

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) CAUSE NO. PUD 202100164
AUTHORIZING APPLICANT TO MODIFY ITS)
RATES, CHARGES, AND TARIFFS FOR RETAIL)
ELECTRIC SERVICE IN OKLAHOMA)

June 30, 2022 Stipulation Testimony

of

Donald R. Rowlett

on behalf of

Oklahoma Gas and Electric Company

July 11, 2022

Donald R. Rowlett
June 30, 2022 Stipulation Testimony

1 Q. **Would you please state your name and business address?**

2 A. My name is Donald R. Rowlett. My business address is 321 North Harvey, Oklahoma
3 City, Oklahoma, 73102.

4
5 Q. **Are you the same Donald R. Rowlett that previously filed direct, rebuttal, and
6 settlement testimony in this proceeding?**

7 A. Yes.

8
9 Q. **What is the purpose of your June 30, 2022 Stipulation Testimony?**

10 A. The purpose of my testimony is to support the June 30, 2022 Amended Joint Stipulation
11 and Settlement Agreement (“June 30 Stipulation”) executed and filed by the Stipulating
12 Parties in this proceeding on June 30, 2022. The June 30 Stipulation resolves the issues
13 contained in this Cause and represents a balancing of interests among the Stipulating
14 Parties. I believe that approval of the June 30 Stipulation is reasonable and in the public
15 interest.

16
17 Q. **Who are the Stipulating Parties?**

18 A. The Stipulating Parties are OG&E, the Attorney General (“AG”), the Public Utility
19 Division (“PUD”) of the Oklahoma Corporation Commission (“Commission”), Oklahoma
20 Industrial Energy Consumers (“OIEC”), CMC Steel, Federal Executive Agencies (“FEA”),
21 the Oklahoma Sustainability Network, OG&E Shareholders Association, Oklahoma
22 Association of Electric Cooperatives (“OAEC”), Petroleum Alliance of Oklahoma, and
23 Sierra Club. Walmart Inc. and AARP were not signatories to the June 30 Stipulation but
24 do not oppose it.

1 Q. **Please describe the relief requested as a result of the June 30 Stipulation.**

2 A. OG&E's requested revenue requirement increase of \$163.5 million was reduced in the
3 original Joint Stipulation to \$45 million.¹ As a result of the discussions and negotiations
4 we conducted on June 29, 2022, among the original stipulating parties and the parties
5 opposed to the original stipulation, the Company and the Stipulating Parties agreed to
6 further reduce the revenue requirement to \$30 million.

7
8 Q. **Did the OG&E develop an accounting exhibit to illustrate how the original \$163.5
9 million was reduced to \$30 million from OG&E's perspective?**

10 A. Yes, it is attached as "June 30 Settlement Exhibit DRR-1." As noted on the exhibit, the
11 adjustments highlighted in gray reflect the adjustments used by OG&E to reduce the base
12 rate adjustments to \$30 million and may not reflect the adjustments used by all other
13 Stipulating Parties.

14
15 Q. **Will you please explain the changes to the Grid Enhancement Mechanism ("GEM")
16 in paragraph 9 of the June 30 Stipulation?**

17 A. Yes. The previous settlement proposed the GEM would include a \$7 million revenue
18 requirement cap for each Annual Investment Plan year, 2022, 2023, and 2024. This
19 settlement reduces that annual cap to \$6 million for each plan year. In addition, the
20 previous settlement was silent in terms of a termination date associated with the GEM. The
21 June 30 Stipulation specifies it will terminate no later than July 1, 2025.

22
23 Q. **Will you please explain changes to the Federal Tax Change ("FTC") rider discussed
24 in paragraph 11?**

25 A. Yes. The mechanism to return the accumulated excess deferred income taxes associated
26 with the reduction of Oklahoma corporate income taxes from 6 to 4 percent is the FTC
27 rider, and the amortization period has been changed from 10 years to 5 years. The annual
28 amortization amount is also shown on the June 30 Settlement Exhibit DRR-1.

¹ The original Joint Stipulation was executed by OG&E, PUD, the AG, OSN and Sierra Club on June 10, 2022. An Amended Joint Stipulation was executed by those same parties plus CMC Steel on June 17, 2022.

1 In addition, the June 30 Stipulation proposes a new process to recognize potential future
2 changes resulting from state and federal tax law modifications. For instance, if there is
3 another reduction in the state tax rate, those will automatically go into effect. Even though
4 the title is Federal Tax Change Rider, state income tax changes will also flow through.
5 There is an obligation to provide a 45-day notice to all Stipulating Parties before any
6 updated factors become effective. This provides an opportunity for the Stipulating Parties
7 to review the calculation and the way the tax change will be handled through the FTC rider.
8 If there were any objections raised that cannot be resolved by the Company and the
9 Stipulating Parties, the Company will initiate a docket to address such disputes.

10
11 **Q. Please describe the changes to paragraph 13 regarding the creation of a regulatory**
12 **asset for S4/HANA O&M expenses.**

13 A. The June 30 Stipulation limits the carrying costs on the regulatory asset balance to accrue
14 based on the Company's short-term cost of debt.

15
16 **Q. Please describe the changes to rate case expense in paragraph 13.**

17 A. This provision calls for rate case expenses that were identified in the case to be amortized
18 over two years. If the Company has not filed a rate case after two years, the annual
19 amortized amount will be used to reduce any regulatory asset for rate case expense incurred
20 after the end of the six-month post-test year period. After any regulatory asset for rate case
21 expense is reduced to zero, the Company will begin accruing a regulatory liability in the
22 amount of the annual amortization. This provision was designed so the Company does not
23 over-recover the level of expenses that were incurred. Further, the expenses accrued after
24 March 31st will be subject to review in the next rate case.

25
26 **Q. Were there any other changes to the regulatory accounting provisions to paragraph**
27 **13 of the June 30 Stipulation?**

28 A. Yes. An amortization period was specified for the over/under recovery balance of OG&E's
29 pension tracker. Instead of the Company's proposal of five years, the Stipulating Parties
30 agreed to amortize the recovery of the balance over 15 years.

1 Q. **Were there changes to the residential customer charge discussed in paragraph 14?**

2 A. Yes. The customer charge will remain at the current level of \$13 per month.

3

4 Q. **Please discuss the compliance filing terms in paragraph 20.**

5 A. Paragraph 20 was amended to make clear the Company will have ten days after the issuance
6 of the Final Order in this Cause to submit to PUD and the Stipulating Parties its Compliance
7 Package, which will include updated tariffs and a proof of revenue.

8

9 Q. **Will you please describe the changes to paragraph 21, discussing the Fuel Cost
10 Adjustment (“FCA”)?**

11 A. Yes. Any interim FCA change occurring before December 31, 2022, which is likely to be
12 an under-recovery, will be recovered from customers over 24 months, not the remainder of
13 the year, as specified in the current tariff. In addition, 15 days prior to the proposed change,
14 the Company will provide notice to the Stipulating Parties, along with information
15 supporting the proposed change. The Company will also facilitate a meeting with the
16 Stipulating Parties, no later than 10 days prior to the effective date of the interim adjustment
17 of the FCA, to explain and answer questions regarding the re-determined factors.

18

19 Q. **Please discuss paragraph 21 regarding 1 MW Customers.**

20 A. The Company shall continue to evaluate 1 MW customers, at least those initially being
21 served by OG&E after January 1, 2014, through a separate Cost of Service during their
22 next rate case to allow parties to verify the accuracy of the decision by the Company used
23 in this case to treat the 1MW customers class’s coincident peak as their own customer class.

24 The Company shall also develop a rate tariff for prospective 1MW customers and
25 submit such rate tariff with its Compliance Package submittal referenced in Paragraph 20.
26 The initial pricing shall be the same as LPL-TOU (or PL-TOU). The cost allocation
27 method with respect to this new class will be the same as the cost allocation methods used
28 for other customers.

29 In addition, within 60 days of the issuance of a final order, the PUD will initiate
30 and facilitate a meeting between the Company and OAEC and both parties’ consultants
31 and rate design experts to explore common ground positions and solutions that could

1 potentially resolve disagreements around how 1MW loads under 17 O.S. §158.25(E) are
2 treated from a ratemaking perspective. The AG and other Stipulating Parties will be given
3 notice and an opportunity to participate in such meeting.
4

5 **Q. Has the Company determined the customer impact of the June 30 Stipulation?**

6 A. Yes. The \$30 million revenue requirement increase included in the June 30 Stipulation
7 reflects a total bill increase of approximately 1.5%. In comparison, the June 17 Stipulation
8 contained a \$45 million revenue requirement increase, which constituted a total bill
9 increase of approximately 2.3%. For the average residential customer, the \$30 million
10 increase will constitute a 1.9% increase in the average residential customer bill, which is a
11 lower impact than the estimated 2.7% increase associated with the June 17 Stipulation's
12 increase of \$45 million. I previously mentioned that the \$45 million dollar settlement
13 resulted in a \$2.99 per month impact for the average residential customer. The June 30
14 Stipulation will lower that estimated monthly impact to \$2.07 for the average residential
15 customer.
16

17 **Q. Does this June 30 Stipulation in any way change the agreement signed between the
18 Petroleum Alliance of Oklahoma and OG&E on June 27, 2022?**

19 A. No. The Company remains a signatory to that agreement and both that agreement and this
20 June 30 Stipulation are being presented to the Commission for approval.
21

22 **Q. Is the June 30 Stipulation fair, just, and reasonable, and in the public interest?**

23 A. Yes. The June 30 Stipulation is fair, just, and reasonable, and in the public interest, and I
24 respectfully request and recommend the Commission approve it.
25

26 **Q. Does this conclude your Settlement Testimony?**

27 A. Yes.

June 30 Settlement Exhibit DRR-1

OG&E's Settlement Breakdown - 6-30-22

	<i>Rounded</i>	<i>Source in record</i>
OG&E Requested Increase (millions)	\$163.5	Filing
Six month post test year updates/revisions	(\$3.4)	Thenmadathil Rebuttal
Change in ROE from 10.2% to 9.5%	(\$30.0)	Rowlett Waterfall in Direct
Depreciation based on Attorney General depreciation rates, with OIEC's transmission and general rates	(\$53.5)	Shown on OIEC Exhibit
OK State EDIT Amortization - 5 years	(\$15.3)	PUD/OIEC adjustment
Pension Expense based on OIEC	(\$5.0)	OIEC Adjustment
Pension Tracker Amortization - 15 years	(\$5.9)	AG Adjustment
PUD Severance Adjustment (w/tax impact)	(\$0.8)	PUD
Chamber of Commerce (50%)	(\$0.1)	AG/PUD
EEI (50%) and Non-EEI Dues	(\$0.6)	AG/PUD
Long Term Incentive Compensation (w/tax impact)	(\$9.8)	AG/OIEC
Short Term Incentives at 50%	(\$7.3)	AG/OIEC
Coal Inventory	(\$0.7)	AG
O&M reduction to arrive at final amount	(\$1.1)	OGE
OG&E Settled Increase (millions)	\$30.0	

Please note the adjustments reflected in gray highlighting do not necessarily reflect the positions of other Stipulating Parties. They represent the adjustments OG&E used to derive the remaining \$20.4 million of reductions not specifically enumerated in the June 30th Stipulation.