BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF OKLAHOMA NATURAL GAS COMPANY, A DIVISION OF ONE GAS, INC., FOR APPROVAL OF ITS PERFORMANCE BASED RATE CHANGE PLAN CALCULATIONS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2019, ENERGY EFFICIENCY TRUE-UP AND UTILITY INCENTIVE ADJUSTMENTS FOR PROGRAM YEAR 2019, AND CHANGES OR MODIFICATIONS TO ITS TARIFFS

APPLICATION

Oklahoma Natural Gas Company, a division of ONE Gas, Inc. ("Oklahoma Natural" or the "Company") hereby requests an order of the Oklahoma Corporation Commission ("Commission") approving (a) the calculations for the twelve months ending December 31, 2019, presented by the Company according to the requirements of the Company's Tariff 1201, also known as the Performance Based Rate Change Tariff ("PBRC Tariff"), (b) the energy efficiency true-up and utility incentive adjustments for program year 2019, and (c) certain modifications to its tariffs. In support of this Application, Oklahoma Natural states as follows:

PARTIES

Oklahoma Natural is a natural gas public utility serving approximately 880,000 residential, commercial, and industrial customers throughout the State of Oklahoma. Its rates, charges, and terms and conditions of service are subject to regulation by the Commission. Oklahoma Natural’s principal office is located at 401 North Harvey Avenue, P.O. Box 401, Oklahoma City, Oklahoma, 73101. The name, address and telephone number of Oklahoma Natural’s counsel of record is stated below.
ALLEGATIONS OF FACT

1. In its Order No. 567498 dated April 30, 2009, in Cause No. PUD 200800348, the Commission approved a Performance Based Rate Change mechanism for the collection of Oklahoma Natural’s base rates. Order No. 567498 established a dead-band on either side of an Allowed Return on Equity ("AROE") and a methodology for calculating the Company’s Earned Return on Equity ("ER"). The PBRC mechanism established by Order No. 567498 also provided for periodic review, and adjustment if necessary, of base rates if the ER fell outside the dead-band.

2. In its Order No. 648326 dated January 6, 2016, in Cause No. PUD 201500213, Oklahoma Natural’s last general rate review, the Commission approved the Company’s base rates, an AROE of 9.5% against which the Company’s ER would be measured for purposes of adjustments under the PBRC Tariff, and certain changes to other tariffs.

3. In its Order No. 656769 dated October 11, 2016, in Cause No. PUD 201600132, the Commission approved the Company’s energy efficiency true-up and utility incentive adjustments for program year 2015 and a demand portfolio of conservation and energy efficiency programs for calendar years 2017 through 2019.

4. In its Order No. 666781 dated August 9, 2017, in Cause No. PUD 201700079, the Commission approved the Company’s base rates, energy efficiency true-up and utility incentive adjustments for program year 2016, a regulatory asset regarding private line customer payments, corporate depreciation rates, elimination of Tariff 601-A, Wholesale Sales (less than or equal to 5,000 Dth annually), and certain changes to other tariffs.

5. In its Order No. 689337 dated January 8, 2019, in Cause No. PUD 201800028, the Commission approved the Company’s base rates, energy efficiency true-up and utility
incentive adjustments for program year 2017, requirements to comply with Order No. 671984 in Cause No. PUD 201700571 regarding the Tax Cuts and Jobs Act of 2017 including a reduction to base rates, a waiver allowing small transport customers to participate in Oklahoma Natural’s energy efficiency programs, the deferral and amortization of costs associated with the internal processing of credit/debit card payments, and certain changes to other tariffs.

6. In its Order No. 701025 dated August 20, 2019, in Cause No. PUD 201900018, the Commission approved the Company’s base rates, energy efficiency true-up and utility incentive adjustments for program year 2018, a PBRC credit in compliance with Order No. 689337 to fully and properly account for the Tax Cuts and Jobs Act of 2017, the one-time excess deferred income taxes (“EDIT”) credit for 2019, the timing of the one-time annual EDIT credits, the amortization of cloud-based software implementation costs, and certain changes to other tariffs.

7. Through the testimony filed in support of this Application by Company witnesses Cory Slaughter, Elizabeth Chandler, Don’ea Mayberry, Amelia Nguyen, Chantel Miller, and Paul Raab, the Company explains its calculation of the ER; proposes adjustments to the ER calculation pursuant to §2(c) of the PBRC Tariff; explains its calculation of the energy efficiency true-up and utility incentive adjustments; and proposes changes to Tariffs 101, 101-V, 200-SCI, 200-SCI-V, 200-LCI, 255-T, 291-S, 291-T, 391-T, 601-S, 655-T, 691-T, 691-T2, 705, 707, 901-T, 1041, 1071, 1191, 2000, and 2001.

8. The ER for the twelve months ending December 31, 2019, was below the AROE of 9.5%, and outside the “dead-band” such that an adjustment to base rates is requested via this Application. Stated differently, the results of the Company’s operations, which were calculated using the same methodology applied in the last general rate change case and incorporating the
federal corporate income tax rate change within the Tax Cuts and Jobs Act of 2017 from 35% to 21%, were $11,802,140 below the AROE of 9.5% established by the Commission. Consequently, pursuant to the PBRC Tariff, the Company proposes to increase base rates by $11,802,140.

9. Oklahoma Natural has invested approximately $679 million since its last base rate increase, a general rate review with a test year ending March 31, 2015.

10. Pursuant to the PBRC Tariff, the Company proposes an adjustment to its rates to reflect the energy efficiency true-up and utility incentive calculations for program year 2019.

11. With these adjustments, the increase in the monthly bill for an average residential customer is $0.96 or $11.52 annually. However, with the recent base rate decrease, customer credits, and in consideration of gas costs, it is estimated that the average residential customer will pay $46.94 less in 2020 than in 2016.

12. Pursuant to Order No. 689337 regarding the Tax Cuts and Jobs Act of 2017, Oklahoma Natural will continue to return to customers EDIT, both protected and unprotected. The one-time annual EDIT credit for 2020 is $12,191,299, subject to true-up. This EDIT credit equates to $13.72 for an average residential customer. Pursuant to Order No. 701025, the one-time annual EDIT for 2020 will be paid in February 2021.

13. In consideration of the requested base rate increase, the proposed adjustment to reflect the energy efficiency true-up and utility incentive calculations for program year 2019, and the one-time EDIT credit for 2020, the decrease in the annual bill for an average residential customer is $2.20.

15. The Company proposes modifications to Tariff 707, Compressed Natural Gas Surcharge Incentive Mechanism, to narrow eligibility requirements and better align rebates to available funding.

16. Finally, the Company proposes modifications to Tariff 1041, Miscellaneous Special Charges, to redefine temporary disconnect and eliminate remote meter reading device charges.

LEGAL AUTHORITY

The Commission has authority to grant the relief requested in the Application pursuant to Article 9 of the Oklahoma Constitution, 17 O.S. §151 et seq. and Order Nos. 567498, 648326, 656769, 666781, 671984, 689337, and 701025 referenced above.

RELIEF SOUGHT

The Company requests that the Commission (a) approve the calculations presented by the Company according to the requirements of the PBRC Tariff for the twelve months ending December 31, 2019; (b) approve the energy efficiency true-up and utility incentive adjustments for program year 2019; (c) approve certain modifications to its tariffs; and (d) grant such other and further relief as may be shown to be proper.
APPLICATION OF OKLAHOMA NATURAL GAS COMPANY, A DIVISION OF ONE GAS, INC., FOR APPROVAL OF ITS PERFORMANCE BASED RATE CHANGE PLAN CALCULATIONS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2019, ENERGY EFFICIENCY TRUE-UP AND UTILITY INCENTIVE ADJUSTMENTS FOR PROGRAM YEAR 2019, AND CHANGES OR MODIFICATIONS TO ITS TARIFFS

OKLAHOMA NATURAL GAS COMPANY

By: Dustin R. Fredrick, OBA #19095
Managing Attorney
401 North Harvey Avenue
Oklahoma City, Oklahoma 73102
(405) 551-6631
(405) 552-1881 (fax)
dustin.fredrick@onegas.com

-and-

Curtis M. Long, OBA #5504
CONNER & WINTERS, LLP
4000 One Williams Center
Tulsa, Oklahoma 74172
(918) 586-5711
(918) 586-8329 (fax)
clong@cwlaw.com

Attorneys for Oklahoma Natural Gas Company, a division of ONE Gas, Inc.
APPLICATION OF OKLAHOMA NATURAL GAS COMPANY, A DIVISION OF ONE GAS, INC., FOR APPROVAL OF ITS PERFORMANCE BASED RATE CHANGE PLAN CALCULATIONS FOR THE TWELVE MONTHS ENDING DECEMBER 31, 2019, ENERGY EFFICIENCY TRUE-UP AND UTILITY INCENTIVE ADJUSTMENTS FOR PROGRAM YEAR 2019, AND CHANGES OR MODIFICATIONS TO ITS TARIFFS

CERTIFICATE OF MAILING

I hereby certify that a copy of the foregoing document was served by hand delivery, electronic delivery or United States mail, first class postage paid thereon, on the 26th day of February, 2020, to:

Brandy L. Wreath  
Director of Public Utility Division  
Oklahoma Corporation Commission  
Jim Thorpe Bldg., 4th Floor  
P.O. Box 52000-2000  
Oklahoma City, Oklahoma 73152-2000

Jared B. Haines  
Office of the Attorney General  
313 NE 21st Street  
Oklahoma City, Oklahoma 73105

Michael L. Velez  
Deputy General Counsel  
Oklahoma Corporation Commission  
Jim Thorpe Bldg., 4th Floor  
P.O. Box 52000-2000  
Oklahoma City, Oklahoma 73152-2000

Thomas P. Schroedter  
Hall Estill Hardwick Gable Golden & Nelson  
320 South Boston Avenue, Suite 200  
Tulsa, Oklahoma 74103-3706

Dustin R. Fredrick