APSC FILED Time: 4/20/2017 11:56:30 AM: Recvd 4/20/2017 11:45:36 AM: Docket 16-052-U-Doc. 193

BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF **OKLAHOMA GAS AND ELECTRIC COMPANY** FOR APPROVAL OF A GENERAL CHANGE IN RATES, CHARGES AND TARIFFS	)))))	DOCKET NO. 16-052-U

SETTLEMENT TESTIMONY

OF

LARRY BLANK

ON BEHALF OF

ARKANSAS RIVER VALLEY ENERGY CONSUMERS

April 20, 2017

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I. IDENTIFICATION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Larry Blank. My business address is TAHOEconomics, LLC, 9120 Double Diamond Pkwy, Suite 3624, Reno, NV 89521. My email address is LB@tahoeconomics.com.

Q. DID YOU PREPARE WRITTEN DIRECT AND SURREBUTTAL TESTIMONY THAT WAS PREVIOUSLY FILED IN THIS DOCKET?

A. Yes.

II. TESTIMONY IN SUPPORT OF THE SETTLEMENT

Q. WHAT IS THE PURPOSE OF YOUR SETTLEMENT TESTIMONY?

A. I am testifying on behalf of the Arkansas River Valley Energy Consumers ("ARVEC"), which is a party to the proposed Settlement Agreement with Oklahoma Gas & Electric Co. (OG&E) and all but one of the other parties to this proceeding.

Q. WHO IS ARVEC?

A. ARVEC is an association consisting of a diverse group of large consumers of energy located in and around Fort Smith, Arkansas, involved in regulatory matters involving natural gas and electric power.

Q. WHAT CONTESTED ISSUES ARE RESOLVED BY THE PROPOSED SETTLEMENT?

A. The proposed Settlement Agreement provides for resolution of all pending contested matters before the Commission in this general rate case.

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Q. HAVE YOU REVIEWED THE OTHER TESTIMONIES FILED IN SUPPORT OF THE SETTLEMENT?

A. Yes. In particular, the testimony of Mr. Rowlett on behalf of OG&E generally explains the components of the Settlement Agreement.

Q. PLEASE SUMMARIZE THE RATE CLASS REVENUE ALLOCATION METHOD USED IN REACHING THE SETTLEMENT.

A. As a starting point, the parties relied on Staff's surrebuttal cost of service study ("COSS") modified to reflect the settlement revenue requirement adjustments and the jurisdictional allocation of the OG&E wind asset costs. The COSS results were then further modified by increasing the revenue requirement for rate schedules with cost of service below current revenue up to the status quo revenue level and using that additional revenue to reduce the revenue requirement for residential, municipal pumping, and athletic field lighting customers. This methodology follows Staff's recommended mitigation approach.

Q. WHAT METHOD WAS USED FOR THE JURISDICTIONAL ALLOCATION OF THE WIND ASSET COSTS?

A. As stated in the Settlement Agreement, the jurisdictional split between Oklahoma and Arkansas utilized a demand allocator, specifically the COSS production demand allocator, which is the 4CP Average and Excess method.

Q. IN THE APPLICATION OF STAFF'S REVENUE ALLOCATION MITIGATION METHOD TO THE SETTLEMENT COSS, WHAT WAS THE INCREMENTAL REVENUE FROM POWER AND LIGHT CUSTOMERS USED TO MITIGATE THE INCREASE TO OTHER CUSTOMERS?

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A. The settlement deviation from the COSS results for Power and Light ("P&L") customers at Service Levels 1-4 generated an additional $3,358,754 in revenue. This incremental revenue was then used to help reduce the rate increase to other customers, predominantly residential customers, by that amount. Although P&L customers at Service Levels 1-4 will not see a net bill increase, it is important to understand that current revenues for these customers are over 6% higher than the Settlement COSS results, which is what generates this incremental revenue used to mitigate the residential class' rate increase. Therefore, $3,358,754 represents the amount provided by P&L customers to achieve settlement on the contested revenue allocation issue. This helps reduce the residential class' rate increase by about 6%.

Q. HAVE YOU STUDIED THE BILL IMPACTS TO P&L CUSTOMERS CAUSED BY THE SETTLEMENT RATE DESIGN?

A. Yes. Based on OG&E's analysis and my own independent analysis, the bill impacts to P&L TOU customers are minimal and the rate design agreed to in the settlement is acceptable to ARVEC. This revised design will combine the PL-TOU-D and –E rate schedules into a single rate schedule design, which is generally a mix of the two currently separate designs.

Q. SHOULD THE COMMISSION ACCEPT THE SETTLEMENT AGREEMENT IN ITS ENTIRETY AS MEETING THE PUBLIC INTEREST OBJECTIVES?

A. Yes. This Settlement Agreement produces a revenue requirement sufficient to cover the costs necessary for OG&E to deliver safe and reliable service including a just and reasonable return on investment, a revenue allocation method that significantly mitigates

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rate increases to those customers most heavily impacted by this increase, and rate designs thoroughly reviewed and agreed to by the settling parties.

Q. DOES THE REVENUE DISTRIBUTION OR RATE DESIGN UTILIZED IN THIS SETTLEMEMT AGREEMENT ESTABLISH A PRECEDENT FOR USE IN FUTURE RATE PROCEEDINGS?

A. No. The Settlement specifically provides that this Agreement shall not be used or argued as establishing precedent or any methodology or rate treatment in any future proceeding.

Q. DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?

A. Yes.

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CERTIFICATE OF SERVICE

I, Thomas P. Schroedter, do hereby certify that a copy of the foregoing has been served upon all parties of record by forwarding the same by electronic mail this 20th day of April 2017.

Thomas P. Schroedter