

**BEFORE THE CORPORATION COMMISSION OF THE STATE 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 ) CAUSE NO. PUD 201700496  
RATES, CHARGES, AND TARIFFS FOR RETAIL )  
ELECTRIC SERVICE IN OKLAHOMA )

**JOINT STIPULATION AND SETTLEMENT AGREEMENT**

COME NOW the undersigned parties to the above entitled Cause and present the following Joint Stipulation and Settlement Agreement ("Joint Stipulation") for the Oklahoma Corporation Commission's ("Commission") review and approval as their compromise and settlement of all issues in this proceeding between the parties to this Joint Stipulation ("Stipulating Parties"). The Stipulating Parties represent to the Commission that this Joint Stipulation represents a fair, just and reasonable settlement of these issues, that they believe the terms and conditions of the Joint Stipulation are in the public interest, and the Stipulating Parties request the Commission issue an order in this cause adopting and approving this Joint Stipulation.

**Jurisdiction of the Commission**

The Stipulating Parties agree that the Commission has jurisdiction with respect to the issues presented in this proceeding by virtue of Article IX, §18 *et seq.* of the Oklahoma Constitution, 17 O.S. §152 *et seq.*, 17 O.S. §251 *et seq.*, the Commission's Rules of Practice (OAC 165:5), and the Commission's Electric Utility Rules (OAC 165:35).

**General Recommendations of the Stipulating Parties**

This Joint Stipulation represents a comprehensive settlement to become effective ("Effective Date") with the issuance of a Commission order approving this Joint Stipulation. The attached tariffs and Terms and Conditions of service necessary to implement the agreements in this Joint Stipulation shall be approved by the Director of the Public Utility Division ("PUD") of the Commission and become effective on the Effective Date.

1. **Revenue Requirement:** The Stipulating Parties agree that OG&E shall file tariffs designed to produce Oklahoma jurisdictional operating revenues of

\$1,116,006,911 based upon the test year billing units reflected in Section M of the Company's Application Package filed in this proceeding on January 16, 2018, as adjusted by the Company's update through the pro forma period ending March 31, 2018. The Company shall recover its Oklahoma jurisdictional operating revenue through tariffs reducing annual net revenues from customers in the amount of \$64 million (inclusive of amortization of protected and unprotected excess deferred taxes, at the amortization period requested in the Application). Attachment 1 contains all of the Company's applicable tariffs and Terms and Conditions of service.

2. **Return on Equity ("ROE"):** The Stipulating Parties agree that the cost of capital for purposes of Allowance for Funds Used During Construction and the Company's existing Riders that include a full return component will be calculated using 1) the last Commission approved ROE before this Cause; and 2) the Company's capital structure and cost of debt, as filed in the Direct Testimony and Application Package in this Cause.
3. **Depreciation Rates:** The Stipulating Parties agree that the Company shall continue to use its current depreciation rates, as approved in Cause No. PUD 201500273.
4. **Regulatory Asset:** Regulatory asset treatment for the Sooner Scrubbers Project, a capital project described in the Direct Testimony in this Cause, is agreed to by the Stipulating Parties and subject to the following: a prudence review in a future case and a determination of whether the Sooner Scrubbers Project is used and useful. The Stipulating Parties agree OG&E will accrue a regulatory asset which will consist of the non-fuel operation and maintenance expenses, depreciation, debt cost associated with the capital investment, and ad valorem taxes related to the Sooner Scrubbers Project.
5. **Production Tax Credit ("PTC") Rider:** PTCs will be removed from base rates and placed into a separate rider. PTC Rider allocation will not result in a change from the net revenue decrease and revenue distribution otherwise agreed to in Paragraphs 1 and 15 herein and in Attachment 2 (Revenue Allocation).

6. **Federal Tax Credit (“FTC”) Rider:** The Stipulating Parties agree that there will be a FTC Rider which will be the vehicle for refunding to customers the amount of the one-time tax refund and the ongoing true up each year of excess ADIT. Any remaining true up will be accomplished according to the language in the FTC rider.
- a. One-time Refund: A line item for the one-time tax refund will be included in the customer bill, noted as “One-time Refund from Federal Income Tax Reform.” The FTC Rider will be used to return the one-time tax reserve, which will be based off of actual pre-tax income, that has accumulated between January 1, 2018, and the date new rates are implemented. The one-time tax reserve shall be distributed to the rate classes based on their proportion of current base rate revenue in this Cause as set forth in Attachment 2.
  - b. Excess ADIT: The FTC Rider will also annually true up the difference between the level of amortization of the excess deferred taxes included in base rates in this Cause and the actual level of amortization in a given year.
7. **Fuel Cost Adjustment (“FCA”) Rider:** The Stipulating Parties agree to the revised FCA Rider contained in Attachment 1 hereto which reflects a change in the date of the FCA submission from March 15 to September 15, beginning in 2019. OG&E may request interim adjustments to its FCA Rider only in instances in which the Company’s cumulative FCA Rider over- or under-recovery balances are greater than \$50 million. OG&E will provide the Stipulating Parties with information which supports the revisions to the FCA Rider; consistent with the information it currently files to support Energy Cost Recovery charges in Arkansas. OG&E will provide advanced notice of proposed revisions to the FCA Rider, the information supporting FCA Rider revisions, and monthly FCA reports, to all parties of record in Cause No. PUD 201700496 at the same time it is provided to the PUD Staff. In addition, OG&E will facilitate a meeting with parties prior to FCA Rider changes to explain and answer questions concerning factor changes.

8. **Southwest Power Pool Cost Tracker ("SPPCT"):** The Stipulating Parties agree to modify the SPPCT to provide for a 90 percent/10 percent (customer/Company) sharing of Company point-to-point transmission revenues rather than the current 80 percent/20 percent sharing arrangement. OG&E will file testimony to support the reasonableness of SPPCT charges in all future base rate cases, and will address the need for continuation of the SPPCT Rider in its next rate case. In addition, OG&E will agree to provide notice of proposed SPPCT revisions, and information supporting such revisions to all parties of record in Cause No. PUD 201700496, prior to filing of the annual factor change, and at the same time it is provided to the PUD Staff. OG&E will facilitate meeting with parties prior to SPPCT Rider changes to explain and answer questions concerning factor changes.
9. **Utility Solar Pilot Program:** The Utility Solar Pilot Program will be moved from pilot program status to a standard optional tariff offering.
10. **Other Tariffs:** OG&E's LED Lighting ("LED"), Outdoor Security Lighting ("OSL"), Municipal Lighting ("LM"), and Green Power Wind Rider ("GPWR") tariffs will be modified as proposed by the Company in its Application filed on January 16, 2018, as shown in Attachment 1.
11. **Section 408 of the Company's Terms and Conditions:** Section 408 of OG&E's Terms and Conditions will be updated in accordance with the recommendations of PUD Staff in its Responsive Rate Design Testimony filed on May 29, 2018. This update is reflected in Attachment 1.
12. **Large Power and Light Standard Tariff:** The Company will offer an optional Large Power and Light Standard tariff for Service Level 1 and 2 customers using greater than 500,000,000 kWh annually. In the next rate case, the Company will file an optional Large Power and Light Standard Tariff for SL-1 and SL-2 service levels, which will be designed for high load factor customers.
13. **Future Requests for Proposals:** For future generation procurement, OG&E agrees to abide by all Oklahoma Corporation Commission rules, and applicable orders and statutes, and agrees to seek the lowest, reasonable cost generation resources to serve customers, including due consideration of existing, OG&E-owned and Purchase Power Agreement, resources.

#### 14. Lost Net Revenues:

- a. The compliance DPR tariff will be revised to allow for the concurrent recovery of projected Lost Net Revenues for foregone sales tied to Demand Programs through Demand Program Year 2018. The projected Lost Net Revenues will be trued up to the actual Verified Lost Net Revenues using the EM&V per Demand Program rules. The DPR tariff will not include projections for foregone sales for Demand Program Years 2019 or later as those Demand Program Cycles have not yet been approved.

- i. Projections for concurrent recovery of LNR for Demand Program Years 2019 and later will be included in future DPR tariffs applicable to those Demand Program Years.

- b. Notwithstanding section C below, the compliance DPR tariff will include LNR for Lost Net Revenue that has been accrued for periods prior to new rates (7/1/2018) and for the projected 12 month period following new rates. This LNR will be recovered through the DPR tariff over a 12 month period as agreed to by the parties. The Parties agree to include total recovery for LNR for the years 2016, 2017, 2018, and through June of 2019.

- i. For Settlement purposes the LNR for 2016 and 2017 = \$5.92 million
  - ii. LNR for 2018 = \$7.06 million (this LNR for 2018 will be trued-up to actual net verified for 2018 to the actual Verified Lost Net Revenues using the EM&V per Demand Program rules)

The total for 2016, 2017, and 2018 is \$12.98M. In addition, the compliance DPR tariff will collect:

- iii. LNR for 2019 (through 6/30/2019) = \$2.58 million (this LNR for 2019 will be trued-up to actual net verified for 2019 to the actual Verified Lost Net Revenues using the EM&V per Demand Program rules).

- i. The LNR projections for 2019 only include lost net revenues for foregone sales attributable to Demand Program Year 2018 that are implemented after 3/31/2018 (the end of the pro forma test year) through 12/31/2018.

- c. At the time new base rates are implemented the cumulative level of foregone sales (kWh and kW) through the end of the *pro forma* test year will not carry forward. There will be no accumulated kWhs/kWs for years 2016, 2017, and through March of 2018 carried over into July 2018 and beyond.

**15. Rate Design:**

- a. Revenue allocation, by sub-class, is shown in Attachment 2.
- b. Revenue allocation was performed using the following rules:
  - i. No class or sub-class received an increase.
  - ii. No class or sub-class received a decrease greater than 4%, and the resulting dollars were distributed proportionally to all other customer classes.
  - iii. The LPL-TOU SL-5 sub-class was given a decrease of approximately 2.7%, and the remaining LPL and LPL-TOU sub-classes were given an equal percentage decrease of approximately 1.7%.
- c. OG&E will reduce kWh charges for all rates and reduce on and off peak kWh charges proportionally to achieve the reduction in rates. Provided, the off-peak season rates for Residential Standard, Residential TOU, and Residential VPP tariffs will remain the same as each other. Further, OG&E will adjust base rates for the removal of PTCs from base rates and include the resulting amount in the PTC Rider.

16. **Timing:** Attachment 1 contains all of the Company's applicable tariffs and Terms and Conditions of service. Upon issuance of a Commission order adopting this Joint Stipulation, the Director of the Public Utility Division shall approve the attached tariffs to become effective on the Effective Date.

**General Reservations**

The Stipulating Parties represent and agree that, except as specifically provided:

A. Negotiated Settlement

This Joint Stipulation represents a negotiated settlement for the purpose of compromising and resolving the issues presented in this Cause.

B. Authority to Execute

Each of the undersigned affirmatively represents to the Commission that he or she has fully advised his or her respective client(s) that the execution of this Joint Stipulation constitutes a resolution of issues which were raised in this proceeding; that no promise, inducement or agreement not herein expressed has been made to any Stipulating Party; that this Joint Stipulation constitutes the entire agreement between and among the Stipulating Parties; and each of the undersigned affirmatively represents that he or she has full authority to execute this Joint Stipulation on behalf of his or her client(s).

C. Joint Stipulation Represents a Balance and Compromise of Positions

The Stipulating Parties stipulate and agree that the agreements contained in this Joint Stipulation have resulted from negotiations among the Stipulating Parties. The Stipulating Parties hereto specifically state and recognize that this Joint Stipulation represents a balancing of positions of each of the Stipulating Parties in consideration for the agreements and commitments made by the other Stipulating Parties in connection therewith. Therefore, in the event that the Commission does not approve and adopt all of the terms of this Joint Stipulation, this Joint Stipulation shall be void and of no force and effect, and no Stipulating Party shall be bound by the agreements or provisions contained herein. The Stipulating Parties agree that neither this Joint Stipulation nor any of the provisions hereof shall become effective unless and until the Commission shall have entered an Order approving all of the terms and provisions as agreed to by the parties to this Joint Stipulation.

D. No Admissions Nor Waivers

The Stipulating Parties agree and represent that the provisions of this Joint Stipulation are intended to relate only to the specific matters referred to herein, and by agreeing to this settlement, no Stipulating Party waives any claim or right which it may otherwise have with respect to any matters not expressly provided for herein. In addition, except as specifically set forth in this Joint Stipulation, none of the signatories hereto shall be deemed to have approved or acquiesced in any ratemaking principle, valuation method, cost of service determination, depreciation principle or cost allocation method underlying or allegedly underlying any of the information submitted by the parties to this cause and except as specifically provided in this Joint Stipulation, nothing contained herein shall constitute an admission by any Stipulating Party that any allegation or contention in this proceeding is true or valid or shall constitute a determination

by the Commission as to the merits of any allegations or contentions made in this proceeding.

E. No Precedential Value

The Stipulating Parties agree that the provisions of this Joint Stipulation are the result of negotiations based upon the unique circumstances currently represented by the Company's Application and that the processing of this cause sets no precedent for any future causes that the Applicant or others may file with this Commission. The Stipulating Parties further agree and represent that neither this Joint Stipulation nor any Commission order approving the same shall constitute or be cited as precedent or deemed an admission by any Stipulating Party in any other proceeding except as necessary to enforce its terms before the Commission or any court of competent jurisdiction. The Commission's decision, if it enters an order approving this Joint Stipulation, will be binding as to the matters decided regarding the issues described in this Joint Stipulation, but the decision will not be binding with respect to similar issues that might arise in other proceedings. A Stipulating Party's support of this Joint Stipulation may differ from its position or testimony in other causes. To the extent there is a difference, the Stipulating Parties are not waiving their respective positions in other causes. Because this is a stipulated agreement, the Stipulating Parties are under no obligation to take the same position as set out in this Joint Stipulation in other dockets.

F. Outstanding Discovery and Motions

As between and among the Stipulating Parties, any pending requests for information or discovery and any motions that may be pending before the Commission are hereby withdrawn.

OKLAHOMA GAS AND ELECTRIC COMPANY

Dated: 6/13/18

By: 

PUBLIC UTILITY DIVISION  
OKLAHOMA CORPORATION COMMISSION

Dated: 6/13/18

By: Jane Mitchell

OKLAHOMA OFFICE OF THE ATTORNEY GENERAL

Dated: 6/13/18

By: Jane Haines

OKLAHOMA INDUSTRIAL ENERGY CONSUMERS

Dated: \_\_\_\_\_

By: \_\_\_\_\_

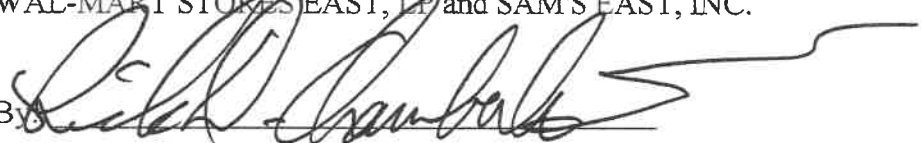
OG&E SHAREHOLDERS ASSOCIATION

Dated: \_\_\_\_\_

By: \_\_\_\_\_

WAL-MART STORES EAST, LP and SAM'S EAST, INC.

Dated: 6/13/18

By: 

AARP

Dated: 6/13/2018

By: Deborah L Thompson

OKLAHOMA GAS AND ELECTRIC COMPANY

Dated: \_\_\_\_\_

By: \_\_\_\_\_

PUBLIC UTILITY DIVISION  
OKLAHOMA CORPORATION COMMISSION

Dated: \_\_\_\_\_

By: \_\_\_\_\_

OKLAHOMA OFFICE OF THE ATTORNEY GENERAL

Dated: \_\_\_\_\_

By: \_\_\_\_\_

OKLAHOMA INDUSTRIAL ENERGY CONSUMERS

Dated: June 13, 2018

By: Theris P. Schuck

OG&E SHAREHOLDERS ASSOCIATION

Dated: \_\_\_\_\_

By: \_\_\_\_\_

WAL-MART STORES EAST, LP and SAM'S EAST, INC.

Dated: \_\_\_\_\_

By: \_\_\_\_\_

AARP

Dated: \_\_\_\_\_

By: \_\_\_\_\_

OKLAHOMA GAS AND ELECTRIC COMPANY

Dated: \_\_\_\_\_

By: \_\_\_\_\_

PUBLIC UTILITY DIVISION  
OKLAHOMA CORPORATION COMMISSION

Dated: \_\_\_\_\_

By: \_\_\_\_\_

OKLAHOMA OFFICE OF THE ATTORNEY GENERAL

Dated: \_\_\_\_\_

By: \_\_\_\_\_

OKLAHOMA INDUSTRIAL ENERGY CONSUMERS

Dated: \_\_\_\_\_

By: \_\_\_\_\_

OG&E SHAREHOLDERS ASSOCIATION

Dated: June 13, 2018

By: Jack H. Clark Jr.

WAL-MART STORES EAST, LP and SAM'S EAST, INC.

Dated: \_\_\_\_\_

By: \_\_\_\_\_

AARP

Dated: \_\_\_\_\_

By: \_\_\_\_\_

OKLAHOMA ENERGY RESULTS, LLC

Dated: \_\_\_\_\_ By: \_\_\_\_\_

Oklahoma Energy Results supports the Joint Stipulation but does not agree to the language contained in paragraph 4 and 13.

OKLAHOMA COGENERATION, LLC

Dated: \_\_\_\_\_ By: \_\_\_\_\_

Oklahoma Cogeneration supports the Joint Stipulation only as it relates paragraph 13.

FEDERAL EXECUTIVE AGENCIES

Dated: 13 JUN 2018

By:    
 CAPT/USAF

CMC STEEL OKLAHOMA

Dated: \_\_\_\_\_ By: \_\_\_\_\_

OKLAHOMA ENERGY RESULTS, LLC

Dated: 6/13/18

By: Cheryl A. Vaughn

Oklahoma Energy Results supports the Joint Stipulation but does not agree to the language contained in paragraph 4 and 13.

OKLAHOMA COGENERATION, LLC

Dated: 6/13/18

By: CSJ

Oklahoma Cogeneration supports the Joint Stipulation only as it relates paragraph 13.

FEDERAL EXECUTIVE AGENCIES

Dated: \_\_\_\_\_

By: \_\_\_\_\_

CMC STEEL OKLAHOMA

Dated: \_\_\_\_\_

By: \_\_\_\_\_