

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF)
OKLAHOMA GAS AND ELECTRIC COMPANY)
FOR AN ORDER OF THE COMMISSION)
AUTHORIZING APPLICANT TO MODIFY ITS)
RATES, CHARGES, AND TARIFFS FOR RETAIL)
ELECTRIC SERVICE IN OKLAHOMA)

CAUSE NO. PUD 201700496

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RESPONSIVE TESTIMONY

OF

JASON C. CHAPLIN

MAY 2, 2018

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1 **INTRODUCTION**

2 **Q: Please state your name and your business address.**

3 A: My name is Jason C. Chaplin. My business address is Oklahoma Corporation
4 Commission, Public Utility Division, Jim Thorpe Office Building, Room 580, 2101
5 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105.

6 **Q: Have you previously testified before the Oklahoma Corporation Commission**
7 **("OCC" or "Commission") and were your qualifications accepted?**

8 A: Yes. I have previously testified before the Commission and my qualifications were
9 accepted at that time.

10 **Q: What is your occupation and who employs you?**

11 A: I am employed as a Public Utility Energy Coordinator by the Public Utility Division
12 ("PUD") of the Commission.

13 **Q: How long have you been so employed?**

14 A: I have been employed by the Commission since October 2013.

15 **Q: What are your duties and responsibilities with PUD?**

16 A: I conduct research and perform comparative analysis of utility applications, reports,
17 financial records, exhibits, and workpapers for PUD to make an accurate
18 recommendation. My work focuses on PUD's involvement with the Southwest Power
19 Pool ("SPP") in the areas of regional transmission planning and the responsibilities of the

1 SPP Regional State Committee ("RSC").¹ I serve as the OCC's voting member on the
2 SPP Cost Allocation Working Group ("CAWG"). The membership of the CAWG, which
3 reports to and advises the SPP RSC and assists the RSC in addressing matters for which it
4 has primary responsibility, consists of a representative from each SPP member state, as
5 chosen by each representative's respective state utility regulatory Commissioner who
6 serves on the RSC. I directly assist OCC Chairman Dana L. Murphy, who serves as the
7 Oklahoma voting member on the SPP RSC, on SPP transmission matters that fall under
8 the SPP RSC purview.²

9 As an Energy Coordinator, I directly supervise a team of PUD analysts that, as authorized
10 by the State of Oklahoma, review and provide recommendations on electric, gas,
11 transmission, and water utility rates, terms, conditions of service, and safety that is in
12 Oklahoma's public interest, serve Oklahoma ratepayers in a fair, just, and reasonable
13 manner, and provide for a fair rate of return to utility shareholders. For a complete list of
14 my work history and educational background, please review my attached curriculum
15 vitae.³

16 PURPOSE

17 **Q: What is the purpose of your testimony regarding the Application filed by Oklahoma**
18 **Gas and Electric Company ("OG&E" or "Company") for an order of the**

¹ The SPP is one of nine Independent System Operators/Regional Transmission Organizations and one of eight North American Electric Reliability Corporation ("NERC") regional entities. The SPP is mandated by the Federal Energy Regulatory Commission ("FERC") to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices for electricity.

² SPP Bylaws Section 7.2 Regional State Committee.

³ Exhibit JCC-1.

1 **Commission authorizing Applicant to modify its rates, charges, and tariffs as filed in**
2 **Cause No. PUD 201700496?**

3 A: The purpose of this Testimony is to present PUD's review and recommendations concerning
4 Cause No. PUD 201700496. This Testimony will focus on the following items:

- 5 • Adjustment B 3-12: Removes Transmission Investment paid by third parties in the
6 amount (\$799,495,436);
- 7 • Adjustment H 2-28: SPP Fees and Expenses, PUD Adjustment H-7: Increase to
8 six-month post test year amount by \$41,292 for a total pro forma adjustment
9 amount of \$1,793,912;
- 10 • Adjustment H 2-30: Removes Transmission Expense recovered from Load Serving
11 Entities ("LSEs") in the amount (\$44,721,489);
- 12 • Adjustment H 2-31: Removes SPP Cost Tracker ("SPPCT") rider expense in the
13 amount (\$74,187,840);
- 14 • Adjustment H 2-35: Removes Intracompany SPP Network Integrated Transmission
15 Service ("NITS") Expense in the amount (\$167,927,025);
- 16 • Adjustment H-40: Increase Vegetation Management – Distribution in the amount
17 \$6,458,917;
- 18 • Adjustment H-41: Increase Vegetation Management – Transmission in the amount
19 \$1,255,357;
- 20 • Need for Mustang Modernization Project; and
- 21 • Regulatory Asset treatment for Sooner environmental compliance equipment.

22 **EXECUTIVE SUMMARY**

23 On January 16, 2018, OG&E filed its Application for an adjustment in its rates and charges
24 and the electric service rules, regulations, and conditions of service for electric utility service
25 in the State of Oklahoma. PUD reviewed the Application, as well as the Testimony,
26 Sponsored Exhibits, and associated workpapers of Company witnesses. PUD also reviewed
27 general ledgers, invoices, Commission Rules and Statutes, and other supporting
28 documentation to reconcile and justify the Adjustments the Company is requesting in this
29 Cause. In addition, PUD issued data requests, reviewed data requests and responses, and

1 conducted multiple onsite audits at the Company's division office in Oklahoma City,
2 Oklahoma.

3 With regard to the items covered in this Testimony, PUD makes the following
4 recommendations: (1) Approve OG&E's rate base Adjustment B-12 which removes from
5 rate base Transmission Investment paid by third parties in the amount (\$799,495,436); (2)
6 Approve PUD Adjustment H-7 which increases OG&E's operating income Adjustment H
7 2-28 to the six-month post test year by \$41,292 for a total pro forma adjustment amount of
8 \$1,793,912; (3) Approve OG&E's operating income Adjustment H 2-30 for Transmission
9 Expense recovered from LSEs which reduces rate base in the amount of (\$44,721,489); (4)
10 Approve OG&E's operating income Adjustment H 2-31 which removes SPPCT rider
11 expenses in the amount (\$74,187,840); (5) Approve OG&E's operating income Adjustment
12 H 2-35 for Intracompany SPP NITS Expense which reduces rate base by (\$167,927,025);
13 (6) Approve OG&E's operating income Adjustment H 2-40 for Distribution cycle
14 Vegetation Management in the amount of \$6,458,917; (7) Approve OG&E's operating
15 income Adjustment H 2-41 for Transmission cycle Vegetation Management in the amount
16 of \$1,255,357; (8) Recommend the Commission approve OG&E's need for the Mustang
17 Modernization Project; and (9) Recommend the Commission approve regulatory asset
18 treatment for the investment in environmental compliance equipment at the OG&E Sooner
19 Power Plant. PUD believes these recommendations are fair, just, reasonable, and in the
20 public interest.

1 **PUD'S REVIEW PROCESS**

2 **Q: Please explain PUD's review process in this Cause.**

3 A: PUD reviewed the Application, Schedules, and Testimony of OG&E for consistency and
4 arithmetical accuracy. Additionally, PUD reviewed Company workpapers, general
5 ledgers, invoices, Commission Rules and Statutes, and other supporting documentation to
6 reconcile and justify the Adjustments the Company is requesting in this Cause. PUD
7 attended multiple onsite audits for a technical review of proprietary Company information
8 as well as reviewing Transmission Investment made by the Company and third parties, SPP
9 Schedules, Fees, and Expenses, Transmission Expense recovered from LSEs, Vegetation
10 Management activities, need for the Mustang Modernization Project, and regulatory asset
11 treatment for the environmental compliance equipment investment at the Sooner Power
12 Plant. PUD also issued data requests and reviewed all responses provided by Oklahoma
13 Gas and Electric Company and also reviewed data requests of intervening parties in this
14 Cause and OG&E responses to those data requests.

15 **OVERVIEW OF THE APPLICATION**

16 **Q: Please provide an overview of OG&E.**

17 A: OG&E is an investor owned electric public utility with plant, property, and other assets
18 dedicated to and for the generation, production, transmission, distribution, and sale of
19 electric power and energy at wholesale and retail levels within the states of Oklahoma
20 and Arkansas. OG&E is incorporated within the State of Oklahoma and is subject to the
21 regulatory authority of this Commission with respect to its retail rates and charges within
22 the State of Oklahoma.

1 **Q: Please provide an overview of OG&E's Application in Cause No. PUD 201700496.**

2 A: OG&E brings this Application, based upon a test year ending September 30, 2017, to
3 initiate proceedings to review the rates, charges, and tariffs of OG&E, and for the
4 establishment of fair and reasonable rates and charges upon completion of the
5 Commission's review. OG&E is requesting a change in its rates that will result in an
6 increase of approximately \$1.86 million when compared to OG&E's rates that were
7 implemented in May of 2017. OG&E's primary purpose for seeking a change in rates is
8 to recover the costs associated with the Mustang Modernization Project, increased return
9 on equity, updated depreciation expense, and to address issues associated with the newly
10 enacted Tax Cuts and Jobs Act of 2017.

11 **RATE BASE ADJUSTMENTS**

12 **Q: What is rate base?**

13 A: Rate base is the value of property on which a public utility is permitted to earn a rate of
14 return. Rate base represents the investment made by the Company in facilities and
15 equipment used to provide service to its customers. The Company makes adjustments to
16 its test year books to design rates which reflect the appropriate level of rate base the
17 utility expects to experience prospectively. In Oklahoma, Section B of the Minimum
18 Filing Requirements ("MFR") contains schedules and supporting workpapers which
19 present the elements of the rate base for the test year and adjustments to the test year rate
20 base.

1 **Q: What rate base Adjustments did PUD review in this Testimony?**

2 A: This Testimony includes PUD's review and recommendation related to rate base
3 Adjustment WP B 3-12, Transmission Investments recovered from other LSEs.

4 **Q: Please explain the Company's B 3-12 Adjustment that removes transmission related**
5 **plant in service paid for by third parties.**

6 A: This Adjustment removes a portion of OG&E's transmission facilities from the rate base
7 that will be allocated to other LSEs in the SPP footprint. This Adjustment reflects the
8 fact that the revenue requirements associated with regionally allocated transmission
9 facilities will be assigned to other LSEs in the SPP and therefore should not be recovered
10 from OG&E customers. The regional allocation of transmission facilities in SPP depends
11 on the voltage capacity and when the transmission facility was approved by the Regional
12 Transmission Organization ("RTO").

13 SPP was approved by Federal Energy Regulatory Commission ("FERC") as an RTO in
14 2004, and began regional planning and regional cost allocation. SPP's original regional
15 cost allocation methodology was called Base Plan Funding and was used from 2005
16 through 2010. Under the original Base Plan Funding cost allocation methodology, 33%
17 of the Annual Transmission Revenue Requirement ("ATRR") for SPP Network Upgrades
18 was allocated on SPP's region-wide Load Ratio Share ("LRS") and 67% was allocated to
19 specific Pricing Zones based on the estimated amount of benefits through the MW-mile
20 load flow analysis. The ATRR represents the revenue necessary for a utility to cover its
21 yearly cost of owning and operating a set of transmission facilities, including;

1 depreciation, operations and maintenance (“O&M”) expenses, share of general costs, rate
2 of return, and taxes. The LRS of each SPP LSE is its 12-month coincident peak (“12-
3 CP”) MW divided by the sum of the Pricing Zone 12-CP MW or region-wide 12-CP
4 MW. The 12-CP MW is the average of each LSE’s hourly loads coincident with its SPP
5 Pricing Zone’s 12 monthly peak loads during the prior calendar year.

6 SPP’s regional Highway/Byway methodology was approved in 2010. It is referred to as
7 the Revised Base Plan Funding, and is the current region-wide cost allocation
8 methodology approved in SPP. Highway/Byway methodology allocates transmission
9 costs based on the voltage level of the facility. Costs for extra high voltage facilities
10 operating at or above 300kV are allocated 100% to the regional rate. Cost for mid-tier
11 facilities operating above 100kV and below 300kV are allocated on a one-third/two-third,
12 regional to zonal basis and the cost of low voltage facilities operating at or below 100kV
13 are allocated entirely to the Pricing Zone. The Adjustment includes transmission related
14 plant in service, accumulated depreciation, Accumulated Deferred Income Tax (“ADIT”),
15 and other rate base items to reflect this recovery. The percentage allocated to other LSEs
16 was derived from the FERC Transmission Formula Rate True-Up Adjustment for the
17 most current filing, which is the 2016 rate year.⁴ The net impact to rate base is a decrease
18 of \$799,495,436.

⁴ J. Bailey Direct Testimony p. 7, ln. 26-30.

1 Q: Did PUD review and verify this amount?

2 A: Yes. PUD reviewed the Direct Testimony of Company Witness J. Bailey, Schedule B of
3 the MFR, and Company witness J. Bailey's Workpapers. In order to calculate the costs
4 recovered from other LSEs for OG&E's base plan upgrades, OG&E performs an LRS
5 percentage calculation of base plan upgrades charged to others. Once the percentage
6 allocations are calculated, OG&E multiplies the allocations by transmission investment,
7 accumulated depreciation, ADIT, and other rate base items in order to arrive at the total
8 rate base pro forma amount of \$799,495,436. The following Table One has a breakdown
9 of these items and the allocations:

10 **Table One: Adjustment B 3 – 12**

| | | |
|---|---|---|
| Transmission Investment 1,254,791,224 | Allocation 83.54% | Pro Forma Amount (\$1,048,252,589) |
| Accumulated Depreciation (\$80,245,412) | Allocation 83.54% | Pro Forma Amount \$67,037,017 |
| Net Plant \$1,174,545,812 | | Pro Forma Net Plant (\$981,215,572) |
| ADIT (\$441,823,203) | Allocation 42.46% | Pro Forma Amount \$187,598,132 |
| Other Rate Base \$13,843,608 | Allocation 42.46% | Pro Forma Amount (\$5,877,996) |
| Total Other Rate Base and ADIT (\$427,979,595) | | Pro Forma Other and ADIT \$181,720,136 |
| | Total Rate Base Pro Forma Amount | (\$799,495,436) |

11 PUD also reviewed OG&E's FERC Transmission Formula Rate True-Up Adjustment for
12 2016, SPP Revenue Requirements and Rates ("RRR") file, and OG&E's Base Plan ATRR
13 and have no adjustment to the Company's proposal. PUD verified these costs and
14 supports the Company's adjustment to remove \$799,495,436 from the rate base. As

1 stated above, this Adjustment is required because these costs will be recovered from other
2 SPP LSEs and should not be recovered from OG&E customers.

3 INCOME STATEMENT ADJUSTMENTS

4 **Q: What are income statement Adjustments?**

5 A: The income statement calculates operating income by subtracting pro forma expense
6 from pro forma revenue to arrive at pro forma operating income. In Oklahoma, section H
7 of the MFR contains schedules and supporting workpapers which present the elements of
8 the income statement for the test year. This level of operating income is compared to the
9 Company's requested level of operating income (the return requirement on the
10 Company's *pro forma* rate base) to arrive at a revenue excess or deficiency for the
11 utility.⁵

12 **Q: What income statement Adjustments did PUD review in this Testimony?**

13 A: This Testimony includes PUD's review and recommendations related to the following
14 income statement adjustments: Adjustments H 2-28 increases SPP Fees, Charges, and
15 Expenses; Adjustment H 2-30 removes Transmission Expenses recovered from other
16 Load Serving Entities; Adjustment H 2-31 removes SPP Cost Tracker rider expenses;
17 Adjustment H 2-35 removes Intracompany SPP Network Integrated Transmission
18 Service expenses; Adjustment H-40 increase Vegetation Management – Distribution
19 expenses; and Adjustment H-41 increases Vegetation Management – Transmission
20 expenses.

⁵ J. J. Thenmadathil Direct Testimony p. 4, ln. 14-20.

1 **Q: Please explain Adjustment H 2-28 that increases SPP Fees, Charges, and Expenses.**

2 A: This Adjustment results from updated SPP, FERC, and NERC fees, including the SPP
3 Schedule 1 – Scheduling, System Control, and Dispatch Service; Schedule 1 – A – Tariff
4 Administration Service; Schedule 9 – Network Integration Transmission Service; and
5 Schedule 12 – FERC Assessment Charge. The following Table Two has a breakdown of
6 the updated six-month post test year amounts:

Table Two: PUD Adjustment H-7

| SPP Annual Fee | SPP Schedule 1 Expense | SPP Schedule 1- A Expense | SPP Schedule 9 Expense | SPP Schedule 12 Charge | NERC Annual Fee | 6-month post test year Total: |
|-------------------------------|---|--|---|---------------------------------------|--------------------------------|--|
| \$6,000 | \$15,898 | \$16,797,861 | \$738,662 | \$1,791,554 | \$1,552,883 | \$20,902,858 |

7 **Q: Did PUD review and verify these amounts?**

8 A: Yes. PUD reviewed the Direct Testimony of Company Witness J. J. Thenmadathil,
9 Schedule H of the MFR, and Company witness J. J. Thenmadathil's Workpapers. On
10 April 17, 2018, OG&E provided responses to data request AG 12-3 with an updated
11 schedule for SPP Expenses to include the actual six-month post test year amounts. The
12 test year pro forma Adjustment amount to SPP Expenses included in operating income
13 Schedule H 2–28 was \$1,752,620 for a total revenue requirement of \$20,861,566. The
14 amount included in the revised Schedule H 2–28 is \$1,793,912 for a total revenue
15 requirement of \$20,902,858. The difference of \$41,292 comes from the actual six-month
16 post test year amounts. PUD reviewed these responses and recommends PUD
17 Adjustment H-7 to increase the pro forma Adjustment to SPP Expenses included in
18 Schedule H-2 of the Application by \$41,292 for a total adjustment amount of \$1,793,912

1 for SPP Expenses charged to OG&E through March 31, 2018, and a total revenue
2 requirement of \$20,902,858.

3 **Q: Please explain Adjustment H 2–30 that removes Transmission Expense recovered**
4 **from LSEs.**

5 **A:** This adjustment coincides with rate base adjustment B 3-12. The revenue requirement
6 associated with regionally allocated transmission plant and expense will be assigned to
7 other LSEs in the SPP footprint. This adjustment reduces operating expenses for O&M
8 expense, administrative and general expense, depreciation, and taxes other than income
9 related to those regionally allocated transmission projects.⁶ The following Table Three
10 has a breakdown of these transmission expenses recovered from other LSEs in SPP:

Table Three: Adjustment H 2 – 30

| Formula Rate ATRR Component | Transmission Amount | Allocation | Pro Forma Amount |
|---|--------------------------------|-------------------|-----------------------------|
| Transmission O&M | \$17,172,429 | 42.16% | (\$7,291,413) |
| Admin. & General Expense | \$13,573,110 | 42.16% | (\$5,763,142) |
| Depreciation Expense (in- service) | \$28,670,485 | 83.54% | (\$23,951,323) |
| Taxes | \$18,171,480 | 42.16% | (\$7,715,610) |
| Pro Forma Adjustment | \$77,587,504 | | (\$44,721,489) |

⁶ J. J. Thenmadathil Direct Testimony p. 12, ln. 22–26.

1 **Q: Did PUD review and verify this amount?**

2 A: Yes. PUD reviewed the Direct Testimony of Company Witness J. J. Thenmadathil,
3 Schedule H of the MFR, and Company witness J. J. Thenmadathil's Workpapers related
4 to the Company's H 2-30 income Adjustment. PUD also reviewed OG&E's FERC
5 Transmission Formula Rate True-Up Adjustment for 2016, SPP RRR file, and OG&E's
6 Base Plan ATRR and have no adjustment to the Company's proposal. PUD verified these
7 costs and supports the Company's proposed adjustment to remove \$44,721,489 from the
8 rate base. This adjustment is necessary because these expenses will be recovered from
9 other SPP LSEs and should not be recovered from OG&E customers.

10 **Q: Please explain Adjustment H 2-31 that removes SPPCT rider expenses.**

11 A: OG&E Adjustment H 2-31 removes SPP costs that are recovered outside of base rates
12 through OG&E's SPPCT rider. This results in a decrease to the rate base of \$74,187,840.
13 The SPPCT rider recovers the costs associated with SPP Schedule 11 Base Plan fees that
14 are charged by SPP for OG&E's allocated share of the transmission investment made by
15 third parties.

16 **Q: Did PUD review and verify this amount?**

17 A: Yes. PUD reviewed the Direct Testimony of Company Witness J. J. Thenmadathil,
18 Schedule H of the MFR, and Company witness J. J. Thenmadathil's Workpapers related
19 to the Company's H 2-31 income Adjustment. Per the SPPCT tariff approved in the last
20 rate case filed under Cause No. PUD 201500273, the Company shall submit re-
21 determined SPPCT rates to the Commission for implementation on the first billing cycle

1 of April each year. The Company is required to submit a set of workpapers sufficient to
2 document the calculations of the re-determined SPPCT rates.⁷

3 As part of PUD's annual review of the SPPCT re-determined factors, on March 2, 2018,
4 PUD met with Malini Gandhi, OG&E's Manager of Regulatory Accounting and David
5 Kays, OG&E's Transmission Tariff Coordinator and Chairman of SPP's Regional Tariff
6 Working Group at OG&E's Oklahoma City office, to walk through the 2018 re-
7 determined SPPCT factor calculations. PUD reviewed the calculations in the workpapers
8 provided by the Company and they are correct and consistent with Commission Order
9 No. 662059 in Cause No. PUD 201500273. The re-determined revenue requirement for
10 April 2018 through March 2019 is \$60,259,494, with a current cumulative under-
11 collection of \$10,167,488, for Total SPP Expenses to be collected through the SPPCT
12 Rider of \$70,426,982. This represents a revenue requirement increase of 37% over 2017
13 and a current under-recovery of 17% when compared to expenses. PUD also participated
14 in OG&E's 2018 annual stakeholder meeting on September 20, 2017, related to OG&E's
15 annual FERC Formula Rate update and projected 2018 ATRR. PUD reviewed these
16 costs and supports the Company's proposed adjustment to remove \$74,187,840 from the
17 rate base. This adjustment is necessary because these costs will be recovered through the
18 SPPCT rider and should not be recovered from customers in base rates. Please see
19 Exhibit JCC-2 for PUD's 2018 OG&E SPPCT Factor Review Statement.⁸

⁷ J. J. Thenmadathil Direct Testimony p. 13, ln. 17-21.

⁸ Exhibit JCC-2.

1 **Q: Please explain Adjustment H 2–35 that removes Intracompany SPP Network**
2 **Integrated Transmission Service expenses.**

3 **A:** This Adjustment eliminates expenses in the amount of \$167,927,025 received by OG&E
4 from SPP for NITS provided by OG&E. FERC has provided guidance to the industry
5 that while these are Intracompany charges and are normally eliminated in accordance
6 with Generally Accepted Accounting Principles, they should be reflected gross in the
7 FERC Form 1. The removal of the associated revenues is reflected in the revenue
8 adjustments supported by OG&E Witness S. Knight.⁹ Table Four has a breakdown of
9 these transmission expenses:

Table Four: Adjustment H 2–35

| Expenses | |
|---|------------------------|
| Schedule 9 NITS Fees | (\$85,162,586) |
| Schedule 1 Transmission Load Fees | (\$4,489,538) |
| Schedule 2 Voltage Control Fees | (\$1,048,255) |
| Schedule 11 Base Plan Charges | (\$21,393,913) |
| Transmission Fees – Direct Assigned Facilities | (\$31,188,708) |
| Z-2 Schedule 11 NITS | (\$24,644,024) |
| Total Expense Pro Forma Adjustment | (\$167,927,025) |

⁹ J. J. Thenmadathil Direct Testimony p. 14, ln. 20-25.

1 **Q: Did PUD review and verify this amount?**

2 A: Yes. PUD reviewed the Direct Testimony of Company Witness J. J. Thenmadathil,
3 Schedule H of the MFR, and Company witness J. J. Thenmadathil's Workpapers related
4 to the Company's H 2-35 income Adjustment. These expenses are based on actual
5 amounts in the test year which are known and measurable. PUD reviewed OG&E's
6 general ledger for SPP schedules 1, 2, 9, 11, Z-2, and transmission fees for direct
7 assigned facilities to reconcile and verify the amounts. PUD has no adjustment to the
8 Company's proposal.

9 **Q: Please explain Adjustment H 2-40, and H 2-41, pro forma Adjustments to**
10 **Vegetation Management expense.**

11 A: Both adjustments are increases to the test year to adjust distribution and transmission
12 Vegetation Management expenses to the level approved by Commission Order No.
13 662059 in March 2017 in Cause No. PUD 2015000273. These adjustments increased
14 O&M by \$6,458,917 and \$1,255,357, respectively, for a total increase to O&M of
15 \$7,714,274 for Vegetation Management.¹⁰

16 **Q: Did PUD review and verify this amount?**

17 A: Yes. PUD reviewed the Direct Testimony of Company Witness J. J. Thenmadathil,
18 Schedule H of the MFR, and Company witness J. J. Thenmadathil's Workpapers related
19 to the Company's H 2-40 and H 2-41 income Adjustments. PUD also reviewed Mr.
20 Cassada's Direct Testimony in Cause No. PUD 201500273, the Administrative Law

¹⁰ J. J. Thenmadathil Direct Testimony p. 16, ln. 13-17.

1 Judge's ("ALJ") report, and the Final Order. In Commission Order No. 662059 in Cause
2 No. PUD 201500273, this Commission denied the ALJ's recommendation and found that
3 OG&E witness Mr. Cassada was the most knowledgeable witness in the area of
4 Vegetation Management, and therefore adopted OG&E's Vegetation Management
5 expense request. PUD has reviewed these Adjustments and recommends this
6 Commission approve the Company's proposed Adjustments related to Vegetation
7 Management.

8 **MUSTANG MODERNIZATION PROJECT**

9 **Q: Please briefly describe the Mustang Modernization Project.**

10 A: Pursuant to OG&E's 2014 Integrated Resource Plan ("IRP"), OG&E decided to replace
11 the 1950s era steam units of the former Mustang Power Plant with new, modern, quick-
12 start natural gas-fired units. The Company has replaced the capacity of the steam units at
13 the Mustang plant with seven natural gas-fired, quick-starting Combustion Turbines
14 ("CTs") at the existing plant site. The new units have a nameplate capacity of 462 MWs
15 and will be capable of starting and injecting electricity onto the system in just 10 minutes,
16 compared to 10 to 20 hours for the steam units.

17 **Q: Does PUD agree with OG&E's decision to replace the 1950s era steam units with**
18 **quick-start natural gas-fired units?**

19 A: Yes. The Mustang Power Plant was a natural gas-fired plant, located on the west side of
20 Oklahoma City in Canadian County, Oklahoma. It was originally constructed with four
21 steam electric generating units that were designated as Mustang Units 1, 2, 3, and 4. The

1 approximate total generating capability from this facility as constructed was 480 MW.
2 Mustang Units 1 and 2 became operational in 1950 and 1951, respectively. Mustang Unit
3 3 became operational in 1955, and Mustang Unit 4 became operational in 1959. The
4 Mustang plant is the oldest plant in OG&E's fleet. Mustang Unit 1 had been in service
5 for 65 years and Mustang Unit 2 had seen 64 years of service when they were both retired
6 in 2015. Mustang Unit 3 has been in service for 62 years and plans are for its retirement
7 in 2017. Mustang Unit 4 has been in service for 58 years and plans also call for its
8 retirement in 2017.¹¹

9 PUD agrees with Company witnesses R. J. Burch, L. Howell, and P. L. Webster that
10 given the advanced age of the Mustang units, continued operation with the associated
11 operating costs, maintenance requirements, capital investment, and likely degrading
12 reliability, was not the optimal path moving forward. The new CTs at the Mustang
13 Energy Center provide numerous benefits to customers, including: reliability benefits,
14 satisfaction of SPP reserve margin requirement, support of renewable power generation
15 such as wind on OG&E's system and in the SPP Integrated Marketplace, flexibility in
16 how the CTs operate, less expensive operation than the old Mustang units, and
17 environmental benefits over the old units. Location was also a primary factor in choosing
18 the Mustang site for the CTs. The Mustang site is located on the west side of Oklahoma
19 City, which is OG&E's largest load center, and the site had existing transmission
20 infrastructure which saved ratepayers money.

¹¹ R. J. Burch Direct Testimony p. 3, ln. 20-31, p. 4, ln. 1-2.

1 **Q: Please explain the benefits the new CTs provide to OG&E customers.**

2 A: As discussed by Company witness G. McAuley, having quick start generation at the
3 Mustang Power Plant provides reliability benefits through the generation of dynamic
4 reactive power that has been used to ensure transmission system reliability. With the
5 retirement of the old Mustang units, that amount of reactive power around the Oklahoma
6 City area would be lost unless OG&E replaced it. Quick start CTs not only replace the
7 reactive power lost to Transmission Operators with the retirement of the old units, but
8 those CTs will allow Transmission Operators to access even more reactive power and
9 within a quicker response time.¹²

10 The Mustang CTs also pair well with renewable generation, and with OG&E being a
11 member of the SPP, this is very important due to the amount of wind generation in the
12 SPP footprint. Currently in SPP there is more than 18,000 MW of wind generation
13 online with another 53,000 MW of wind in the SPP generation interconnection queue.
14 For example on April 30, 2018, SPP set a new wind-penetration record of 63.96% with
15 wind serving 13,644 MW of the 21,331 MW total load. On April 29, 2018, SPP also set
16 a renewable-penetration record of 69.44%. SPP typically relies on quick-start resources
17 to maintain grid reliability during unforeseen operating circumstances, including rapid
18 loss of generation or higher than expected increases in load. SPP requires that quick-start
19 resources necessary to provide sufficient contingency reserves be capable of being
20 applied in time to meet NERC's Disturbance Control Standard requirements. Quick-start
21 resources are useful in facilitating reliable integration of increased levels of renewable

¹² G. McAuley Direct Testimony p. 8, ln. 9-17.

1 generation and its associated volatility, due to their ability to quickly inject real and
2 reactive power into the system.¹³ The size of the CTs also matches customer demand
3 much better than the old units. These new CTs have a 66 MW capacity and can be
4 dispatched in any fashion. This reduces generation costs to customers by not having
5 large, inefficient, expensive generation units online.

6 **Q: Does OG&E need the capacity at Mustang in order to stay compliant with the SPP**
7 **Planning Reserve Margin?**

8 A: Yes. Table 17 on page 39 of OG&E's 2014 IRP Update shows that the retirement of the
9 existing Mustang units creates a capacity need. This need was evident in the 2014 and
10 2015 IRP updates and it continues to be true today. The capacity being retired at
11 Mustang must be replaced pre-summer of 2018 in order for OG&E to comply with the
12 SPP planning reserve margin requirement.¹⁴

13 **Q: What other benefits does Mustang provide to OG&E's customers?**

14 A: The Mustang CTs are also less expensive to operate, have increased environmental
15 benefits over the old units, and the location of the Mustang site with its proximity to
16 OG&E's largest load and transmission infrastructure, provides reliability to the system
17 and saves customers money. As shown in OG&E's 2014 IRP, CTs had a slightly lower
18 cost to operate over their life versus a combined cycle natural gas-fired unit. The new
19 CTs also provide increased environmental benefits over the old steam units. Overall, the

¹³ L. Nickell Direct Testimony p. 4, ln. 13-20.

¹⁴ L. Howell Direct Testimony p. 5, ln. 15-19.

1 CTs reduce emissions across the board but in particular NO_x and water usage, with a 90%
2 and 40% reduction, respectively.

3 The Mustang location already has the necessary infrastructure in place to support a
4 generating facility, including a secure property, roads, facilities to support operations and
5 maintenance, water supply and rights, fuel supply facilities, and most importantly,
6 existing switchyard interconnections to both the 138kV and 69kV transmission systems.¹⁵

7 The value of re-using the Mustang site, as compared to a new typical Oklahoma
8 greenfield site, has conservatively been estimated by Burns and McDonnell at
9 approximately \$45 million and is detailed in Company Witness R. J. Burch Exhibit RJB-

10 1.

11 **Q: What is PUD's recommendation related to the Mustang Modernization Project and**
12 **the retirement of the old Mustang units?**

13 A: PUD recommends this Commission find OG&E's decision to retire the old Mustang units
14 and replace with new quick start CT technology reasonable and in the public interest.

15 SOONER REGULATORY ASSET

16 **Q: What is OG&E requesting related to regulatory asset treatment for Environmental**
17 **Compliance?**

18 A: OG&E is requesting deferred accounting treatment for the environmental compliance
19 assets and operating costs of the scrubber assets on its Sooner Units 1 and 2, which are

¹⁵ D. R. Rowlett Direct Testimony p. 9, ln. 10-18.

1 planned to be used and useful in 2018. The Company will accrue a regulatory asset
2 consisting of the non-fuel operation and maintenance expenses, depreciation, cost of
3 capital associated with the capital investment, and ad valorem taxes related to the
4 scrubber assets. Elements used to calculate the regulatory asset will be subject to the
5 Commission order in this Cause such as depreciation rates, ROE, and capital structure.¹⁶

6 **Q: Will this regulatory asset for Environmental Compliance have an impact on rates in**
7 **this Cause?**

8 A: No. The regulatory asset will accrue the aforementioned costs and will impact rates
9 when it is presented in OG&E's next general rate case if so ordered by the Commission.¹⁷

10 **Q: What is PUD's recommendation related to regulatory asset treatment for**
11 **Environmental Compliance costs?**

12 A: PUD recommends this Commission approve OG&E's request to set up a regulatory asset
13 for the environmental compliance assets at OG&E's Sooner generating facility. PUD
14 makes this recommendation in order to accurately track the costs that OG&E has incurred
15 on the scrubbers. These costs will be reviewed in a subsequent rate case where PUD will
16 make a recommendation related to these costs and which costs, if any will be recovered
17 from OG&E ratepayers.

¹⁶ D. R. Rowlett Direct Testimony p. 23, ln. 1-14.

¹⁷ Ibid.

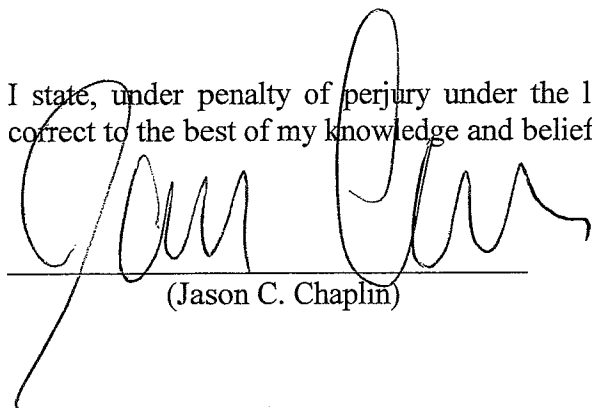
RECOMMENDATIONS

Q: What is PUD's recommendation to the Commission concerning the approval of an adjustment to OG&E's rates and charges?

A: PUD makes the following recommendations: (1) Approve OG&E's rate base Adjustment B-12 which removes from rate base Transmission Investment paid by third parties in the amount (\$799,495,436); (2) Approve PUD Adjustment H-7 which increases OG&E's operating income Adjustment H 2-28 to the six-month post test year by \$41,292 for a total pro forma adjustment amount of \$1,793,912; (3) Approve OG&E's operating income Adjustment H 2-30 for Transmission Expense recovered from LSEs which reduces rate base in the amount of (\$44,721,489); (4) Approve OG&E's operating income Adjustment H 2-31 which removes SPPCT rider expenses in the amount (\$74,187,840); (5) Approve OG&E's operating income Adjustment H 2-35 for Intracompany SPP NITS Expense which reduces rate base by (\$167,927,025); (6) Approve OG&E's operating income Adjustment H 2-40 for Distribution cycle Vegetation Management in the amount of \$6,458,917; (7) Approve OG&E's operating income Adjustment H 2-41 for Transmission cycle Vegetation Management in the amount of \$1,255,357; (8) Recommend the Commission approve OG&E's need for the Mustang Modernization Project; and (9) Recommend the Commission approve regulatory asset treatment for the investment in environmental compliance equipment at the OG&E Sooner Power Plant.

PUD believes that the recommendations are fair, just, reasonable, and in the public interest.

I state, under penalty of perjury under the laws of Oklahoma, that the foregoing is true and correct to the best of my knowledge and belief.



(Jason C. Chaplin)

State of Oklahoma
County of Oklahoma

Subscribed and sworn to before me this 2nd day of May, 2018





NOTARY PUBLIC

(Seal, if any)

PUD Manager
Title

My Commission Number: 16005761

My Commission Expires: June 13, 2020

Oklahoma Gas and Electric Company – Cause No. PUD 201700496

LIST OF EXHIBITS

JCC-1

Curriculum Vitae

JCC-2

PUD's 2018 OG&E SPPCT Factor Review Statement

Exhibit JCC-1 Curriculum Vitae

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PROFESSIONAL EXPERIENCE

Oklahoma Corporation Commission ("OCC") *Energy Coordinator*

Oklahoma City, OK

November 2016 – Present

- Directly supervise a team of analysts in the Energy Group that focus on areas of Economics, Finance, Accounting, Law, Engineering, and Generation, Transmission, and Distribution Infrastructure related to the enforcement of laws relating to, and the orders of, the OCC
- Responsible for direct interaction and communication with the Public, Regulated Entities, and Elected and Appointed Government Officials related to areas of jurisdiction under the PUD Energy Group
- Train all new energy analysts on OCC Operations, PUD Operations, History of Utility Regulation, and Oklahoma Statutes and Rules related to the PUD Energy Group
- Please see Attachment A for Cause details and assignments

Oklahoma Corporation Commission ("OCC") *Electric Transmission System Advisor*

Oklahoma City, OK

August 2014 – Present

- Assist Corporation Commissioner Dana Murphy in her role and responsibilities as the Oklahoma member on the Southwest Power Pool ("SPP") Regional State Committee
- Oklahoma Corporation Commission voting member on the SPP Cost Allocation Working Group ("CAWG"), 2015 CAWG Chairman, and CAWG regulatory liaison member on the Regional Tariff Working Group
- SPP monitoring and active participant in numerous SPP committees, working groups, and task forces as well as Oklahoma transmission expansion tracking and reporting
- Oklahoma electric generation tracking and reporting

Oklahoma Corporation Commission ("OCC") *Public Utility Regulatory Analyst*

Oklahoma City, OK

September 2013 – November 2016

- Research, analyze, develop, and make recommendations in regards to the Public Interest in regulatory areas of Economics, Finance, Accounting, Law, Engineering, Policy, and Generation, Transmission, and Distribution Infrastructure
- Provide filed and oral expert witness testimony including PUD recommendations in assigned PUD Causes

- Technical research and analysis on electric, gas, transmission, and water utilities to maintain reliability while ensuring customers fair, just and reasonable rates and allowing for a reasonable rate of return to shareholders
- Independent Evaluator of RFPs for electric generation capacity/energy and fuel purchases
- Rate case, tariff design, cost of service, prudence reviews, reasonable cost reviews, O&M for electric generation and transmission, fuel adjustment clauses, merger and acquisition, competitive procurement, integrated resource planning, energy efficiency and demand side management, environmental compliance planning and review

Western Plains Land Services, LLC
Petroleum Landman

Kansas, Oklahoma, Texas

February 2012 – December 2012

- Mineral/surface title research in order to verify ownership interests
- Prepare ownership reports, runsheets, flow charts
- Held by production leasehold reports/lease checks
- Prepare documents/Closing packets for lease acquisition
- Due diligence for acquisition of oil and gas interests

Hughes Energy Partners, LLC
Land Professional/Petroleum Landman

Greater Denver Area

September 2010 – February 2012

- Mineral/surface title research in order to verify ownership interests
- Prepare ownership reports, runsheets, flow charts
- Prepare surface use agreements for natural gas pipeline

EDUCATION

Oklahoma City University
Master of Science: Energy Management

Oklahoma City, OK

- Graduated with High Honors – GPA: 3.95

University of Nevada, Las Vegas

Las Vegas, NV

Bachelor of Science: Hotel Administration, Major – Beverage Management: December 2009

- Graduated – GPA: 3.49

University of Nevada, Las Vegas

Las Vegas, NV

Bachelor of Science: Gaming Management, December 2009

- Graduated – GPA: 3.51

Oklahoma City Community College
Associate in Arts: General Studies, May 2005

Oklahoma City, OK

- Graduated – GPA: 3.36

Attachment A

Oklahoma Corporation Commission Public Utility Division **Causes & Assigned Areas**

201300238 - APPLICATION OF OKLAHOMA NATURAL GAS COMPANY, A DIVISION OF ONEOK, INC. FOR A PROTECTIVE ORDER COVERING CONFIDENTIAL INFORMATION REGARDING ONEOK, INC.'S PLAN TO SEPARATE ITS NATURAL GAS DISTRIBUTION BUSINESS INTO A NEW STANDALONE COMPANY, ONE GAS, INC.

- PUD Analyst assigned to cause, recommendation in support of protective order.

201400146 - APPLICATION IN THE MATTER OF AN ANNUAL INFORMATIONAL FILING BY ITC GREAT PLAINS, LLC. PURSUANT TO OAC 165:35-43-4 FOR TRANSMISSION ONLY ELECTRIC UTILITIES.

- PUD Analyst assigned to cause, filed testimony and recommendation related to the relief requested by Company.

201400147 - APPLICATION OF AEP OKLAHOMA TRANSMISSION COMPANY, INC. TO BE IN COMPLIANCE WITH OAC 165:35-43-4(b).

- PUD Analyst assigned to cause, filed testimony and recommendation related to the relief requested by Company.

201400305 - APPLICATION OF IM TELECOM, LLC D/B/A INFINITI MOBILE TO EXPAND THE SERVICE TERRITORY APPLICABLE TO ITS ELIGIBLE TELECOMMUNICATIONS CARRIER DESIGNATION.

- Assigned Area - Review of company business plan, recommendation of company's business plan and/or lack thereof does not warrant expansion of ETC territory.

201500207 - APPLICATION OF AEP OKLAHOMA TRANSMISSION COMPANY, INC. TO BE IN COMPLIANCE WITH OAC 165:35-43-4(b).

- PUD Analyst assigned to cause, filed testimony and recommendation related to the relief requested by Company.

201500208 - APPLICATION OF PUBLIC SERVICE COMPANY OF OKLAHOMA, AN OKLAHOMA CORPORATION, FOR AN ADJUSTMENT IN ITS RATES AND CHARGES AND THE ELECTRIC SERVICE RULES, REGULATIONS AND CONDITIONS OF SERVICE FOR ELECTRIC SERVICE IN THE STATE OF OKLAHOMA.

- Assigned Areas: Filed testimony and recommendations in the following areas: Test year and pro forma adjustments related to Southwest Power Pool ("SPP") Fees and Expenses recovered through Base Rates and PSO's SPP Third Party Cost Rider.

201500209 - IN THE MATTER OF AN ANNUAL INFORMATIONAL FILING BY ITC GREAT PLAINS, LLC. PURSUANT TO OAC 165:35-43-4 FOR TRANSMISSION ONLY ELECTRIC UTILITIES.

- PUD Analyst assigned to cause, filed testimony and recommendation related to the relief requested by Company.

201500213 - IN THE MATTER OF THE APPLICATION OF OKLAHOMA NATURAL GAS COMPANY, A DIVISION OF ONE GAS, INC., FOR A REVIEW AND CHANGE OR MODIFICATION IN ITS RATES, CHARGES, TARIFFS, AND TERMS AND CONDITIONS OF SERVICE.

- Assigned Areas: Filed testimony and recommendation on Test year and pro forma adjustments related to Tornado and Storm Damage Expense and associated regulatory accounting treatment.

201500273 - IN THE MATTER OF THE APPLICATION OF OKLAHOMA GAS AND ELECTRIC COMPANY FOR AN ORDER OF THE COMMISSION AUTHORIZING APPLICANT TO MODIFY ITS RATES, CHARGES, AND TARIFFS FOR RETAIL ELECTRIC SERVICE IN OKLAHOMA.

- Assigned Areas: Filed testimony and recommendations on the following areas: Test year and pro forma adjustments related to the SPP Third Party Cost Rider, SPP Transmission System Additions Rider, Renewable Transmission System Additions Rider, and Generation Air Quality Control System consumable costs and recovery.

201600059 - IN THE MATTER OF THE APPLICATION OF OKLAHOMA GAS AND ELECTRIC COMPANY FOR COMMISSION APPROVAL OF THE COMPANY'S PLAN TO INSTALL DRY SCRUBBERS AT THE SOONER GENERATING FACILITY.

- PUD Analyst assigned to cause, filed testimony and recommendation for Commission approval of OG&E's plan to install dry scrubbers at the Sooner Generating Facility.

201600178 - IN THE MATTER OF AN ANNUAL INFORMATIONAL FILING BY ITC GREAT PLAINS, LLC. PURSUANT TO OAC 165:35-43-4 FOR TRANSMISSION ONLY ELECTRIC UTILITIES.

- PUD Analyst assigned to cause, filed testimony and recommendation related to the relief requested by Company.

201600180 - IN THE MATTER OF THE APPLICATION OF ITC GREAT PLAINS LLC AND FORTISUS INC. FOR APPROVAL OF MERGER AND ACQUISITION OF CONTROL OF OKLAHOMA PUBLIC UTILITY.

- PUD Analyst assigned to cause, filed testimony and recommendation in support of merger and acquisition of control.

201600182 - APPLICATION OF SOUTH CENTRAL MCN LLC TO COMPLY WITH ANNUAL REPORTING REQUIRED BY TRANSMISSION ONLY UTILITIES

PURSUANT TO OAC 165:35-43-4 AND FOR AN ORDER DETERMINING COMPLIANCE.

- PUD Analyst assigned to cause, filed testimony and recommendation related to the relief requested by Company.

201600300 - APPLICATION OF PUBLIC SERVICE COMPANY OF OKLAHOMA ("PSO"), AN OKLAHOMA CORPORATION, FOR THE COMMISSION TO RETAIN AND ARRANGE COMPENSATION FOR AN INDEPENDENT EVALUATOR AND

TO ALLOW PSO COST RECOVERY OF THOSE COSTS.

- PUD Analyst assigned to cause, recommendation in support to retain and arrange compensation for an independent evaluator and allow PSO cost recovery of those costs

201600439 - IN THE MATTER OF THE JOINT APPLICATION OF ARKANSAS OKLAHOMA GAS CORPORATION AND SUMMIT UTILITIES, INC. FOR APPROVAL OF ACQUISITION OF CONTROL OF OKLAHOMA PUBLIC UTILITY

- PUD Analyst assigned to cause, filed testimony and recommendation in support of acquisition of control.

201600468 - APPLICATION OF THE EMPIRE DISTRICT ELECTRIC COMPANY, A KANSAS CORPORATION, FOR AN ADJUSTMENT IN ITS RATES AND CHARGES FOR ELECTRIC SERVICE IN THE STATE OF OKLAHOMA.

- Areas Assigned: Reviewed SPP Fees & Expenses and Generation and Environmental Compliance costs.

201700149 - APPLICATION OF AEP OKLAHOMA TRANSMISSION COMPANY, INC. TO BE IN COMPLIANCE WITH OAC 165:35- 43-4(b).

- PUD Analyst assigned to cause, filed testimony and recommendation related to the relief requested by Company.

201700154 - APPLICATION OF SOUTH CENTRAL MCN LLC TO COMPLY WITH ANNUAL REPORTING REQUIRED BY TRANSMISSION ONLY UTILITIES PURSUANT TO OAC 165:35-43-4 AND FOR AN ORDER DETERMINING COMPLIANCE.

- PUD Analyst assigned to cause, filed testimony and recommendation related to the relief requested by the Company.

201700151 - APPLICATION OF PUBLIC SERVICE COMPANY OF OKLAHOMA, AN OKLAHOMA CORPORATION, FOR AN ADJUSTMENT IN ITS RATES AND CHARGES AND THE ELECTRIC SERVICE RULES, REGULATIONS AND CONDITIONS OF SERVICE FOR ELECTRIC SERVICE IN THE STATE OF OKLAHOMA.

- Assigned Areas: Filed testimony and recommendations in the following areas: Test year and pro forma adjustments related to Southwest Power Pool ("SPP")

Fees and Expenses recovered through Base Rates and PSO's SPP Third Party Cost Rider, Independent Power Producer Credits and Interest, and amortization of severe storm expenses since last base rate case.

201700267 – APPLICATION OF PUBLIC SERVICE COMPANY OF OKLAHOMA (“PSO”) FOR APPROVAL OF THE COST RECOVERY OF THE WIND CATCHER ENERGY CONNECTION PROJECT; A DETERMINATION THERE IS A NEED FOR THE PROJECT; APPROVAL FOR FUTURE INCLUSION IN BASE RATES COST RECOVERY OF PRUDENT COST INCURRED BY PSO FOR THE PROJECT; APPROVAL OF A TEMPORARY COST RECOVERY RIDER; APPROVAL OF CERTAIN ACCOUNTING PROCEDURES REGARDING FEDERAL PRODUCTION TAX CREDITS; WAIVER OF OAC 165:35-38-5(e); AND SUCH OTHER RELIEF THE COMMISSION DEEMS PSO IS ENTITLED.

- Assigned Areas: Filed testimony and recommendations in the following areas: Need for the Wind Catcher Energy Connection Project, the Southwest Power Pool, and certain items of concern for PUD.

201700471 – IN THE MATTER OF THE APPLICATION OF THE EMPIRE DISTRICT ELECTRIC COMPANY FOR APPROVAL OF ITS CUSTOMER SAVINGS PLAN.

- Assigned Areas: Filed testimony and recommendations in the following areas: Empire's resource planning and acquisition strategy, retirement of the Asbury generating facility and regulatory asset treatment, and provided PUD's Overall Recommendations for Empire's Application.

Exhibit JCC-2: SPPCT TARIFF REVIEW STATEMENT

| | |
|---|-------------------------|
| Cause No.: PUD 201500273 – Last Rate Case | Date: 03/23/2018 |
| Applicant: Oklahoma Gas and Electric Company | |
| Analyst: Jason C. Chaplin | |
| Tariff No.: 56.02 – SPPCT Factor Change | |

Items/Areas Reviewed

The SPPCT Factor Change is consistent with Final Order No. **662059** from Cause No. PUD 201500273.

PURPOSE: The Southwest Power Pool (“SPP”) Cost Tracker (“SPPCT”) establishes the rates by which Oklahoma Gas and Electric Company (“OG&E” or “Company”) will:

Recover from its Oklahoma retail customers expenses associated with the transmission of energy (“SPP Expenses”). SPP Expenses in this cost tracker will include SPP Base Plan Fees (Schedule 11 of the SPP OATT) associated with projects constructed by non-OG&E transmission owners within the SPP. SPP Expenses recovered through the SPPCT will also include the Oklahoma retail jurisdictional share of any refunds or credits to OG&E associated with projects constructed by non-OG&E transmission owners within the SPP that are not already reflected in the Schedule 11 charges to OG&E;

SPP Transmission Revenue (“SPPTR”) is credited to its Oklahoma retail customers 80% of all Oklahoma jurisdictional SPP Point-to-Point (“PTP”) Transmission Service revenue received by the Company associated with sales pursuant to Schedules 1, 7, and 8 of the SPP Open Access Transmission Tariff for PTP transmission service sold into, through, and out of the SPP. Schedule 1 is defined as Ancillary Service for Scheduling, System Control, and Dispatch Service. The Schedule 1 revenues, for the purpose of this rider, are those that are associated with Schedules 7 and 8 PTP transactions. Schedules 7 and 8 are defined as Firm and Non-Firm Transmission Service; and

Transmission Service Revenue Credits (“TSRC”) is credited to its Oklahoma retail customers the Oklahoma jurisdictional share of the transmission service revenue received by the Company from the SPP associated with the sale of new transmission service by the SPP utilizing transmission system additions in support of renewable assets.

APPLICABILITY: SPPCT is applicable to all Oklahoma retail rate classes and customers except those specifically exempted by special contract.

TERM: The SPPCT will be implemented the first billing cycle of the month following Commission approval and shall remain in effect until modified or terminated by the Commission.

ANNUAL RE-DETERMINATION: On or before March 1 of each year, the Company will submit the re-determined SPPCT rates to the Commission Staff for implementation on the first billing cycle of April of that year. Calculations for the re-determined rates shall be made by the application of the SPPCT formula set forth in this tariff. The Company shall submit a set of work papers sufficient to document the calculations of the re-determined SPPCT rates with each annual re-determination. The re-determined SPPCT rates shall reflect the current year projected SPP Expenses and Credits.

TRUE-UP: The interest rate used for calculating interest on any over or under recovery of SPP Expenses collected through the SPPCT shall be the customer deposit rate established by the Commission.

INTERIM ADJUSTMENT: Should a cumulative over-recovery or under-collection balance arise during any SPPCT cycle which exceeds ten percent (10%) of the annual SPP Expenses reflected in the current SPPCT, then either the Commission Staff or the Company may propose an interim revision to the currently effective SPPCT rate.

All calculations are correct and consistent with the Final Order which include:
I have reviewed all the calculations in the workpapers provide by the Company and they are correct and consistent with Final Order No. 662059. My review also included an onsite audit to review the information with OG&E personnel.

All dollar figures are correct and consistent with the Final Order which include:
New calculated revenue requirement for April 2018 through March 2019 (prospective period) is \$60,259,494 with a current cumulative under collection of \$10,167,488 for Total SPP Expenses to be collected through the SPPCT Rider of \$70,426,982. This represents a revenue requirement increase of 37% over 2017 and a current under recovery of 17% as compared to expenses. This increase is due to transmission upgrades that are expected to be placed in service during the prospective period. Based on the revised revenue requirement the updated SPPCT factors are as follows:

| Beginning Period | Service Level 1 | Service Level 2 | Service Level 3 | Service Level 4 | Service Level 5 |
|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| May-2011 | \$0.000165 | \$0.000211 | \$0.000222 | \$0.000255 | \$0.000315 |
| April-2012 | \$0.000257 | \$0.000297 | \$0.000328 | \$0.000369 | \$0.000454 |
| April-2013 | \$0.000483 | \$0.000565 | \$0.000571 | \$0.000687 | \$0.001096 |
| April-2014 | \$0.000758 | \$0.000867 | \$0.000853 | \$0.001110 | \$0.001662 |
| April-2015 | \$0.000923 | \$0.000975 | \$0.000951 | \$0.001286 | \$0.001861 |
| April- 2016 | \$0.001179 | \$0.001294 | \$0.001210 | \$0.001718 | \$0.002450 |
| May-2017 | \$0.001229 | \$0.001307 | \$0.001263 | \$0.001806 | \$0.002492 |
| August-2017 | \$0.001882 | \$0.001490 | \$0.001712 | \$0.001766 | \$0.002807 |
| April-2018 | \$0.002338 | \$0.001602 | \$0.001971 | \$0.002062 | \$0.003275 |

1. Other Areas that I should mention include: Work papers saved to the F-Drive here: F:\USER_PUD\data\Energy\0ActiveProj\SPP Third Party Cost Trackers All Companies\OG&E\2018

I have reviewed the analysts work on the proposed tariff and believe that the tariff should be approved.

| | |
|----------------------------------|-------------------|
| <u>Fairo Mitchell</u> | <u>03/23/2018</u> |
| Tariff Reviewer Signature | Date |

CERTIFICATE OF SERVICE

I, the undersigned, do hereby certify that on the 2nd day of May, 2018, a true and correct copy of the above and foregoing was sent **electronically**, addressed to the following:

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Victoria Korrekt
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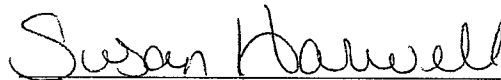
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OKLAHOMA CORPORATION COMMISSION