

**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) )

Settlement Testimony

of

Kimber L. Shoop

on behalf of

Oklahoma Gas and Electric Company

October 12, 2023

Kimber L. Shoop  
*Settlement 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. **Are you the same Kimber L. Shoop that filed Direct and Rebuttal Testimony in this  
6 Cause?**

7 A. Yes.

8

9 Q. **Please state the purpose of your testimony in this proceeding.**

10 A. The purpose of my Settlement Testimony is to support the negotiated Joint Stipulation and  
11 Settlement Agreement (the “Joint Stipulation”) reached between Oklahoma Gas and  
12 Electric Company (“OG&E”), the Public Utility Division of the Oklahoma Corporation  
13 Commission (“Staff” or “PUD”), the Office of the Oklahoma Attorney General, OG&E  
14 Shareholders Association and the Petroleum Alliance of Oklahoma (collectively, the  
15 “Stipulating Parties”).<sup>1</sup> The executed Joint Stipulation was filed on October 10, 2023 and  
16 addresses all issues in this proceeding.

17

18 Q. **Please describe the events that led to the Joint Stipulation.**

19 A. On May 31, 2023, OG&E filed its Application and Direct Testimony in this case and  
20 requested approval of OG&E’s construction of the Horseshoe Lake Combustion Turbines  
21 (“HL CTs”) under 17 Okla. Stat. §286(C). The Company requested that the Commission  
22 find that: (i) there is a need for the HL CTs and those generating units will be used and  
23 useful when placed in service by OG&E; (ii) OG&E properly considered reasonable  
24 alternatives through a series of RFPs; and (iii) the proposed Generation Capacity Rider  
25 (“GCR”) should be implemented for recovery of the costs associated with the HL CTs after  
26 those generating units are placed in service. After a period of robust discovery, PUD Staff

---

<sup>1</sup> Oklahoma Industrial Energy Consumers (“OIEC”), Oklahoma Sustainability Network (“OSN”), and Walmart have not executed the Joint Stipulation but have indicated that they do not oppose the Joint Stipulation.

1 and Intervenors filed their Responsive Testimonies on August 31, 2023, and OG&E filed  
2 its Rebuttal Testimony on September 21, 2023.

3 After the filing of Rebuttal Testimony, the Stipulating Parties met virtually on three  
4 separate days to discuss settlement. Discussions began on September 28, 2023 and were  
5 continued on October 5, 2023. The final discussion occurred on October 10, 2023, and the  
6 Joint Stipulation was executed and filed on that same day.

7  
8 **Q. Do the Stipulating Parties agree that the Commission should approve the Horseshoe  
9 Lake Combustion Turbines under 17 Okla. Stat. §286?**

10 A. Yes. The Stipulating Parties agree that sufficient evidence exists in the record for the  
11 Commission to find that OG&E has a demonstrated need for generating capacity. Also,  
12 the Stipulating Parties agree that the record reflects OG&E engaged in a series of  
13 competitive bidding processes to assess the most reasonable alternatives for meeting that  
14 capacity need. These competitive bidding processes showed that the best option for  
15 meeting OG&E's capacity need is the construction of two GE 7F Class combustion  
16 turbines at the Horseshoe Lake Power Plant with a summer rated capacity of 448 MWs and  
17 an estimated in-service date of late 2026 ("HL CTs"). The Stipulating Parties agree that  
18 the Commission should approve OG&E's HL CTs under 17 Okla. Stat. §286.

19  
20 **Q. Do the Stipulating Parties also agree that the Commission should approve the  
21 Generation Capacity Rider ("GCR") requested by OG&E?**

22 A. Yes. The Stipulating Parties agree that GCR should be approved by the Commission to  
23 allow OG&E to recover certain costs associated with the HL CTs as those units are placed  
24 in service. The Stipulating Parties agree that OG&E shall only be able to recover a return,  
25 at the Company's most recently approved weighted average cost of capital, on the  
26 following costs through the GCR:

- 27 (a) OG&E's original bid amount of approximately \$249 million for the costs  
28 associated with the purchase of the HL CTs through a contract with General  
29 Electric, as the Original Equipment Manufacturer and the costs associated  
30 with the balance of plant, engineering, procurement and construction

1 contract between OG&E and a joint venture between Sargent & Lundy and  
2 TIC – The Industrial Company.

3 (b) costs incurred by the Company in addition to the costs of purchasing the  
4 equipment and third-party costs of construction (“Owner’s Costs”). These  
5 Owner’s Costs shall include internal labor, construction oversight,  
6 engineering oversight to ensure design adequacy and technical compliance  
7 with specifications, project management, legal cost and performance  
8 testing. The Stipulating Parties agree that OG&E’s recovery of Owner’s  
9 Costs through the GCR shall be limited to a cap of \$26 million.

10 (c) Allowance for Funds Used During Construction and capitalized Property  
11 Taxes associated with the costs specified in Section II.B(a) and (b) above.

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

15

16 **Q. Is there a set expiration date to the GCR?**

17 A. Yes. The Stipulating Parties agree the GCR shall expire upon the earlier of: (i) 18 months  
18 after the in-service date of the HL CTs; or (ii) implementation of new rates following the  
19 next general rate case in which the in-service HL CTs are included in rate base. The  
20 Company must file a general rate case to include the Horseshoe Lake CTs in base rates no  
21 later than one year after the in-service date of the HL CTs.

22

23 **Q. Does the Joint Stipulation contemplate other costs?**

24 A. Yes. OG&E estimates that the total capital investment for the HL CT project will be  
25 approximately \$330.5 million (excluding AFUDC, associated taxes and Long Term  
26 Service Agreement (“LTSA”) costs). However, for purposes of the Joint Stipulation, the  
27 Stipulating Parties agreed to limit cost recovery through the GCR to approximately \$275  
28 million plus AFUDC and associated property taxes. Specifically, in the event OG&E’s HL  
29 CT project costs exceed the amounts specified in Section II.B of this Joint Stipulation (*i.e.*,  
30 \$275 million plus AFUDC and associated taxes), the Stipulating Parties agree that such  
31 excess costs or contingency costs shall not be eligible for recovery through the GCR.

1            Instead, any costs incurred by OG&E in excess of the amount specified above (or any non-  
2            fuel O&M expenses) shall be reviewed for prudence in a general rate case in order to be  
3            recovered from customers. The Stipulating Parties agreed that OG&E must demonstrate  
4            the reasonableness of any costs above those specified above in a general rate case. The  
5            Stipulating Parties also agree that OG&E shall not recover any non-fuel O&M expenses  
6            associated with the HL CTs through the GCR.

7  
8            **Q. Are there any additional provisions you would like to discuss?**

9            A. Yes. The Stipulating Parties also agree that the GCR shall recover costs from Power and  
10           Light and Large Power and Light customers pursuant to a demand or \$/kW charge rather  
11           than through an energy or \$/kWh charge.

12  
13           **Q. Could you please discuss the customer impact associated with the Joint Stipulation  
14           and Settlement Agreement?**

15           A. Yes. The resulting customer impact for the above discussed GCR in the first year is \$1.82,  
16           for the average residential customer. This is a reduction from the Company's direct case,  
17           which was \$2.21 in the first year.

18  
19           **Q. What is your recommendation to the Commission?**

20           A. I recommend that the Commission approve the Joint Stipulation and Settlement  
21           Agreement. I believe that OG&E has demonstrated the need for additional generating  
22           capacity and, through a series of competitive bidding processes, that the HL CTs are the  
23           lowest reasonable cost option for customers. Further, this settlement is fair, just and  
24           reasonable and in the public interest.

25  
26           **Q. Does this conclude your testimony?**

27           A. Yes.