

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))

Direct Testimony

of

Kimber L. Shoop

on behalf of

Oklahoma Gas and Electric Company

May 31, 2023

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.
22

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

24 A. The purpose of my testimony is to support the Company’s request for relief in this
25 application, including Commission approval of OG&E’s construction of the Horseshoe
26 Lake Combustion Turbines (“HL CTs”). My testimony first provides some context for
27 how this investment fits into the Company’s broader goals for ensuring a reliable future
28 grid for our customers. It then provides a narrative discussion of how OG&E came to
29 identify the HL CTs and how and why such facilities were selected as the winning bidders

1 in OG&E's recent series of Request for Proposals for Capacity ("RFPs"). I will also
2 discuss the statutory basis for the Company's request for pre-approval of the HL CTs (*i.e.*,
3 17 O.S. § 286(C)). I will also provide an overview of the HL CTs to be constructed by the
4 Company at the OG&E's Horseshoe Lake generating facility and the engineering,
5 procurement and construction process OG&E will undertake to bring the HL CTs on-line
6 before 2027. I will provide an overview of the costs of the HL CTs and the estimated
7 customer impact of adding these generating units to the OG&E generation fleet. Finally, I
8 will introduce the other witnesses in this Case and the subject matter of their testimonies.
9

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

11 A. The Company is requesting the Commission find that: (i) there is a need for the HL CTs
12 and those generating units will be used and useful when placed in service by OG&E; (ii)
13 OG&E properly considered reasonable alternatives through a series of RFPs; and (iii) the
14 proposed Generation Capacity Rider ("GCR") should be implemented for recovery of the
15 costs associated with the HL CTs after those generating units are placed in service.
16

17 **Q. Please begin by explaining what this case is about.**

18 A. This case is about addressing OG&E's immediate need to invest in new generation to meet
19 the needs of its customers, while maintaining a fuel diverse portfolio of generation projects
20 at the lowest reasonable cost to customers. As this Commission is aware, OG&E has the
21 obligation to maintain reliable electric service to its customers and sometimes that
22 obligation requires significant capital outlays. The addition of new generation is a
23 significant decision for OG&E and its customers. Adding new generation is expensive and
24 the investment increases rates for customers. OG&E therefore must conduct its resource
25 planning responsibly and identify the lowest reasonable cost options for reliably serving
26 its customers.

27 In the fifteen years prior to 2020, OG&E tried to avoid the construction of new,
28 incremental fossil fuel-fired generating capacity. It did this by implementing its Smart
29 Grid investments, investing in wind generation, expanding its energy efficiency and
30 demand response programs, eliminating the wholesale business, and acquiring existing
31 facilities like Redbud, McClain, Frontier, and River Valley. Since 2020, OG&E's load

1 growth coupled with looming and necessary generation retirements has led to additional
 2 capacity needs that require the Company to now construct new generating facilities as
 3 required by the capacity requirements of the Southwest Power Pool (“SPP”) and identified
 4 in the 2021 Integrated Resource Plan (“IRP”).

5 The HL CTs are the result of extensive economic analyses to determine what
 6 combination of new resources are the lowest reasonable costs to customers. After OG&E
 7 determined the most affordable and reliable combination of technological generation
 8 resources for customers, OG&E conducted a series of competitive bidding processes that
 9 identified the lowest reasonable costs for those resource options. OG&E now can
 10 confidently say that the HL CTs, which were self-bid into the Flexible Resource RFP by
 11 OG&E, will add needed generation capacity to OG&E’s fleet at the lowest reasonable cost
 12 for customers. OG&E management is now asking this Commission, pursuant to 17 Okla.
 13 Stat. 286(C), to affirm the Company’s need for generating capacity and that the HL CTs
 14 would be the best first step in addressing the broader plan to add a diverse portfolio of
 15 generation projects needed to serve customers in the future.

16
 17 **Overview of OG&E’s Decision**

18 **Q. How did OG&E determine its capacity need that led to the 448 MW of HL CTs?**

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

27 As required under Commission rules, OG&E conducted an IRP in 2021 to
 28 determine how much generating capacity it needed to meet the SPP requirement. In that
 29 IRP analysis, OG&E assessed the state of its existing resources (supply side and demand
 30 side resources) and studied its load forecast to determine whether there was any capacity

1 needed in the coming years. An IRP is done at least every three years to ensure OG&E
2 plans appropriately for future years.

3 The 2021 IRP determined OG&E had a need of 145 MW beginning in 2023 and
4 growing to 514 MW in 2026 and 942 MW in 2027. After a detailed analysis of different
5 generating technologies and their costs and risks, the IRP concluded OG&E should meet
6 its capacity needs with a combination of combustion turbines and solar generation. This
7 blend of combustion turbines and solar generation was found to mitigate future risks to
8 customers and fulfill the many objectives of the IRP (*e.g.*, fuel diversity, operational
9 flexibility, resiliency).

10
11 **Q. What steps did OG&E take to implement the IRP Action Plan?**

12 A. Based on the need established in the 2021 IRP and the determination that the lowest
13 reasonable cost capacity option for meeting OG&E's need was a combination of solar and
14 CT resources, OG&E planned to initiate two RFPs: one for solar resources (and solar
15 resources coupled with energy storage) (the "Solar RFP") and another for flexible
16 resources (*i.e.*, standalone energy storage, gas-fired combustion turbines or gas-fired
17 reciprocating internal combustion engines ("RICEs")) (the "Flexible Resource RFP").

18 The Solar RFP was issued in January 2022 and sought solar generating capacity
19 that would be available no later than the summers 2023, 2024 and 2025. The Flexible
20 Resource RFP was issued in June 2022 and sought flexible resources (*i.e.*, resources that
21 could start quickly and cycle multiple times per day) that would be available no later than
22 the summer of 2027. Given construction of CTs or RICEs could take many years to
23 construct, the Solar RFP would focus on the shorter term needs and the Flexible Resource
24 RFP would focus on the longer-term needs.

25
26 **Q. Did the Solar RFP proposals address the Company's shorter-term needs?**

27 A. No. When OG&E opened the bids from the initial Solar RFP in March 2022, none of the
28 Solar RFP bids could meet the shorter-term needs beginning in 2023. Also, while some
29 bidders had projects that initially could meet the Company's 2025 in-service date
30 requirements, those bidders later notified OG&E they could no longer meet the 2025 in-

1 service dates. Therefore, the initial Solar RFP yielded no projects with in-service dates
2 until after the summer of 2025.

3

4 **Q. How did OG&E respond to the lack of bids in the initial Solar RFP?**

5 A. OG&E decided to re-issue the Solar RFP in October 2022. This re-issuance was designed
6 to cast a wider net and receive projects that could be in service as early as 2023, but no
7 later than summer 2027, two years beyond the latest in-service date allowed in the original
8 solar RFP. Also, in August 2022, President Biden signed into law the Inflation Reduction
9 Act (“IRA”), which contained enhanced federal tax incentives for solar generation. It was
10 hoped the re-issued Solar RFP would attract bids from more projects and from lower
11 overall cost projects that were able to take advantage of the new IRA tax credits.

12

13 **Q. Did the Flexible Resource RFP proposals address OG&E’s shorter-term capacity
14 needs in 2023, 2024 or 2025?**

15 A. No. When OG&E began to analyze the myriad of bids received from the Flexible Resource
16 RFP, it was apparent none of the bids were capable of meeting OG&E’s shorter-term needs.

17

18 **Q. What did OG&E do in response to the lack of 2023-2025 capacity in the Flexible
19 Resource RFP and the initial Solar RFP?**

20 A. Since the Company had shorter term capacity needs beginning in 2023 and those needs
21 were growing as a result of the SPP’s increasing capacity reserve margin¹, OG&E took a
22 series of steps in summer 2022. First, shortly after realizing the initial Solar RFP would
23 not satisfy OG&E’s shorter-term capacity needs in 2023, OG&E began investigating the
24 purchase of short-term capacity for 2023 through a summer capacity RFP. During the
25 summer of 2022, while the Company was getting ready to re-issue the Solar RFP and
26 processing the Flexible Resource RFP, OG&E secured 360 MW of short-term purchased
27 capacity for 2023.

¹ As discussed below and in the testimony of OG&E Witness Riley, the SPP increased the capacity reserve requirement beginning in 2023 from 12% to 15%. This change in capacity requirements increased OG&E’s needs over and above the needs identified in the 2021 IRP by approximately 180-190 MW beginning in 2023.

1 Second, OG&E initiated another RFP for the purchase of existing capacity within
2 the SPP (“Existing Capacity RFP”) to determine whether there were any SPP resources
3 available to purchase that could be used to satisfy both immediate and long-term capacity
4 needs beginning in 2023.

5
6 **Q. When did OG&E have bids back from the Flexible Resource RFP, the re-issued Solar**
7 **RFP and the Existing Resource RFP?**

8 **A.** OG&E opened bids for the Existing Resource RFP at the end of August 2022, the Flexible
9 Resource RFP in October 2022 and the re-issued Solar RFP in November 2022. Therefore,
10 by the end of November 2022, OG&E had all the bids from the RFPs available to select
11 the lowest reasonable cost projects.

12
13 **Q. Why did OG&E not just issue a single “all source” RFP at the beginning?**

14 **A.** The IRP itself is designed to consider and evaluate “all sources.” “All source” RFPs by
15 themselves do not balance the goals of affordable, safe, and reliable capacity because they
16 fail to take into account the bigger picture analysis conducted in the IRP. As part of a
17 comprehensive planning process, the IRP, and subsequent RFPs work in tandem. The
18 purpose of the IRP is to develop a resource plan that will allow the Company to most
19 reasonably and affordably meet its capacity obligations on the planning horizon with due
20 consideration of the uncertainties attributable to many of the planning assumptions and
21 other items of value to OG&E customers. The IRP considers many factors, including the
22 types of generation alternatives available in the market, to reach a recommended course of
23 action for the Company’s future generation capacity needs. The 2021 IRP concluded a
24 combination of flexible combustion turbines and solar resources were the most cost-
25 effective resources to meet OG&E’s needs beginning in 2023. The IRP considers more
26 than just the lowest capital cost or net present value of available market resources – it also
27 considers capacity obligation, the expected cost to customers, exposure to external risks,
28 fuel and technology diversity, operational flexibility, adaptability, portfolio age, resiliency
29 benefits, and environmental stewardship. Therefore, OG&E issued RFPs to seek the
30 resources identified by the IRP in order to meet its capacity needs.

1 Q. **What were the practical reasons for separating the RFPs in 2022?**

2 A. Because the Flexible Resource RFP would take time to develop (with the technical
3 specifications needed for CTs and RICES), the Solar RFP had a shorter timeline in order to
4 ascertain project availability in 2023. When the Solar RFP yielded no results in the short-
5 term, OG&E had to pivot investigating short-term capacity options, including through the
6 issuance of an Existing Capacity RFP. While the Existing Capacity RFP was not identified
7 in the 2021 IRP Action Plan, OG&E decided to investigate its options from any existing
8 capacity options that could meet the Company's shorter-term need. That is how OG&E
9 began with two RFPs and ended up issuing a total of four RFPs.

10

11 Q. **How did OG&E consider the options presented in the Flexible Resource RFP, the re-**
12 **issued Solar RFP and the Existing Resource RFP?**

13 A. OG&E started negotiating with the lowest bidders in each of those RFPs. OG&E did not
14 have success in negotiating deals with any bidders in the re-issued Solar RFP or the
15 Existing Resource RFP. OG&E felt those RFPs failed to yield actionable projects. In some
16 circumstances, bidders withdrew their bids because the projects were sold to other buyers.
17 But the Flexible Resource RFP had a clear winning bidder (which was the OG&E self-bid)
18 and, as described by OG&E witnesses Riley and Schuermann, OG&E proceeded to finalize
19 contracts for the HL CTs.

20

21 Q. **Of all the RFPs issued, what was the lowest reasonable price option for new**
22 **generation capacity?**

23 A. Comparing bids from the Flexible Resource RFP, the Existing Resource RFP and the Solar
24 RFP shows that the lowest reasonable cost project was the HL CTs.

25

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

27 A. Yes. As OG&E began to issue the series of RFPs, the Company consulted with the Public
28 Utility Division of the Commission ("PUD") and the Attorney General about the RFP
29 process. PUD and the Attorney General selected Guernsey as an IE to monitor each of the
30 Company's RFPs. Subsequently, the Commission issued orders approving the use of an
31 independent evaluator in Order No. 722166 in Cause No. PUD 202100165, Order No.

1 723950 in Cause No. PUD 202200013, and Order No. 726134 in Cause No. PUD 2022-
2 000049.

3

4 **Q. Do the HL CTs satisfy all of the Company's capacity needs?**

5 A. No. The HL CTs adds approximately 448 MW of capacity for the peak season of 2027.
6 This does not address the full need of the Company in 2027 as identified in the 2021 IRP
7 (estimated at approximately 940 MW). This also does not address the growing need caused
8 by the SPP's increase in the planning reserve margin from 12 to 15 percent. However, it
9 is the critical first step in addressing OG&E's total needs and amounts to approximately
10 48% of the estimated total need established in the 2021 IRP.

11

12 **Q. What are the Company's next steps to fully address its growing capacity needs?**

13 A. In March 2023, OG&E issued another RFP for purchased power agreement ("PPA")
14 capacity in the summers of 2024-2027. OG&E is evaluating these PPA options and expects
15 to execute PPA contracts to assist in meeting that 2024-2027 capacity needs. Also, while
16 neither of the two Solar RFPs yielded actionable projects, OG&E intends to re-issue
17 another Solar RFP and to continue to seek attractive solar projects in the market.

18

19 **17 O.S. § 286(C), The Pre-Approval Statute**

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

21 A. That statute allows rate-regulated electric companies like OG&E to file an application
22 seeking Commission approval "to construct a new electric generating facility, to purchase
23 an existing electric generating facility or enter into a long-term contract for purchased
24 power and capacity and/or energy." The statute further provides that an electric company
25 must show a need for the generation or contract and requires that the Commission consider
26 reasonable alternatives before issuing an order on the electric company's application.

27

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

29 A. Yes. OG&E established a need for this new generating capacity in its 2021 IRP. The 2021
30 IRP is discussed in detail and supported by OG&E Witness Riley and attached to her
31 testimony as Exhibit KMR-1. The 2021 IRP also considered millions of portfolios and,

1 through that economic analysis, began the consideration of reasonable alternatives required
2 under the statute. After the IRP, the Company then initiated the competitive bidding
3 process under the Commission's competitive bidding rules (OAC 165:35-34) to further
4 assess reasonable alternatives for meeting that need and the various market opportunities.
5 As discussed above, OG&E conducted a series of RFPs to investigate its options. After
6 that comprehensive investigation, OG&E is satisfying its need by a combination of HL
7 CTs, PPAs and yet-to-be-identified solar capacity projects that are in the best interest of
8 customers.

9
10 **The HL CTs**

11 **Q. Please describe the existing Horseshoe Lake Generating Facility.**

12 A. As described by OG&E Witness Doupe, the Horseshoe Lake Generating Facility is located
13 on the east side of Oklahoma City in Oklahoma County, Oklahoma. It has three gas-fired,
14 steam turbine electric generating units (Horseshoe Lake 6, 7, and 8) with a total capacity
15 of 782 MWs. It also has two simple cycle gas combustion turbines (Horseshoe Lake 9 and
16 10) with a total capacity of 86 MWs.

17 Horseshoe Lake Units 6, 7 and 8 are the oldest units in OG&E's generation fleet
18 and among the oldest of their size and type in the entire SPP footprint. These units have
19 been providing service to customers for 65 years, 60 years, and 54 years, respectively. The
20 Company has determined these units should all be retired before the end of 2027.

21
22 **Q. Other than the HL CTs being identified as the lowest reasonable cost alternative from
23 the series of RFPs discussed above, what are some of the other advantages of locating
24 new CTs at the Horseshoe Lake Generating Station?**

25 A. OG&E will replace both Horseshoe Lake 6 and 7 vintage gas fired steam units with new
26 gas fired CTs totaling approximately 448 MWs. Unlike the old steam units that were not
27 very flexible and were designed to be base load units, the new HL CT units will have the
28 ability to be turned off and on quickly, which allows them to supply power during peak
29 times, to serve changing demand in real-time, and to supply ancillary services to the grid.
30 Compared to the old steam units, as discussed by OG&E Witness Doupe, the HL CTs will

1 deliver better reliability, improved efficiency, better load response, improved operational
2 flexibility, and lower emission rates.

3 Adding more flexible generation to the Horseshoe Lake Generating Station also
4 makes sense from a reliability perspective. The Horseshoe Lake site already has an existing
5 robust high voltage transmission system in place. This results in better reliability of the
6 transmission grid. Also, these flexible HL CTs will be close to OG&E's largest load center
7 (Oklahoma City) and Tinker Air Force Base. Quick start generation close to large load
8 reduces line losses, reduces line congestion and cost, supports voltage control, and
9 facilitates our system restoration plan in which the Horseshoe Lake Generating Station
10 plays a critical role in re-energizing the grid after a blackout scenario.

11 Also, the Horseshoe Lake Generation Station already has the existing infrastructure
12 to accommodate new CT units. That facility already has a secured property, existing roads,
13 facilities to support maintenance and operation, water supply/water rights; fuel supply
14 facilities, as well as the existing transmission infrastructure discussed above. Additionally,
15 the Horseshoe Lake site is currently staffed with a highly skilled/trained workforce and
16 provides support to the local community. Finally, with the increasing difficulty in
17 obtaining air emissions permits from the environmental regulatory agencies, OG&E has
18 the ability to use existing emissions under the air permits for Units 6 and 7 to support the
19 permitting of the new HL CTs through a process referred to as "netting." This process
20 typically allows for quicker assured permitting.

21
22 **Q. Will the HL CTs also be flexible with regards to the fuel used to generate electricity?**

23 **A.** Yes. The new HL CTs will be "hydrogen capable." This means the CTs will be designed
24 and engineered at commissioning to have the potential to burn hydrogen directly safely and
25 reliably as a fuel, including the ability to convert the facility to utilize hydrogen as its
26 primary fuel in the future. This kind of hydrogen capability is important as OG&E must
27 grapple with evolving environmental regulations in the future.

28
29 **Q. What is the total cost of the HL CTs?**

30 **A.** The total costs of the HL CTs is approximately \$330.5 million (excluding AFUDC and
31 taxes), and the revenue requirement is discussed in the testimony of Company witness

1 Thenmadathil. This cost is broken down between (i) the costs negotiated with the RFP
2 process (engineering, procurement, and construction) (“Bid Costs”), (ii) the costs incurred
3 by the Company that are in addition to the Bid Costs associated with purchasing the
4 equipment and constructing the project (“Owner’s Costs”), and (iii) contingency costs.
5

6 **Q. Please discuss the contracts negotiated by the Bid Team for equipment, engineering,
7 procurement, and construction of the HL CTs.**

8 A. OG&E Witness Schuermann describes the contracts reached for the engineering,
9 procurement, and construction of the HL CTs. He also explains why the final Bid Costs
10 changed from approximately \$249 million to \$286 million. When OG&E negotiated the
11 final contract with GE for the purchase of the turbines, the pricing increased by
12 approximately \$9 million based on inflation and scoping changes. Similarly, the EPC
13 contract also increased by approximately \$27 million due to inflation increases and scoping
14 changes.
15

16 **Q. Can you please break down the “Owner’s Costs” that are part of the overall project
17 costs?**

18 A. OG&E Witness Schuermann discusses “Owner’s Costs” and how these are costs that will
19 be incurred by OG&E in addition to the costs of purchasing the equipment and the third-
20 party costs of constructing the project. These Owner’s Costs include items such as internal
21 labor, construction oversight, engineering oversight to ensure design adequacy and
22 technical compliance with specifications, project management to ensure timely, on-budget
23 compliance with the contracts and technical specifications, legal fees related to negotiating
24 the contracts and to handle disputes arising during construction, and performance testing
25 after the HL CTs are constructed in order to validate performance to the design and
26 technical specifications. These costs are estimated to be approximately \$26 million of the
27 total project costs.
28

29 **Q. Why were these “Owner’s Costs” not bid into the RFP by the OG&E self-bid team?**

30 A. As discussed by OG&E Witness Riley, in light of OG&E’s intention to self-bid into the
31 Flexible Resource RFP, the Company created a Code of Conduct to separate the Bid Team

1 from the Evaluation Team. This Code of Conduct was to ensure the OG&E Bid Team did
2 not have any special information that could give it an advantage in the RFP process.
3 Therefore, the OG&E Bid team focused solely on the cost of purchasing equipment and
4 the engineering and construction of the HL CTs. The Bid Team did not attempt to bid any
5 costs associated with integrating the new HL CTs into the OG&E system or the oversight
6 costs associated with the construction and engineering.

7
8 **Q. What are the contingency costs identified in the total project costs of \$330.5 million**
9 **(excluding AFUDC and taxes)?**

10 A. As explained by OG&E Witness Schuermann, there are two kinds of contingency costs.
11 First, some of these costs are based on potential delays or unforeseen complications with
12 the engineering and construction of the project. Second, there are risks associated with
13 cost increases associated with materials and components used during the construction
14 process. For example, there could be commodity/materials escalation risk around the
15 purchase of transformers, prefabricated electrical buildings, and switchgear.

16 OG&E estimates the total contingency cost is estimated at approximately \$18.8
17 million (or about 6 percent of the Bid Costs).

18
19 **Q. With all of the costs you have discussed above, is the HL CT project still the lowest**
20 **cost project bid in the Flexible Resource RFP?**

21 A. Yes. As explained by OG&E Witness Riley, OG&E went back and performed an
22 additional analysis to ensure the final costs still showed that the HL CTs were the lowest
23 reasonable costs project of the various alternatives available to the Company. Her analysis
24 shows the HL CTs are still the most attractive projects among all alternatives.

25
26 **Generation Capacity Rider (“GCR Rider”)**

27 **Q. How does OG&E plan to recover the costs of the HL CTs?**

28 A. The Company is proposing a GCR Rider to recover the Oklahoma jurisdictional costs of
29 the project, until the next general rate case where the project will then be included in base
30 rates. The GCR Rider is described in detail in the Direct Testimony of OG&E Witness
31 Cash.

1 Q. **What is the purpose of the GCR Rider?**

2 A. The GCR Rider is designed so that the recovery of costs can begin the month following the
3 HL CTs being placed into service for the benefit of customers in late 2026. This ensures
4 cost recovery begins when the HL CTs are used and useful for customers. The GCR Rider
5 also promotes gradualism by phasing in the HL CTs into rates between rate cases.

6
7 Q. **Will any costs be recovered from customers before the HL CTs are placed in service?**

8 A. No. The costs of the HL CTs will not be included in the GCR Rider until the projects are
9 providing benefits to customers in late 2026.

10

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

12 A. Yes. The GCR Rider will allow for recovery of costs after the HL CTs are placed in service
13 and providing benefits to customers. The Commission will review the final costs of the
14 HL CTs in a later general rate case and, if the Commission disallows any costs from
15 recovery in that later general rate case, any GCR Rider recovery will be refunded to
16 customers through the fuel adjustment clause.

17

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

19 A. Yes. The Commission has approved rider recovery for many past generation projects: the
20 Crossroads wind farm (OG&E Order 577371 in Cause No. PUD 201000037, July 29,
21 2010); and OU Spirit wind farm (Order No. 571788 in Cause No. PUD 200900167,
22 November 25, 2009). The Commission also approved a recovery rider when OG&E
23 purchased its Redbud generating facility (Order No. 559892 in Cause No. PUD 200800086,
24 September 24, 2008), as well as when OG&E purchased its River Valley and Frontier
25 generating facilities (Order No. 696007 in Cause No. PUD 201800159). The
26 Commission's most recent generation cost recovery rider approvals occurred in February
27 2020 (Order No. 708933 in Cause No. PUD 201900048) and May 2023 (Order No. 734110
28 in Cause No. PUD 2022-000121).

29 The Commission has also granted rider recovery for many other costs, including
30 OG&E's Smart Grid Program (Cause No. PUD 201000029), OG&E's System Hardening
31 project (Cause No. PUD 20900212), OG&E's Windspeed transmission line (RTSA Rider

(Cause No. PUD 200800148), OG&E SPP Transmission System Additions Rider (Cause No. PUD 201200172), PSO's Automated Metering Infrastructure Rider (Cause No. PUD 201300217), and PSO's Capital Investment Rider (Cause No. PUD 200900181).

Q. What is the estimated customer impact when the HL CTs are placed in service and the Company begins to recover its costs from customers through the GCR Rider?

A. As discussed in testimony of OG&E Witness Thenmadathil, the Company calculated a revenue requirement for the HL CTs. In the first year of the GCR Rider, the bill impact on the average residential customer is approximately \$2.21.

OG&E Witnesses

Q. What additional witnesses are presenting testimony to support the Company's position?

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

Table 1: OG&E Witness List

Witness	Title	Purpose of Testimony
Kimber Shoop	Director, Regulatory Affairs	Explains the relief sought under 17 O.S. 286 (C), an overview of the capacity needs and OG&E's plan to address that need.
Kelly Riley	Director, Resource Planning	Discusses the Company's 2021 IRP and the quantitative analysis conducted in evaluating the RFPs
Maria Scheller	Vice President, ICF	Discusses the Flexible Resource RFP and the threshold and qualitative analyses conducted in evaluating the RFP
Matthew Schuermann	Vice President, Power Supply Operations	Discusses the equipment and the engineering, procurement, and construction contracts for the new CTs, as well as other costs of the HL CT project
Robert Doupe	Director, Power Supply Services	Discusses the Horseshoe Lake site, the retirement of Horseshoe Lake existing units and the long-term service agreement for the new HL CTs.
Jason Thenmadathil	Manager, Regulatory Accounting	Discusses calculation of the revenue requirement and the estimated customer impacts.
Gwin Cash	Manager, Pricing and Rate Administration	Presents the proposed GCR Rider tariff to bridge the gap between commercial operation and the Company's next general rate case.

Conclusion

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Q. What are your recommendations to this Commission?

A. I recommend the Commission grant approval of the HL CTs under 17 Okla. State. 286(C). OG&E has established a need for the generation and these HL CTs have been evaluated to be the lowest reasonable cost option for meeting OG&E's need. I also recommend this Commission authorize the GCR Rider to allow OG&E to begin recovering costs of the projects after the project is placed in service and providing power to customers. Such a recovery rider is consistent with previous recovery riders granted by the Commission, and it allows OG&E to begin timely cost recovery of its large investment on behalf of customers.

Q. Does this conclude your testimony?

A. Yes.

CERTIFICATE OF MAILING

I hereby certify that on the 31st day of May 2023, a true and correct copy of the foregoing Application was electronically transmitted to the following via email:

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