

**BEFORE THE CORPORATION COMMISSION OF OKLAHOMA**

IN THE MATTER OF THE APPLICATION OF )  
OKLAHOMA GAS AND ELECTRIC COMPANY )  
FOR COMMISSION AUTHORIZATION OF A )  
PLAN TO COMPLY WITH THE FEDERAL CLEAN ) CAUSE NO. PUD 201400229  
AIR ACT AND COST RECOVERY; AND FOR )  
APPROVAL OF THE MUSTANG MODERNIZATION )  
AND COST RECOVERY )

**APPLICATION**

COMES NOW Oklahoma Gas and Electric Company, hereinafter referred to as "Applicant," "OG&E," or "Company," and in accordance with 17 O.S. §286, 17 O.S. §151 *et seq.*, and 17 O.S. §251 *et seq.* and the Commission's rules promulgated thereunder, shows as follows:

**I. Applicant.**

OG&E is an investor owned electric public utility with plant, property, and other assets dedicated to and for the generation, production, transmission, distribution and sale of energy at wholesale and retail levels within the states of Oklahoma and Arkansas. OG&E is incorporated within the State of Oklahoma, is subject to the regulatory authority of this Commission with respect to its retail rates and charges within the State of Oklahoma, and has the following address as its principal place of business:

321 N. Harvey Avenue  
Oklahoma City, Oklahoma 73102

Applicant is represented for the purpose of these proceedings by the following named individuals whose addresses are reflected below:

William J. Bullard, OBA No. 1302  
Patrick D. Shore, OBA No. 8205  
Kimber L. Shoop, OBA No. 19571  
Stephanie G. Houle, OBA No. 22595  
Oklahoma Gas and Electric Company  
P.O. Box 321, MC 1208  
Oklahoma City, Oklahoma 73101  
Telephone: 405-553-3023  
Facsimile: 405-553-3198  
[bullarwj@oge.com](mailto:bullarwj@oge.com)  
[shorepd@oge.com](mailto:shorepd@oge.com)  
[shoopkl@oge.com](mailto:shoopkl@oge.com)  
[houplesg@oge.com](mailto:houplesg@oge.com)

All correspondence, pleadings and communications with respect to this proceeding should be directed to all named counsel at their respective addresses.

## **II. Facts.**

**A.** OG&E owns and operates coal-fired and natural gas-fired electric generating facilities in Oklahoma. These generating facilities burn coal or natural gas to create steam that is used to operate turbines that generate electricity for customers in Oklahoma and Arkansas. Because OG&E burns these fossil fuels, the operations of those generating facilities are regulated by the Oklahoma Department of Environmental Quality and the Environmental Protection Agency (“EPA”).

**B.** EPA has promulgated two sets of regulations under the federal Clean Air Act (*i.e.*, the Regional Haze rule and the Mercury and Air Toxics Standards (“MATS”) rule) that directly affect certain OG&E coal and natural gas-fired generating facilities. These rules require OG&E to take steps to meet new emission limits for nitrogen oxide (“NO<sub>x</sub>”), sulfur dioxide (“SO<sub>2</sub>”), and mercury.

**C.** In light of these new emission limits, OG&E undertook a review of the technological options for complying with those emission limits. These options included installation of different kinds of emission control technology, conversion of coal-fired boilers to natural gas, and retirements.

**D.** After identifying the technological options for complying with those emission limits, OG&E performed a resource planning analysis to identify the lowest reasonable cost options for complying with the rules.

**E.** After reviewing and analyzing its options, OG&E developed a plan to comply with Regional Haze and MATS, address its resource needs, and best position the Company for future environmental requirements:

- To meet the SO<sub>2</sub> emission requirements of Regional Haze, OG&E will install dry scrubbers on both coal-fired generating units at the Sooner Power Plant. OG&E will also convert two of the three coal-fired generating units at the Muskogee Power Plant to natural gas and repower those boilers to accommodate that change in boiler fuel. The deadline for meeting these SO<sub>2</sub> emission requirements is January 4, 2019.
- To meet the NO<sub>x</sub> emission requirements of Regional Haze, OG&E will install low NO<sub>x</sub> burners with over-fire air systems on the four coal units affected by Regional Haze and on the three gas units at the Seminole Power Plant affected by Regional Haze. OG&E began installation of low NO<sub>x</sub> burner technology in Spring 2013.
- To meet the mercury emissions requirements of MATS, OG&E will install Activated Carbon Injection (“ACI”) technology on its five coal-fired generating units by April 2016.

F. In addition to the environmental compliance plan, OG&E is seeking approval to replace the retiring Mustang generating units. The existing Mustang generating units were brought into service in the 1950s and those units are some of the oldest generation units of their type and size currently operating in the United States. All of Mustang's steam units are well beyond the average life for this type of unit. After specifically analyzing the Mustang units and considering future resource constraints and environmental requirements, the Company concluded that modernizing the Mustang units by replacing the steam units at Mustang with natural gas-fired combustion turbines ("CTs") at the existing plant site is the best course of action.

G. OG&E is filing this Application pursuant to Oklahoma law (17 O.S. §286, 17 O.S. §151 *et seq.*, and 17 O.S. §251 *et seq.*) seeking: (i) approval of the environmental compliance plan under 17 O.S. 286(B) and (ii) approval of and determination of need for the Mustang modernization plan under Section 17 O.S. 286(C). OG&E requests that the Commission approve a recovery rider related to the costs of both the environmental compliance plan and the Mustang modernization plan and consider Construction Work in Progress ("CWIP") regulatory treatment. OG&E requests that the recovery rider and CWIP treatment be made effective upon the issuance of an order in this cause. OG&E is also seeking Commission approval of (i) regulatory assets for certain stranded assets and for certain Operation and Maintenance ("O&M") costs; (ii) inclusion of air quality control systems ("AQCS") consumables in the fuel adjustment clause ("FAC") and (iii) approval of emission control technology depreciation rates and Mustang plant depreciation rates.

H. OG&E requests that this Commission issue an order providing the relief requested herein on or before February 6, 2015. OG&E makes this request because time is of the essence with respect to this project due to the compliance deadlines for the Regional Haze and MATS rules and the protracted time it takes to design, permit, engineer and construct the projects involved in the both the environmental compliance plan and the Mustang modernization plan.

### **III. Legal Authority.**

The Commission has jurisdiction in these proceedings by virtue of Article IX, Sections 18 and following of the Constitution of the State of Oklahoma, the Oklahoma statutes, including 17 O.S. §286, 17 O.S. §151, *et seq.*, and 17 O.S. §251 *et seq.*, and the Commission's rules.

### **IV. Relief Requested.**

WHEREFORE, premises considered, OG&E respectfully requests that the Commission consider the compliance deadlines for Regional Haze and MATS imposed by the EPA and issue an Order prior to February 6, 2015:


1. approving OG&E's plan to comply with certain environmental regulations under the federal Clean Air Act;
2. approving recovery for the costs associated with OG&E's environmental compliance plan through the EGP Rider;
3. approving OG&E's plan to construct new CTs at the Mustang generating site;

4. approving recovery for the costs associated with the Mustang retirement/replacement plan through the EGP Rider;
5. approving regulatory assets for certain stranded assets and for certain O&M costs;
6. approving inclusion of AQCS consumables in the FAC;
7. approving the depreciation rates for emission control technology, the existing Mustang plant and the new Mustang CTs;
8. granting such other and further relief as the Commission may determine to be fair, just and equitable in the premises.

Respectfully submitted,

OKLAHOMA GAS AND ELECTRIC COMPANY

By \_\_\_\_\_



Kimber L. Shoop, OBA No. 19571  
Patrick D. Shore, OBA No. 8205  
William J. Bullard, OBA No. 1302  
Stephanie G. Houle, OBA No. 22595  
P. O. Box 321, MC 1208  
Oklahoma City, Oklahoma 73101  
Telephone: (405) 553-3023  
Facsimile: (405) 553-3198  
[shoopkl@oge.com](mailto:shoopkl@oge.com)  
[shorepd@oge.com](mailto:shorepd@oge.com)  
[bullarwj@oge.com](mailto:bullarwj@oge.com)  
[houlesg@oge.com](mailto:houlesg@oge.com)

Attorneys for Applicant

**CERTIFICATE OF SERVICE**

On this 6<sup>th</sup> day of August, 2014, the undersigned caused a true and correct copy of the above and foregoing document was transmitted to the following:

Brandy Wreath  
Director, Public Utility Division  
Oklahoma Corporation Commission  
P.O. Box 52000  
Oklahoma City, Oklahoma 73152-2000  
[b.wreath@occcemail.com](mailto:b.wreath@occcemail.com)

Jerry Sanger  
Assistant Attorney General  
Office of the Oklahoma Attorney General  
313 N.E. 21<sup>st</sup> Street  
Oklahoma City, Oklahoma 73105  
[Jerry.Sanger@oag.ok.gov](mailto:Jerry.Sanger@oag.ok.gov)

Elizabeth Cates  
Deputy General Counsel  
Oklahoma Corporation Commission  
P.O. Box 52000  
Oklahoma City, Oklahoma 73152-2000  
[e.cates@occcemail.com](mailto:e.cates@occcemail.com)



Kimber L. Shoop