

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF)	
OKLAHOMA GAS AND ELECTRIC COMPANY)	
FOR AN ORDER OF THE COMMISSION)	CAUSE NO. PUD 201100087
AUTHORIZING APPLICANT TO MODIFY ITS)	
RATES, CHARGES, AND TARIFFS FOR RETAIL)	ORDER NO. 599558
ELECTRIC SERVICE IN OKLAHOMA)	

HEARING: December 13-19, 2011, January 3-11 and 13, 2012, in Courtroom 301
 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105
Before Jacqueline T. Miller, Administrative Law Judge
 July 9, 2012, in Courtroom 301
Before the Commission, *en banc*

APPEARANCES: William J. Bullard, Patrick D. Shore, Kimber L. Shoop, Stephanie G. Houle and David A. Kutik, Attorneys *representing* Oklahoma Gas and Electric Company
 James L. Myles, Deputy General Counsel, Elizabeth A. P. Cates, David Garrett and Mary Candler, Assistants General Counsel *representing* Public Utility Division, Oklahoma Corporation Commission
 William L. Humes, Elizabeth Ryan and Nicole King, Assistant Attorneys General *representing* the Office of the Attorney General, State of Oklahoma
 Ronald E. Stakem and Jack G. Clark, Jr., Attorneys *representing* OG&E Shareholders Association
 Thomas P. Schroedter, James D. Satrom, J. Fred Gist and Jennifer H. Kirkpatrick, Attorneys *representing* Oklahoma Industrial Energy Consumers
 Lee W. Paden, Attorney *representing* Quality of Service Coalition
 Deborah R. Thompson, Attorney *representing* AARP
 Curtis M. Long and Sofia R. Nagda, Attorneys *representing* THG Energy Solutions, LLC, and Association for Energy Solutions
 Cheryl A. Vaught and Jon W. Laasch, Attorneys *representing* Chermac Energy Corporation
 Cheryl A. Vaught, Jon W. Laasch, Andrea S. Issod and Gloria Diantha Smith, Attorneys *representing* The Sierra Club
 Rick D. Chamberlain, Attorney *representing* Wal-Mart Stores East, LP and Sam's East, Inc.
 Kendall W. Parrish, Attorney *representing* AES Shady Point, LLC

FINAL ORDER APPROVING
JOINT STIPULATION AND SETTLEMENT AGREEMENT

BY THE COMMISSION:

The Corporation Commission of the State of Oklahoma (the "Commission") being regularly in session and the undersigned Commissioners being present and participating, there

comes now for consideration and action the Joint Stipulation and Settlement Agreement (“Joint Stipulation”) executed between Oklahoma Gas and Electric Company (“Applicant”, “Company” or “OG&E”), the Public Utility Division of the Oklahoma Corporation Commission (“Staff”), the Attorney General of the State of Oklahoma (“AG”), the OG&E Shareholders Association (“OG&E Shareholders”), Oklahoma Industrial Energy Consumers (“OIEC”), Wal-Mart Stores East, LP and Sam’s East, Inc. (“Wal-Mart Parties”), AARP, Sierra Club, Chermac Energy Corporation, Quality of Service Coalition (“QSC”), THG Energy Solutions, LLC (formerly Rely Energy, LLC) and Association for Energy Solutions (“THG Parties”) and AES Shady Point, LLC (“AES”), collectively referred to as the “Stipulating Parties.” A copy of the Joint Stipulation is attached hereto as Attachment “A” and incorporated herein by this reference.

I. PROCEDURAL HISTORY
DATES AND PLACES OF HEARINGS

Hearings in this Cause were conducted:

June 2, 2011 – Motion for Extension of Time to File Application
in Courtroom B, 2101 North Lincoln Blvd., Oklahoma City, OK 73105

September 15, 2011 – Motion to Establish Procedural Schedule
in Courtroom B, 2101 North Lincoln Blvd., Oklahoma City, OK 73105

September 22, 2011 – Motions to Associate Counsel
in Courtroom B, 2101 North Lincoln Blvd., Oklahoma City, OK 73105

September 22, 2011 – Objection to Data Requests of AARP
in Courtroom B, 2101 North Lincoln Blvd., Oklahoma City, OK 73105

October 6, 2011 – Motion for Protective Order
in Courtroom B, 2101 North Lincoln Blvd., Oklahoma City, OK 73105

October 6, 2011 – Motion to Determine Notice
in Courtroom B, 2101 North Lincoln Blvd., Oklahoma City, OK 73105

December 12, 2011 – Joint Motion to Strike Rebuttal Testimony/Exhibits JBL-1R & 2R
of Jesse Langston
in Courtroom B, 2101 North Lincoln Blvd., Oklahoma City, OK 73105

December 13-19, 2011 and January 3-11, and 13, 2012 – Hearing on the Merits
in Courtroom 301, 2101 North Lincoln Blvd., Oklahoma City, OK 73105

January 4, 2012 – Motion for Interim Order (Re: OU Spirit Rider)
in Courtroom 301, 2101 North Lincoln Blvd., Oklahoma City, OK 73105

May 31, 2012 – AARP’s Motion Objecting to OG&E’s Notice of Implementation of Interim Rates in Courtroom 301, 2101 North Lincoln Blvd., Oklahoma City, OK 73105

June 19, 2012 – Hearing on Exceptions to the Report and Recommendation of the Administrative Law Judge in Courtroom 301, 2101 North Lincoln Blvd., Oklahoma City, OK 73105

July 9, 2012 – Hearing on the Joint Stipulation and Settlement Agreement in Courtroom 301, 2101 North Lincoln Blvd., Oklahoma City, OK 73105

PROCEDURAL HISTORY

On May 13, 2011, OG&E filed its Notice of Intent providing notice, pursuant to OAC 165:70-3-7, that it intended to file an application seeking to implement a plan which would modify the rates and charges for OG&E’s Oklahoma jurisdictional customers. On May 27, 2011, OG&E filed a Motion for Extension of Time to File Application and the AG filed an Entry of Appearance. OG&E Shareholders filed their Entry of Appearance on June 2, 2011 and OIEC filed its Entry of Appearance on June 3, 2011. After a June 2, 2011 hearing on the Motion for Extension of Time to File Application, the Commission issued **Order No. 586714** on June 28, 2011, granting the Motion of Extension of Time to File Application.

Applicant filed its Application and supporting documentation as required in OAC 165:70 (Minimum Filing Requirements) on July 28, 2011, basing its request for a general rate change on a test year ending December 31, 2010. OG&E proposed to implement a general rate increase of \$73,255,957, effective no earlier than January 1, 2012, to: increase rates to produce sufficient additional revenue to achieve an 11 percent return on a 53.07 percent equity ratio for the test year. Contemporaneous with its application, OG&E filed seventeen (17) pieces of direct testimony by Jesse B. Langston, Robert B. Hevert, Julie M. Cannell, Sheri D. Richard, James M. Proctor, Tammy W. Turnipseed, Malini R. Gandhi, Adam W. Bigknife, John J. Spanos, Michael J. Halloran, Mark Newton Lowry, Donald R. Rowlett, Greg Veitch, James B. Long, Lawrence W. Thompson, Gregory W. Tillman and Bryan J. Scott.

On August 11, 2011, QSC filed its Entry of Appearance and, on August 17, 2011, OG&E filed Amended Direct Testimony of James M. Proctor. On August 18, 2011, Staff filed its Response Regarding Applicant’s Compliance with Minimum Requirements in which Staff found that the Company’s Application Package was in substantial compliance with the minimum filing requirements set forth in OAC 165:70 for Class A electric utilities. On August 18, 2011, AARP filed its Entry of Appearance. On August 19, 2011, the THG Parties filed Entries of Appearance. Also on August 19, 2011, OG&E filed a Motion for Protective Order. On August 22, 2011 Chermac Energy Corporation and the Sierra Club filed Entries of Appearances in the Cause. On August 31, 2011, the Sierra Club filed a Response to OG&E’s Motion for Protective Order.

On September 6, 2011, the Wal-Mart Parties filed their Entries of Appearance in the Cause. On September 8, 2011, OG&E filed a Motion to Establish Procedural Schedule. On September 12, 2011, several parties filed briefs related to the issues raised by the Sierra Club in its Response to OG&E's Motion for Protective Order, including OG&E, Staff, the AG, QSC, OG&E Shareholders and OIEC. On September 15, 2011, OG&E filed its Objection to Data Requests of AARP. On September 15, 2011, Sierra Club filed Motions to Associate Counsel for both Gloria Diantha Smith and Andrea S. Issod. On September 21, 2011, the Sierra Club filed its Surreply to Motion for Protective Order. On September 22, 2011, AES filed an Entry of Appearance.

On October 3, 2011, the Commission issued **Order No. 589643** granting the Motion to Establish Procedural Schedule. On October 4, 2011, OG&E filed a Motion to Determine Notice. The Commission, on October 28, 2011, issued **Order No. 590531** granting the Motion for Protective Order. On October 21, 2011, after an October 6, 2011 noticed hearing, the Commission issued **Order No. 590303** granting the Motion to Establish Notice. Following hearings on the Motions on September 22, 2011, and on October 6, 2011, the Commission issued **Order No. 589779** and **Order No. 589780** granting Sierra Club's Motions to Associate Counsel.

On October 27, 2011, QSC filed its Major Issues List. On October 28, 2011, several parties filed their Major Issues Lists, including AARP, OG&E Shareholders, Sierra Club, Chermac Energy Corporation, OIEC, Staff, the Wal-Mart Parties, the THG Parties and the AG.

On November 10, 2011, an Affidavit of Publication was filed for the *Johnston County Capital-Democrat*. On November 14, 2011, an Affidavit of Publication was filed for the *Daily Ardmoreite*. On November 18, 2011, an Affidavit of Publication was filed for the *Medford Patriot Star*. On November 22, 2011, Affidavits of Publication were filed for the *Poteau Daily News* and the *Ellis County Capital*. On November 30, 2011, an Affidavit of Publication was filed for the *Cherokee Messenger and Republican*. On December 2, 2011, Affidavits of Publication were filed for the *The Oklahoman*, *Tulsa World*, *Alva Review-Courier*, *The Enid News and Eagle*, *Woodward News*, *Cherokee Messenger and Republican*, *The Dewey County Record*, *Durant Daily Democrat*, *Johnston County Capital-Democrat*, *Sequoia County Times*, *Poteau Daily News* and *Tahlequah Daily Press*.

On November 9, 2011, several parties filed Responsive Testimony regarding Revenue Requirements. Staff filed the Responsive Testimony of Patrick Davis, Javad Seyedoff, Kiran Patel, Tonya Hinex-Ford, Karen Forbes, Nicholas Fiegel (redacted and unredacted), Sharon Fisher, Fairo Mitchell, Robert Thompson, and George Kiser. AARP filed Responsive Testimony of Barbara Alexander. The AG filed Responsive Testimony of Edwin Farrar. OIEC and the Wal-Mart Parties jointly filed Responsive Testimony of Jacob Pous and David Parcell. OIEC filed Responsive Testimony of Mark Garrett. Chermac Energy Corporation filed Responsive Testimony of Jaime McAlpine and the Sierra Club filed Responsive Testimony of John Plunkett

and Paul Chernick. On November 9, 2011, Staff also filed an Accounting Exhibit. On November 10, 2011, Staff filed Supplemental Testimony of Fairo Mitchell.

On November 14, 2011, a Notice of Name Change for Intervenor Rely Energy, LLC was filed to notify the Commission that Rely Energy, LLC was now named THG Energy Solutions, LLC. On November 15, 2011, the QSC filed its Statement of Position.

On November 16, 2011, several parties filed Responsive Testimony regarding Cost of Service and Rate Design issues. Staff filed the Responsive Testimony of Luis Saenz. OIEC filed Responsive Testimony of Mark Garrett and the AG filed Responsive Testimony of Edwin Farrar. Also, the THG Parties filed Responsive Testimony of Daniel Frey. The Wal-Mart Parties filed Responsive Testimony of Steve W. Chriss and AARP filed Responsive Testimony of Barbara Alexander.

On November 22, 2011, David A. Kutik filed an Entry of Appearance on behalf of OG&E. Also, on November 22, 2011, AARP and OG&E Shareholders filed Statements of Position. On November 29, 2011, OG&E, OIEC and OG&E Shareholders filed Rebuttal Testimony. OG&E filed Rebuttal Testimony of Philip R. Bartholomew, Jesse B. Langston, Sheri D. Richard, Donald R. Rowlett, Robert B. Hevert, John J. Spanos, James M. Proctor, Julie M. Cannell and Sarah C. Staton. OIEC filed the Rebuttal Testimony of Mark Garrett and OG&E Shareholders filed the Rebuttal Testimony of Steven Fetter. On November 30, 2011, Exhibit PRB-1R of Philip Bartholomew was filed by OG&E.

On December 2, 2011, OG&E filed the Rebuttal Testimony of Gregory Tillman, Greg Veitch and Bryan Scott and OIEC filed the Rebuttal Testimony of Mark Garrett. On December 7, 2011, the OIEC and the AG filed a Joint Motion to Strike Rebuttal Testimony/Exhibit JBL-1R & 2R of Jesse Langston. On December 9, 2011, the AG filed Supplemental Testimony of Edwin Farrar.

After a September 22, 2011 noticed hearing on OG&E's Objection to Data Requests of AARP, the Commission, on December 12, 2011, issued **Order No. 591920** finding that OG&E's issues had been resolved. On December 12, 2011, OG&E filed its Response to the Joint Motion to Strike the Rebuttal Testimony of Jesse Langston. At a December 12, 2011 hearing on the Joint Motion to Strike Rebuttal Testimony/Exhibit JBL-1R & 2R of Jesse Langston, the Administrative Law Judge ("ALJ") denied said motion.

On December 12, 2011, parties filed Exhibit Lists and Witness Testimony Summaries. On December 13, 2011, the hearing on the merits began in this Cause and continued each business day through December 19, 2011. Also, the ALJ and the Commission received public comment each business day between December 13, 2011 and December 22, 2011.

On December 22, 2011, OG&E filed a Motion for Interim Order to extend the OU Spirit Rider until such time as new rates are implemented in this Cause. On January 3, 2012, the hearing on the merits resumed and continued each business day until January 11, 2011. Thereafter, the hearing on the merits was continued on the record until January 13, 2012. On January 11, 2012, the parties filed a Joint Stipulation and Settlement Agreement of Cost of Service and Rate Design Issues (“COS/Rate Design Settlement”). On January 12, 2012, several parties filed testimony supporting the Joint Stipulation and Settlement Agreement of Cost of Service and Rate Design Issues, including Bryan Scott for OG&E and Luis Saenz for Staff. The hearing on the merits continued on January 13, 2012 at which time parties presented testimony regarding the COS/Rate Design Settlement. Also, the ALJ and Commission received public comment each business day between January 3, 2012 and January 13, 2012. On January 23, 2012, the Commission issued **Order No. 593216** granting OG&E’s Motion for Interim Order to extend the OU Spirit Rider. On January 27, 2012 parties filed proposed findings of fact and conclusions of law. On February 6, 2012, PUD Staff filed additional proposed findings of fact an updated issue matrix was completed by the parties. Subsequently, an updated issue spreadsheet was also addressed by the parties.

On May 24, 2012, OG&E filed a Notice of Implementation of Interim Rates. AARP filed a Motion Objecting to OG&E’s Notice of Implementation of Interim Rates on May 25, 2012. On May 30, 2012 the Report and Recommendation of the Administrative Law Judge was filed. On May 31, 2012 OG&E filed its Response to AARP’s Motion Objecting to its Notice of Implementation of Interim Rates and a hearing was conducted on AARP’s motion. On June 1, 2012 OG&E Shareholders and OG&E filed Proposed Orders to AARP’s Motion Objecting to OG&E’s Notice of Implementation of Interim Rates. AARP, AG, QSC, OIEC and Staff filed a Joint Proposed Order on AARP’s Motion Objecting to OG&E’s Notice of Implementation of Interim Rates on June 1, 2012. On June 7, 2012, the Commission issued **Order No. 598476** granting AARP’s Motion Objecting to OG&E’s Notice of Implementation of Interim Rates.

On June 5, 2012, OG&E filed its Calculation of Recommended Rate Increase from the ALJ Report. On June 8, 2012, Staff and AARP both filed Exceptions to the Report and Recommendation of the ALJ and Motions for Oral Argument of Exceptions before the Commission *en banc*. On June 11, 2012, OG&E, Wal-Mart, the AG and OIEC each filed Exceptions to the Report and Recommendation of the ALJ. On June 11, 2012, QSC filed its Exceptions to the Report and Recommendation of the ALJ, supporting, adopting and incorporating by reference the exceptions of OIEC. OG&E, OIEC, the AG and QSC each filed Motions for Oral Argument of Exceptions before the Commission *en Banc* on June 11, 2012. On June 13, 2012, OG&E filed an Amended Motion for Oral Argument and an Amended Notice of Hearing. On June 18, 2012, OIEC, Sierra Club and Chermac each filed a Response to OG&E’s Exceptions to the Report of the ALJ. OG&E filed its Responses to Exceptions to the Report and Recommendation of the ALJ on June 18, 2012. Oral Argument of Exceptions was held before the Commission *en Banc* on June 19, 2012.

II. NOTICE

Notice was accomplished in this Cause by publication in newspapers of general circulation in the following Counties: Alfalfa, Bryan, Cherokee, Dewey, Ellis, Garfield, Grant, Johnston, LeFlore, Oklahoma, Sequoyah, Tulsa, Woods and Woodward.

II. TESTIMONY SUMMARIES

OKLAHOMA GAS AND ELECTRIC COMPANY

Donald R. Rowlett, Managing Director Regulatory Affairs for OG&E testified in support of the Joint Stipulation. Mr. Rowlett testified that the negotiations leading to the Joint Stipulation were arms-length discussions among well-informed parties experienced in utility regulation, which examined and addressed the various positions advanced by the parties in their filed testimonies. Mr. Rowlett stated that in his opinion, the Joint Stipulation is the result of the hard work and good faith of the Stipulating Parties. Mr. Rowlett testified that OG&E, Staff, the AG, OIEC, OG&E Shareholders, AARP, and QSC signed the Joint Stipulation. Sierra Club and Chermac Energy Corporation executed the Joint Stipulation, as to their agreement to Paragraph 19, taking no position regarding the remaining provisions of the Joint Stipulation. AES Shady Point and the THG Parties executed the Joint Stipulation as not opposing same. The Wal-Mart Parties do not oppose the Joint Stipulation but were not signatories. Mr. Rowlett stated that these parties are generally described in his testimony as the “Stipulating Parties” and testified that no parties in this Cause opposed the Joint Stipulation.

Mr. Rowlett testified the Stipulating Parties agreed that OG&E shall file tariffs designed to produce Oklahoma jurisdictional operating revenues of \$1,711,207,980 based upon the test year billing units reflected in Section M of the Company's Application Package filed in this proceeding on July 28, 2011, as adjusted for weather using the weather normalization method proposed by OG&E. The new tariffs will result in an annual increase of its Oklahoma jurisdictional operating revenue in the amount of \$4,313,606. Mr. Rowlett further testified that the Stipulating Parties agreed that the revenue requirement was based on a Return on Equity (“ROE”) of 10.2 percent which would remain in effect until new rates are implemented in OG&E’s next general rate proceeding. Mr. Rowlett testified that the identified ROE for any provision of a tariff in effect upon the implementation of new rates pursuant to a final order in this Cause shall be the lower of 10.2 percent or the ROE stated in such tariff, until changed by this Commission in a subsequent order. Mr. Rowlett testified that the rate of return to be used under various recovery riders previously approved by the Commission, including riders for OG&E's smart grid implementation and Crossroads wind farm will be based on the OG&E's proposed debt and equity ratios as reflected in OG&E's application and 10.2 percent ROE. Mr. Rowlett further testified that the revenue requirement of \$4,313,606 includes adjustments to avoid double recovery of Smart Grid Rider Assets (Adjustment B3-14) and Operation & Maintenance Expenses (Adjustment H 2-41) through June 30, 2011.

With regard to depreciation rates, Mr. Rowlett testified that the Stipulating Parties agreed that the Company shall use the revised depreciation rates filed by the Company in this Cause for the purpose of calculating and setting rates pursuant to the Joint Stipulation. Mr. Rowlett continued, stating the new depreciation rates shall become effective beginning in the same month as new rates are implemented and remain in effect until changed in a subsequent rate proceeding. Finally, in this regard, Mr. Rowlett testified that the Stipulating Parties' agreement to use such depreciation rates does not represent any precedential value and the Stipulating Parties will be free to take any position regarding OG&E's depreciation rates in the next general rate proceeding.

Next, Mr. Rowlett testified that the Stipulating Parties agreed that OG&E may file an application seeking recovery pursuant to the 2012 SPP Transmission Systems Additions Rider ("STSA Rider") of the costs allocated to OG&E's Oklahoma jurisdiction for those certain regionally allocated transmission projects approved by the SPP and identified in the Direct Testimony of OG&E witness Donald Rowlett (the "Projects"). Mr. Rowlett testified that the cost of such Projects, to the extent approved for cost recovery by the Commission, shall be calculated based on the most recent Commission approved ROE. Mr. Rowlett testified that the Stipulating Parties further agreed that nothing in the Joint Stipulation constituted an approval, in the present Cause, of the recovery of costs associated with the Projects. Mr. Rowlett testified that the Stipulating Parties further agreed that, to the extent found recoverable by the Commission, the costs of the Projects shall be recovered through the STSA Rider, in the form attached to the Joint Stipulation as Attachment A. Mr. Rowlett testified that the Stipulating Parties also agreed to endeavor to process such application for cost recovery in an expedited manner.

Mr. Rowlett then testified regarding the information that the Company will provide in its application for cost recovery pursuant to the STSA Rider. He stated that OG&E would provide the information detailed in Paragraph 4 of the Joint Stipulation. Mr. Rowlett also testified that the Stipulating Parties further agreed that costs recoverable through the STSA Rider will be assigned to and among Oklahoma retail classes using the allocation methodology approved by this Commission in this Cause. He also testified that the Stipulating Parties agreed that the STSA Rider would continue until the conclusion of OG&E's next general rate case and the implementation of new rates in that Cause.

Regarding the Storm Cost Recovery Rider, Mr. Rowlett testified that Commission Order No. 558445 in Cause Nos. PUD 200800215 and PUD 200700447 provided a recovery mechanism to affect OG&E's recovery of its actual storm expenses for the four (4) year period 2006 through 2009. That period was extended to include 2010 and 2011 in Cause No. PUD 200800398 and is currently set to terminate August 2013. He stated the Stipulating Parties agreed that the Storm Cost Recovery Rider shall be further extended until rates are implemented in the Company's next general rate proceeding, whereupon, any final Over/Under recoveries will pass to the customers through Fuel Cost Adjustment ("FCA").

Mr. Rowlett then testified regarding Allowance for Funds Used During Construction (“AFUDC”). He stated that beginning with the implementation of new rates established in this Cause, the ROE rate used in the formula to calculate AFUDC shall be 10.2 percent. Consequently, Mr. Rowlett testified that the Rate of Return for AFUDC purposes will be based on a 10.2% ROE, OG&E’s filed capital structure and OG&E’s filed cost of debt. He stated that it should be noted that the use of this capital structure for AFUDC purposes does not represent any precedential value and the Stipulating Parties are free to take any position regarding the appropriate capital structure in the Company’s next general rate proceeding.

Mr. Rowlett then testified that the Stipulating Parties agreed that the Off-System Sale of Electricity (“OSSE”) Rider shall be terminated and one hundred percent (100%) of revenues associated with off-system sales of electricity currently included in the OSSE Rider will be credited through the FCA Rider, Mr. Rowlett testified that the Stipulating Parties agreed the System Hardening Program Rider would be modified to include additional circuit hardening capital costs of up to \$15,000,000 and additional aggressive vegetation management expenses up to \$10,950,000 as proposed by OG&E in this Cause.

Next, Mr. Rowlett testified that the Pension and Retiree Medical tracker mechanisms will continue until modified or terminated by the Commission and that the Stipulating Parties agreed that the pension and retiree medical expense included in base rates, for the purpose of tracking the variance of future costs, shall be \$21,395,873 and \$8,994,539, respectively. He continued, stating that the Stipulating Parties further agreed that the current pension and retiree medical expense regulatory liability will be amortized over a 24 month period beginning with the first of billing cycle new rates authorized in this proceeding become effective.

Concerning the SPP Cost Tracker (“SPPCT”) reporting, Mr. Rowlett testified that OG&E agreed to submit the reporting information as set forth in Responsive Testimony of Staff witness, Fairo Mitchell, which is attached to the Joint Stipulation as Attachment B.

With regard to the FCA tariff, Mr. Rowlett testified that the Stipulating Parties agreed in the COS/Rate Settlement, a copy which is attached to the Joint Stipulation as Attachment E, that fuel and certain gas transportation and storage costs would be removed from base rates. Mr. Rowlett stated that the Stipulating Parties further agreed that the methodology for calculating the interest on the Over/Under fuel recovery balance will be modified as proposed by the Company in this Cause.

Mr. Rowlett also testified that the Stipulating Parties agreed that any tariff currently in effect which is not specifically eliminated or modified pursuant to the Joint Stipulation and which does not include a specific expiration date shall continue in effect. Mr. Rowlett stated that the Stipulating Parties agreed that the term of the Smart Grid Rider shall be extended until rates are implemented in the Company’s next general rate proceeding and that the inclusion of

Windspeed costs in the RTSA shall terminate upon the implementation of new rates in this Cause and shall be subject to audit, true-up and adjustment.

Mr. Rowlett then testified that OG&E agreed in the Joint Stipulation to file a report outlining the results of its Smart Grid deployment in Oklahoma, consistent with the reporting requirements set forth in Hearing Exhibit 4, Arkansas Public Service Commission Docket No. 10-109-U, Order No. 8, Attachment 2 “Reporting Requirements” and attached to the Joint Stipulation as Attachment C. He stated that the Company also agreed that it would file the report no later than the filing for the true-up of the Smart Grid Rider and shall contain information beginning with the implementation of the Smart Grid Rider through the true-up of the rider.

Mr. Rowlett next testified that the Company agreed in the Joint Stipulation to clarify in the Customer Guide provided to customers annually that a customer has the right to switch rate plans, subject to conditions contained in an individual tariff.

With regard to the Peak Time Rebate (“PTR”) program, Mr. Rowlett testified that the Stipulating Parties agreed that OG&E would hire a third party expert (“Expert”) as soon as practically possible to undertake certain tasks and make certain evaluations, recommendations and conclusions regarding PTR programs. The specific tasks of the Expert are detailed in Paragraph 16 of the Joint Stipulation, as well as the timeline and process for the Expert to perform his/her work.

Mr. Rowlett then testified that OG&E agreed to revise Section 218 of its terms and conditions of service, Ownership and Use of Smart Meter Data, by striking all of the current language and replacing it with the language set forth in Attachment D to the Joint Stipulation. Mr. Rowlett also explained that the Stipulating Parties acknowledged there is disagreement regarding the issue of ownership of customer data and whether the language contained in Section 218 is consistent with 17 O.S. § 701.1 *et seq.*, The Electric Usage Data Protection Act (“the Act”) and by agreeing to the Joint Stipulation, no Stipulating Party was waiving or modifying their position on the matter. Mr. Rowlett also testified that the Stipulating Parties recognized that 17 O.S. § 701.8 requires the Commission to promulgate rules to implement the Act and that the Commission Staff expects to initiate such rulemaking. Mr. Rowlett testified that OG&E’s tariff language may be modified as may be required to comply with any such rules.

Mr. Rowlett next testified that the Stipulating Parties agreed that the Oklahoma jurisdictional revenue requirement includes recovery of the amortization, over a 24 month period of the Company’s regulatory asset recorded for the costs incurred for the OCC Wind RFP Evaluator, Attorney General Expert – OU Spirit and the Attorney General’s expert witness in the Crossroads wind case.

Mr. Rowlett testified that OG&E agreed that the analysis for the Company’s 2012 IRP submittal made pursuant to OAC 165:35-37 will include consideration and documentation of

identified information related to forecasts, resource options, supply side options, demand side resources, transmission issues and environmental compliance considerations.

With regard to the COS/Rate Design Settlement in this Cause, the Stipulating Parties agreed that the complete terms of that COS/Rate Design Settlement were incorporated in the Joint Stipulation as a part thereof. That COS/Rate Design Settlement was executed on January 11, 2012 and was described in detail by OG&E Witness Bryan Scott in Supplemental Testimony filed on January 12, 2012 and by Mr. Scott and Staff Witness, Luis Saenz in testimony before the ALJ. Mr. Scott testified that the COS/Rate Design Settlement addressed the accounting and financial exhibits to be incorporated into the cost of service study which would be used to develop the allocation of any revenue change to the customer classes. Mr. Scott further testified that the Settlement Agreement also discussed the following issues: treatment of bad debt expense, fuel expenses, large customer additions, weather normalization, application of the Average and Excess allocation method, the OSU special contract and the removal of base rate fuel costs to the FCA. Mr. Scott further testified that the Settlement Agreement described how a rate increase or a rate decrease/no change scenario would be allocated among customer classes. Mr. Scott also testified concerning issues agreed to by the parties to the Settlement Agreement, including: the continuation of declining block energy pricing, deferral of OG&E's plan to increasing the power factor, the study of weather normalization methodologies and the terms and conditions for the pre-paid pilot.

Mr. Rowlett testified that the Stipulating Parties agreed that the provisions set forth in the Joint Stipulation, unless otherwise specified in the Joint Stipulation, would become effective upon approval of the Joint Stipulation by the Commission in this Cause.

Mr. Rowlett then testified about how the stipulated revenue requirement would be allocated to the various customer groups and what the estimated monthly customer impact would be for each customer group. Mr. Rowlett included Chart 1, which showed that residential customers would be allocated \$458,608 of the stipulated revenue requirement of \$4,313,606. Such an allocation is estimated to impact the average residential customer by lowering their monthly bill by approximately 9¢ per month.

Mr. Rowlett testified that he believed the Joint Stipulation was a fair, just and equitable resolution of all the issues in this proceeding. Mr. Rowlett stated that he believed approval of the Joint Stipulation would be in the public interest and urged the Commission to approve the Joint Stipulation as presented by the Stipulating Parties.

PUBLIC UTILITY DIVISION

Brandy L. Wreath, Acting Director of the Public Utility Division testified in support of the Joint Stipulation. Mr. Wreath testified concerning the process used in the negotiations that resulted in the Joint Stipulation. He stated that all parties acted in good faith towards a solution that would protect ratepayers while still providing the utility the ability to supply safe and reliable electric service. Mr. Wreath agrees that the Joint Stipulation is the result of the hard

work and good faith of the Stipulating Parties and represents a reasonable compromise of all parties.

Mr. Wreath testified that the annual increase of OG&E's Oklahoma jurisdictional operating revenue in the amount of \$4,313,606 is reasonable due to increased investments and operational costs experienced by OG&E. OG&E invested nearly \$800 million in plant since the 2008 rate case. These investments increased reliability and safety for all Oklahoma ratepayers.

Mr. Wreath further testified that the Stipulating Parties agreed that the Company would be awarded a ROE of 10.2 percent. The ROE would apply to all applicable riders until new rates are implemented in OG&E's next general rate proceeding. Mr. Wreath agreed that this ROE would apply to the OG&E riders covering the smart grid implementation and the Crossroads wind farm. Mr. Wreath testified that this ROE was reasonable due to the facts in the record and recent ROE trends across the country. He stated that it is crucial for regulators to balance the need to attract investment capital with the need to maintain reasonable rates for ratepayers. He stated that ROE will continue to be a major factor reviewed in future cases and that PUD will continue to study the impacts of risk and riders.

Mr. Wreath agreed that the Company shall use the revised depreciation rates filed by the Company in this Cause for the purpose of calculating and setting rates pursuant to the Joint Stipulation. He confirmed that the Stipulating Parties' agreement to use such depreciation rates does not represent any precedential value and the Stipulating Parties will not be bound by this Stipulation and may take other positions regarding OG&E's depreciation rates in the next general rate proceeding.

Mr. Wreath further testified that the Stipulating Parties agreed that OG&E may seek recovery of the Sunnyside-Hugo and Sooner-Rosehill transmission projects pursuant to the STSA Rider. Mr. Wreath testified that the cost of the projects would be reviewed in a subsequent application filed by OG&E. This case would look at the reasonableness and prudence of the investments. Mr. Wreath agreed that nothing in the Joint Stipulation constituted an approval, in the present Cause, of the recovery of costs associated with the Projects. Mr. Wreath also agreed that, to the extent found recoverable by the Commission, the costs of the Projects shall be recovered through the STSA Rider, in the form attached to the Joint Stipulation as Attachment A. Mr. Wreath stated that this agreement was in the public interest as it gave a mechanism for recovery while maintaining the protection of a full audit. He also agreed that PUD would endeavor to process the subsequent cause in an expedited manner.

Mr. Wreath agreed with Mr. Rowlett's testimony concerning the extension of the Storm Cost Recovery Rider. He stated that the Stipulating Parties agreed that the Storm Cost Recovery Rider shall be further extended until rates are implemented in the Company's next general rate proceeding. Mr. Wreath stated that this rider is in the public interest as it allows the Company to respond to emergency situations while providing some surety of recovery of prudent

expenditures. A quick and thorough response to storm related outages reduces potential health and economic impacts to Oklahoma ratepayers. He also stated that these recoveries are still subject to a full review and audit by the PUD.

Mr. Wreath testified that the Stipulating Parties agreed that the Off-System Sales of Electricity ("OSSE") Rider shall be terminated and one hundred percent (100%) of revenues associated with off-system sales of electricity currently included in the OSSE Rider will be credited through the FCA Rider.

Mr. Wreath further testified that the Stipulating Parties agreed the System Hardening Program Rider would be modified to include additional circuit hardening capital costs of up to \$15,000,000 and additional aggressive vegetation management expenses up to \$10,950,000 as proposed by OG&E in this Cause. He stated that these investments are reasonable as they aide in reducing the impacts of natural disasters and other events to the electric grid. These programs have shown a reduced occurrence and duration of outages on the impacted circuits. This is in the public interest as reliable service is crucial to the health and welfare of Oklahoma ratepayers.

Mr. Wreath testified concerning reporting requirements associated with the SPP Cost Tracker. He testified that OG&E agreed to submit the reporting information as set forth in Responsive Testimony of Staff witness, Fairo Mitchell, which is attached to the Joint Stipulation as Attachment B. This additional reporting will assist the Commission in reviewing the reasonableness of the SPP related projects. It will help identify transmission companies operating in Oklahoma that have an impact on Oklahoma ratepayers. It will also assist parties in reviewing the projected impacts and benefits, economic and operational, of the projects.

Mr. Wreath testified that the Stipulating Parties agreed in the COS/Rate Design Stipulation, a copy which is attached to the Joint Stipulation as Attachment E, to PUD's recommendation to remove fuel and certain gas transportation and storage costs from base rates. Mr. Wreath stated that this was in the public interest as it provided more transparency to customer's bills while allowing for a more thorough review by all parties in the annual fuel audit and prudence reviews.

Mr. Wreath further testified that OG&E agreed in the Joint Stipulation to file a report outlining the results of its Smart Grid deployment in Oklahoma, consistent with the reporting requirements set forth Attachment C. He stated that the report would be filed no later than the filing for the true-up of the Smart Grid Rider and shall contain information beginning with the implementation of the Smart Grid Rider through the true-up of the rider. This is in the public interest as the additional reporting will provide information concerning the effectiveness of the programs. These data should also help the Commission, and possibly other regulatory bodies, in the rollout and development of Smart Grid plans. PUD also will look to the reported information to provide ratepayers a quantification of savings and benefits associated with the Smart Grid

program in Oklahoma. Mr. Wreath also stated that expenses and investments associated with the Smart Grid Rider were adjusted in the case to avoid double recovery.

Mr. Wreath then testified concerning the Peak Time Rebate program. He testified that the Stipulation called for an Expert to be hired as soon as practically possible to review the reasonableness of PTR programs. The review would consider numerous items including overall effectiveness of current programs in other jurisdictions, best practices, and an identification of suggested program guidelines if implemented. Mr. Wreath agreed that the specific tasks of the Expert are detailed in Paragraph 16 of the Joint Stipulation, as well as the timeline and process for the Expert to perform his/her work. Mr. Wreath testified that this is in the public interest as the Expert will report to PUD and will work in an independent manner to evaluate the potential programs. This will help ensure that areas of concern raised by parties in this cause will be addressed before a program is considered for roll out to OG&E ratepayers.

Mr. Wreath also testified concerning Section 218 of OG&E's terms and conditions of service, Ownership and Use of Smart Meter Data. He agreed that there is disagreement regarding the issue of ownership of customer data and whether the language contained in Section 218 is consistent with 17 O.S. § 701.1 *et seq.*, The Electric Usage Data Protection Act ("the Act"). He further testified that no Stipulating Party was waiving or modifying their position on the matter by being a signatory to the Joint Stipulation. Mr. Wreath recognized that 17 O.S. § 701.8 requires the Commission to promulgate rules to implement the Act and that PUD expects to initiate such rulemaking. He stated that the rulemaking process will be conducted in a transparent manner that allows all stakeholders to participate.

Mr. Wreath then testified that the Company's 2012 IRP will include consideration and documentation of numerous issues raised by parties to this cause. He testified that many of the issues are identified in the Joint Stipulation. He then testified that the IRP related agreements were reasonable and in the public interest as they are required by statute and rule. He also testified that these considerations would be open and transparent to all stakeholders through the prescribed process.

Mr. Wreath testified that the COS/Rate Design Stipulation in this Cause was incorporated in the Joint Stipulation. He further testified that bad debts and fuel costs would be allocated by class. The COS/Rate Design Stipulation in this Cause also determined the allocation of the proposed revenue requirement increase between classes. He testified that two classes were significantly below their class rate of return. PUD has taken a gradualism approach to reaching an equalized Rate of Return ("ROR") between classes in the last few rate cases. This Stipulated allocation brings the OSL, currently at 59.4 percent, and ML, currently at 57.3 percent, closer to a fully allocated ROR. They would be at an 89.7 percent and 74.8 percent respectively. He testified that this allocation is reasonable and in the public interest as classes will cover more of the actual cost they cause.

Mr. Wreath agreed with the testimony of Mr. Rowlett concerning the estimated monthly customer impacts for each customer group. He testified that this Stipulation is reasonable because most classes receive a net reduction when considering the lower revenue requirement associated with rider recovery. He further testified that the only classes receiving a net increase are those classes that were contributing less than 60 percent of their allocated revenue requirement. He stated that this was in the public interest due to the positive impact on residential customers, small businesses, and industrials considering the difficult economic times that many still face.

Mr. Wreath then testified that the Joint Stipulation as proposed was fair, just, reasonable, and in the public interest. He then recommended the approval of the Joint Stipulation by the Commission.

III. FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based upon the Commission's review and evaluation of the pleadings, testimony of witnesses, the Joint Stipulation and Settlement Agreement, and evidence contained in the record for this Cause, and upon a full and final consideration thereof, the Commission makes the following findings and conclusions:

1. The Commission finds that it has jurisdiction with respect to the issues presented in this proceeding by virtue of Article IX, §18 of the Oklahoma Constitution, 17 O.S. §§151 and 152.

2. The Commission finds that due and proper notice was given as required by law and Commission rules and in accordance with Commission order.

3. The Commission finds that the Stipulating Parties to this proceeding have executed and submitted to the Commission a Joint Stipulation and Settlement Agreement filed with the Commission on July 2, 2012, a copy of which is attached to this Order as Attachment 1 and incorporated herein by reference. The Commission further finds, based upon an independent review of the evidence and testimony submitted at the hearing on the merits in this proceeding, that the Joint Stipulation reflects a full, final, and complete settlement of all issues pending in this proceeding by the Stipulating Parties and is hereby adopted by the Commission.

4. Pursuant to the terms of the Joint Stipulation, the Commission makes the following findings:

- a. OG&E shall file tariffs designed to produce Oklahoma jurisdictional operating revenues of \$1,711,207,980 based upon the test year billing units reflected in Section M of the Company's Application Package filed in this proceeding on July 28, 2011, as adjusted for weather using the weather normalization method proposed by OG&E. OG&E shall recover its Oklahoma jurisdictional operating revenue through tariffs reflecting an annual increase in revenues in the amount of approximately \$4,313,606;
- b. the stated Return on Equity until OG&E's next general rate proceeding is 10.2 percent. The identified ROE for any provision of a tariff in effect upon the

- implementation of new rates pursuant to a final order in this Cause shall be the lesser of 10.2 percent or the present return currently in effect for such tariff, until changed by this Commission in a subsequent order. The rate of return to be used under various recovery riders previously approved by the OCC, including riders for OG&E's Smart Grid implementation and Crossroads wind farm will be based on the OG&E's proposed debt and equity ratios as reflected in OG&E's application and 10.2 percent ROE;
- c. OG&E shall use the revised depreciation rates filed by the Company in this cause for the purpose of calculating and setting rates pursuant to the Joint Stipulation. The new depreciation rates shall become effective beginning in the same month as new rates are implemented. Such revised depreciation rates shall remain in effect until the implementation of new rates in OG&E's next general rate proceeding. As recognized in General Reservations, Paragraph E of the Joint Stipulation, the agreement to use such depreciation rates shall not represent any precedential value and the Stipulating Parties will be free to take any position regarding OG&E's depreciation rates in OG&E's next general rate proceeding;
 - d. OG&E may file an application seeking recovery pursuant to the 2012 SPP Transmission Systems Additions Rider ("STSA Rider") of the costs allocated to OG&E's Oklahoma jurisdiction for those certain regionally allocated transmission projects approved by the SPP and identified in the Direct Testimony of OG&E witness Donald Rowlett (the "Projects"). The cost of such Projects, to the extent approved for cost recovery by the Commission, shall be calculated based on the most recent Commission approved ROE. Nothing in the Joint Stipulation constitutes an approval, in the present Cause, of the recovery of costs associated with the Projects. To the extent found recoverable by the Commission, the costs of the Projects shall be recovered through the STSA Rider, in the form attached as Attachment "A" to the Joint Stipulation. The Stipulating Parties shall endeavor to process such application for cost recovery in an expedited manner. In its application for cost recovery pursuant to the STSA Rider, OG&E shall provide the information detailed in Paragraph 4 of the Joint Stipulation. Costs recoverable through the STSA Rider will be assigned to and among Oklahoma retail classes using the allocation methodology approved by this Commission in Cause PUD 201100087. The STSA Rider shall continue until the conclusion of OG&E's next general rate case and the implementation of new rates in that Cause;
 - e. the Storm Cost Recovery Rider shall be extended until rates are established in the Company's next general rate proceeding. Any final Over/Under recoveries will pass to the customers through the FCA;
 - f. beginning with the implementation of new rates established in this Cause, the return on common equity rate used in the formula to calculate AFUDC shall be based on the ROE cited in Paragraph 4.b above;

- g. the OSSE Rider shall be terminated. One hundred percent of net earnings associated with off-system sales of electricity currently included in the OSSE Rider will be credited through the FCA Rider;
- h. the System Hardening Program Rider shall be modified to include additional circuit hardening capital costs of up to \$15,000,000 and up to \$10,950,000 of additional aggressive vegetation management expenses as proposed by OG&E in this Cause;
- i. the Pension and Retiree Medical tracker mechanisms will continue until modified or terminated by the Commission. The use of pension and retiree medical expense included in base rates, for the purpose of tracking the variance of future costs, shall be \$21,395,873 and \$8,994,539, respectively. The current pension and retiree medical expense regulatory liability will be amortized over a 24 month period beginning with the first of billing cycle new rates authorized in this proceeding become effective;
- j. OG&E will submit the SPPCT reporting information as set forth in Responsive Testimony of Staff witness, Fairo Mitchell, filed in this Cause. The SPPCT reporting information required is attached as Attachment B to the Joint Stipulation;
- k. fuel and certain gas transportation and storage costs shall be removed from base rates pursuant to the Joint Stipulation and Settlement Agreement of Cost of Service and Rate Design Issues (“COS/Rate Design Settlement”), filed in this Cause on January 11, 2012 and attached to the Joint Stipulation as Attachment E. The methodology for calculating the interest on the Over/Under fuel recovery balance will be modified as proposed by the Company in this Cause;
- l. any tariff currently in effect which is not specifically eliminated or modified pursuant to the Joint Stipulation and which does not include a specific expiration date shall continue in effect. The term of the Smart Grid Rider shall be extended until rates are implemented in the Company’s next general rate proceeding. The inclusion of Windspeed costs in the RTSA shall terminate upon the implementation of new rates in this Cause and shall be subject to audit, true-up and adjustment;
- m. OG&E shall file a report outlining the results of its Smart Grid deployment in Oklahoma, consistent with the reporting requirements set forth in Hearing Exhibit 4, Arkansas Public Service Commission Docket No. 10-109-U, Order No. 8, Attachment 2 “Reporting Requirements” and attached to the Joint Stipulation as Attachment C. OG&E shall file the report no later than the filing for the true-up of the Smart Grid Rider. The report shall contain information beginning with the implementation of the Smart Grid Rider through the true-up of the rider;
- n. OG&E shall clarify in the Customer Guide provided to customers annually that a customer has the right to switch rate plans, subject to conditions contained in an individual tariff;
- o. the revenue requirement calculation set forth above in Paragraph 4.a above includes adjustments to avoid double recovery of Smart Grid Rider Assets (Adjustment B 3-14) and Operation & Maintenance Expenses (Adjustment H 2-41) through June 30, 2011;

- p. OG&E shall hire a third party expert (“Expert”) as soon as practically possible to undertake certain tasks and make certain evaluations, recommendations and conclusions regarding Peak Time Rebate (“PTR”) programs. The specific tasks of the Expert are detailed in Paragraph 16 of the Joint Stipulation, as well as the timeline and process for the Expert to perform his/her work;
- q. OG&E shall revise Section 218 of its terms and conditions of service, Ownership and Use of Smart Meter Data, by striking all of the current language and replacing it with the language set forth in Attachment D to the Joint Stipulation. The Stipulating Parties acknowledged there is disagreement regarding the issue of ownership of customer data and whether the language contained in Section 218 is consistent with 17 O.S. § 701.1 *et seq.*, The Electric Usage Data Protection Act (“the Act”) and by agreeing to the Joint Stipulation, no Stipulating Party was waiving or modifying their position on the matter. The Stipulating Parties agreed that 17 O.S. § 701.8 requires the Commission to promulgate rules to implement the Act, the Commission Staff will initiate such rulemaking and OG&E’s tariff language may be modified as may be required to comply with any such rules;
- r. the Oklahoma jurisdictional revenue requirement includes recovery of the amortization, over a 24 month period of the Company’s regulatory asset recorded for the costs incurred for the OCC Wind RFP Evaluator, Attorney General Expert – OU Spirit and the Attorney General’s expert witness in the Crossroads wind case;
- s. OG&E’s analysis for the Company’s 2012 IRP submittal made pursuant to OAC 165:35-37 will include consideration and documentation of: i) electric demand and energy forecasts, including load forecasts, growth assumptions, energy sales forecasts and peak demand forecasts; ii) resource options, including existing supply resources; iii) supply side resource alternatives, including but not limited to both existing and new natural gas and existing and new renewable generation alternatives; iv) demand side resources, including energy efficiency and demand response programs; v) transmission issues including, transmission resources, transmission needed for generation expansion options as described above and SPP transmission expansion plans; and vi) environmental compliance considerations, including Oklahoma’s electric renewable energy goal, carbon dioxide restrictions and EPA’s Regional Haze Rule, Utility MACT Rule, Cross State Air Pollution Rule, and other environmental rules and laws;
- t. the COS/Rate Design Settlement, which attached to the Joint Stipulation as Attachment E, is incorporated into the Joint Stipulation; and
- u. the provisions set forth in the Joint Stipulation, unless otherwise specified therein, shall become effective upon approval of the Joint Stipulation by the Commission in this Cause.

IV. ORDER

THE COMMISSION THEREFORE ORDERS that notice was properly given in accordance with Order No. 590303.


THE COMMISSION FURTHER ORDERS that the Joint Stipulation and Settlement Agreement executed and filed by the Stipulating Parties to this proceeding and attached hereto as Attachment A shall be and the same is hereby approved in accordance with the findings hereinabove set forth.

THE COMMISSION FURTHER ORDERS that the rates, charges and tariffs reflecting the terms of this Order be and the same are hereby approved. The tariffs and the terms and conditions of service necessary to implement the agreements in the Joint Stipulation shall become effective upon approval by the Director of the Public Utility Division of the Commission.

THE COMMISSION FURTHER ORDERS that the Findings of Fact and Conclusions of Law set forth herein be, and the same are hereby, adopted as the Order of the Commission.

THIS ORDER SHALL BE EFFECTIVE immediately.

OKLAHOMA CORPORATION COMMISSION


DANA L. MURPHY, Chair


BOB ANTHONY, Vice Chairman


PATRICE DOUGLAS, Commissioner

CERTIFICATION

DONE AND PERFORMED by the Commissioners participating in the making of this order, as shown by their signatures above, this 9th day of July, 2012.

[seal]


PEGGY MITCHELL, Commission Secretary

BEFORE THE CORPORATION COMMISSION 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)
RATES, CHARGES, AND TARIFFS FOR RETAIL)
ELECTRIC SERVICE IN OKLAHOMA)

CAUSE NO. PUD 201100087

FILED

JUL 02 2012

**JOINT STIPULATION AND
SETTLEMENT AGREEMENT**
COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

COME NOW the undersigned parties to the above entitled cause and pursuant to 17 O.S. § 282 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 urge the Commission to issue an order in this cause adopting and approving this Joint Stipulation.

Terms of the Joint Stipulation and Settlement Agreement

This Joint Stipulation represents a comprehensive total settlement to become effective ("Effective Date") with the issuance of a Commission order approving this Joint Stipulation. The tariffs and the terms and conditions of service necessary to implement the agreements in this Joint Stipulation become effective upon approval by the Director of the Public Utility Division of the Commission.

1. **Revenue Requirement.** The Stipulating Parties agree that OG&E shall file tariffs designed to produce Oklahoma jurisdictional operating revenues of \$1,711,207,980 based upon the test year billing units reflected in Section M of the Company's Application Package filed in this proceeding on July 28, 2011, as adjusted for weather using the weather normalization method proposed by OG&E. The Company shall provide the tariffs with its testimony in support of this Joint Stipulation. The Company shall recover

its Oklahoma jurisdictional operating revenue through tariffs reflecting an annual increase in revenues in the amount of approximately \$4,313,606.

2. **Return on Equity (“ROE”).** The Stipulating Parties agree that the stated Return on Equity until OG&E’s next general rate proceeding is 10.2 percent. The identified ROE for any provision of a tariff in effect upon the implementation of new rates pursuant to a final order in this Cause shall be the lesser of 10.2 percent or the present return currently in effect for such tariff, until changed by this Commission in a subsequent order.
3. **Depreciation Rates.** The Stipulating Parties agree that the Company shall use the revised depreciation rates filed by the Company in this cause for the purpose of calculating and setting rates pursuant to this Joint Stipulation. The new depreciation rates shall become effective beginning in the same month as new rates are implemented. Such revised depreciation rates shall remain in effect until OG&E’s next general rate proceeding. As recognized in General Reservations, paragraph E, the agreement to use such depreciation rates shall not represent any precedential value and the Stipulating Parties will be free to take any position regarding OG&E’s depreciation rates in OG&E’s next general rate proceeding.
4. **SPP Transmission System Additions (“STSA”) Rider.** The Stipulating Parties agree OG&E may file an application seeking recovery pursuant to the 2012 SPP Transmission Systems Additions rider (“STSA Rider”) of the costs allocated to OG&E’s Oklahoma jurisdiction for those certain regionally allocated transmission projects approved by the SPP and identified in the Direct Testimony of OG&E witness Donald Rowlett (the “Projects”). The cost of such Projects, to the extent approved for cost recovery by the Commission, shall be calculated based on the most recent Commission approved return on equity. The Stipulating Parties further agree that nothing in this Joint Stipulation constitutes an approval, in the present Cause, of the recovery of costs associated with the Projects. The Stipulating Parties further agree that, to the extent found recoverable by the Commission, the costs of the Projects shall be recovered through the STSA Rider, in the form attached hereto as Attachment “A”. The Stipulating Parties also agree to endeavor to process such application for cost recovery in an expedited manner. In its application for cost recovery pursuant to the STSA Rider, the Company shall provide the following information:

(i) a description of the Projects, the final project cost and the cost to be allocated to OG&E;

(ii) the actual in-service date and the original cost estimate for each of the specific Projects constructed by OG&E, and the updated actual Project costs for each Project and, in total, and, as allocated to OG&E, for each;

(iii) the revenue impact associated with the Projects for each of OG&E's major customer classes;

(iv) Orders issued by the FERC authorizing SPP's approval of the Projects;

(v) evidence of SPP's approval of the Projects; and

(vi) testimony in support of the reasonableness of the costs of the Projects to be recovered through the STSA Rider.

The Stipulating Parties further agree that, for informational purposes, the Company, will as a part of its application for cost recovery pursuant to the STSA Rider, provide the following information:

(i) a description of the benefits (economic or otherwise) identified by SPP or OG&E that will accrue to the regional grid and to OG&E ratepayers resulting from each of the Projects and the expenses that will be collected pursuant to the STSA Rider; and

(ii) any analyses conducted by SPP, OG&E or otherwise supporting the benefits to both the regional grid and to OG&E ratepayers relating to each of the Projects and the costs to be recovered by OG&E pursuant to the STSA Rider.

The Stipulating Parties further agree that costs recoverable through the STSA Rider will be assigned to and among Oklahoma retail classes using the allocation methodology approved by this Commission in Cause PUD 201100087.

The Stipulating Parties further agree that the STSA Rider shall continue until the conclusion of OG&E's next general rate case and the implementation of new rates in that Cause.

5. **Storm Recovery Rider.** Commission Order No. 558445 in Cause Nos. PUD 200800215 and PUD 200700447 provides a recovery mechanism to affect OG&E's recovery of its actual storm expenses for the four year period 2006 through 2009. That period was extended to include 2010 and 2011 in Cause No. PUD 200800398 and is currently set to

- terminate August 2013. The Stipulating Parties agree that the Storm Cost Recovery Rider shall be further extended until rates are implemented in the Company's next general rate proceeding. Any final Over/Under recoveries will pass to the customers through the Fuel Cost Adjustment ("FCA") rider.
6. **Allowance for Funds Used During Construction ("AFUDC").** Beginning with the implementation of new rates established in this Cause, the return on common equity rate used in the formula to calculate Allowance for Funds During Construction ("AFUDC") shall be based on the ROE cited paragraph number 2, above.
 7. **Off-System Sales of Electricity ("OSSE") Rider.** The Stipulating Parties agree that the OSSE rider shall be terminated. One hundred percent of revenues associated with off-system sales of electricity currently included in the OSSE rider will be credited through the fuel cost adjustment rider.
 8. **System Hardening Program Rider.** The Stipulating Parties agree the System Hardening Program rider be modified to include additional circuit hardening capital costs of up to \$15,000,000 and up to \$10,950,000 of additional aggressive vegetation management expenses as proposed by OG&E in this Cause.
 9. **Pension and Retiree Medical Tracker.** The Pension and Retiree Medical tracker mechanisms will continue until modified or terminated by the Commission. The Stipulating Parties agree that the pension and retiree medical expense included in base rates, for the purpose of tracking the variance of future costs, shall be \$21,395,873 and \$8,994,539, respectively. The Stipulating Parties further agree that the current pension and retiree medical expense regulatory liability will be amortized over a 24 month period beginning with the first of billing cycle new rates authorized in this proceeding become effective.
 10. **SPP Cost Tracker Rider ("SPPCT") Reporting.** OG&E agrees to submit the reporting information as set forth in Responsive Testimony of Staff witness, Fairo Mitchell, filed in this Cause. The SPPCT reporting information required is attached as Attachment "B" to this Joint Stipulation.
 11. **Fuel Cost Adjustment Rider.** The Stipulating Parties agreed in the Joint Stipulation and Settlement Agreement of Cost of Service and Rate Design Issues ("COS/Rate Design Settlement Agreement"), filed in this Cause on January 11, 2012, and attached hereto as

Attachment "E", that fuel and certain gas transportation and storage costs would be removed from base rates. The Stipulating Parties further agree that the methodology for calculating the interest on the over/under fuel recovery balance will be modified as proposed by the Company in this Cause.

12. **Treatment of Certain Tariffs.** Any tariff currently in effect which is not specifically eliminated or modified pursuant to this Joint Stipulation and which does not include a specific expiration date shall continue in effect. The term of the Smart Grid rider shall be extended until rates are implemented in the Company's next general rate proceeding. The inclusion of Windspeed costs in the RTSA shall terminate upon the implementation of new rates in this Cause and shall be subject to audit, true-up and adjustment.
13. **Smart Grid Reporting on Costs and Benefits.** OG&E agrees to file a report regarding the results of its Smart Grid deployment in Oklahoma, consistent with the reporting requirements set forth in Hearing Exhibit 4, Arkansas Public Service Commission Docket No. 10-109-U, Order No. 8, Attachment 2 "Reporting Requirements" and attached hereto as Attachment "C". The Company further agrees that it shall file the report no later than the filing for the true-up of the Smart Grid Rider. The report shall contain information beginning with the implementation of the Smart Grid Rider through the true up of the rider.
14. **Customer Notice.** The Company agrees to clarify in the Customer Guide provided to customers annually that a customer has the right to switch rate plans, subject to conditions contained in an individual tariff.
15. **Smart Grid Adjustments.** The revenue requirement calculation set forth above in Paragraph 1 of this Joint Stipulation includes adjustments to avoid double recovery of Smart Grid Rider Assets (Adjustment B 3-14) and Operation & Maintenance Expenses (Adjustment H 2-41) through June 30, 2011.
16. **PTR Program Study.** The Stipulating Parties agree that OG&E will hire a third party expert ("Expert") as soon as practically possible to: (i) evaluate, through a cost benefit type analysis, Peak Time Rebate ("PTR") programs; (ii) provide details on best practices for the potential implementation of a PTR, including general program parameters; (iii) provide feasible options for a PTR pilot program for residential and other customer classes; (iv) any other parameters as may be set forth by the Stipulating Parties as a part

of the Scope of Work document; (v) provide a written report summarizing the Expert's findings and recommendations; and (vi) provide written and oral testimony as may be requested, but not necessarily required, by Staff in connection with OG&E's next application related to its demand program rider ("DPR"). The Stipulating Parties shall agree on the Expert and, if they cannot agree, the Staff shall decide on which Expert to select. The Stipulating Parties further agree that OG&E shall pay for and be able to recover the costs associated with the Expert through OG&E's DPR Rider, but that the Expert will report to and perform at the direction of the Staff. Within thirty (30) days following the selection of the Expert (or a reasonable time based on availability of such expert), Staff will endeavor to convene an initial meeting with the third party expert and the Stipulating Parties to review and, if necessary, to refine and make changes to the Scope of Work. Within thirty (30) days following the completion of the preliminary evaluations by the third party expert, the Staff will conduct a technical conference(s) to allow the Stipulating Parties to ask questions and provide input in response to the Expert's preliminary evaluations and prior to Expert's completion and release of its final evaluations, recommendations and conclusions. The Expert shall endeavor to complete its final evaluations and recommendations by October 31, 2012 and those final evaluations and recommendations will be made available to the Stipulating Parties, provided that the Stipulating Parties also agree OG&E may seek Commission approval of a standard OCC Protective Order prior to making the evaluations of the Expert available. By agreeing to this Paragraph 16, the Stipulating Parties are not agreeing to be bound by any recommendations or conclusions made by the Expert.

17. **Customer Data.** OG&E agrees to revise Section 218 of its terms and conditions of service, Ownership and Use of Smart Meter Data, by striking all of the current language and replacing it with the language set forth in Attachment "D" to this Joint Stipulation. The Stipulating Parties acknowledge there is disagreement regarding the issue of ownership of customer data and whether the language contained in Section 218 is consistent with 17 O.S. § 701.1 *et seq.*, The Electric Usage Data Protection Act ("the Act") and by agreeing to this Paragraph 17, no Stipulating Party is waiving or modifying their position on the matter. The Stipulating Parties agree that 17 O.S. § 710.8 requires the Commission to promulgate rules to implement the Act, the Commission Staff will

initiate such rulemaking and OG&E's tariff language may be modified as may be required to comply with any such rules.

18. **Regulatory Assets and Liabilities.** The Stipulating Parties represent and agree that the Oklahoma jurisdictional revenue requirement includes recovery of the amortization, over a twenty four month period of the Company's regulatory asset recorded for the costs incurred for the OCC Wind RFP Evaluator, Attorney General Expert – OU Spirit and the Attorney General's expert witness in the Crossroads wind case.
19. **Integrated Resource Plan ("IRP").** OG&E agrees that the analysis for the Company's 2012 IRP submittal made pursuant to OAC 165:35-37 will include consideration and documentation of: i) electric demand and energy forecasts, including load forecasts, growth assumptions, energy sales forecasts and peak demand forecasts; ii) resource options, including existing supply resources; iii) supply side resource alternatives, including but not limited to both existing and new natural gas and existing and new renewable generation alternatives; iv) demand side resources, including energy efficiency and demand response programs; v) transmission issues including, transmission resources, transmission needed for generation expansion options as described above and SPP transmission expansion plans; and vi) environmental compliance considerations, including Oklahoma's electric renewable energy goal, carbon dioxide restrictions and EPA's Regional Haze Rule, Utility MACT Rule, Cross State Air Pollution Rule, and other environmental rules and laws.
20. **Prior Settlement Agreement.** The Stipulating Parties agree that the COS/Rate Design Settlement Agreement, attached hereto as Attachment "E", is incorporated in this Joint Stipulation.
21. **Effectiveness of Joint Stipulation.** The Stipulating Parties agree that the provisions set forth in this Joint Stipulation, unless otherwise specified herein, will become effective upon approval of this Joint Stipulation by the Commission in this Cause.

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. Balance/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. Admissions and 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 Applicant 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 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. Discovery

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: 29 June 2012

By: 
Patrick D. Shore

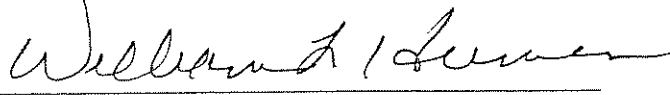
PUBLIC UTILITY DIVISION
OKLAHOMA CORPORATION COMMISSION

Dated: 6-29-12

By: 
Brandy Wreath, Acting Director

OKLAHOMA OFFICE OF THE ATTORNEY GENERAL

Dated: June 29, 2012

By: 
William L. Humes


OKLAHOMA INDUSTRIAL ENERGY CONSUMERS

Dated: _____

By: _____
Thomas P. Schroedter

OG&E SHAREHOLDERS ASSOCIATION

Dated: _____

By: 
Ronald E. Stakem

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

Dated: _____

By: _____
Rick D. Chamberlain

Wal-Mart Stores East, LP and Sam's East, Inc. do not
oppose the Joint Stipulation but are not signatories thereto.

AARP

Dated: 6-29-12

By: 
Deborah R. Thompson

PUBLIC UTILITY DIVISION
OKLAHOMA CORPORATION COMMISSION

Dated: _____

By: _____
Brandy Wreath, Acting Director

OKLAHOMA OFFICE OF THE ATTORNEY GENERAL

Dated: _____

By: _____
William L. Humes

OKLAHOMA INDUSTRIAL ENERGY CONSUMERS

Dated: 6/29/12

By: 
Thomas P. Schroedter

OG&E SHAREHOLDERS ASSOCIATION

Dated: _____

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Ronald E. Stakem

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

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AARP

Dated: _____

By: _____
Deborah R. Thompson

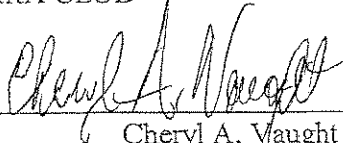
QUALITY OF SERVICE COALITION

Dated: _____

By: _____
Lee W. Paden

SIERRA CLUB

Dated: 7/2/12

By: 
Cheryl A. Vaught

Sierra Club supports the Joint Stipulation as it relates to Article 19 and takes no position on the remaining provisions herein.

CHERMAC ENERGY CORPORATION

Dated: 7/2/12

By: 
Cheryl A. Vaught

Chermac energy Corporation supports the Joint Stipulation as it relates to Article 19 and takes no position on the remaining provisions herein.

AES SHADY POINT

Dated: _____

By: _____
Kendall Parrish

QUALITY OF SERVICE COALITION

Dated: 6-29-2012

By: Lee W. Paden
Lee W. Paden

SIERRA CLUB

Dated: _____

By: _____
Cheryl A. Vaught

Sierra Club supports the Joint Stipulation as it relates to Article 19 and takes no position on the remaining provisions herein.

CHEMAC ENERGY CORPORATION

Dated: _____

By: _____
Cheryl A. Vaught

Chernac energy Corporation supports the Joint Stipulation as it relates to Article 19 and takes no position on the remaining provisions herein.

AES SHADY POINT

Dated: _____

By: _____
Kendall Parrish

QUALITY OF SERVICE COALITION

Dated: _____

By: _____
Lee W. Paden

SIERRA CLUB

Dated: _____

By: _____
Cheryl A. Vaught

Sierra Club supports the Joint Stipulation as it relates to Article 19 and takes no position on the remaining provisions herein.

CHEMAC ENERGY CORPORATION

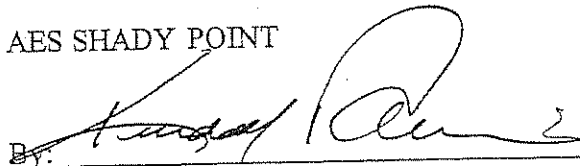
Dated: _____

By: _____
Cheryl A. Vaught

Chernac Energy Corporation supports the Joint Stipulation as it relates to Article 19 and takes no position on the remaining provisions herein.

AES SHADY POINT

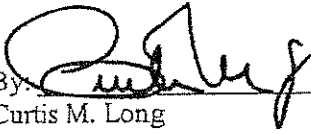
Dated: _____

By:  _____
Kendall Parrish

AES Shady Point does not oppose the Stipulation.

THG ENERGY AND ASSOCIATION FOR ENERGY
SOLUTIONS

Dated: 7.2.12

By:  _____

Curtis M. Long

THG Energy and the Association for Energy Solutions do
not oppose the Joint Stipulation

ATTACHMENT "A" TO THE JOINT STIPULATION

SPP Transmission Additions Rider

OKLAHOMA GAS AND ELECTRIC COMPANY
P. O. Box 321
Oklahoma City, Oklahoma 73101

Original Sheet No. xx.xx
Date Issued xx xx, 2012

STANDARD PRICING SCHEDULE: STSA
SPP TRANSMISSION SYSTEM ADDITIONS RIDER

STATE OF OKLAHOMA

EFFECTIVE IN: All territory served.

PURPOSE: This SPP Transmission System Additions rider (STSA) establishes rates by which Oklahoma Gas and Electric ("OG&E" or "Company") will recover from its Oklahoma retail ratepayers the Oklahoma jurisdiction share of the revenue requirement for Southwest Power Pool (SPP) approved transmission projects, Sooner to Rose Hill and Sunnyside to Hugo, constructed by OG&E, the costs of which are allocated throughout the SPP region.

APPLICABILITY: STSA is applicable to all Oklahoma retail rate classes and customers except those specifically exempted by special contract.

TERM: The STSA will be implemented the first billing cycle of the month following Commission approval of the cost recovery of the aforementioned project(s) and shall remain in effect until closed by Commission order. The STSA will be reviewed for the purposes of extension, modification or termination during OG&E's next rate case.

REVENUE REQUIREMENT: The revenue requirement shall be based upon the most recently approved return on rate base (ROR), transmission investment, accumulated depreciation, ADIT, income tax expense, O&M expense, insurance expense, asset retirement obligation, depreciation expense, and property tax. Transmission costs for recovery in this surcharge shall exclude those costs allocated to third parties directly by SPP.

TRUE-UP: The over or under amount which will be the difference between the revenues collected through the rider from a previous period and the Oklahoma Actual Revenue Requirements of the corresponding period. All true-up amounts for any previous period will be added to or subtracted from the expected Oklahoma Retail jurisdictional amount by Class or "Other" for the next calendar year collection.

STSA RIDER CALCULATION: The monthly bill as calculated under the stated rates shall be adjusted for each kilowatt-hour (kWh) consumed by an amount computed in accordance with the following factor:

TRF = Transmission Rider Factor (TRF) will begin with the effective date of this rider and the revenue requirement will be charged to OG&E's customers when the associated transmission system addition is put in service.

The TRF per kilowatt-hour (kWh) will be calculated using the following formulas:

$$TRF_{LPL} = \frac{A}{\text{Base LPL kWh}} = \$ \text{ per LPL kWh}$$

$$TRF_{RES} = \frac{B}{\text{Base RES kWh}} = \$ \text{ per RES kWh}$$

$$TRF_{GS} = \frac{C}{\text{Base GS kWh}} = \$ \text{ per GS kWh}$$

$$TRF_{PL} = \frac{D}{\text{Base PL kWh}} = \$ \text{ per PL kWh}$$

$$TRF_{OTHER} = \frac{E}{\text{Base OTHER kWh}} = \$ \text{ per OTHER kWh}$$

Where:

*A = Oklahoma LPL Class Annual
Jurisdictional Revenue Requirement*

*Base LPL kWh = Applicable Oklahoma
Annual Jurisdictional LPL Retail kWh Sales*

*B = Oklahoma RES Class Annual
Jurisdictional Revenue Requirement*

*Base RES kWh = Applicable Oklahoma
Annual Jurisdictional RES Retail kWh Sales*

*C = Oklahoma GS Class Annual
Jurisdictional Revenue Requirement*

*Base GS kWh = Applicable Oklahoma
Annual Jurisdictional GS Retail kWh Sales*

*D = Oklahoma PL Class Annual
Jurisdictional Revenue Requirement*

*Base PL kWh = Applicable Oklahoma
Annual Jurisdictional PL Retail kWh Sales*

*E = Oklahoma OTHER Class Annual
Jurisdictional Revenue Requirement*

*Base OTHER kWh = Applicable Oklahoma
Annual Jurisdictional OTHER Retail kWh
Sales. The kWh is a composite of the annual
kWh of the non major Oklahoma Retail
Classes.*

BASE KWH: The base kWh will be the projected Oklahoma Jurisdictional kWh for the appropriate class.

ATTACHMENT "B" TO THE JOINT STIPULATION
SPP Cost Tracker Reporting Requirements

1. OG&E shall make an annual filing (with this cause number remaining open for the subsequent filings) for the re-determination of its SPP Cost Tracker factors on or before September 1 of each year and shall include:
 - i. The identity of the applicable third-party transmission owners.
 - ii. A description of the specific projects and the project cost of each third-party transmission owner, in total and as allocated to OG&E, if available.
 - iii. The original cost estimate for each specific project constructed by the third-party transmission owner, the updated estimated or actual project cost and the actual or estimated in-service date, in total and as allocated to OG&E, if available.
 - iv. The proposed SPP Cost Tracker factors.
 - v. The projected revenue impact of the proposed SPP Cost Tracker factor for each major customer class.
 - vi. A description of the benefits (economic or otherwise) that will accrue to the regional grid and to OG&E ratepayers as a result of the SPP Expenses that will be collected pursuant to the SPP Cost Tracker Tariff.
 - vii. Information describing each transmission upgrade constructed by third party transmission owners that will be, and are being, charged to OG&E customers.
 - viii. Any other analyses supporting the benefits to both the regional grid and to OG&E ratepayers relating to the costs recovered or to be recovered by OG&E pursuant to the SPP Cost Tracker Tariff.
 - ix. Testimony in support of the re-determination of the SPP Cost Tracker factors.
2. Within sixty (60) days of the filing of the re-determined SPP Cost Tracker factors and OG&E's testimony and information in support thereof, PUD will convene a technical conference where OG&E shall present and explain the filing to PUD and interested parties.
3. The proposed SPP Cost Tracker factor may be implemented by OG&E within thirty (30) days of the filing for re-determination subject to true-up.

ATTACHMENT "C" TO THE JOINT STIPULATION
[Arkansas PSC Order No. 8]

DOCKET NO. 10-109-U

REPORTING REQUIREMENTS

Metric Section	Metric Category	Key Metric	Definition
Project Delivery & Execution	Network Deployment	Total communication network components installed (access points & relays)	Total communication network components installed (access points & relays) expressed as total number and percent of total
Project Delivery & Execution	Meter Billing	Total AMI meters used for billing (activated), communications achieved and used to bill monthly	Total AMI meters used for billing (activated, i.e. communicating with meter to produce customer bill) expressed as total number and percent of total
Operational	Field Visits	Number of avoided truck rolls	Number of avoided truck rolls for meter field inspections. Note: Will include number of deployment truck rolls as a footnote
Operational	Meter Accuracy	AMI Meter Sample Internal Test Results	Percentage of AMI meters that pass internal accuracy testing prior to deployment
Operational	Meter Reading Effectiveness	Percentage of interval reads received	Number of intervals reported / total number of possible intervals to be reported
Communications & Education	Awareness and Understanding	Percent awareness of AMI technology and benefits (survey measurement)	Percent awareness of customers based on survey results; target to be determined after baseline established (with and w/o internet access)
Communications & Education	Awareness and Understanding	Percent understanding of AMI technology and benefits (survey measurement)	Percent understanding of customers based on survey results; target to be determined after baseline established (with and w/o internet access)
Communications & Education	Community Outreach	Number of community outreach events conducted and number of attendees at events	Number of events held to educate customers and number of customers attending educational events
Communications & Education	Community Outreach	Number of articles that appear in local media	Number of articles that appear in local media as a result of company issued press releases
Communications & Education	Community Outreach	Number of articles in internal newsletter	Number of articles in internal newsletter
Communications & Education	Customer Satisfaction	Number of Meter Installation Complaints/Claims	Number of Meter Installation complaints/claims
Communications & Education	Community Outreach	Number of customer organizations contacted	Number of customer organizations contacted
Communications & Education	Customer Satisfaction	Number of customer referrals to energy advisors	Number of transfers to energy advisors for information on AMI deployments

DOCKET NO. 10-109-U

REPORTING REQUIREMENTS

Metric Section	Metric Category	Key Metric	Definition
Financial Cost/Benefits	AMI Project Costs	Cost to Deploy: Capital vs. total Capital deployment cost	Total capital dollars spent on the AMI deployment program inception to date vs. total AMI program capital budget as a dollar amount and as a ratio by project
Financial Cost/Benefits	AMI Project Costs	Cost to Deploy: O&M vs. total O&M deployment cost	Total O&M dollars spent on the AMI deployment program inception to date vs. total AMI project O&M budget as a dollar amount and as a ratio by project
Financial Cost/Benefits	Capital Savings (direct & avoided)	DOE Reimbursement - AMI only	Portion of Department of Energy Smart Grid Investment Grants received and applied to offset cost of AMI and ratio of total grant
Financial Cost/Benefits	Capital Savings (direct & avoided)	Avoided new capital investment in new installations of the older metering systems due to customer growth	Total dollar value of avoided legacy metering capital costs for new customers and new developments
Financial Cost/Benefits	Capital Savings (direct & avoided)	Avoided planned replacement and maintenance costs relating to the older metering system (e.g., mechanical meters, ERT devices, etc)	Total dollar value of avoided replacement costs of current metering equipment
Financial Cost/Benefits	O&M Savings (direct & avoided)	Reduction in manual meter reading costs	Cost reductions due to the elimination of meter reading positions (in-house and contract)
Financial Cost/Benefits	O&M Savings (direct & avoided)	Reduction in meter operations costs (e.g., field visits, meter maintenance, etc)	Meter operations savings due to lower survey meter activities and ERT battery replacement costs
Financial Cost/Benefits	Other Economic Benefits	Reduced Theft of Energy	The number of incidents of theft of energy uncovered and the dollar amount billed for theft of energy
Project Delivery & Execution	Meter Deployment	Total AMI electric meters installed	Total AMI electric meters installed (physically attached to a premise) expressed as total number and percent of total

DOCKET NO. 10-109-U

REPORTING REQUIREMENTS

Metric Section	Metric Category	Key Metric	Definition
Communications & Education	Customer Outreach	Number of customer communication methods deployed	Number of publications distributed or other communication vehicles deployed by type
Project Delivery & Execution		Number of manual meter reads of accounts with smart meters	
Operational		Number of estimated bills on accounts with smart meters	
Operational		Number of smart meters requiring repair or replacement	

ATTACHMENT "D" TO THE JOINT STIPULATION
OG&E Terms and Conditions, Section 218

218 OWNERSHIP AND USE OF SMART METER DATA

All data generated, recorded, stored or transmitted by Smart Meter and supporting technology and infrastructure is, and shall at all times be and remain, the sole and exclusive property of the Company. The Company shall not disclose any personal information that specifically identifies an individual ("Personal Information") to any third parties without the consumer's prior written consent, except as set out below.

Upon request by a customer, the Company shall provide the customer with a copy of or access to the standard usage data for that customer for each billing period during the previous twelve (12) monthly billing periods. The provision of standard usage data to a customer shall be provided as a component of basic service provided by the Company.

Upon written request, the Company shall, to the extent feasible, provide nonstandard usage data of the customer to the customer. The Company may charge a reasonable fee for the provision of nonstandard usage data to cover the actual costs incurred in providing the data.

The Company may, without the consumer's prior written consent; 1) share such Personal Information with third parties that provide shared corporate support services to the Company so long as the Company requires that the third parties agree to treat such Personal Information as confidential; 2) disclose Personal Information pursuant to subpoena, court order, or other applicable statute, rule, or regulation; 3) disclose Personal Information in connection with a merger, acquisition, sale of assets or similar transaction involving the Company; or 4) as necessary to restore service or to prevent or respond to emergency conditions.

"Standard usage data" means usage data that includes the amount of electricity consumed at a residence or premises of a customer and the characteristics of that consumption, as generated, recorded, stored or transmitted by the Company infrastructure or supporting technology, and is used internally by the Company and is generally made available to customers in each of its customer classes on a regular basis, delivered by the company in a standard format and with standard frequency, including without limitation the usage data collected by the meter or obtainable on an as-available basis by the customer.

"Personal Information" means any information that directly or indirectly identifies or is uniquely associated with a customer or an authorized representative of a customer, including but not limited to the name, social security or taxpayer identification number, street address, telephone number, electric utility account number, meter number or financial account information of the customer or authorized representative of the customer.

"Personal Information" does not include aggregate information from which any identifying information has been removed. The Company may use and disclose aggregate information without restriction.

ATTACHMENT "E" TO THE JOINT STIPULATION
Joint Stipulation and Settlement Agreement of Cost of Service and Rate Design Issues

FILED
JAN 11 2012

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA
COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF)
OKLAHOMA GAS AND ELECTRIC COMPANY)
FOR AN ORDER OF THE COMMISSION) CAUSE NO. PUD 201100087
AUTHORIZING APPLICANT TO MODIFY)
RATES, CHARGES, AND TARIFFS FOR RETAIL)
ELECTRIC SERVICE IN OKLAHOMA)

JOINT STIPULATION AND SETTLEMENT AGREEMENT
OF COST OF SERVICE AND RATE DESIGN ISSUES

I. Introduction

The undersigned parties believe it is in the public interest to effectuate a settlement of Cost of Service and Rate Design issues in Cause No. PUD 201100087 as set forth herein.

Therefore, now the undersigned parties to the above entitled cause present the following Joint Stipulation and Settlement Agreement ("Settlement Agreement") for the Oklahoma Corporation Commission's ("Commission") review and approval as a compromise and settlement of Cost of Service and Rate Design issues as set forth herein in this proceeding between the parties to this Settlement Agreement ("Stipulating Parties"). The Stipulating Parties represent to the Commission that the Settlement Agreement represents a fair, just, and reasonable settlement of these issues, that the terms and conditions of the Settlement Agreement are in the public interest, and the Stipulating Parties urge the Commission to issue an Order in this Cause adopting this Settlement Agreement.

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 and 17 O.S. §151, *et seq.*

It is hereby stipulated and agreed by and among the Stipulating Parties as follows:

II. Settlement Agreement

Effective with the final order of the Oklahoma Corporation Commission ("Commission") approving all elements of this Settlement Agreement:

A. Cost of Service Issues

Upon the Commission determination of the final Revenue Requirement, Oklahoma Gas & Electric ("OG&E") will allocate the Revenue Requirement based upon a compliance Cost of Service study ("COSS") that incorporates the following:

1. The specific Commission adjustments used to determine the final revenue change will be incorporated in the COSS.
2. Bad Debt expense will be allocated to customer classes using the actual costs incurred in the December 31, 2010 test year (the method from PUD 200800398).
3. Fuel expense will be directly assigned to class and service level to synchronize fuel expense with fuel revenue maintaining current expense allocations.
4. The Staff adjustment for the two (2) large customer additions will be incorporated for costing and pricing purposes, i.e. Cost Allocation (demands included in the class and system load), Current and Proposed Revenues, and in the Proof of Revenue statement.
5. A thirty (30) year weather normalization of class and system load data (kW and kWh) will be used for rate making purposes.
6. A 1CP Average and Excess allocation method using the above adjustments will be used to allocate costs between jurisdictions (jurisdictional cost allocation based on weather normalized 1CP A&E).
7. A 4CP Average and Excess allocation method using the above adjustments will be used for allocation of costs between Oklahoma jurisdiction customer classes (Oklahoma class cost allocation based on weather normalized 4CP A&E).
8. The subsidy resulting from the Oklahoma State University special contract shall be spread proportionately among all revenue classes.
9. Currently, OG&E's base rates contain embedded fuel of 2.9 cents per kWh of its energy related fuel costs. This amount will be taken out of base rates and recovered through the operation of its Fuel Cost Adjustment ("FCA"). Further:
 - a) In consideration of the fuel price difference for the time differentiated tariffs, separate TOU FCA values will be developed and those resulting TOU FCA values will be adjusted by season and will continue to reflect the TOU differentiation in fuel charges for the summer season for the time differentiated tariffs,
 - b) Internal O&M expense, cogeneration capacity charges, and fuel handling expense currently excluded from the FCA will be retained in base rates, and

- c) Enogex transportation and storage expenses will be recovered through the FCA as recommended by PUD Staff.

B. Rate Design Issues

The resulting COSS will be used as the starting point to allocate the revenue change to customer classes for Rate Design purposes. The following criteria will be used to adjust the allocation of the revenue change to customer classes:

1. In the event of **no change** to the Oklahoma jurisdiction revenue requirement or an Oklahoma jurisdiction **decrease**:

- a) All classes with a relative rate of return greater than 100% (i.e., those classes paying more than their class Cost of Service) shall receive a decrease of no more than 1.25 times the system average rate reduction, provided; however:
- i. No class shall receive an increase,
 - ii. No class shall be brought below the relative rate of return of 100%, and
 - iii. All remaining classes except the lighting class, which will receive no change in class revenue, shall share equally on a proportional basis the remaining rate decrease.
- b) Residential prices will be adjusted as follows:
- i. The residential customer charge will not be increased, and
 - ii. Any increase to the energy prices to accommodate the inclusion of rider amounts being included in base prices will be made to the winter first block, summer first block, and shoulder month prices.

2. In the event of an Oklahoma jurisdiction **increase**:

- a) OSL and ML classes shall first be brought to a relative rate of return of approximately 89% and 75%, respectively,
- b) All remaining classes with a relative rate of return less than 100% (i.e., those classes paying less than their class Cost of Service) shall receive an increase of no more than 1.25 times the system average rate increase, provided; however:
- i. No class shall receive a decrease,
 - ii. No class shall be brought above the relative rate of return of 100%, and

iii. All remaining classes shall share equally on a proportional basis the remaining rate increase.

c) Residential prices will be adjusted as follows:

- i. If the increase is \$10 million or less, there will be no customer charge increase and no increase to the existing LIAP discount. If the increase is in excess of \$10 million, the Residential customer charge may be increased by not more than \$2.10 per month (for a total customer charge of no more than \$15.10) and there will be an increase to the LIAP discount of \$2.00 per month to offset the impact on low income customers, and
- ii. Any increase to the energy prices to accommodate the inclusion of rider amounts being included in base prices will be made to the winter first block, summer first block, and shoulder month prices.

C. Miscellaneous Issues

1. OG&E, in consultation with interested parties in this Cause, will study weather normalization methodologies to establish normal weather for use by the Company for its regulatory needs. Within twelve (12) months of the date of the order in this Cause, OG&E will, present the study to interested parties in this Cause and will recommend a method to establish normal weather in OG&E's next rate case filing.

2. Within 12 (twelve) months of the date of the order in this Cause, OG&E will conduct a review of production cost allocation methodologies for allocation of Oklahoma jurisdiction costs to customer classes to determine whether the 4CP A&E or the 1CP A&E (both weather normalized) is appropriate for implementation in OG&E's next rate case filing.

3. OG&E agrees to continue the declining energy block for LPL TOU SL 1 and 2 of the amount of \$0.002 per kWh.

4. OG&E agrees to defer for one (1) year the implementation of the 90% power factor adjustment and the current 85% power factor adjustment will remain in effect for twelve (12) months after the issuance of a final order in this Cause.

5. The residential summer second block energy price will not exceed \$0.0130 per kWh more than the first summer rate block rate.

6. OG&E will amend Section 220 of its tariff regarding its Prepay Pilot Plan to include the following:

- a) Participation in the Prepay Pilot is optional;

- b) OG&E will not disconnect customers for a zero or negative balance during weather moratoriums, after 5 p.m. on weekdays or on Saturday or Sunday (weekends);
 - c) OG&E will not charge fees in addition to those that may be charged by third parties to customers to make prepayments on prepay accounts;
 - d) OG&E will not require a deposit;
 - e) OG&E will not charge reconnection fees under the Prepay Pilot;
 - f) OG&E will not knowingly allow a customer with a medical designation to participate in the Prepay Pilot; and
 - g) Customers may exit the Prepay Pilot at any time during the pilot with no exit fee and all standard terms and conditions will then apply to the customer.
7. For its Prepay Pilot Plan, OG&E agrees to track and report the following:
- a) Program costs and savings to the Company;
 - b) Costs and savings to consumers enrolled in the pilot; and
 - c) Frequency and duration of all disconnections.
8. OG&E will work with the Oklahoma Department of Human Services to study other potential means-tested eligibility metrics and related potential enrollment levels regarding LIAP eligibility.
9. The following issues are not addressed or resolved by this Settlement Agreement and are reserved for determination by the Commission in the final order to be issued in this Cause based on the record: RTSA Rider, System Hardening Rider, SPP Tracker, and Peak Time Rebate program.
10. Issues relating to the DSM Rider are reserved for review in OG&E's upcoming DSM docket.
11. Except as otherwise specified within this Settlement Agreement, OG&E's proposed Cost of Service and Rate Design that were not rebutted are adopted.

III. General Reservations

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

A. Negotiated Settlement. This Settlement Agreement represents a negotiated settlement for the purpose of compromising and resolving issues as reflected herein.

B. Authority to Execute. Each of the undersigned counsel of record affirmatively represents to the Commission that he or she has fully advised his or her respective clients(s) that the execution of this Settlement Agreement constitutes a resolution of issues which were raised in this proceeding related to Cost of Service and Rate Design, unless otherwise set forth herein; that no promise, inducement or agreement not herein expressed has been made to any Stipulating Party; that this Settlement Agreement constitutes the entire agreement between and among the Stipulating Parties; and each of the undersigned counsel of record affirmatively represents that he or she has full authority to execute this Settlement Agreement on behalf of his or her client(s).

C. Balance/Compromise of Positions. The Stipulating Parties stipulate and agree that the agreements contained in this Settlement Agreement have resulted from extensive negotiations among the Stipulating Parties. The Stipulating Parties hereto specifically state and recognize that this Settlement Agreement 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 Settlement Agreement, this Settlement Agreement 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 Settlement Agreement 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 Settlement Agreement.

E. Admissions and Waivers. The Stipulating Parties agree and represent that the provisions of this Settlement Agreement 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, none of the signatories hereto shall be deemed to have approved or acquiesced in any, Cost of Service determination, cost allocation or Rate Design methodology underlying or allegedly underlying any of the information submitted by the parties to this Cause and except as specifically provided in this Settlement Agreement, 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.

F. No Precedential Value. The Stipulating Parties agree that the provisions of this Settlement Agreement are the result of extensive negotiations based upon the unique circumstances currently represented by the Applicant 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 Settlement Agreement 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 Settlement Agreement, will be binding as to the matters decided regarding the issues described in this Settlement Agreement, 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 Settlement Agreement may differ from its position or testimony in other causes. To the extent there is a difference, the Stipulating Parties are not waiving their 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 Settlement Agreement in other dockets.

WHEREFORE, the Stipulating Parties hereby submit this Settlement Agreement and Settlement Agreement to the Commission as their negotiated settlement of Cost of Service and rate design issues of this proceeding raised within the Application filed herein by OG&E or by Stipulating Parties to this Cause, and respectfully request the Commission to issue an Order approving the recommendations of this Joint Stipulation and Settlement Agreement.

OKLAHOMA GAS AND ELECTRIC COMPANY

Dated: 11/9/2012

By: 
Patrick D. Shore

OKLAHOMA OFFICE OF THE ATTORNEY GENERAL

Dated: 1/11/12

By: 
William L. Humes
Assistant Attorney General

OKLAHOMA INDUSTRIAL ENERGY CONSUMERS

Dated: 1/11/12

By: 
Thomas P. Schroedter


OG&E SHAREHOLDERS ASSOCIATION

Dated: 1/11/12

By: 
Ronald E. Stakem

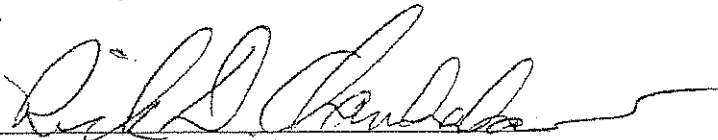
PUBLIC UTILITY DIVISION
OKLAHOMA CORPORATION COMMISSION

Dated: 1-11-12

By: 
Brandy Wreath
Deputy Director

WAL-MART STORES EAST, L.P AND SAM'S EAST
INC.

Dated: 1/11/12

By: 
Rick D. Chamberlain

AARP

Dated: 1/11/12

By: 
Deborah R. Thompson

QUALITY OF SERVICE COALITION

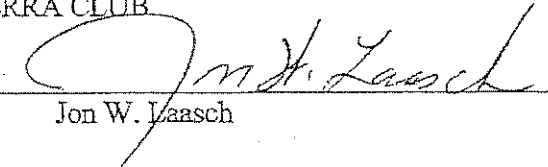
Dated: _____

By: _____
Lee W. Paden

WHEREFORE, each of the undersigned executes this agreement not as a Stipulating Party, but to indicate that they do not oppose the Commission accepting the settlement of the Stipulating Parties.

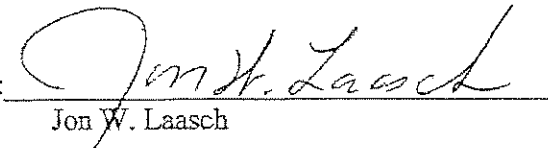
SIERRA CLUB

Dated: 1/11/12

By: 
Jon W. Laasch

CHEMAC ENERGY CORPORATION

Dated: 1/11/12

By: 
Jon W. Laasch

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

Dated: _____

By: _____

Rick D. Chamberlain

AARP

Dated: _____

By: _____

Deborah R. Thompson

QUALITY OF SERVICE COALITION

Dated: 1-11-12

By: Lee W. Paden

Lee W. Paden

WHEREFORE, each of the undersigned executes this agreement not as a Stipulating Party, but to indicate that they do not oppose the Commission accepting the settlement of the Stipulating Parties.

SIERRA CLUB

Dated: _____

By: _____

Jon W. Laasch

CHEMAC ENERGY CORPORATION

Dated: _____

By: _____