

**BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA**

IN THE MATTER OF THE APPLICATION OF )  
 OKLAHOMA GAS AND ELECTRIC COMPANY ) CAUSE NO. PUD 202100164  
 FOR AN ORDER OF THE COMMISSION ) (ECF CASE PUD2021-000164)  
 AUTHORIZING APPLICANT TO MODIFY ITS )  
 RATES, CHARGES, AND TARIFFS FOR RETAIL )  
 ELECTRIC SERVICE IN OKLAHOMA ) ORDER NO. 728277

HEARING: May 26, June 14, June 27–June 30, 2022, in Room 301  
 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma, 73105  
*Before* Linda S. Foreman, Administrative Law Judge (“ALJ”)

APPEARANCES: William L. Humes, Kimber L. Shoop, Curtis M. Long, J. Dillon Curran and  
 Jack P. Fite, Attorneys *representing* Oklahoma Gas and Electric Company  
 (“OG&E” or “Company”)  
 Kyle Vazquez, Michael L. Velez, and Mike S. Ryan, Attorneys *representing*  
 Public Utility Division (“PUD”), Oklahoma Corporation Commission  
 Andy N. Ferguson and K. Christine Chevis, Attorneys *representing* Office  
 of Attorney General (“AG”), State of Oklahoma  
 Ronald E. Stakem and Jack G. Clark Jr., Attorneys *representing* OG&E  
 Shareholders Association (“OG&E SH”)  
 Thomas P. Schroedter and D. Kenyon Williams, Attorneys *representing*  
 Oklahoma Industrial Energy Consumers (“OIEC”)  
 Deborah R. Thompson, Attorney *representing* AARP and Oklahoma  
 Sustainability Network (“OSN”)  
 J. Eric Turner and Adam J. Singer, Attorneys *representing* Oklahoma  
 Association of Electric Cooperatives (“OAEC”)  
 Jacquelyn L. Dill, Attorney *representing* Sierra Club  
 Rick D. Chamberlain, Attorney *representing* Walmart Inc. (“Walmart”)  
 Paul D. Trimble, Attorney *representing* CMC Steel Oklahoma (“CMC Steel”)  
 Christopher D. May, Major Holly L. Buchanan, and Thomas A. Jernigan,  
 Attorneys *representing* Federal Executive Agencies (“FEA”)  
 J. David Jacobson, Attorney *representing* The Petroleum Alliance of  
 Oklahoma (“PAO”)

**FINAL ORDER**

This Case comes before the Corporation Commission (“Commission”) of the State of Oklahoma on the Application of OG&E and the subsequent Amended Joint Stipulation and Settlement Agreement filed June 30, 2022, (“June 30 Stipulation”) and the OG&E-PAO Joint Stipulation and Settlement Agreement on OG&E’s Fuel Supply Portfolio and Risk Management Plan filed June 27, 2022 (“OG&E-PAO Stipulation”). The June 30 Stipulation and the OGE-PAO Stipulation are hereby incorporated by reference.

### **PROCEDURAL HISTORY**

The procedural history through July 21, 2022, is set forth in Exhibit C to the July 29, 2022, Amended Report and Recommendation of the ALJ (“Amended ALJ Report”) and is incorporated herein by reference.

In addition:

On July 29, 2022, the ALJ filed her Amended ALJ Report. In the Amended ALJ Report, the ALJ recommended the June 30 Stipulation and the OG&E-PAO Stipulation as fair, just, and reasonable and in the public interest and that such stipulations should be approved by the Commission.

On August 11, 2022, for the purpose of moving OG&E witness Donald R. Rowlett’s June 30 Stipulation Testimony (filed July 11, 2022) (“Supplemental Testimony”) into evidence, the ALJ reopened the record that had been closed at the conclusion of the June 30, 2022, proceedings. No party objected and his Supplemental Testimony was admitted.

### **SUMMARY OF EVIDENCE**

Documents filed in this Case and the exhibits admitted into evidence at the Hearing on the Merits and reopening of the record are contained in records kept by the Court Clerk of the Commission. Testimony in support of the June 30 Stipulation and OG&E-PAO Stipulation was provided at the Hearing on the Merits by Dr. Donald R. Rowlett.

### **FINDINGS OF FACT AND CONCLUSIONS OF LAW**

Based upon the evidence and the applicable law, the Commission makes the following findings of fact and conclusions of law:

#### **Jurisdiction and Notice**

The Commission is vested with jurisdiction, pursuant to Article IX, §§18 *et seq.*, of the Oklahoma Constitution, and 17 O.S. §§ 151 *et seq.*

Notice was proper and given as required by law and the rules of the Commission pursuant to Order No. 723947. OG&E filed Publication Affidavits on May 6, 2022, demonstrating compliance with publication.

#### **Test Year and Legal Standard**

A review of a utility company’s rates relies upon an investigation of the test year, a “mirror view of the past suspended within a limited but definite time frame through which we prophesy its duplication in the future.” *Southwestern Public Service Co. v. State*, 637 P.2d 92, 98 (Okla. 1981); 1981 OK 136, ¶14. Further, pursuant to 17 O.S. § 284, adjustments are required to be made to give effect to known and measurable changes occurring or reasonably certain to occur within six

months of the end of the test period upon which the rate review is based. In the Commission's determination of its rates, OG&E is entitled by law to a fair return on the present value of its property that is used and useful in serving Oklahoma ratepayers. *Lone Star Gas Co v. State*, 745 P.2d 723, 725 (Okla. 1986); 1986 OK 53, ¶4, citing *Okmulgee Gas Co. v. Corporation Commission*, 220 P. 28 (Okla. 1923), 1923 OK 218, and *Southwestern*. OG&E is further entitled by law to a rate producing a sufficient amount of revenue to pay operating expense. *Okmulgee* at 214, ¶4. Concomitant income resulting from capital investment is also required by law to be considered. *Southwestern* at 99.

The test year in the instant Case is the twelve-month period ending September 30, 2021. The June 30 Stipulation additionally took into consideration the post test-year requirements of 17 O.S. § 284.

### **Joint Stipulations and Settlement Agreements**

On June 10, 2022, an initial non-unanimous Joint Stipulation and Settlement Agreement was entered among OG&E, PUD, AG, OG&E SH, OSN, and Sierra Club.

On June 16, 2022, a separate Joint Stipulation and Settlement Agreement (“Joint Response”) was entered among AARP, OIEC, OAEC, PAO and Walmart. By agreement of the parties, on June 27, 2022, this document's title was revised as a “Joint Response” of the signatories.

On June 17, 2022, an Amended Joint Stipulation and Settlement Agreement (“June 17 Stipulation”) was entered among OG&E, OG&E SH, AG, PUD, CMC Steel, OSN, and Sierra Club.

On June 27, 2022, OG&E and PAO entered into the OG&E-PAO Stipulation.

On June 29, 2022, as the hearing continued, the parties agreed to adjourn for further negotiations and potential resolution of issues.

On June 30, 2022, the June 30 Stipulation was entered into by all parties with the exception of Walmart and AARP (“Stipulating Parties”). While not signing the agreement, Walmart and AARP did not object to the June 30 Stipulation.

The June 30 Stipulation recommends in part that OG&E's authorized return on equity (“ROE”) remain at 9.5 percent and that the Commission approve a base rate revenue increase of \$30 million. The parties' original recommended ROE values ranged from 8.75 percent to 10.2 percent and the net revenue deficiencies ranged from a surplus of \$64.1 million to a net revenue deficiency of approximately \$163.5 million.

Based on the entirety of the evidentiary record in this Case and the applicable law, the Commission finds that as modified herein, the June 30 Stipulation and OG&E-PAO Stipulation are fair, just, reasonable, and in the public interest, and should be approved.

**A. The June 30 Stipulation**

The Stipulating parties agreed to and recommended, and the Commission hereby adopts and approves, the terms, as modified herein, of the June 30 Stipulation as follows:

- 1) **Revenue Requirement:** OG&E’s requested revenue requirement increase was \$163,540,554. For settlement purposes, the Stipulating Parties agreed to a base rate revenue increase of \$30 million.
- 2) **State Tax Change Refund:** OG&E shall issue a refund for the tax expense savings arising from the reduction in the state corporate income tax rate from 6 percent to 4 percent for the period between January 1, 2022, and the date of this Final Order approving the June 30 Stipulation. Such credit shall be provided to customers over a 12-month period through the modified Federal Tax Change Rider.
- 3) **Low Income Assistance Program (“LIAP”):** Increase the LIAP discount by \$3.00 per month.
- 4) **Return on Equity:** There shall be no change in the Company’s currently authorized return on equity of 9.5 percent.
- 5) **Capital Structure:** OG&E’s actual capital structure of 53.7 percent equity and 46.3 percent debt as reflected in the Company’s Application shall be utilized.
- 6) **Depreciation Rates:** OG&E shall utilize depreciation rates as recommended by the Attorney General in his responsive testimony with the exception of depreciation rates for transmission and general plant accounts. Transmission and general plant accounts shall be based on the rates recommended by OIEC in responsive testimony.
- 7) **Performance Based Rates:** OG&E’s proposal to implement Performance Based Rates in this Case is withdrawn.
- 8) **Grid Enhancement Plan Projects:** OG&E’s Grid Enhancement Plan projects recorded in plant-in-service as of March 31, 2022, are considered prudent and to be included in rate base.
- 9) **Grid Enhancement Mechanism (“GEM”):** OG&E’s GEM shall:
  - Continue upon issuance of the Final Order in this Case.
  - Include a \$6 million revenue requirement cap for each annual investment plan for 2022, 2023, and 2024.
  - Allow the following project categories in each annual investment plan, subject to each plan’s \$6 million cap:
    - Investments in grid automation and related communication technology systems;

- Overhead to underground highway conversions;
  - Replacing exposed wired secondary with covered cable on certain circuits; and
  - Structural design upgrades.
- Terminate with the implementation of new rates upon issuance of a Final Order in the first rate case following completion of projects included in 2024 annual investment plan; however, recovery under such mechanism shall terminate no later than July 1, 2025.
  - Continue currently approved GEM reporting requirements, including annual investment plan project review and approval, quarterly reporting and factor submittals and bi-annual stakeholder meetings that include the opportunity for stakeholders to request additional information, ask questions, and receive timely answers.
  - Continue to exempt customers who are qualified for the Low-Income Home Energy Assistance Program (“LIHEAP”) and are subscribed to the Company’s LIAP and Senior Citizen Discount program from any payment under the mechanism.
- 10) **Southwest Power Pool Cost Tracker (“SPPCT”):** OG&E shall amend its SPPCT to include SPP Schedule 1-A and Schedule 12 fees.
- 11) **Federal Tax Change (“FTC-ARL”) Rider:** OG&E’s FTC-ARL Rider shall be amended to adopt the following modifications:
- Issue the State tax change expense credit over a 12-month period, as discussed in Paragraph A.2.
  - Amortize the excess accumulated deferred income tax balance resulting from the State corporate tax rate change from 6 percent to 4 percent over 5 years.
  - Include language to recognize both State and Federal tax law changes so that future State and Federal corporate tax rate changes can be reflected in rates as soon as possible.
  - Ensure PUD and all Stipulating Parties have a 45-day review of any updated factors to the FTC-ARL Rider and the tax changes requiring the updated factors prior to implementation. If an objection is raised that cannot be resolved between the Company and Stipulating Parties, the Company will initiate a docket to address any such dispute.
- 12) **Production Tax Credit (“PTC”) Rider:** OG&E’s PTC Rider shall be amended to include State Investment Tax Credits (“ITCs”).
- 13) **Regulatory Accounting:** OG&E shall adopt the following regulatory accounting treatments:

- Establish a regulatory asset to defer costs associated with OG&E’s S/4 HANA project for consideration in future rate proceedings. The carrying costs will accrue at the Company’s short-term cost of debt.
  - Amortization of COVID regulatory asset balance over 5 years.
  - Amortization of regulatory liability for the gain on sale of assets over 5 years.
  - Amortization of rate case expenses over 2 years with the Company thereafter using the annual amortization to reduce any regulatory asset for rate case expense after the 6-month post test year, which will be subject to Commission review in OG&E’s next rate case. To the extent there is no remaining balance, the Company will accrue a regulatory liability in the amount of the annual amortization.
  - Base rate level pension expense shall be based upon the Company’s pro forma adjustment contained in its original Application without the 6-month post-test year adjustment.
  - Amortization of over/under recovery balance of pension tracker over 15 years.
- 14) **Cost of Service/Rate Design:** The methodologies the Company utilizes in its Cost of Service and Rate Design proposal are accepted with the following modifications:
- The residential class customer charge shall remain at \$13.00 per month rather than the \$22 per month originally requested.
  - Revenue allocation shall utilize the methodology proposed in PUD’s responsive testimony.
- 15) **Resource Planning:** No later than OG&E’s next triennial Integrated Resource Plan in 2024, OG&E shall, at least, model the impacts of any final Ozone Transport rule promulgated by the Environmental Protection Agency on OG&E’s existing coal units, including consideration of the cost-effectiveness of retiring those units as one means of compliance. OG&E also agrees to provide the draft IRP containing the results of that modeling to interested stakeholders pursuant to the Commission’s rules.
- 16) **Electric Vehicle Time of Use Tariffs:**
- The Residential Electric Vehicle Time of Use Tariff (“EV TOU”) proposed by OG&E shall remove the 2,000 customer participation limitation.
  - OG&E agrees to prepare and file for approval by the Commission within nine months of the Final Order in this Case pilot EV TOU tariffs for general service, fleet, and public school customers.
- 17) **Transportation Electrification Plan:** Within six months of the Final Order in this Case, OG&E shall develop a draft comprehensive transportation electrification plan (“TEP”) to be provided for review and input by interested parties. The TEP is to address plans for programs that reach a wide range of customer groups such as Single-family housing, Multifamily housing, Fleet Charging, Municipal Transit Charging

Infrastructure, Workplace Charging, Electric School Buses, and Off-road Pilot projects, along with customer education and marketing needs.

- 18) **Co-Subscription:** OG&E shall continue the co-subscription option for customers on Day Ahead Pricing (“DAP”)/Flex Pricing (“FP”) and Load Reduction (“LR”) tariffs. The Company has drafted additional language clarifying the billing process for co-subscription customers during a LR event. All other changes to DAP, FP, and LR remain as proposed.
- 19) **Tariff Changes:** Any new tariffs and tariff changes proposed by OG&E in direct testimony are not opposed unless otherwise addressed in this June 30 Stipulation, subject to final review of changes to be set forth in the Company’s compliance package described below. The tariffs discussed in the June 30 Stipulation are attached to the June 30 Stipulation as Exhibit A, and are hereby incorporated by reference.
- 20) **Timing:** Within 10 days of the issuance of this Final Order adopting the June 30 Stipulation, the Company shall submit its Compliance Package and Proof of Revenue to PUD and all other Parties to the Case.
- 21) **Fuel Adjustment Clause Rider (“FAC”)<sup>1</sup>:** In the event OG&E seeks to implement an interim adjustment to its fuel factor prior to December 31, 2022, such fuel adjustment clause over/under recovery shall be collected from or credited to customer classes over a period of 24 months on the same basis that such fuel costs were previously collected until such over/under balance has been fully collected or credited to the customer classes. Stipulating Parties shall be notified at least 15 days prior to the proposed implementation date of an interim adjustment to FAC charges, and the Company shall provide all Parties to the Case with the information supporting such proposed adjustment at the time notice of the proposed interim adjustment is provided. The Company shall also facilitate a meeting with all such Parties no later than 10 days prior to the proposed effective date of any interim adjustment to FAC charges to explain and answer questions regarding the Company’s redetermined factors.
- 22) **1MW Customers:** The Company shall continue to evaluate 1MW customers, at least those initially being served by OG&E after January 1, 2014, through a separate Cost of Service (“COS”) during their next rate case to allow parties to verify the accuracy of the decision by the Company used in this Case to treat the 1MW customers class’s coincident peak as their own customer class.

The Company shall also develop a rate tariff for prospective 1MW customers and submit such rate tariff with its Compliance Package submittal referenced in Paragraph A.20. The initial pricing shall be the same as LPL-TOU (or PL-TOU).

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<sup>1</sup> OG&E’s FAC rider for fuel cost adjustments is also referred to as the “Fuel Cost Adjustment” (FCA) rider.

The cost allocation method with respect to this new class will be the same as the cost allocation methods used for other customers.

In addition, within 60 days of the issuance of the Final Order, PUD will initiate and facilitate a meeting between the Company and OAEC and both parties' consultants and rate design experts to explore common ground positions and solutions that could potentially resolve disagreements around how 1MW loads under 17 O.S. § 158.25(E) are treated from a ratemaking perspective. All Parties to the case shall be given notice and an opportunity to participate in such meeting.

**B. The OG&E-PAO Stipulation**

OG&E and PAO agreed to and recommended, and the Commission adopts and approves, the terms of the OG&E-PAO Stipulation as follows:

- 1) Within thirty (30) days of the entry of this Final Order, OG&E will amend its recently submitted 2022 Fuel Supply Portfolio and Risk Management Plan to provide additional information about the Company's quantification of price volatility mitigation efforts. OG&E will make available for review and analysis all non-confidential underlying or source data and analysis and/or calculations, modeling and methodology relied upon by OG&E. Also, within forty-five (45) days of the entry of a Final Order in this Case, OG&E shall also initiate, in coordination with the [PAO], a stakeholder conference to discuss:
  - (i) the methods used by OG&E to mitigate costs to consumers of electric generation fuel source price volatility and availability;
  - (ii) OG&E's fuel procurement practices, including the use and reliability of alternative sources of fuel for electric generation in extreme weather conditions;
  - (iii) OG&E's use and storage of natural gas, including how it is used and for what purposes, (i.e., cost mitigation); and
  - (iv) OG&E's use, or lack thereof, of physical and financial hedging related to natural gas procurement.

OG&E will solicit ideas from interested stakeholders on other potential changes to future Fuel Supply Portfolio and Risk Management Plans to address customer protections around fuel price volatility.

**Support**

The recommended June 30 Stipulation and the OG&E-PAO Stipulation as adopted in this Order by the Commission represent a supportable, reasonable compromise and resolution of the issues in this Case, as illustrated by the multitude of testimony and exhibits filed throughout the Case. Further, no Party to the Case opposed the recommended stipulations.

On June 27, 2022, Dr. Rowlett presented oral testimony in support of the provisions of the OG&E-PAO Stipulation and the June 17 Stipulation.

On June 30, 2022, Dr. Rowlett testified in support of the June 30 Stipulation and explained the differences from the June 17 Stipulation. Following his oral testimony, Dr. Rowlett filed his written Supplemental Testimony.

As a result of further discussions and negotiations that were held after the June 17 Stipulation, all Parties to the Case, with the exception of Walmart and AARP—with neither objecting, agreed to an adjusted revenue requirement of \$30 million. *D. Rowlett Suppl. Test., 3:2-6; June 30 Stipulation, II.1.*

OG&E initially requested a rate increase of \$163.5 million annually, which reflected a total bill increase of 8.4 percent, with a corresponding impact to the average residential customer of a 9 percent increase or just under \$10.00 per month. In comparison, the \$30 million revenue requirement increase in the June 30 Stipulation reflects a total bill increase of approximately 1.5 percent, with a corresponding impact to the average residential customer of a 1.9 percent increase or \$2.07 per month.<sup>2</sup> *D. Rowlett Settl. Test., 2:23-26; D. Rowlett Suppl. Test., 6:6-15.*

Exhibit DRR-1 to Dr. Rowlett’s Supplemental Testimony is an accounting exhibit prepared by OG&E reflecting adjustments to reduce the revenue requirement increase from the \$163.5 million originally requested by the Company to the \$30 million ultimately proposed and recommended. Dr. Rowlett expressed that within those adjustments, the areas highlighted in gray reflect adjustments by which OG&E arrived at the \$30 million amount, although other Stipulating Parties may have used other adjustments. *D. Rowlett Suppl. Test., 2:3-11; D. Rowlett Oral Test. 6/30/22.*

The adopted June 30 Stipulation also provides in part for OG&E to issue a refund for the tax expense savings arising from the state corporate income tax reduction of 6 percent to 4 percent for the period between January 1, 2022, and the date of this Final Order. This credit will help customers by offsetting the increase to base rates. *G. Rush Stip. Test., 6:5-13; June 30 Stipulation, II.2.*

OG&E’s current LIAP provides \$10 per month credit for customers enrolled in LIAP. The additional \$3.00 monthly discount will help low income and vulnerable customers by mitigating the bill increase associated with the change to base rates. *D. Rowlett Settl. Test., 5:23-26; G. Rush Stip. Test., 7:2-6, June 30 Stipulation, II.3.*

The ROE and capital structure provisions addressed in paragraphs number A.4 and A.5 (II.4 and II.5 of the June 30 Stipulation) provide for OG&E’s authorized ROE to remain at 9.5 percent and for no change to the actual capital structure. This ROE is between the 10.2 percent requested by OG&E and the 8.75 percent recommendation of PUD and OIEC. It is also within the range recommended by the FEA and below the 9.89 percent ROE recommendation of the AG. *D. Rowlett Settl. Test., 6:10-16; June 30 Stipulation, II.4.* The capital structure agreed to in the

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<sup>2</sup> Based on average consumption of 1000 Kwh.

June 30 Stipulation is based on the actual capital structure of OG&E and was supported by the testimony of OG&E witness Ann E. Bulkley and PUD witness Isaac D. Stroup. *D. Rowlett Settl. Test.*, 6:18-20. Additionally, the capital structure of 53.7 percent equity and 46.3 percent debt is balanced and within a recommended range. *G. Rush Stip. Test.*, 8:5-8.

The Depreciation Rates provision addressed in paragraph A.6 (II.6 of the June 30 Stipulation) utilizes, with the exception of depreciation rates for transmission and general plant accounts, the recommendations of AG witness William W. Dunkel. *W. Dunkel Resp. Test.* However, transmission and general plant accounts shall be based on the recommendations of OIEC witness David J. Garrett. *D. Garrett Resp. Test., Part II.* The detailed testimony and exhibits of these two witnesses support adoption.

The Grid Enhancement Plan and associated GEM Rider were approved as a part of a settlement in Cause No. PUD 202000021 (ECF Case PUD2020-0000021). Given the impact to customers of other charges and rates, expansion of the Grid Enhancement budget or removal of the cap is not approved at this time. The GEM Rider is authorized to continue under the conditions and parameters set forth in A.9 above. Continuation of the existing GEM Rider will provide the Company the opportunity to “catch-up” on needed distribution plant investment while also providing transparency through the annual submission to the parties of the planned investments and quarterly reviews of that investment placed in service. The Company has shown a continued need to invest in its Grid Enhancement Plan and that the GEM Rider allows for that investment to occur while providing limitations and clarity on the spending impacts on customers. *K. Champion Resp. Test.*, 10:5-15; *June 30 Stipulation*, II.9.

OG&E will continue to exempt customers who are qualified for LIHEAP and are subscribed to the Company’s LIAP and Senior Citizen Discount programs from any payment under the GEM Rider. Customers in LPL SL 1 and LPL SL 2 will also continue to be exempt from the GEM Rider. *D. Rowlett Suppl. Test.*, 8:8-18; *June 30 Stipulation*, II.9.

In regard to the SPPCT and inclusion in the tracker of the SPP 1-A Administrative Fee and the Schedule 12 FERC Assessment Fee, with the additional data available, the increasing and volatile nature of these fees can now be shown by the Company. In addition, the annual stakeholder review for the SPPCT allows for all parties in this Case to review the fees and any changes whenever the factor is adjusted. *D. Rowlett Direct Test.*, 22:17-23; *June 30 Stipulation*, II.10.

The FTC-ARL Rider amendments address state and federal tax law changes. This rider, in part, is a means by which the Company shall issue a refund for the tax expense savings from the reduction in the state corporate income tax rate from 6 percent to 4 percent for the period between January 1, 2022, and the date of this Final Order. The excess accumulated deferred income tax balance resulting from reduction in the state tax is to be amortized over 5 years. The annual amortization amount is also shown on Exhibit DRR-1 to Dr. Rowlett’s Supplemental Testimony. In addition, the June 30 Stipulation provides for a new process to recognize potential future changes resulting from state and federal tax law modifications. For instance, if there is another reduction in the state tax rate, those will automatically go into effect. Even though the title is Federal Tax Change Rider, state income tax changes will also flow through. There is an obligation

to provide a 45-day notice to all Parties to the case before any updated factors becomes effective. This provides an opportunity for those Parties to review the calculation and the way the tax change will be handled through the FTC Rider. If an objection is raised that cannot be resolved by the Company and the Parties, the Company will file a case before the Commission to address such dispute. *D. Rowlett Suppl. Test., 3-4:25- 9; June 30 Stipulation, II.11.*

In regard to ITCs and, as recommended, removing ITCs from base rates to the existing PTC Rider, there is no impact on a ratepayer's bill from this move since these credits are still being passed to ratepayers, albeit through a different mechanism. Moving ITCs facilitates accurate tracking and accounting which will prevent a situation where the Company heavily over/under-credits customers for ITCs. This move further makes sense since ITCs and PTCs are very similar in nature as they are both tax credits providing investment/production incentive to utilities. *G. Rush Stip. Test., 8-9:14-3; June 30 Stipulation, II.12.*

In regard to Regulatory Accounting, the June 30 Stipulation adopted herein in part limits the carrying costs on the regulatory asset balance to accrue based on the Company's short-term cost of debt with respect to the S/4 HANA project. Among other things, this section of the June 30 Stipulation also includes provisions to reduce any regulatory asset for rate case expense incurred after the end of the six-month post-test year period and was designed so the Company does not over-recover the level of expenses incurred, provides for reviews of some expenses in the Company's next rate case, and elongates the amortization period for recovery of certain expenses. *D. Rowlett Suppl. Test., 4:13-30; June 30 Stipulation, II.13.*

The Cost of Service/Rate Design section addressed in paragraph A.14 (II.14 of the June 30 Stipulation) provides for the customer charge to remain at the current level of \$13 per month for residential customers. *D. Rowlett Suppl. Test., 5:2, June 30 Stipulation, II.14.* Parties addressing this issue did not support the Company's original request to increase this charge to \$22 and the Commission agrees. Maintaining the current residential customer charge without further increase to the customer is supported.

Regarding Revenue Allocation, PUD's recommended methodology, as addressed in PUD witness Luis F. Saenz' Responsive Testimony, was adopted in the June 30 Stipulation. PUD's recommendation involved the following: (i) No decrease to any rate class and (ii) A levelized reallocation of the revenue requirement among classes with caps for the following classes: a 4.6 percent cap for the residential class; a 5 percent cap for GS-1 and an 8.5 percent cap for PS-ND and lighting classes. Under PUD's recommendation, while no classes receive a decrease, their revenue increase will not be more than twice the overall system increase of 4.3 percent. *L. Saenz Resp. Test., 24-25:15-5; June 30 Stipulation, II.14.*

The Resource Planning provision addresses concerns raised by the Sierra Club. *D. Glick Resp. Test.* OG&E agreed to model aspects of the final Ozone Transport rule promulgated by the EPA on OG&E's existing coal units. *D. Rowlett Settl. Test., 10:25-30; June 30 Stipulation, II.15.* No other party addressed the issue(s) raised by the Sierra Club, and the provision set forth in this section of the June 30 Stipulation is reasonable. Moreover, further evaluation will provide the Parties with additional information that may be addressed in the future.

In regard to the Electric Vehicle Time of Use (“EV TOU”) section, the provisions contained therein acknowledge the changing automotive environment and allow for increased participation. *G. Rush Stip. Test.*, 16:12-16; *June 30 Stipulation*, II.17.

Also, as set forth in A.17, within six months of this Final Order, OG&E is required to develop a draft comprehensive Transportation Electrification Plan (“TEP”) to be provided for review and input by interested parties. *D. Rowlett Settl. Test.*, 11:9-14; *June 30 Stipulation*, II.17. This provision also attempts to recognize the changing automotive industry and provide possible benefits to more customers while gaining a better understanding of the potential impacts to the distribution system. *G. Rush Stip. Test.*, 17:11-14; *June 30 Stipulation*, II.17.

In regard to the Co-Subscription provision, retention of the option for customers to co-subscribe to LR while on DAP or FP is reasonable. The tariffs provide different services and customers may elect to participate or to not participate in these optional tariffs. Retaining the option for DAP or FP customers to co-subscribe to LR allows them the opportunity to benefit from both tariffs. *D. Rowlett Settl. Test.* 11:17-20; *S. Norwood Resp. Test.*, 8:6-14, 19-21; *June 30 Stipulation*, II.18.

The adopted Tariff Changes provision is reasonable and includes a review of updated tariffs that the Company shall submit as part of its Compliance Package. *D. Rowlett Settl. Test.*, 11:20-22; *June 30 Stipulation*, II.19.

Further, the Timing provision sets a reasonable but certain time deadline by which the Company must submit the Compliance Package and a Proof of Revenue. *D. Rowlett Oral Test.* 6/30/22; *D. Rowlett Settl. Test.* 11:20-22; *D. Rowlett Suppl. Test.* 5:4-7; *June 30 Stipulation*, II.20.

Testimony in support of the FAC provision of the June 30 Stipulation was provided by Dr. Rowlett. The provision in part provides for notice to and interaction with Parties. *D. Rowlett Suppl. Test.*, 5:11-17; *June 30 Stipulation*, II.21. To eliminate this potential for sharp increases in FCA (FAC) Rider charges, all cumulative under-recovery balances, whether in conjunction with an annual FCA (FAC) Rider adjustment or associated with an Interim Adjustment, should be recovered over a 24-month period. *S. Norwood Resp. Rate Design Test.*, 16:14-16 and 17:1.

The 1 MW Customers provision has been added to address and resolve issues involving this subject between the Company and OAEC. *D. Rowlett Oral Test.* 6/30/22; *D. Rowlett Suppl. Test.*, 5-6:20-3; *June 30 Stipulation*, II.22. No other party addressed the issues raised by OAEC, and the provisions set forth in the 1 MW Customer provision will afford OG&E and OAEC an opportunity to further evaluate and provide potential recommendations on this issue in the future.

The OG&E-PAO Stipulation focuses on OG&E’s fuel procurement and price risk management efforts (II.1 of the OG&E-PAO Stipulation), and addresses similar issues raised by other Parties in this proceeding. *Joint Response*, II.15. OG&E agreed to include its customers and the Parties in the recommended stakeholder conference. *D. Rowlett Oral Test.* 6/28/22; *OG&E-PAO Stipulation*, II.1. The acknowledgement by OG&E to allow for additional stakeholders to participate and discuss the fuel-procurement issues identified in this stipulation, in addition to other

related areas, will allow for a larger audience and more robust conversation(s) and further opportunity to address these issues in the future. *Id.*

**ORDER**

THE COMMISSION THEREFORE ORDERS that based on the evidentiary record and the applicable law, the June 30 Stipulation and the OG&E-PAO Stipulation should be and hereby are approved in accordance with the Findings of Fact and Conclusions of Law set forth above.

THE COMMISSION FURTHER ORDERS that the approved rates, charges, and tariffs incorporated by reference in this Final Order shall be effective with the first regular billing cycle after such tariffs have been submitted to and approved by the Director of PUD.

CORPORATION COMMISSION OF OKLAHOMA

  
DANA L. MURPHY, CHAIRMAN

  
BOB ANTHONY, VICE CHAIRMAN

  
J. TODD HIATT, COMMISSIONER

**CERTIFICATION**

DONE AND PERFORMED by the Commissioners participating in the making of this Order, as shown by their signatures above, this 8th day of September, 2022.

BY ORDER OF THE COMMISSION:



  
Amy L. Cummings, Commission Secretary