

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

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

Cause No. 202100039



COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

**AFFIDAVIT OF DONALD R. ROWLETT IN SUPPORT OF MOTION TO ESTABLISH
REGULATORY ASSET**

State of Oklahoma)
)
County of Oklahoma)

I, Donald R. Rowlett, of lawful age, being first duly sworn, state on oath follows:

1. My name is Donald R. Rowlett, and I am the Managing Director of Regulatory Affairs for Oklahoma Gas and Electric Company (“OG&E”).

2. I earned a Bachelor of Science degree in Business with an accounting emphasis (1980) and a Master’s in Business Administration (1992), from Oklahoma City University. I have also completed all work, except for the dissertation, on a Ph.D. from Oklahoma State University in Business Administration. I joined OG&E in 1989. I currently serve as Managing Director of Regulatory Affairs where I am responsible for overseeing the Company’s economic regulatory activities with the Oklahoma Corporation Commission, the Arkansas Public Service Commission and the Federal Energy Regulatory Commission. I have served in various financial roles in the Company including ten years as Vice President, Controller and Chief Accountant. As the Company’s Controller I was responsible for financial and operations accounting, federal, state and local income and property taxes and budgeting. I have also made investor presentations and participated in numerous public equity and debt offerings. Prior to joining OG&E, I was employed by Arthur Andersen & Co. as a financial consultant and audit manager. During my employment, I performed audits of financial statements in a variety of industries. Additionally, I prepared filings with the Securities and Exchange Commission (“SEC”) and provided clients with guidance on the financial reporting requirements of the SEC and Generally Accepted Accounting Principles (“GAAP”).

3. I am presenting this Affidavit in support of OG&E’s Motion to Establish Regulatory Asset.

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

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

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

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

8. Under normal circumstances, OG&E would include costs associated with fuel and SPP IM purchases in its Fuel Cost Adjustment (“FCA”), as provided by the interim adjustment process set forth in the Company’s FCA tariff. In this instance, utilizing only the interim FCA process would create a burden (*i.e.*, bill impact) too excessive for customers, as it would require costs to be recovered over the remainder of 2021. To avoid this outcome, on February 24, 2021, OG&E filed an Application in this Cause seeking authority to establish an alternative regulatory treatment to avoid customers having to bear the entire cost of the 2021 Winter Weather Event over the balance of the calendar year.

9. On February 25, 2021, OG&E filed a Motion to Establish Regulatory Asset. In that motion, the Company requested that the Commission immediately approve the regulatory asset requested in its application and also specify an initial carrying charge on the regulatory asset balance that matches the effective interest rate for financing secured to pay its fuel and purchased power costs incurred during the 2021 Winter Weather Event.

10. Specific to the financing, OGE Energy Corp., OG&E’s parent company, has secured \$1 billion of interim financing to provide OG&E liquidity to pay its fuel and purchased

power costs incurred during the 2021 Weather Event as they come due. The interest rate applicable to this financing arrangement is currently based on the U.S. dollar London Inter-bank Offer Rate (LIBOR) plus 75 basis points (approximately 1%), but is subject to refinancing by OGE Energy Corp. OGE Energy Corp. will make the initial loan available to OG&E through an inter-company arrangement where OGE Energy Corp. would provide a \$470 million loan and up to an additional \$530 capital contribution to OG&E. Therefore, the Company requests that the Commission immediately approve the requested regulatory asset to defer all fuel and purchased power costs incurred during the 2021 Winter Weather Event with the inclusion of carrying costs at OGE Energy Corp.'s actual effective cost of credit facilities, loan agreements, or other debt financing used to finance the deferred costs related to the 2021 Winter Weather Event.

10. The creation of this regulatory asset will not mean that the costs included in the regulatory asset will be recovered at this time or that the Commission has reached a conclusion about the prudence or reasonableness of the costs, as the deferral is for accounting purposes only. All costs will be segregated by detailed cost category and workpapers and supporting detail will be made available for the Commission to perform a subsequent review for prudence and reasonableness.

11. OG&E will provide such information in this docket so the Commission may undertake a prudency review of the fuel and wholesale energy costs incurred by the Company and to determine issues relating to the amortization period of the regulatory asset, the long-term carrying charge over the length of that amortization period, and the method for recovery from customers.


12. If, subject to future consultation with and agreement of the parties, any portion of the costs of the 2021 Winter Weather Event are ultimately recovered from customers during the pendency of this Cause, that portion of costs shall be deducted from the regulatory asset balance.

Respectfully submitted,


Donald R. Rowlett

Subscribed and sworn before me this ___th day of March, 2021.




Notary Public #01009409

1 **CERTIFICATE OF MAILING**


2 I hereby certify that on the th day of March, 2021 a true and correct copy of the
3 foregoing Application was electronically transmitted to the following:

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