

**BEFORE THE CORPORATION COMMISSION 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 201500273

**FILED**  
MAR 31 2016

COURT CLERK'S OFFICE - OKC  
CORPORATION COMMISSION  
OF OKLAHOMA

**RESPONSIVE TESTIMONY**

**AND EXHIBITS**

**OF**

**JAMES W. DANIEL**

**ON BEHALF OF**

**E. SCOTT PRUITT,**

**OKLAHOMA ATTORNEY GENERAL**

**March 31, 2016**

**TABLE OF CONTENTS**

I. INTRODUCTION .....1  
II. PURPOSE OF TESTIMONY .....1  
III. CLASS COST OF SERVICE STUDY .....3  
IV. PROPOSED REVENUE DISTRIBUTION .....11  
V. PROPOSED CUSTOMER CHARGES.....13  
VI. OG&E’S PROPOSED ADDITION OF DEMAND CHARGES FOR  
RESIDENTIAL AND SMALL COMMERCIAL CUSTOMERS .....16  
VII. OG&E’S PROPOSED PREPAY BILLING OPTION .....23  
VIII. CUSTOMER BILL IMPACTS .....26  
IX. SUMMARY AND RECOMMENDATIONS.....34

JWD EXHIBITS

JWD-1: The Impact on the Class Cost of Service Study if Accounts 364 - 368 are Classified as Demand-Related  
JWD-2: OGE Data Response to TASC 3-3b  
JWD-3: OGE Data Response to AG 8-20  
JWD-4: OGE Data Response to AG 16-8  
JWD-5: OGE Data Response to AG 16-9  
JWD-6: OGE Data Response to AG 12-7  
JWD-7: Residential Bill Impact Analysis for OG&E’s Proposed Rates  
JWD-8: Residential Customer Bill Impacts under Rates Based on a Revised Class Cost of Service Study that Rejects OG&E’s Zero-Intercept Analysis  
JWD-9 Residential Bill Impact Analysis Based on the Recommended Rates  
JWD-10 OGE Data Response to AG 8-7

**RESPONSIVE TESTIMONY AND EXHIBITS OF JAMES W. DANIEL**

**I. INTRODUCTION**

1

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is James W. Daniel. My business address is 919 Congress Avenue, Suite 800,  
4 Austin, Texas 78701.

5 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR BUSINESS**  
6 **ADDRESS?**

7 A. I am a Vice President of the firm GDS Associates, Inc. ("GDS") and Manager of GDS's  
8 office at 919 Congress Avenue, Suite 800, Austin, Texas 78701.

9 **Q. DID YOU PRE-FILE RESPONSIVE TESTIMONY ON THE REVENUE**  
10 **REQUIREMENT OF OKLAHOMA GAS AND ELECTRIC COMPANY**  
11 **("OG&E" OR "COMPANY") IN THIS CAUSE?**

12 A. Yes, I did.

**II. PURPOSE OF TESTIMONY**

13  
14 **Q. WHAT IS THE PURPOSE OF YOUR COST ALLOCATION AND RATE**  
15 **DESIGN RESPONSIVE TESTIMONY IN THIS PROCEEDING?**

16 A. The purpose of my cost allocation and rate design responsive testimony is to address  
17 certain cost allocation and rate design issues with OG&E's proposed rate increase.

18 **Q. PLEASE SUMMARIZE THE RESULTS OF YOUR REVIEW AND ANALYSIS.**

19 A. Based upon my review and analysis, I have reached the following conclusions and  
20 recommendations:

21 (1) OG&E improperly classified a substantial portion of its distribution plant related  
22 costs for conductors (both overhead and underground), poles and conduit as

1           “customer-related.” These distribution costs were incurred to meet customer  
2 demands and should be classified as demand-related costs.

3           (2) OG&E’s proposed distribution of its proposed revenue increase to the customer  
4 classes gradually moves customer class revenue levels towards each class’s cost  
5 of service in order to temper customer impacts. I agree with OG&E’s proposed  
6 revenue distribution objective, especially in light of OG&E’s proposed restructure  
7 of the standard residential rates. However, OG&E’s proposed revenue  
8 distribution should be revised to reflect the impact of item (1) above.

9           (3) OG&E’s proposed residential monthly customer charge increase of over 100% is  
10 excessive and contrary to one of OG&E’s witness’s testimony. It results in severe  
11 rate increases for many residential customers and should be rejected by the  
12 Commission.

13           (4) OG&E’s proposal to restructure the standard residential rate design by including a  
14 demand charge causes a substantial rate increase for some customers, while other  
15 customers will receive a rate decrease. Due to these significantly disparate rate  
16 impacts among the residential customers, OG&E’s proposed demand charge  
17 should be implemented gradually.

18           (5) OG&E’s proposed new residential customer prepay billing option (“Pay Go”)  
19 should be revised per the recommendations of OAG witness Ed Farrar.

20           (6) OG&E failed to consider customer bill impacts when designing its proposed rates.  
21 The Commission should reject OG&E’s residential rate design due to the  
22 substantial bill increases for numerous residential customers.



1 cost causation factors, to the cost categories of fixed or demand-related, variable or  
 2 energy-related, and customer-related. Finally, the classified costs are directly assigned or  
 3 allocated to customer classes using allocation factors developed for each classified cost  
 4 category. Various methodologies or approaches exist for conducting each step in the cost  
 5 of service study process.

6 **Q. HAVE YOU REVIEWED OG&E'S PROPOSED CLASS COST OF SERVICE**  
 7 **STUDY?**

8 A. Yes. I have made a general review of OG&E's proposed class cost of service study,  
 9 which is provided in the Company's rate application as Sections K and L.

10 **Q. DID YOUR GENERAL REVIEW IDENTIFY ANY SIGNIFICANT ISSUES WITH**  
 11 **OG&E'S CLASS COST OF SERVICE STUDY?**

12 A. Yes. I identified a significant problem with OG&E's proposed classification of a  
 13 substantial portion of its distribution plant costs.

14 **Q. PLEASE DESCRIBE THIS COST CLASSIFICATION ISSUE?**

15 A. For the following distribution plant accounts, OG&E is proposing to classify a substantial  
 16 portion of its distribution plant-related costs (return, depreciation, income taxes,  
 17 operation and maintenance ("O&M") expenses, etc. as customer-related costs:

**Table 1**  
**OG&E's Classification of FERC Accounts 364-368**

<b>FERC Account</b>	<b>Plant Description</b>	<b>Demand-Related</b>	<b>Customer-Related</b>
364	Poles, Towers & Fixtures	44.88%	55.12%
365	Overhead Conductors	45.04%	54.96%
366	Underground Conductors	62.43%	37.57%
367	Underground Conduit	62.43%	37.57%
368	Line Transformers	28.25%	71.75%

18 \* The classification percentages above are based on OG&E's filed Schedule L-2-5.

1 The Oklahoma jurisdictional plant investment in these five accounts is \$2,236,247,217,  
2 or 65.23% of the total Oklahoma jurisdictional distribution plant investment. By  
3 incorrectly classifying a significant portion of the \$2,236,247,217 as customer-related  
4 costs, the Company's class cost of service study over-allocates costs to the residential  
5 class and also improperly inflates the level of costs OG&E proposes to recover in the  
6 monthly customer charges.

7 **Q. WHAT PORTION OF THE \$2,236,247,217 HAS OG&E CLASSIFIED AS**  
8 **CUSTOMER-RELATED COSTS?**

9 A. OG&E is proposing to classify \$1,145,808,942, or 51.24% of the \$2,236,247,217 as  
10 customer-related costs.<sup>1</sup>

11 **Q. DO YOU AGREE WITH OG&E'S PROPOSED CLASSIFICATION OF THESE**  
12 **DISTRIBUTION PLANT COSTS?**

13 A. No. As I will further discuss below, the costs related to distribution poles, conductors,  
14 and conduit is designed and constructed to meet area demands and should be classified as  
15 100% demand-related costs.

16 **Q. WHAT IS THE BASIS FOR OG&E'S PROPOSED CLASSIFICATION OF**  
17 **THESE DISTRIBUTION PLANT RELATED COSTS?**

18 A. As stated on page 15, line 30, through page 16, line 3, of the direct testimony of OG&E  
19 witness David Smith, the Company is proposing to classify these distribution plant  
20 accounts as customer-related, based on a zero-intercept study. A zero-intercept study is a  
21 statistical analysis of sizes of distribution plant facilities recorded in Accounts 364  
22 through 368 that is sometimes used by utilities to try to support classifying more

---

<sup>1</sup> It should be noted that OG&E properly classified 100% of FERC Accounts 369, 370, and 371, or \$425,675,616 as customer-related costs. These accounts include the investment in service lines, meters, and installations on customer premises.

1 distribution plant costs as customer-related costs. Mr. Smith also states that the zero-  
2 intercept methodology is supported by the NARUC cost allocation manual and is  
3 consistent with its previous case. Further, on page 16, lines 19 through 20 of his direct  
4 testimony, Mr. Smith states that the customer-related portion of these distribution plant  
5 costs “vary directly with the number of customers.”

6 **Q. DO YOU AGREE WITH OG&E WITNESS DAVID SMITH’S CLAIM THAT**  
7 **THE NARUC COST ALLOCATION MANUAL “SUPPORTS” THE ZERO-**  
8 **INTERCEPT METHODOLOGY?**

9 A. No. The 1992 NARUC manual relied upon by Mr. Smith only gives preference of the  
10 zero-intercept methodology over the minimum system methodology. As discussed in  
11 Oklahoma Attorney General (“OAG”) witness Kevin Mara’s responsive testimony filed  
12 March 31, 2016, a more recent NARUC document from 2000 states that these costs  
13 should be classified as demand-related, as is done in over 30 states.

14 **Q. DO YOU AGREE WITH MR. SMITH’S CLAIM THAT A PORTION OF**  
15 **DISTRIBUTION PLANT COSTS VARY DIRECTLY WITH THE NUMBER OF**  
16 **CUSTOMERS?**

17 A. No. As explained by OAG witness Kevin Mara, distribution plant facilities in FERC  
18 Accounts 364 through 368 are designed and built to meet customer and area demands.  
19 The investment in these facilities does not vary with the number of customers unlike the  
20 investment in meters or service lines. Therefore, 100% of the plant investment in these  
21 five accounts should be classified as demand-related.

1 Q. DOES AN OG&E WITNESS SUPPORT THE POSITION TAKEN BY YOU AND  
2 MR. MARA ON THE CAUSE AND CLASSIFICATION OF DISTRIBUTION  
3 PLANT FACILITIES SUCH AS POLES, CONDUCTORS, CONDUIT, AND LINE  
4 TRANSFORMERS?

5 A. Yes. The direct testimony of OG&E witness Dr. Ahmand Faruqui clearly supports the  
6 OAG's recommendation that 100% of the costs of these facilities should be classified and  
7 allocated as demand-related costs. On page 8, line 20 of his direct testimony, Dr. Faruqui  
8 testifies that distribution costs "vary with demand" not with the number of customers.  
9 Even more supportive, on page 8, lines 23 and 24, of his direct testimony, Dr. Faruqui  
10 testifies that distribution networks are "sized to meet peak demand."

11 Q. DO OTHER JURISDICTIONS CLASSIFY 100% OF THE PLANT  
12 INVESTMENT IN FERC ACCOUNTS 364 THROUGH 368 AS DEMAND-  
13 RELATED?

14 A. Yes. Based on my experience classifying plant costs for these five accounts as 100%  
15 demand-related is the preferred approach used in determining classes cost of service.

16 Q. DOES OG&E CLASSIFY 100% OF THE PLANT INVESTMENT IN FERC  
17 ACCOUNTS 364 THROUGH 368 AS DEMAND-RELATED IN ITS ARKANSAS  
18 JURISDICTION?

19 A. Yes. Inconsistent with its proposal in this case, in OG&E's last rate case in Arkansas it  
20 did not propose using a zero-intercept study. Instead, OG&E utilized the distribution  
21 plant classification I am recommending be used in this case.

1 Q. DOES THE CLASSIFICATION OF 100% OF THE PLANT INVESTMENT IN  
2 THESE FERC ACCOUNTS 364 THROUGH 368 PROVIDE MORE  
3 REASONABLE AND STABLE COST OF SERVICE RESULTS?

4 A. Yes. From a cost-causation standpoint, the plant investment in these five accounts is  
5 built to meet customer and area demands and should, therefore, be classified as 100%  
6 demand-related. This classification will provide a more reasonable cost of service study.  
7 Also, the classification will obviously be stable from one rate case to the next.

8 Q. IS THERE ANOTHER PROBLEM WITH USING OG&E'S ZERO-INTERCEPT  
9 STUDY?

10 A. Yes. The zero-intercept study used by OG&E is based on stale data and does not use test  
11 year data to determine the demand-related and customer-related classification  
12 percentages shown in my Table 1 above. The zero-intercept study used by OG&E was  
13 prepared in 2008. From December 31, 2008 through December 31, 2014 (the midpoint  
14 of the test year), OG&E's distribution plant in Accounts 364 through 368 has increased  
15 by approximately 40%. Given this huge increase in distribution plant since OG&E's  
16 2008 zero-intercept study, the data used in that study is stale and the results of that study  
17 are not reliable for use in this rate case.

18 Q. HAVE YOU QUANTIFIED THE IMPACT ON THE COST OF SERVICE STUDY  
19 IF 100% OF THE PLANT INVESTMENT IN ACCOUNTS 364 THROUGH 368 IS  
20 CLASSIFIED AS DEMAND-RELATED?

21 A. Yes. I re-ran OG&E's Class Cost of Service Study model with this revised classification.  
22 A comparison of the impact on the customer classes' allocated cost of service is provided  
23 on my Exhibit JWD-1, and summarized on the table below:

**Table 2**  
**Impact of Classifying Accounts 364-368 as Demand-Related**

Customer Class	OG&E's Proposed Cost of Service	Revised Cost of Service	Difference
Residential	\$ 664,539,473	\$ 641,036,295	\$ (23,503,178)
General Service	134,309,466	118,430,749	(15,878,717)
Oil & Gas	9,547,527	9,379,969	(167,558)
Schools Non-Demand	18,196,628	20,940,560	2,743,932
Schools Demand	10,075,344	11,505,964	1,430,619
Power & Light	289,194,665	316,010,751	26,816,086
Large Power & Light	136,143,450	144,126,312	7,982,862
Municipal Pumping	4,173,748	4,303,683	129,935
Lighting	33,740,688	33,080,157	(660,531)
Total	\$ 1,299,920,989	\$ 1,298,814,440	\$ (1,106,549)

1 As shown on the table above, the correct classification of distribution plant, as I am  
2 proposing, will decrease the cost of service for the residential class by \$23,503,178. This  
3 corrected cost of service for the residential class is lower than OG&E's proposed  
4 residential revenue level. In other words, the Company's proposed residential rates will  
5 provide subsidies to other customer classes. The level of inter-class subsidies paid and  
6 received based on the corrected cost of service model is provided on my Exhibit JWD-1.

7 **Q. DOES OG&E'S PROPOSED CLASSIFICATION OF DISTRIBUTION PLANT**  
8 **ACCOUNTS 364 THROUGH 368 ALSO IMPACT THE JURISDICTIONAL**  
9 **ALLOCATIONS BETWEEN OKLAHOMA AND ARKANSAS?**

10 A. Yes. As shown on Table 2, and on my Exhibit JWD-1, the Company's distribution plant  
11 classification increases the jurisdictional revenue requirement allocation to Oklahoma by  
12 \$1,106,549.

13 **Q. DOES OG&E'S PROPOSED USE OF ITS ZERO-INTERCEPT STUDY ALSO**  
14 **AFFECT ITS PROPOSED RATE DESIGN?**

15 A. Yes. By classifying a substantial portion of distribution system poles, conductors,  
16 conduit, and line transformers as customer-related, OG&E not only over-allocates costs

1 to the residential and general service customer classes, but it also inflates the costs to be  
2 recovered in the monthly customer charge. As I will more fully discuss in the following  
3 sections of my responsive testimony, OG&E is proposing to set the class monthly  
4 customer charge equal to the unit cost for the customer-related costs allocated to each  
5 customer class. For example, OG&E is proposing to increase the residential monthly  
6 customer charge from \$13.00 to \$26.54, an increase of 104%. The proposed charge of  
7 \$26.54 is the unit cost for the customer-related costs allocated to the residential class.  
8 Those allocated customer-related costs are inflated due to the unreasonable results of  
9 OG&E's proposed zero-intercept study. In contrast, my revised class cost of service  
10 study, which classifies 100% of the investment in FERC Accounts 364 through 368 as  
11 demand-related, results in a residential unit charge for customer-related costs of \$12.61  
12 per month.

13 **Q. DO YOU HAVE ANY COMMENTS REGARDING OG&E WITNESS SMITH'S**  
14 **RELIANCE ON THE PREVIOUS TWO OG&E RATE CASES AS SUPPORT**  
15 **FOR USING A ZERO-INTERCEPT METHODOLOGY FOR CLASSIFYING**  
16 **DISTRIBUTION PLANT?**

17 A. Yes. Both of OG&E's prior two rate cases were settled. Settlements are the result of  
18 negotiations among the parties to resolve issues through compromise and give and take.  
19 Therefore, one cannot use these prior cases as Commission precedent.

1                                    **IV.    PROPOSED REVENUE DISTRIBUTION**

2    **Q.    IS OG&E PROPOSING TO SET CUSTOMER CLASS REVENUE LEVELS**  
3    **EQUAL TO THEIR ALLOCATED COST OF SERVICE?**

4    A.    No. As explained on page 17, line 4, through page 18, line 11 of the direct testimony of  
5    OG&E witness Bryan Scott, the Company is proposing a class revenue distribution that  
6    avoids large rate increases to some customer classes that would have occurred if class  
7    revenue levels had been set equal to their allocated cost of service. This rate setting  
8    principle is commonly referred to as gradualism. Under gradualism, customer class  
9    revenue levels are gradually moved to the cost of service over the course of two or three  
10    rate cases, in order to avoid burdensome rate increases for some customer classes. Based  
11    on the Company's proposed class cost of service study, I agree that gradualism is  
12    necessary to avoid large rate increases for some customer classes.

13   **Q.    DOES THE COMPANY'S PROPOSED REVENUE DISTRIBUTION WORK IF**  
14   **ITS CLASS COST OF SERVICE STUDY IS REVISED TO CORRECT THE**  
15   **DISTRIBUTION PLANT CLASSIFICATION ISSUE PREVIOUSLY DISCUSSED**  
16   **IN YOUR DIRECT TESTIMONY?**

17   A.    No. If the Company's class cost of service study is corrected per my previous  
18    recommendation, then OG&E's proposed revenue distribution, or class revenue change,  
19    as shown on Chart 9 on page 18 of Mr. Scott's direct testimony, will need to be revised.  
20    For example, under the Company's proposed revenue distribution, the Residential  
21    customer class revenues go from \$12,631,966 below OG&E's proposed class cost of  
22    service study, to \$11,144,110 above my revised class cost of service study.

1 Q. HAVE YOU DEVELOPED A REVISED DISTRIBUTION OF OG&E'S  
 2 PROPOSED REVENUE INCREASE BASED ON THE RESULTS OF YOUR  
 3 REVISED CLASS COST OF SERVICE STUDY?

4 A. Yes. Like OG&E's proposed revenue distribution, my recommended revenue  
 5 distribution moves all classes towards their allocated cost of service, while also avoiding  
 6 severe rate increases that would be caused by setting class revenues equal to the classes'  
 7 cost of service. My proposed revenue distribution at OG&E's proposed rate increase  
 8 level is provided on the following table:

Table 3  
 OAG's Recommended Revenue Distribution

Customer Class	Current Base Revenue	OGE Cost of Service	Revised Cost of Service	OGE Proposed Base Revenue Increase/(Decrease)	Recommended Base Revenue Increase/(Decrease)	Change from OGE Increase
Residential	\$ 572,223,764	\$ 664,539,473	\$ 641,036,295	\$ 92,315,709	\$ 72,270,599	\$ (20,045,110)
General Service	113,520,858	134,309,466	118,430,749	20,788,608	5,156,633	(15,631,974)
Oil & Gas	12,303,451	9,547,527	9,379,969	(2,755,924)	35,247,939	38,003,862
Schools Non-Demand	11,434,894	18,196,628	20,940,560	6,761,734	14,432,431	7,670,697
Schools Demand	7,370,409	10,075,344	11,505,964	2,704,935	12,835,026	10,130,090
Power & Light	268,707,532	289,194,665	316,010,751	20,487,133	-	(20,487,133)
Large Power & Light	131,905,428	136,143,450	144,126,312	4,238,022	2,212,652	(2,025,370)
Municipal Pumping	4,454,026	4,173,748	4,303,683	(280,278)	1,426,174	1,706,452
Lighting	28,454,177	33,740,688	33,080,157	5,286,511	4,858,451	(428,059)
Total	\$ 1,150,374,539	\$ 1,299,920,989	\$ 1,298,814,440	\$ 149,546,450	\$ 148,439,904	\$ (1,106,546)

\*Amounts in Table 3 are based on OG&E's total proposed revenue requirement

9 Q. HOW SHOULD THE CLASS REVENUE DISTRIBUTION BE DETERMINED  
 10 AT ANY LOWER REVENUE LEVELS APPROVED BY THE COMMISSION?

11 A. A specific revenue distribution will need to be developed after the overall revenue  
 12 adjustment (increase or decrease), is determined by the Commission. In making that  
 13 revenue distribution determination, I recommend that the Commission apply the  
 14 following factors:

- 15 1. All class revenue levels should move closer to the class's allocated cost of  
 16 service.



1 Q. WILL THE EXTREMELY LARGE PROPOSED INCREASES IN THE  
2 MONTHLY CUSTOMER CHARGES RESULT IN SIGNIFICANT RATE  
3 INCREASES FOR CUSTOMERS?

4 A. Yes. It will result in large percentage rate increases for small or low energy use  
5 customers.

6 Q. WHAT IS CAUSING THE SUBSTANTIAL PROPOSED INCREASE IN  
7 CUSTOMER CHARGES?

8 A. As I previously discussed in my testimony regarding the zero-intercept study problems,  
9 the Company has classified too much costs as customer-related. This is the primary  
10 cause of OG&E's substantial increases proposed for the monthly Residential and General  
11 Service customer charges.

12 Q. IS OG&E PROPOSING TO APPLY GRADUALISM TO THE CUSTOMER  
13 CHARGE INCREASES, SIMILAR TO ITS GRADUALISM APPROACH FOR  
14 THE CLASS REVENUE DISTRIBUTION?

15 A. No. In support of its proposed revenue distribution, OG&E stated that it did not set class  
16 revenue levels equal to the cost of service in order to avoid large rate increases for some  
17 customer classes. However, OG&E is proposing to set the class customer charges equal  
18 to the cost of service (the unit cost), even when to do so results in substantial percentage  
19 rate increases for many customers.

1 Q. WHAT ARE THE CLASS CUSTOMER CHARGES UNDER YOUR REVISED  
2 CLASS COST OF SERVICE STUDY IF YOU ASSUME THE CUSTOMER  
3 CHARGES ARE SET EQUAL TO THE CUSTOMER-RELATED UNIT COSTS?

4 A. My revised CLASS COST OF SERVICE STUDY results in a much lower cost-based  
5 customer charge. For example, OG&E's proposed residential customer charge is \$26.54  
6 per month. Using my revised CLASS COST OF SERVICE STUDY supports a cost-  
7 based customer charge of \$14.52 per month. This is an 11.69% increase over the current  
8 residential customer charge of \$13.00 per month.

9 Q. WILL INCREASING THE RESIDENTIAL CUSTOMER CHARGE TO \$14.52  
10 PER MONTH RESULT IN SUBSTANTIAL RATE INCREASES FOR SOME  
11 CUSTOMERS?

12 A. It could, especially when consideration is also given to OG&E's proposed residential  
13 demand charge. I will discuss this further in Section IX of my responsive testimony.  
14 Whether a customer charge of \$14.52 per month will result in substantial rate increases  
15 for some customers depends on the overall revenue increase, or decrease, approved by  
16 the Commission.

17 Q. DO ALL OG&E WITNESSES SUPPORT THE PROPOSED RESIDENTIAL  
18 CUSTOMER CHARGE OF \$26.54 PER MONTH?

19 A. No. OG&E witness Dr. Faruqui testifies at page 8, line 27 through 29, that the customer,  
20 or service, charge should only recover "the cost of metering, billing and customer care."  
21 This OG&E testimony is more in line with my recommendation. If the residential  
22 customer charge is determined based on Dr. Faruqui's testimony, the monthly charge  
23 would be 9.5¢.

1 Q. ARE THERE SIMILAR PROBLEMS AND CONCERNS WITH OG&E'S  
2 PROPOSED CUSTOMER CHARGES FOR OTHER CUSTOMER CLASSES?

3 A. Yes. OG&E's use of a zero-intercept study to classify a significant portion of  
4 distribution costs as customer-related will result in customer charges that are too high for  
5 several other customer classes. Some of the proposed customer charges are two to three  
6 times higher than the current customer charge.

7 Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING OG&E'S  
8 EXTREMELY LARGE PROPOSED INCREASES IN THE MONTHLY  
9 CUSTOMER CHARGES?

10 A. Yes. OG&E's Residential customer charge for its Arkansas customers is only \$7.94 per  
11 month. Therefore, OG&E's proposed customer charge of \$26.54 for Oklahoma  
12 residential customers is 234% higher than OG&E's customer charge for its Arkansas  
13 residential customers.

14 VI. OG&E'S PROPOSED ADDITION OF DEMAND CHARGES FOR  
15 RESIDENTIAL AND SMALL COMMERCIAL CUSTOMERS

16 Q. IS OG&E PROPOSING TO CHANGE THE RATE STRUCTURE FOR  
17 RESIDENTIAL AND SMALL COMMERCIAL CUSTOMERS?

18 A. Yes. Company witnesses Rowlett (Direct Testimony, page 21 of 27), Wai (Direct  
19 Testimony, pages 6 and 7 of 30), and Faruqui (Direct Testimony, page 3 of 30) all  
20 address OG&E's proposed addition of demand charges to the Residential and Small  
21 Commercial customer classes. Under OG&E's proposal, demand charges would be  
22 added to the standard Residential (R-1) rate, which is the Company's default residential  
23 rate, and to the General Service rate for small commercial customers. OG&E is also

1 proposing to add a demand charge for all other customer classes that do not currently  
2 have one. These other customer classes include: Oil and Gas Producers (“OGP-ND”),  
3 Municipal Water Pumping (“PM”), and Public School Non-Demand (“PS-ND”). The  
4 result of this proposed change would be that all major customer classes would have three-  
5 part rate structures, including a demand charge, as opposed to their current two-part rate  
6 structures.

7 **Q. ARE DEMAND CHARGES COMMONLY ASSESSED TO RESIDENTIAL**  
8 **CUSTOMERS BY UTILITIES ACROSS THE U.S.?**

9 A. No. Currently, fewer than 20 of the more than 3,000 U. S. electric utilities (0.667%) have  
10 residential demand charges.<sup>2</sup> There are several pending cases in which utilities are  
11 seeking regulatory approval of residential demand charges.

12 **Q. ARE THE DEMAND CHARGES IMPOSED BY THIS SMALL NUMBER OF U.**  
13 **S. UTILITIES VOLUNTARY OR MANDATORY FOR CUSTOMERS?**

14 A. They are mostly included in voluntary residential rate schedules. As OG&E witness  
15 Faruqui stated in his testimony, “In most cases, the rates are available to all customers on  
16 an opt-in basis.” *See* Faruqui Dir. Test. Page 12:14-15.

17 **Q. DO ANY JURISDICTIONS IN THE U. S. WITH SMART METERS CHARGE**  
18 **DEMAND CHARGES AS A DEFAULT RESIDENTIAL TARIFF?**

19 A. No. According to OG&E witness Faruqui in response to TASC data request 3-3b, no U.S.  
20 jurisdiction with smart meters charge demand charges as a default residential tariff. A  
21 copy of OG&E’s response to this data request is provided as my Exhibit JWD-2.

---

<sup>2</sup> OG&E witness Faruqui cites 18 U.S. utilities with residential demand charges. *See* Faruqui Dir. Test. 9.

1 Q. WHY ARE SEVERAL UTILITIES CHARGING OR SEEKING APPROVAL FOR  
2 RESIDENTIAL DEMAND CHARGES?

3 A. As OG&E witness Faruqui pointed out, some utilities, including one of the largest he  
4 cited -- the Salt River Project ("SRP"), chose to implement a demand charge,  
5 "specifically for residential customers who choose to install rooftop solar  
6 panels." See Faruqui Dir. Test. 12:16-17.

7 Q. ARE THERE ADDITIONAL REASONS WHY UTILITIES ARE SEEKING  
8 APPROVAL FOR RESIDENTIAL DEMAND CHARGES?

9 A. Yes. According to the National Regulatory Research Institute ("NRRRI")<sup>3</sup>, additional  
10 reasons utilities propose to add demand charges include: "burgeoning environmental  
11 regulation, aging infrastructure, changing fuel and generation economics, cyber security  
12 demands, and, importantly, reduced or flat load growth.

13 Q. WHERE THE LIMITED NUMBER OF VOLUNTARY OR OPT-IN  
14 RESIDENTIAL RATE SCHEDULES WITH DEMAND CHARGES HAVE BEEN  
15 IMPLEMENTED, HAVE THEY BEEN WIDELY ACCEPTED BY  
16 CUSTOMERS?

17 A. No. As OG&E witness Faruqui stated in a recent presentation: "With two exceptions,  
18 where participation rates are in the 8-10% range, the offerings have elicited weak  
19 customer enrollment, probably because of the way the tariffs are designed and  
20 marketed."<sup>4</sup>

---

<sup>3</sup> National Regulatory Research Institute, Distributed Energy Resources: Status Report on Evaluating Proposals and Practices for Electric Utility Rate Design Report 15-08, October 2015.

<sup>4</sup> Ahmad Faruqui, The Case for Introducing Demand Charges in Residential Tariffs," Harvard Electricity Policy Group Seventy-ninth Plenary Session, Washington, D.C., June 25, 2015.

1 Q. HOW ARE CURRENT OG&E RESIDENTIAL AND SMALL COMMERCIAL  
2 RATES DESIGNED?

3 A. Current residential and small commercial rates are designed with two parts: a customer  
4 charge and an energy charge.

5 Q. HAS OG&E PROPOSED THREE-PART RATES FOR RESIDENTIAL AND  
6 GENERAL SERVICE COMMERCIAL CUSTOMERS IN PRIOR RATE CASES?

7 A. No. Three-part rates add the demand charge component to the two-part rates. In all prior  
8 rate cases, OG&E has used two-part rates for the Residential and General Service  
9 Commercial customer classes.

10 Q. DOES OG&E EXPLAIN WHY THIS PROPOSED CHANGE IN THE RATE  
11 DESIGN IS REQUESTED NOW?

12 A. Yes. OG&E witness Faruqui states that one reason for the prior two-part rates was the  
13 lack of demand meters on residential and small commercial customers. With OG&E's  
14 implementation of automated or AMS meters, this is no longer a constraint. Another  
15 reason Faruqui cites on page 4 of his direct testimony is:

16 ...the deployment of new technologies by customers such as distributed  
17 generation, smart thermostats, smart appliances, and energy storage, have  
18 exposed the inefficiencies and inequities of existing two-part rate  
19 structures.

20  
21 OG&E argues that the three-part rate better recovers costs from those customers that  
22 cause the costs. Under two-part rates, demand-related costs are typically recovered in the  
23 energy charge, which can cause intra-class subsidies.

24 Q. WHAT IS YOUR GENERAL ASSESSMENT OF THIS PROPOSED RATE  
25 CHANGE?

26 A. From a cost causation and price signal viewpoint, OG&E's arguments have some merit.

1 **Q. DO YOU RECOMMEND THAT OG&E INCORPORATE A DEMAND CHARGE**  
2 **FOR RESIDENTIAL AND SMALL COMMERCIAL CUSTOMERS?**

3 A. I am not opposed to OG&E gradually implementing a residential demand charge  
4 beginning in this proceeding. However, implementing a demand charge combined with  
5 imposing a 100 percent increase in the customer charge in a single rate case will cause  
6 wide disparities in rate impacts among the residential customers. Some residential  
7 customers will see their bills increase over 100 percent, while other residential customers  
8 will receive rate decreases. This impact on the residential customers contradicts a key  
9 principle of utility ratemaking cited by OG&E witness Faruqi on page 7 of his direct  
10 testimony: bill stability.

11 **Q. IN PROPOSING ITS PROPOSED NEW RATE STRUCTURE, HAS OG&E**  
12 **ADEQUATELY ADDRESSED THE IMPACTS ON CUSTOMERS?**

13 A. No. It is counterintuitive for OG&E to propose gradualism for the class revenue  
14 distribution to avoid a large rate increase for the residential customer class, but to ignore  
15 gradualism when designing the proposed residential rate and causing large rate increases  
16 for many residential customers. I will discuss customer bill impacts later in my direct  
17 testimony.

18 **Q. HAS OG&E CONDUCTED CUSTOMER RESEARCH ON THE PROPOSED**  
19 **DEMAND CHARGES?**

20 A. No, not that I am aware of. The Attorney General requested a copy of the customer  
21 survey that OG&E witness Bryan Scott referenced in his direct testimony (page 6). That  
22 customer survey did not ask customers anything about demand charges. While the three-  
23 part standard residential rate now proposed by OG&E is referred to by OG&E witness

1 Bryan Scott as a “price plan” on page 4 of his direct testimony, it is not one of the price  
2 plan options included in the 2013 customer survey.

3 **Q. DID THAT 2013 CUSTOMER SURVEY SUPPORT OTHER CLAIMS MADE BY**  
4 **OG&E IN ITS RATE APPLICATION?**

5 A. Not in my opinion. For example, on page 8 of his direct testimony, OG&E witness  
6 Bryan Scott claims that “OG&E has demonstrated it can explain complex” rate plans to  
7 customers. However, the OG&E customer survey indicated that most OG&E residential  
8 customers do not even understand the basic rate plans, much less complex rate plans. I  
9 have reviewed the entire OG&E report on the customer survey and OG&E provided  
10 copies of the non-confidential pages of the survey report in its supplemental response to  
11 AG data request 8-20. A copy of OG&E’s supplemental response to AG data request 8-  
12 20 is provided as my Exhibit JWD-3.

13 **Q. IS THIS A CONCERN REGARDING OG&E’S PROPOSED RESIDENTIAL**  
14 **THREE-PART RATE?**

15 A. Yes. The 540,000 plus residential customers on the standard residential Rate R-1 need to  
16 be educated about three-part rate plans prior to the implementation of the rates. This is  
17 especially important given the wide range of customer bill impacts caused by the three-  
18 part rate plan. If the Commission approves the proposed three-part residential rate plan,  
19 then it should also require the Company to provide customer education regarding demand  
20 charges.

1 Q. WHAT OTHER ISSUES SHOULD THE COMMISSION CONSIDER IN  
2 DECIDING WHETHER TO APPROVE A RESIDENTIAL DEMAND CHARGE?

3 A. The Commission needs to make a policy decision regarding OG&E's proposed  
4 residential demand charge. Some utilities are beginning to propose residential demand  
5 charges (and increased customer charges) as a way to combat decreasing revenues due to  
6 the increasing installation of residential distributed generation, particularly roof-top solar  
7 systems. Some customers or stakeholders could oppose the residential demand charge as  
8 an obstacle to customer installations of solar distributed generation. Also, some may  
9 oppose the residential demand charge out of concern that it disproportionately increases  
10 charges to low-income and small residential customers.

11 Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING OG&E'S  
12 PROPOSED RESIDENTIAL DEMAND CHARGE?

13 A. Yes. OG&E's proposed residential demand charge of \$2.76 per kW recovers only  
14 transmission and distribution demand-related costs. The production demand-related  
15 charges allocated to the residential customer class are recovered in OG&E's proposed  
16 energy charge. However, in the Company's next rate case, it would not be surprising for  
17 OG&E to propose recovering all demand-related costs in the residential demand charge.  
18 That is how OG&E recovers production demand-related costs in other customer class  
19 rates. If that happens, the residential demand charge would increase to \$6.99 per kW,  
20 based on the test year in this proceeding. If this occurs, the Commission could be faced  
21 with another OG&E rate case with severe residential bill impacts for some residential  
22 customers, i.e., the low load factor residential customers.

1 Q. WHAT IS YOUR RECOMMENDATION REGARDING OG&E'S PROPOSED  
2 DEMAND CHARGES FOR RESIDENTIAL AND SMALL COMMERCIAL  
3 CUSTOMERS?

4 A. Because of the cost causation issue I previously described, I believe the addition of a  
5 demand charge has merit. However, the combination of the new demand charge with the  
6 proposed large increase in the customer charge will increase many customers' bills by  
7 over 50 percent.<sup>5</sup> As a result, I recommend that the Commission apply the concept of  
8 gradualism and incorporate the demand charge over multiple rate cases, not just this  
9 proceeding. This recommendation will be further explained in Section IX of my  
10 testimony.

11 **VII. OG&E'S PROPOSED PREPAY BILLING OPTION**

12 Q. IS OG&E PROPOSING A RESIDENTIAL CUSTOMER PREPAY BILLING  
13 OPTION?

14 A. Yes. OG&E witness Bryan Scott describes the Company's proposal to offer a residential  
15 customer prepay billing option on page 13 of his Direct Testimony (Line 6). The  
16 proposed pay-as-you-go program will be called "PayGo."

17 Q. DOES OG&E HAVE ANY EXPERIENCE WITH THIS TYPE OF BILLING  
18 OPTION?

19 A. Yes. The prepay proposal is very similar to OG&E's prepay pilot program in 2012,  
20 which OG&E witness Bryan Scott described on page 13 of his Direct Testimony.

---

<sup>5</sup> Some customers will experience rate increases of over 100%.

1 **Q. DO YOU AGREE WITH MR. SCOTT'S ASSESSMENT OF THE PILOT**  
2 **PROGRAM?**

3 A. No. He described the PayGo pilot as "well received by subscribers" on page 13 of his  
4 Direct Testimony (lines 12 and 13). However, a review of OG&E's Program Update to  
5 the Oklahoma Corporation Commission ("OCC") Staff (*See* Data Request AG 16-8) on  
6 December 5, 2013 suggests otherwise. A copy of OG&E's response to this data request  
7 is provided as my Exhibit JWD-4.

8 **Q. WHAT DOES THAT REPORT REVEAL ABOUT THE PILOT PREPAY**  
9 **PROGRAM?**

10 A. The pilot program started February 20, 2012, and marketing and official enrollment  
11 began March 5, 2012. Enrollment closed June 12, 2012, and the project was completed  
12 December 31, 2012.

13 **Q. DID THE PILOT PROGRAM ATTAIN ITS ENROLLENT GOALS?**

14 A. No. According to the OG&E report to the OCC referenced above, the goal of the  
15 program was 720 enrollments. However, only 574 customers enrolled, attaining only  
16 79.7 % of the goal.

17 **Q. DID OTHER DATA IN THE REPORT SUGGEST THAT THE PROGRAM WAS**  
18 **UNSUCCESSFUL?**

19 A. Yes. By the time the report was presented to the OCC on December 5, 2013, customer  
20 participation had eroded significantly. Only 172, or 29.9% of the customers who  
21 originally enrolled in the program, were still enrolled. In other words, the attrition rate  
22 was nearly 70 %. Enrollment data received from OG&E witness Bryan Scott in response  
23 to Data Request AG 16-9 indicates an even lower participation rate (and a higher erosion

1 rate) than was included in the presentation to the OCC. A copy of that response to DR  
2 AG 16-9 is provided as my Exhibit JWD-5.

3 **Q. ARE THERE POSITIVE ASPECTS OF PREPAID UTILITY PROGRAMS?**

4 A. Yes. Several positive aspects of prepaid utility programs were described in Bryan Scott's  
5 Direct Testimony (Page 13 of 19, lines 7 and 8). For example, customers who are  
6 initiating service and enroll in this payment option will not be assessed a deposit. In  
7 addition, focus group research conducted by the Company revealed that customers  
8 believe the program provided the potential to have greater control over their monthly  
9 household budgets. See Data Request AG 16-8; Pay-As-Go, Final Report, February  
10 2013.

11 **Q. HAVE OTHER UTILITIES SUCCESSFULLY IMPLEMENTED PREPAY**  
12 **BILLING OPTIONS TO THEIR CUSTOMERS?**

13 A. Yes. As pointed out in OG&E's response to data request AG 12-17, the Company  
14 obtained program participation rates in 2011 from:

- 15 • Salt River Project, which had approximately 112,000 participants, a roughly 12%  
16 participation rate, and
- 17 • Oklahoma Electric Cooperative ("OEC") which had approximately 430 customers  
18 taking prepaid service, or about 9% of OEC's customer base.

19 A copy of OG&E's response to this data request is provided as my Exhibit JWD-6.

1 Q. IS THERE ANOTHER OAG WITNESS WHO ADDRESSES OG&E'S  
2 PROPOSED PREPAY BILLING PROGRAM?

3 A. Yes. In his March 31, 2016 Responsive Testimony, OAG witness Ed Farrar discusses  
4 OG&E's prepay program as proposed, and recommends improvements to the Company's  
5 proposal.

6 Q. WHAT IS YOUR RECOMMENDATION FOR THIS PROPOSED PREPAY  
7 BILLING PROGRAM?

8 A. An optional prepay billing program that includes the revisions proposed by OAG witness  
9 Ed Farrar should be approved by the Commission.

10 **VIII. CUSTOMER BILL IMPACTS**

11 Q. PLEASE EXPLAIN THE IMPORTANCE OF CONSIDERING CUSTOMER BILL  
12 IMPACTS WHEN DETERMINING NEW RATES.

13 A. I previously discussed consideration of the gradualism principle when distributing  
14 revenue increases, or decreases, among customer classes, and why that is important.  
15 When trying to achieve cost-based class revenue levels, it is often necessary to apply  
16 gradualism in order to avoid substantial bill impacts for some customer classes.  
17 Similarly, when designing new customer class rates that are targeted to be mostly cost-  
18 based, it can be necessary to also apply gradualism to the rate design in order to temper  
19 severe bill impacts for customers within the customer class. This is especially important  
20 when the utility is proposing to change the class's rate structure, like OG&E is proposing  
21 in this case for the Residential and General Service customer classes. Without  
22 consideration of customer bill impacts, decisions will be made without important  
23 information, and such decisions can result in significant adverse impacts on customers.

1 **Q. DID OG&E PROVIDE CUSTOMER BILL IMPACTS FOR ITS PROPOSED**  
2 **RESIDENTIAL AND GENERAL SERVICE RATES?**

3 A. It did, but in a very limited and misleading way. The Company also provided  
4 inconsistent or conflicting customer bill impacts.

5 **Q. WHY DO YOU CONSIDER OG&E'S RESIDENTIAL BILL IMPACTS TO BE**  
6 **VERY LIMITED?**

7 A. The only residential customer bill impacts included in its rate application and supporting  
8 testimony are for an "average" residential customer. Since the residential customer class  
9 is made up of over 540,000 diverse customers in terms of energy usage, peak demand,  
10 and load factor, an "average" customer will not be representative of this wide range of  
11 residential customers. In order to make good decisions on rate design changes, the  
12 Commission should insist on having customer bill impact information on a much broader  
13 range of customers.

14 **Q. WHY DO YOU CONSIDER THE "AVERAGE" RESIDENTIAL CUSTOMER**  
15 **BILL IMPACT PROVIDED BY OG&E TO BE MISLEADING?**

16 A. There are two reasons that the Company's "average" residential bill impact calculation is  
17 misleading. I previously discussed the first reason, that the "average" residential  
18 customer used by OG&E in its calculation is not representative of the full range of  
19 residential customers in the class. The second reason is that OG&E's bill impact  
20 calculation is based on the customer's total bill, rather than on just the base rate portion  
21 of the bill. This proceeding is primarily for considering increase in the Company's base  
22 rates. The next largest component of the customer's bill is the fuel adjustment charge  
23 ("FAC"), which is not at issue in this proceeding. In order to better determine the impact

1 of the Company's proposed rates, it is most important to consider the bill impact of  
2 OG&E's proposals on just the base rate charges. Including the FAC in the bill impact  
3 analysis diminishes the magnitude of the base rate bill impact, in terms of the percent  
4 change. The misleading use of the total bill impacts is further compounded if one  
5 includes the higher 2015 FAC levels in the total current rate bill, but includes the lower  
6 2016 FAC levels in the total proposed rate bill, as was done by OG&E witness Rowlett.

7 **Q. PLEASE EXPLAIN THIS ADDITIONAL MISLEADING PROBLEM WITH**  
8 **OG&E WITNESS ROWLETT'S RESIDENTIAL CUSTOMER BILL IMPACT**  
9 **ANALYSIS.**

10 A. As previously discussed, Mr. Rowlett's bill impact analysis is for an "average" residential  
11 customer.<sup>6</sup> His bill impact is also calculated on a total bill basis. The additional  
12 misleading component of Mr. Rowlett's bill impact analysis is that he uses the higher  
13 2015 FAC in the "average" customer's current rate bill and the lower 2016 FAC in the  
14 proposed rate bill. Therefore, the decrease in the FAC misleadingly offsets the increase  
15 in the base rate portion of the "average" customer's bill.

16 The decrease in the 2016 FAC<sup>7</sup> will occur regardless of the outcome of this case, and  
17 well before any new approved rates go into effect. In other words, the lower FAC charge  
18 will go into effect under the current rates. By continuing to use the higher 2015 FAC for  
19 the "average" residential customer's bill under the current rates, Mr. Rowlett over-states  
20 the current rate bill. This, in turn, understates the proposed rate increase or bill impact  
21 presented by Mr. Rowlett on page 7 of his Direct Testimony. Instead of seeing a net

---

<sup>6</sup> It should be noted that Mr. Rowlett determines his "average" residential customer differently than does OG&E witness William Wai.

<sup>7</sup> The decrease in the 2016 FAC used by Mr. Rowlett is mostly caused by lower natural gas prices, not by any action of OG&E. The 2016 FAC is also lower, as compared to the 2015 FAC, due to OG&E refunding previously over-collected fuel expenses in the 2016 FAC.

1 increase of \$0.47 per month, as claimed by OG&E, in June 2016, assuming that the full  
2 rate increase goes into effect, the “average” residential customer will see a \$13.97  
3 increase per month. This amount is based on OG&E’s proposed average base rate  
4 increase of \$7.27 per month for all residential customers. The average proposed increase  
5 for the customers on the standard residential rate is \$8.05 per month.

6 **Q. DOES OG&E WITNESS WILLIAM WAI USE THE SAME “AVERAGE”**  
7 **RESIDENTIAL CUSTOMER BILL IMPACT AS DOES OG&E WITNESS**  
8 **ROWLETT?**

9 A. No. Mr. Wai uses a different calculation of the monthly bill impact for an “average”  
10 residential customer on the standard Residential Rate (R-1). As compared to Mr.  
11 Rowlett’s \$8.02 per month bill impact, Mr. Wai calculates an average standard residential  
12 customer bill impact of \$117.60 per year, or \$9.80 per month (Wai Direct Testimony,  
13 Page 10, Table 2). This difference is significant.

14 **Q. IN OG&E’S PRIOR RATE CASE, DID THE COMPANY PLACE MORE**  
15 **IMPORTANCE ON THE RESIDENTIAL BILL IMPACTS?**

16 A. Yes. In OG&E’s prior rate case, Cause No. PUD 201100087, OG&E witness Gregory  
17 Tillman presented more residential bill impact information than OG&E presents in the  
18 current rate case. Mr. Tillman also presented testimony on the importance of considering  
19 bill impacts. The following quote is from pages 16 and 17 of Mr. Tillman’s Direct  
20 Testimony in Cause No. PUD 201100087:

21 Q. Would it be proper to set prices using only unit costs?

22 A. No. It is important to keep in mind all objectives for rate design. The  
23 impact to customers is an important consideration. It may take one or two  
24 sets of price changes (accomplished through rate cases) to transition  
25 component rates to unit cost levels.  
26

1 I would also note that in OG&E's prior rate case, Mr. Tillman considered more than just  
2 the bill impact on an "average" residential customer. In this proceeding, OG&E has  
3 apparently tried to suppress the importance of residential customer bill impacts.

4 **Q. HAVE YOU PRESENTED A DIFFERENT RESIDENTIAL BILL IMPACT**  
5 **ANALYSIS FOR OG&E'S PROPOSED RATES?**

6 A. Yes. As previously stated, just showing the impact on an "average" residential customer  
7 is misleading and does not present enough information regarding OG&E's proposed  
8 rates. Therefore, I have prepared residential bill impacts for various residential groups. I  
9 have also provided the base rate bill impacts and the total bill impacts. My Exhibit JWD-  
10 7, presents these residential customer bill impacts. Page 1 of this exhibit shows the base  
11 rate<sup>8</sup> revenue impacts and page 2 shows the total revenue impacts. As shown on page 1  
12 of this exhibit, the monthly residential bill impacts range from an annual increase of  
13 \$442, or 103%, to a decrease of \$223 or 6.3%.

14 **Q. DOES THE CUSTOMER BILLING DATA FILES YOU RECEIVED FROM**  
15 **OG&E WHICH YOU ARE USING FOR THESE BILL IMPACT COMPARISONS**  
16 **INCLUDE ALL OF THE CUSTOMERS ON RATE R-1**

17 A. No. The customer billing data file I am using was provided by OG&E in response to AG  
18 DR 8-7. The Company's written response to AG DR 8-7 is provided as my Exhibit  
19 JWD-10. The file includes billing data for 412,255 customers on Rate R-1, the standard  
20 residential rate. On OG&E's proof of revenues, Schedule M, there are 544,965  
21 residential customers on R-1. Therefore my customer bill impacts do not include

---

<sup>8</sup> For the proposed base rate amounts, I have included the production tax credits ("PTCs"), fuel related O&M expenses, renewable energy credits ("RECs"), and air quality control system ("AQCS") consumable amounts OG&E is proposing to move to the FAC. Since the current base rates include the recovery of these two items, including those amounts in the proposed base rate amounts will result in comparable base rate amounts for this comparison.

1 132,710 customers. If the customer billing data files provided by OG&E had included  
2 these additional customers it is likely that the range of residential customer bill impacts,  
3 both dollar and percentage changes, would be even greater. I am not sure why the  
4 customer billing data files excluded so many customers. The DR response indicated that  
5 the file included all residential customers.

6 **Q. HAVE YOU ALSO DEVELOPED RESIDENTIAL CUSTOMER BILL IMPACTS**  
7 **UNDER RATES BASED ON A REVISED CLASS COST OF SERVICE STUDY**  
8 **THAT REJECTS OG&E'S ZERO-INTERCEPT ANALYSIS?**

9 A. Yes. The revised class cost of service study results in lower unit costs for the monthly  
10 customer charge and higher unit costs for the Company's proposed new residential  
11 demand charge. Using the Company's proposed residential revenue levels, and the  
12 Company's proposed rate design approach, I developed revised "proposed" rates for  
13 residential rate R-1. Using this revised "proposed" residential rate, I developed  
14 residential customer bill impacts similar to the comparisons previously described for the  
15 Company's filed proposed rate R-1. A copy of this residential bill comparison is  
16 provided as my Exhibit JWD-8.

17 As shown on this exhibit, using cost-based customer charges and demand charges from  
18 this revised Class Cost of Service Study will still result in significant bill impacts for  
19 many customers.

1 Q. WHAT IS YOUR RECOMMENDATION ON HOW TO ADDRESS THESE  
2 RESIDENTIAL BILL IMPACTS?

3 A. As a way to temper the customer bill impacts shown on my Exhibits JWD-7 and JWD-8,  
4 I recommend that the current customer charge of \$13.00 per month not be increased.<sup>9</sup> In  
5 addition, I recommend that the proposed new residential demand charge be reduced to a  
6 level below the unit cost that provides a reasonable result regarding customer bill  
7 impacts. I have determined the residential demand charge level to be \$1.25 per kW. My  
8 Exhibit JWD-9 provides a residential bill impact comparison using this recommended  
9 residential rate design at the Company's proposed residential revenue level. As shown on  
10 this exhibit, the average bill impact on the group of residential customers receiving the  
11 largest percent increase is an average percent increase of 21.8%. This is much lower than  
12 the 103% increase for this same customer group without this rate design gradualism  
13 recommendation.

14 Q. WHAT ARE THE RATE COMPONENTS FOR YOUR RECOMMENDED  
15 RESIDENTIAL RATE R-1 RATE DESIGN?

16 A. The R-1 rate components are:

17	Customer Charge	\$13.00 per month
18	Demand Charge	\$ 2.00 per kW
19	Energy Charge	
20	Summer:	
21	All kWh	\$0.06191 per kWh
22	Winter:	
23	First 600 kWh	\$0.06191 per kWh
24	Second 600 kWh	\$0.02992 per kWh

---

<sup>9</sup> In OG&E's last rate case, Cause No. PUD 201100087, the Final Order No. 599558, Approving Joint Stipulation and Settlement Agreement that was approved by the Commission did not increase the residential customer charge.

1 Q. DID YOU ALSO REVISE OG&E'S PROPOSED ENERGY CHARGES FOR  
2 RATE R-1 FOR YOUR RECOMMENDED RATE DESIGN?

3 A. Yes. First, based on the Attorney General's recommendations in the revenue  
4 requirements phase of this case, I have lowered the energy charges based on moving the  
5 AQCS expenses and PTC tax credits from the Company's proposed FAC back to the base  
6 rates. Next, it was also necessary to moderate the Company's proposed changes to the  
7 energy charge rate structure. OG&E is proposing to eliminate the blocks in the current  
8 energy charges, to change October from a winter month to a summer month, and to  
9 change the rate differential between the summer and winter rates. Since I am  
10 recommending the recovery of more revenue requirement through the energy charge, it  
11 was necessary moderate these proposed changes to the energy rate structure. The revised  
12 rates above reflect that moderation.

13 Q. HAVE YOU MADE A SIMILAR ANALYSIS FOR THE OTHER RATE CLASSES  
14 FOR WHICH OG&E IS PROPOSING LARGE PERCENT INCREASES IN THE  
15 CUSTOMER CHARGE AND ADDING A DEMAND CHARGE?

16 A. No. The billing data files provided by OG&E are large and in a format that is  
17 cumbersome to use. Using the rate design objectives discussed above, OG&E should be  
18 able to provide that information much easier than other parties.

1                                   **IX. SUMMARY AND RECOMMENDATIONS**

2   **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS**  
3   **REGARDING COST ALLOCATION AND RATE DESIGN ISSUES.**

- 4       (1)   OG&E improperly classified a substantial portion of its distribution plant related  
5           costs for conductors (both overhead and underground), poles and conduit as  
6           “customer-related.” These distribution costs were incurred to meet customer  
7           demands and should be classified as demand-related costs.
- 8       (2)   OG&E’s proposed distribution of its proposed revenue increase to the customer  
9           classes gradually moves customer class revenue levels towards each class’s cost  
10          of service in order to temper customer impacts. I agree with OG&E’s proposed  
11          revenue distribution objective, especially in light of OG&E’s proposed restructure  
12          of the standard residential rates. However, OG&E’s proposed revenue  
13          distribution should be revised to reflect the impact of item (1) above.
- 14      (3)   OG&E’s proposed residential monthly customer charge increase of over 100% is  
15          excessive and contrary to one of OG&E’s witness’s testimony. It results in severe  
16          rate increases for many residential customers and should be rejected by the  
17          Commission.
- 18      (4)   OG&E’s proposal to restructure the standard residential rate design by including a  
19          demand charge causes a substantial rate increase for some customers, while other  
20          customers will receive a rate decrease. Due to these significantly disparate rate  
21          impacts among the residential customers, OG&E’s proposed demand charge  
22          should be implemented gradually.

1 (5) OG&E's proposed new residential customer prepay billing option ("Pay Go")  
2 should be revised per the recommendations of OAG witness Ed Farrar.

3 (6) OG&E failed to consider customer bill impacts when designing its proposed rates.  
4 The Commission should reject OG&E's residential rate design due to the  
5 substantial bill increases for numerous residential customers.

6 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

7 A. Yes.

**Oklahoma Gas and Electric Company**  
Summary of Revenue Requirement Impacts of Attorney General Reclassified Cost of Service

Line No.	Customer Class ( a )	OG&E Proposed Cost of Service (1) ( b )	OG&E Proposed Base Rate Revenues (2) ( c )	Attorney General's Revised Cost of Service (3) ( d )	Amount Increase/(Decrease)	
					from OG&E Cost of Service ( e )	from OG&E Proposed Base Rate Revenues ( f )
1	Residential	\$ 664,539,471	\$ 652,200,103	\$ 641,036,295	\$ (23,503,176)	\$ (11,163,808)
2	General Service	134,309,469	138,224,864	118,430,749	(15,878,720)	(19,794,115)
3	Oil & Gas	9,547,527	12,967,576	9,379,969	(167,558)	(3,587,607)
4	Schools Non-Demand	18,196,628	13,178,726	20,940,560	2,743,932	7,761,834
5	Schools Demand	10,075,344	8,749,674	11,505,964	1,430,620	2,756,290
6	Power & Light	289,194,664	302,634,775	316,010,751	26,816,087	13,375,976
7	Large Power & Light TOU	136,143,451	135,991,467	144,126,312	7,982,861	8,134,845
8	Municipal Pumping	4,173,748	4,794,501	4,303,683	129,935	(490,818)
9	Lighting	33,740,688	31,294,769	33,080,157	(660,531)	1,785,388
10	Total Oklahoma	\$ 1,299,920,990	\$ 1,300,036,455	\$ 1,298,814,440	\$ (1,106,549)	\$ (1,222,015)
11	Other Jurisdictions	123,880,211	123,880,211	124,986,760	1,106,549	1,106,549
12	Total Company	\$ 1,423,801,200	\$ 1,423,916,666	\$ 1,423,801,200	\$ -	\$ (115,466)

(1) OG&E Application Schedule L-1

(2) OG&E Application Schedule M-1

(3) Oklahoma Attorney General Revised Cost of Service

**Oklahoma Gas and Electric Company**  
Summary Results of Attorney General's Revised Cost of Service

Line No.	Item	Total Company	Oldahoma	Other Juris.	Residential	General Service	Oil & Gas	Schools Non-Demand	Schools Demand	Power & Light	Lg. Power & Light TOU	Muni. Pump.	Lighting Service
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
1	<b>Rate Base</b>	\$ 72,962,289	\$ 67,551,146	\$ 5,411,143	\$ 36,626,213	\$ 6,452,929	\$ 500,774	\$ 991,641	\$ 531,001	\$ 15,177,648	\$ 6,667,597	\$ 220,718	\$ 382,623
2	Gross Intangible Plant	3,654,037,378	3,322,819,243	331,218,135	1,522,555,119	306,457,569	23,065,366	38,769,977	24,710,013	868,479,768	512,854,368	10,891,268	15,035,795
3	Gross Production Plant	1,567,043,060	1,267,722,715	299,320,345	571,747,506	114,218,827	9,411,326	14,720,911	9,501,792	335,376,555	208,005,148	4,426,818	313,832
4	Gross Transmission Plant	3,720,310,813	3,419,244,007	301,066,806	1,681,163,492	300,997,830	24,435,728	89,561,851	43,745,711	835,285,855	197,346,738	11,456,010	235,250,789
5	Gross Distribution Plant	336,765,342	310,778,937	25,986,405	169,392,779	29,758,870	2,307,712	4,508,613	2,413,606	69,419,219	30,501,965	1,014,022	1,462,151
6	Gross General Plant	114,638,526	105,793,157	8,845,369	57,667,424	10,130,463	785,597	1,554,919	821,638	23,629,474	10,380,714	345,185	497,743
7	Holding Assets	\$ 9,465,757,408	\$ 8,493,909,205	\$ 971,848,203	\$ 4,039,152,534	\$ 768,016,489	\$ 60,506,503	\$ 150,087,913	\$ 81,723,761	\$ 2,147,368,519	\$ 965,756,531	\$ 28,354,022	\$ 252,942,934
8	Total Gross Plant In Service	\$ 38,123,697	\$ 35,313,012	\$ 2,810,685	\$ 19,131,800	\$ 3,372,144	\$ 261,720	\$ 519,271	\$ 278,071	\$ 7,941,098	\$ 3,488,544	\$ 115,406	\$ 204,957
9	Accumulated Depr. Intangible Plant	1,711,552,815	1,556,104,779	155,448,036	713,025,633	143,516,708	10,801,707	18,156,316	11,571,913	406,716,536	240,174,101	5,100,473	7,041,392
10	Accumulated Depr. Production Plant	469,989,912	373,895,229	96,094,683	168,570,481	33,669,953	2,779,573	4,341,274	2,802,850	98,939,485	61,425,952	1,307,367	58,295
11	Accumulated Depr. Transmission Plant	1,230,943,120	1,133,195,475	97,747,645	553,811,004	99,195,884	8,138,762	27,727,002	13,567,681	265,214,819	59,673,488	3,661,263	102,205,573
12	Accumulated Depr. Distribution Plant	131,699,877	121,536,941	10,162,936	66,242,746	11,637,778	902,470	1,763,126	943,886	27,148,800	11,929,776	396,556	571,802
13	Accumulated Depr. General Plant	90,309,229	83,341,079	6,968,150	45,428,887	7,980,513	618,873	1,209,169	647,265	18,614,681	8,177,655	271,928	392,109
14	Accumulated Depr. Holding Assets	\$ 3,672,618,650	\$ 3,303,386,516	\$ 369,232,134	\$ 1,566,210,551	\$ 299,372,980	\$ 23,503,106	\$ 53,716,158	\$ 29,811,666	\$ 824,575,419	\$ 384,869,515	\$ 10,852,994	\$ 110,474,127
15	Total Accumulated Depr.	\$ 5,793,138,758	\$ 5,190,522,689	\$ 602,616,069	\$ 2,472,941,983	\$ 468,643,509	\$ 37,003,397	\$ 96,371,755	\$ 51,912,095	\$ 1,322,793,100	\$ 580,887,015	\$ 17,501,028	\$ 142,468,806
16	Net Plant in Service	\$ 3,672,618,650	\$ 3,303,386,516	\$ 369,232,134	\$ 1,566,210,551	\$ 299,372,980	\$ 23,503,106	\$ 53,716,158	\$ 29,811,666	\$ 824,575,419	\$ 384,869,515	\$ 10,852,994	\$ 110,474,127
17	CWIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	Plant Held for Future Use	1,497,777	1,079,239	418,538	545,782	106,158	9,699	24,068	11,819	296,857	71,343	4,437	9,076
19	Working Capital	131,074,981	118,922,600	12,152,381	47,421,677	8,847,560	1,220,359	1,908,736	1,149,238	33,482,041	23,410,949	566,569	915,472
20	Misc. and Other Rate Base, Reg. Assets and Liab.	(1,294,223,445)	(1,163,583,940)	(130,639,505)	(555,655,157)	(107,598,764)	(8,374,681)	(19,649,298)	(10,634,744)	(290,143,499)	(135,046,298)	(3,722,427)	(32,759,072)
21	<b>Total Rate Base</b>	\$ 4,631,488,071	\$ 4,146,940,588	\$ 484,547,483	\$ 1,965,254,286	\$ 369,998,463	\$ 29,858,774	\$ 78,655,260	\$ 42,438,408	\$ 1,066,428,500	\$ 469,323,009	\$ 14,349,607	\$ 110,634,281
22	ROR	8.09%	8.09%	8.09%	8.09%	8.09%	8.09%	8.09%	8.09%	8.09%	8.09%	8.09%	8.09%
23	Return on Rate Base	\$ 374,594,755	\$ 335,404,555	\$ 39,190,200	\$ 158,949,767	\$ 29,925,476	\$ 2,414,978	\$ 6,361,637	\$ 3,432,418	\$ 86,252,737	\$ 37,958,845	\$ 1,160,596	\$ 8,948,101
24	<b>O&amp;M Expense</b>	\$ 82,755,933	\$ 82,755,933	\$ -	\$ 37,919,762	\$ 7,632,497	\$ 574,492	\$ 965,513	\$ 615,373	\$ 21,629,670	\$ 12,772,882	\$ 271,274	\$ 374,471
25	Purchased Power Expense	410,566,015	377,910,799	32,655,216	201,609,672	35,448,031	2,746,080	5,389,021	2,911,339	84,411,445	37,999,646	1,215,688	6,179,878
26	Other O&M Expense	1,218,873	1,195,602	23,271	816,963	165,823	12,875	2	-	173,321	26,619	-	-
27	Interest Exp on Customer Deposits	695,583	695,583	-	379,159	66,607	5,165	10,092	5,402	155,362	68,253	2,270	3,273
28	Regulatory Asset Amortization	495,236,404	462,557,917	32,678,487	240,725,555	43,312,958	3,338,612	6,364,628	3,532,114	106,369,798	50,867,399	1,489,231	6,557,621
29	Total O&M Expense	\$ 495,236,404	\$ 462,557,917	\$ 32,678,487	\$ 240,725,555	\$ 43,312,958	\$ 3,338,612	\$ 6,364,628	\$ 3,532,114	\$ 106,369,798	\$ 50,867,399	\$ 1,489,231	\$ 6,557,621
30	<b>Depreciation Expense</b>	\$ 5,516,286	\$ 5,177,944	\$ 338,342	\$ 2,744,333	\$ 489,602	\$ 38,113	\$ 79,744	\$ 42,758	\$ 1,192,363	\$ 523,769	\$ 17,019	\$ 50,245
31	Intangible Plant Depr. Expense	121,658,402	110,622,065	11,036,337	50,688,340	10,202,472	767,884	1,290,716	822,637	28,913,106	17,073,757	362,588	500,566
32	Production Plant Depr. Expense	44,660,339	35,875,097	8,785,242	16,179,874	3,232,279	266,324	416,586	268,888	9,490,734	5,886,216	125,273	8,922
33	Transmission Plant Depr. Expense	119,449,580	112,641,768	6,807,812	57,593,743	9,864,720	847,455	2,263,865	1,139,893	24,181,095	4,783,357	344,113	11,623,527
34	Distribution Plant Depr. Expense	11,802,350	10,891,738	910,612	5,937,287	1,042,973	80,881	158,033	84,591	2,432,621	1,068,568	35,538	51,245
35	General Plant Depr. Expense	10,409,178	9,606,019	803,159	5,236,202	919,846	71,332	139,371	74,605	2,145,556	942,569	31,343	45,195
36	Holding Company Assets Depr. Expense	\$ 313,496,135	\$ 284,814,630	\$ 28,681,505	\$ 138,379,778	\$ 25,751,891	\$ 2,071,989	\$ 4,348,314	\$ 2,433,371	\$ 68,355,475	\$ 30,278,236	\$ 915,873	\$ 12,279,701
37	Total Depreciation Expense	\$ 87,512,196	\$ 79,078,521	\$ 8,433,675	\$ 38,075,778	\$ 7,220,678	\$ 568,260	\$ 1,268,276	\$ 706,470	\$ 19,812,372	\$ 9,521,748	\$ 264,066	\$ 1,640,874
38	Taxes Other than FIT	\$ 896,244,735	\$ 826,451,068	\$ 69,793,667	\$ 417,181,112	\$ 76,285,528	\$ 5,978,861	\$ 11,981,218	\$ 6,671,955	\$ 194,537,645	\$ 90,667,383	\$ 2,669,170	\$ 20,478,196
39	Total Operating Expense Before FIT	152,961,709	136,958,818	16,002,892	64,905,416	12,219,746	986,131	2,597,704	1,401,590	35,220,369	15,500,084	473,917	3,653,860
40	FIT	\$ 1,423,801,200	\$ 1,298,814,440	\$ 124,986,760	\$ 641,036,295	\$ 118,430,749	\$ 9,379,969	\$ 20,940,560	\$ 11,505,964	\$ 316,010,751	\$ 144,126,312	\$ 4,303,683	\$ 33,080,157
41	Revenue Requirement												

<sup>1</sup> OG&E's Cost of Service is revised by classifying Accounts 364-368 as demand-related

**The Alliance for Solar Choice**  
**Data Request TASC-3**  
**Cause No. PUD 201500273**

- 3-3 In reference to p. 4, lines 10 through 12, is Dr. Faruqui aware of any jurisdiction that deployed smart meters for residential customers as the predicate for imposing a three-part rate structure?
- a. Would Dr. Faruqui agree that smart meters also remove a major barrier for deploying two-part (or energy only) time-differentiated rates?
  - b. Is Dr. Faruqui aware of any other jurisdiction in the United States, with current smart meter deployment to residential customers that has set a three-part rate structure as the default residential tariff?
  - c. What jurisdictions "across the globe" (p. 4, line 21) have set a three-part rate structure as the default residential tariff?

Response\*: No.

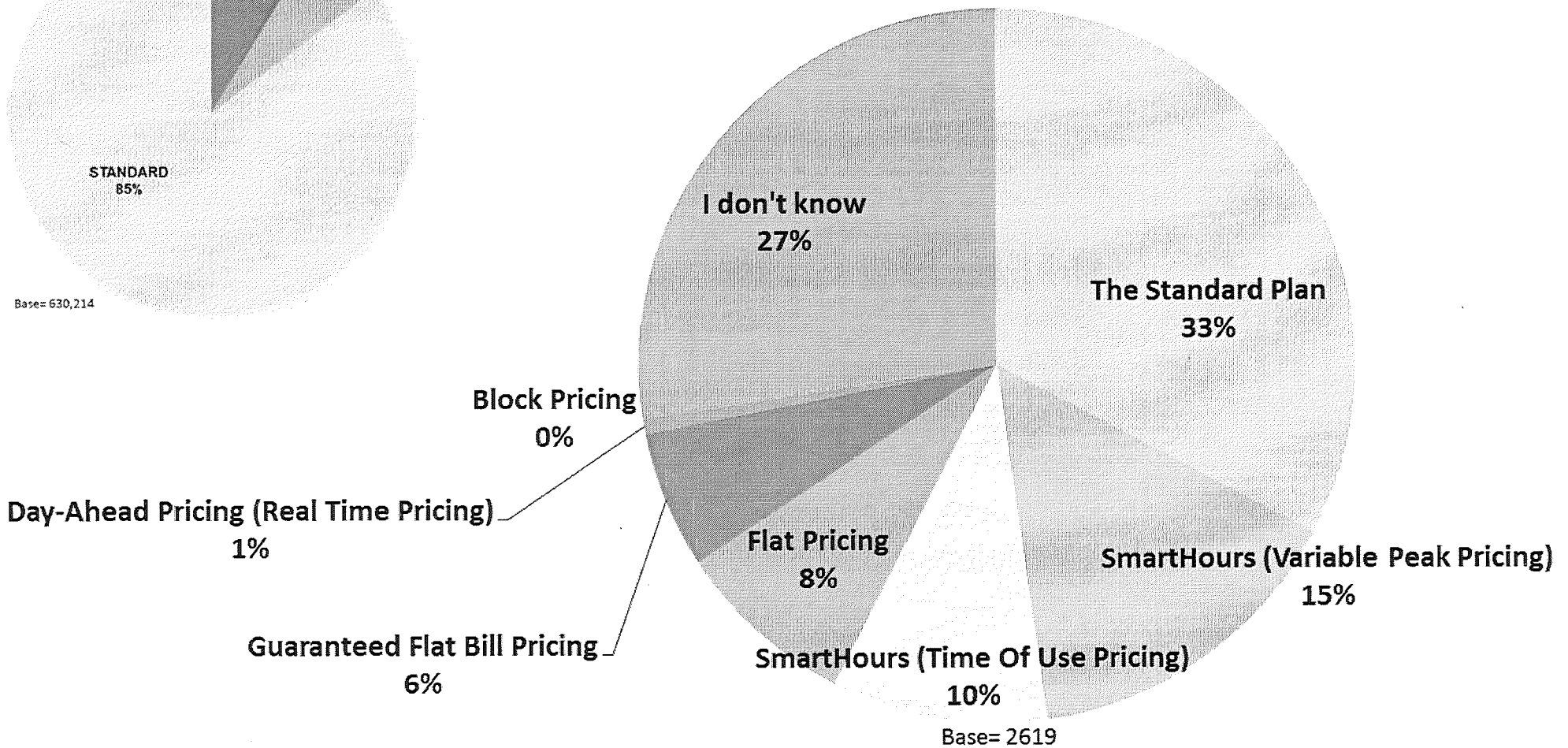
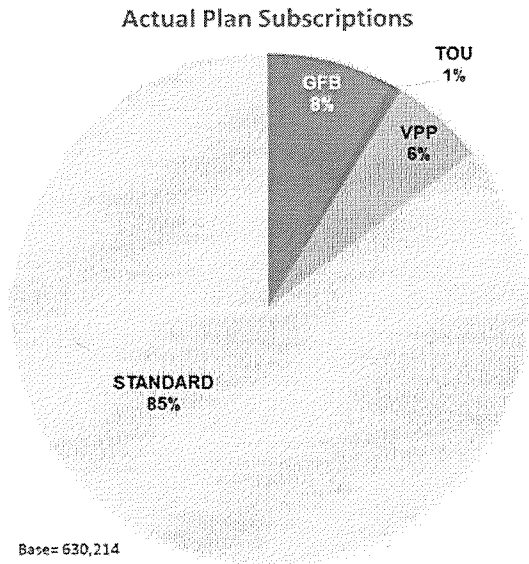
- a. Yes.
- b. No.
- c. Countries in Europe, such as France, Italy and Spain, impose a fixed charge and a capacity charge for use of the distribution network. Additionally, customers have to pay for the energy they consume. Thus these three countries have set a three-part rate as the default residential tariff.

Response provided by: Ahmad Faruqui  
Response provided on: March 17, 2016  
Contact & Phone No: Sheri Richard 405-553-3747

\*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

# Current Residential Pricing Plan

Q6: Under which of the following pricing plans is your household account with OG&E currently billed?



# **Residential: Customer Opinions & Behavior**

# Ability to Recall Actual Household Pricing Plan

		Under which of the following pricing plans is your household account with OG&E currently billed?								Total
		Flat Pricing	Guaranteed Flat Bill Pricing	Standard Plan	Block Pricing	SmartHours (Time Of Use Pricing)	SmartHours (Variable Peak Pricing)	Day-Ahead Pricing (Real Time Pricing)	I don't know	
OGE Actual Subscribed Rates	AR Standard	47	7	196	2	14	9	1	161	437
	AR TOU	1	0	1	0	23	6	0	5	36
	AR VPP	3	0	3	0	29	29	1	9	74
	AR Others	2	0	4	0	2	0	0	6	14
	OK GFB	32	114	3	0	0	1	0	18	168
	OK Standard	111	27	565	2	28	21	11	420	1185
	OK CPP	0	0	0	0	9	7	0	1	17
	OK TOU	1	0	2	0	18	3	0	6	30
	OK VPP	1	3	14	0	116	304	3	39	480
	OK Others	16	12	70	1	17	13	2	47	178
Total	214	163	858	5	256	393	18	712	2619	

- Those on the Standard Plan and AR customers on VPP were least successful in recalling that plan and had the greatest incidence of “don’t know” responses.
- AR VPP customers seemed to confuse TOU with VPP.
- OK customers on GFB, VPP and TOU and AR customers on TOU were most accurate.

# Ability to Recall Actual Household Pricing Plan

		Under which of the following pricing plans is your household account with OG&E currently billed?								Total
		Flat Pricing	Guaranteed Flat Bill Pricing	Standard Plan	Block Pricing	SmartHours (Time Of Use Pricing)	SmartHours (Variable Peak Pricing)	Day-Ahead Pricing (Real Time Pricing)	I don't know	
OGE Actual Subscribed Rates	AR Standard	10.8%	1.6%	44.9%	.5%	3.2%	2.1%	.2%	36.8%	100.0%
	AR TOU	2.8%		2.8%		63.9%	16.7%		13.9%	100.0%
	AR VPP	4.1%		4.1%		39.2%	39.2%	1.4%	12.2%	100.0%
	AR Others	14.3%		28.6%		14.3%			42.9%	100.0%
	OK GFB	19.0%	67.9%	1.8%			.6%		10.7%	100.0%
	OK Standard	9.4%	2.3%	47.7%	.2%	2.4%	1.8%	.9%	35.4%	100.0%
	OK CPP					52.9%	41.2%		5.9%	100.0%
	OK TOU	3.3%		6.7%		60.0%	10.0%		20.0%	100.0%
	OK VPP	.2%	.6%	2.9%		24.2%	63.3%	.6%	8.1%	100.0%
	OK Others	9.0%	6.7%	39.3%	.6%	9.6%	7.3%	1.1%	26.4%	100.0%
Total	8.2%	6.2%	32.8%	.2%	9.8%	15.0%	.7%	27.2%	100.0%	

- Those on the Standard Plan and AR customers on VPP were least successful in recalling that plan and had the greatest incidence of “don’t know” responses.
- AR VPP customers seemed to confuse TOU with VPP.
- OK customers on GFB, VPP and TOU and AR customers on TOU were most accurate.

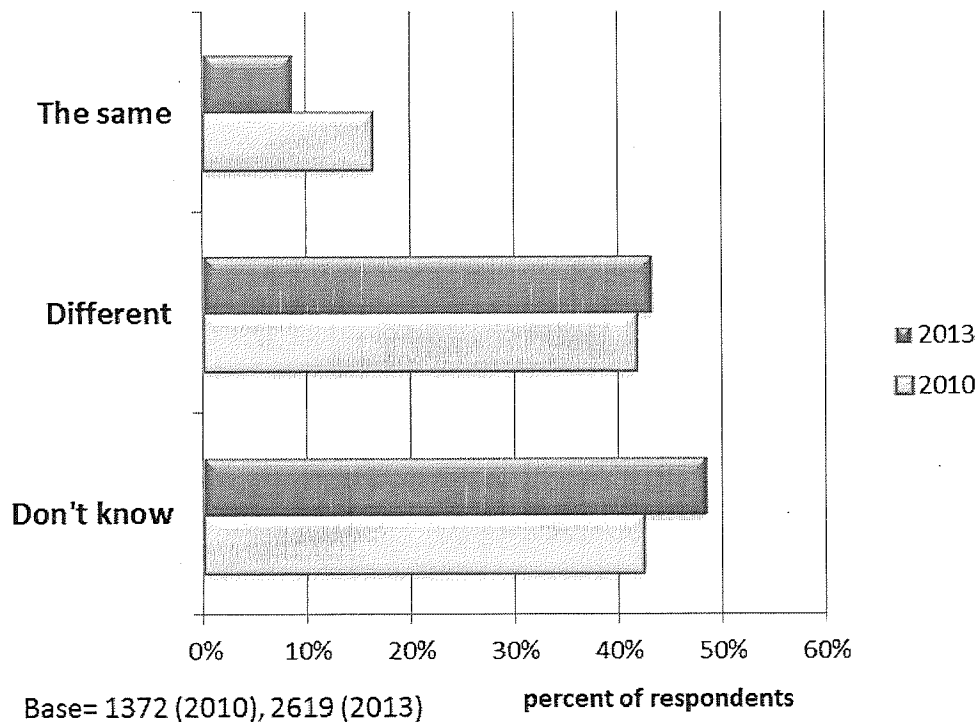
# Understanding of how rate is used to produce monthly bill – by – Actual Subscribed Rates

		OGE Actual Subscribed Rates										Total
		AR Standard	AR TOU	AR VPP	AR Others	OK GFB	OK Standard	OK CPP	OK TOU	OK VPP	OK Others	
Which of the following best describes how well you <u>understand</u> the way in which the current electricity price rate schedule is used to produce your monthly electricity bill?	Do not understand at all	20.6%	2.8%	8.1%	14.3%	14.3%	22.1%	5.9%	6.7%	8.3%	21.3%	17.8%
	Slightly understand	39.1%	19.4%	28.4%	42.9%	26.8%	37.2%	5.9%	16.7%	25.2%	34.8%	33.6%
	Moderately understand	30.7%	58.3%	51.4%	14.3%	44.6%	31.6%	64.7%	40.0%	46.5%	33.1%	36.3%
	Fully understand	9.6%	19.4%	12.2%	28.6%	14.3%	9.0%	23.5%	36.7%	20.0%	10.7%	12.3%
Total		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

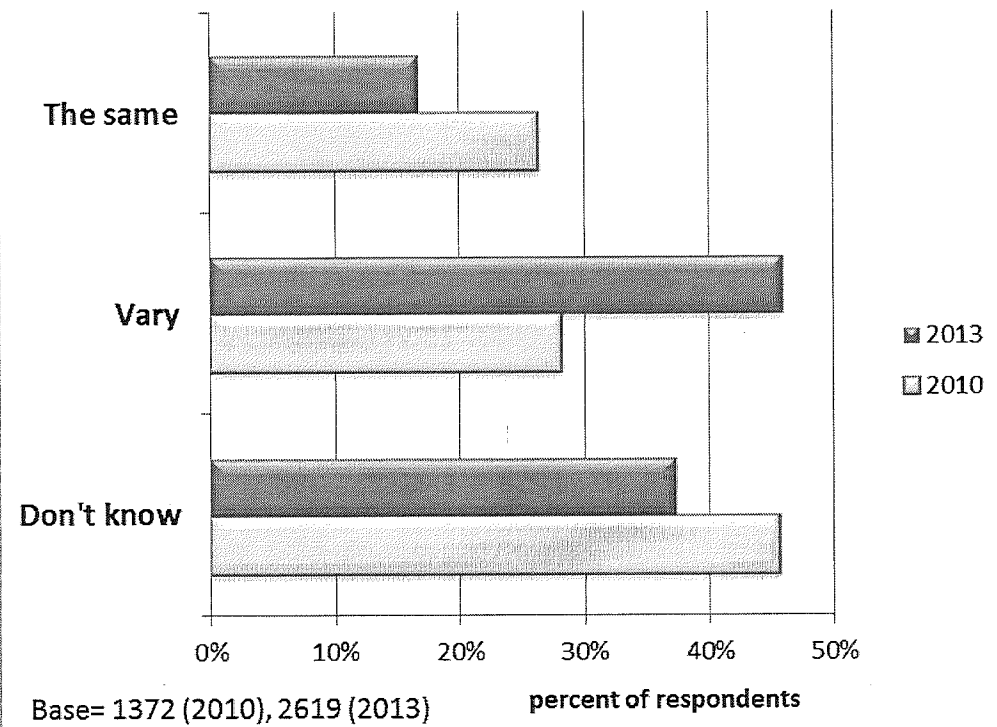
- Those on the price sensitive rates in Oklahoma were more likely to report that they fully understood the ways in which the rates were used to produce their monthly bills than were those on other rates.

# Understanding of Electricity

**Q4. Are electricity prices that you pay in the summer the same as you pay in the winter, or different?**



**Q5. Are the electricity prices you pay the same for all hours of the day or do they differ?**



- Rates between summer and winter: in 2013, fewer felt that the rates were the same and somewhat more felt they didn't know the answer than in 2010.
- Rates over the hours of a day: in 2013, fewer thought they were the same, more stated they were different and fewer did not know an answer than in 2010.

**Attorney General**  
**Data Request AG-16**  
***Cause No. PUD 201500273***

**16-8 Please provide copies of all analyses, computer files, reports, studies, correspondence, and other documents related to the PayGo pilot program that are dated after 2011.**

Response\*: Please see AG 16-8\_Att at:

<https://secure.oge.com/okratecase/Data%20Request%20Responses/AG%2016-8/>

Response provided by:	<u>Bryan Scott</u>
Response provided on:	<u>March 11, 2016</u>
Contact & Phone No:	<u>Sheri Richard 405-553-3747</u>

\*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

**Attorney General**  
**Data Request AG-16**  
**Cause No. PUD 201500273**

**16-9 Refer to page 13, line 12, of the direct testimony of OG&E witness Bryan Scott. Please provide copies of all documents which support the claim that the PayGo pilot was well received. In addition, for each month that the PayGo pilot was in effect provide the number of subscribers.**

Response\*: Please see AG 16-9\_Att at:

<https://secure.oge.com/okratecase/Data%20Request%20Responses/AG%2016-9/>

	Customer Count
Jan-12	0
Feb-12	0
Mar-12	186
Apr-12	350
May-12	420
Jun-12	410
Jul-12	373
Aug-12	342
Sep-12	313
Oct-12	296
Nov-12	277
Dec-12	262
Jan-13	252
Feb-13	245
Mar-13	227
Apr-13	212
May-13	193
Jun-13	180
Jul-13	164
Aug-13	158
Sep-13	150
Oct-13	143
Nov-13	136
Dec-13	134
Jan-14	132
Feb-14	123
Mar-14	Pilot End

Response provided by: Bryan Scott  
Response provided on: March 11, 2016  
Contact & Phone No: Sheri Richard 405-553-3747

\*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

**Attorney General**  
**Data Request AG-12**  
***Cause No. PUD 201500273***

**12-7 Prepaid service: Please explain if customers that currently have a deposit will be allowed to convert to prepaid service and explain the process the Company would use to transition the customer to prepaid service including the disposition of the customer's deposit.**

Response\*: Yes, customers that currently have a deposit will be allowed to convert to prepaid service. If such a customer wants to convert to prepaid service, any deposit amounts will first be credited to any outstanding balance with the Company, any remaining amount will be applied to the customer's pre-pay account.

Response provided by: Bryan Scott  
Response provided on: March 4, 2016  
Contact & Phone No: Sheri Richard 405-553-3747

\*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.

Oklahoma Gas and Electric Company  
Residential Bill Impact Analysis For OG&E's Proposed Rates  
Base Rate Bill - Change from Current to Proposed<sup>1</sup>

Group	Customer Count Range		Average Dollar Change	Average Percent Change
	(a)	(b) (c)	(d)	(h)
1	1	10,000	\$ (81)	(3.6%)
2	10,000	20,000	\$ 15	1.3%
3	20,000	30,000	\$ 38	3.7%
4	30,000	40,000	\$ 54	5.4%
5	40,000	50,000	\$ 66	6.9%
6	50,000	60,000	\$ 76	8.1%
7	60,000	70,000	\$ 84	9.3%
8	70,000	80,000	\$ 92	10.4%
9	80,000	90,000	\$ 99	11.4%
10	90,000	100,000	\$ 105	12.3%
11	100,000	110,000	\$ 111	13.3%
12	110,000	120,000	\$ 116	14.2%
13	120,000	130,000	\$ 122	15.1%
14	130,000	140,000	\$ 126	15.9%
15	140,000	150,000	\$ 131	16.8%
16	150,000	160,000	\$ 136	17.7%
17	160,000	170,000	\$ 140	18.6%
18	170,000	180,000	\$ 145	19.5%
19	180,000	190,000	\$ 149	20.4%
20	190,000	200,000	\$ 153	21.3%
21	200,000	210,000	\$ 158	22.2%
22	210,000	220,000	\$ 162	23.2%
23	220,000	230,000	\$ 166	24.2%
24	230,000	240,000	\$ 171	25.2%
25	240,000	250,000	\$ 176	26.2%
26	250,000	260,000	\$ 181	27.3%
27	260,000	270,000	\$ 186	28.5%
28	270,000	280,000	\$ 192	29.7%
29	280,000	290,000	\$ 198	31%
30	290,000	300,000	\$ 204	32.3%
31	300,000	310,000	\$ 210	33.7%
32	310,000	320,000	\$ 217	35.3%
33	320,000	330,000	\$ 225	36.9%
34	330,000	340,000	\$ 234	38.8%
35	340,000	350,000	\$ 243	40.9%
36	350,000	360,000	\$ 254	43.3%
37	360,000	370,000	\$ 267	46.2%
38	370,000	380,000	\$ 283	49.8%
39	380,000	390,000	\$ 303	54.8%
40	390,000	400,000	\$ 334	63.1%
41	400,000	410,000	\$ 395	82.3%
42	410,000	412,252	\$ 528	123.7%
Average			\$ 171	27.5%

<sup>1</sup> Proposed basic rates were adjusted to include AQCS, PTC, Fuel O&M, and REC, which OG&E is proposing to move to the FAC. This will allow for an apples to apples comparison with the current base rates.

Data Source: AG 8-7, R1 Standard Residential.xls

Oklahoma Gas and Electric Company  
Residential Bill Impact Analysis For OG&E's Proposed Rates  
Total Bill - Change from Current to Proposed

Group	Customer Count Range		Average Dollar Change	Average Percent Change
	(a)	(b) (c)	(d)	(h)
1	1	10,000	\$ (223)	(6.3%)
2	10,000	20,000	\$ (68)	(3.2%)
3	20,000	30,000	\$ (32)	(1.7%)
4	30,000	40,000	\$ (11)	(0.6%)
5	40,000	50,000	\$ 5	0.3%
6	50,000	60,000	\$ 17	1.1%
7	60,000	70,000	\$ 28	1.8%
8	70,000	80,000	\$ 37	2.5%
9	80,000	90,000	\$ 46	3.2%
10	90,000	100,000	\$ 53	3.8%
11	100,000	110,000	\$ 60	4.4%
12	110,000	120,000	\$ 67	5%
13	120,000	130,000	\$ 73	5.5%
14	130,000	140,000	\$ 79	6.1%
15	140,000	150,000	\$ 85	6.7%
16	150,000	160,000	\$ 91	7.2%
17	160,000	170,000	\$ 96	7.8%
18	170,000	180,000	\$ 101	8.4%
19	180,000	190,000	\$ 107	8.9%
20	190,000	200,000	\$ 112	9.5%
21	200,000	210,000	\$ 117	10.1%
22	210,000	220,000	\$ 122	10.7%
23	220,000	230,000	\$ 127	11.4%
24	230,000	240,000	\$ 132	12%
25	240,000	250,000	\$ 137	12.7%
26	250,000	260,000	\$ 142	13.5%
27	260,000	270,000	\$ 148	14.2%
28	270,000	280,000	\$ 153	15%
29	280,000	290,000	\$ 158	15.9%
30	290,000	300,000	\$ 164	16.8%
31	300,000	310,000	\$ 170	17.8%
32	310,000	320,000	\$ 177	18.9%
33	320,000	330,000	\$ 183	20.1%
34	330,000	340,000	\$ 191	21.5%
35	340,000	350,000	\$ 199	23%
36	350,000	360,000	\$ 208	24.9%
37	360,000	370,000	\$ 219	27.2%
38	370,000	380,000	\$ 232	30.1%
39	380,000	390,000	\$ 248	34.5%
40	390,000	400,000	\$ 272	42.2%
41	400,000	410,000	\$ 322	63.1%
42	410,000	412,252	\$ 442	103%
Average			\$ 119	15%

Data Source: AG 8-7, R1 Standard Residential.xls

Oklahoma Gas and Electric Company  
Residential Customer Bill Impacts under Rates Based on a Revised Class Cost of Service Study  
that Rejects OG&E's Zero-Intercept Analysis  
Base Rate Bill - Change from Current to Proposed<sup>1</sup>

Group	Customer Count Range		Average Dollar Change	Average Percent Change
	(a)	(b) (c)	(d)	(h)
1		1 10,000	\$ (68)	(11.5%)
2		10,000 20,000	\$ (20)	(3.3%)
3		20,000 30,000	\$ 3	0.4%
4		30,000 40,000	\$ 18	3.1%
5		40,000 50,000	\$ 34	5.1%
6		50,000 60,000	\$ 48	6.7%
7		60,000 70,000	\$ 61	8.1%
8		70,000 80,000	\$ 73	9.4%
9		80,000 90,000	\$ 83	10.5%
10		90,000 100,000	\$ 92	11.6%
11		100,000 110,000	\$ 100	12.6%
12		110,000 120,000	\$ 108	13.5%
13		120,000 130,000	\$ 115	14.5%
14		130,000 140,000	\$ 122	15.4%
15		140,000 150,000	\$ 128	16.3%
16		150,000 160,000	\$ 135	17.2%
17		160,000 170,000	\$ 141	18%
18		170,000 180,000	\$ 146	18.9%
19		180,000 190,000	\$ 152	19.8%
20		190,000 200,000	\$ 158	20.7%
21		200,000 210,000	\$ 164	21.7%
22		210,000 220,000	\$ 170	22.6%
23		220,000 230,000	\$ 176	23.6%
24		230,000 240,000	\$ 182	24.6%
25		240,000 250,000	\$ 188	25.7%
26		250,000 260,000	\$ 195	26.8%
27		260,000 270,000	\$ 202	27.9%
28		270,000 280,000	\$ 209	29.2%
29		280,000 290,000	\$ 217	30.5%
30		290,000 300,000	\$ 225	31.8%
31		300,000 310,000	\$ 235	33.3%
32		310,000 320,000	\$ 246	34.9%
33		320,000 330,000	\$ 259	36.5%
34		330,000 340,000	\$ 274	38.4%
35		340,000 350,000	\$ 291	40.4%
36		350,000 360,000	\$ 311	42.7%
37		360,000 370,000	\$ 334	45.3%
38		370,000 380,000	\$ 363	48.4%
39		380,000 390,000	\$ 401	52.4%
40		390,000 400,000	\$ 455	58.2%
41		400,000 410,000	\$ 560	70%
42		410,000 412,252	\$ 784	101.3%
Average			\$ 192	25.6%

<sup>1</sup> Proposed basic rates were adjusted to include AQCS, PTC, Fuel O&M, and REC, which OG&E is proposing to move to the FAC. This will allow for an apples to apples comparison with the current base rates.

Data Source: AG 8-7, R1 Standard Residential.xls

Oklahoma Gas and Electric Company  
Residential Customer Bill Impacts under Rates Based on a Revised Class Cost of Service Study  
that Rejects OG&E's Zero-Intercept Analysis  
Total Bill - Change from Current to Proposed

Group	Customer Count Range		Average Dollar Change	Average Percent Change
	(a)	(b) (c)	(d)	(h)
1		1 10,000	\$ (217)	(13.6%)
2		10,000 20,000	\$ (109)	(8.3%)
3		20,000 30,000	\$ (79)	(6%)
4		30,000 40,000	\$ (57)	(4.5%)
5		40,000 50,000	\$ (41)	(3.2%)
6		50,000 60,000	\$ (28)	(2.2%)
7		60,000 70,000	\$ (16)	(1.3%)
8		70,000 80,000	\$ (7)	(0.5%)
9		80,000 90,000	\$ 2	0.2%
10		90,000 100,000	\$ 10	0.9%
11		100,000 110,000	\$ 18	1.5%
12		110,000 120,000	\$ 25	2.1%
13		120,000 130,000	\$ 32	2.7%
14		130,000 140,000	\$ 40	3.3%
15		140,000 150,000	\$ 46	3.9%
16		150,000 160,000	\$ 53	4.5%
17		160,000 170,000	\$ 60	5%
18		170,000 180,000	\$ 66	5.6%
19		180,000 190,000	\$ 72	6.2%
20		190,000 200,000	\$ 79	6.7%
21		200,000 210,000	\$ 85	7.3%
22		210,000 220,000	\$ 91	8%
23		220,000 230,000	\$ 97	8.6%
24		230,000 240,000	\$ 104	9.2%
25		240,000 250,000	\$ 110	9.9%
26		250,000 260,000	\$ 117	10.5%
27		260,000 270,000	\$ 124	11.3%
28		270,000 280,000	\$ 132	12%
29		280,000 290,000	\$ 139	12.8%
30		290,000 300,000	\$ 148	13.7%
31		300,000 310,000	\$ 156	14.6%
32		310,000 320,000	\$ 165	15.6%
33		320,000 330,000	\$ 175	16.6%
34		330,000 340,000	\$ 186	17.8%
35		340,000 350,000	\$ 199	19.1%
36		350,000 360,000	\$ 214	20.6%
37		360,000 370,000	\$ 232	22.3%
38		370,000 380,000	\$ 254	24.5%
39		380,000 390,000	\$ 282	27.2%
40		390,000 400,000	\$ 324	31.2%
41		400,000 410,000	\$ 411	40.1%
42		410,000 412,252	\$ 611	65.6%
Average			\$ 103	10%

Data Source: AG 8-7, R1 Standard Residential.xls

Oklahoma Gas and Electric Company  
Residential Bill Impact Analysis Based on the Recommended Rates  
Base Rate Charges - Change from Current to Proposed<sup>1</sup>

Group	Customer Count Range		Average Annual Dollar Change	Average Annual Percent Change	
	(a)	(b)	(c)	(d)	(h)
1		1	10,000	\$ (83)	(3.7%)
2		10,000	20,000	\$ (18)	(1.6%)
3		20,000	30,000	\$ (5)	(0.6%)
4		30,000	40,000	\$ 0	0%
5		40,000	50,000	\$ 5	0.7%
6		50,000	60,000	\$ 9	1.2%
7		60,000	70,000	\$ 13	1.7%
8		70,000	80,000	\$ 17	2.1%
9		80,000	90,000	\$ 21	2.5%
10		90,000	100,000	\$ 25	2.9%
11		100,000	110,000	\$ 29	3.3%
12		110,000	120,000	\$ 32	3.7%
13		120,000	130,000	\$ 35	4.1%
14		130,000	140,000	\$ 38	4.5%
15		140,000	150,000	\$ 41	4.8%
16		150,000	160,000	\$ 43	5.2%
17		160,000	170,000	\$ 46	5.5%
18		170,000	180,000	\$ 48	5.8%
19		180,000	190,000	\$ 50	6.2%
20		190,000	200,000	\$ 52	6.5%
21		200,000	210,000	\$ 55	6.8%
22		210,000	220,000	\$ 57	7.2%
23		220,000	230,000	\$ 59	7.5%
24		230,000	240,000	\$ 61	7.9%
25		240,000	250,000	\$ 64	8.3%
26		250,000	260,000	\$ 66	8.6%
27		260,000	270,000	\$ 69	9%
28		270,000	280,000	\$ 72	9.4%
29		280,000	290,000	\$ 75	9.9%
30		290,000	300,000	\$ 79	10.3%
31		300,000	310,000	\$ 83	10.8%
32		310,000	320,000	\$ 89	11.4%
33		320,000	330,000	\$ 95	11.9%
34		330,000	340,000	\$ 102	12.6%
35		340,000	350,000	\$ 109	13.2%
36		350,000	360,000	\$ 118	14%
37		360,000	370,000	\$ 128	14.8%
38		370,000	380,000	\$ 140	15.8%
39		380,000	390,000	\$ 155	17%
40		390,000	400,000	\$ 175	18.7%
41		400,000	410,000	\$ 212	21.9%
42		410,000	412,252	\$ 284	29.8%
Average			\$ 65	7.9%	

<sup>1</sup> Current base rates were adjusted to allow for an apples to apples comparison with proposed base rates.

Data Source: OG&E's response to data request AG 8-7, R1 Standard Residential.xls

Oklahoma Gas and Electric Company  
Residential Bill Impact Analysis Based on the Recommended Rates  
Total Bill - Change from Current to Proposed

Group	Customer Count Range		Average Annual Dollar Change	Average Annual Percent Change
(a)	(b)	(c)	(d)	(h)
1	1	10,000	\$ (83)	(2.6%)
2	10,000	20,000	\$ (18)	(1.2%)
3	20,000	30,000	\$ (5)	(0.5%)
4	30,000	40,000	\$ 0	0%
5	40,000	50,000	\$ 5	0.5%
6	50,000	60,000	\$ 9	0.8%
7	60,000	70,000	\$ 13	1.2%
8	70,000	80,000	\$ 17	1.5%
9	80,000	90,000	\$ 21	1.8%
10	90,000	100,000	\$ 25	2.1%
11	100,000	110,000	\$ 29	2.4%
12	110,000	120,000	\$ 32	2.7%
13	120,000	130,000	\$ 35	2.9%
14	130,000	140,000	\$ 38	3.2%
15	140,000	150,000	\$ 41	3.4%
16	150,000	160,000	\$ 43	3.7%
17	160,000	170,000	\$ 46	3.9%
18	170,000	180,000	\$ 48	4.2%
19	180,000	190,000	\$ 50	4.4%
20	190,000	200,000	\$ 52	4.6%
21	200,000	210,000	\$ 55	4.9%
22	210,000	220,000	\$ 57	5.1%
23	220,000	230,000	\$ 59	5.4%
24	230,000	240,000	\$ 61	5.6%
25	240,000	250,000	\$ 64	5.9%
26	250,000	260,000	\$ 66	6.2%
27	260,000	270,000	\$ 69	6.4%
28	270,000	280,000	\$ 72	6.7%
29	280,000	290,000	\$ 75	7%
30	290,000	300,000	\$ 79	7.3%
31	300,000	310,000	\$ 83	7.6%
32	310,000	320,000	\$ 89	8%
33	320,000	330,000	\$ 95	8.4%
34	330,000	340,000	\$ 102	8.8%
35	340,000	350,000	\$ 109	9.3%
36	350,000	360,000	\$ 118	9.8%
37	360,000	370,000	\$ 128	10.3%
38	370,000	380,000	\$ 140	11%
39	380,000	390,000	\$ 155	11.9%
40	390,000	400,000	\$ 175	13%
41	400,000	410,000	\$ 212	15.4%
42	410,000	412,252	\$ 284	21.8%
Average			\$ 65	5.6%

Data Source: OG&E's response to data request AG 8-7, R1 Standard Residential.xls

**Attorney General**  
**Data Request AG-8**  
***Cause No. PUD 201500273***

**8-7 Cost of Service: Please provide a working computer file copy of all residential customer bill impacts or rate comparison analyses, studies, models, etc. for the proposed residential rate prepared by or for the Company.**

Response\*: Please see **AG 1-2\_Supplement3**, file "Item 1 - Residential Impact Summary More Breakpoints.xlsx", showing breakdown impact details for all residential customers. The working model producing the impact tables is both over 3 GB in size and in a yet-to-be popular 64-bit MS-Excel format. Therefore, the model will be available at OG&E offices for review.

Response provided by:	<u>William Wai</u>
Response provided on:	<u>February 29, 2016</u>
Contact & Phone No:	<u>Sheri Richard 405-553-3747</u>

\*By responding to these Data Requests, OG&E is not indicating that the provided information is relevant or material and OG&E is not waiving any objection as to relevance or materiality or confidentiality of the information or documents provided or the admissibility of such information or documents in this or in any other proceeding.