

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF)
OKLAHOMA GAS AND ELECTRIC COMPANY)
FOR COMMISSION PREAPPROVAL OF NEW) Case No. PUD 2023-000038
GENERATION CAPACITY PURSUANT)
TO 17 O.S. SECTION 286(C))

JOINT STIPULATION AND SETTLEMENT AGREEMENT

COME NOW the undersigned parties to the above entitled Case (“Stipulating Parties”) and 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 issues in this proceeding. 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 request the Commission issue an order in this case adopting and approving this Joint Stipulation.

I. Jurisdiction of the Commission

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, 17 O.S. §152 *et seq.*, 17 O.S. §286 *et seq.*, the Commission’s Rules of Practice (OAC 165:5), and the Commission’s Electric Utility Rules (OAC 165:35).

II. General Recommendations of the Stipulating Parties

This Joint Stipulation represents a comprehensive settlement to become effective with the issuance of a Commission order approving this Joint Stipulation (“Effective Date”).

A. Approval of the Horseshoe Lake Combustion Turbines: The Stipulating Parties agree that sufficient evidence exists in the record for the Commission to find that OG&E has a demonstrated need for generating capacity. Also, the Stipulating Parties agree that the record reflects OG&E engaged in a series of competitive bidding processes to assess the

most reasonable alternatives for meeting that capacity need. These competitive bidding processes showed that the best option for meeting OG&E's capacity need is the construction of two GE 7F Class combustion turbines at the Horseshoe Lake Power Plant with a summer rated capacity of 448 MWs and an estimated in-service date of late 2026 ("HL CTs"). The Stipulating Parties agree that the Commission should approve OG&E's HL CTs under 17 Okla. Stat. §286.

B. Generation Capacity Rider Costs: The Stipulating Parties agree that the revised Generation Capacity Rider ("GCR") (attached hereto as Exhibit 1) should be approved by the Commission to allow OG&E to recover certain costs associated with the HL CTs as those units are placed in service. The Stipulating Parties agree that OG&E shall only be able to recover a return, at the Company's most recently approved weighted averaged cost of capital, on the following costs through the GCR:

- (a) OG&E's original bid amount of approximately \$249 million for the costs associated with the purchase of the HL CTs through a contract with General Electric, as the Original Equipment Manufacturer and the costs associated with the balance of plant, engineering, procurement and construction contract between OG&E and a joint venture between Sargent & Lundy and TIC – The Industrial Company.
- (b) costs incurred by the Company in addition to the costs of purchasing the equipment and third-party costs of construction ("Owner's Costs"). These Owner's Costs shall include internal labor, construction oversight, engineering oversight to ensure design adequacy and technical compliance with specifications, project management, legal cost and performance testing. The Stipulating Parties agree that OG&E's recovery of Owner's Costs through the GCR shall be limited to a cap of \$26 million.
- (c) Allowance for Funds Used During Construction and capitalized Property Taxes associated with the costs specified in Section II.B(a) and (b) above.

The Stipulating Parties agree that OG&E shall also include in the GCR depreciation expense, property tax expense, and investment tax credits associated with the capital investments specified in Section II.B(a), (b), and (c) above.

- C. **Other Costs:** The Stipulating Parties agree that OG&E shall not recover any non-fuel O&M expenses associated with the HL CTs through the GCR. Also, in the event OG&E's HL CT project costs exceed the amounts specified in Section II.B of this Joint Stipulation, the Stipulating Parties agree that such excess costs or contingency costs shall not be eligible for recovery through the GCR. Any costs incurred by OG&E in excess of the amount contained in Section II.B of this Joint Stipulation (or any non-fuel O&M expenses) shall be reviewed for prudence in a general rate case in order to be recovered from customers.
- D. **Term of the GCR:** The Stipulating Parties agree the GCR shall expire upon the earlier of: (i) 18 months after the in-service date of the HL CTs or (ii) implementation of new rates following the next general rate case in which the in-service HL CTs are included in rate base. The Company must file a general rate case to include the Horseshoe Lake CTs in base rates no later than one year after the in-service date of the HL CTs.
- E. **Cost Recovery from PL and LPL Customers:** The Stipulating Parties also agree that the GCR shall recover costs from Power and Light and Large Power and Light customers pursuant to a demand or \$/kW charge rather than through an energy or \$/kWh charge.

III. 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. Joint Stipulation Represents a Balance and 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. No Admissions Nor 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 Company's Application 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 respective 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. Outstanding Discovery and Motions

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.

WHEREFORE, the Stipulating Parties hereby submit this Joint Stipulation and Settlement Agreement to the Commission as their negotiated settlement of this proceeding with respect to all issues raised within the Application filed herein by Oklahoma Gas and Electric Company 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: 10/10/23

By: 

PUBLIC UTILITY DIVISION
OKLAHOMA CORPORATION COMMISSION

Dated: October 10, 2023

By: 

OKLAHOMA OFFICE OF THE ATTORNEY GENERAL

Dated: October 10, 2023

By: 

OKLAHOMA INDUSTRIAL ENERGY CONSUMERS

Dated: _____

By: _____

OG&E SHAREHOLDERS ASSOCIATION

Dated: Oct. 10, 2023

By: 

WAL-MART INC.

Dated: _____

By: _____

OKLAHOMA SUSTAINABILITY NETWORK

Dated: _____

By: _____

PETROLEUM ALLIANCE OF OKLAHOMA

Dated: 10/10/2023

By:  _____

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF)
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FOR COMMISSION PREAPPROVAL OF NEW) Case No. PUD 2023-000038
GENERATION CAPACITY PURSUANT)
TO 17 O.S. SECTION 286(C))

Joint Stipulation and Settlement Agreement

Exhibit 1

Generation Capacity Rider

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

Original Sheet No. 52.30

Date Issued XXXX XX, 202X

STANDARD PRICING SCHEDULE: GCR
Generation Capacity Rider

STATE OF OKLAHOMA

EFFECTIVE IN: All territory served.

PURPOSE: The purpose of this rider is to recover the Oklahoma retail jurisdictional portion of the annual revenue requirement for the generation capacity projects authorized in Case No. PUD 202300XXX.

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

TERM: The GCR will begin recovery of costs following the first billing cycle of the month following the first generation capacity project (combustion turbines at Horseshoe Lake) that reaches in-service status. The GCR will continue for the lesser of 18 months after the in-service date of the combustion turbines or until such time that the generation capacity projects authorized for recovery through this rider are included in base rates or terminated by order of the Commission. If terminated by order of the Commission, the Generating Facilities shall be included in rate base after receiving a final order approving new rates in the next OG&E general rate case proceeding. The Company will file a general rate case proceeding within 12 months of the first-generation capacity project that reaches in-service status.

RATE CLASSES:

Major Rate Classes = *Residential, General Service, Power and Light (inclusive of Supplemental, Backup, and Maintenance Service rates), and Large Power and Light (inclusive of Outside Certified Territory customers)*

Combined Minor Rate Classes (Other) = *Oil and Gas Producers + Public Schools (Small and Large) + Municipal Pumping + Municipal Lighting + Outdoor Security Lighting + LED Lighting*

GCR FACTOR CALCULATION: GCR factors shall be calculated using the following formula, on a per kilowatt-hour (kWh) basis, for each of the major rate classes and the combined minor rate classes:

$$GCR\ Factor_{class} = \frac{A * B_{class} + C_{class}}{D_{class}}$$

Where:

A = Oklahoma jurisdictional Revenue Requirement for each generation asset that has reached in-service status

B = Oklahoma jurisdictional rate class Production Demand Allocator

C = Annual True-Up for each rate class

D = Projected annual kWh or kW for each rate class

Rates Authorized by the Oklahoma Corporation Commission:

Public Utilities Division Stamp

(Effective)	(Order No.)	(Cause/Docket No.)
XXXX 1, 202X	XXXXXX	PUD 2023-000038 (original)

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

Original Sheet No. 52.31

Date Issued XXXX XX, 202X

STANDARD PRICING SCHEDULE: GCR
Generation Capacity Rider

STATE OF OKLAHOMA

And:

A) Oklahoma Jurisdiction GCR Annual Revenue Requirement:

- a. Return on the capital investment calculated using the Company’s most recently approved weighted average cost of capital (“WACC”). The capital investment shall be inclusive of:
 - i. \$249 million for costs associated with the purchase of HL CTs;
 - ii. Internal labor, construction oversight, engineering oversight to ensure design adequacy and technical compliance with specifications, project management, legal cost and performance testing, all capped at \$26 million; and
 - iii. Allowance for Funds Used During Construction and capitalized Property Taxes.
- b. Depreciation and property tax expenses associated with the items included in a. above.
- c. Investment tax credits associated with the items in a. above. These tax credits will be included for recovery in the Rider for Tax Credits tariff at such time that the projects associated with this rider are authorized for recovery in base rates.

B) Annual True-Up: The over or under amount will be calculated for each class and will be the difference between actual revenue requirement and the Prior Period GCR factor revenues net of the previous Prior Period True-Up.

C) Allocation Factor: The most recently approved production demand allocation factor, adjusted to exclude jurisdictions not at issue.

Rate Class	Allocator Percentage*
Residential	46.9201%
General Service	9.6944%
Power and Light	24.4640%
Large Power and Light	15.4960%
Other	3.4255%

*Adjusted to exclude jurisdictions not at issue

D) Projected kWh or kW: The applicable annual Oklahoma jurisdictional kWh as calculated by the Company for the Residential, General Service, and Other classes. The

Rates Authorized by the Oklahoma Corporation Commission:

Public Utilities Division Stamp

(Effective)	(Order No.)	(Cause/Docket No.)
XXXX 1, 202X	XXXXXX	PUD 2023-000038 (original)

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

Original Sheet No. 52.32

Date Issued XXXX XX, 202X

STANDARD PRICING SCHEDULE: GCR
Generation Capacity Rider

STATE OF OKLAHOMA

applicable annual Oklahoma jurisdictional kW as calculated by the Company for the Power & Light and Large Power and Light classes.

ANNUAL RE-DETERMINATION: On or before August 15 of each year, re-calculated GCR factors shall be submitted by the Company to the Public Utility Division and to the parties of record in Case No. PUD 2023-000038 for review and shall be implemented the first billing cycle of October.

FINAL REVIEW: The final over/under balance for the GCR will be refunded or collected through the Rider for Fuel Cost Adjustment.

Rates Authorized by the Oklahoma Corporation Commission:

Public Utilities Division Stamp

<u>(Effective)</u>	<u>(Order No.)</u>	<u>(Cause/Docket No.)</u>
XXXX 1, 202X	XXXXXX	PUD 2023-000038 (original)

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

Original Sheet No. 52.33

Date Issued September 19, 2019

STANDARD PRICING SCHEDULE: GCR
Generation Capacity Rider

STATE OF OKLAHOMA

Attachment A

XXXX 1, 202X – XXXX XX, 202X GCR FACTORS

Class	\$ per kWh	\$ per kW
Residential	-	\$0.00
General Service	-	\$0.00
Power and Light	\$0.000000	-
Large Power and Light	\$0.000000	-
Other	-	\$0.00

Rates Authorized by the Oklahoma Corporation Commission:

Public Utilities Division Stamp

(Effective)	(Order No.)	(Cause/Docket No.)
XXXX 1, 202X	XXXXXX	PUD 2023-000038 (original)