

**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 201100087

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CORPORATION COMMISSION  
OF OKLAHOMA

**RESPONSIVE TESTIMONY**

**Of**

**Barbara R. Alexander**

**On Behalf Of**

**AARP**

**REVENUE REQUIREMENT ISSUES**

**November 9, 2011**

**RESPONSIVE TESTIMONY OF BARBARA R. ALEXANDER  
ON BEHALF OF AARP  
CAUSE NO. PUD 201100087  
NOVEMBER 9, 2011**

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

A: My name is Barbara R. Alexander. I use the title of Consumer Affairs Consultant. My office is located at 83 Wedgewood Dr., Winthrop, ME 04364.

**Q: On whose behalf are you submitting testimony?**

A: I am submitting testimony on behalf of AARP. AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. AARP has members residing in Oklahoma representing all segments of the socio-economic scale. Moreover, a substantial percentage of AARP's members live on fixed or limited incomes and depend on reliable electric service for adequate heat, cooling and lighting.

**Q: Please provide your background and qualifications for your testimony.**

A: I opened my consulting practice in March 1996, after nearly ten years as the Director of the Consumer Assistance Division of the Maine Public Utilities Commission. While there, I managed the resolution of informal customer complaints for electric, gas, telephone, and water utility services, and testified as an expert witness on consumer protection, customer service quality, and low-income issues in rate cases and other investigations before the Maine Public Utilities Commission.

My current consulting practice focuses on regulatory and statutory policies concerning consumer protection, service quality and reliability of service, customer service, and low-income issues associated with both regulated utilities and retail competition markets. I have testified in rate cases, rulemaking proceedings, and investigations before over 15 U.S. and Canadian regulators. My recent clients include the state public advocate offices in Massachusetts, Illinois, Pennsylvania, Washington, Maryland, Maine, Arkansas, and West Virginia, as well as AARP in many states (Montana, New Jersey, Maine, Mississippi, Ohio, Virginia, Illinois, Maryland, and the District of Columbia).

I am a graduate of the University of Michigan (1968) and I received a J.D. from the University of Maine School of Law (1976).

I attach my resume with a list of my publications and testimony as Exhibit BA-1.

**Q: Have you previously testified before the Oklahoma Corporation Commission?**

A: No. However, based upon my experience in the areas in which I am testifying, I respectfully request the Oklahoma Corporation Commission except my credentials.

**Q: Please describe the overall perspective on OG&E's proposed rate increase that is reflected in your testimony.**

A: Oklahoma Gas & Electric (OG&E or Company) has filed a rate case seeking to increase rates by \$73.3 million effective January 1, 2012 or an overall increase of 4.3% since the Company's last rate case. The Company has estimated that this will result in an increase

of \$6.60 per month or \$79.20 for a calendar year for an average use residential customer.<sup>1</sup> This portion of my testimony addresses revenue requirement issues in this Cause. The Company's request will have a significant impact on customers with fixed income and those who face a continuation of unemployment and underemployment in the current recession. For example, older Americans who rely on Social Security as their primary source of income have not had a cost of living increase in their benefits for two years. According to the Oklahoma Policy Institute, one out of every six Oklahomans (16.9%) lived in poverty in 2010, an increase from 16.2% in 2009. The rate of extreme poverty in Oklahoma, that is households with less than half the federal poverty level, is 7.2%. Nearly one in ten Oklahomans (9.3%) who live in poverty are age 65 years and older.<sup>2</sup> The number of Oklahoman's receiving food stamps grew 11.7% from October 2009 to October 2010; one-third of Oklahoma's population receives either Food Stamps or Medicaid; and more than 30 percent of the state's children received food stamps in December 2010.<sup>3</sup>

In addition, lower income customers must allocate a much higher percentage of household income for essential energy services compared to middle and higher income customers. A household with income at the poverty level in 2010 of \$22,113 would have to pay 6% of their annual income for the average residential OG&E electric bill if the rate increase OG&E has proposed is approved.<sup>4</sup> Of course this percentage of household

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<sup>1</sup> Direct Testimony of Jesse Langston at 4.

<sup>2</sup> Oklahoma's Poverty Profile 2010, OKPolicy.org, available at: <http://www.okpolicy.org/files/Oklahoma%20Poverty%20Profile%202010.pdf>

<sup>3</sup> Presentation by David Blatt, Oklahoma Policy Institute, at Poverty Forum (March 12, 2011), available at: [www.okpolicy.org](http://www.okpolicy.org)

<sup>4</sup> Using the calculations of Mr. Tillman's Direct Testimony, page 20, Chart 5, which calculates the average low income bill will increase from \$103.53 to \$109.30.

income dramatically increases for families with even lower income or who have higher usage levels than average due to the conditions of their housing and the older age of their appliances. Finally, this percentage does not reflect other energy needs for home heating, such as natural gas, home heating oil, or propane.

As a result of these facts, I recommend that the Commission review OG&E's proposed rate increase carefully and take steps to keep rates as low as possible and require OG&E's management and shareholders to take into account the economic circumstances of its ratepayers, particularly those vulnerable to higher rates, those with an increasing inability to pay the monthly bill, those with increasing incidences of disconnection of service, and those facing choices between food, medications, and electricity. These steps should include the elimination of increased spending for nonessential programs, a reduction in the Company's requested Rate of Equity, careful review of incentive compensation for executives, and a focus on programs and services that will assist OG&E residential customers in retaining and maintaining essential electricity service.

**Q: Please describe the issues you will address in your testimony on revenue requirement issues.**

A: I should note that my testimony does not address all the issues relating to OG&E's proposed revenue requirement request. Rather, my testimony focuses specifically on three issues: (1) whether OG&E's request to obtain rate recovery for an additional \$6 million over a two year period to promote customer enrollment in optional time-varying

pricing plans should be approved; (2) whether the Company has properly accounted for costs and savings associated with its deployment of smart meters in rates; and (3) recommendations for additional expenditures for the Low Income Assistance Program (LIAP).

**Q: Please summarize your conclusions and recommendations.**

A: The following is a summary of my recommendations, all of which are discussed in more detail in my testimony. I recommend that the Commission order the following changes to the Company's proposed revenue requirement in this proceeding:

- (1) I recommend that the Commission reject the proposed adjustment H 2-47 for additional educational funding and require the Company to undertake routine steps utilizing existing resources to better explain its rate options to residential customers and target its enrollment efforts for time-varying rates to customers who are likely to benefit from such a rate option. Furthermore, I recommend that the Commission require OG&E to evaluate and consider the development of a Peak Time Rebate program as part of its demand response initiatives that are promoted to reach the Company's goals and objectives, a recommendation I will discuss in more detail in my Rate Design testimony.
- (2) The Commission should require OG&E to remove the costs that customers will pay based on the Smart Grid Stipulation through the Smart Grid Rider during 2011. This is a known and measurable change. As a result, this would provide

the same regulatory treatment to costs as proposed by OG&E for the operational expense reductions.

(3) I recommend that the Commission order OG&E to file actual and projected operational expense reductions associated with smart meter deployment for 2010 and the 2011 rate effective year. This information should be tracked and reported quarterly and the actual value of the operational savings should be compared to the predicted value of those savings. It is important that this information not be ignored until OG&E completes its full deployment of the metering system by December 2012 and that the Commission and the public have relevant information on an ongoing and regular basis. This will allow the Commission and the public to determine if there is a growing discrepancy between the guaranteed and actual impacts of smart grid deployment. Specifically, I recommend that the Commission determine as a condition of any rate increase in this proceeding that OG&E file the supporting information to assess the value to the operational benefits predicted by the Company and reflected in the ongoing Smart Grid Rider in order to determine whether the guaranteed cost reductions are properly reflected in this rate case. I recommend specific reporting requirements to implement this recommendation.

(4) I support increased funding to increase the discount for low income customers (LIAP) and an accompanying adjustment to the final revenue requirement to fund these increased costs. I have recommended several specific options for this reform:

(a) I recommend that the Commission require OG&E to increase the monthly LIAP discount from \$10 to \$12, which, if the customer charge is increased as proposed by OG&E, would reduce the monthly bill impact from \$5.77 per month to \$3.77 per month. Even if the Company's proposal to increase the monthly customer charge is not approved (and I recommend that it not be approved), the increase in the discount amount will be vital for low income customers to keep pace with the rate of increases proposed by OG&E in this and recent rate cases. A simple calculation of multiplying the billing units of LIAP customers by an increased discount of \$2 would result in a \$1,157,424 increase in the funding required for this recommendation.

(b) Alternatively, it would be appropriate to better target the discount to provide a larger amount to those with extreme poverty (50% of poverty guidelines or below) compared to low income families that meet the LIHEAP guidelines, but whose annual household income is above 50% of poverty. This type of information is readily available through the LIHEAP application process and could be provided by the Department of Human Services at the time that the customer is qualified for LIAP. Since I do not know the breakdown of how many customers would qualify for the larger discount amount at this time, I cannot calculate the impact of offering, for example, a \$15 monthly discount to the very poor and a \$12 discount for other low income households. However, such information can be obtained from the Department based on last year's LIHEAP data during the pendency of this proceeding.



(c) I recommend that OG&E expand the eligibility of low income customers to obtain the LIAP discount. While I agree with using the LIHEAP program as an entry point, other low income financial assistance programs also require a means-tested documentation of household income and should also be used to automatically qualify for this important safety net. The following programs should be used to qualify customers for LIHEAP and all of them are administered by the Department of Human Services: SNAP (formerly called Food Stamps), Medicaid, and TANF. Again, this is likely to expand the number of customers enrolled in the program and increase the costs of the program.

**I. OG&E'S REQUEST FOR A \$6 MILLION EDUCATION CAMPAIGN SHOULD BE REJECTED**

**Q: Please describe OG&E proposed customer education plan and associated costs.**

**A: The Direct Testimony of Bryan J. Scott at page 4 states:**

OG&E believes an educational effort highlighting these optional pricing plans would provide the needed information for our customers to make choices that benefit them individually and all the other OG&E customers as well. To that end, OG&E has developed a comprehensive price plan communication initiative designed to educate, enroll, engage and sustain customer selection of various price plans. The Company's rate request includes a pro forma adjustment (W/P H 2-47) for additional educational funding to promote these efforts.

The Company proposes to spend an additional \$6 million over two years, including \$500,000 in capital costs for new software, to allow customers to sign up for

one of the optional pricing plans on the Company's website. The Company alleges that these expenditures would be incremental to the Smart Grid educational funds currently being collected from customers in the Smart Grid Rider.

The "optional pricing plans" that Mr. Scott refers to are the Time of Use (TOU), Critical Peak Pricing (CPP) and Variable Peak Pricing (VPP) rates, with certain amendments that the Company proposes in this case and which I will discuss in more detail in my subsequent testimony on Cost of Service and Rate Design.

**Q: On what grounds does the Company suggest that its educational initiative will result in more customer enrollments in these time-varying rate options?**

A: The Company relies on a "conjoint study" undertaken in September-December 2009. This type of analysis recruits customers to participate in a detailed survey that presents various pricing options and attempts to measure customer preferences based on the various options associated with the various pricing plans.<sup>5</sup> Based on this survey method, OG&E projects that 70% of its residential customers would prefer an alternative to the standard pricing plan if they knew more about these options. However, this percentage is misleading. The survey documented that 42% of those surveyed prefer the increased price security provided by a fixed bill approach or block pricing; 31% of those surveyed

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<sup>5</sup> According to Mr. Scott's Direct Testimony, "The survey method employed was discrete choice conjoint. Simply put, discrete choice conjoint analysis is a research technique through which each respondent is presented with several sets of product alternatives (in this case, pricing plans) and asked to choose the one from each set that best suits their needs. The technique can be used to determine how customers value different features that compose an individual pricing plan. Statistical analysis of the data provides estimates of customers' shares of preferences for a wide variety of tested pricing plans." Scott Direct Testimony at 5.

prefer a price response plan such as Day Ahead Pricing, Time of Use or Variable Peak Pricing; and 27% of those surveyed prefer the traditional standard service plan.<sup>6</sup>

**Q: Why does the Company propose that customers enroll in these rate programs?**

A: The Company proposes to increase enrollment in the time-varying rate options as a means of obtaining its demand reduction objectives, i.e., alleging that customers who participate in these programs will reduce peak load usage and perhaps overall usage, thus contributing to the Company's goal of avoiding investment in a new fossil-fuel generation facility between now and 2020. According to Mr. Scott, "In order for OG&E to realize the promise of demand response through the smart grid, customers must become aware of the Company's pricing plans. To achieve this, OG&E must educate customers regarding the various pricing plan options."<sup>7</sup>

**Q: For what reasons do you recommend that the Commission eliminate this adjustment to the Company's revenue requirement?**

A: The Company's approach is flawed for several reasons:

- (1) The "conjoint" study is a questionable basis for predicting what customers will actually do to select a rate option, even with educational initiatives. In this study, the customers selected to participate were educated in the various pricing options before their preferences were measured. Furthermore, the customers who participated in the study were volunteers who agreed to the lengthy interaction

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<sup>6</sup> Scott Direct Testimony at 5, chart 1.

<sup>7</sup> Scott Direct Testimony at 12.

required for this study.<sup>8</sup> Even with all this “education,” 42% of the participating customers wanted the flat bill option, thus documenting clearly that the longstanding preference for stable and fixed rates by residential customers remains the crucial variable. Coupled with the preference for the standard flat rates, 79% of the residential customers want stable and flat rates or bills and did not indicate a preference for time-varying rates. OG&E customers currently show their preference for flat rate plans.

- (2) Based on current enrollment, the most popular rate option is the Guaranteed Flat Bill. The average 2010 enrollment for Guaranteed Flat Bill was 43,729.<sup>9</sup> In fact, more recent information from the Company shows an increased enrollment in GFB to 52,650 or 11.7% of OG&E’s residential customers.<sup>10</sup>
- (3) Based on its own conjoint study that documented only 30% of residential customers expressed an interest in the TOU or CPP rate option, there is no need for expensive mass media campaigns. Rather, OG&E should evaluate the load profiles of its customers based on the more granular smart meter data and target specific educational messages to those customers who are more likely to benefit from a TOU or CPP rate option. There is no basis for concluding that the Company’s proposal to rely on expensive mass media is a substitute for the intensive one-on-one educational approach undertaken in the conjoint study. In fact, other utilities have done a more effective targeting of their time-varying rate options than that proposed by OG&E and OG&E has not provided any evidence

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<sup>8</sup> OG&E Response to AARP 2-10, Att. 1 and Att. 2.

<sup>9</sup> OG&E Response to AARP 2-27.

<sup>10</sup> OG&E Response to AARP 2-50.

to suggest that an expensive mass media campaign was used by the two utilities relied upon by the Company to justify its suggestion that large numbers of residential customers will select a TOU rate option. For example, Arizona Public Service Company (APS) and Salt River Project in Arizona are two utilities that OG&E has relied upon for its suggestion that large numbers of customers will select a TOU rate option with appropriate education.<sup>11</sup> Yet, unlike either of these utilities, OG&E has not developed standard information on its website to target the various dynamic rate options to existing customer load profiles and assist customers in understanding what type of rate plan might result in lower bills or options not otherwise available, a technique that is reflected in the websites and materials provided to customers by those two companies. APS's website lists the available residential rate plans and suggests that customers evaluate their options to "find the one that is most convenient for your lifestyle and saves you the most money." Each of the rate options has a "more details" page that describes what kind of usage profile is best suited to each of the options. Each rate option allows the customer to calculate the bill impact of switching their rate plan by inserting their monthly usage information.<sup>12</sup> For example, APS residential customers are advised that the Standard Rate Plan "may be best for you if:

- You will generally use 1,000 kWh or less each month due to the size of your home and type of appliances.

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<sup>11</sup> OG&E Response to AARP 2-18.

<sup>12</sup> See, <http://www.aps.com/main/services/residential/rates/Default.html> I also note that the two Arizona utilities referenced by OG&E with high levels of TOU enrollment serve customers in desert heat with routine temperatures over 100 degrees on many summer days. As a result, these Arizona customers have a very high penetration of central air systems and the ability to adjust that cooling system to reflect these higher TOU prices.

- You live in a home, mobile home, or condominium or apartment that is 1,100 square feet or less.
- You do not have a swimming pool or spa that is electrically heated.”<sup>13</sup>

OG&E has not even developed a script to present the various rate options and walk through a comparison of its existing rate options when a customer is signing up for service.<sup>14</sup> Finally, unlike the two Arizona utilities that OG&E relies upon, OG&E does not appear to seek to assist customers to determine what rate option might result in lower bills, insisting that customers take control and make their own decisions.<sup>15</sup> In addition, the Company cannot demonstrate that higher usage customers are more likely to have lower bills under the TOU option.<sup>16</sup> These are relatively simple and much less costly steps that a utility should undertake as part of its routine service obligation under current rates and tariff options for residential customers. The Commission should not require ratepayers to fund an expensive mass media promotional campaign for rate options until the Company has undertaken the basic steps to assist customers to understand how the various rate options might impact their monthly bill. In other words, the Company has not yet done its homework to develop and implement more basic educational messages and rate comparison charts prior to proposing this expensive and potentially useless education campaign.

- (4) This educational campaign plan is designed to enroll customers in dynamic pricing tariffs which were promoted by OG&E as part of their smart grid initiative

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<sup>13</sup> [http://www.aps.com/main/services/residential/rates/rates\\_6.html](http://www.aps.com/main/services/residential/rates/rates_6.html)

<sup>14</sup> OG&E Response to AARP 2-14.

<sup>15</sup> OG&E Response to AARP 2-15. This data response is attached as Exhibit BA-2 to my testimony.

<sup>16</sup> OG&E Response to AARP 2-17.

and may result in double counting expenditures with approved smart grid education costs. OG&E is currently collecting \$2.3 million in education costs with the Smart Grid Rider.<sup>17</sup> While nominally directed to seeking customer enrollment in the new web portal that presents the smart meter usage information in more detail, this web portal is also a means of encouraging customers to consider optional rate plans, such as the TOU rate. In the summer of 2011, OG&E implemented a campaign using smart grid education funds to increase enrollment in the TOU rate option, targeting 70,000 customers with smart meters.<sup>18</sup> This campaign resulted in 3,488 enrollments in TOU.<sup>19</sup> Clearly, there is an overlap between the currently authorized smart grid educational funds and this proposal for additional ratepayer dollars to fund increased enrollment in rate options that are capable of being implemented as a result of the new smart meters, all of which were justified in part on the same demand response objectives that OG&E relies on to support this additional increase in ratepayer funding.

- (5) The Company's "communication plan" attached to Mr. Scott's testimony as Exhibit BJS-2 is insufficient and lacks any performance goals or tracking mechanisms. The plan is primarily a list of activities with estimated costs and fails to include any analysis of measurable objectives, the demographics of the customer base, the likely candidates for choosing an alternative rate plan, or any method by which actual costs and benefits can be tracked. As a result, OG&E appears to seek ratepayer funding for an expensive campaign without any

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<sup>17</sup> Order No. 576595, Cause No. PUD 201000029, Smart Grid Settlement, Provision III (E).

<sup>18</sup> OG&E Response to AARP 2-16.

<sup>19</sup> OG&E Response to AARP 4-6.

proposed mechanisms to track whether these funds will be spent effectively or achieve predetermined results.<sup>20</sup> For example, if the Company spends \$6 million over two years and enrolls even 5,000 customers in alternative rate plans, the resulting cost would mean that ratepayers paid \$1,200 per new customer enrollment, an expense that cannot be justified even if the customers actually reduce usage during peak hours as predicted by the Company. OG&E would have to enroll 20% of the residential customer base or 89,780 customers<sup>21</sup> in these time-varying rate plans to bring the acquisition cost down to approximately \$67 per customer, a result that is highly unlikely to occur given the documented customer preference for more stable and fixed rate options. Furthermore, to expend this amount of scarce ratepayer dollars for a predicted demand response impact and customer interest in these programs prior to the completion of the ongoing customer behavior studies currently underway appears unreasonable.<sup>22</sup>

(6) Finally, OG&E has not evaluated or proposed a Peak Time Rebate (PTR) program to respond to the clear customer preference as shown in the Company's conjoint study for flat or stable rates and bills which could have a very significant role in meeting the corporate demand response goals and objectives.<sup>23</sup> Since the vast majority of OG&E's customers prefer stable and flat rates as documented by its own conjoint study, it is unreasonable for the Company to reject the

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<sup>20</sup> See, also, OG&E Response to AARP-2-20, Attachments 1 and 2.

<sup>21</sup> I have relied on the identification of 488,902 residential customers that appears in Mr. Tillman's Direct Testimony, page 20, Chart 5.

<sup>22</sup> OG&E received DOE funding for a two-year customer behavior study that is currently underway and the results of which will not be available until the 4<sup>TH</sup> quarter 2011. See OG&E Response to AARP 2-39.

<sup>23</sup> OG&E Response to AARP 2-1 and 2-11.



development of a rate option that would provide a rebate or credit in response to a documented reduction in peak load usage on critical peak events, without changing the underlying flat rate structure. Utilities in Maryland<sup>24</sup> and California<sup>25</sup> are relying on the PTR overlay on existing rates to achieve their demand response objectives associated with smart meter deployments. In my experience, customers will prefer the PTR option compared to the more punitive pricing structure for CPP or VPP, which are potentially harmful to older customers and families with young children or those with medical conditions who must rely on additional cooling on hot summer afternoons because they could pay higher bills under a rate plan that charges higher prices during those hours. I will discuss the need for a PTR rate option in more detail in my Rate Design testimony.

**Q: As a result of these concerns, what is your recommendation?**

A: I recommend that the Commission reject the proposed adjustment H 2-47 for additional educational funding and require the Company to undertake routine steps utilizing existing resources to better explain its rate options to residential customers and target its enrollment efforts for time-varying rates to customers who are likely to benefit from such

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<sup>24</sup> The Maryland Public Service Commission approved smart meter deployment for Baltimore Gas & Electric and Pepco-Maryland, relying on the companies' proposals to implement a Peak Time Rebate program for residential customers. See, e.g., Order No. 83532 in Case No. 9207 and Order No. 83531 issued in Case No. 9208, both available on the Maryland PSC website under their respective case numbers: <http://webapp.psc.state.md.us/Intranet/home.cfm>

<sup>25</sup> See, e.g., San Diego Gas & Electric's proposed AMI deployment relied on estimated benefits for residential customers participating in a Peak Time Rebate program. See testimony of Stephen George on behalf of SDG&E before the California PUC in Application 05-03-015 (2006), available at: <http://www.sdge.com/smartmeter/regulatory.shtml>

a rate option. Furthermore, I recommend that the Commission require OG&E to evaluate and consider the development of a Peak Time Rebate program as part of its demand response initiatives that are promoted to reach the Company's goals and objectives.

## **II. OG&E'S SMART GRID COSTS AND BENEFITS ARE NOT PROPERLY TRACKED AND REFLECTED IN THE RATE CASE**

**Q: Please describe the Company's adjustments to reflect smart grid costs and benefits in this rate case proposal.**

**A:** Pursuant to the stipulation approved in OG&E's smart grid proposal in Cause No. PUD 201000029, the Company is collecting funds from ratepayers to pay for the approved costs to install smart metering throughout its service territory.<sup>26</sup> The Smart Grid Rider collects the capped smart grid expenditures, offset by a "guaranteed" amount of O&M reductions. According to the Commission order in that Cause, the cost recovery will continue through 2013. Pursuant to the agreement, the Rider charge is levelized and is equal to \$1.94 per month for the average residential customer for 42 months.<sup>27</sup> In order to prevent a double recovery of these costs recovered by the Rider, in this proceeding the Company made certain adjustments to its revenue requirement to remove these costs from the test year (2010). Rate Base adjustment B 3-14 removed \$22,204,104 in smart grid investments costs from rate base that were actually booked in 2010. An O&M adjustment H 2-41 removed \$5,002,044 from operating expense associated with the smart

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<sup>26</sup> Cause No. PUD 201000029, Order No. 576595, issued July 1, 2010.

<sup>27</sup> According to OG&E's Response to AARP 2-36, the actual smart grid cost is equal to a levelized cost of \$1.94 per month for a residential customer using 1,100 kWh per month, but this is offset by the expected fuel savings in the Smart Power Rider of \$0.38 per month, resulting in a net bill impact of \$1.74 per month. These fuel savings flow through the Company's Fuel Cost Adjustment and not the base rates which are the subject of this proceeding.

grid costs included in the Rider and this adjustment also reflected actual costs incurred in 2010. Adjustment H 2-51 removed \$3,583,566 from operational expenses to account for the “guaranteed” savings reflected in the Rider. However, OG&E did not treat these adjustments equally. Unlike the first two smart grid adjustments described above, Adjustment H 2-51 removed the estimated amount of savings that the Company predicted would be experienced in 2011, the rate effective year.<sup>28</sup> As a result, the Company has eliminated actual 2010 costs during a year when the smart meter deployment was not operating at full scale, but did include certain benefits in the form of operational cost savings that were estimated to occur in 2011 as reflected in the Smart Grid Rider stipulation and cost recovery calculations.

**Q: Does your review of smart grid costs and benefits as collected through the Smart Grid Rider conflict with the Commission’s decision in Cause No. PUD 201000029?**

A: No. I do not seek to revisit the Commission’s decision to approve OG&E’s smart grid deployment or the implementation of the Smart Grid Rider. However, I am raising concerns about the manner in which the costs and benefits of smart grid are reflected in the revenue requirement at issue in this proceeding.

**Q: Do you have a concern with how OG&E has removed the Smart Grid Rider costs from the test year?**

A: Yes. First, the Smart Grid Rider attached to the Stipulation approved by the Commission in Cause No. 201000029 provides a table that shows the revenue requirement needed for

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<sup>28</sup> These adjustments are sponsored by Ms. Malini Gandhi’s Direct Testimony at 3-4.

each year from 2010 through 2013. The “levelized” revenue requirement is listed as \$14.5 million for 2010 and \$32,612,554 for 2011, showing that the costs customers will pay for the Smart Grid Rider in 2011, the rate effective year, will more than double the costs incurred in 2010, but only the 2010 costs are removed from base rates in the Company’s proposal. Second, while the amount of the “guaranteed” O&M reductions shown in this same tariff for 2011 is the same as that identified by the Company in Adjustment H 2-51, there is no evidence to support the actual level of impact in reduced O&M costs from the implementation of the smart grid. While the Company may have “guaranteed” a certain minimum level of O&M reductions, it is possible that even a higher level of benefits has occurred and should be reflected in the test year adjustment. I will discuss both of these concerns in more detail.

**Q: First, discuss your concern about the proper level of smart grid costs removed from rate base.**

A: The Company’s Rate Base Adjustment B 3-14 is not reflective of what costs customers will pay for Smart Grid through the Rider in 2011. As documented in the Company’s recent information, the Rate Base pro forma adjustment to reflect actual costs paid through the Rider through June 2011 would be \$39,023,926 and, if calculated based on costs paid through the Rider through September 2011, the pro forma adjustment would be \$52,335,784.<sup>29</sup> I attach this data response to my testimony as Exhibit BA-4.

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<sup>29</sup> OG&E Response to AG 7-1.

**Q: What is your recommendation about the proper Smart Grid adjustments?**

A: The Commission should require OG&E to remove the costs that customers will pay based on the Smart Grid Stipulation through the Smart Grid Rider during 2011. This is a known and measurable change. The Rider cost recovery is already ordered to occur and cannot be adjusted during the term of the Rider through 2013. As a result, this would provide the same regulatory treatment to costs as proposed by OG&E for the operational expense reductions.

**Q: Second, discuss your concerns about the adjustment to remove certain operational benefits or cost reductions associated with smart grid deployment.**

A: OG&E has removed the estimated operational expense reductions that are reflected in the Smart Grid Rider equal to \$3,583,566 based on what was promised to be reflected in the Rider during the rate effective year in 2011. This is the amount reflected in the Stipulation approved by the Commission. I agree with the overall approach of using the projected costs (as I recommended above) and savings for 2011 in the adjustments for this rate case. However, the Company has failed to track and document the actual operational expense impacts associated with the new metering deployment to date. The Company stated, "The dollar amount of smart grid deployment benefits has not been calculated."<sup>30</sup> I attach this data response to my testimony as Exhibit BA-3. The

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<sup>30</sup> OG&E Response to AARP 6-1. See, also, OG&E Response to AARP 2-38 which sought to obtain the "monthly operational benefits that have actually occurred since the inception of Smart Grid deployment...."

Company has compiled statistics relating to the impact of smart grid deployment on certain operations starting mid-2010 through June 2011,<sup>31</sup> specifically:

- (1) Meter Tamper/Theft Detected;
- (2) Truck Rolls Avoided;
- (3) Move-ins/outs executed remotely;
- (4) Remote disconnections;
- (5) Employee head counts;
- (6) Remote operations successfully completed;
- (7) Meters removed due to failed test results (historical record from 1998 through 2009); and
- (8) Installed meter types as of 2009.

While the Company is counting certain events, the Company has not calculated the value of any operational benefits. As a result, there is little information available to determine whether the Company's estimated operational benefits presented in its Smart Grid deployment proceeding and reflected in the Smart Grid Rider are accurate. While the stated level of operational benefits in the Stipulation operates as a minimum guaranteed level of cost reductions due to the smart grid investments, the Company has not actually calculate the value of operational cost reductions and return any amount in excess of the guaranteed minimum amount at the end of the Rider period in 2013. Most importantly, OG&E does not appear to be tracking appropriate data to determine the actual operational benefits that are or will occur as a result of smart meter deployment,

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<sup>31</sup> OG&E Response to AARP 6-1.

which should be accounted for in order to offset the costs to customers for this program as contemplated by the Commission order on this matter.

**Q: As a result of this concern about tracking the value of operational benefits, what do you recommend?**

A: I recommend that the Commission order OG&E to file actual and projected operational expense reductions associated with smart meter deployment for 2010 and the 2011 rate effective year. This information should be tracked and reported quarterly and the actual value of the operational savings should be compared to the predicted value of those savings. It is important that this information not be ignored until OG&E completes its full deployment of the metering system by December 2012 and that the Commission and the public have relevant information on an ongoing and regular basis. This will allow the Commission and the public to determine if there is a growing discrepancy between the guaranteed and actual impacts of smart grid deployment. Specifically, I recommend that the Commission determine as a condition of any rate increase in this proceeding that OG&E file the supporting information to assess the value to the operational benefits predicted by the Company and reflected in the ongoing Smart Grid Rider in order to determine whether the guaranteed cost reductions are properly reflected in this rate case.

**Q: Do you have a list of recommended reporting requirements that should be submitted by OG&E in this proceeding to determine the actual impact of the smart grid operational benefits on the revenue requirement and associated adjustments?**

A: Yes. It is my understanding that OG&E reports the calculation of the monthly revenue requirement to the Commission, but this is insufficient. I recommend that OG&E be required to submit the information set forth in Table A below in this proceeding and on an ongoing quarterly basis. My recommendations are a reflection of tracking information that has been approved by the Maryland Public Service Commission for the smart meter deployments being undertaken by Baltimore Gas & Electric and Pepco-Maryland.<sup>32</sup> This list does not include some functionalities associated with the smart meter deployment for OG&E, namely remotely accomplished move-ins/outs and remote disconnections of service because the Maryland utilities have not yet developed the tracking mechanisms for certain of the operational impacts of the new metering system that will be realized after full deployment in 2013, but the utilities are under an obligation to do so in future filings. Therefore, I recommend that OG&E also track, as it currently does, those metrics and include them in the quarterly reports and reflect those operational savings in the O&M Savings metric as described below in Table A.

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<sup>32</sup> The Maryland utilities submitted their proposed reporting requirements to the Maryland Public Service Commission in Case No. 9208 and 9207 for their respective smart grid deployment proceedings on May 18, 2011, *Advanced Metering Infrastructure Performance Metrics Reporting Plan – Phase I* (“Phase I Plan”). The Commission approved the proposed reporting requirements in a Letter Order dated August 18, 2011. These documents are available at:

[http://webapp.psc.state.md.us/Intranet/Casenum/NewIndex3\\_VOpenFile.cfm?ServerFilePath=C:\Casenum\9200-9299\9208\95.pdf](http://webapp.psc.state.md.us/Intranet/Casenum/NewIndex3_VOpenFile.cfm?ServerFilePath=C:\Casenum\9200-9299\9208\95.pdf) and

[http://webapp.psc.state.md.us/Intranet/Casenum/NewIndex3\\_VOpenFile.cfm?ServerFilePath=C:\Casenum\9200-9299\9208\108.pdf](http://webapp.psc.state.md.us/Intranet/Casenum/NewIndex3_VOpenFile.cfm?ServerFilePath=C:\Casenum\9200-9299\9208\108.pdf) I have based my recommendations on the approved reporting plan, but have eliminated those metrics that are not applicable to OG&E, such as those relating to the monetization of the future demand response programs in the regional wholesale market. Furthermore, I would expect that OG&E would need to change or modify some of these metrics based on its own operations and books of record.



**TABLE A**

**Proposed Smart Grid Reporting Requirements**

<b>METRIC SECTION</b>	<b>METRIC CATEGORY</b>	<b>KEY METRIC</b>	<b>DEFINITION</b>	<b>CALCULATION – (EXAMPLE)</b>	<b>DATA SOURCE</b>
Financial Cost/Benefits	AMI Project Costs	Cost to Deploy: Capital vs. total Capital deployment cost	Total capital dollars spent on the AMI deployment program inception to date vs. total AMI program capital budget as a dollar amount and as a ratio by project	(1) Total dollars charged to the AMI projects for capital expenses incurred in project (2) Total actual capital expenditures of all AMI projects to date divided by the sum of the total projects' budgeted capital expenditures expressed as a percentage. Costs will be categorized by the following projects: - Meter Data Management - AMI Meter Install/Provision - Network Deployment - Field Installations - AMI Register Billing - Support Costs	AMI project codes derived from financial system of record
Financial Cost/Benefits	AMI Project Costs	Cost to Deploy: O&M vs. total O&M deployment cost	Total O&M dollars spent on the AMI deployment program inception to date vs. total AMI project O&M budget as a dollar amount and as a ratio by project	(1) Total dollars charged to the AMI projects for O&M expenses incurred in project (2) Total actual O&M expenditures of all AMI projects to date divided by the sum of the total projects' budgeted capital expenditures expressed as a percentage. Costs will be categorized by the same categories used to report AMI project capital costs	AMI project codes derived from financial system of record
Financial Cost/Benefits	Capital Savings (direct & avoided)	DOE Reimbursement - AMI only	Portion of Department of Energy Smart Grid Investment Grants received and applied to offset cost of AMI and ratio of total grant	Eligible amount of AMI DOE expenses invoiced (\$). Eligible amount of AMI DOE expenses invoiced/Total AMI DOE Grant.	AMI project codes derived from financial system of record

METRIC SECTION	METRIC CATEGORY	KEY METRIC	DEFINITION	CALCULATION – (EXAMPLE)	DATA SOURCE
Financial Cost/Benefits	Capital Savings (direct & avoided)	Avoided new capital investment in new installations of the older metering systems due to customer growth	Total dollar value of avoided legacy metering capital costs for new customers and new developments	(2008-2010 average cost to install meter(materials and labor)) * (Handy Whitman inflation factor) * (# of avoided legacy meters from new customer installations + # of avoided legacy meters from new development installations)	Operations group and financial system of record
Financial Cost/Benefits	Capital Savings (direct & avoided)	Avoided planned replacement and maintenance costs relating to the older metering system (e.g., mechanical meters, ERT devices, etc)	Total dollar value of avoided replacement costs of current metering equipment	Avoided cost to upgrade AMR system (meter reading IT system) <b>PLUS</b> 2008-2010 average cost per ITRON unit replacement * Handy Whitman inflation factor * number of scheduled replacements <b>PLUS</b> 2008-2010 average cost per meter replacement (materials and labor) * Handy Whitman inflation factor * number of scheduled replacements	Operations group and financial system of record
Financial Cost/Benefits	O&M Savings (direct & avoided)	Reduction in manual meter reading costs	Cost reductions due to the elimination of meter reading positions (in-house and contract)	(2008-2010 average number of meter readers - YTD average number of meter readers) * (YTD meter reader fully loaded labor costs / YTD average number of meter readers) <b>Plus</b> (2008-2010 average monthly contractor costs inflation-adjusted using the CPI to current * months to date) - (YTD contractor costs)	Operations group and financial system of record
Financial Cost/Benefits	O&M Savings (direct & avoided)	Reduction in meter operations costs (e.g., field visits, meter maintenance, etc)	Meter operations savings due to lower survey meter activities and ERT battery replacement costs	(2008-2010 average cost of electric & gas survey meter activities)-(Like cost in current period) <b>Plus</b> 2008-2010 average cost of ERT battery replacement (materials and labor) *Handy Whitman inflation factor * number of scheduled replacements	Operations group and financial system of record

METRIC SECTION	METRIC CATEGORY	KEY METRIC	DEFINITION	CALCULATION – (EXAMPLE)	DATA SOURCE
Financial Cost/Benefits	Other Economic Benefits	Reduced Theft of Energy	The number of incidents of theft of energy uncovered and the dollar amount billed for theft of energy	1) Number of theft incidents 2) Incremental Dollar amount billed for identified theft consumption	Customer information System
Project Delivery & Execution	Meter Deployment	Total AMI electric meters installed	Total AMI electric meters installed (physically attached to a premise) expressed as total number and percent of total	1) Total number of actual AMI electric meters installed 2) Total number of actual AMI electric meters installed divided by the planned total number of meters	Meter Monitoring System / Meter Data Management System
Project Delivery & Execution	Network Deployment	Total communication network components installed (access points & relays)	Total communication network components installed (access points & relays) expressed as total number and percent of total	1) Total number of actual installed access points & relays (repeaters) 2) Total number of actual installed access points & relays and repeaters divided by the planned total number of access points & relays (repeaters) expressed as a percentage	Meter Monitoring System / Meter Data Management System
Project Delivery & Execution	Hard to Access Meters	Total number of “Hard to Access” (HTAs) premises	# of hard to access premises which the AMI vendor must return to the utility for AMI meter installation	# of HTAs where BGE has exhausted all its options to conduct an exchange and the last resort is possible disconnection	Meter Monitoring System / Meter Data Management System
Project Delivery & Execution	Meter Billing	Total AMI meters used for billing (activated), communications achieved and used to bill monthly	Total AMI meters used for billing (activated, i.e. communicating with meter to produce customer bill) expressed as total number and percent of total	1) Total number of actual active AMI meters 2) Total number of actual active AMI meters divided by the planned total number of active AMI meters	Meter Monitoring System / Meter Data Management System
Operational	Billing Accuracy	Percentage of accounts with AMI meters that have to be estimated	Percentage of accounts with AMI meters where any portion of the bill has to be estimated	(AMI Meters Estimated for billing purposes / AMI Total Activated (used for billing))*100 <i>Note: The 2008-2010 average to be provided as a foot note for comparison purposes.</i>	Customer information system

METRIC SECTION	METRIC CATEGORY	KEY METRIC	DEFINITION	CALCULATION – (EXAMPLE)	DATA SOURCE
Operational	Billing Accuracy	Number of consecutive estimated billing cycles (30,60,90 days on the system)	A count of estimated bills and their respective durations before there is an actual reading that results in bill being generated for the customer	# of estimated bills at 30, 60, and 90 days estimated # estimation bill accts in each aging bucket/ total number of bill accts <i>Note: The 2008-2010 average to be provided as a foot note for comparison purpose.s</i>	Customer information system
Operational	Field Visits	# of avoided truck rolls	Number of avoided truck rolls for meter field inspections. <i>Note: Will include number of deployment truck rolls as a footnote.</i>	((2008-2010 average # of truck rolls) * (truck roll growth factor))- (current # of truck rolls)	Work Management System
Operational	Meter Accuracy	AMI Meter Sample Internal Test Results	Percentage of AMI meters that pass internal accuracy testing prior to deployment	<ul style="list-style-type: none"> <li>• A sample of meters (determined by ANSI Z1.4) will be tested prior to releasing a shipment into inventory for installation.</li> <li>• Solid state electric meter accuracy of X% will be required.</li> </ul>	Meter Monitoring System / Meter Data Management System
Operational	Meter Reading Effectiveness	Percentage of interval reads received	# of intervals reported / total number of possible intervals to be reported	# of intervals reported / total number of possible intervals to be reported * 100	Meter Monitoring System / Meter Data Management System

### **III. OG&E'S LOW INCOME ASSISTANCE PROGRAM SHOULD BE EXPANDED AND BENEFITS INCREASED**

**Q: Please describe OG&E's Low Income Assistance Program (LIAP) and any changes to that program recommended by the Company in this rate case.**

**A:** OG&E provides a \$10 monthly discount for low income customers enrolled in LIAP. This program requires that a customer qualify for this discount by receiving energy assistance under the Low Income Home Energy Assistance Program (LIHEAP) implemented by the Oklahoma Department of Human Services. In 2010, 44,512 customers received the LIAP discount.<sup>33</sup> The shortfall representing the difference between the standard residential rate and the discounted bills is funded by ratepayers. The Company includes continued funding for this discount in its rate case. In addition, the Company recommends that a customer who qualifies for LIAP is able to enroll in alternative rate plans, such as the GFB and TOU rate options and that this proposal would not increase funding overall, but allow LIAP customers to move to alternative rate plans without losing their existing discount.<sup>34</sup>

**Q: Do you agree with the Company's proposal to extend the LIAP discount to customers who elect to move to other rate options?**

**A:** Yes. However, I will discuss several consumer protections that should be included in the current rate tariffs as a condition of this approval in my Rate Design testimony.

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<sup>33</sup> OG&E Response to AARP 2-27. The Direct Testimony of Gregory Tillman on behalf of OG&E states that there are approximately 48,000 LIAP customers (at 21). This increase compared to the 2010 LIAP customers is no doubt due to the deteriorating economic conditions for Oklahoma's poorer households.

<sup>34</sup> Direct Testimony of Gregory Tillman at 39.

**Q: Did the Company propose any increase in the LIAP discount to reflect the rate increase proposed in this case or the Company's requested increase in the monthly customer charge from \$13.00 to \$19.77?**

A: No. The Company has not proposed any increase in the LIAP discount amount to reflect the rate increase proposed in this filing or the proposed increase in the residential monthly customer charge. I will address the Company's increase in the monthly customer charge in my Rate Design testimony, but here I focus on the need to increase funding for low income bill payment assistance to keep pace with the rate increases that OG&E has consistently sought every two years. The \$10 discount for LIAP has not kept pace with the 5-6% bill increase for lower income customers as proposed in this filing and, as a result, the value of the discount is reduced. Lower income customers must pay a higher percentage of their household income to OG&E for essential electricity services and the higher monthly charge and the base rate increase will have a more adverse impact on the low income customer's ability to pay compared to other non-low income customers. The proposed increase in the monthly customer charge alone from \$13 to \$19.77 accounts for almost \$7 of the monthly LIAP discount. This lowered level of assistance is particularly harmful due to the economic conditions in Oklahoma (and elsewhere) that have put more families into poverty.

**Q: Based on these concerns, what do you recommend?**

A: There are a number of possible reforms that would be reasonable, but all of these recommendations will increase the cost of the LIAP program. I would support an adjustment to the final revenue requirement to fund these increased costs.

(1) I recommend that the Commission require OG&E to increase the monthly LIAP discount from \$10 to \$12, which, if the customer charge is increased as proposed by OG&E, would reduce the monthly bill impact from \$5.77 per month to \$3.77 per month.<sup>35</sup> Even if this increase in monthly customer charge is not approved (and I recommend that it not be approved), the increase in the discount amount will be vital for low income customers to keep pace with the rate of increases proposed by OG&E in this and recent rate cases. A simple calculation of multiplying the billing units of LIAP customers by an increased discount of \$2 would result in a \$1,157,424 increase in the funding required for this recommendation.<sup>36</sup>

(2) Alternatively, it would be appropriate to better target the discount to provide a larger amount to those with extreme poverty (50% of poverty guidelines or below) compared to low income families that meet the LIHEAP guidelines, but whose annual household income is above 50% of poverty. This type of information is readily available through the LIHEAP application process and

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<sup>35</sup> Direct Testimony of Gregory Tillman at 20. Mr. Tillman presented bill impacts that compared the current residential rate with the proposed residential rate design and segmented those results by low, normal, and large users, as well as for a sample of low income customers and "not low income" customers. The average low income customer will see a 5.6% bill increase and a \$5.77 monthly bill increase, whereas not low income customer will see a 6% bill increase with a \$6.70 monthly bill increase.

<sup>36</sup> See OG&E's Supplemental Working Papers, M (Tab: Res Std), which indicates 578,712 billing units (or 48,226 customers times 12 bills). The total amount of the LIAP discount at the \$10 level is \$5,787,120.

could be provided by the Department of Human Services at the time that the customer is qualified for LIAP. Since I do not know the breakdown of how many customers would qualify for the larger discount amount at this time, I cannot calculate the impact of offering, for example, a \$15 monthly discount to the very poor and a \$12 discount for other low income households. However, such information can be obtained from the Department based on last year's LIHEAP data during the pendency of this proceeding.

- (3) I recommend that OG&E expand the eligibility of low income customers to obtain the LIAP discount. While I agree with using the LIHEAP program as an entry point, other low income financial assistance programs also require a means-tested documentation of household income and should also be used to automatically qualify for this important safety net. The following programs should be used to qualify customers for LIHEAP and all of them are administered by the Department of Human Services: SNAP (formerly called Food Stamps), Medicaid, and TANF. This is particularly important because federal LIHEAP funding has been significantly reduced for this upcoming program year compared to the last several years and it is unlikely that the Department will be able to certify eligibility of all those customers who received assistance on LIHEAP in the past due to the reduced funding. Again, this is likely to expand the number of customers enrolled in the program and increase the costs of the program.



**Q: Does this conclude your direct testimony on revenue requirement issues?**

**A: Yes.**

**LIST OF EXHIBITS**

Exhibit BA-1 Resume of Barbara Alexander

Exhibit BA-2 OG&E Response to AARP 2-15

Exhibit BA-3 OG&E Response to AARP 6-1

Exhibit BA-4 OG&E Response to AG 7-1

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Citizens' Utility Board (Illinois)  
UWUA (Michigan)  
UWUA (California)  
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Maine Office of Public Advocate  
Ohio Consumers' Counsel  
Colorado Office of Consumer Counsel  
Vermont Department of Public Service  
Delaware Division of the Public Advocate  
The Utility Reform Network (TURN) (California)  
Oak Ridge National Laboratory, DOE  
Regulatory Assistance Project  
Citizens' Utility Board (Wisconsin)

**Areas of Expertise:**

- Default Service, Consumer Protection, Service Quality, and Universal Service policies and programs associated with the move to competition in the electric, natural gas, and telecommunications industries;
- Consumer Protection and Service Quality policies and programs associated with the regulation of competitive energy and telecommunications providers;
- The regulatory policies associated with the regulation of Credit, Collection, Consumer Protection, Low Income, and Service Quality programs and policies for public utilities;

- Rate design and pricing policies applicable to residential customers; and
- Advanced Metering Infrastructure costs and benefits and associated time-based pricing proposals.

## Prior Employment

DIRECTOR 1986-96  
*Consumer Assistance Division*  
*Maine Public Utilities Commission* Augusta, Maine

One of five division directors appointed by a three-member regulatory commission and part of commission management team. Direct supervision of 10 employees, oversight of public utility consumer complaint function, appearance as an expert witness on customer services, consumer protection, service quality and low income policy issues before the PUC. Chair, NARUC Staff Subcommittee on Consumer Affairs.

SUPERINTENDENT 1979-83  
*Bureau of Consumer Credit Protection*  
*Department of Professional and Financial Regulation* Augusta, Maine

Director of an independent regulatory agency charged with the implementation of Maine Consumer Credit Code and Truth in Lending Act. Investigations and audits of financial institutions and retail creditors, enforcement activities, testimony before Maine Legislature and U.S. Congress.

## Education

JURIS DOCTOR 1973-76  
*University of Maine School of Law* Portland, Maine

Admitted to the Bar of the State of Maine, September 1976. Currently registered as "inactive."

B.A. (WITH DISTINCTION) IN POLITICAL SCIENCE 1964-68  
*University of Michigan* Ann Arbor, Michigan

## Publications and Testimony

"How to Construct a Service Quality Index in Performance-Based Ratemaking", The Electricity Journal, April, 1996

"The Consumer Protection Agenda in the Electric Restructuring Debate", William A. Spratley & Associates, May, 1996

Direct Testimony on behalf of the Telecommunications Workers Union, Telecom Public Notice 96-8, Price Cap Regulation and Related Issues, Canadian Radio-Television and Telecommunications Commission, September, 1996. [Analysis of and recommendations concerning the need to regulate service quality in move to price cap regulation]

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Testimony on Proposed Interim Rules (Consumer Protection, Customer Enrollment, Code of Conduct, Supplier Licensing) on behalf of the New Jersey Division of Ratepayer Advocate before the New Jersey BPU, May, 1999.

Direct Testimony on behalf of AARP, West Virginia PUC Investigation into Retail Electric Competition (consumer protection, universal service, Code of Conduct), June 15, 1999.

Direct and Surrebuttal Testimony on behalf of the Pennsylvania OCA, Natural Gas Restructuring proceedings (8 natural gas utilities): consumer protection; consumer education; code of conduct, before the Pennsylvania PUC, October, 1999-April, 2000.

Comments on Draft Rules addressing Slamming and Cramming (Docket No. RMU-99-7) on behalf of the Iowa Office of Consumer Advocate, before the Iowa Utilities Board, October, 1999.

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Direct and Rebuttal Testimony on behalf of the Maine Office of Public Advocate, Verizon-Maine Alternative Form of Regulation on service quality issues [Docket No. 99-851] before the Maine PUC, January and February, 2001.

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Proposed Rulemaking for Revision of Chapter 54 Pertaining to Electric Generation Supplier Licensing, Docket No. L-00020158, March 5, 2003.

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### **Presentations and Training Programs:**

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- Presentation at Workshop on Smart Grid policies, California PUC [July 2009]
- National Energy Affordability and Energy Conference (NEAUC) Annual Conference
- NARUC
- NASUCA
- National Community Action Foundation's Annual Energy and Community Economic Development Partnerships Conference
- Testimony and Presentations to State Legislatures: Virginia, New Jersey, Texas, Kentucky, Illinois, and Maine
- Training Programs for State Regulatory Commissions: Pennsylvania, Georgia, Kentucky, Illinois, New Jersey
- DOE-NARUC National Electricity Forum
- AIC Conference on Reliability of Electric Service
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- Mid Atlantic Assoc. of Regulatory Utility Commissioners [July 2003]
- Illinois Commerce Commission's Post 2006 Initiative [April 2004]
- Delaware Public Service Commission's Workshop on Standard Offer Service [August 2004]



**AARP**  
**Second Set of Data Requests**  
*Cause No. PUD 201100087*

**2-15 Questions Directed to the Direct Testimony of Bryan Scott:**

**How many residential customers and with what load profile would see lower bills as a result of the Company's current TOU rate option? [Scott Direct at 13: "Given that the standard tariff is an average customer design, a large number of our residential customers could receive some benefit from subscription to TOU."]**

Response\*: The primary driver for customer benefits under the TOU rate is customer behavior changes resulting in a reduction of on-peak usage or a shift of energy consumption from the on-peak window (high prices) to the off-peak window (low prices).

OG&E has not determined which customers would receive benefit under the current TOU rate option based upon their current consumption patterns. This analysis requires time-of-use load data which is not available for individual customers due to metering limitations. The implementation of Smart Grid technology will provide time period data for all customers and allow them to more easily determine the impact of the TOU program based on their individual consumption profile and willingness to alter their consumption patterns.

All customers have the opportunity to reduce billing charges by making changes to their consumption habits under the optional time-of-use rates. Customers that choose to participate in one of the time-of-use rate options are protected under our current and proposed rates. All optional rates also include a Best Bill Guarantee that will hold the customer harmless during the first year of participation in the optional rate. If after a year of participation the customer has paid more than they would have under their previous rate, they will be credited with any excess amount paid under the time-of-use rate. Customers that find that they are unable to modify their consumption sufficiently to reduce costs will be held harmless and may choose a more favorable rate plan.

Response sponsored by: Gregory Tillman  
Response provided on: September 20, 2011  
Contact & Phone No: Sheri Richard 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.

**AARP**  
**Sixth Set of Data Requests**  
*Cause No. PUD 201100087*

**6-1**            **With respect to the Company's response to AARP 2-38:**

- (a) **Provide the work papers that provide the underlying calculations and identified dollar amount of smart grid deployment benefits for each of the items identified in your response.**
- (b) **The request was for "monthly operational benefits that have actually occurred." The response failed to provide any monthly data or the basis for the statements in the narrative response.**
  - 1. **Does OG&E track the operational costs and benefits that are identified in this Response on a monthly or quarterly basis?**
  - 2. **If not, why not?**
  - 3. **Please either provide the data in the format requested or document why such data is not available.**
- (c) **Provide the "statistics" that were compiled between mid 2010 and June 30, 2011 as referenced in the Response to AARP 2-38.**

- Response\*:
- (a) The dollar amount of smart grid deployment benefits has not been calculated. Please see attachment **AARP 6-1\_Att.**
  - (b) Please see attachment **AARP 6-1\_Att.**
  - (c) The use of the word "statistics" in the second paragraph of OG&E's response to AARP 2-38 was not intended to infer any type of statistical analysis but rather the compilation of data included in said paragraph.

Response sponsored by:            Bryan Scott  
Response provided on:            October 25, 2011  
Contact & Phone No:              Sheri Richard 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.

Response to: AARP 6-1

	2010												2011				Since Inception	Since July 2010
	March	April	May	June	July	August	September	October	November	December	January	February	March	April	May	June		
Number of Meter with Tamper / Theft Detected	1	1	1	5	5	17	56	82	61	70	34	36	55	47	55	54	580	
Number of Truck Roll Avoided	1,240	1,775	2,165	3,755	2,507	3,155	4,020	5,382	4,788	7,517	8,946	6,582	12,195	12,702	13,317	15,461	105,507	96,572
Number of Move-ins/Outs Executed Remotely													895	1,968	2,525	5,388		

Oklahoma Gas and Electric  
PUD 201100087

Response to: AARP 6-1

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**MAT 550, 551, 554, 558 (Residential Only)**  
**Dunning Disconnects**  
**Remote Disconnections**

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2010	-	-	-	-	-	-	-	-	-	484	139	2,044	2,667
2011	2,473	2,423	4,129	3,731	3,333	3,225	-	-					19,314

This is Dunning activity, in which the customer was remotely disconnected. It does not indicate if these accounts were ultimately transferred to uncollectable. However, both the customer and company benefit as neither was charged for those kWh.

Oklahoma Gas and Electric  
PUD 201100087

Response to: AARP 6-1

11/8/2011-12:21 PM

FTE Type	2010 Beginning Headcount	2010												2011					
		January	February	March	April	May	June	July	August	Septemb er	October	Novemb er	Decemb er	January	February	March	April	May	June
Total Temps	21	22	26	27	38	52	53	62	67	70	71	71	68	68	68	58	57	54	
MR	91	91	86	84	73	67	62	51	48	43	41	39	48	34	32	28	27	26	
MRFO	21	21	20	20	20	20	18	19	19	19	19	18	15	17	17	15	15	13	
FM	61	61	61	61	60	59	59	59	59	57	56	56	51	57	56	54	54	52	
DISP	4	4	5	5	5	6	6	6	6	6	6	6	4	6	6	4	4	3	
SUPV	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	10	10	10	
SUPP	5	5	5	5	5	5	5	5	5	5	5	5	5	4	4	4	4	4	
Total FTE's	214	215	214	213	212	220	214	213	215	211	209	206	202	202	197	192	173	171	162
FTE Reductions	Baseline Set	1	0	-1	-2	6	0	-1	1	-3	-5	-8	-12	-12	-17	-22	-41	-43	-52

Activity	2010			2011						Total
	October	November	December	January	February	March	April	May	June	
Automated	554	153	4,056	5,207	5,056	8,749	9,980	10,950	12,518	57,223
FOAC Dispatch	350	30	220	352	494	963	859	858	910	5,036
DCC Operator	0	0	5	20	23	17	0	5	5	75
Total remote	904	183	4,281	5,579	5,573	9,729	10,839	11,813	13,433	62,334

Activity	Description of how worked remotely	Data source
Automated	Disconnect or reconnect was worked remotely via automation (command sent from SAP to the AMI head end system and successfully completed without any manual intervention)	SAP
FOAC Dispatch	Disconnect or reconnect failed automation but was worked remotely by FOAC (Field Order Acctg - UCO) dispatchers logging into AMI head end system and successfully completing command remotely	IDT CADs
DCC Operator	Disconnect or reconnect failed automation but was worked remotely by DCC (Distribution Control Center) operators logging into AMI head end system and successfully completing command remotely	IDT CADs

Oklahoma Gas and Electric  
PUD 201100087

Response to: AARP 6-1

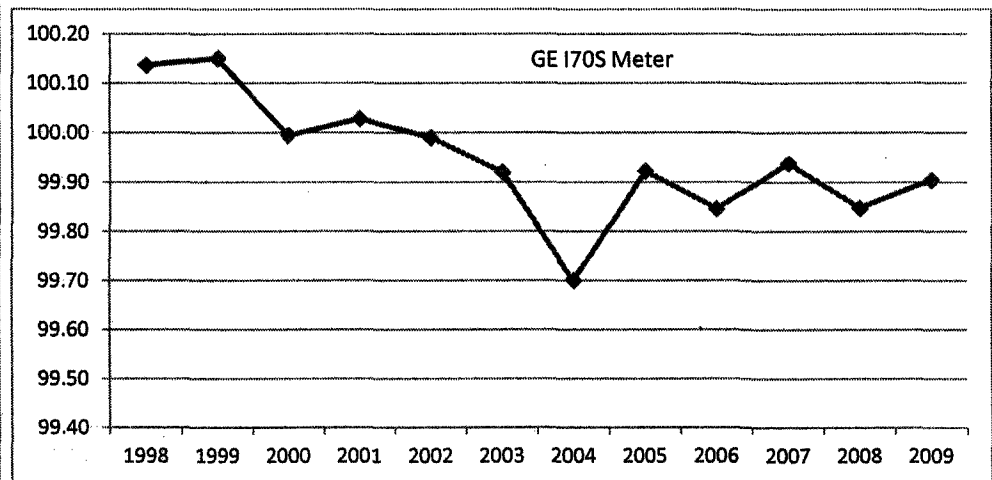
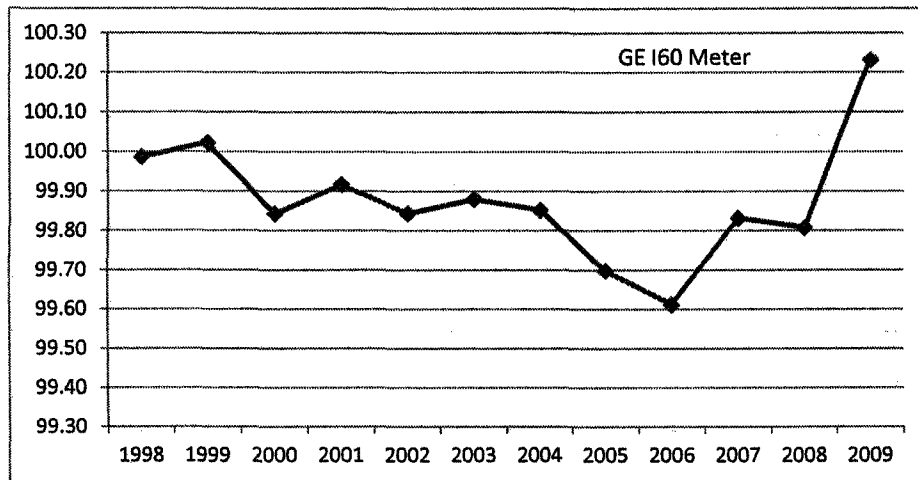
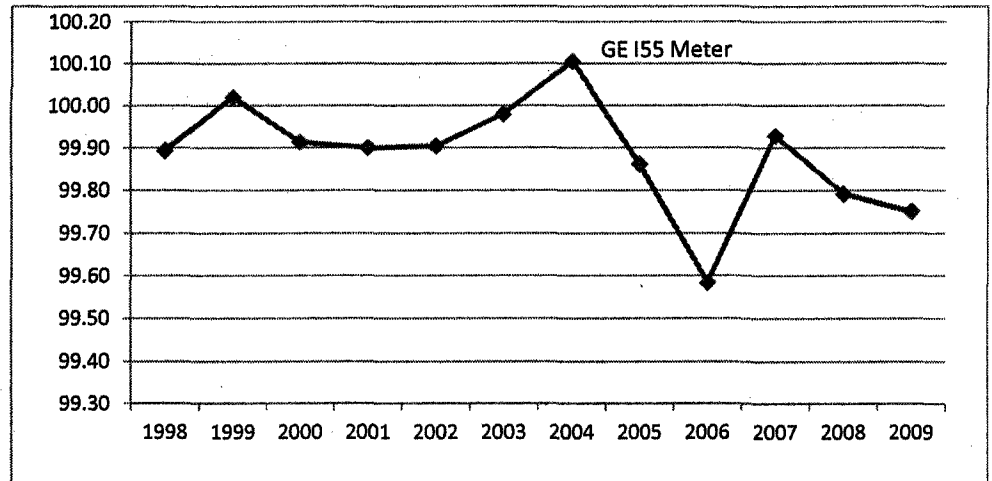
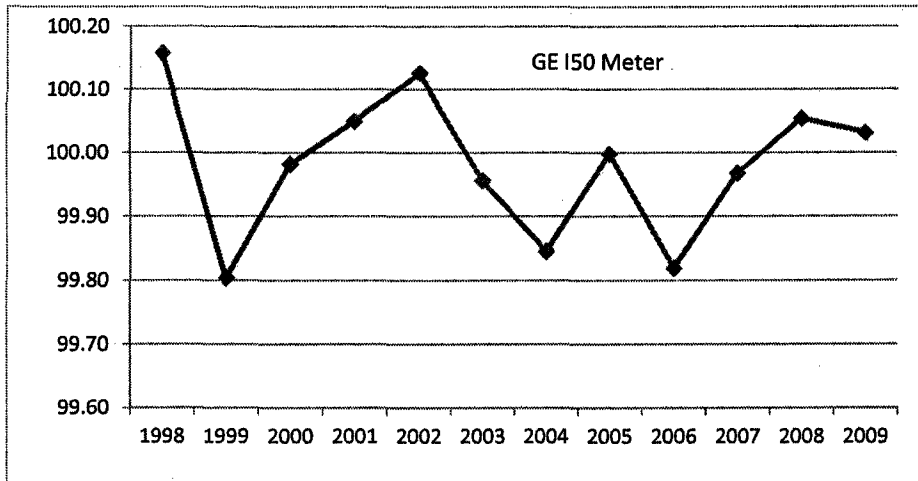
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Manufacture	Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	Type												
GE	I50	100.16	99.80	99.98	100.05	100.13	99.96	99.85	100.00	99.82	99.97	100.05	100.03
GE	I55	99.89	100.02	99.91	99.90	99.90	99.98	100.11	99.86	99.58	99.93	99.79	99.75
GE	I60	99.99	100.02	99.84	99.92	99.84	99.88	99.85	99.70	99.61	99.83	99.81	100.23
GE	I70	100.14	100.15	99.99	100.03	99.99	99.92	99.70	99.92	99.85	99.94	99.85	99.90
ABB	D4	99.98	100.06	99.98	99.81	99.94	99.75	99.81	99.80	99.85	99.84	99.79	
Schlumberger	J4	99.94	100.06	99.75	99.76	99.83	99.73	99.81	99.82	99.80	99.97	99.97	99.83
Schlumberger	J5	100.00	100.02	99.89	99.87	99.82	99.86	99.99	99.90	99.84	99.78	100.01	99.79
Landis Gyr	MQ	100.24	100.02	99.83	99.93	100.04	100.04	99.92	100.07	100.01	100.08	100.10	100.18
Landis Gyr	MS	100.05	100.00	99.94	100.02	99.93	100.00	100.06	99.94	100.03	100.00	99.99	99.85
GE IUSA	I70S						99.83	99.86	99.74	99.67	99.68	99.65	99.68
GE	I210								100.01	100.00	100.00	100.00	99.99
Landis Gyr	ALF								100.02	100.01	100.01	100.02	100.01

Meter Removed due to failed Test Results

Sangamo J2 and J3

Westinghouse D2,D3,D5

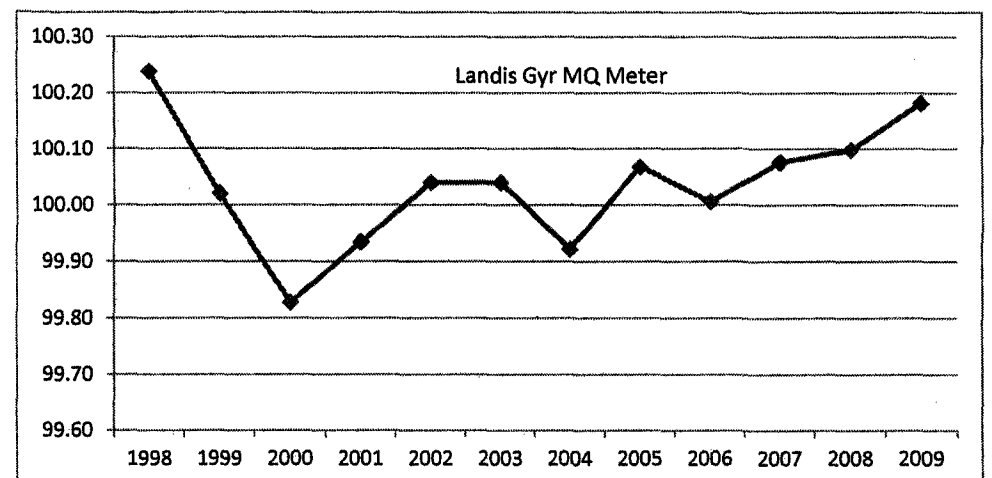
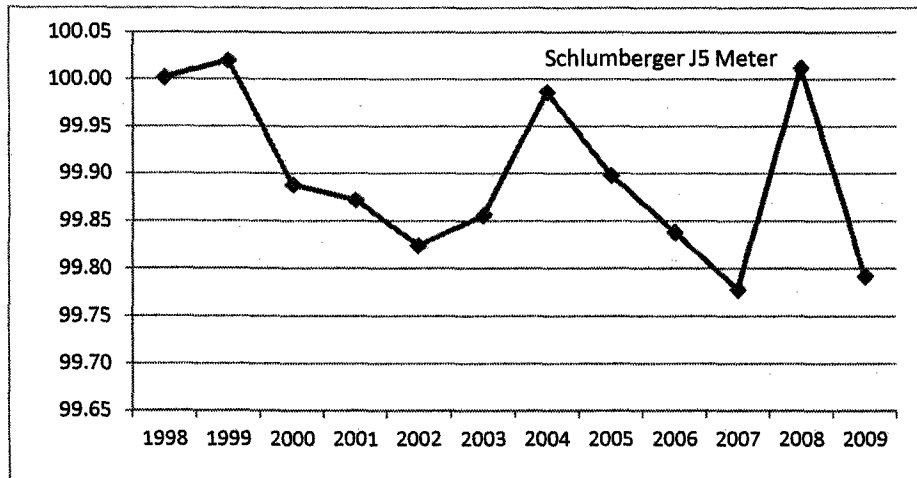
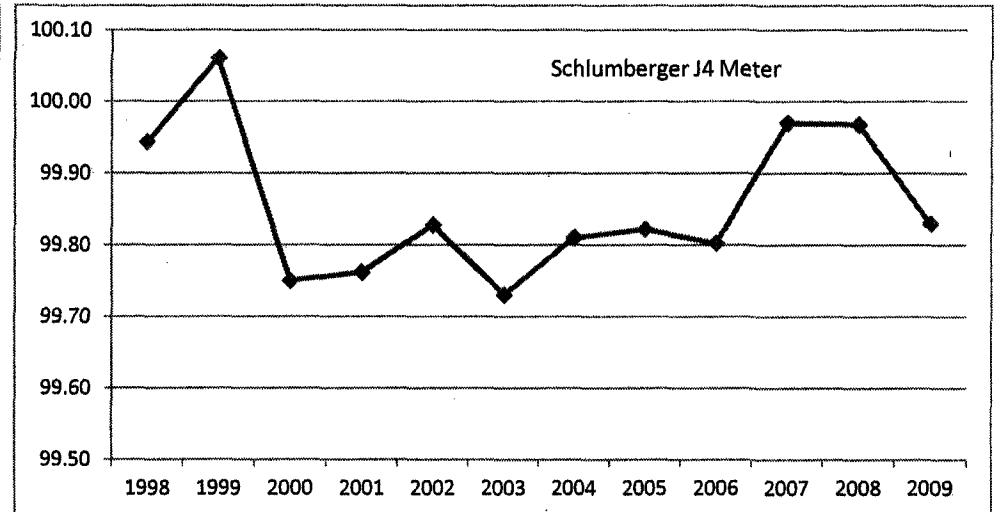
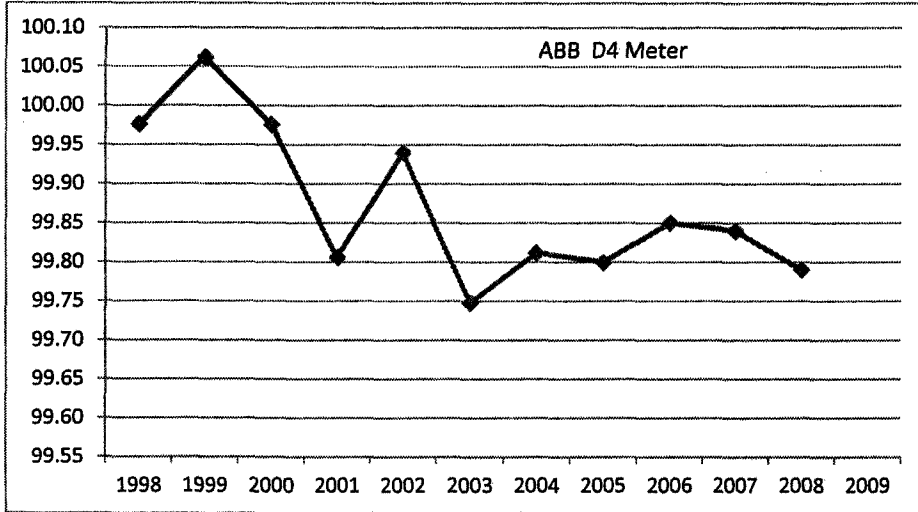




Oklahoma Gas and Electric  
 PUD 201100087

Response to: AARP 6-1

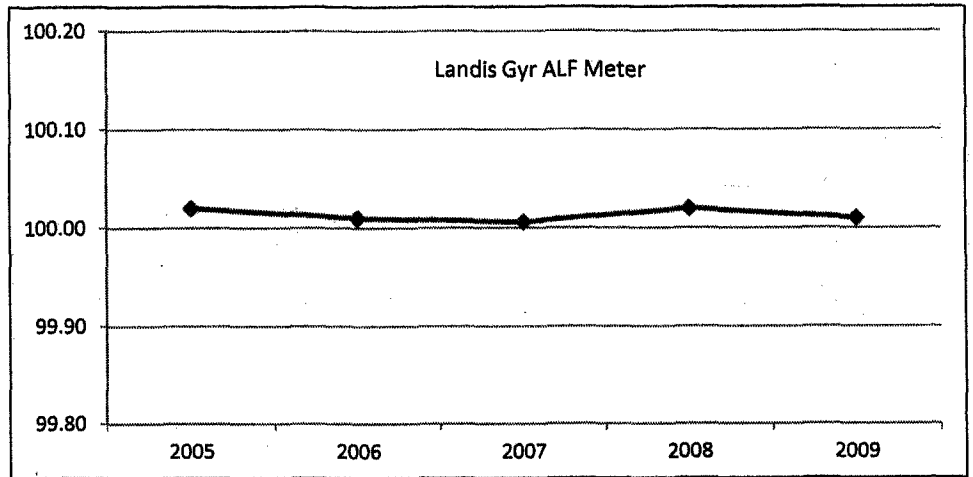
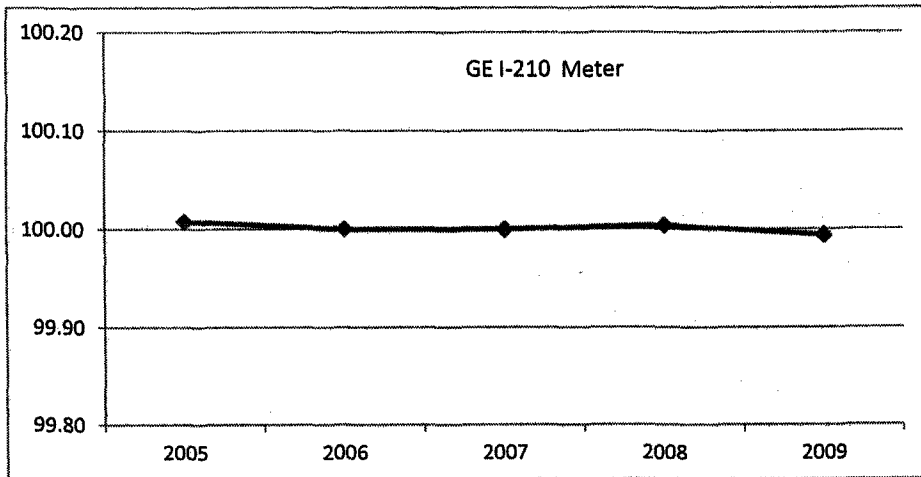
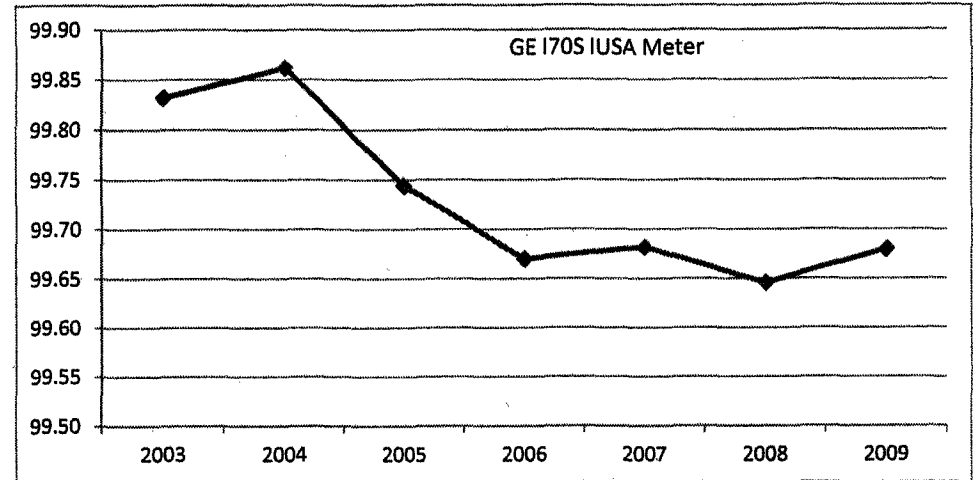
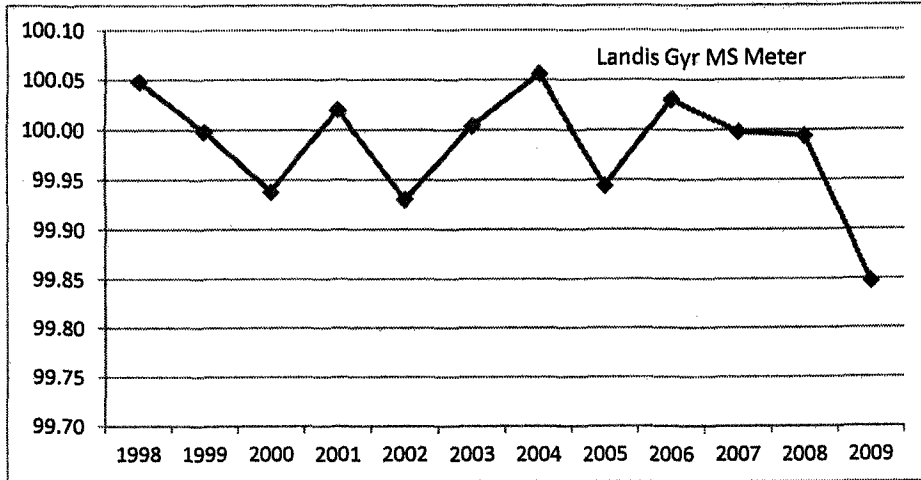
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Oklahoma Gas and Electric  
PUD 201100087

Response to: AARP 6-1

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Oklahoma Gas and Electric  
PUD 201100087

Response to: AARP 6-1

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2009 data from following link

<u>Installed Count (2009)</u>	<u>Avg</u>	<u>Wt Avg</u>		
20,677	99.98	2,067,345		
15,854	99.89	1,583,595		
30,703	99.88	3,066,524		
233,093	99.95	23,297,179		
63,892	99.86	6,380,021		
49,419	99.90	4,936,818		
1,449	100.04	144,955		
41,589	99.98	4,158,235		
91,607	99.73	9,136,045		
83,178	100.00	8,317,900 (See Note 1 Below)		
3,890	100.01	389,051		
<b>552,173</b>		<b>55,159,767</b>	<b>Sum (not including I-210 results)</b>	

<u>From 2009 workbook</u>		
I70S	99.90	233,093
I70S/IUSA	99.68	91,607

**99.896 Weighted Avg % (not including I-210 results)**

**100.001 I-210 Avg**

0.105 Difference between accuracy of I-210 and other meter types

0.105% Difference between accuracy of I-210 and other meter types

Notes

- 1 (I-210 used as expected case with change out of all these meter types to I-210+C which is same meter family as I-210 and expect equivalent results)
- 2 Current I-210+c will replace all these meter families
- 3 ABB D4's are no longer in our system

**Attorney General of Oklahoma**  
**Seventh Set of Data Requests**  
*Cause No. PUD 201100087*

**7-1 Rate Base: Please update the rate base adjustment number 14, Smart Grid Rider Assets to June 30, 2011 together with all related workpapers.**

Response\*: Please see attachment AG 7-1\_Att for the supporting calculations for Smart Grid Asset adjustment B 14 updated through June 2011. Also, the updated numbers for September 2011 are included in the support sheet.

Response sponsored by: Malini Gandhi  
Response provided on: November 3, 2011  
Contact & Phone No: Sheri Richard 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.

**Section B - Rate Base**

**W/P B 3-14**

**Updated through June 2011**

**OKLAHOMA GAS AND ELECTRIC COMPANY  
PRO FORMA ADJUSTMENTS - RATE BASE  
SMART GRID PLANT VALUES  
TEST YEAR ENDING DECEMBER 31, 2010  
CAUSE NO. PUD 201100087**

Line No.	Description	Ferc Account	Amount
	<b>PIS</b>		
1	Smart Grid assets installed	303	\$ (3,010,787)
2	Smart Grid assets installed	362	\$ (331,895)
3	Smart Grid assets installed	365	\$ (628,987)
4	Smart Grid assets installed	370	\$ (39,208,083)
5	Smart Grid assets installed	371	\$ (152,852)
6	Smart Grid assets installed	390	\$ (482,986)
8	Smart Grid assets installed	391	\$ (527,537)
9	Smart Grid assets installed	397	\$ (5,194,853)
10	Smart Grid assets installed	398	\$ (3,602)
11	Pro Forma Adjustment - decrease Plant in Service		<b>\$ (49,541,583)</b>
	<b>Accumulated Depreciation</b>		
12	Smart Grid assets installed	303	\$ 140,579
13	Smart Grid assets installed	362	\$ 15,497
14	Smart Grid assets installed	365	\$ 29,368
15	Smart Grid assets installed	370	\$ 1,830,694
16	Smart Grid assets installed	371	\$ 7,137
17	Smart Grid assets installed	390	\$ 22,551
18	Smart Grid assets installed	391	\$ 24,632
19	Smart Grid assets installed	397	\$ 242,557
20	Smart Grid assets installed	398	\$ 168
20	Pro Forma Adjustment - decrease Accumulated Depreciation	108	\$ 2,313,183
21	Pro Forma Adjustment - Accumulated Deferred Income Tax (ADIT)	190	\$ 8,204,473
			<b>\$ (39,023,926)</b>

**PURPOSE:**

This adjustment is for Rate Base items for Smart Grid assets recovered through the Rider

**A Rider Recovery Detail**

<u>NO.</u>	<u>DESCRIPTION</u>	<u>2010 TOTALS</u>	<u>June 2011</u>	<u>Sept 2011</u>
<b><u>Rate Base</u></b>				
1	Utility Plant	\$ 51,078,418	87,628,673	\$ 119,074,776
2	(Less) Contribution in Aid of Construction	\$ (22,006,023)	(38,087,089)	\$ (51,923,375)
3	Utility plant Net of DOE funding	<b>\$ 29,072,395</b>	\$ 49,541,584	\$ 67,151,402
4	Accumulated Provision for Depreciation	\$ (968,498)	\$ (2,313,183)	\$ (3,361,181)
5	Accumulated Deferred Income Taxes	\$ (5,745,251)	\$ (8,204,473)	\$ (13,146,517)
6	<b>Total Rate Base</b>	<b>\$ 22,358,646</b>	<b>\$ 39,023,927</b>	<b>\$ 52,335,784</b>
			<b>\$ 39,023,927</b>	<b>\$ 52,335,784</b>

**B Detail from Property per books**

Smart Grid Plant In Service by FERC as of 6/30/2011 and 9/30/2011

	6/30/2011	9/30/2011
FERC	Plant In Service	Plant In Service
303	3,010,787.21	4,031,138.37
362	331,895.34	520,004.94
365	628,986.52	2,159,578.52
370	39,208,082.88	49,020,776.55
371	152,852.40	1,057,509.13
390	482,986.45	2,156,467.49
391	527,536.67	527,536.67
397	5,194,853.06	7,674,786.74
398	3,602.45	3,602.45
	<b>49,541,582.98</b>	<b>67,151,400.86</b>

**Section B - Rate Base**  
**W/P B 3-14**

**OKLAHOMA GAS AND ELECTRIC COMPANY**  
**PRO FORMA ADJUSTMENTS - RATE BASE**  
**SMART GRID PLANT VALUES**  
**TEST YEAR ENDING DECEMBER 31, 2010**  
**CAUSE NO. PUD 201100087**

Line No.	Description	Ferc Account	Amount
	<b><u>PIS</u></b>		
1	Smart Grid assets installed	303	\$ (1,245,295)
2	Smart Grid assets installed	362	(180,507)
3	Smart Grid assets installed	365	(628,987)
4	Smart Grid assets installed	370	(23,859,410)
5	Smart Grid assets installed	371	(152,852)
6	Smart Grid assets installed	390	(346,982)
8	Smart Grid assets installed	391	(329,222)
9	Smart Grid assets installed	397	(2,129,603)
10	Smart Grid assets installed	398	(1,204)
11	Pro Forma Adjustment - decrease Plant in Service		<b>\$ (28,874,062)</b>
	<b><u>Accumulated Depreciation</u></b>		
12	Smart Grid assets installed	303	\$ 80,031
13	Smart Grid assets installed	362	532
14	Smart Grid assets installed	365	2,581
15	Smart Grid assets installed	370	775,620
16	Smart Grid assets installed	371	15,292
17	Smart Grid assets installed	390	5,000
18	Smart Grid assets installed	391	13,636
19	Smart Grid assets installed	397	75,525
20	Pro Forma Adjustment - decrease Accumulated Depreciation	108	<b>\$ 968,217</b>
21	Pro Forma Adjustment - Accumulated Deferred Income Tax (ADIT)	190	<b>\$ 5,701,741</b>
			\$ (22,204,104)

**PURPOSE:**

This adjustment is for Rate Base items for Smart Grid assets recovered through the Rider