

BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF AN INTERIM RATE SCHEDULE)
OF OKLAHOMA GAS AND ELECTRIC COMPANY)
IMPOSING A SURCHARGE TO RECOVER ALL) DOCKET NO. 15-034-U
INVESTMENTS AND EXPENSES INCURRED)
THROUGH COMPLIANCE WITH LEGISLATIVE OR)
ADMINISTRATIVE RULES, REGULATIONS OR)
REQUIREMENTS RELATING TO THE PUBLIC HEALTH,)
SAFETY OR THE ENVIRONMENT UNDER THE)
FEDERAL CLEAN AIR ACT FOR CERTAIN OF ITS)
EXISTING GENERATION FACILITIES)

Settlement Testimony

of

Donald R. Rowlett

on behalf of

Oklahoma Gas and Electric Company

September 25, 2015

Donald R. Rowlett
Settlement Testimony

1 Q. **Please state your name, by whom you are employed, and your business address.**

2 A. My name is Donald R. Rowlett. I am employed by Oklahoma Gas and Electric Company
3 (“OG&E” or “Company”) and my business address is 321 N. Harvey, P.O. Box 321,
4 Oklahoma City, Oklahoma 73101.

5
6 Q. **Did you previously file direct, rebuttal and sur-surrebuttal testimony in this
7 proceeding?**

8 A. Yes.

9

10 Q. **Have you reviewed the testimony filed in this cause?**

11 A. Yes.

12

13 Q. **What is the purpose of your Settlement Testimony?**

14 A. The purpose of my Settlement Testimony is to support the negotiated settlement reached
15 among OG&E, the General Staff of the Commission (“Staff”), the Office of the Attorney
16 General (“AG”), Arkansas River Valley Energy Consumers (“ARVEC”) and Wal-Mart
17 (collectively, the “Settling Parties”) that addresses all issues present in this proceeding.
18 The Settling Parties have prepared and executed a Settlement Agreement evidencing the
19 negotiated settlement which has been filed with the Commission.

20

21 Q. **Please summarize OG&E’s application.**

22 A. On May 8, 2015, OG&E filed its application and direct testimony in this matter. OG&E
23 in its application requested an interim rate schedule pursuant to Act 310 of 1981, as
24 amended, Ark. Code Ann. §23-4-501 *et seq.* (“Act 310”) for the application of a
25 surcharge on its customers’ bills in Arkansas to recover investments and expenses that
26 the Company has reasonably incurred as a direct result of legislative or regulatory
27 requirements relating to the protection of the public health, safety, or the environment.

1 Q. **Why did OG&E file its application?**

2 A. Beginning in mid-2012 and through April 30, 2015 the Company has reasonably incurred
3 investments and expenses as a result of compliance with legislative and administrative
4 rules, regulations, or requirements related to the public health, safety, or the environment,
5 specifically the installation of Low NOx burners with over-fire systems on the four
6 affected coal units and on its affected natural gas units. These environmental control
7 systems are being installed so that these generating units will continue to be in
8 compliance with the Clean Air Act. Pursuant to the provision of Act 310, a utility shall be
9 permitted to recover in a prompt and timely manner all investments and expenses by
10 filing an interim rate schedule no more frequently than every six (6) months, until such
11 time that new rates are implemented in the Company's next rate case. The Company's
12 filing was made to address the investment and expenses to date.

13
14 Q. **Please discuss the major provisions of the Settlement Agreement.**

15 A. The Settling Parties agree that it is in the public interest for OG&E to implement an
16 interim rate schedule in the form of a surcharge on its customers' bills to recover
17 investment and expenses pursuant to Act 310. The Settling Parties have adopted the
18 recommendations of the Staff contained in its Direct and Surrebuttal testimony. These
19 recommendations are as follows:

- 20 (a) the revenue requirement and surcharge calculation as set forth in the
21 Surrebuttal Testimony of Staff witness William Matthews will be accepted
22 and adopted;
- 23 (b) the use of the existing cost allocation factors will be used to allocate the
24 surcharge to each of the Company's customer classes; and
- 25 (c) the surcharge for Power and Light and Power and Light-Time of Use
26 classes will be divided between the volumetric or kWh charge and the
27 demand or kW charge.

28
29 Q. **Could you provide a breakdown of the impact by customer class?**

30 A. Yes. Chart 1 details the cost impact by customer class.

Chart 1: Average Monthly Customer Impact (w/out refund)*							
Class	Average Monthly kWh	Average Monthly kW	ECP Rider Factor By Class (per kWh)	ECP Rider Factor by Class (per kW)	Monthly Impact per kWh	Monthly Impact per kW	Total Monthly Impact
Residential	1,000		0.000210		\$ 0.21		\$ 0.21
General Service	1,800		0.000209		\$ 0.38		\$ 0.38
P&L SL2	65,000	180	0.000045	0.063118	\$ 2.93	\$ 11.36	\$ 14.29
P&L TOU SL2	511,000	1,100	0.000083	0.030070	\$ 42.41	\$ 33.08	\$ 75.49

*Exclusive of the refund.

1 Q. **Are there any other provisions the Settling Parties have agreed to?**

2 A. Yes. The Settling Parties further agree that no party to the Settlement Agreement will
 3 oppose the next two updated Act 310 surcharge filings relative to this project made by the
 4 Company and filed at least six (6) months after its initial May 8, 2015 filing in this
 5 docket. This agreement is subject to the examination of the filing for accuracy,
 6 specifically the calculation of the revenue requirement and surcharge consistent with
 7 Staff witness Mr. Matthews recommendations as noted above.

8
 9 Q. **Did OG&E make any additional concessions?**

10 A. Yes. OG&E has committed to filing a rate case in 2016, as part of the Settlement
 11 Agreement.

12
 13 Q. **Did OG&E agree to provide the Settling Parties with additional data?**

14 A. Yes. Separate from its general rate case application, OG&E commits to provide to the
 15 Settling Parties a workpaper, supplied on the date of its general rate case application in
 16 2016, which provides a cost of service study reflecting the Average and Excess 4CP cost
 17 allocation as well as a rate design for its largest customer class consistent with the
 18 provisions of Ark. Code Ann. §23-4-422. OG&E commits to develop those cost of
 19 service results and rate design for its largest class using the same revenue requirement
 20 and billing determinants underlying cost of service and rate design recommendations in
 21 its rate case application. The Company is not obligated to support that cost allocation
 22 methodology and may advocate a different cost allocation methodology.

1 Q. **How do the Settling Parties propose that the amounts collected to date through the**
2 **surcharge above the amount agreed to in the Settlement be returned to customers?**

3 A. The Settling Parties propose a credit to customer bills to be applied in the month
4 following the Commission's order in this docket.

5

6 Q. **Does OG&E support the Settlement Agreement?**

7 A. Yes. OG&E believes that the Settlement Agreement is a reasonable compromise of the
8 various positions of the Settlement Parties. This agreement produces a balance of
9 customer and shareholder interests and results in a fair, just and reasonable outcome.

10

11 Q. **Is the Settlement Agreement in the public interest?**

12 A. Yes. OG&E believes the resulting Settlement Agreement fairly balances the needs of all
13 stakeholders and is in the public interest. The Settlement Agreement is a compromise that
14 produces a cost recovery mechanism that is just and reasonable, without the need for any
15 party to expend additional time or money in the litigation process.

16

17 Q. **Does this conclude your testimony?**

18 A. Yes.

CERTIFICATE OF SERVICE

I, Lawrence E. Chisenhall, Jr., hereby state that a copy of the foregoing instrument was served on all the parties of record via the APSC Electronic Filing System on this the 25th day of September, 2015.

/s/ Lawrence E. Chisenhall

Lawrence E. Chisenhall, Jr.