

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION)
OF OKLAHOMA GAS AND ELECTRIC)
COMPANY FOR A FINANCING ORDER)
PURSUANT TO THE FEBRUARY 2021)
REGULATED UTILITY CONSUMER)
PROTECTION ACT APPROVING)
SECURITIZATION OF COSTS ARISING)
FROM THE WINTER WEATHER EVENT)
OF FEBRUARY 2021)

Cause No. 2021 00072



APPLICATION

COMES NOW Oklahoma Gas and Electric Company, hereinafter “Applicant”, “OG&E”, or “Company”, and shows as follows:

I. Parties.

OG&E is an investor-owned electric public utility that owns and operates plant, property, and other assets used for the generation, production, transmission, distribution, and sale of electric power and energy in the states of Oklahoma and Arkansas. OG&E is incorporated in the State of Oklahoma and is subject to the regulatory authority of the Oklahoma Corporation Commission (“Commission”) with respect to its retail rates and charges for sales of electricity made within the State of Oklahoma. The Company’s principal place of business is as follows:

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 L. Humes, OBA No. 15264
Kimber L. Shoop, OBA No. 19571
Oklahoma Gas and Electric Company
P.O. Box 321, MC 1208
Oklahoma City, Oklahoma 73101
Telephone: 405-553-3062
Facsimile: 405-553-3198
humeswl@oge.com
shoopkl@oge.com

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

II. Facts.

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

B. On February 12, 2021, Governor Stitt declared a state-wide emergency due to “[e]xtreme freezing temperatures and severe winter weather including snow, freezing rain, and wind beginning February 7, 2021, and continuing.” In his Declaration, the Governor stated “[t]here is hereby declared a disaster emergency caused by severe winter weather in all 77 Oklahoma counties that threatens the public’s peace, health, and safety.” This Commission subsequently issued two emergency orders related to the extreme 2021 Winter Weather Event and resulting conditions including, but not limited to, limited natural gas supply, prioritization of electric and gas service for public health, welfare, safety and security and the need for conservation efforts.¹ Finally, this Commission issued an order in Cause No. 202100039 that allowed OG&E to defer all the fuel and purchased power costs associated with the 2021 Winter Weather Event to a regulatory asset (including a carrying charge based on the actual effective cost of credit facilities, loan agreements and other debt financing used to finance the deferred costs) until those costs could be fully examined for prudence. *See* Order No. 717355, Cause No. PUD 202100039 (March 18, 2021).

C. Natural gas markets throughout the region experienced a profound crisis due to the unusually cold and unusually persistent winter weather accompanying the 2021 Winter Weather Event. Demand for natural gas escalated dramatically in markets because of this weather crisis

¹ *See Joint Application of Brandy L. Wreath, Director of the Public Utility Division and Robyn Strickland, Director of Oil & Gas Conservation Division, Oklahoma Corporation Commission, for an Order of the Commission Authorizing an Emergency Increase of the Statewide Proration Formula for Unallocated Gas Wells in Response to the Existing Severe Weather Disaster Threatening the Public Health, Safety, and Peace*, Cause No. CD 202100238, Order NO. 716932; and *Joint Application of Brandy L. Wreath, Director of the Public Utility Division, Oklahoma Corporation Commission, for an Emergency Order of the Commission to Assist in the Stabilizing the Electric and Natural Gas Grids that are Necessary for Public Health, Welfare, Safety, and Security*, Cause No. PUD 202100035, Order No. 716952.

and prices rose on the spot and daily index markets accordingly. At the same time, the Southwest Power Pool, Inc. (“SPP”), which operates a wholesale energy market called the Integrated Marketplace (“IM”), also experienced unprecedented increases in electric energy prices stemming from high natural gas prices and other factors. The extraordinary natural gas market and SPP IM price spikes caused the Company to purchase natural gas and wholesale energy at unusually high prices. To put this into perspective, OG&E’s cost of natural gas during the 2021 Winter Weather Event significantly exceeded the Company’s entire fuel cost for calendar year 2020. Overall, the Company incurred extraordinary costs and extreme fuel and purchased power costs during the 2021 Winter Weather Event.

D. Under normal circumstances, OG&E would include most costs associated with the 2021 Winter Weather Event in its Fuel Cost Adjustment (“FCA”), as provided by the interim adjustment process set forth in the Company’s FCA tariff. In this instance, utilizing the interim FCA process would create a burden (*i.e.*, bill impact) too excessive for customers, as it would require costs to be recovered over the remainder of 2021. To avoid this outcome, OG&E had previously proposed (in Cause No. PUD 202100039) to recover the regulatory asset created in Order No. 717355 over an amortized period of 10 years with a carrying charge based on OG&E’s weighted average cost of capital.

E. There is now reason to believe the customer impact could be lessened by utilization of the securitization process authorized by the February 2021 Regulated Utility Consumer Protection Act, which was enacted on April 23, 2021. *See* 74 Okla. Stat. § 9070 *et seq.* Therefore, OG&E is now seeking authorization from this Commission to securitize its costs associated with the 2021 Winter Weather Event pursuant to 74 Okla. Stat. § 9070 *et seq.* That statute was specifically crafted by the Oklahoma Legislature and enacted by the Governor to securitize the 2021 Winter Weather Event costs incurred by utilities like OG&E and allow for the issuance of bonds so that customers can pay their utility bills at a lower amount over a longer period. Consistent with that new statute, OG&E plans to (i) provide details of its prudently incurred costs associated with the 2021 Winter Weather Event and proposed for inclusion in the securitized bonds; and (ii) demonstrate customer savings from the securitization process as compared to traditional utility financing.

F. Under the new statute, the securitization process is allowed to take an additional two years after the issuance of a Commission order. Because OG&E will continue to finance the \$1 billion with both debt and equity for that period of time, OG&E also requests carrying costs at an appropriate rate determined by the Commission from the date of incurrence of the costs to the date the securitized bonds are ultimately issued.

G. Subsequent to this Application, OG&E will be submitting testimony containing the information and documentation required by the February 2021 Regulated Utility Consumer Protection Act. OG&E will also be filing for approval of a procedural schedule that seeks a financing order within 180 days of the filing of such testimony.

III. Legal Authority.

The Commission has jurisdiction to grant the relief requested herein by virtue of Article IX, Section 18, 17 Okla. Stat. §§151-152, *et. seq.*, 74 Okla. Stat. § 9070 *et seq.*, Commission Rules, and all relevant Oklahoma case law.

IV. Relief Sought.

WHEREFORE, OG&E respectfully requests that this Commission grant the request for relief set forth in this Application.

Respectfully submitted,

OKLAHOMA GAS AND ELECTRIC COMPANY



William L. Humes, OBA No. 15264
Kimber L. Shoop, OBA No. 19571
Oklahoma Gas and Electric Company
P.O. Box 321, MC 1208
Oklahoma City, Oklahoma 73101
Telephone: 405-553-3062
Facsimile: 405-553-3198
humeswl@oge.com
shoopkl@oge.com

Attorneys for Applicant

CERTIFICATE OF MAILING

I hereby certify that on the 26th day of April 2021 a true and correct copy of the foregoing Application was electronically transmitted to the following:

Brandy L. Wreath
Natasha M. Scott
Oklahoma Corporation Commission
brandy.wreath@occ.ok.gov
natasha.scott@occ.ok.gov

Jared Hanes
Office of the Attorney General
Jared.Hanes@oag.ok.gov

A handwritten signature in blue ink, appearing to read "William L. Humes", with a horizontal line extending to the right.

William L. Humes
Attorney for Applicant