agreement from Cause No. PUD 201800074.

3

4 **Q. Will the Company maintain the annual true up filings?**

5 A. Yes. The Company will maintain its annual true up filings. All projected amounts for
6 Program Costs, Incentives, and LNR will be subject to an Annual True-up after each
7 program year is complete. The purpose of the Annual True-up is to reconcile the projected
8 amounts for Program Costs, Incentives, and LNR for each program year with the actual
9 Program Costs, Incentives, and LNR calculated based on Verified Savings (OAC 165:35-
10 41-3). The Annual True-up amount shall be the difference between the amount billed in
11 the Energy Efficiency Program ("EEP") Tariff for Program Costs, Incentives, and LNR
12 (with the 2.0 multiplier applied) and the actual Program Costs, Incentives, and LNR (with
13 the 2.0 multiplier applied) incurred during the same period. The Annual True-up amount
14 shall be incorporated into the EEP and EEPLNR factors in Table 1 and 2 of the Company's
15 EEP Tariff. For the purpose of the Annual True-up, True-up Factors for Residential and
16 Non-residential will be calculated by the Company after review of the Annual Demand
17 Portfolio Report, per OAC 165:35-41-7, and shall be implemented beginning in January of
18 each applicable year.

19

20 **Q. Has the Company included incentives in its Request?**

21 A. Yes. In accordance with OAC 165:35-41-8, the Company has included the projected
22 incentives which would be awarded to the Company for meeting the standards included
23 therein.

24

25 **Q. What are the standards for incentives under OAC 165:35-41-8?**

26 A. OAC 165:35-41-8 allows for utilities to earn an incentive up to 15 percent of portfolio costs
27 based upon verified savings from the prior year. To be eligible, the utility must achieve
28 80% of the program goal, maintain a total resource cost test benefit/cost ratio greater than
29 1.0, and maintain a utility cost test benefit/cost ratio greater than 1.2.

30

WAIVER REQUESTS

1 Q. **What are the waiver requests being made by the Company?**

2 A. First, the Company is requesting a waiver of OAC 165:35-41-5(d)(2) which relates to a
3 cap of costs to the average residential customer unless benefits and rationale for exceeding
4 the cap can be proven. OG&E is also seeking two other waivers of the Commission
5 Electric Utility rules and OG&E witness Jessica King addresses all three waiver requests.
6 While witness King addresses waivers, I provide some added justification related to
7 exceeding the residential cost cap of \$2.50.

8
9 Q. **Should the Commission authorize OG&E to exceed the Residential Cost Cap in this
10 case?**

11 A. Yes. OG&E Witness King addresses some of the reasons for granting a waiver of this rule.
12 I agree that the Commission should grant the waiver in this case. While the Company has
13 historically held its programs within the cost cap, the Company is currently facing a strong
14 need to reduce demand, as the cost of capacity has increased significantly due to
15 circumstances beyond the Company's control, including the increased Planning Reserve
16 Margin ("PRM") required by the Southwest Power Pool ("SPP").

17
18 Q. **Why is the increase in PRM required by the SPP significant to OG&E's demand
19 portfolio?**

20 A. The SPP increased its required PRM from 12% to 15% in 2023. This change directly
21 affects the cost effectiveness of these programs by increasing the value associated with
22 Demand Response. A utility's capacity requirements are calculated using the required
23 PRM and the utility's forecasted net peak demand. Thus, for every 100 MWs of demand
24 the Company expects to serve at its peak, it must have 115 MWs of capacity resources.
25 Hence, the value of these programs to customers as for every 100 MWs of demand the
26 Company mitigates from its peak through these programs, Customers are saved 115 MWs
27 worth of capacity costs. For reference, in its most recent IRP submission the Company
28 found upfront capital cost of an Aero Combustion Turbine to range in price from \$1,870
29 to \$3,200 \$/kW. Meaning for every 100 MW of demand reduction, customers save ~\$215
30 - \$368 million in capital costs. Note this is before factoring in return on equity, fuel, and

1 required maintenance expenses, thus the true cost to customer would be significantly
2 higher. Comparing this to the total portfolio cost of ~\$145 million, which is projected to
3 reduce demand by 333 MW by 2029, and the results are clear. Customers receive a
4 significant long-term discount through these programs when compared to the cost of
5 capacity required to meet their demand.
6

7 **Q. Are there any other reasons why an increase in the Residential Cost Cap is**
8 **appropriate?**

9 A. Yes. There is no longer an opportunity to achieve savings through general service lighting,
10 which was historically one of the lowest cost ways to achieve savings. This means those
11 savings, while still cost effective, need to be from other, costlier methods. Then, when you
12 factor in recent inflationary pressures, it becomes extremely difficult to achieve the savings
13 that can be developed for all customers within the \$2.50 residential cap.
14

CONCLUSION

15 **Q. What are your recommendations to the Commission?**

16 A. I recommend the Commission approve the portfolio as requested by the Company, approve
17 all waiver requests, and approve the Company's request to increase the LNR multiplier
18 from 1.85x to 2.0x.
19

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

21 A. Yes.

AFFIDAVIT


STATE OF OKLAHOMA)
)
COUNTY OF OKLAHOMA)

On the 1st day of July 2024, before me appeared James Alexander, to me personally known, who, being by me first duly sworn, states that he is a Senior Pricing Analyst for Oklahoma Gas and Electric ("OG&E") and acknowledges that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge, and belief.

Print James Alexander

Signature 

Subscribed and sworn to before this 1st day of July, 2024.


Notary Public

My commission expires: 10-17-2026

Seal

