

**BEFORE THE CORPORATION COMMISSION OF OKLAHOMA**

APPLICATION OF PUBLIC SERVICE )  
COMPANY OF OKLAHOMA, AN )  
OKLAHOMA CORPORATION, FOR )  
AN ADJUSTMENT IN ITS RATES AND ) CAUSE NO. PUD 201500208  
CHARGES AND THE ELECTRIC )  
SERVICE RULES, REGULATIONS AND )  
CONDITIONS OF SERVICE FOR )  
ELECTRIC SERVICE IN THE STATE )  
OF OKLAHOMA )

**AARP RESPONSE TO PSO’S MOTION TO MODIFY ORDER NO. 657877**

COMES NOW AARP and hereby files its Response to PSO’s Motion to Modify Order No. 657877 and requests the Commission take the actions set forth below.

The Commission scheduled a hearing on this matter and noticed this hearing so that all interested parties may appear and be heard and, after such hearing, that it may “grant such relief as it deems reasonable, fair, necessary, proper and equitable in the circumstances, whether or not specifically requested.”

The Final Order as issued provides PSO recovery of ALL investment made within not only the test year, but also the six months beyond the test year. The Commission also provided PSO a regulatory asset to reflect the costs of the environmental investments being made beyond this period. PSO’s claim to the press that the “order did not grant PSO adequate revenues to reflect the investments we've already made and the expenses we've incurred” is downright misleading.<sup>1</sup> PSO received every single penny of investment and expense from the test year in the Final Order, in addition to a regulatory asset for recovery of substantial investments made well beyond the test year.

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<sup>1</sup> Monies, P. “PSO Customers to Get Refund as Regulators Approve Rate Case.” The Oklahoman, Nov. 11, 2016 at <http://newsok.com/article/5526497>

Moreover, the Commission's Order also provided PSO substantial additional benefits, such as removing the sunset provision for the advanced metering infrastructure (AMI) rider and allowing the unlimited and uncapped recovery of non-fuel items like limestone, sodium bicarbonate, activated carbon, and calcium bromide, from customers through PSO's fuel rider (which is also contrary to Commission Order No. 647346.) In addition, of the \$14.4 million rate increase adopted by the Final Order, 99% of this increase (approximately \$14.3M) will be borne by PSO's residential customers.

AARP points out these issues because the Final Order as a whole should be kept in mind when evaluating the proposed modifications requested by PSO in its Motion.

**A. UPDATE AND STREAMLINE THE INTERIM RATE REFUND ORDERED IN THIS MATTER**

PSO has requested the Commission modify the Final Order as it relates to interim refunds. In response to this request, and the Commission's authority to grant relief it deems reasonable and equitable, AARP requests that the Commission require that refunds be made more quickly than in equal installments over the approximate year as provided for in the Final Order. **Nothing prevents PSO from returning the overcharged base rates in a much timelier manner. Because of this, there is no need to spread payments out over a year or that they be in equal installments. PSO can provide a single credit (or credits over a few months) to return the overcharged rates plus interest to its customers.**

PSO's account holders were over charged by the unilateral imposition of interim rates by PSO and these account holders deserve refunds, and they deserve refunds now. In addition to timely refunds, the Commission should require PSO to state on the record at the hearing that PSO is refunding interest on ALL interim rates charged starting on January 15, 2016.

To ensure each account holder is refunded the amount of base rate overcharges since January 15, 2016, AARP requests that the Commission address the following:

1. Require PSO to re-run all account billing from the interim rate period with the approved base rate level to determine the specific amount of refund due to each account holder.
2. Upon completion of specific refunds as described above, require PSO to verify it has re-run all invoices issued to account holders during the interim rate period at the appropriate rates and credited each account number the full amount of the overcharge, including interest for the entire period of the overcharge that began on January 15, 2016, within 90 days of February 1, 2017.
3. Require PSO to report to PUD Staff identifying all accounts owed refunds that are no longer on PSO's system and the amount PSO has not yet been able to refund directly to account holders.
4. Any interim rate refunds (plus interest) that cannot be returned to the customer/account holder should be returned to the customer class through a single monthly credit on customers' bills.

Adopting the above clarifications would provide PSO the time it has requested to be able to identify on its customers' bills the amount of the interim rate refund being credited. In return, it provides refunds faster, reassures customers they are receiving a refund for the full amount of the overcharge plus interest, and ensures that each specific account is being refunded the appropriate amount due to customers from the company.

**To accomplish this, in the ruling on PSO's Motion to Modify, AARP requests the following ruling in response to PSO's request to modify the final order:**

*On page 12 of the Final Order, the Commission made some general recommendations on the refund of interim rates. PSO has requested the Commission make modifications to this section to respond to certain technical and timing issues regarding the implementation of the interim rate refund line item on the bill. To respond to PSO's request to modify and to provide additional specifications regarding the calculation and timing of these refunds to PSO's customers, the Commission strikes and replaces in full the paragraph on page 12 through 13 of its Final Order in the section on **Interim Rate Refund** with the following:*

***NEW SECTION \*\* Interim Rate Refund***

*The Commission finds that on January 15, 2016, PSO implemented an interim rate adjustment applicable to the base rate charges of all PSO's retail customers. The Commission further finds that PSO's interim rate adjustment was implemented subject to refund along with interest. The Commission finds that a refund to customers is appropriate and necessary because the interim rates imposed by PSO exceed the rates approved by this Final Order. The Commission orders that the refund shall include interest at the one-year U.S. Treasury Bill rate on all interim rates collected since January 15, 2016.*

*PSO shall recalculate all bills that were previously calculated at interim rates to determine the total amount of refund due to each account holder. PSO shall have 90 days from February 1, 2017, to refund the overcharged rates to its account holders and such refunds shall appear as a line item credit on customers' bills.*

*For all accounts that cannot be directly refunded due to the account being closed (with no new account with PSO at another location) by May 2, 2017, PSO shall provide a report by May 15, 2017, to PUD Staff identifying all such accounts and the total amount of refunds due by account and in total that have yet to be refunded. Once PUD Staff confirms the accounts/customers are no longer on PSO's system, the remaining refund amount shall be provided as a bill credit across each customer class as directed by PUD Staff.*

**B. REJECT PSO’S REQUEST TO CHANGE THE ORDER REGARDING THE SYSTEM RELIABILITY RIDER (SRR) – VEGETATION MANAGEMENT AND SYSTEM MAINTENANCE**

Public Service Company of Oklahoma (PSO) is requesting the Commission to modify its finding that the SRR rider shall be terminated and for PSO to recover \$21,725,896 in rates.<sup>2</sup> PSO wants the Commission to extend the rider to collect costs and investment that fall outside the test year, which they refer to as “lag.” AARP objects to PSO’s requested modification and such modification will have significant financial impacts on customers.

In the Final Order, the Commission already embedded in revenues the full annual amount collected by PSO through the SRR. See PSO Workpaper H-2.37 (part of PSO MFR) attached at Att. 1 and Final Order Accounting Schedule attached as Att. 2. In addition, all capital expenditures made to its system, including those carried in the SRR during the test year, are already reflected in rate base on which a return is being paid as reflected in the Final Order. PSO’s complaint relates to those matters that fall outside the test year. As to the capital costs, PSO refers to the capped amount of \$7.7M in the tariff for the potential recovery of depreciation, property taxes and return that falls outside the test year. Moreover, PSO has failed to provide any references to the record or any evidence to support its requested recovery amounts within the record.

The “lag” PSO refers to is the mismatch of the test year, but of course they fail to explain that this becomes single issue ratemaking because they want the Commission to reach outside the test year to include additional investment and expenses without any regard for actual expenses and revenues that would match the period of this supposed “lag.” PSO incorrectly claims that their

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<sup>2</sup> PSO appears to utilize the rider cap amount in the tariff of \$23.685M in its Motion. However, the test year amount identified by PSO in its workpaper H-2.37 and by Final Order No. 657877 is in fact \$21.725M. See also Resp. Test. of Champion on behalf of PUD, Cause No. PUD 2015-208, Oct. 23, 2016, pp.9,11-12 and Report and Recommendation of the Administrative Law Judge, Cause No. PUD 2015-208, May 31, 2016, pp.162-63.

request would be revenue neutral, but that is incorrect. PSO fails to include any recognition of lag that runs in the other direction (to the benefit of the company) when making its unsupported claims. This becomes a one-sided exercise which is why it is contrary to acceptable rate making principles to treat items in the manner requested by PSO. Therefore, the Commission should not make any modifications to the Final Order regarding the SRR and should deny PSO's request for special treatment to capture expenses and capital investment that occurred outside the test year as requested in its Motion to Modify.

### **C. CONCLUSION**

In response to PSO's Motion to Modify, AARP respectfully requests that the Commission: (1) allow PSO additional time to produce line item accounting of customer refunds as described in detail above, and in turn, require specific and timely refunds of interim rates plus interest; and (2) reject PSO's request to modify the Final Order with regards to the SRR rider.

**Attachment 1**            **PSO Workpaper H-2.37 (part of PSO Minimum Filing Requirement)**  
**Attachment 2**            **Final Order No. 657877, Final Order Accounting Schedule,  
Explanation of Final Order Adjustments to Operating Income, Test  
Year Ended January 31, 2015**

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

This is to certify that a true and correct copy of the above and foregoing document was delivered via e-mail on the 28<sup>th</sup> day of November 2016, to the following persons:

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PUBLIC SERVICE COMPANY OF OKLAHOMA  
PRO-FORMA ADJUSTMENT  
SYSTEM RELIABILITY RIDER (SRR) ADJUSTMENT  
FOR THE TEST YEAR ENDING JANUARY 2015

	(1)	(2)	(3)	(4)
Line No.	Description	Schedule Reference	Total Company Per Books	FERC Account
1	SRR RIDER		\$ (21,725,896)	593
2	Total		<u>\$ (21,725,896)</u>	

Expense = Increase / (Decrease)

PURPOSE

To exclude from the cost of service expenses related to distribution vegetation management and system hardening recovered through the System Reliability (SRR) Rider. The discussion of this adjustment can be found in the testimony of Mr. Randall Hamlett.



**Final Order Accounting Schedule PSO**  
**Explanation of Final Order Adjustments to Operating Income**  
**Test Year Ended January 31, 2015**  
**Cause No. PUD 201500208**

Final Order Adj. No.	Adjustment Description	IMPACT ON REVENUE REQUIREMENT		
		( A ) Decrease	( B ) Increase	Net Incr/(Decr)
1	To adjust Annual Incentives - Garrett	\$ (8,152,488)		
2	To adjust Depreciation Expense - Garren	\$ (27,398,407)		
3	Amortization of Non-AMI Meters - Thompson		\$ 1,749,592	
4	To adjust Ad Valorem Taxes - Thompson	\$ (2,133,195)		
5	To adjust Factoring Expense - Thompson	\$ (297,186)		
6	Payroll Adjustment - Rush	\$ (1,500,134)		
7	Payroll Tax Adjustment - Rush	\$ (104,334)		
8	Rate Case Expenses Patel	\$ (131,493)		
9	To include vegetation management revenues in base rate revenues And to include Vegetation management expenses in operating expenses - Champion	\$ (21,374,304)	\$ 21,725,896	
10	Miscellaneous Sales Expense - Patel	\$ (183,241)		
11	Rate Case expenses related to Expert Witness Costs - Patel		\$ 555,601	
ALJ 1	SERP Adj Page 162 of ALJ Report	(468,192)		
ALJ 2	Employee Medical Expenses	(864,257)		
AG Exceptions	Revenue Normalization 6-month post test		\$ 3,717,125	
PSO - Knight	Northeastern 4 O&M		\$ 1,954,299	
Total Adjustments to operating income		<u>\$ (62,607,231)</u>	<u>\$ 29,702,513</u>	<u>\$ (32,904,718)</u>