

BEFORE THE ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
OKLAHOMA GAS AND ELECTRIC COMPANY)	
SEEKING A DECLARATORY ORDER FINDING)	DOCKET NO. 17-030-U
ITS MUSTANG GENERATION PLANT)	
MODERNIZATION PLAN IS CONSISTENT)	
WITH THE PUBLIC INTEREST)	

Settlement Testimony
of
Donald Rowlett
on behalf of
Oklahoma Gas and Electric Company

Donald Rowlett
Settlement Testimony

1 Q. **Please state your name and business address.**

2 A. My name is Donald Rowlett. My business address is 321 North Harvey Avenue,
3 Oklahoma City, Oklahoma 73101.
4

5 Q. **Are you the same Donald Rowlett who filed Direct Testimony in this Docket?**

6 A. Yes.
7

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

9 A. The purpose of my Settlement Testimony is to support the negotiated settlement reached
10 among the General Staff of the Arkansas Public Service Commission (“Staff”),
11 Oklahoma Gas and Electric Company (“OG&E”), and the Office of the Arkansas
12 Attorney General Leslie Rutledge (“AG”), (collectively, the “Settling Parties”) that
13 addressed all issues in this proceeding. The Settling Parties have prepared and executed a
14 Settlement Agreement (“Agreement”) evidencing the negotiated settlement, which is
15 attached as Joint Exhibit 1 to the Joint Motion to Approve the Settlement Agreement and
16 For the Waiver of the Hearing (Joint Motion), which has been filed with the Commission.
17

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

19 A. On August 15, 2017, OG&E filed an application with the Arkansas Public Service
20 Commission requesting a declaratory order, finding that its Mustang Generation Plant
21 Modernization Plan is consistent with the public interest.
22

23 Q. **Please describe the events that led to entering into the Agreement.**

24 A. On August 15, 2017 OG&E filed its application and direct testimony supporting the
25 requested declaratory order. On November 15, 2017 Staff and the AG filed direct
26 testimony. Throughout the case, Staff and the AG had the opportunity to and did conduct
27 discovery, through the issuing of data requests.

28 After a negotiation between the Settling Parties a Settlement Agreement was
29 reached, and is attached to the Joint Motion as a Joint Exhibit.

1 Q. **Please describe the major provisions of the Agreement.**

2 A. The Settling Parties agree to the following:

3
4 1. OG&E's Mustang Plant Modernization Plan is consistent with the
5 public interest;

6
7 2. Quick-start combustion turbines are needed to maintain OG&E's
8 generating capacity and reserve requirements;

9
10 3. Replacement of the retiring capacity at the Mustang site is critical to
11 maintain reliable operations of the transmission system;

12
13 4. Settling Parties agree to utilize the depreciation rates presented in
14 Table 2 of Staff witness Gerrilynn Wolfe's Direct Testimony. The
15 Settling Parties further agree that OG&E shall use depreciation rates
16 previously approved in Order No. 8 of Docket No. 16-052-U for any plant
17 assets that are not added to plant accounts as a result of the approval of
18 Mustang;

19
20 5. OG&E agrees to submit a comprehensive dismantlement study to
21 support any future depreciation rate change requests that include terminal
22 net salvage; and

23
24 6. The Settling Parties agree that it is appropriate to include the cost of
25 the Mustang Plant Modernization Plan in OG&E's Formula Rate Plan
26 filings and provide recovery through that tariff mechanism.

27
28 Q. **Are there additional components to the settlement you wish to discuss?**

29 A. Yes. While the Settling Parties agree that the Mustang Plant Modernization Plan is in the
30 public interest, OG&E did not comply with Ark. Code Ann. § 23-18-104, Construction of
31 Power-generating Facilities Outside the State. The Settling Parties agree that this failure
32 warrants a credit to customers, in the amount of \$300,000 annually for four (4) years for a

1 total of \$1.2 million. This adjustment is solely based upon OG&E's failure to follow the
2 relevant portions of Arkansas law and not based on any adjustment for the Mustang Plant
3 itself.
4

5 **Q. How will this downward adjustment be credited to customers?**

6 A. The mechanism used to credit customers the \$300,000 annually will be OG&E's Energy
7 Cost Recovery Rider. The credit will be applied to each customer class based on the base
8 rate revenue approved in Order No. 8 of Docket No. 16-052-U. This credit will be
9 applied at a rate of \$25,000 a month for forty-eight (48) months.
10

11 **Q. When will this credit to customers begin?**

12 A. The Settling Parties agree that this customer credit will begin on the first billing cycle
13 immediately following the issuance of the Commission's Order in the proceeding,
14 adopting the terms of the Settlement Agreement.
15

16 **Q. Does OG&E support the settlement agreement?**

17 A. Yes. OG&E believes the Agreement is a reasonable compromise of the positions of the
18 various parties and stakeholders. It produces an equitable balance of customer and
19 shareholder interest. The provisions of the Agreement lie within the bounds of the filed
20 positions by the various parties and the end result is just and reasonable.
21

22 **Q. Is the Agreement in the public interest?**

23 A. Yes. The result of the Agreement reached by the parties is within the range of likely
24 outcomes if the issues in the proceeding were litigated. The Agreement is a carefully
25 crafted compromise that is in the public interest, without the need for additional
26 expenditure of time or money by any party in the litigation process. OG&E believes the
27 result reached in the Agreement fairly balances the needs of all stakeholders.
28

29 **Q. Does this conclude your Settlement testimony?**

30 A. Yes.

CERTIFICATE OF SERVICE

I, Lawrence E. Chisenhall, Jr., hereby state that a copy of the foregoing instrument was served on all the parties of record via the APSC Electronic Filing System on this the 5th day of December, 2017.

/s/ Lawrence E. Chisenhall
Lawrence E. Chisenhall, Jr.