

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

FILED
OCT 03 2017

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

APPLICATION OF PUBLIC SERVICE)
COMPANY OF OKLAHOMA, AN)
OKLAHOMA CORPORATION, FOR)
AN ADJUSTMENT IN ITS RATES AND)
CHARGES AND THE ELECTRIC)
SERVICE RULES, REGULATIONS AND)
CONDITIONS OF SERVICE FOR)
ELECTRIC SERVICE IN THE STATE)
OF OKLAHOMA)

CAUSE NO. PUD 201700151

RESPONSIVE TESTIMONY
OF
SCOTT NORWOOD

ON RATE DESIGN ISSUES

ON BEHALF
OF
OKLAHOMA INDUSTRIAL ENERGY CONSUMERS
("OIEC")

October 3, 2017

**Responsive Testimony of Scott Norwood
October 3, 2017
Rate Design Issues**

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1 **I. INTRODUCTION**

2

3 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

4 A. My name is Scott Norwood. I am President of Norwood Energy Consulting, L.L.C. My
5 business address is P.O. Box 30197, Austin, Texas 78755-3197.

6

7 **Q. WHAT IS YOUR OCCUPATION?**

8 A. I am an energy consultant specializing in the areas of electric utility regulation, resource
9 planning and energy procurement.

10

11 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND
12 PROFESSIONAL EXPERIENCE.**

13 A. I have over 35 years of experience in the electric utility industry. After graduating from
14 the University of Texas in 1980 with a Bachelor of Science degree in electrical
15 engineering, I began my career as a power plant engineer for the City of Austin's Electric
16 Utility Department where I was responsible for electrical maintenance and design
17 projects for the City's three gas-fired power plants. In January 1984, I joined the staff of
18 the Public Utility Commission of Texas ("PUCT" or "Commission") as Manager of
19 Power Plant Engineering. In that capacity, I was responsible for addressing resource
20 planning, fuel and purchased power cost issues presented in regulatory filings before the
21 PUCT. In 1986, I joined GDS Associates, Inc., a Marietta, Georgia-based electric utility
22 consulting firm. I was elected a Principal of GDS in 1990 and directed the firm's

1 Deregulation Services Department until January 2004, when I formed Norwood Energy
2 Consulting, LLC. The focus of my current consulting practice is utility regulatory
3 consulting.¹
4

5 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CASE?**

6 A. I am testifying on behalf of Oklahoma Industrial Energy Consumers (OIEC).
7

8 **Q: WHO IS OIEC?**

9 A: OIEC is an association, consisting of a diverse group of large consumers of energy with
10 facilities in Oklahoma, which is involved in regulatory and legislative matters primarily
11 involving natural gas and electric power related issues.
12

13 **Q: WHAT IS OIEC'S INTEREST IN THIS PROCEEDING?**

14 A: Electric power can constitute a significant percentage of industrial and other large energy
15 consumers' operating costs. Electric power supplies are generally purchased from
16 utilities such as PSO pursuant to standard tariffs filed at the Commission. Industries
17 served by PSO often operate in highly competitive business environments and, thus,
18 OIEC is interested in the Commission determining rates for PSO that achieve reliable
19 power supply at the lowest and most reasonable costs possible.
20

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

1 See Attachment SN-1 for a more detailed summary of my background and experience.

1 A. The purpose of my testimony is to address various deficiencies in Public Service
2 Company of Oklahoma's ("PSO" or "Company") proposed Fuel Cost Adjustment
3 ("FA") Rider and Southwest Power Pool Transmission Cost ("SPPTC") tariff.
4

5 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE OKLAHOMA**
6 **CORPORATION COMMISSION ("OCC")?**

7 A. Yes. I have filed testimony in over 200 electric utility regulatory proceedings including
8 numerous past proceedings before the OCC over the last 20 years. I have also filed
9 testimony in regulatory cases involving electric restructuring, base rate, fuel recovery,
10 power plant certification and demand-side management matters, before state regulatory
11 commissions in Alaska, Arkansas, Florida, Georgia, Illinois, Iowa, Kentucky, Louisiana,
12 Michigan, Missouri, New Jersey, Ohio, Oklahoma, Virginia, Washington, and
13 Wisconsin. I have testified on behalf of OIEC in a number of past PSO regulatory
14 proceedings, including base rate cases, fuel prudence cases, and proceedings involving
15 the Company's environmental compliance plan and generating resource investments.
16 Through this past work, I am familiar with PSO's system operations, generating
17 resources and ratemaking practices.
18

19 **Q. HAVE YOUR QUALIFICATIONS BEEN ACCEPTED BY THIS COMMISSION?**

20 A. Yes.
21

22 **Q. HAVE YOU PREPARED ANY EXHIBITS TO SUPPORT YOUR TESTIMONY?**

1 A. Yes. I have prepared 6 exhibits which are included with my testimony.

2

3

II. SUMMARY OF TESTIMONY

4

5 **Q. PLEASE SUMMARIZE YOUR TESTIMONY AND RECOMMENDATIONS.**

6 A. My testimony addresses certain deficiencies that exist with regard to PSO's Fuel
7 Adjustment Clause (FA) Rider and SPP Transmission Cost (SPPTC) tariff. With regard
8 to the FA Rider, which establishes the monthly Fuel Cost Adjustment (FCA) charges to
9 customers, PSO's existing tariff does not provide for customers adequate review of
10 monthly FCA charges or proposed changes to the FA Rider and allows the Company
11 inordinate latitude regarding the timing and level of FCA revisions. Moreover, in many
12 cases, customers are provided virtually no opportunity for advance review of the
13 reasonableness or need for FA Rider revisions before such revisions are placed into
14 effect. This lack of transparency and oversight in the rate setting process for the FA
15 Rider is particularly problematic for industrial and large commercial customers who use
16 large volumes of energy for their Oklahoma facilities. I recommend certain revisions to
17 PSO's FA Rider to provide for a more systematic annual FCA revision process which
18 revisions include an annual filing by the Company and provision for notice and a
19 hearing if requested by the parties. The scope of these proceedings would be limited to
20 the reasonableness of the annual FCA Fuel Factor calculation and PSO's forecast
21 underlying the proposed revisions, with issues regarding the prudence of expenses
22 recovered through the FCA and the final reconciliation of fuel cost over- and under-

1 recoveries for each rate class reserved for PSO's annual fuel adjustment clause prudence
2 review. I further recommend that PSO be required to provide electronic copies of its
3 existing monthly fuel reports to OIEC and other parties that have participated in the
4 Company's most recent base rate proceeding at the same time such reports are provided
5 to the PUD Staff so that customers can track the trends in PSO's fuel expenses and FCA
6 over- and under-recovery balances. I also recommend that the current provisions that
7 allow PSO to make interim adjustments to the FCA factor between annual FA Rider
8 revision filings be eliminated to provide greater certainty and stability in PSO's fuel
9 charges.

10 With regard to PSO's SPPTC tariff, it appears that PSO has virtually ignored
11 existing tariff provisions that were originally intended to require the Company to justify
12 the costs and benefits of such charges, and to address the reasonableness of third party
13 charges collected through the SPPTC tariff, which totaled approximately \$43 million in
14 the test year. To address this problem, I am recommending certain revisions to the
15 existing SPPTC tariff to explicitly require PSO to submit an annual filing to the
16 Commission along with testimony to support the Company's proposed annual SPPTC
17 factor. I recommend that these filings be made in the same proceeding that I have
18 recommended for purpose of addressing revisions to PSO's FA Rider. These filings
19 would be limited in scope to the reasonableness of the calculation of the proposed
20 revised SPPTC factor, with the issue of prudence reserved for PSO's next base rate case.
21 I further recommend that PSO be required to address the need for continued use of the
22 SPPTC in the Company's next base rate case. Finally, I recommend that the SPPTC

1 Tariff be revised to eliminate language that provides for interim adjustments to the
2 SPPTC when over- or under-recoveries exceed 10% of the amount reflected in the
3 current SPPTC tariff. Any such over- or under-recoveries can be addressed at the time
4 of the Company's next annual SPPTC Tariff revision filing.
5

6 **III. FUEL COST ADJUSTMENT RIDER (FA)**
7

8 **Q. PLEASE DESCRIBE PSO'S FA RIDER.**

9 A. PSO's FA Rider is designed to collect through the FCA factor certain qualified fuel and
10 purchased power expenses, and the accumulated over- and under-recoveries of such
11 expenses from customers.
12

13 **Q. DO YOU HAVE ANY CONCERNS WITH THE MANNER IN WHICH THE FA**
14 **RIDER IS CURRENTLY FUNCTIONING TO RECOVER PSO'S FUEL AND**
15 **PURCHASED ENERGY EXPENSE?**

16 A. Yes. While the current FA Rider generally is structured to properly collect PSO's fuel
17 and purchased power expenses from PSO's customers, the rider does not provide a
18 systematic or transparent process for review and approval of revisions to the FCA factor.
19 For example, the FA Rider does not require PSO to file testimony or schedules to
20 support changes to the FCA factor, and provides wide latitude to the Company to decide
21 when FCA revisions are implemented, as well as the level of such revisions. As shown

1 in Table 1 below, PSO's FCA charges have been revised four times at different times of
2 the year since May of 2015, with relatively large changes in the rate on each occasion.

3
4 Table 1

PSO FCA Revisions for SL1 and SL2 Customers

<u>Effective Date</u>	<u>SL1</u> <u>Rate, \$/kWh</u>	<u>%Change</u>	<u>SL2</u> <u>Rate, \$/kWh</u>	<u>%Change</u>
May 2015	\$0.029132		0.028993	
January 2016	\$0.020560	-29.4%	0.019326	-33.3%
November 2016	\$0.026295	27.9%	0.025206	30.4%
May 2017	\$0.028278	7.5%	0.028475	13.0%

5
6 Over this period, the magnitude of the changes in FCA factor charges has been
7 comparable to rate changes that have been implemented in PSO in base rate proceedings;
8 however, the FCA changes have been more frequent and they have been implemented
9 without testimony or hearings, and with relatively little regulatory oversight. The
10 variability and frequency of changes to PSO's fuel charges is no doubt difficult for all
11 customers, but it is particularly problematic for large commercial and industrial
12 customers who use large amounts of energy and whose annual operating budgets and
13 investment decisions are significantly influenced by electricity costs.

14
15 **Q. WHY HAVE PSO'S FCA CHARGES BEEN SO VOLATILE OVER THE LAST**
16 **SEVERAL YEARS?**

1 A. For the most part, the changes in the FCA reflected in Table 1 appear to have been
2 driven by volatility in natural gas prices. As shown in Table 2 below, natural gas prices
3 during this period were also very volatile.
4

5 Table 2

NYMEX Annual Average Gas Prices

	<u>\$/MMBtu</u>	<u>%Change</u>
2013	\$3.65	
2014	\$4.42	21.0%
2015	\$2.66	-39.7%
2016	\$2.46	-7.7%
2017	\$3.17	28.7%

Source: GSFI.net.

6

7 **Q. DO YOU EXPECT GAS PRICE VOLATILITY WILL CONTINUE TO**
8 **CONTRIBUTE TO VOLATILITY IN PSO'S FCA CHARGES IN THE FUTURE?**

9 A. Yes. In fact, with the retirement of PSO's Northeastern Unit 4 coal unit in April of
10 2016, PSO has become even more reliant on natural gas and SPP market energy
11 purchases (which are also influenced by gas prices). These changes are likely to increase
12 the effects of gas price volatility on PSO's system in the future.

13

14 **Q. DO YOU HAVE ANY RECOMMENDED CHANGES TO PSO'S FA RIDER TO**
15 **PROVIDE GREATER TRANSPARENCY AND OVERSIGHT OF THE**
16 **COMPANY'S FUEL CHARGES?**

1 A. Yes. I have five major recommendations to improve the oversight and performance of
2 PSO's FCA factor in the future. First and foremost, I recommend that PSO be required
3 to file an application with the OCC to revise the FCA factor on an annual basis. I
4 recommend that such applications be filed 60 days prior to the first billing cycle in
5 October, when the proposed FCA rates would be scheduled to become effective.

6

7 **Q. WHY ARE YOU RECOMMENDING THAT THE EFFECTIVE DATE OF PSO'S**
8 **FCA REVISIONS BE MOVED FROM NOVEMBER TO OCTOBER EACH**
9 **YEAR?**

10 A. Many industrial and large commercial customers establish operating budgets which
11 include amounts designated for annual electricity charges. The changes to PSO's FCA
12 charges could have a material impact on these customers' budgets and having this
13 information available in October of each year will allow it to be included in the normal
14 budgeting cycles for most customers.

15

16 **Q. WHAT INFORMATION WOULD PSO BE REQUIRED TO INCLUDE IN ITS**
17 **FCA RATE FILING PACKAGE?**

18 A. PSO's FCA rate filing package should include testimony and schedules that present the
19 FCA calculation, the underlying forecast of costs supporting the FCA, a discussion of the
20 primary factors that are causing the need for the FCA revision, and estimated impacts of
21 the proposed FCA revision on customers for each rate class. Moreover, I recommend
22 that the underlying forecast provided in support of the FCA revisions include detailed

1 assumptions of the forecast, including expenses by energy supply resource and the
2 associated energy sales for each month of the annual period in which the proposed FCA
3 is expected to be in effect.

4
5 **Q. WOULD OIEC AND OTHER INTERESTED PARTIES HAVE ACCESS TO**
6 **PSO'S FILING PACKAGE UNDER YOUR PROPOSAL?**

7 A. Yes. I recommend that PSO be required to supply a complete electronic copy of the
8 FCA petition and rate filing package to each party in the Company's most recent base
9 rate proceeding at the same time it makes the filing with the OCC.

10
11 **Q. WOULD THERE NEED TO BE A HEARING TO ADDRESS ANY DISPUTED**
12 **ISSUES REGARDING PSO'S PROPOSED FCA FACTOR REVISIONS?**

13 A. Not necessarily, however, I recommend that interested parties have the right to object to
14 PSO's proposed FCA factor revisions and request a hearing within 15 days of the filing
15 of the FCA petition to address any significant issues that may arise on PSO's proposed
16 FCA revisions. I would expect that the need for a contested hearing would be
17 infrequent in light of the limited scope and relatively short-term nature of the FAC
18 forecast, and due to the FAC revisions I am recommending to provide more timely true-
19 up of monthly over-recoveries.

20
21 **Q. WHAT IS YOUR SECOND RECOMMENDED REVISION TO PSO'S FA**
22 **RIDER?**

1 A. I recommend that the tariff be revised to eliminate the current provision for interim
2 adjustments. The existing provision provides PSO with wide latitude to adjust its fuel
3 charges “whenever the annual cost of fuel begins to vary significantly from the cost used
4 in the annual fuel cost adjustment factor or the over/under-recovered balance is
5 \$50,000,000 or more.” There are simply too many situations in which the above
6 standard could arguably apply without a significant need for adjusting the FAC. For
7 example, over the last five years PSO has adjusted its FCA charges 9 times, and 5 of
8 those adjustments were made under the interim adjustment provision of the FA Rider.²
9 In contrast, PSO’s affiliates in Texas and Arkansas made one interim adjustment of their
10 fuel charges over the last five years.³

11 Moreover, it is not necessary for PSO to make interim adjustments since the FAC
12 factor formula already provides for ongoing adjustments to address fuel over- and under-
13 recoveries, and therefore has a self-correcting mechanism that will tend to offset
14 sustained over- or under-recoveries. Eliminating the interim adjustment provision will
15 provide customers with greater certainty of the timing and level of changes to PSO’s fuel
16 charges and will simplify regulatory oversight and monitoring of PSO’s FCA charges.

17
18 **Q. WHAT IS YOUR THIRD RECOMMENDED REVISION TO PSO’S FA RIDER?**

19 A. I recommend that the DEFS term of the FCA formula be modified to shorten the period
20 over which accumulated fuel over-recovery balances are refunded to customers from 12

2 See Exhibit SN-2, which is a supplemental attachment to PSO’s existing FA Rider tariff.

3 See Exhibit SN-3, PSO’s response to OIEC 11-7 and OIEC 11-8.

1 months to 1 month. This proposed revision will help minimize over-recovery impacts on
2 customers and reduce any incentive for the Company to overstate fuel costs. By more
3 quickly refunding fuel over-recoveries, this revision should further reduce the need for
4 interim adjustments.

5
6 **Q. WHAT IS YOUR FOURTH RECOMMENDED REVISION TO PSO'S FA
7 RIDER?**

8 A. I recommend that the FA Rider be revised to require that PSO provide electronic copies
9 of the FCA reports that it provides each month to the PUD staff, to each party in the
10 Company's most recent base rate or FCA revision proceeding.

11
12 **Q. WHAT IS YOUR FIFTH RECOMMENDED REVISION TO PSO'S FA RIDER?**

13 A. I recommend that the OSEC term of the FCA formula be modified to explicitly exclude
14 net revenues earned from SPP energy sales from the margin sharing provision that
15 currently applies to off-system sales. The net revenues earned from sales into the SPP
16 energy market are fundamentally different from margins earned on bilateral off-system
17 energy sales that were made by PSO before the SPP Integrated Market was
18 implemented. PSO is one of many participants in the SPP market and it supplies
19 virtually all of its energy to the market and purchases all of its energy from the market.
20 Under this new construct, decisions regarding when PSO's generating units will be
21 dispatched are made by SPP and the generating resources that are selected to serve
22 PSO's energy requirements are also determined by SPP. PSO needs no financial

1 incentive to continue its participation in the SPP market and bears virtually no risk of
2 cost recovery for energy it purchases or sells into the SPP market.

3
4 **Q. HAVE YOU PREPARED A REVISED VERSION OF PSO'S FA RIDER THAT**
5 **REFLECTS YOUR RECOMMENDATIONS?**

6 A. Yes. A redlined copy of my recommended FA Tariff is attached as Exhibit SN-4 of my
7 testimony.

8
9 **IV. SOUTHWEST POWER POOL TRANSMISSION COST (SPPTC) TARIFF**

10
11 **Q. PLEASE DESCRIBE PSO'S SPPTC TARIFF.**

12 A. PSO's SPPTC Tariff is designed to collect projected Base Plan (Schedule 11 of the SPP
13 Open Access Transmission Tariff) charges, including any credits or refunds, associated
14 with projects constructed by third party transmission owners, excluding Oklahoma
15 Transco.

16
17 **Q. WHAT LEVEL OF SPP CHARGES WAS COLLECTED THROUGH PSO'S**
18 **SPPTC TARIFF DURING 2016?**

19 A. PSO's testimony in this case indicates that the Company collected approximately \$42.88
20 million of SPP charges through its SPPTC Tariff during 2016. 4

21

4 See Table on page 54 of PSO Witness Hamlett's direct testimony.

1 Q. DO YOU HAVE ANY CONCERNS WITH THE MANNER IN WHICH THE
2 SPPTC TARIFF IS CURRENTLY FUNCTIONING TO RECOVER SPP BASE
3 PLAN CHARGES?

4 A. Yes. The SPPTC Tariff includes the following explicit provisions that require PSO to
5 make annual filings to support charges recovered under this rider:
6

7 Beginning in 2015, and continuing each year thereafter, the Company will
8 file re-determined SPPTC factors according to these tariff provisions.
9 Calculations for the re-determined rates shall be made by the application of the
10 SPPTC formula set forth in this tariff. The Company shall file information
11 sufficient to document and support the reasonableness of the projected SPP
12 Expenses, the True-up amounts during the previous period, and the re-determined
13 SPPTC rates with each annual re-determination.

14 With the filing, the company shall provide the projected revenue impact
15 of the annual SPP Expense re-determination for each major customer class. The
16 company shall also provide any information or studies regarding the economic
17 benefit or analysis to customers associated with the eligible incremented SPP
18 expenses.

19 The company will address the reasonableness of SPP Expenses collected
20 through the SPPTC during the next PSO base rate case and in future base rate
21 cases. Based on the review by the Commission Staff and parties in the next base
22 rate case, any over or under recovery of SPP Expenses collected through the
23 SPPTC shall be refunded to or collected from customers with interest calculated
24 at the applicable Commission established interest rate applied to customer
25 deposits for deposits held one year or less, or the interest rate applied to customer
26 deposits held for more than one year.
27

28 As discussed in the Responsive Testimony of OIEC witness Mark Garrett filed
29 in this case on September 21, 2017, the Company appears to have largely ignored the
30 requirement under the SPPTC to support its charges in this case. In fact, except for the
31 brief mention of the SPPTC charges in Mr. Hamlett's testimony, no PSO witness

1 addresses the reasonableness of specific charges collected through the SPPTC during the
2 test year or in periods since the test year in the Company's last base rate case.

3
4 **Q. WHY IS IT ESSENTIAL THAT PSO COMPLY WITH THE REQUIREMENTS**
5 **THAT IT SUPPORT SPP BASE PLAN CHARGES RECOVERED THROUGH**
6 **THE SPPTC TARIFF?**

7 A. The SPP Base Plan charges are third-party charges for transmission services that are
8 based in part on projected costs that are subject to future true-up. The final amount of
9 these third-party charges is not known at this time. Moreover, in most cases, such
10 charges are made pursuant to formula rates that have been administratively approved by
11 the FERC in instances where no party (such as PSO) has intervened to question the
12 reasonableness of the proposed formula rates. As noted in the Responsive Testimony of
13 Mr. Garrett, PSO admits that over the last five years the Company has intervened in only
14 4 cases before the FERC to challenge third party formula rates. Given the magnitude of
15 the charges collected through the SPPTC, PSO's failure to address the reasonableness of
16 specific charges collected through the SPPTC tariff in its testimony as the tariff requires
17 creates a serious a serious deficiency with regard to reasonableness of such costs that
18 cannot be resolved.

19
20 **Q. HOW HAS PSO ATTEMPTED TO JUSTIFY ITS FAILURE TO EXPLICITLY**
21 **ADDRESS ITS OBLIGATION TO SUPPORT THE REASONABLENESS OF SPP**
22 **BASE PLAN CHARGES RECOVERED THROUGH THE SPPTC?**

1 A. PSO's responses to OIEC's discovery requests for evidence of the Company's efforts to
2 support the reasonableness of SPP Base Plan charges recovered through the SPPTC tariff
3 suggests that the Company believes it is not required to ensure the reasonableness of
4 third party transmission owner charges that are recovered through the SPP tariff.⁵
5

6 **Q. DO YOU HAVE ANY RECOMMENDED CHANGES TO PSO'S SPPTC TARIFF**
7 **TO CLARIFY THE COMPANY'S OBLIGATION TO SUPPORT SPP BASE**
8 **PLAN CHARGES RECOVERED THROUGH THE SPPTC TARIFF?**

9 A. Yes. I have three primary recommendations which are intended to improve the
10 performance of PSO's existing SPPTC Tariff. First, I recommend that annual revisions
11 to the SPPTC Tariff be made subject to review and approval by the OCC. In this
12 regard, I recommend that PSO shall file an application with the OCC to revise the
13 SPPTC Rider each year, 60 days prior to the first billing cycle in October, when the
14 proposed rates are expected to be placed in effect. This filing would be made in the
15 same proceeding that I recommend to address annual changes to PSO's Fuel Adjustment
16 (FA) Rider. The Company would be required to provide a rate filing package that
17 includes testimony and schedules that support the SPPTC factor calculation, the
18 underlying costs supporting the revision, a discussion of the primary factors that are
19 causing the need for the revision, and estimated impacts of the proposed SPPTC revision
20 on customers for each rate class. I recommend that PSO be required to provide a
21 complete electronic copy of the SPPTC revision petition and filing package to each

5 See Exhibit SN-5, PSO's responses to OIEC 14-9 and 14-10.

1 party in the Company's most recent base rate or SPPTC revision proceeding, concurrent
2 with the OCC filing. The scope of this SPPTC revision proceeding would be limited to
3 the reasonableness of the SPPTC calculation. Issues regarding prudence of the
4 underlying SPPTC charges and the final reconciliation of any over- or under-recovery of
5 SPPTC expenses will be reserved for the Company's next base rate proceeding. I further
6 recommend that any party may request a hearing on the proposed SPPTC revision by
7 filing an objection with the OCC within 15 days of the filing of the joint FCA/SPPTC
8 application.

9
10 **Q. WHAT IS YOUR SECOND RECOMMENDED REVISION TO PSO'S SPPTC**
11 **TARIFF?**

12 A. My second primary recommendation is to make explicit that the Company has an
13 ongoing obligation to provide testimony which addresses the reasonableness of third
14 party charges recovered through the SPPTC in future base rate proceedings. In this
15 regard, I recommend that in each base rate case the Company must provide testimony to
16 support the reasonableness of expenses recovered through the SPPTC that have not been
17 previously reviewed and approved by the Commission, as well as the reasonableness of
18 any over- or under-recovery of such expenses.

19
20
21 **Q. WHAT IS YOUR THIRD RECOMMENDED REVISION TO PSO'S SPPTC**
22 **TARIFF?**

1 A. I recommend that the current provision for the Company to implement interim
2 adjustments to the SPPTC tariff at any time when an over-recovery of under-recovery of
3 expenses exceeds 10% be eliminated, since the SPPTC tariff already provides for
4 addressing over- and under-recoveries of SPPTC costs in a future base rate proceeding.
5

6 **Q. HAS PSO PROPOSED ANY MODIFICATIONS TO THE SPPTC TARIFF IN**
7 **THIS CASE?**

8 A. Yes. PSO has recommended a provision to “require a broader review of the SPPTC
9 filing” in instances when an SPPTC revision results in an increase that exceeds 50%. I
10 recommend that this proposed provision not be adopted since it suggests that lesser
11 scrutiny of costs is justified as long as SPPTC increases are lower than 50%. The
12 wording I have suggested to clarify PSO’s existing obligation to support SPP charges
13 recovered through the SPPTC tariff should be sufficient to address any level of increase
14 in SPPTC charges if consistently enforced in future rate cases.
15

16 **Q. HAVE YOU PREPARED A REVISED VERSION OF PSO’S SPPTC TARIFF**
17 **THAT REFLECTS YOUR RECOMMENDATIONS?**

18 A. Yes. A redlined copy of my recommended revisions to PSO’s SPPTC Tariff is attached
19 as Exhibit SN-6 of my testimony.
20

21 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

22 A. Yes.