

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF)
OKLAHOMA GAS AND ELECTRIC COMPANY) Case No. PUD2025-000038
FOR COMMISSION PREAPPROVAL OF NEW)
GENERATION CAPACITY PURSUANT TO)
17 O.S. § 286(C) AND RIDER COST RECOVERY)

Direct Testimony

of

Kimber L. Shoop

on behalf of

Oklahoma Gas and Electric Company

May 19, 2025

Kimber L. Shoop
Direct Testimony

1 Q. **Please state your name and business address.**

2 A. My name is Kimber L. Shoop. My business address is 321 North Harvey, Oklahoma City,
3 Oklahoma 73102.
4

5 Q. **By whom are you employed and in what capacity?**

6 A. I am employed by Oklahoma Gas and Electric Company (“OG&E” or “Company”) as the
7 Director of Regulatory Affairs.
8

9 Q. **Please summarize your educational background and professional qualifications.**

10 A. I earned a Bachelor of Arts degree in Government from the University of Virginia (1996)
11 and a Juris Doctorate from the University of Oklahoma College of Law (2002). I am a
12 member of the Oklahoma Bar Association, the Arkansas Bar Association, and the District
13 of Columbia Bar Association. After law school, I practiced law in Washington D.C. until
14 accepting the position of Senior Attorney at OG&E in 2006. In 2015, I was named
15 Managing Director of Law at OG&E. In 2017, I left OG&E to establish a private law
16 practice in Edmond, Oklahoma and continued to perform work for OG&E. In 2020, I
17 returned to OG&E as Director of Regulatory Policy and Planning before being named
18 Director of Regulatory Affairs in 2022.
19

20 Q. **Have you testified previously before this Commission?**

21 A. Yes, I have.
22

23 **INTRODUCTION**

24 Q. **What is the purpose of your testimony?**

25 A. The purpose of my testimony is to support the Company’s request for relief in this
26 Application, which includes a request for Commission pre-approval of selected projects
27 from OG&E’s 2024 All Source RFP. My testimony first provides some context for how
28 the selected projects fit into the Company’s requirements for necessary generating capacity
29 to ensure reliable operations for our customers. Next, I discuss how OG&E identified the

1 projects requested for approval in this case, provide an overview of how and why resources
 2 were selected from OG&E's 2024 All Source RFP, and describe the selected projects and
 3 the timing of when they will come on-line. I also discuss the statutory basis for the
 4 Company's request for pre-approval of the projects (*i.e.*, 17 O.S. § 286(C)) and provide an
 5 overview of the costs of the projects, the rider recovery requested in this case and the
 6 estimated customer impact of adding these resources to OG&E's generation mix. Finally,
 7 I introduce the other witnesses in this Case and the subject matter of their testimonies.

8
 9 **Q. Please explain in general terms what this case is about.**

10 **A.** OG&E is in a situation where it must acquire additional generation capacity to meet
 11 growing load and reserve requirements. As discussed by OG&E witness Kelly Riley,
 12 OG&E's 2024 Integrated Resource Plan ("2024 IRP") showed a significant capacity need
 13 and this need has only grown since its issuance last year. Below is a table that shows the
 14 growing need by year under the 2024 IRP and the most recent need:

15
Table 1: Comparison of Need Between 2024 IRP and 2025 IRP Update Draft

Planning Source	2028	2029	2030
2024 IRP	1,096 MW	1,136 MW	1,215 MW
2025 IRP Update	1,083 MW	1,349 MW	1,647 MW

16 Last year, following the identification of capacity needs contained in the 2024 IRP,
 17 the Company issued an all-source request for proposals ("2024 All Source RFP") to
 18 identify capacity options available to OG&E as it meets that growing need. The projects
 19 selected are the result of extensive analyses to determine what combination of resources
 20 are the lowest reasonable costs to customers, are available when OG&E needs the capacity,
 21 maintains a fuel diverse portfolio, and provides reliability and resiliency benefits to both
 22 OG&E and the Southwest Power Pool, Inc. ("SPP"). The selected "Projects" (described
 23 below) will add needed generation capacity through a balanced portfolio of renewable and
 24 thermal resources and will include both the purchase of capacity from new and existing
 25 generating resources through Capacity Purchase Agreements ("CPAs") and the
 26 construction of new, incremental natural gas generation.

1 OG&E is asking the Commission, pursuant to 17 O.S. § 286(C), to affirm the
2 Company's need for generating capacity and approve the selected Projects as the lowest
3 reasonable cost options given the Company's capacity need, other reasonable alternatives
4 considered in the 2024 All Source RFP, the quantitative and qualitative RFP evaluation
5 criteria, and the Company's timing requirements for adding new capacity.
6

7 **Q. Can you generally describe OG&E's 2024 All Source RFP?**

8 A. OG&E's 2024 All Source RFP was very robust. The Company received 200 bids from 24
9 participating entities at 58 sites. The bids included a mix of Power Purchase Agreements
10 ("PPAs"), Capacity Purchase Agreements ("CPAs"), and Purchase Sale Agreements
11 ("PSAs"). OG&E also participated in the RFP through affiliate bids submitted in
12 conjunction with joint venture partners Sargent & Lundy, an engineering and design
13 company, and TIC – The Industrial Company, an industrial construction company.

14 After receiving and conducting threshold evaluations for RFP compliance, OG&E
15 analyzed and ranked the conforming bids by their qualitative and quantitative attributes as
16 set out in the RFP. The Company selected seven winners and began negotiations with
17 these selected bidders. Through the course of negotiations, several bidders either withdrew
18 from the RFP or significantly increased their bid pricing. These negotiations were
19 complicated by evolving tariff risk, supply chain issues, tax credit uncertainty, and high
20 demand for capacity, all of which made negotiations difficult. OG&E is still negotiating
21 with several bidders but has finalized contracts with three of the bidders and is requesting
22 pre-approval for those projects.
23

24 **Q. Can you describe the projects OG&E is requesting pre-approval for in this case?**

25 A. The three projects selected through the 2024 All Source RFP that OG&E is requesting for
26 pre-approval in this case (collectively, the "Projects") include:

- 27 • Black Kettle Battery CPA ("Black Kettle CPA") - a new Battery Energy Storage
28 System ("BESS") project located near Woodward, Oklahoma. The project is
29 expected to reach commercial operation by June 1, 2027, and will be located on
30 OG&E's transmission system. OG&E selected the 20-year, 95 MW CPA offered
31 into the All Source RFP by Plus Power.

- 1 • Kiamichi CPA (“Kiamichi CPA”) - The Kiamichi CPA secures a portion of the
- 2 total capacity from an existing 1,200 MW natural gas combined cycle plant located
- 3 in Pittsburg County, Oklahoma from 2029 to 2034. The five-year CPA effective
- 4 June 1, 2029, to March 31, 2034, includes 300 MW for the first two years, growing
- 5 to 450 MW in the latter three years.
- 6 • Horseshoe Lake Units 13 & 14 (“HL 13 & 14”) – two new natural gas combustion
- 7 turbines (“CT”) with a total capacity of 448 MW that will be constructed at
- 8 OG&E’s existing Horseshoe Lake facility.

9 Q. **Will these contracts satisfy the Company’s capacity need?**

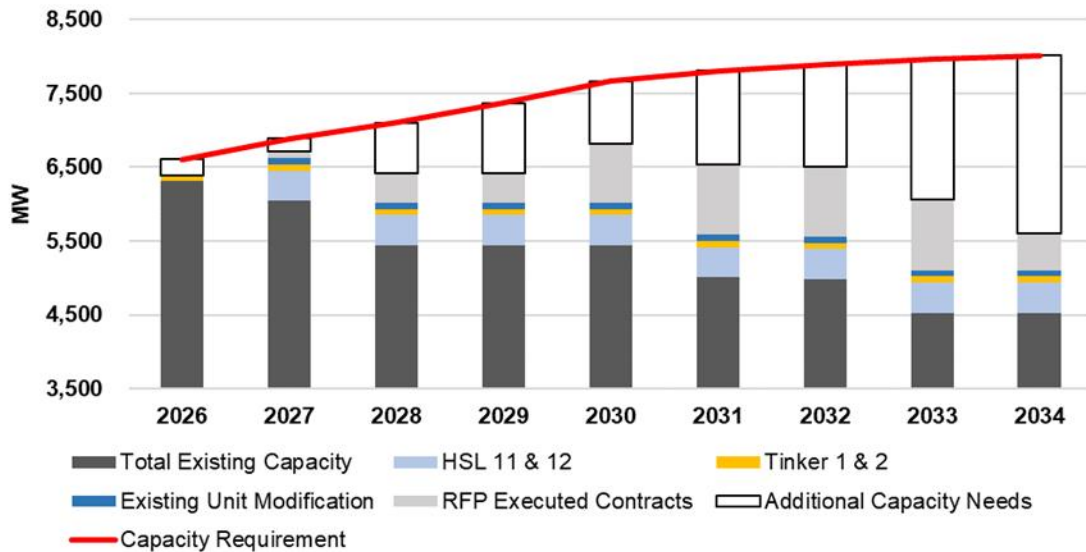
10 A. No. Below is a breakdown of the need under the 2025 IRP update *after* the Projects are

11 added to the system over the next five years. As you can see, the Projects for which OG&E

12 seeks pre-approval in this proceeding are a critical step in addressing OG&E’s significant

13 needs.

Chart 1: Adjusted Need by Year



14 OG&E will continue to negotiate with other bidders and explore other options for new

15 capacity over and above the Projects in this application.

1 Q. **What specific relief is OG&E requesting of the Commission in this proceeding?**

2 A. The Company is requesting the Commission approve the Projects by finding that: (i) there
3 is a need for the Projects; (ii) OG&E properly considered reasonable alternatives through
4 OG&E's 2024 All Source RFP; (iii) the modified Generation Capacity Rider ("GCR")
5 should be utilized for recovery of the costs associated with Projects; (iv) Construction
6 Work in Progress ("CWIP") recovery should be granted for the HL 13 & 14 natural gas
7 combustion turbines through the GCR; and (v) a return on the Black Kettle and Kiamichi
8 CPAs is appropriate for recovery through the GCR.
9

10 Q. **Is OG&E seeking a final order within a certain timeframe?**

11 A. Yes. OG&E needs approval from the Commission by November 15, 2025, to proceed with
12 the Projects described in this case to meet immediate capacity needs. As explained by
13 OG&E witness Christopher Lelak, the contract for the purchase of the Combustion
14 Turbines ("CTs") for the HL 13 & 14 project requires that OG&E provide the General
15 Electric Company ("GE"), who is the Original Equipment Manufacturer of the HL 13 &
16 14 CTs, a Full Notice to Proceed by November 15, 2025. Essentially, by November 15,
17 2025, OG&E must fully commit to the purchase of turbines.

18 Moreover, there are other reasons why this Commission should issue a final order
19 by November 15, 2025. For example, Plus Power needs a final decision so that it can start
20 construction in time to bring the needed capacity on-line by June 2027. Also, OG&E needs
21 approval of the Kiamichi CPA so that Tenaska does not try to find another buyer for its
22 highly sought after capacity.
23

24 Q. **Who are the other witnesses testifying on behalf of OG&E in this proceeding?**

25 A. Table 1 below is a brief description of the witnesses testifying for the Company and the
26 purpose of their testimony.

Table 2: OG&E Witness List

Witness	Title	Purpose of Testimony
Kimber Shoop	Director, Regulatory Affairs	Provides an overview of the capacity needs and OG&E's plan to address that need and explains the relief sought under 17 O.S. § 286 (C).
Kelly Riley	Director, Resource Planning	Discusses the Company's need for capacity, the 2024 All Source IRP, the 2025 IRP Update, the analysis conducted in evaluating the RFP, and OG&E's capacity requirements.
Matthew Schuermann	Vice President, Power Supply Operations	Discusses the RFP selections, as well as the contract negotiation process and the CPAs requested for approval in this case.
Christopher Lelak	Director, Major Projects	Discusses HL 13 & 14 including contracts and cost estimates.
John Laws	Contractor – Strategic Vendor	Describes OG&E's Load Growth and Capacity Needs and the Real World Implications of the IRP/RFP Processes
Maria Scheller	Contractor – ICF	RFP Design and Evaluation
Jason Thenmadathil	Sr Manager, Regulatory Accounting	Revenue Requirement and Customer Impact
Gwin Cash	Manager, Pricing and Rate Administration	GCR Tariff modifications
Charles Walworth	CFO	CWIP and CPA Return

OVERVIEW OF CAPACITY NEEDS

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Q. Who sets the amount of capacity needed to ensure reliability?

A. The SPP is charged with maintaining reliability of the regional electric grid. One of the ways it ensures reliability in the region is to make sure there is sufficient generation capacity in the SPP footprint to meet load requirements in all scenarios and circumstances. SPP ensures there is sufficient generating resources at all times by requiring all load serving entities to maintain adequate generating capacity to serve their peak loads plus a “reserve.” The reserve is used to ensure all load serving entities have capacity above and beyond their peak load so SPP can maintain a reliable grid during unforeseen events (such as generation outages, derates, fuel disruptions, etc.).

Q. How did OG&E determine its capacity need that ultimately led to the selection of the Projects?

A. As required by Commission rules at OAC 165:35-37, OG&E prepared its 2024 IRP to determine how much generating capacity it needed to meet its load and SPP requirements. In that IRP analysis, OG&E assessed the state of its existing resources (supply side and

1 demand side resources), assessed the evolving SPP resource adequacy requirements, and
2 studied its load forecast to determine whether there was any capacity needed in the coming
3 years. An IRP is done at least every three years to ensure the utility plans appropriately for
4 future needs of its customers. Based on its IRP, OG&E issued a series of Requests for
5 Proposals (“RFPs”) to work towards meeting its capacity needs.
6

7 **Q. Has OG&E’s capacity need continued to change since its 2024 IRP?**

8 A. Yes. As discussed by OG&E witness Kelly Riley, the capacity needs identified last year
9 in the 2024 IRP were already quite significant. These capacity needs have grown since the
10 2024 IRP was finalized due to an increase in the load forecast and the identification of new
11 customers coming to the OG&E system.¹ Based on the 2025 IRP Update Draft, OG&E
12 currently has a capacity need of 1,083 MW beginning in 2028 and growing to 1,349 MW
13 in 2029 and 1,647 MW in 2030. Based on future uncertainty with SPP resource adequacy
14 requirements, combined with the unprecedented interest OG&E is seeing from prospective
15 large load customers, OG&E believes this is a conservative estimate of its need in these
16 years, and it is likely this need will continue to increase.
17

18 **Q. Has OG&E had any challenges navigating the unprecedented load growth and 2024**
19 **RFP process?**

20 A. Yes. As explained herein, OG&E is in a capacity shortfall situation. At the same time,
21 OG&E is experiencing unprecedented load growth. Above and beyond the load growth
22 that is included in its 2025 IRP Update Draft, there are now many large prospective loads
23 from diverse industry types interested in taking service from OG&E. Some of these loads
24 are looking for hundreds if not thousands of MW of generating capacity to support their
25 large demands for energy. Up until a few years ago, our largest customer had
26 approximately 90 MW of demand. Now, OG&E has multiple customers over 100 MW,
27 one planning to exceed 400 MW this year and new customers seeking over 1GW of power
28 over the next several years. Many of these large customers are not willing to sign contracts
29 with OG&E unless OG&E can guarantee the significant additional capacity needed to serve
30 them, and historically OG&E has not been able to get approval for such large amounts of

¹ See Table 1 above.

1 additional capacity to serve load that has not materialized yet. If OG&E had enough
2 capacity, it would have the ability to convert more prospective customers into actual
3 customers. This in turn would benefit all customers by spreading costs across a greater
4 number of kWhs.

5 In addition, OG&E has had challenges with the 2024 All Source RFP, including
6 the complexity of comparing bids of completely different resource types, the time-
7 consuming nature of the process, bidders significantly changing their pricing or attempting
8 to redo their entire bid, and trying to match projects with varying capacity amounts and in-
9 service dates with the needs identified by OG&E.

10
11 **Q. Why does OG&E seek to explain these challenges when it has successfully identified**
12 **the Projects through the 2024 All Source RFP?**

13 A. OG&E has identified three Projects that will add 800 MW by 2030 and 950 MW from
14 2031-2033, but this additional accredited capacity does not satisfy the need identified in
15 either the 2024 IRP or the 2025 IRP Update Draft.² OG&E will continue to pursue
16 additional lowest reasonable cost projects either through the existing 2024 All Source RFP
17 or another process.

18 OG&E merely wants to emphasize the challenges it faces in meeting its growing
19 needs and the growing needs of the State of Oklahoma as it tries to attract economic
20 development projects that increase new businesses, jobs, and tax revenues. The load
21 growth is substantial; the SPP resource adequacy requirements are becoming stricter; and
22 the required IRP/RFP processes are cumbersome and time consuming.

23
24 **2024 ALL SOURCE REQUEST FOR PROPOSAL (“RFP”)**

25 **Q. What steps did OG&E take to implement the 2024 IRP Action Plan?**

26 A. Based on the need established in the 2024 IRP, OG&E initiated the 2024 All-Source RFP
27 in May 2024, and opened 200 bids in September 2024. An “all source” RFP essentially
28 means that OG&E’s request was not limited to any specific type of technology, any fuel
29 source, any specific generation location or any particular type of capacity contract (*i.e.*,

² See Table 1 and Chart 1 above.

1 PPA, CPA, affiliate bid or third party constructed facility with transferred ownership to
2 OG&E).

3

4 **Q. How did OG&E consider the options presented in the 2024 All-Source RFP?**

5 A. OG&E carefully analyzed the 200 bids and scored them based on quantitative and
6 qualitative attributes. OG&E then ranked them and selected winners based on the rankings,
7 resource types, and timing of when they could come on-line. For more discussion on the
8 RFP design and evaluations, please see the Direct Testimony of OG&E witnesses Kelly
9 Riley and Maria Scheller. After selecting winners, OG&E started negotiating with the
10 winning bidders in each of those RFPs, and as described by OG&E witnesses Kelly Riley
11 and Matthew Schuermann, OG&E proceeded to finalize contracts for the selected Projects.

12

13 **Q. Was an Independent Evaluator involved in the RFP processes?**

14 A. Yes. As OG&E began to issue the series of RFPs, the Company consulted with the Public
15 Utility Division of the Commission (“PUD”) and the Attorney General about the RFP
16 process. PUD selected Bates White as an Independent evaluator (“IE”) to monitor each of
17 the Company’s RFPs. Subsequently, the Commission approved the use of an IE in Order
18 No. 741869 in Case No. PUD2024-000024.

19

20 **Q. Do the Projects represent the lowest reasonable cost projects considering the
21 alternatives evaluated in the 2024 All-Source RFP?**

22 A. Yes. As explained by OG&E witness Matthew Schuermann, the RFP identified capacity
23 resources that both meet the goals of the IRP and are available in the market at a reasonable
24 cost. Not only do the selected resources address the large capacity needs of OG&E, but
25 the projects contribute to fuel and technology diversity, add new resources to balance
26 portfolio age, and address dispatchability and reliability by adding new, quick start natural
27 gas generating units. The Black Kettle CPA provides an opportunity for the Company to
28 expand its renewable resource portfolio through a partnership with a developer, while the
29 Kiamichi CPA ensures that needed thermal capacity remains committed to the SPP over
30 the near term. The Kiamichi CPA also provides bridge capacity through the construction
31 phase of additional resources. The HL 13 & 14 project provides dispatchable natural gas

1 generation to OG&E while ensuring that the value of the existing site can be realized for
2 years to come.

3 **OVERVIEW OF SELECTED PROJECTS**

4 ***Black Kettle CPA***

5 **Q. Please describe the Black Kettle CPA.**

6 A. The Black Kettle CPA is a 20-year CPA with a new Battery Energy Storage System project
7 with a planned nameplate capacity of 200 MW. Owned by Plus Power, the project is
8 expected to achieve commercial operation by June 1, 2027. OG&E has contracted with
9 Plus Power for 95 MW beginning in 2027. This project was one of two highest scored
10 battery storage projects based on scoring criteria outlined in the RFP. OG&E witness
11 Matthew Schuermann discusses the details of the Black Kettle CPA, including the agreed
12 to pricing.

13
14 **Q. Is this the first battery storage project OG&E has used to meet its capacity
15 requirements?**

16 A. Yes. This is the first battery storage generating facility that will be part of the OG&E
17 generating fleet. Not only was this project one of the best projects identified in the RFP
18 evaluation process, but it also helps meet the capacity needs while contributing to a diverse
19 generation fleet by adding a technology that OG&E currently does not have.

20
21 **Q. What are some of the benefits of the Black Kettle CPA?**

22 A. As discussed by OG&E Witness Matthew Schuermann, Black Kettle was especially
23 attractive because of its earlier availability when compared to some other new construction
24 projects, aligning with the timing of our capacity needs in the summer of 2027. Also, the
25 20-year term for the capacity provides certainty for a longer period at known costs. In
26 addition, obtaining firm transmission service from the SPP will be easier and less costly
27 compared to other projects.

Kiamichi CPA

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Q. Please describe the Kiamichi CPA.

A. The Kiamichi CPA is a five-year CPA with the Tenaska-owned existing Kiamichi natural gas facility, which has been in operation since 2003. The five-year CPA begins June 1, 2029, at 300 MW, and then increases to 450 MW in 2031 for the remaining three years through March 31, 2034. OG&E witness Matthew Schuermann discusses the details of the Kiamichi CPA, including the agreed to pricing.

Q. What are the benefits of the Kiamichi CPA?

A. As discussed in greater detail by OG&E witness Matthew Schuermann, Kiamichi provides the largest accredited capacity option among the bids. The quantity and availability of capacity from Kiamichi helps OG&E to bridge our near-term capacity shortfall until more generation resources can be built and added to the system. Since the contract is with an existing facility, there is no construction or timing risk to the availability of the capacity. Further, since this is a contract for only the capacity from the facility, OG&E does not have to take on the energy pricing risk of a Power Purchase Agreement that includes both the purchase of capacity and energy. Further, this adds to the variety of resources in OG&E's portfolio of generation resources.

Horseshoe Lake Units 13 & 14

Q. Please describe the existing Horseshoe Lake Generating Facility.

A. The Horseshoe Lake Generating Facility is located on the east side of Oklahoma City in Oklahoma County, Oklahoma. It has one gas-fired, steam turbine electric generating unit (Horseshoe Lake 8) with capacity of approximately 375 MWs and two simple cycle gas combustion turbines (Horseshoe Lake 9 and 10) with a total capacity of approximately 86 MWs. OG&E is currently constructing Horseshoe Lake Units 11 and 12, which will consist of two GE 7FA Class combustion turbines totaling 448 MW. Horseshoe Lake 11 and 12 were approved in Case No. PUD2023-000038.

1 Q. **Was HL 13 & 14 submitted as an affiliate bid for new gas generation into the RFP?**

2 A. Yes. The OG&E bid team supplied the HL 13 & 14 affiliate bid into the RFP. The bid
3 was comprised of two components: (i) the purchase of the CTs themselves as proposed by
4 the General Electric Company (“GE”), who is the Original Equipment Manufacturer
5 (“OEM”) (the “CT Procurement Contract”); and (ii) the balance of plant engineering,
6 procurement and construction (“EPC”) contract with a joint venture (“JV”) between
7 Sargent & Lundy, an engineering and design firm, and TIC – The Industrial Company, an
8 industrial construction company (hereinafter the “JV Contract”).
9

10 Q. **How did the Company ensure OG&E’s affiliate bid did not receive any special
11 consideration during the RFP process?**

12 A. As discussed by Company witnesses Kelly Riley and Maria Scheller, this process was
13 conducted in compliance with the Oklahoma Corporation Commission (“OCC”)
14 Competitive Bidding Rules. Once the Company decided to submit an affiliate bid option
15 into the RFP, OG&E prepared a Code of Conduct document, which identified OG&E
16 members representing separate Bid Team and Evaluation Teams. The Code of Conduct
17 also specified the steps the Company would take to maintain separation between the two
18 teams for the duration of the RFP and ensure the Bid Team did not receive any non-public
19 information that could be used to gain an advantage in the RFP process. The Code of
20 Conduct was also posted on the Company’s website during the RFP process.

21 The Code of Conduct ensured the Bid Team and Evaluation Teams had no contact
22 related to the RFP other than during the technical conference and through transparent email
23 communications through a dedicated email inbox—communications that were shared with
24 the Independent Evaluator and made available to all bidders. These actions are taken to
25 ensure the internal Bid Team had the same publicly available information that was posted
26 for all bidders.
27

28 Q. **Has there been an increase in the cost of the project since the original bid price?**

29 A. No. With regard to the CT Procurement Contract, the contract price is firm, fixed, and all-
30 inclusive, covering payment of all costs of materials, equipment, labor, transportation,
31 engineering, manufacture, and other services relating to GE’s performance of its

1 obligations. The contract also provides liquidated damages for delivery and performance
2 of the CTs, which ensures OG&E customers are protected financially from equipment
3 delivery delays or poor performance of the units. For the benefit of customers, OG&E
4 specifically negotiated terms which provide price certainty for the turbines.

5 The JV Contract is between OG&E and the joint venture partners of TIC – The
6 Industrial Company and Sargent & Lundy. Under the JV Contract, the JV contractor will
7 install, test and commission the HL CTs and all associated equipment and materials,
8 instruments, components, and accessories at the Horseshoe Lake Generating Station. The
9 JV Contract is mostly firm-fixed price. The labor costs are fixed; however, a limited
10 number of variable cost material items will be procured on an open-book basis, with actual
11 costs reconciled via change orders for direct costs incurred by the JV. “Open-book basis”
12 means the JV will share with OG&E the estimated value of these variable cost items, and
13 when the items are purchased, any cost adjustment up or down will be shared between
14 OG&E and the joint venture partners. This approach allows for savings for materials if the
15 cost of those materials end up costing less, while capping the upside risk of cost increases.
16 The contract also provides liquidated damages for failure completion of the project on time,
17 and absolute obligations for performance which means if the JV’s design does not meet
18 agreed performance criteria, they must correct any deficiencies.

19
20 **Q. What are some advantages to locating additional new generation at Horseshoe Lake?**

21 **A.** Other than scoring favorably in the RFP evaluation, there are advantages of adding new
22 incremental natural gas generation to the OG&E generating fleet. OG&E witness Matthew
23 Schuermann discusses many of these advantages, including:

- 24 • The HL 13 & 14 units have the ability to be turned off and on quickly, which allows
25 them to supply power during peak times, to serve unscheduled demand, and to
26 supply ancillary services to the grid. These gas turbines can reliably produce 200
27 MW each within 10 minutes and reach full load in less than 11 minutes.
- 28 • These brand new units will have high reliability and efficiency (*i.e.*, lower heat rates
29 and more energy from less fuel), improved operational flexibility, and lower
30 emission rates (*i.e.*, more MWs for the same amount of emissions). The new
31 Horseshoe Lake units will be GE 7F class combustion turbines, which are a proven

1 technology, with a great operational track record. OG&E currently operates six GE
2 7F Class gas turbines at our Redbud and McClain power plants and these plants are
3 consistently some of OG&E's top performing power plants.

- 4 • The HL 13 & 14 units provide dispatchable (as opposed to intermittent) generation
5 that would provide additional new capacity to the system and support the growing
6 need in SPP for additions of generation with flexible operating capability and faster
7 load response.
- 8 • There are multiple benefits associated with these units utilizing an existing site:
9 secure property, existing roads, facilities to support maintenance and operation,
10 water supply/water rights, and gas pipeline and transmission infrastructure. This
11 avoids the significant risk, expense and need to develop a completely new site and
12 infrastructure. Additionally, the Horseshoe Lake site is currently staffed with a
13 highly skilled and trained workforce and as noted below, has firm gas transportation
14 service to accommodate the new units.
- 15 • The Horseshoe Lake site is located close to OG&E's largest load center (Oklahoma
16 City). Customers benefit from having generation close to the load source which
17 reduces line losses, reduces line congestion and cost, and supports voltage control
18 and reliable system operations. This results in more efficiency and better reliability
19 of the transmission grid as opposed to generation in a remote location. Quick start
20 generation close to large load also facilitates our system restoration plan in which
21 the Horseshoe Lake Generating Station plays a critical role in re-energizing the grid
22 after a blackout scenario. The Horseshoe Lake site also already has an existing
23 high voltage 138 kV transmission interconnection in place and serves as a critical
24 facility in restoring energy to the grid in the event of a system disruption.

25
26 **Q. What is the total cost of HL 13 & 14?**

27 **A.** The total cost of the HL 13 & 14 is approximately \$506.4 million (plus AFUDC and taxes).
28 The contracts and their costs are discussed in the Direct Testimony of OG&E witness
29 Christopher Lelak. The revenue requirement is discussed in the Direct Testimony of
30 OG&E witness Jason Thenmadathil. As explained by OG&E Witnesses Charles Walworth
31 and discussed in more detail below, OG&E is proposing not to add AFUDC to rate base

1 and instead utilize CWIP recovery. Utilizing CWIP creates long-term savings for
2 customers of approximately \$190.5 million.

3
4 **17 O.S. § 286(C) - THE PRE-APPROVAL STATUTE**

5 **Q. You mentioned 17 O.S. § 286(C) above, what is your understanding of that statute?**

6 A. That statute allows rate-regulated electric companies like OG&E to file an application
7 seeking Commission approval “to construct a new electric generating facility, to purchase
8 an existing electric generating facility or enter into a long-term contract for purchased
9 power and capacity and/or energy.”

10 The statute further states that “[i]f, and to the extent that, the Commission
11 determines there is a need for construction or purchase of the electric generating facility or
12 long-term purchase power contract, the generating facility or contract shall be considered
13 used and useful, and its costs shall be subject to cost recovery rules promulgated by the
14 Commission.” This means that to satisfy the requirements of the statute, OG&E must show
15 there is a need for the Projects. If OG&E can show the Projects are needed, then they are
16 considered used and useful, and subject to cost recovery.

17 Finally, the statute says that the Commission shall enter an order in the pre-approval
18 case “after consideration of reasonable alternatives.” This requires there to be evidence of
19 such reasonable alternatives presented to the Commission during the pendency of the
20 proceeding.

21
22 **Q. Has OG&E complied with the requirements of 17 O.S. § 286(C)?**

23 A. Yes. Based upon OG&E’s 2024 IRP and the 2025 IRP Update Draft, OG&E has
24 established that it has a need for new generating capacity. The 2024 IRP is discussed in
25 detail and supported by OG&E witness Kelly Riley and is attached to her testimony as
26 Exhibit KMR-1. The 2024 IRP also considered millions of portfolios and, through that
27 economic analysis, began the consideration of reasonable alternatives required under the
28 statute. After the IRP, the Company then initiated the competitive bidding process under
29 the Commission’s competitive bidding rules (OAC 165:35-34) to further assess reasonable
30 alternatives for meeting that need and the various market opportunities. OG&E’s capacity

1 need is further confirmed by its the 2025 IRP Update, attached to witness Kelly Riley's
2 testimony as Exhibit KMR-4.

3 As discussed above, OG&E conducted an All-Source RFP to investigate all of its
4 options. After that comprehensive investigation, OG&E is satisfying its need by a
5 combination of a battery storage CPA, an existing natural gas CPA, and newly constructed
6 natural gas generating resource that are in the best interest of customers.

7
8 **Q. Has 17 O.S. § 286(C) been recently amended?**

9 A. Yes. This statute was amended this past legislative session. The amendments to the 286(C)
10 statute specify that this Commission shall permit an electric utility to begin recovering
11 CWIP prior to commercial operation of a newly constructed electric generation facility that
12 utilizes natural gas as its primary fuel source. Also, the statute was amended to require the
13 Commission to permit a separate rate adjustment mechanism, adjusted periodically, to
14 recover the costs for new natural gas fired generation capacity. This statute became law
15 on May 13, 2025, and will become effective 90 days after the conclusion of the 2025
16 Oklahoma Legislative session.

17
18 **Q. Do the HL 13 & 14 units qualify for CWIP and rider recovery under the revised
19 286(C) statute?**

20 A. The legislation will become effective during the pendency of this proceeding and HL 13 &
21 14 are newly constructed generating units that will be natural gas fired. Upon the effective
22 date of that statute, HL 13 & 14 would qualify for both CWIP and rider recovery. The
23 GCR has been amended to include the recovery of CWIP expense associated with the
24 financing of the HL 13 & 14 units, as well as cost recovery of the HL 13 & 14 units when
25 the units are placed into service. Regardless of the date of effectiveness of the new
26 legislation, OG&E is requesting CWIP recovery associated with HL 13 & 14.

27
28 **Q. Does the utilization of CWIP create customer savings versus the alternative
29 utilization of Allowance for Funds Used During Construction ("AFUDC")?**

30 A. Yes. As testified by OG&E witness Charles Walworth, OG&E has traditionally recovered
31 costs of investment using AFUDC, which tracks the amount of capital spent on a project

1 during construction and calculating a return on that amount throughout the construction
2 process. This AFUDC balance accumulates with compounding interest until the project is
3 placed into service and then the entire balance that has accumulated is added to the total
4 cost of the project, and everything is financed over the life of the project. In the case of
5 new generation, that could be 30 years or longer.

6 Alternatively, CWIP recovery works by allowing a utility to recover the financing
7 charges on its construction costs in real time during the construction period, instead of
8 letting those costs accumulate and adding them to the capital investment placed in rate base
9 after the project is placed in service. One of the benefits of allowing CWIP recovery is the
10 reduction in the overall amount of money ultimately charged to customers for the project.
11 OG&E witness Charles Walworth has made a calculation that shows that customers would
12 save approximately \$190.5 million over approximately 30 years under the CWIP method
13 as compared to the AFUDC method relating to HL 13 & 14. Essentially, this means that
14 OG&E would be earning less of a return over the long run but have greater cash flows
15 during construction. Witness Charles Walworth explains how this CWIP method benefits
16 both customers and the Company.

17
18 **Q. Are there any other requirements of the Company contained in the amended 286(C)**
19 **statute?**

20 **A.** Yes. Section 286(C)(7) requires that “[f]or any new natural gas-fired electric generation
21 facility constructed pursuant to this section, an electric utility shall secure a firm contract
22 to transport natural gas to the generating facility.” This requirement further specifies that
23 the firm gas transportation contract must be secured pursuant to a competitive bidding
24 process.

25
26 **Q. Has OG&E complied with Section 286(C)(7) with regard to the new HL 13 & 14 gas**
27 **units?**

28 **A.** Yes. On October 12, 2023, OG&E initiated a competitive procurement process to secure
29 firm gas transportation for its newly established Units 11 and 12 at Horseshoe Lake. While
30 the gas transportation RFP issued by OG&E specifically targeted services for Horseshoe
31 Lake Units 11 and 12, it also sought bids that would provide expanded firm natural gas

1 transportation service if the facility developed new generating units. Under the final
2 contract that executed from the RFP, OG&E has the option to increase its firm
3 transportation volumes to accommodate the HL 13 & 14 units. OG&E therefore has
4 already secured firm gas transportation services for the HL 13 & 14 units through that
5 previous RFP.

6
7 **COST RECOVERY AND CUSTOMER IMPACT**

8 **Q. How does OG&E plan to recover the costs of the Projects?**

9 A. The Company is proposing to recover the costs of the Black Kettle CPA, Kiamichi CPA,
10 and the Horseshoe Lake Units 13 & 14 through the amended GCR Rider.

11
12 **Q. Please explain how the GCR Rider will operate?**

13 A. The GCR Rider was approved in Case No. PUD 2023-000038 for recovery of the costs
14 related to the Horseshoe Lake Units 11 & 12, which are currently under construction.
15 OG&E has proposed to amend the current GCR to recover CWIP for the Horseshoe Lake
16 Units 13 & 14 during their construction process and then allow OG&E to recover costs
17 related to those same units after they are placed in service until incorporated into base rates.
18 Also, OG&E has proposed to amend the GCR to allow OG&E to recover the costs of the
19 Black Kettle and Kiamichi CPAs, including the recovery of a return on those CPAs at the
20 Company's weighted average cost of capital. OG&E witness Gwin Cash discusses the
21 changes to the GCR and OG&E witness Charles Walworth discusses the benefits of CWIP
22 recovery, as well as the request for a return on the CPAs.

23
24 **Q. Will there be a process for review of final costs by this Commission?**

25 A. Yes. The GCR Rider provides for recovery of costs after the Projects are placed in service
26 and providing benefits to customers. The Commission will review the final costs of the
27 Projects in a later general rate case and, if the Commission disallows any costs that are in
28 excess of the costs approved in this proceeding, any GCR Rider recovery can be refunded
29 to customers.

1 Q. **Are recovery riders for new generation facilities common in Oklahoma?**

2 A. Yes. In addition to the approval of the GCR in Case No. PUD 2023-000038 for recovery
 3 of the costs of the Horseshoe Lake Units 11 & 12 (*See* Order No. 738566), the Commission
 4 has approved rider recovery for many past generation projects: the Crossroads wind farm
 5 (OG&E Order 577371 in Cause No. PUD 201000037, July 29, 2010); and OU Spirit wind
 6 farm (Order No. 571788 in Cause No. PUD 200900167, November 25, 2009). The
 7 Commission also approved a recovery rider when OG&E purchased its Redbud generating
 8 facility (Order No. 559892 in Cause No. PUD 200800086, September 24, 2008), as well
 9 as when OG&E purchased its River Valley and Frontier generating facilities (Order No.
 10 696007 in Cause No. PUD 201800159). The Commission also granted generation cost
 11 recovery rider approvals in February 2020 (Order No. 708933 in Cause No. PUD
 12 201900048) and May 2023 (Order No. 734110 in Cause No. PUD 2022-000121).

13 The Commission has also granted rider recovery for many other costs, including
 14 OG&E's Smart Grid Program (Cause No. PUD 201000029), OG&E's System Hardening
 15 project (Cause No. PUD 20900212), OG&E's Windspeed transmission line (RTSA Rider
 16 (Cause No. PUD 200800148), OG&E SPP Transmission System Additions Rider (Cause
 17 No. PUD 201200172), PSO's Automated Metering Infrastructure Rider (Cause No. PUD
 18 201300217), and PSO's Capital Investment Rider (Cause No. PUD 200900181).

19
 20 Q. **What is the customer impact resulting from the three selected projects?**

21 A. OG&E witness Jason Thenmadathil testifies on the annual revenue requirement and the
 22 estimated monthly residential customer impact related to the Projects. He generated an
 23 annual revenue requirement for six years beginning in 2026 and then used currently
 24 approved production demand allocators. The resulting customer impact is show in Table
 25 3 below:

Table 3: Customer Impact

2026	2027	2028	2028	2030	2031
\$0.55	\$1.26	\$2.02	\$3.04	\$4.17	\$4.41

CONCLUSION

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Q. What are your recommendations to this Commission?

A. OG&E is requesting the Commission grant pre-approval of the three Projects requested herein pursuant to 17 O.S. § 286(C), including a determination that OG&E has a need for the generation provided by these Projects and has evaluated reasonable alternatives, resulting in these Projects being used and useful. In addition, these Projects have been evaluated as lowest reasonable cost options for meeting OG&E's current resource need through an RFP process.

The Company also requests the Commission authorize OG&E to recover the costs of HL 13 & 14, the Kiamichi CPA, and the Black Kettle CPA through the GCR Rider. Cost recovery through the GCR for HL 13 & 14 would begin with CWIP and continue with recovery of the annual revenue requirement associated with those units after they are placed in service and until included in base rates. The GCR would also include cost recovery for the Black Kettle and Kiamichi CPAs, including a return on those CPAs at the Company's weighted cost of capital. Granting recovery through the existing GCR is consistent with previous recovery treatment granted by the Commission and allows OG&E to begin timely cost recovery of these large investments.

Q. Does this conclude your testimony?

A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that on the 19th day of May 2025, a true and correct copy of the foregoing was electronically served via the Electronic Case Filing System to those on the Official Electronic Case Filing Service List, or via electronic mail to the following persons:

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