

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

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APPLICATION OF OKLAHOMA NATURAL)
GAS COMPANY, A DIVISION OF ONEOK,) CAUSE NO. PUD 201100176
INC., FOR APPROVAL OF A COMPRESSED)
NATURAL GAS SURCHARGE INCENTIVE) ORDER NO. **598802**
MECHANISM)

HEARING: May 10 and 17, 2012, in Courtroom B
2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105
Before James L. Myles, Administrative Law Judge

APPEARANCES: Dustin R. Fredrick, Attorney *representing* Oklahoma Natural Gas
Company, a division of ONEOK, Inc.
Mary Candler, Assistant General Counsel, *representing* the Public
Utility Division, Oklahoma Corporation Commission
William Humes and Nicole King, Assistant Attorneys General,
representing the Office of the Attorney General, State of Oklahoma
Jim A. Roth, Attorney *representing* Chesapeake Energy Corporation
Stephanie Houle, Attorney *representing* Oklahoma Gas and Electric
Company

**FINAL ORDER APPROVING JOINT STIPULATION
AND SETTLEMENT AGREEMENT**

BY THE COMMISSION:

The Application of Oklahoma Natural Gas Company, a division of ONEOK, Inc., (“Oklahoma Natural” or the “Company”) for an Order of the Commission approving a Compressed Natural Gas Surcharge Mechanism came on for hearing before the undersigned Administrative Law Judge (“ALJ”) of the Oklahoma Corporation Commission (“Commission”) in the above-captioned Cause on May 10 and 17, 2012. Having heard the evidence and testimony presented, and being fully advised thereof, the Commission finds and orders as follows:

I. PROCEDURAL HISTORY

On November 9, 2011, Oklahoma Natural filed an Application in the above-captioned Cause requesting that the Commission approve a surcharge at the Company’s public Compressed Natural Gas (“CNG”) stations to promote and support the CNG market in Oklahoma. Oklahoma Natural further requested that the Commission authorize the Company to utilize surcharge recoveries to offer rebates for the purchase of dedicated and bi-fueled CNG vehicles and residential CNG fueling systems. The Company also requested that the Commission approve a Compressed Natural Gas Surcharge Incentive Mechanism, Tariff 707 (“CNG Surcharge Tariff”) to implement this program. Along with the Application, the Company filed the Direct Testimony of David Scalf. On January 27, 2012, the Commission issued an order establishing procedural schedule, Order No. 593445. On February 1, 2012, the Commission issued a protective order, Order No. 593599. On February 10, 2012, the Public Utility Division of the Oklahoma Corporation Commission (“PUD”) filed the Responsive Testimony of Brandy Loyd

Wreath and the Attorney General of the State of Oklahoma (“Attorney General”) filed the Responsive Testimony of Edwin C. Farrar. Oklahoma Gas & Electric Company (“OG&E”) filed its Statement of Position on February 14, 2012.

On March 2, 2012, the Commission issued an order granting Chesapeake Energy Corporation’s (“Chesapeake”) request to intervene, Order No. 594798. Chesapeake filed its Statement of Position on March 16, 2012. On April 24, 2012, the Commission issued an order prescribing notice, Order No. 596780. On April 25, 2012, Oklahoma Natural filed the Rebuttal Testimony of David Scalf and Chesapeake filed the Rebuttal Testimony of Norman Herrera.

On May 3, 2012, Oklahoma Natural filed Proofs of Publication from the *Tulsa World* and *The Oklahoman*. On May 10, 2012, all parties (the “Stipulating Parties”) executed and filed a Joint Stipulation and Settlement Agreement (“Joint Stipulation”), attached as Exhibit “A” hereto. Also, on May 10, 2012, the ALJ opened the record in this Cause and formally continued the Hearing on the Merits until May 17, 2012. On May 14, 2012, PUD filed the Direct Testimony of Brandy Loyd Wreath in support of the Joint Stipulation. Oklahoma Natural filed the Direct Testimony of David Scalf in support of the Joint Stipulation on May 15, 2012.

On May 17, 2012, the parties appeared at the scheduled Hearing on the Merits. All testimony filed in this Cause was accepted into the record, and all the parties appeared in support of the Joint Stipulation. At the hearing, Oklahoma Natural witness David Scalf and PUD witness Brandy Loyd Wreath testified in support of the Joint Stipulation.

II. SUMMARY OF THE EVIDENCE

OKLAHOMA NATURAL

The following testimony was presented by David Scalf on behalf of Oklahoma Natural:

Summary of Direct Testimony

David Scalf is a Manager in the Rates and Regulatory Reporting Department for Oklahoma Natural. The purpose of his direct testimony was to:

- 1) Discuss the benefits of Compressed Natural Gas;
- 2) Identify the CNG market on a national level;
- 3) Discuss CNG from the Company’s perspective;
- 4) Identify the current tax incentives associated with CNG;
- 5) Discuss the CNG market in Oklahoma; and
- 6) Sponsor and request Commission approval of a proposed Compressed Natural Gas Surcharge Incentive Mechanism, Tariff 707. The proposed CNG Surcharge Tariff is attached to his testimony as Exhibit GDS-1.

Benefits of CNG

While not an exhaustive list, CNG provides the following benefits: environmentally friendly green fuel in comparison to current fueling options (gasoline and diesel); reduces carbon foot print; reduces dependency on foreign oil; increased usage may result in job creation and associated revenues for the State of Oklahoma; fuel cost savings; and extended vehicle lifecycle.

The cost of CNG is about one-third (1/3) less than gasoline and forty two percent (42%) less than diesel. Oklahoma Natural's current customer rates will not increase if the Commission approves the Company's request to implement a CNG Surcharge.

The National CNG Market

It is estimated that there are approximately 112,000 natural gas vehicles ("NGVs") currently being driven. There are about 1,000 CNG fueling systems in the United States with approximately 500 that are accessible to the public. In 2010, approximately 44 billion cubic feet (bcf) of natural gas was utilized for fueling NGVs.

CNG from the Company's Perspective

Oklahoma Natural began utilizing CNG in its fleet operations in 1982 and currently has approximately 585 vehicles that are either CNG dedicated or bi-fueled. The Company does not have any passenger vehicles within its fleet. All of the NGVs are various sizes of work trucks from one-half (1/2) to one and one-half (1 and 1/2) ton vehicles. The Company performs its own in-house conversions at an average cost of \$8,000 per vehicle. By using CNG, Oklahoma Natural displaced over 520,000 gallons of liquid fuel in 2010, resulting in fuel cost savings of \$943,000. The Company operates twenty-nine (29) CNG fill stations. Twenty-five (25) of these stations are accessible to the public. Public usage at these stations in the 2010 calendar year was 464,734 gas gallon equivalents ("GGE").

Tax Incentives Associated with CNG

The State of Oklahoma currently provides the following tax incentives associated with CNG: 1) A fifty percent (50%) tax credit associated with the cost to convert a vehicle; 2) A fifty percent (50%) tax credit associated with the incremental cost to purchase a CNG vehicle; 3) A seventy-five (75%) tax credit associated with the cost of CNG station and infrastructure development; and 4) A fifty percent (50%) tax credit that is capped at \$2,500 associated with CNG home fueling stations. These tax credits are not applicable to tax exempt entities and can be carried forward for five (5) years. Currently, these state tax credits are anticipated to expire on December 31, 2014.

The federal government currently provides the following tax incentives associated with CNG: 1) A fifty percent (50%) tax credit that is capped at \$30,000 associated with the cost of CNG station and infrastructure development; 2) A tax credit of \$1,000 associated with CNG home fueling stations; and 3) A fuel tax credit of fifty cents (\$0.50) per GGE or diesel gallon equivalent. There are no federal tax incentives associated with vehicle conversion costs or the incremental cost to purchase a CNG vehicle. Mr. Scalf explained that at the time of his direct testimony, the federal tax credits were expected to expire on December 31, 2011.

CNG Market in Oklahoma

At the time of Mr. Scalf's direct testimony there were forty-four (44) public CNG fill stations in Oklahoma, inclusive of the twenty-five (25) owned and operated by the Company. Exhibit GDS-2 contains a listing of these stations by name and location, while Exhibit GDS-3 identifies these stations on a map.

Compressed Natural Gas Surcharge Mechanism

The Company is requesting the Commission's approval of the proposed CNG Surcharge Tariff to promote and support the CNG market in the State of Oklahoma by offering rebates to Oklahoma Natural customers who purchase dedicated and bi-fueled natural gas vehicles and residential CNG fueling systems.

The CNG Surcharge Tariff identifies that an additional per GGE surcharge of \$0.25 (twenty-five cents) will be assessed at all Company owned and operated public CNG dispensers. Based upon an annual per GGE usage of 464,734 (2010 actual level) the Company estimates that surcharge recoveries collected could be \$116,184 annually. Oklahoma Natural is estimating that total calendar year 2011 GGE for public usage will reach 904,075. Surcharge recoveries at this level would equate to \$226,019 annually.

The following customers and activities would qualify for a rebate under the proposed CNG Surcharge Tariff:

- 1) Active individually metered single-family residential customers of Oklahoma Natural. The rebates shall be exclusively for NGVs tagged, titled, and licensed by the Oklahoma Tax Commission for use on public streets and highways within the State of Oklahoma;
- 2) Active commercial or industrial customers of Oklahoma Natural. The rebates shall be exclusively for NGVs tagged, titled, and licensed by the Oklahoma Tax Commission for use on public streets and highways within the State of Oklahoma; and
- 3) Active individually metered single-family residential customers of Oklahoma Natural for installed CNG fueling systems purchased by the residential customer to serve their own NGVs at their home at any point on the Company's system. The installed fueling system shall be utilized for NGVs tagged, titled, and licensed by the Oklahoma Tax Commission for use on public streets and highways within the State of Oklahoma.

Following are the level of incentives contained within the CNG Surcharge Tariff. A customer who purchases a:

- 1) Dedicated natural gas vehicle is eligible for a rebate of \$2,500;
- 2) Bi-fueled natural gas vehicle is eligible for a rebate of \$1,500; and
- 3) Residential CNG fueling system is eligible for a rebate of \$2,500.

Oklahoma Natural considered the incremental costs in purchasing or converting to a CNG vehicle as well as the availability of tax credits when setting the rebate levels. To qualify for a rebate, the purchase of dedicated and bi-fueled NGVs and the purchase of residential CNG fueling systems must occur after January 1, 2012, or upon Commission approval of the CNG Surcharge Tariff, whichever comes later. To insure that all customers have the opportunity to apply for and receive a rebate, these rebates are capped at three (3) rebates per customer per calendar year. However the Company may, at its sole discretion, allow a customer to receive more than three (3) rebates in a calendar year if surcharge recoveries are available at calendar year end to pay such rebates. Excess surcharge recoveries at the end of the year would be rolled over to the next calendar year. One NGV cannot receive multiple rebates. A dedicated or bi-fueled natural gas vehicle will qualify for only one rebate during its lifetime regardless of

ownership. A dedicated or bi-fueled NGV must be purchased or converted within ninety (90) days of the customer's request for a rebate subject only to the cap exception in the Company's sole discretion as previously discussed.

To qualify for a rebate, the dedicated or bi-fueled NGV must be an Original Equipment Manufacturer (OEM) CNG vehicle or contain an Environmental Protection Agency/California Air Resources Board (EPA/CARB) Certified Kit. Dealers or installers do not qualify for the rebate regardless of their customer status. Any business whose primary purpose is the sale, resale, renting or leasing of automobiles and trucks would not qualify.

To build customer awareness of the CNG program, the Company plans to post information regarding the program rebates on our website, as well as on Oklahoma Natural's Facebook and Twitter accounts. Customers can also learn about the program rebates through NGV dealers and installers and through personal contacts.

The surcharge will not impact ratepayers. The proposed surcharge will be assessed to customers who use Oklahoma Natural's public CNG stations. These customers may or may not also be distribution customers of the Company. However, only Oklahoma Natural distribution customers will qualify for the rebates funded by the surcharge.

Summary of Rebuttal Testimony

David Scalf's rebuttal testimony updates the discussion on pages 6 and 7 of his direct testimony to address changes that have occurred to the tax incentives associated with CNG since November 9, 2011; updates the discussion on page 8 of his direct testimony to address changes that have occurred to the CNG market in Oklahoma since November 9, 2011; updates the 2011 gas gallon equivalent public usage information identified on page 9 of his direct testimony and to provide a 2012 public usage estimate; addresses and responds to recommendations made by PUD in Mr. Wreath's February 10, 2012, responsive testimony; addresses and responds to recommendations made by the Attorney General in Mr. Farrar's February 10, 2012, responsive testimony; addresses statements made by Chesapeake in their March 12, 2012, filed statement of position; and sponsors and requests Commission approval of a modified Compressed Natural Gas Surcharge Incentive Mechanism, Tariff 707. The proposed CNG Surcharge Tariff is attached to his testimony as Rebuttal Exhibit GDS-1 and reflects modifications based upon recommendations contained within the responsive testimony of the PUD and the Attorney General.

Tax Incentives Associated with CNG

There have not been any changes to the Oklahoma tax incentives associated with CNG discussed within this section on pages 6 and 7 of his direct testimony. The federal tax incentives and credits associated with CNG on page 7 of his direct testimony are no longer available as they expired on December 31, 2011.

CNG Market in Oklahoma

At the time his direct testimony was filed there were forty-four (44) public CNG fill stations in Oklahoma, inclusive of the twenty-five (25) owned and operated by the Company.

Currently there are fifty-seven (57) public CNG fill stations, inclusive of the twenty-five (25) owned and operated by the Company. This represents an increase of thirteen (13) stations in the last four (4) months, or a 68% increase in the number of stations that are not Company owned and operated. Rebuttal Exhibit GDS-2 contains a listing of all stations by name and location, while Rebuttal Exhibit GDS-3 identifies all stations on a map overlay.

Actual total public usage GGE for calendar year 2011 at the Company's CNG fill stations was 1,052,301. Surcharge recoveries at this level would equate to \$236,075 annually. The Company is estimating that public usage GGE at the Company's fill stations for calendar year 2012 will be 1,244,742, which would equate to surcharge recoveries of \$311,186. If this estimate is correct, the Company would see an 18% increase in public consumption over the prior year.

Availability of Rebates to All Oklahomans

In Oklahoma Natural's filed application, all residents of the State of Oklahoma were not eligible to participate in rebates through the Company's proposed Compressed Natural Gas Surcharge Incentive Mechanism, Tariff 707. The rebates offered through the proposed CNG Surcharge Tariff were limited to those residents of Oklahoma who were also customers of Oklahoma Natural Gas.

Based upon the recommendations of PUD contained within pages 8 and 9 of Mr. Wreath's responsive testimony and Chesapeake's statement of position, the Company accepts the position that the rebates contained within the CNG Surcharge Tariff should be made available to all Oklahomans. Rebuttal Exhibit GDS-1 has been modified in redlined form to identify this change.

Modifications to the Company's Filed Position

Other modifications that the Company is making to its filed position based upon the recommendations of the PUD and/or the Attorney General and required changes to the CNG Surcharge Tariff can be identified by redlines in Rebuttal Exhibit GDS-1.

PUD recommends an educational partnership with Oklahoma automotive dealerships regarding the availability of rebates through the CNG Surcharge Tariff. The Company agrees with this recommendation.

The Attorney General recommends the following modifications (at page 7 of responsive testimony): 1) the Company agrees to phase in publication of the CNG Surcharge Tariff rebate programs; 2) the Company agrees that Oklahoma Natural should be allowed to temporarily suspend or amend the CNG Surcharge Tariff rebate program with adequate notice; and 3) the Company agrees to submit monthly reports to the Director of the PUD and the Chief of the Public Utility Unit of the Attorney General's Office for the first two years of the program.

Once the CNG Surcharge Tariff has been approved by the Commission, to phase in the publication of the CNG Surcharge Tariff rebate programs, Oklahoma Natural will begin an internal process of: drafting rebate guidelines; establishing implementation documents; and identifying key stakeholders that would need to be educated about the programs and the

associated funding limitations to ensure program success. This process will evolve over several months allowing the funding pool to accumulate prior to processing the first rebate application. This process also will allow the Company to phase in the educational/publication piece of each rebate program on a program-by-program basis.

The Company would temporarily suspend or amend the CNG Surcharge Tariff rebate program with adequate notice by submitting a revised redline and clean CNG Surcharge Tariff to the Director of the PUD and the Chief of the Public Utility Unit of the Attorney General's Office with a cover letter identifying the reason for the temporary suspension or amendment of the CNG Surcharge Tariff. The revised tariff would be effective once stamped as approved by the Director of the PUD. Notice would be given to the key stakeholders identified in the internal process discussed previously in Mr. Scalf's testimony. This process would be repeated to remove the suspension or to further modify the tariff.

The Company has also agreed to submit monthly reports to the Director of the PUD and the Chief of the Public Utility Unit of the Attorney General's Office for the first two years of the program. The reports will be submitted on or before the 20th day of each month and will reflect the following data associated with the prior month: the number of rebates given by each individual program; the dollar amount of rebates given by each individual program; and the level of surcharge funding remaining to pay rebates. This data would be based upon the level existing at the last working day of the relevant month.

Rebates Associated with Home Fueling Systems

The Company has not modified its filed position associated with residential CNG fueling system rebates. Oklahoma Natural still believes that these rebates are a critical part of the CNG Surcharge Tariff in promoting and supporting the CNG market in the State of Oklahoma. The Company also believes that by incenting the use of residential fueling, more potential customers in rural and remote locations could take advantage of the benefits of natural gas vehicles. Those Oklahomans without readily available access to a commercial station could still consider purchasing NGVs if they had residential fueling. These additional NGVs would use commercial stations around the state as they traveled, which would make the commercial stations more viable. In short, anything that broadens and deepens the pool of potential purchasers of NGVs is good for the State of Oklahoma and the Company believes that we should be offering a variety of incentives to assist Oklahomans in buying NGVs. All Oklahomans should have the option to purchase NGVs, but the viability of this option would be limited if rebates associated with residential fueling were not offered.

Oklahoma Natural agrees with Chesapeake's statement of position that, "all Oklahomans should be able to compete freely in this marketplace. The incentive to purchase home fueling stations should apply equally to both urban and rural customers without distinction. Urban customers should not be treated differently in the market just because they might otherwise have access to a commercial fueling station."

Residential fueling benefits the public in four ways: pricing, choice, convenience, and energy independence.

- 1) Pricing – Residential fueling will allow voluntary fixed price customers (“VFP”) to lock in the price of their vehicle fuel for one year. The current VFP price is \$5.63 per Dth, which equates to a GGE of \$0.70.
- 2) Choice – Residential fueling will provide access to CNG fueling no matter where the customer lives. This will open up the CNG market in areas where public stations do not exist or where access is extremely limited.
- 3) Convenience – Residential fueling will provide a convenient at home option in addition to public stations.
- 4) Energy Independence – In 1970, the United States imported 24% of its oil requirements. Today the percentage has risen to 65% and continues to grow. American produced natural gas could be used to replace imported oil as a transportation fuel. A recent study by the Potential Gas Committee estimated that American natural gas reserves have grown by 35% to 2,074 trillion cubic feet which is the equivalent of nearly 350 billion barrels of oil. Residential fueling should lead to an increase in the use of Oklahoma produced natural gas.

Oklahoma Natural requested Commission approval of a Compressed Natural Gas Surcharge Incentive Mechanism, Tariff 707, as attached to Mr. Scalf’s testimony as Rebuttal Exhibit GDS-1. Mr. Scalf believes that the CNG Surcharge Tariff is beneficial to customers and non-customers residing in the State of Oklahoma and is fair, just and reasonable.

Summary of Testimony in Support of the Joint Stipulation

At the Hearing on the Merits, Mr. Scalf testified that all parties executed the Joint Stipulation. Mr. Scalf further testified that the Stipulating Parties are: Oklahoma Natural, the PUD, the Attorney General’s Office, Chesapeake Energy Corporation, and OG&E. Mr. Scalf described the surcharge and explained that it is only applied to Oklahoma Natural’s public CNG stations to promote and support the CNG market in Oklahoma. Mr. Scalf further testified that the Company will implement this program through the Compressed Natural Gas Surcharge Incentive Mechanism, Tariff 707.

Mr. Scalf testified regarding rebate levels agreed to by the Stipulating Parties. Mr. Scalf discussed rebate availability for individuals, commercial or industrial entities, and residential CNG fueling systems. Mr. Scalf further testified regarding the rebate cap of three (3) per applicant per calendar year. Mr. Scalf further testified regarding the monthly reporting requirements agreed to by the Stipulating Parties during the first two (2) years of the program. Mr. Scalf discussed some of the rebate eligibility requirements including: 1) a dedicated or natural gas vehicle must be an Original Equipment Manufacturer (OEM) CNG vehicle or contain an Environmental Protection Agency/California Air Resources Board (EPA/CARB) Certified Kit; 2) a dedicated or bi-fueled natural gas vehicle must be a model year less than or equal to ten (10) years from the rebate application year; 3) a dedicated or bi-fueled natural gas vehicle will qualify for only one rebate during its lifetime regardless of ownership; 4) a dedicated or bi-fueled natural gas vehicle must have been purchased or converted within ninety (90) days of the applicant’s request for a rebate subject only to the cap exception; and 5) the purchase of a dedicated or bi-fueled natural gas vehicle or residential CNG fueling system must occur after Commission approval of the program. Mr. Scalf further testified that dealers or installers are not eligible for rebates. Mr. Scalf further testified that, in his opinion, the Joint Stipulation and CNG Surcharge Tariff are fair, just, reasonable, and in the public interest.

Upon examination by Mr. Humes, Mr. Scalf reiterated that dealers or installers do not qualify for rebates. Mr. Scalf also explained the purpose of the ten (10) year or newer vehicle model year limitation.

Upon examination by the ALJ, Mr. Scalf testified that Oklahoma Natural is not eligible for rebates. Mr. Scalf reiterated that the surcharge only applies to Oklahoma Natural's public CNG stations. Mr. Scalf discussed the "sole discretion" references in the CNG Surcharge Tariff. Mr. Scalf explained the purpose of the ninety (90) day purchase or conversion limitation.

Upon examination by Commissioner Murphy, Mr. Scalf testified regarding the surcharge and rebate levels. Mr. Scalf further testified regarding Oklahoma Natural's pricing at its public CNG stations. Mr. Scalf further testified regarding the number of Oklahoma Natural public CNG stations.

PUBLIC UTILITY DIVISION

The following testimony was presented by Brandy Loyd Wreath on behalf of PUD:

Summary of Responsive Testimony

Mr. Brandy Loyd Wreath is the acting director of the Public Utility Division (PUD) of the Oklahoma Corporation Commission (OCC or the Commission). Mr. Wreath recommended approval of the surcharge requested by Oklahoma Natural in this Cause with several suggested modifications.

Mr. Wreath testified the surcharge proposed by Oklahoma Natural clearly supports Oklahoma's First Energy Plan presented by Governor Mary Fallin and Secretary of Energy C. Michael Ming by encouraging greater adoption of Compressed Natural Gas (CNG) and bi-fueled vehicles.

The benefits to Oklahoma customers include, but are not limited to, reduced greenhouse gases, a reduction in the dependence on foreign oil, support to Oklahoma producers of natural gas, support for the quality jobs that these energy companies provide, the various economic benefits the producers and employees of the producers bring to the state, and the energy cost savings adopters of this technology experience directly.

The long-term benefits that can materialize from approval of the application include the build out of the Natural Gas Vehicle (NGV) infrastructure which should provide NGV consumers greater access to retail fill stations. Consequently, the infrastructure build out should aide in promoting greater production of NGV's by automakers. As adoption of NGV's increases, access and support for rural gas services these retail establishments provide could help bring load to otherwise underutilized areas which could help support the retention of the rural natural gas systems within the state.

Mr. Wreath also discussed the Tariff and associated surcharge. The \$0.25 surcharge would only be applied at Oklahoma Natural owned and operated stations. Since Oklahoma Natural fill stations were included in the Company's rate base charges the Company is able to offer lower prices for the commodity than similar retail locations. This surcharge will bring

pricing closer to the actual cost of providing service. While a reasonable recommendation, PUD does not support the use of the surcharge to reduce the base rates of current Oklahoma Natural ratepayers. The potential benefits of the surcharge are a more prudent use of the funds since there would be no calculable difference if the surcharge was applied towards a reduction in rate base.

Mr. Wreath expressed reservations with one particular aspect of the proposed tariff. The build out of fill stations is more crucial for encouraging greater adoption of NGVs than single home fueling stations at this time. However, single family CNG home fueling stations could be beneficial to support natural gas distribution to residential areas and that Oklahoma Natural should market the availability of this product to consumers. Additionally, Mr. Wreath testified that incentives for this particular home fueling program should be considered in the future.

There is a recognition of the benefits provided by electric power vehicles, as well as concern that heavy reliance on electric powered vehicles could result in additional issues surrounding electricity generation, fuel source costs, and environmental issues.

Mr. Wreath recommended that Oklahoma Natural change the surcharge proposal to include availability to all confirmed Oklahoma residents purchasing a new NGV or NGV conversion. Furthermore, Mr. Wreath recommended a partnership with Oklahoma automobile dealerships and indicated that the surcharge will not impact the base rates of Oklahoma Natural.

Summary of Testimony in Support of the Joint Stipulation

Mr. Brandy Wreath also filed testimony as to PUD's support of the Joint Stipulation and Settlement Agreement (Settlement Agreement) executed by Oklahoma Natural Gas Company (Oklahoma Natural or Company), the Oklahoma Office of the Attorney General (AG), Oklahoma Gas and Electric Company (OG&E), Chesapeake Energy Corporation, and PUD, (collectively the Stipulating Parties) on May 10, 2012. This Settlement Agreement, if approved, authorizes Oklahoma Natural to implement the Compressed Natural Gas (CNG) Surcharge Incentive Mechanism. This Settlement Agreement was signed and agreed to by all of the parties in the cause and settles all issues in this cause.

Mr. Wreath testified that all Stipulating Parties agreed that Oklahoma Natural should assess a surcharge at its public CNG stations to promote and support the CNG market in Oklahoma. Furthermore, Oklahoma Natural should utilize surcharge recoveries to offer rebates to Oklahoma residents for the purchase of dedicated and bi-fueled CNG vehicles and residential fueling systems. This program should be implemented through Tariff 707, effective with a final order of the Commission approving all elements of the Settlement Agreement and approval of the Tariff by the Director of the Public Utility Division. This Tariff addresses the surcharge amount, incentive amounts, program availability, and the terms and conditions of the program. The surcharge amount to be assessed at all Company owned and operated public CNG dispensers is \$0.25 per gasoline gallon equivalent. The availability of the vehicle rebates under the Tariff shall be available to any Natural Gas Vehicles (NGVs) tagged, titled, and licensed by the Oklahoma Tax Commission for use on public streets and highways within the state by individual Oklahoma residents or commercial or industrial companies doing business in Oklahoma. The installed residential CNG fueling systems will serve personal NGVs that are tagged, titled and

licensed by the Oklahoma Tax Commission for use on public streets and highways within the state.

Per the terms of the Settlement Agreement, Oklahoma Natural will be required to submit monthly reports to the Director of the Public Utility Division and the Attorney General which contain information identifying the dollar amount of surcharge recoveries, the number of rebates processed, the dollar amount of rebates processed, and the dollar amount of surcharge recoveries remaining.

The incentive amounts are:

- Dedicated natural gas vehicle - \$2,500
- Bi-fueled natural gas vehicle - \$1,500
- Residential CNG fueling system - \$2,500

The various Terms and Conditions of the program are:

- Rebates are capped at three rebates per applicant per calendar year. However, the Company may exceed this cap in its sole discretion if surcharge recoveries are available at calendar year end
- A dedicated or bi-fueled natural gas vehicle must be an Original Equipment Manufacturer (OEM) CNG vehicle or contain an Environmental Protection Agency/California Air Resources Board (EPA/CARB) Certified Kit.
- A dedicated or bi-fueled natural gas vehicle must be a model year less than or equal to ten years from the rebate application year.
- A dedicated or bi-fueled natural gas vehicle will qualify for only one rebate during its lifetime regardless of ownership.
- A dedicated or bi-fueled natural gas vehicle must have been purchased or converted within ninety days of the applicant's request for a rebate subject only to the cap exception in the Company's sole discretion.
- The purchase of dedicated and bi-fueled natural gas vehicles and the purchase of residential CNG fueling systems must occur after the Oklahoma Corporation Commission approval of the Tariff.
- Dealers/installers do not qualify along with any business whose primary purpose is the sale, resale, renting, or leasing of automobiles and trucks.
- The company requires each applicant to present a completed application and is unable to process incomplete applications, which must include:
 - Vehicle identification number (VIN)
 - Verification of liability insurance information
 - Evidence of vehicle ownership such as the assigned Manufactures Certificate of Origin, purchase contract or bill of sale
 - Copy of the Application for Oklahoma Certificate of Title
- The company also reserves the right to verify the applicant's eligibility for the rebate and is not responsible if the dealer/installer fails to provide accurate information about the amount of the rebate or eligibility.
- Subject to the availability of program funds, the approximate time for a customer to expect a rebate, six to eight weeks after approval is discussed.

- The Tariff outlines that rebate applications will be reviewed and processed by the Company on a first-come, first-served basis until program funds are depleted.

Mr. Wreath testified that Commission approval of this Settlement Agreement is fair, just, reasonable and in the public interest.

ATTORNEY GENERAL

Assistant Attorney General William L. Humes, appearing on behalf of the Attorney General, stated the Attorney General's support of the Joint Stipulation and Settlement. Mr. Humes stated that he believed the Joint Stipulation represented a fair, just, and equitable resolution of issues in this Cause and would benefit ratepayers and the Oklahoma economy. Mr. Humes urged the Commission to adopt the Joint Stipulation.

CHESAPEAKE ENERGY CORPORATION

Chesapeake Energy Corporation provided no testimony on the record at the hearing on the merits, but Counsel appeared and represented to the court that it supported the Joint Stipulation.

OG&E

OG&E provided no testimony on the record at the hearing on the merits, but represented to the court that it supported the Joint Stipulation.

III. FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based upon the pleadings, testimony of witnesses, the Joint Stipulation and evidence contained in the record for this Cause, and upon a full and fair consideration thereof, the Commission makes the following findings of fact and conclusions of law:

1. The Commission finds that it has jurisdiction of this matter by virtue of Article IX, Section 18 of the Oklahoma Constitution and 17 O.S. §§151 *et seq.*
2. The Commission further finds that notice was given as required by law and Commission Rules and in accordance with Commission Order No. 596780.
3. The Commission further finds that the Stipulating Parties to this proceeding have executed and submitted to the Commission a Joint Stipulation, filed with the Commission on May 10, 2012, a copy of which is attached to this Order as Exhibit "A" and incorporated by reference.

4. The Commission further finds and orders, based upon the evidence and testimony submitted, that Oklahoma Natural should assess a surcharge at its public CNG stations to promote and support the CNG market in Oklahoma.

5. The Commission further finds and orders, based upon the evidence and testimony submitted, that Oklahoma Natural should utilize surcharge recoveries to offer rebates to Oklahoma residents for the purchase of dedicated and bi-fueled CNG vehicles and residential CNG fueling systems.

6. The Commission further finds and orders, based upon the evidence and testimony submitted, that Oklahoma Natural shall implement this program through the Compressed Natural Gas Surcharge Incentive Mechanism, Tariff 707, a copy of which is attached to this Order as Exhibit “B” and incorporated by reference.

7. The Commission further finds and orders, based upon the evidence and testimony submitted, that Oklahoma Natural should be permitted to begin implementing this program through its Compressed Natural Gas Surcharge Incentive Mechanism, Tariff 707, effective with the final order of the Commission approving all elements of the Joint Stipulation and upon the approval of the form of the tariff by the Director of the Public Utilities Division.

8. The Commission further finds, based upon the evidence and testimony submitted, that the Joint Stipulation is fair, just, reasonable, and in the public interest and should be approved in all respects.

IV. ORDER

THE COMMISSION THEREFORE ORDERS that the CNG rebate program within the Joint Stipulation and presented for approval by Oklahoma Natural in this Cause is approved in accordance with the terms of the Joint Stipulation, effective upon the issuance of this Final Order.

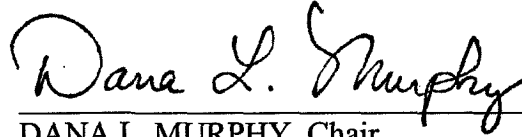
THE COMMISSION FURTHER ORDERS that the Joint Stipulation executed and filed on May 10, 2012, by the Stipulating Parties to this proceeding and attached hereto as Exhibit “A” is fair, just, reasonable, and in the public interest and should be and the same is hereby approved in accordance with the findings and conclusions hereinabove set forth.

THE COMMISSION FURTHER ORDERS that the Compressed Natural Gas Surcharge Incentive Mechanism, Tariff 707, attached hereto as Exhibit “B”, is fair, just, reasonable, and in the public interest and is hereby approved consistent with the Joint Stipulation and the Commission’s findings and conclusions herein.

THE COMMISSION FURTHER ORDERS that the Findings of Fact and Conclusions of Law set forth herein are hereby adopted as the Order of the Commission.

THIS ORDER SHALL BE EFFECTIVE upon submission to and approval by the Director of the Public Utility Division of the form of the Compressed Natural Gas Surcharge Incentive Mechanism, Tariff 707, attached hereto as Exhibit “B.”

OKLAHOMA CORPORATION COMMISSION



DANA L. MURPHY, Chair



BOB ANTHONY, Vice Chairman



PATRICE DOUGLAS, Commissioner

CERTIFICATION

DONE AND PERFORMED by the Commissioners participating in the making of this Order, as shown by their signatures above, this 18 day of June, 2012.

[Seal]



PEGGY MITCHELL, Secretary

REPORT OF THE ADMINISTRATIVE LAW JUDGE

The foregoing findings, conclusions and order are the report and recommendations of the undersigned administrative law judge.



JAMES L. MYLES

Administrative Law Judge

June 6, 2012
Date

FILED

MAY 10 2012

BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

**COURT CLERK'S OFFICE — OKC
CORPORATION COMMISSION
OF OKLAHOMA**

APPLICATION OF OKLAHOMA NATURAL)
GAS COMPANY, A DIVISION OF ONEOK, INC.,)
FOR APPROVAL OF A COMPRESSED)
NATURAL GAS SURCHARGE INCENTIVE)
MECHANISM)

CAUSE NO. PUD 201100176

JOINT STIPULATION AND SETTLEMENT AGREEMENT

COME NOW the undersigned parties to the above entitled cause and present the following Joint Stipulation and Settlement Agreement ("Joint Stipulation") for the Oklahoma Corporation Commission's (the "Commission") review and approval as their compromise and settlement of all issues in this proceeding among the parties to this Joint Stipulation ("Stipulating Parties"). The Stipulating Parties represent to the Commission that this Joint Stipulation represents a fair, just and reasonable settlement of these issues, that the terms and conditions of the Joint Stipulation are in the public interest, and the Stipulating Parties urge the Commission to issue an Order in this Cause adopting and approving this Joint Stipulation.

It is hereby stipulated and agreed by and between the Stipulating Parties as follows:

TERMS OF THE JOINT STIPULATION AND SETTLEMENT AGREEMENT

1. The Stipulating Parties agree that Oklahoma Natural Gas Company, a division of ONEOK, Inc. ("Oklahoma Natural" or "Company") should assess a surcharge at its public CNG stations to promote and support the CNG market in Oklahoma.

2. The Stipulating Parties further agree that Oklahoma Natural should utilize surcharge recoveries to offer rebates to Oklahoma residents for the purchase of dedicated and bi-fueled CNG vehicles and residential fueling systems.

3. The Stipulating Parties further agree that Oklahoma Natural shall implement this program through the Compressed Natural Gas Surcharge Incentive Mechanism, Tariff 707, attached hereto as Exhibit "A".

4. The Stipulating Parties further agree that Oklahoma Natural should submit monthly reports to the Director of the Public Utility Division of the Oklahoma Corporation Commission and the Public Utility Unit of the Attorney General's Office of the State of Oklahoma for the first two (2) years of the program identifying:

- (a) The dollar amount of surcharge recoveries through end of the monthly reporting period;
- (b) The number of rebates processed by individual program for the monthly reporting period;

EXHIBIT "A"

- (c) The dollar amount of rebates processed by individual program for the monthly reporting period; and
- (d) The dollar amount of surcharge recoveries remaining at end of the monthly reporting period.

5. The Stipulating Parties further agree that the terms of this Joint Stipulation are in the public interest.

6. The Stipulating Parties further agree that Oklahoma Natural should be permitted to begin implementing this program through its Compressed Natural Gas Surcharge Incentive Mechanism, Tariff 707, effective with the final order of the Oklahoma Corporation Commission ("OCC") approving all elements of this Joint Stipulation and upon the approval of the tariff by the Director of the Public Utilities Division.

7. General Reservations.

The Stipulating Parties represent and agree that, except as specifically otherwise provided herein:

- (a) This Joint Stipulation represents a negotiated settlement for the purpose of compromising and settling all issues which were raised relating to this proceeding.
- (b) Each of the undersigned counsel of record affirmatively represents that he or she has full authority to execute this Joint Stipulation on behalf of his or her client(s).
- (c) None of the signatories hereto shall be prejudiced or bound by the terms of this Joint Stipulation in the event the Commission does not approve this Joint Stipulation nor shall any of the Stipulating Parties be prejudiced or bound by the terms of this Joint Stipulation should any appeal of a Commission order adopting this Joint Stipulation be filed with the Oklahoma Supreme Court.
- (d) Nothing contained herein shall constitute an admission by any party that any allegation or contention in these proceedings as to any of the foregoing matters is true or valid and shall not in any respect constitute a determination by the Commission as to the merits of any allegations or contentions made in this proceeding.
- (e) The Stipulating Parties agree that the provisions of this Joint Stipulation are the result of extensive negotiations, and the terms and conditions of this Joint Stipulation are interdependent. The Stipulating Parties agree that this Joint Stipulation is in the public interest and, for that reason, they have entered into this Joint Stipulation to settle among themselves the issues in this Joint Stipulation. This Joint Stipulation shall not constitute nor be cited as a precedent nor deemed an admission by any Stipulating Party in any other proceeding except as necessary

to enforce its terms before the Commission or any state court of competent jurisdiction. The Commission's decision, if it enters an order consistent with this Joint Stipulation, will be binding as to the matters decided regarding the issues described in this Joint Stipulation, but the decision will not be binding with respect to similar issues that might arise in other proceedings. A Stipulating Party's support of this Joint Stipulation may differ from its position or testimony in other causes. To the extent there is a difference, the Stipulating Parties are not waiving their positions in other causes. Because this is a stipulated agreement, the Stipulating Parties are under no obligation to take the same position as set out in this Joint Stipulation in other dockets.

9. Non Severability.

The Stipulating Parties stipulate and agree that the agreements contained in this Joint Stipulation have resulted from negotiations among the Stipulating Parties and are interrelated and interdependent. The Stipulating Parties hereto specifically state and recognize that this Joint Stipulation represents a balancing of positions of each of the Stipulating Parties in consideration for the agreements and commitments made by the other Stipulating Parties in connection therewith. Therefore, in the event that the Commission does not approve and adopt the terms of this Joint Stipulation in total and without modification or condition (provided, however, that the affected party or parties may consent to such modification or condition), this Joint Stipulation shall be void and of no force and effect, and no Stipulating Party shall be bound by the agreements or provisions contained herein. The Stipulating Parties agree that neither this Joint Stipulation nor any of the provisions hereof shall become effective unless and until the Commission shall have entered an Order approving all of the terms and provisions as agreed by the parties to this Joint Stipulation and such Order becomes final and non-appealable.

WHEREFORE, the Stipulating Parties hereby submit this Joint Stipulation and Settlement Agreement to the Commission as their negotiated settlement of this proceeding with respect to all issues which were raised with respect to this Application, and respectfully request the Commission to issue an Order approving this Joint Stipulation and Settlement Agreement.

**PUBLIC UTILITY DIVISION
OKLAHOMA CORPORATION COMMISSION**

Date: 5-10-12

By: _____

Brandy Wreath
Brandy Wreath, Acting Director

**OKLAHOMA NATURAL GAS COMPANY, a division
of ONEOK, Inc.**

Date: 5/10/12

By: _____

Dustin R. Fredrick
Dustin R. Fredrick

**E. SCOTT PRUITT, ATTORNEY GENERAL
STATE OF OKLAHOMA**

Date: 5/10/12

By:

William L. Humes

William L. Humes, Assistant Attorney General

CHESAPEAKE ENERGY CORPORATION

Date: 5/9/12

By:

Jim A. Roth

Jim A. Roth

OKLAHOMA GAS AND ELECTRIC COMPANY

Date: 5/9/12

By:

Stephanie G. Houle

Stephanie G. Houle

**RATE SCHEDULE 707 - CNG
COMPRESSED NATURAL GAS SURCHARGE INCENTIVE MECHANISM**

This surcharge mechanism is designed to promote and support the compressed natural gas ("CNG") market in the State of Oklahoma. Surcharge recoveries will be utilized to offer rebates as identified below to Oklahoma residents for the purchase of:

- 1) Dedicated and bi-fueled natural gas vehicles; and
- 2) Residential CNG fueling systems.

Application:

An additional per gasoline gallon equivalent ("GGE") surcharge is to be assessed at all Company owned and operated public CNG dispensers to fund the incentive plan as follows:

\$0.25 per GGE

Availability:

Vehicle rebates under this rate schedule shall be available to any:

- 1) Individual Oklahoma resident. The rebates contained within this rate schedule shall be exclusively for Natural Gas Vehicles ("NGVs") tagged, titled, and licensed by the Oklahoma Tax Commission for use on public streets and highways within the state of Oklahoma.
- 2) Commercial or industrial company doing business in Oklahoma. The rebates contained within this rate schedule shall be exclusively for NGVs tagged, titled, and licensed by the Oklahoma Tax Commission for use on public streets and highways within the state of Oklahoma.
- 3) Individual Oklahoma resident for installed CNG fueling systems purchased by the individual Oklahoma resident to serve their own NGVs at their home. The installed fueling system shall be utilized for NGVs tagged, titled, and licensed by the Oklahoma Tax Commission for use on public streets and highways within the state of Oklahoma.

Rates Authorized By The Oklahoma Corporation

Commission:

Effective

Order No.

Cause/Docket No.

Effective	Order No.	Cause/Docket No.

-
- 4) Monthly reports shall be submitted to the Director of the Public Utility Division of the Oklahoma Corporation Commission and to the Public Utility Unit of the Attorney General's Office of the State of Oklahoma for the first two (2) years of the program identifying:
- a) The dollar amount of surcharge recoveries through end of the monthly reporting period;
 - b) The number of rebates processed by individual program for the monthly reporting period;
 - c) The dollar amount of rebates processed by individual program for the monthly reporting period; and
 - d) The dollar amount of surcharge recoveries remaining at end of the monthly reporting period.

Incentives:

Eligible rebates shall be as follows:

- 1) Dedicated natural gas vehicle - \$2,500
- 2) Bi-fueled natural gas vehicle - \$1,500
- 3) Residential CNG fueling system - \$2,500

The Company may exceed these rebate levels in its sole discretion if surcharge recoveries are available at year end.

Terms and Conditions:

- 1. Rebates are capped at three (3) rebates per applicant per calendar year. The Company may exceed this cap in its sole discretion if surcharge recoveries are available at calendar year end. Otherwise, excess surcharge recoveries will roll over to the next calendar year.

<u>Rates Authorized By The Oklahoma Corporation Commission:</u>		
Effective	Order No.	Cause/Docket No.

-
2. A dedicated or bi-fueled natural gas vehicle must be an Original Equipment Manufacturer ("OEM") CNG vehicle or contain an Environmental Protection Agency/California Air Resources Board ("EPA/CARB") Certified Kit.
 3. A dedicated or bi-fueled natural gas vehicle must be a model year less than or equal to ten (10) years from the rebate application year.
 4. A dedicated or bi-fueled natural gas vehicle will qualify for only one rebate during its lifetime regardless of ownership.
 5. A dedicated or bi-fueled natural gas vehicle must have been purchased or converted within ninety (90) days of the applicant's request for a rebate subject only to the cap exception in the Company's sole discretion above.
 6. The purchase of dedicated and bi-fueled natural gas vehicles and the purchase of residential CNG fueling systems must occur after the Oklahoma Corporation Commission approval of this schedule.
 7. Dealers/installers do not qualify. Any business whose primary purpose is the sale, resale, renting or leasing of automobiles and trucks would not qualify.
 8. The Company requires each applicant to present a completed application and is unable to process incomplete applications. Applications must include the following information:
 - a) Vehicle identification number ("VIN");
 - b) Verification of liability insurance information;
 - c) Evidence of vehicle ownership such as the assigned Manufactures Certificate of Origin, purchase contract or bill of sale; and
 - d) Copy of the Application for Oklahoma Certificate of Title.
 9. Applications and additional information are available at www.OklahomaNaturalGas/CNG.

<u>Rates Authorized By The Oklahoma Corporation</u>		
<u>Commission:</u>		
<u>Effective</u>	<u>Order No.</u>	<u>Cause/Docket No.</u>

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10. The Company reserves the right to verify the applicant's eligibility for the rebate. The Company issues rebates in the form of checks and not utility credits. The Company is not responsible if the dealer/installer fails to provide accurate information about the amount of the rebate or eligibility. Rebate checks will be mailed approximately six (6) to eight (8) weeks after approval, subject to the availability of program funds.
11. Completed rebate applications will be reviewed and processed by the Company on a first-come, first-served basis until program funds are depleted. Rebate qualifications and amounts are subject to change. Rebate funds are limited. Funding guidelines for these rebates may be changed or discontinued at any time without notice. Please check for rebate updates at www.OklahomaNaturalGas/CNG.

<u>Rates Authorized By The Oklahoma Corporation</u>		
<u>Commission:</u>		
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<u>Rates Authorized By The Oklahoma Corporation</u>		
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<u>Rates Authorized By The Oklahoma Corporation Commission:</u>		
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