

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF)
OKLAHOMA GAS AND ELECTRIC COMPANY) Case No. PUD2025-000038
FOR COMMISSION PREAPPROVAL OF NEW)
GENERATION CAPACITY PURSUANT TO)
17 O.S. § 286(C) AND RIDER COST RECOVERY)

Redacted Direct Testimony

of

Matthew J. Schuermann

on behalf of

Oklahoma Gas and Electric Company

May 19, 2025

Matthew J. Schuermann
Direct Testimony

1 Q. **Please state your name and business address.**

2 A. My name is Matthew J. Schuermann. My business address is 321 N. Harvey, Oklahoma
3 City, 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 Vice President of Power Supply Operations.
8

9 Q. **Please summarize your educational background and professional qualifications.**

10 A. I earned a Bachelor of Science Degree in Mechanical Engineering from the University of
11 Oklahoma (2002) and a Master of Business Administration from Oklahoma State
12 University (2008). I began my career with OG&E in 2000 as an engineering intern and
13 began full-time employment in 2002 as a plant engineer. I have held various roles in the
14 organization, with most being in leadership of the areas of operations, engineering, and
15 planning for the generation fleet of the company. In my current position I oversee the
16 operations and maintenance of all generation assets for the company as well as the long-
17 term resource planning and supply adequacy strategies.
18

19 Q. **Have you testified previously before this Commission?**

20 A. Yes, I have.
21

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

23 A. The purpose of my testimony is to discuss the contracts that resulted from the winning bids
24 selected from OG&E’s 2024 All-Source Request for Proposal (“RFP”). Specifically, my
25 testimony describes the selected resources, the negotiation process, and the costs associated
26 with the contracts for the selected resources. I will describe some of the benefits of each
27 resource and explain how the selected portfolio of resources is the best choice for
28 customers.

1 Q. **What were the results of the RFP process?**

2 A. At the completion of the RFP process, OG&E selected seven projects to begin contract
3 negotiations. Of those seven selected projects, three have withdrawn their bid pricing,
4 three have moved on to the contract stage and are the subject of this pre-approval case, and
5 one is still in negotiations with OG&E. Due to the timing necessary for pricing to hold and
6 to ensure resources are available when they are needed, and the uncertainty regarding
7 ongoing negotiations, OG&E is proceeding with the three projects with which it has
8 reached agreement.
9

10 Q. **Which resources from the All Source RFP is OG&E requesting pre-approval for in
11 this case?**

12 A. OG&E is requesting pre-approval in this case for three of the bids that were selected for
13 negotiation out of the RFP process: The Kiamichi Capacity Purchase Agreement (“CPA”)
14 is with Tenaska from an existing natural gas facility; the Black Kettle CPA is with Plus
15 Power from a to-be-constructed battery storage facility; and Horseshoe Lake 13 & 14 is
16 the construction of new natural gas generating units. As described by OG&E witnesses
17 Riley and Shoop, these three projects will not satisfy all of OG&E’s capacity needs but are
18 a necessary step towards filling OG&E’s capacity shortfalls in the coming years.
19

20 **RFP EVALUATION AND SELECTIONS**

21 Q. **What types of the resources were selected for negotiation out of the RFP process?**

22 A. OG&E selected the top 3 solar projects identified in the RFP analysis which totaled 900
23 MWs of nameplate solar capacity, the top 2 battery projects which totaled 400 MWs of
24 capacity, the top ranked existing thermal project which was 450 MWs of capacity, and the
25 top ranked new build thermal project which was around 450 MWs of nameplate capacity.
26 This selection is consistent with OG&E’s approach to Fuel and Technology Diversity as
27 described in OG&E’s 2024 IRP.
28

29 Q. **How did the selected projects score in the RFP evaluation?**

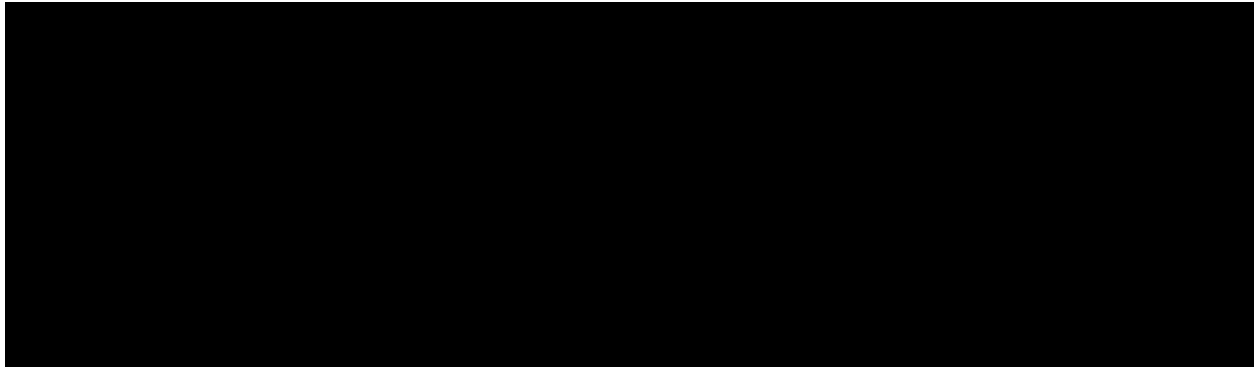
30 A. The selected projects scored well in the RFP evaluation. The selections include the top
31 five ranked projects based on the 2024 All Source RFP’s combined Quantitative and

1 Qualitative Scoring methodology, as well as highly ranked projects with timing matched
2 to OG&E's capacity needs and that provide a diverse portfolio.

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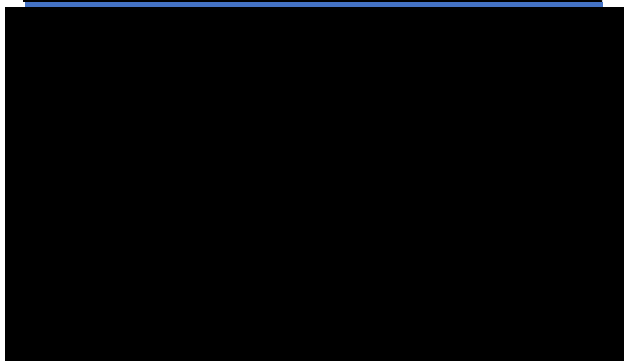
4 Q. Which projects were selected for negotiation out of the RFP?

5 A. The projects selected for negotiation are highlighted in the table below.



6 Q. How much accredited capacity would the selected projects provide by year as they
7 are added?

8 A. The profile of additions is shown in the table below for the selected projects.



9 Q. Why were these projects selected for negotiation?

10 A.

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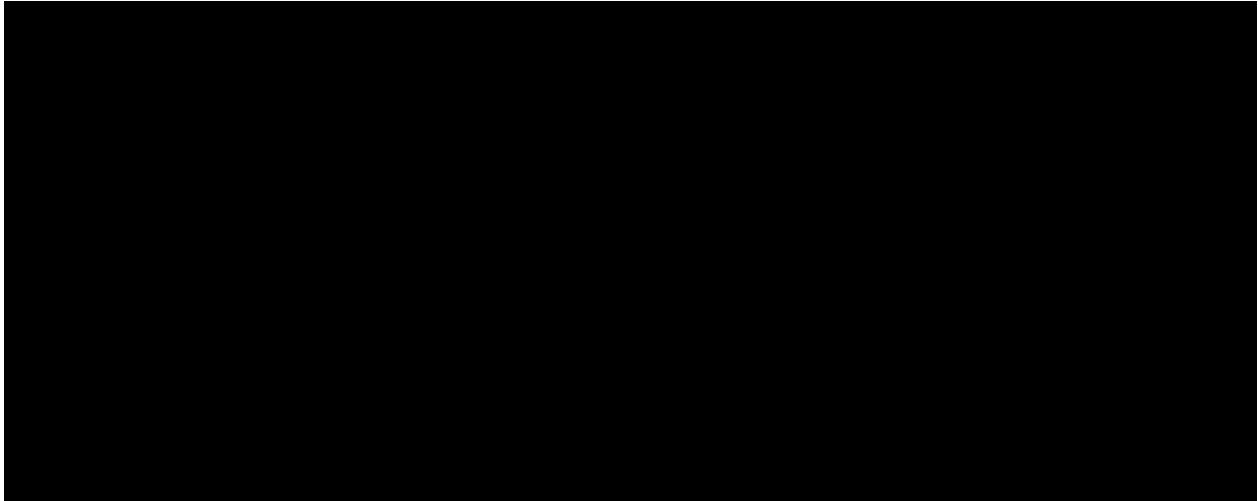
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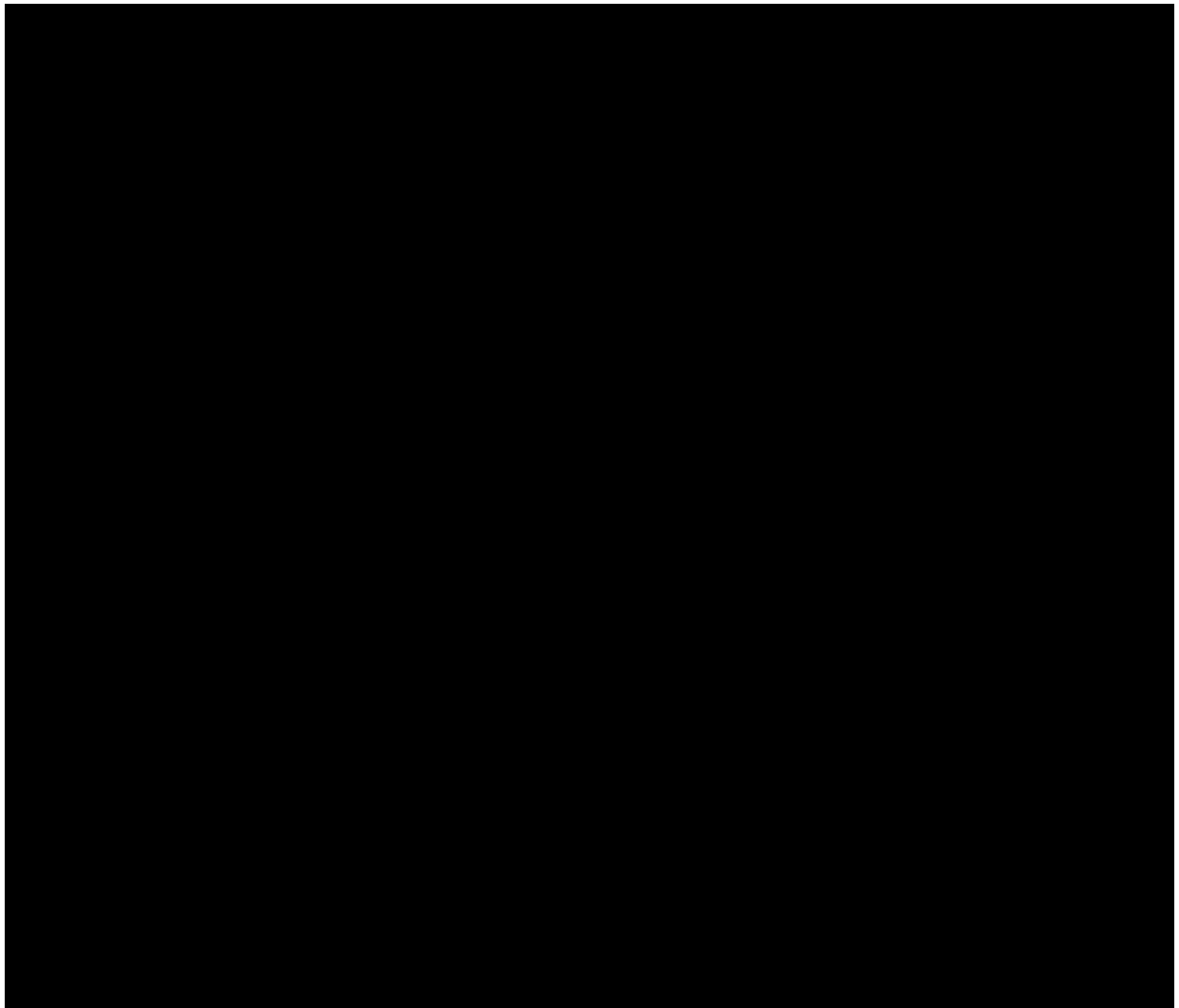
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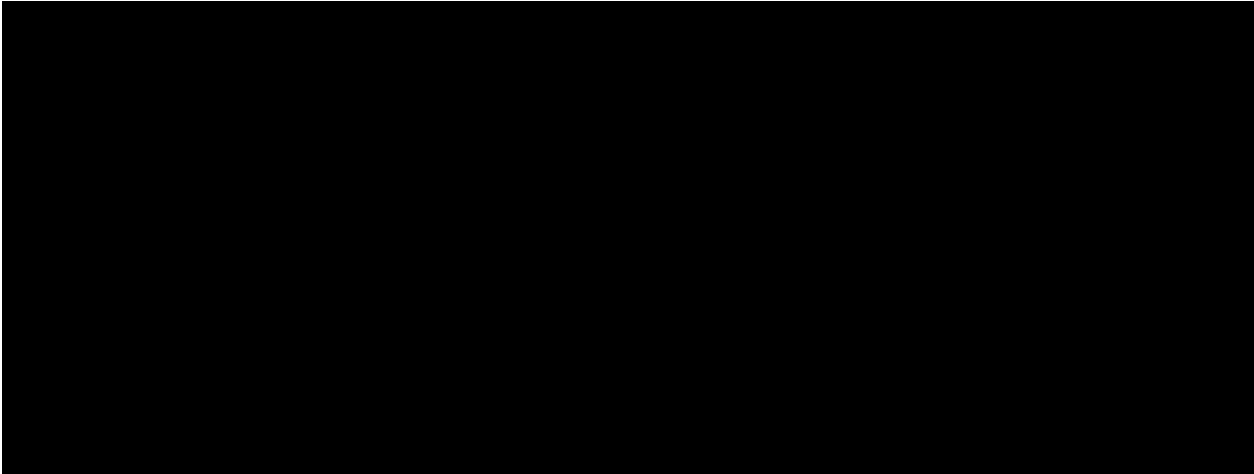


Q. **Why were the other projects shown in the table not selected for negotiation?**

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Q. How do these selected resources from the RFP align with the stated goals and action plan from the 2024 Integrated Resource Plan?

A. The 2024 Integrated Resource Plan (“2024 IRP”) evaluated numerous types of generation resources with the goal of determining the best portfolio to meet the objectives and satisfy the load requirement. As detailed in the 2024 IRP, which can be found in Exhibit KMR-1, these objectives include capacity obligation, expected cost to customers, exposure to risks, fuel and technology diversity, reliability and resiliency, adaptability, portfolio age and environmental stewardship. Since it evaluates only generic resource options, the IRP cannot identify available market alternatives. OG&E therefore conducted an RFP process to identify resources actually available in the market to the Company. The RFP identified capacity resources that both meet the goals of the IRP and were available in the market at a reasonable cost. Not only do the selected resources address the large capacity needs of OG&E, but they also provide fuel and technology diversity, add new resources to balance portfolio age, add additional technology diversity, and improve adaptability, at the lowest reasonable customer cost. The Black Kettle CPA provides an opportunity for the Company to diversify its resource portfolio through a partnership with a developer, while the Kiamichi CPA ensures that needed dispatchable thermal capacity remains committed to the SPP. The Kiamichi CPA also provides bridge capacity through the construction phase of additional resources as well as providing flexibility for further long-term resource decisions. The Horseshoe Lake 13 & 14 project provides incremental dispatchable natural gas generation to OG&E while ensuring that the value of the existing site can be realized for years to come.

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Q. Do the three projects subject to this pre-approval satisfy OG&E's capacity needs?

A. No. The three projects subject to this preapproval case only cover a portion of the capacity shortfall the Company has over the coming years. The addition of this capacity is an important progression towards meeting the Company's capacity requirements.

Q. Why is OG&E filing this pre-approval application when it still has a large capacity shortfall?

A. OG&E is bringing these three projects to the Commission now, because (i) it is uncertain if OG&E will be able to negotiate successfully with any other RFP bidders; and (ii) the contracts already executed need to be approved so the projects can be completed to meet OG&E's growing needs and secure capacity that may not be available in the future.

Moreover, as discussed by OG&E witness Lelak, the GE turbine procurement contract requires OG&E to provide a full notice to proceed to GE by November 15, 2025 or it could face an increased price for the turbines or even lose the turbines altogether and be forced to get back in the supply chain queue.

CONTRACT NEGOTIATIONS

Q. Describe the negotiation process that followed the selection step of the RFP.

A. In each case, there was an initial communication with the bidder to confirm the availability of the project and the bid. Following this confirmation, and due to the requirements of the RFP for bidders to provide a markup to our form agreements, both commercial and legal discussions began with these markups as the starting point for negotiations. In the case of the two proposed CPA contracts, there were multiple elements of the form agreements that required additional consideration by both parties. During these negotiations, both sides had to consider proposed damages for failing to deliver, key dates that triggered certain provisions, termination rights, and credit terms, among other legal and commercial concepts. This process requires numerous meetings between the parties, followed by revisions of the contract documents, and subsequent iterations of these steps until final agreement is reached.

1 Q. **What factors impact the contract negotiations?**

2 A. The factors that impact contract negotiations can vary between contract and resource types.
3 For example, new construction projects, whether contracted as a CPA or a PSA, have
4 construction timeline and price risks and considerations that existing resources do not.
5 There are risks associated with tariffs impacting the estimated cost to build the project, the
6 uncertainty of tax credit assumptions holding through the duration of the project, as well
7 as other supply chain issues that could impact the bid costs and timeline. Existing projects
8 may not have the same construction risks, but they may be actively marketing their resource
9 or capacity attributes across a number of outlets.

10 Also, between the time bids are submitted, the evaluation is conducted, and the
11 winning bidders are announced, changes occur in market conditions and supply chain
12 pricing. The unknown impact of federal import tariffs on materials for new construction
13 projects as well as the risk of changes to tax credit assumptions have created significant
14 uncertainty for project developers.

15
16 Q. **Please specifically describe the challenges OG&E encountered during the negotiations with bidders in the 2024 All Source RFP.**

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18 A. Almost immediately, multiple bidders informed us of their desire to change their bid and
19 submit either a new price, or a new pricing structure. [REDACTED]

20 [REDACTED]

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25 The selected bidders that did not materially alter their pricing after submission of
26 bids were OG&E's affiliate bid, the Kiamichi Tenaska bid, and the Black Kettle bid. [REDACTED]

27 [REDACTED]

28 [REDACTED].

1 Q. Can you describe the three projects selected from the RFP that have finalized
2 arrangements?

3 A. Yes. Below I describe each of the projects, along with key terms and benefits for each
4 selection.


5
6 **KIAMICHI CPA**

7 Q. Please describe the Kiamichi CPA.

8 A. The Kiamichi CPA is an agreement with Tenaska to purchase 300-450 MW of capacity
9 over 5 years beginning in 2029.¹ The capacity quantity across the first two years (2029
10 and 2030) is 300MW and the quantity for the following three years (2031-2033) is 450MW.
11 The capacity is contracted to be delivered from Tenaska's existing Kiamichi facility
12 located near McAlester, OK, which is a natural gas combined cycle power plant.

13

14 Q. What are the key terms and provisions of the Kiamichi CPA?

15 A. The CPA is a contract for 5 years with quantities of 300 MW in 2029-2030 and 450 MW
16 in 2031-2033. It provides capacity during the two SPP resource adequacy delivery periods
17 each year. These periods include the summer season of June through September and the
18 winter season of December through March. 

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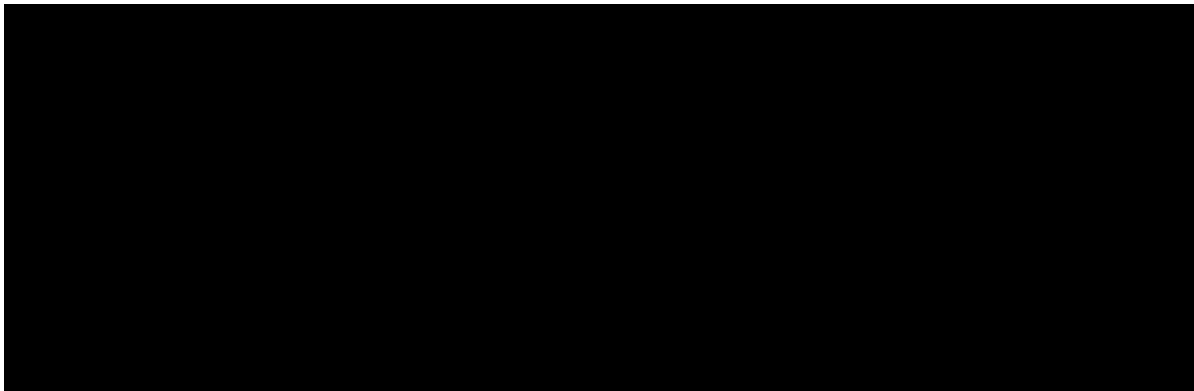
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¹ OG&E has also entered into a separate, short-term agreement with Tenaska for capacity from the Kiamichi plant in 2028. This shorter-term agreement was identified through OG&E's Bridge Capacity RFP. OG&E is not seeking approval of this one-year agreement in this proceeding as it will be reviewed in a subsequent fuel prudence case.

1 Q. **What are the benefits of the Kiamichi CPA?**

2 A. OG&E needs a significant quantity of capacity in both the near and long term. Tenaska's
3 offers of capacity from Kiamichi provided the largest accredited capacity option among
4 the bids. The quantity and availability of capacity from this party helps OG&E to bridge
5 our short-term capacity shortfall until more generation resources can be built and added to
6 the system. Since the contract is with an existing facility, there is no construction or timing
7 risk to the availability of the capacity. As noted above, if there are operational issues with
8 the primary facility, [REDACTED]

9 [REDACTED]
10 [REDACTED]. Further, as a CPA, this contract structure is a
11 more straightforward way for us to receive the capacity that we need, while not taking on
12 the energy market pricing risk of a Power Purchase Agreement that includes both the
13 purchase of capacity and energy. Further, this adds to the variety of resources in OG&E's
14 portfolio of generation.

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16 **BLACK KETTLE CPA**

17 Q. **Please describe the Black Kettle CPA.**

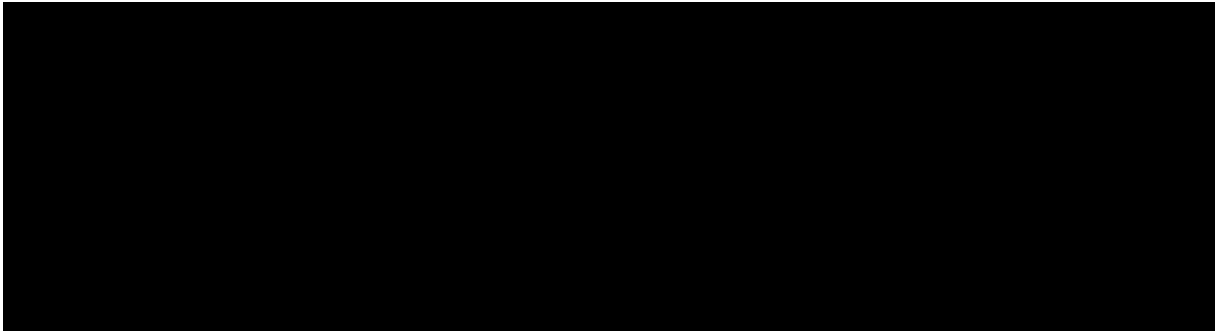
18 A. The Black Kettle CPA with Plus Power has a term of 20 years for a capacity quantity of
19 95MW from a newly constructed battery energy storage system. The winter quantity may
20 be less due to the lower accreditation of battery storage systems during those months. The
21 facility that will be constructed is located near Woodward, OK.

22
23 Q. **What are the key terms and provisions of the Black Kettle CPA?**

24 A. The Black Kettle CPA is a contract for 95 MW of delivered capacity during the two SPP
25 resource adequacy delivery periods each year. These periods include the summer season
26 of June through September and the winter season of December through March. [REDACTED]

27 [REDACTED]
28 [REDACTED]
29 [REDACTED]
30 [REDACTED]
31 [REDACTED]

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Q. What are the benefits of the Black Kettle CPA?

A. The earlier availability of the project, when compared to some other new construction projects, aligns with the timing of our capacity needs in the summer of 2027. The 20-year term provides capacity certainty for a longer period at a known cost. In addition, this project is interconnected directly to OG&E transmission and can easily receive firm transmission service from SPP, which is critical for serving the growing load on our system.

HORSESHOE LAKE 13 & 14

Q. Please describe the Horseshoe Lake 13 & 14 Project.

A. The Horseshoe Lake Units 13 & 14 Project (“HL 13 & 14”) is an expansion of OG&E’s existing Horseshoe Lake facility that consists of two General Electric (“GE”) 7F.05 gas turbines in simple cycle operation. HL 13 & 14 is nearly an identical project to the units 11 and 12 which are currently under construction and were approved by the Commission in Case No. PUD2023-000038. The units have a capability of approximately 224 MW each (for a total of 448 MW) and are expected to be in operation by the end of 2029.

Q. What are the key terms and provisions of the contracts that make up the HL 13 & 14 project?

A. OG&E witness Lelak discusses the specific contracts that were entered into to construct HL 13 & 14. He discusses both (i) the purchase of the gas turbines themselves as proposed by the General Electric Company (“GE”), who is the Original Equipment Manufacturer (“OEM”); and (ii) the balance of plant engineering, procurement and construction (“EPC”)

1 contract with a joint venture (“JV”) between Sargent & Lundy, an engineering and design
2 firm, and TIC – The Industrial Company, an industrial construction company.
3

4 **Q. What are the benefits of the Horseshoe Lake 13 & 14 Project?**

5 A. The GE gas turbines that make up HL 13 & 14 are similar to the gas turbines operated at
6 OG&E’s Redbud and McClain generating facilities. HL 13 & 14 have the ability to be
7 turned off and on quickly, which allows them to supply power during peak times, to serve
8 unscheduled demand, and to supply ancillary services to the grid. HL 13 & 14 provides
9 dispatchable (as opposed to intermittent) generation that adds incremental new capacity to
10 the system and supports the growing need in SPP for additions of generation with flexible
11 operating capability and faster load response.

12 As the Commission is aware, there are multiple benefits associated with utilizing
13 an existing site and its available resources. The Horseshoe Lake site already has the overall
14 land and infrastructure needed to support a generating facility, *i.e.*, secure property, existing
15 roads, facilities to support maintenance and operation, water supply/water rights, gas
16 pipeline, firm gas transportation service, and electric transmission infrastructure. This
17 avoids the significant risk, expense and need to develop a completely new site and
18 infrastructure. Additionally, the Horseshoe Lake site is currently staffed with a highly
19 skilled and trained workforce.

20 The Horseshoe Lake site already has the environmental permits necessary for
21 operation. OG&E currently has a window of opportunity to use the emissions allowed in
22 the existing air permit to support the permitting of the new units through a process generally
23 referred to as “netting.” This netting process typically allows for quicker permitting and
24 in turn a shorter project timeline.

25 Another benefit in selecting HL 13 & 14 is that the Horseshoe Lake site is located
26 close to OG&E’s largest load center (Oklahoma City), as well as Tinker Air Force base.
27 Customers benefit from having generation close to the load source because it reduces line
28 losses, reduces line congestion and cost, and supports voltage control and reliable system
29 operations. This results in more efficiency and better reliability of the transmission grid as
30 opposed to generation in a remote location. It also already has an existing high voltage

1 138 kV transmission interconnection in place and serves as a critical facility in restoring
2 energy to the grid in the event of a system disruption.

3 Additionally, the GE 7F class combustion turbines that make up the HL 13 & 14
4 project are proven technology, with a great operational track record. In addition, these gas
5 turbines can reliably produce 200 MW each within 10 minutes and reach full load in less
6 than 11 minutes. OG&E currently operates six GE 7F Class gas turbines at our Redbud
7 and McClain power plants and these plants are consistently some of OG&E's top
8 performing power plants.

9
10 Q. **Do you believe OG&E is well positioned to bring HL 13 & 14 on-line when needed
11 and on budget?**

12 A. Yes. The project is very similar to Horseshoe Lake 11 & 12, which is currently under
13 construction, on schedule, and on budget. This gives OG&E confidence HL 13 & 14 will
14 also be executed successfully as proposed on both cost and schedule. The Commission
15 approved Horseshoe Lake 11 & 12 in Cause No. PUD 2023-000038 following an RFP
16 process that concluded in 2023.

17
18 Q. **Do you have any recommendations for the Commission?**

19 A. Yes. I recommend the Commission grant pre-approval of the projects. Based on my
20 experience, I believe these projects will provide significant value to customers and are
21 reasonably priced.

22
23 Q. **Does this conclude your direct testimony?**

24 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that on the 19th day of May 2025, a true and correct copy of the foregoing was electronically served via the Electronic Case Filing System to those on the Official Electronic Case Filing Service List, or via electronic mail to the following persons:

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