

ARKANSAS PUBLIC SERVICE COMMISSION

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| IN THE MATTER OF THE APPLICATION OF |) | |
| OKLAHOMA GAS AND ELECTRIC COMPANY |) | |
| TO PROVIDE NOTICE AND FOR AUTHORITY |) | DOCKET NO. 23-039-U |
| TO PROCEED WITH THE CONSTRUCTION OF |) | ORDER NO. 4 |
| TWO NATURAL GAS COMBUSTION TURBINE |) | |
| GENERATION FACILITIES IN THE STATE OF |) | |
| OKLAHOMA PURSUANT TO ARK. CODE ANN. |) | |
| § 23-18-104 |) | |

ORDER

On July 12, 2023, Oklahoma Gas and Electric Company (OG&E or Company) filed with the Arkansas Public Service Commission (Commission) its *Application to Provide Notice And For Authority To Proceed With The Construction Of Two Natural Gas Combustion Turbine Generation Facilities In The State Of Oklahoma Pursuant To Ark. Code Ann. § 23-18-104* along with the Direct Testimony of Kimber L. Shoop. On August 15, 2023, the General Staff (Staff) of the Commission filed the Direct Testimony of Billy Hunter. On September 27, 2023, OG&E filed the Rebuttal Testimony of Mr. Shoop.

In his Direct Testimony, Mr. Shoop testifies that OG&E is requesting that the Commission find that OG&E has complied with Ark. Code Ann. § 23-18-104 by seeking and receiving the Commission’s “express written approval” prior to constructing the Horseshoe Lake Combustion Turbines (HL CTs). He states that OG&E is not seeking a determination of prudence for cost or action associated with the HL CT construction but will seek a prudence of action and cost determination in a general rate case or formula rate filing after the units are in-service. Shoop Direct at 3 (Doc. #3).

Mr. Shoop summarizes the need for the HL CTs and how OG&E’s investment fits into the Company’s broader goals for ensuring a reliable future grid for its customers. He then discusses how OG&E came to identify the HL CTs and why such facilities were

selected as the winning bidders in OG&E's recent series of Request for Proposals for Capacity (RFPs). He describes the HL CTs to be constructed by the Company at its Horseshoe Lake generating facility and the engineering, procurement, and construction process OG&E will undertake to bring the HL CTs on-line before the peak season of 2027. He notes that the HL CT project is the lowest cost project bid in the Flexible Resource RFP. *Id.* 3-11.

Mr. Shoop asserts that OG&E has complied with the requirements of Ark. Code Ann. § 23-18-104 through its Application and Testimony. He testifies that because OG&E has demonstrated a need for the HL CT project through its 2021 IRP and explained the competitive bidding and selection process, the Commission can be assured that the project was not selected arbitrarily or without regard to customer need, noting that OG&E fully assumes the risk of making the HL CT investment until such time as the Commission conducts a full investigation and makes a determination of prudence. *Id.* at 12. He requests that the Commission grant express written permission for OG&E to begin construction of the HL CTs under Ark. Code Ann. § 23-18-104. *Id.* at 13.

On behalf of Staff, Mr. Hunter testifies that OG&E has met the requirements of Ark. Code Ann. § 23-18-104. Hunter Direct at 6 (Doc. #11). He recommends that the Commission grant OG&E approval to commence construction of two new generation facilities in the State of Oklahoma provided that prudence of action and cost determinations are reserved for a future proceeding. He also recommends that OG&E be required to request approval of the facilities in a general rate case or a separate docket. *Id.* at 7.

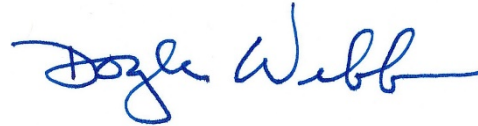
In Rebuttal, Mr. Shoop states that OG&E agrees with Staff's recommendation to seek any determination of prudence in a general rate case proceeding or in a separate docket and not in any formula rate plan evaluation proceeding. Shoop Rebuttal at 2 (Doc. #12).

Based on the testimony of OG&E and Staff, the Commissions finds that OG&E has complied with the applicable statutory requirements of Ark. Code Ann. § 23-18-104. OG&E is approved to commence construction of the HL CTs. This is not a determination of prudence for cost or action associated with the HL CT construction. OG&E is directed to open a separate docket¹ in the future to examine the issue of prudence of action and prudence of cost.

¹ The Commission notes that both a general rate case and a Formula Rate Plan (FRP) annual evaluation are time-limited by statute, so the insertion of additional major issues such as the prudence of a generation unit unnecessarily adds to the workload of the Parties and the Commission in either proceeding. Such issues should be instead considered in a docket separate which precedes either the rate case or FRP annual evaluation.

BY ORDER OF THE COMMISSION.

This 16th day of October, 2023.



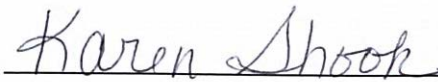
Doyle Webb, Chairman



Justin Tate, Commissioner



Katie Anderson, Commissioner



Karen Shook, Secretary of the Commission

I hereby certify that this order, issued by the Arkansas Public Service Commission, has been served on all parties of record on this date by the following method:

U.S. mail with postage prepaid using the mailing addresses of each party as indicated in the official docket file, or

Electronic mail using the email address of each party as indicated in the official docket file