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	)	CASE NO. PUD 2023-000087
RATES, CHARGES, AND TARIFFS FOR RETAIL	)	
ELECTRIC SERVICE IN OKLAHOMA	)	

Rebuttal Testimony

of

James Alexander

on behalf of

Oklahoma Gas and Electric Company

May 17, 2024

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

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

Q. **Are you the same James Alexander that filed Direct Testimony in this Case on December 29, 2023?**

A. Yes.

Q. **Please state the purpose of your rebuttal testimony.**

A. The purpose of my Rebuttal Testimony is to discuss and rebut arguments made by OIEC witness Scott Norwood. Specifically, I will be rebutting his arguments that the Company should lower the 10-year term for subscriptions and to provide for earlier termination without penalties to the Energizing Renewable Connections ("ERC") tariff. I will also discuss his proposed revisions to the Rider for Tax Credits ("TC") tariff and explain why it is not appropriate to return the tax credits through the Fuel Cost Adjustment ("FCA") rider.

<u>ERC Tariff</u>

Q. **What does Mr. Norwood state regarding the ERC tariff program?**

A. Mr. Norwood states concerns surrounding minimum subscription term limits for customers electing to subscribe to the ERC tariff. He argues the minimum term of ten years be lowered to three years. In addition, under his proposal to adopt a shortened contract term, he recommends the early-termination fee be applicable only to customers electing to subscribe for greater than five years. Mr. Norwood does not provide any evidence regarding his concerns or reasoning for how these changes would better allow customers to evaluate the cost-effectiveness and availability of energy under the ERC tariff.

Q. What is the intent of the ERC Tariff?

A. The intent of the tariff is to provide a path for large customers to purchase large amounts of renewable energy procured or constructed by OG&E through a commitment by the customer to a dedicated generation resource. This program was designed as an additional option to other renewable programs the Company offers, which include the Renewable Energy Program ("REP"), Green Power Wind Rider ("GPWR"), and Utility Solar Program ("USP"). These customer options are intended to serve the short-term and lower volume needs of customers, while the ERC is designed for large scale contractual renewable options. The ERC is unique in that it allows for the Company to procure[1] new generation beyond that reflected in the Company's Integrated Resource Plan ("IRP") that is dedicated to and specifically for customers that sign long-term contracts (10 years or more) and allows for the customer to choose and commit to generation from a resource that best meets their corporate needs or goals.

Q. Do the minimum contract terms and early termination fee provisions achieve that goal?

A. Yes, they do. Investments into new generation facilities are multi-decade-impacting decisions. The 10-year minimum contract is designed to ensure that subscribing customers who request a renewable energy project to serve them are then committed to pay for that project over a longer period of time. If a subscribing customer were to decline renewing its ERC subscription after only three years, the costs of the facility contracted for in reliance on the subscription would be recovered from all customers instead of the customer that created the need to acquire or construct the renewable resource in the first place.

As I described above, the ERC is specifically designed to meet long-term needs and an investment in a renewable facility for an ERC subscriber. The ERC subscriber is in turn required to commit for a significant period (but not the entire life) of the generating facility. The ERC tariff is a discretionary tariff and if a customer seeks to meet internal renewable generation goals for a shorter period of time, the Company offers REP, GPWR and USP tariff offerings.

---

1 Approval of generation acquisition pursuant to the EPC Tariff is subject to Commission approval.

The early termination fee is intended for the same purpose. Mr. Norwood's recommendation to apply the early termination provisions to customers that subscribe "with terms greater than five years"[2] undermines the purpose of a long-term commitment to a dedicated generation resource. If the early termination provisions only applied to customers with subscription terms greater than five years, parties that make a 10-year contractual commitment could then exit that commitment at just 5 years without penalty, which would remove any assurance or protection for the Company that the customer will pay for its independent generation commitment under the ERC Tariff.

Q. **Does Mr. Norwood's testimony provide any rationale to shorten the commitment term or for changing the early termination provision?**

A. No. There is not much rationale in Mr. Norwood's recommendation to lower the subscription term from 10 years to 3 years or to limit the early termination provision to subscribers of five or more years. Mr. Norwood merely states that "this information would allow customers to better evaluate the cost-effectiveness and availability of energy under the ERC Tariff."[3] Neither of the commitment changes recommend by Mr. Norwood provide information on the cost-effectiveness or availability of energy under the tariff. By making this recommendation, Mr. Norwood asserts that the Company should make a long-term commitment for new generation for a customer without a corresponding commitment from the requesting customer contrary to the very purpose of the ERC tariff.

USE OF RIDER FOR TAX CREDITS ("RTC") TO RETURN PRODUCTION TAX CREDITS ("PTCs") TO CUSTOMERS

Q. **What change has Mr. Norwood recommended regarding the crediting of PTCs back to customers?**

A. Mr. Norwood has recommended the Company change the handling of PTCs from being returned to customers through the Rider for Tax Credits to utilizing the FCA rider.[4]

2 Responsive Testimony Scott Norwood, p. 16, lines 15-16.
3 Responsive Testimony Scott Norwood, p. 16, lines 16-18.
4 Responsive Testimony Scott Norwood, p. 10, lines 9 – 12.

Q. **Are there any consequences to this change?**

A. Yes. If the PTCs are applied to the FCA, the class allocation would change from a revenue allocator to an energy allocator. The impact of this change is a shift of the tax credits away from Residential and other low load-factor customers in favor of higher load factor customers such as large industrial customers represented by the OIEC.

Q. **Does the Company agree with this allocation method?**

A. No. This methodology is not appropriate for PTCs.

Q. **Why does the Company not agree with this allocation method?**

A. The Company disagrees because it would disproportionately shift benefits to industrial customers while reducing the value of PTCs to other customer classes. There is no doubt high-use customers represented by OIEC would prefer these benefits be flowed through the FCA, so as to increase their benefit from PTCs while diminishing the benefit to Residential customers. However, PTCs are more appropriate to be credited on a revenue allocator. PTCs are a credit directly tied to the tax burden faced by the Company (net income), most closely related to the revenues collected from each class. If the PTCs are allocated based upon an energy allocation method as suggested by OIEC it creates a mismatch between how the Company is required to recognize the benefit and how customers would be credited.

RECOMMENDATIONS

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

A. I recommend the Commission reject OIEC's proposal to reduce the ERC minimum contract term from ten to three years. I also recommend the Commission reject the OIEC's proposal to allow early termination under the ERC without payment of an early termination fee for subscribers of five years or less. I also recommend that the Commission deny OIEC's request to change how PTCs are returned to customers by moving to an energy basis through the FCA.

Q. **Does this conclude your Rebuttal Testimony?**

A. Yes.