

BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION

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

AGREEMENT TESTIMONY

OF

REGINA L. BUTLER  
DIRECTOR  
ELECTRIC UTILITIES SECTION

ON BEHALF OF THE GENERAL STAFF OF THE  
ARKANSAS PUBLIC SERVICE COMMISSION

DECEMBER 6, 2017

OKLAHOMA GAS AND ELECTRIC COMPANY  
DOCKET NO. 17-030-U  
AGREEMENT TESTIMONY OF REGINA L. BUTLER

**INTRODUCTION**

**Q. Please state your name.**

A. My name is Regina L. Butler.

**Q. Are you the same Regina L. Butler who filed Direct Testimony on behalf of the General Staff (Staff) of the Arkansas Public Service Commission (Commission) on November 15, 2017?**

A. Yes.

**PURPOSE OF TESTIMONY**

**Q. What is the purpose of your Agreement Testimony?**

A. The purpose of my testimony is to support the Joint Motion to Approve the Settlement Agreement and for the Waiver of the Hearing (Joint Motion) filed by Oklahoma Gas and Electric Company (OG&E), the Office of Arkansas Attorney General Leslie Rutledge (AG), and Staff (collectively, the Settling Parties). The Settling Parties have reached agreement on all issues in this docket. This agreement is set forth in the Settlement Agreement (Agreement) attached as Joint Exhibit 1 to the Joint Motion.

**SUMMARY OF STAFF'S RECOMMENDATIONS**

**Q. What were Staff's recommendations in this proceeding?**

A. Staff witness Clark D. Cotten concluded that OG&E's Mustang Modernization Plan (Mustang Plan), including the retirement of OG&E's existing four natural gas-fired steam generation units located at its Mustang Plant near Oklahoma

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1 City, Oklahoma and replacement of the capacity of the four retiring natural gas  
2 steam turbines with seven natural gas-fired, quick start combustion turbines  
3 (CTs) at the site, was in the public interest subject to the adjustments  
4 recommended by Staff.

5 Staff witness Gerrilynn Wolfe recommended approval of depreciation rates  
6 presented in Table 2 of her Direct Testimony for the Mustang CTs and  
7 recommended that OG&E use Commission-approved depreciation rates  
8 approved in Order No. 8 in Docket No. 16-052-U for any plant assets added to  
9 accounts other than those listed in her Table 2 as a result of the Mustang Plan.  
10 Ms. Wolfe also recommended that the Commission require OG&E to submit a  
11 comprehensive dismantlement study to support any future depreciation rate  
12 change requests that include terminal net salvage.

13 Due to OG&E's failure to comply with Ark. Code Ann. § 23-18-104, I  
14 recommended a downward adjustment to the amount OG&E is allowed to  
15 recover in rates for the Mustang Plan. I recommended that the Commission  
16 implement this adjustment by requiring OG&E to credit Arkansas ratepayers  
17 \$300,000 annually for four years for a total of \$1.2 million.

18 **SETTLEMENT AGREEMENT**

19 **Q. What are the provisions of the Agreement?**

20 A. The Agreement includes all recommendations from Staff's Direct Testimony.  
21 The Settling Parties agree that the Mustang Plan, as modified in the Agreement,

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1 is in the public interest. The Settling Parties agree that OG&E's failure to  
2 specifically follow Ark. Code Ann. § 23-18-104 warrants an adjustment for failing  
3 to comply with specific Arkansas requirements and procedures. The Agreement  
4 states that it is appropriate to include the cost of the Mustang Plan in OG&E's  
5 Formula Rate Plan Rider (Rider FRP) filings and provides for recovery through  
6 that tariff mechanism. The Agreement also provides for OG&E to use the Energy  
7 Cost Recovery Rider as the mechanism to apply the \$300,000 annual credit  
8 recommended by Staff and the AG. The credit will be applied to each customer  
9 class based on the base rate revenues approved in Order No. 8 of Docket No.  
10 16-052-U to be consistent with the allocation that would occur in OG&E's Rider  
11 FRP. The credit will be applied at a rate of \$25,000 per month for 48 months and  
12 will begin immediately upon Commission approval of the Agreement.

13 **RECOMMENDATIONS**

14 **Q. What are your recommendations regarding the Agreement?**

15 A. The Agreement incorporates all of the recommendations set forth in Staff's Direct  
16 Testimony with modifications to address the timing and mechanism for applying  
17 the credit for violating Ark. Code Ann. § 23-18-104 to customers' bills. For that  
18 reason, I support the Agreement as reasonable and recommend its approval by  
19 the Commission.

20 **Q. Does this conclude your testimony?**

21 A. Yes, it does.

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing has been served on all parties of record by electronic mail via the Electronic Filing System this 6<sup>th</sup> day of December, 2017.

/s/ Justin A. Hinton  
Justin A. Hinton