

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE EMERGENCY)
APPLICATION OF OKLAHOMA GAS AND)
ELECTRIC COMPANY FOR AN ORDER OF)
THE COMMISSION APPROVING SPECIAL)
REGULATORY TREATMENT FOR)
EXTRAORDINARY COSTS ARISING FROM)
THE EXTREME 2021 WINTER WEATHER)
EVENT OF FEBRUARY 2021)

Cause No. 202100039



APPLICATION

COMES NOW Oklahoma Gas and Electric Company, hereinafter “Applicant”, “OG&E”, or “Company”, and shows as follows:

I. Parties.

OG&E is an investor-owned electric public utility that owns and operates plant, property, and other assets used for the generation, production, transmission, distribution, and sale of electric power and energy in the states of Oklahoma and Arkansas. OG&E is incorporated in the State of Oklahoma and is subject to the regulatory authority of the Oklahoma Corporation Commission (“Commission”) with respect to its retail rates and charges for sales of electricity made within the State of Oklahoma. The Company’s principal place of business is as follows:

321 N. Harvey Avenue
Oklahoma City, Oklahoma 73102

Applicant is represented for the purpose of these proceedings by the following named individuals whose addresses are reflected below:

William L. Humes, OBA No. 15264
Kimber L. Shoop, OBA No. 19571
Oklahoma Gas and Electric Company
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All correspondence, pleadings, and communications pertaining to this proceeding should be directed to all named counsel at their respective addresses.

II. Facts.

A. OG&E generates electricity from a variety of generating assets, including wind, solar, coal and natural gas. However, approximately 70% of OG&E's resource portfolio is natural gas generation. In order to operate these natural gas-fired generating Facilities, OG&E must contract for both the natural gas itself and have gas transportation to transport the gas to the individual generating Facilities.

B. On February 12, 2021, Governor Stitt declared a state-wide emergency due to “[e]xtreme freezing temperatures and severe winter weather including snow, freezing rain, and wind beginning February 7, 2021, and continuing.” In his Declaration, the Governor stated “[t]here is hereby declared a disaster emergency caused by severe winter weather in all 77 Oklahoma counties that threatens the public’s peace, health, and safety.” This Commission subsequently issued two emergency orders related to the extreme 2021 Winter Weather Event and resulting conditions including, but not limited to, limited natural gas supply, prioritization of electric and gas service for public health, welfare, safety and security and the need for conservation efforts.¹

C. Natural gas markets throughout the region experienced a profound crisis due to the unusually cold and unusually persistent winter weather accompanying the 2021 Winter Weather Event. Demand for natural gas escalated dramatically in markets because of this weather crisis and prices rose on the spot and daily index markets accordingly. At the same time, the Southwest Power Pool, Inc. (“SPP”), who operates a wholesale energy market called the Integrated Marketplace (“IM”), also experienced unprecedented increases in prices for natural gas and other Factors which led to increases in SPP IM energy prices.

¹ See Joint Application of Brandy L. Wreath, Director of the Public Utility Division and Robyn Strickland, Director of Oil & Gas Conservation Division, Oklahoma Corporation Commission, for an Order of the Commission Authorizing an Emergency Increase of the Statewide Proration Formula for Unallocated Gas Wells in Response to the Existing Severe Weather Disaster Threatening the Public Health, Safety, and Peace, Cause No. CD 202100238, Order NO. 716932; and Joint Application of Brandy L. Wreath, Director of the Public Utility Division, Oklahoma Corporation Commission, for an Emergency Order of the Commission to Assist in the Stabilizing the Electric and Natural Gas Grids that are Necessary for Public Health, Welfare, Safety, and Security, Cause No. PUD 202100035, Order No. 716952.

D. The extraordinary natural gas market and SPP IM price spikes caused the Company to purchase natural gas and wholesale energy at unusually high prices. To put this into perspective, OG&E's cost of natural gas during the 2021 Winter Weather Event significantly exceeded the Company's entire fuel cost for calendar year 2020.

E. Under normal circumstances, OG&E would include costs associated with natural gas and SPP IM purchases in its Fuel Cost Adjustment ("FCA"), as provided by interim adjustment process set forth in the Company's FCA tariff. In this instance, utilizing only the interim FCA process would create a burden (*i.e.*, bill impact) too excessive for customers, as it would require costs to be recovered over the remainder of 2021. To avoid this outcome, OG&E is pursuing a two-pronged approach. First, OG&E will include only a small portion of the 2021 Winter Weather Event costs in the FCA for immediate recovery beginning with the April 2021 billing cycle and continuing the remainder of calendar year 2021. Second, OG&E seeks approval to establish a regulatory asset to delay recovery of the remaining and more substantial balance over a longer period of time, which is the purpose of this application and is more fully described below in Paragraph F.

F. As stated above, to mitigate the impact on OG&E customers, the Company seeks to establish an alternative regulatory treatment to avoid customers having to bear the entire cost of the 2021 Winter Weather Event over the balance of the calendar year. Therefore, OG&E proposes to (i) continue to carry the remaining balance of the 2021 Winter Weather Event on its books (*i.e.*, those costs not included in the initial FCA adjustment in April 2021 related to procuring natural gas supplies and wholesale energy for Oklahoma customers and any other reasonable costs necessary to ensure stability and reliability of natural gas and electricity service); and (ii) defer such costs to a regulatory asset account to be amortized over a 10-year period and collected through the Company's FCA tariff over that 10-year period beginning in January 2022. Since OG&E will continue to finance this large and substantial cost on its balance sheet for 10 years, OG&E also requests the deferred costs include carrying costs at OG&E's weighted average cost of capital.

III. Legal Authority.

The Commission has jurisdiction to grant the relief requested herein by virtue of Article IX, Section 18, 17 O.S. §§151-152, et. seq., Commission Rules, and all relevant Oklahoma case law.

IV. Relief Sought.

WHEREFORE, OG&E respectfully requests that this Commission grant the request for relief set forth in this Application.

Respectfully submitted,

OKLAHOMA GAS AND ELECTRIC COMPANY

A handwritten signature in blue ink, appearing to read "W L Humes", is positioned above a horizontal line.

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Attorneys for Applicant

CERTIFICATE OF MAILING

I hereby certify that on the 24th day of February 2021 a true and correct copy of the foregoing Application was electronically transmitted to the following:

Brandy L. Wreath
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A handwritten signature in blue ink, appearing to read "W L Humes", followed by a horizontal line.

William L. Humes
Attorney for Applicant