

CDT

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF PUBLIC SERVICE COMPANY)	
OF OKLAHOMA (“PSO”) FOR APPROVAL OF THE)	
COST RECOVERY OF FACILITIES TO BE)	CAUSE NO. PUD 202000097
LOCATED AT FT. SILL; A DETERMINATION)	
THERE IS A NEED FOR THE FACILITIES;)	
APPROVAL FOR FUTURE INCLUSION IN BASE)	
RATES FOR COST RECOVERY OF PRUDENT)	
COSTS INCURRED BY PSO FOR THE FACILITIES;)	ORDER NO: 718758
APPROVAL OF A TEMPORARY COST RECOVERY)	
RIDER; AND SUCH OTHER RELIEF THE)	
COMMISSION DEEMS PSO IS ENTITLED)	

HEARING: March 25, 26, and 29, 2021, in Courtroom B (virtual teleconference)
 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105
Before Dustin R. Murer, Administrative Law Judge

APPEARANCES: Jack P. Fite and Joann S. Worthington, Attorneys *representing*
 Public Service Company of Oklahoma
 Kyle Vazquez and Michael S. Ryan, Assistant General Counsels
representing Public Utility Division, Oklahoma
 Corporation Commission
 Jared B. Haines and A. Chase Snodgrass, Assistant Attorneys General
representing Office of Attorney General, State of Oklahoma
 Thomas P. Schroedter, Attorney *representing* Oklahoma Industrial
 Energy Consumers
 Rick D. Chamberlain, Attorney *representing* Walmart, Inc.
 Major Scott M. Frazee and John J. McNutt, Attorneys *representing*
 United States Department of Defense and all other Federal Executive
 Agencies

FINAL ORDER

BY THE COMMISSION:

The Corporation Commission (“Commission”) of the State of Oklahoma being regularly in session and the undersigned Commissioners present and participating, there comes on for consideration and action the above-captioned and numbered Application.

I. PROCEDURAL HISTORY

The procedural history of this proceeding through the date of the hearing held before the ALJ is attached as Attachment “A” to the Report and Recommendation of the ALJ filed on May 10, 2021 (“ALJ Report”), and is incorporated herein by reference.

On May 17, 2021, Public Service Company of Oklahoma (“PSO”) and the United States Department of Defense and all other Federal Executive Agencies (“DOD”) filed Exceptions to the ALJ Report. Additionally, PSO filed a Motion for Oral Argument.

On May 21, 2021, the Oklahoma Attorney General (“Attorney General”), Oklahoma Industrial Energy Consumers (“OIEC”), and Public Utility Division (“PUD”) filed Responses to the Exceptions of PSO and DOD.

On May 25, 2021, the Commission granted the Motion for Oral Argument without objection and proceeded to hear oral arguments on the Exceptions. The Commission considered the arguments of all counsel, and took the matter under advisement.

II. SUMMARY OF EVIDENCE

Documents filed in this Cause are contained in records kept by the Court Clerk of the Commission. Testimony was offered at the Hearing on the Merits. Witnesses testifying were Matthew A. Horeled, Mark A. Becker, Joseph G. DeRuntz, and John O. Aaron on behalf of PSO; Scott Norwood on behalf of Oklahoma Industrial Energy Consumers (“OIEC”); Lisa V. Perry on behalf of Walmart, Inc.; Michael F. McGhee on behalf of the DOD; Todd F. Bohrmann, Brice D. Betchan and James B. Alexander on behalf of the Attorney General; and Chris Bertus, David Melvin, Andrew Scribner and MaryDoris Casey on behalf of the PUD. The entirety of the testimony offered is contained in the transcript of these proceedings. The testimony summaries are included as Attachment “B” to the ALJ Report, and are incorporated herein by reference.

The exhibits that were admitted into the record at the Hearing on the Merits are contained in records kept by the Court Clerk of the Commission.

III. ACKNOWLEDGEMENT

The Commission acknowledges and appreciates the contributions Ft. Sill Army Base (“Ft. Sill”) has made to the security and economy of the State of Oklahoma. The Commission supports the U.S. Army’s policy for enhancing its bases’ ability to anticipate, prepare for, and adapt to changing conditions as well as withstand, respond, and recover from power disruptions. PSO’s proposal to isolate Ft. Sill, as needed, from the remainder of its grid contemplates a unique service offering for evaluation. However, such evaluation was performed under 17 O.S. § 286(C), the statute under which the Company filed its application and sought preapproval. Section 286(C) sets forth specific requirements for preapproval in Oklahoma and this unique service offering, as with any cause brought under the same Section, was considered under those statutory requirements.

IV. FINDINGS OF FACT AND CONCLUSIONS OF LAW

Based upon a review of the entire record in this Cause, including a thorough review of all the evidence, Exceptions, Responses to the Exceptions, and all arguments of counsel, the Commission makes the following findings of fact and conclusions of law.

1. THE COMMISSION FINDS that it is vested with jurisdiction by virtue of OKLA. CONST. art. IX, § 18 and 17 O.S. §§ 152, 153 and 286(C).

2. THE COMMISSION FURTHER FINDS that notice was proper and given as required by law and the rules of the Commission.

3. THE COMMISSION FURTHER FINDS that PSO requested the following relief on pages 2 and 3 of its Application:

- a. The RFP's complied with the Commission's rules on competitive bidding.
- b. PSO properly considered reasonable alternatives for the Project known in this Cause as the "FSEC."
- c. Need exists for the facilities that make up the Project and therefore they will be used-and-useful and subject to the Commission's cost recovery rules.
- d. The Commission approve a rider as proposed by the Company to recover the costs of the Project once a facility is declared commercial until the facilities are placed in base rates.
- e. The Commission approve a 30-year life for the Solar PV facility and the RICE facility.
- f. ITCs earned in any given year, and the proceeds from the sale of RECs, will be credited to the PSO Fuel Cost Adjustment Rider.

A. Applicable Law

4. THE COMMISSION FURTHER FINDS that PSO, as the applicant seeking preapproval of the FSEC, has the burden of proving its entitlement to such relief. *Southwestern Bell Tel. Co. v. Oklahoma Corp. Comm'n*, 1994 OK 38, ¶ 25, 873 P.2d 1001, 1008, *cert. denied*, 513 U.S. 869 (1995). Commission rules also reflect this notion. See OAC 165:5-9-1(b)(2)(B)(iii), OAC 165:5-13-3(f), and OAC 165:35-35-1(b). PSO bears the burden of proving that the FSEC meets the requirements of 17 O.S. § 286(C).

5. THE COMMISSION FURTHER FINDS that PSO's ability to construct, operate, and make the expenditures related to the FSEC are not at issue. It is well settled that matters of management discretion lie beyond the Commission's jurisdiction. That is, the Commission has no power to demand prior approval of construction plans for a new plant, but once it is built, the Commission is empowered to ascertain its effect upon the public rates. *Public Service Co. of Okla. v. Okla. Corp. Com'n*, 1983 OK 124, ¶ 11, 688 P.2d 1274, 1277. This power of determining the effect of a utility's action on the public rates is commonly referred to as the Commission's traditional, or general, authority under Section 18, Article IX of the Oklahoma Constitution along with 17 O.S. § 151, *et seq.* Thus, the Commission's decision in this case will not grant or deny permission to construct the proposed FSEC. PSO's management already has the authority and discretion it needs to invest and build the FSEC regardless of the Commission's decision in this case. Should PSO proceed to build the FSEC without preapproval, they may propose this investment in a future proceeding as *res judicata* is not applicable in legislative matters. *Sierra Club v. Corp. Comm'n*, 2018 OK 31, ¶ 11, 417 P.3d 1196.

6. THE COMMISSION FURTHER FINDS that the Commission's preapproval authority arises from authority bestowed to it by the Oklahoma Legislature. In 2005, the

Legislature codified Section 286 of Title 17 which authorizes the Commission to consider approval of a utility's investment before the in-service date in only three instances:

- a. Certain expenditures for "transmission upgrades."
- b. Certain "expenditures for equipment or facilities necessary to comply with" environmental requirements as enumerated by the statute.
- c. Certain expenditures involving the addition of electric generation facilities or electric capacity and/or energy through construction.

7. THE COMMISSION FURTHER FINDS that the Application in this Cause seeks preapproval pursuant to Section 286(C). *Application*, p. 2, ¶ III. This section allows for preapproval of an investment made by a utility when the Commission finds there is "a need" and after "consideration of reasonable alternatives." (Emphasis added.)

8. THE COMMISSION FURTHER FINDS that its rules on cost recovery promulgated under 17 O.S. § 286(C) allow it to consider cost recovery as proposed by applicants and other parties. *See* OAC 165:35-38-5(b).

9. THE COMMISSION FURTHER FINDS that, in order to determine all issues in this proceeding, it must determine whether a need exists for the FSEC, whether reasonable alternatives were considered, and what cost recovery would be appropriate. In doing so, the Commission must discharge its duties in a manner that adequately and fairly considers the interests of the public. *Sierra Club, Inc. v. Corp. Comm'n*, 2018 OK 31, ¶ 29-30, 417 P.3d 1196.

B. The Project Proposed for Preapproval

10. THE COMMISSION FURTHER FINDS that PSO's Application requests the Commission to grant preapproval and cost recovery of its proposal to invest \$117.9 million dollars to construct what it has named the Ft. Sill Energy Center ("FSEC"). DeRuntz Direct, 11:8. The FSEC is an islandable generation facility which consists of a 10.9 MW nameplate capacity solar facility and a 36 MW (comprised of 4, 9 MW units) nameplate capacity reciprocating internal combustion engine facility. *Id.* at 3:5-26. PSO would own and operate these facilities which are to be sited at the Ft. Sill Army Base in Comanche County, Oklahoma. *Id.* at 3:7-8.

11. THE COMMISSION FURTHER FINDS that PSO and Ft. Sill executed a lease which allows PSO to build the FSEC on Ft. Sill's property. The lease is for a thirty-year term with an option for an additional ten-years that Ft. Sill may exercise. McGhee Direct, 5:16-26. In exchange for the use of the land, PSO is ensuring the FSEC will be utilized exclusively for powering Ft. Sill in times of a regional grid failure. Horeled Direct, 5:1-2. For example, this could include events such as a terrorist attack or large weather event. Horeled Cross, Tr. 14-15:13-21. If islanded, the FSEC would only provide power to the Ft. Sill Army Base. McGhee Cross, Tr. 57:13-16.

12. THE COMMISSION FURTHER FINDS that the FSEC was designed in collaboration with Ft. Sill and was designed to meet the specific needs of Ft. Sill. Becker

Rebuttal 2:22-23, 3:2-5; Becker Cross, Tr. 34:13-25, 35:1-5; McGhee Cross, Tr. 56:22-57:7; Horeled Cross, Tr. 69:4-13.

13. THE COMMISSION FURTHER FINDS that PSO does not offer a service whereby customers may use PSO generation facilities to isolate from the electric grid, except for this proposal to meet the special needs of Ft. Sill. Bohrmann Responsive, 13:5 6; Alexander Responsive 7:9-13; Horeled Cross, Tr. 38:16-20.

14. THE COMMISSION FURTHER FINDS that PSO has entered into an agreement with Ft. Sill that gives the Army the legal right to island Ft. Sill and the FSEC from the rest of the grid on the occurrence of certain events. Horeled Cross, Tr. 14:9-15:17, 24:2-14; McGhee Cross, Tr. 57:17-22.

15. THE COMMISSION FURTHER FINDS that but for Ft. Sill's special need for islandable power, the addition of capacity to PSO's system would not need to be located at Ft. Sill. Horeled Cross, Tr. 69:14-17; Becker Cross, Tr. 35:10-13; McGhee Cross, Tr. 57:8-12.

16. THE COMMISSION FURTHER FINDS that, if PSO's Application for preapproval is approved, the proposed solar and RICE generation facilities are expected to commence commercial operations in March 2022 and October 2023, respectively. DeRuntz Direct, 10-11, Tables 2 and 3.

17. THE COMMISSION FURTHER FINDS that PSO seeks rider recovery for both facilities once they enter service and proposes allocating the full cost of both facilities including with a return based on the Company's current weighted average cost of capital using its production demand allocator, as approved in its most recent rate case. Aaron Direct, 4:19-6:20. As requested, the cost recovery rider would continue until the facilities are placed into base rates. *Id.* at 5:12-17; Application, p. 2, ¶ F.

18. THE COMMISSION FURTHER FINDS that the impact, as requested, of the FSEC on a typical residential bill would occur in two phases as the solar and RICE portion are placed into service. As proposed by PSO, phase one would result in a \$0.25 (0.20%) increase on a typical monthly residential bill reflecting the impact of the solar facilities beginning in April 2022. Aaron Direct, 5:6-8. Phase two, as proposed, would result in a \$1.64 (1.34%) increase on a typical monthly residential bill reflecting the impact of the solar and RICE facilities beginning in November 2023. *Id.* at 5:8-10.

C. Need under 17 O.S. § 286(C)

19. THE COMMISSION FURTHER FINDS that 17 O.S. § 286(C) provides, in part: "If, and to the extent that, the Commission determines there is a *need* for *construction* or purchase of such *electric generating facility*, the generating facility shall be considered used and useful and its cost shall be subject to cost recovery rules promulgated by the Commission." (Emphasis added.)

20. THE COMMISSION FURTHER FINDS that PSO did not update discovery responses related to its capacity needs through the pendency of this Cause. PSO witness

Mr. Becker stated in his direct testimony that PSO forecasted a capacity shortfall of 510 megawatts in 2022. Becker Direct, 3:22-23. However, in cross-examination, Mr. Becker testified that this is no longer the case because last year PSO purchased enough capacity to cover its reserve margin shortfall for 2022, 2023, and 2024. Becker Cross, Tr. 12:8-24. When asked to explain why he did not correct his direct testimony, Mr. Becker said that in his direct testimony, PSO was not looking at the current situation, but was looking at what the capacity shortfall was in 2018, when PSO was making decisions to add the RICE and solar facilities at Ft. Sill. *Id.* at 12:25-14:1.

21. THE COMMISSION FURTHER FINDS that Mr. Becker testified that PSO will have roughly 50 megawatts of excess capacity with those short-term purchases and that it will not need capacity until 2025 and 2026, when it will need roughly 600 megawatts. *Id.* at 12:17-22. Mr. Becker testified that in 2027, after the Northeastern 3 plant retires, PSO will need roughly 1100 megawatts. *Id.* at 12:23-24.

22. THE COMMISSION FURTHER FINDS that despite PSO not updating its capacity position through the pendency of this Cause, PSO established a need for capacity as it is facing a capacity deficit of roughly 600 megawatts on or around 2025 and 2026 and an additional 1100 megawatts of capacity in 2027 after Northeastern 3 retires. *Id.* at 12:17-24.

23. THE COMMISSION FURTHER FINDS that PSO has demonstrated the FSEC will provide highly reliable, resilient, and quick ramping resources to serve the needs of the U.S. Army and Ft. Sill.

24. THE COMMISSION FURTHER FINDS that the FSEC would meet the reliability and resiliency needs of Ft. Sill while providing some generation capacity benefits for PSO's general body of customers.

D. Consideration of Reasonable Alternatives

25. THE COMMISSION FURTHER FINDS that, as part of its consideration of alternatives, PSO evaluated its options to a location and generation technology specially suited to meet the resiliency needs of Ft. Sill to provide islandable power. Becker Rebuttal, Tr. 2:22-23, 3:5; Becker Cross, Tr. 34:13-25, 35:1-5; McGhee Cross, Tr. 56:22-57:7; Horeled Cross, Tr. 69:4-13.

26. THE COMMISSION FURTHER FINDS that PSO's selection of the solar facility is reasonable and that the solar project imposes de minimis incremental cost to customers over the life of the facility. Bohrmann Responsive, Tr. 14:4-8.

27. THE COMMISSION FURTHER FINDS that, as described further below, PSO's selection of the RICE facility imposes substantial incremental costs on its customers when compared with capacity alternatives available to PSO without regard to location, generation technology, or the service requirements of Ft. Sill. Bohrmann Responsive, Tr. 14:4-6.

28. THE COMMISSION FURTHER FINDS that the Ft. Sill solar and RICE resources were modeled in PSO's 2018 IRP and identified as a going-in capacity. ALJ Question to Horeled, Tr. 80:8-81:1; Bohrmann Responsive, 17:1-6.

29. THE COMMISSION FURTHER FINDS that reasonable alternatives were considered to provide a unique, extremely reliable and islandable service offering to Ft. Sill while also providing some capacity to its overall customer base. The reasonableness of the alternatives considered depends specifically on the need to provide the U.S. Army with PSO's new, unique, extremely reliable and islandable service.

E. Cost Recovery

30. THE COMMISSION FURTHER FINDS that if the FSEC were approved as requested by PSO, the overall body of PSO's customers would pay for the project, even though major aspects of the project were intended to provide PSO's new service to Fort Still. Horeled Cross, Tr. 70:1-6; McGhee Cross, Tr. 58:16-21.

31. THE COMMISSION FURTHER FINDS that the costs incurred to provide PSO's new service to FSEC contribute a substantial amount to the estimated revenue requirement of the FSEC, based on comparison to capacity alternatives that could be used to meet PSO's capacity needs generally.

32. THE COMMISSION FURTHER FINDS that when compared with alternatives available to PSO without regard to location, generation technology, or the service requirements of Ft. Sill, PSO's selection of the RICE facility imposes substantial incremental costs on its customers. These additional incremental costs are not necessary to meet PSO's capacity reserve margin in its service to customers and are unreasonable and unjust. Bohrmann Responsive, 14:4-6.

33. THE COMMISSION FURTHER FINDS that PSO is endeavoring to offer a new, unique, extremely reliable, islandable service to a customer which service is not authorized by a Commission approved tariff. Thus, the Commission authorizes a waiver of its rules applicable to filing for Commission approval of a special contract and authorizes the service proposed to be offered to Ft. Sill.

F. PSO's 2020 Capacity RFP

34. THE COMMISSION FURTHER FINDS that six weeks after issuing the RFP for the FSEC, PSO issued a capacity RFP for up to 800 MW of capacity for a maximum of five years ("PSO 2020 Capacity RFP").¹ Bohrmann Responsive, 18:12-14.

¹ While PSO's 2020 Capacity RFP called for base proposals with durations of three to five years, it also allowed for "alternative" proposals, which could include capacity purchases of varying duration or outright ownership of generation capacity assets.

35. THE COMMISSION FURTHER FINDS that responses to the PSO 2020 Capacity RFP were due on April 16, 2020, which was nearly four months prior to the scheduled date in which PSO would award the contracts for the FSEC on August 12, 2020. *Id.* at 18:14-17.

36. THE COMMISSION FURTHER FINDS that if the Company was seeking additional capacity without regard to location within the SPP, generation technology, or the service requirements of one customer, PSO may have sought to increase the capacity it would have purchased from the successful bidder during the PSO 2020 Capacity RFP. *Id.* at 18:6-10; Bohrmann Sur-Reb., Tr. 65:24-66:2.

37. THE COMMISSION FURTHER FINDS that for the purpose of comparing reasonable alternatives for 36 MW capacity from the RICE facility, the Company could have compared the contemporary market data collected from the PSO 2020 Capacity RFP with the winning bids for the RICE facility, but the Company did not do so. Bohrmann Responsive, 18:17-20, Ex. TFB-5.

38. THE COMMISSION FURTHER FINDS that PSO received two alternate proposals to its 2020 Capacity RFP that provide a reasonable basis to estimate the current market price for natural gas-fired capacity in the SPP. *Id.* at 19:19-20:1.

39. THE COMMISSION FURTHER FINDS that these two proposals provide capacity at a substantial discount to the \$2,500 per kW estimate for the FSEC. *Id.* at Ex. TFB-7.

40. THE COMMISSION FURTHER FINDS that using the PSO 2020 Capacity RFP as a proxy for capacity cost, customers would face an increased bill of \$0.27 per month rather than the \$1.27 impact expected for the RICE facility as proposed by PSO. Betchan Responsive, Ex. BDB-9; Alexander Responsive, 11, Table 1.

G. Generic EIA Cost Estimates

41. THE COMMISSION FURTHER FINDS that as an alternative to the FSEC, PSO could have sought to build or purchase all or a part of other newly built capacity assets. Bohrmann Responsive, 22:3-18, Ex. TFB-9; Bohrmann Redirect, Tr. 82:17-83:7.

42. THE COMMISSION FURTHER FINDS that data published in the U.S. Energy Information Administration's *Capital Cost and Performance Characteristic Estimates for Utility Scale Electric Generating Technologies* is a reasonable proxy to compare newly built capacity assets to the proposed FSEC. Bohrmann Cross, Tr. 75:14-20.

43. THE COMMISSION FURTHER FINDS that using the U.S. Energy Information Administration data for a combined cycle natural gas generation facility as a proxy for 36 MW of capacity, the recalculated annual revenue requirement through 2052 is estimated to be \$104.8 million less than PSO's estimate for the RICE facilities on a net present value basis. Betchan Responsive, Ex. BDB-7.

44. THE COMMISSION FURTHER FINDS that using the U.S. Energy Information Administration data as a proxy for 36 MW of capacity, residential customers would face an

increased bill of \$0.54 per month rather than the \$1.27 impact expected for the RICE facility as proposed by PSO. Alexander Responsive, 11, Table 1.

H. Cost Allocation

45. THE COMMISSION FURTHER FINDS that the incremental costs incurred for the RICE facility are not necessary to provide generation capacity for the benefit of customers. Bohrmann Responsive, 20:15-19.

46. THE COMMISSION FURTHER FINDS that the FSEC should be approved with modifications to PSO's recovery of the RICE facilities.

47. THE COMMISSION FURTHER FINDS that PSO's customers' cost responsibility for the proposed action should be no greater than the revenue requirement for an equivalent amount of capacity located elsewhere on the grid, in order to ensure the interests of the public are fairly protected. *Id.* at 24:1-15.

48. THE COMMISSION FURTHER FINDS that it is most reasonable to limit the cost responsibility of PSO's customers for the proposed RICE facility for the life of the project to the U.S. Energy Information Administration data proxy for 36 MW of capacity as calculated by the Attorney General in Ex. BDB-7 and Ex. TFB-10, incorporated and appended hereto as Attachments 1 and 2, respectively.

49. THE COMMISSION FURTHER FINDS that this limited recovery recognizes the capacity benefits received by PSO's overall customer base while protecting them from the incremental costs incurred by PSO to develop the project to meet the specific requested needs of Ft. Sill. Bohrmann Responsive, 24:6-8.

50. THE COMMISSION FURTHER FINDS that this limited recovery appropriately allocates costs to PSO's overall customer base while providing a substantial contribution to the construction of the FSEC and furtherance of the goals of the U.S. Army.

I. Rider Recovery

51. THE COMMISSION FURTHER FINDS that PSO has proposed recovering the revenue requirement of the FSEC through the Solar and Rice Asset Rider ("SRA Rider") until its costs can be included in a base rate proceeding. Aaron Direct, 5:12-23.

52. THE COMMISSION FURTHER FINDS that the cash flows associated with recovery through a rider mechanism are far more certain than recovery through base rates. Bohrmann Responsive, 27:1-3; Bohrmann Sur-Reb., Tr. 68:13-17.

53. THE COMMISSION FURTHER FINDS that the cost of capital included in a rider should more closely reflect PSO's reduced risk of non-recovery of costs that are recovered through the rider, compared with base rate recovery. Bohrmann Responsive, 27:6-14; Bohrmann Sur-Reb., Tr. 68:13-69:5.

54. THE COMMISSION FURTHER FINDS that it is reasonable to set the return on the net book value of the FSEC facilities at PSO's cost of debt for the temporary SRA Rider. The allowable revenue requirement for the proposed RICE facility set out in Ex. BDB-7 and Ex. TFB-10 (Attachments 1-2 hereto) already includes a cost of debt for the temporary period of rider recovery.

55. THE COMMISSION FURTHER FINDS that VOM major maintenance expenses should not be recovered through a rider, but instead, PSO would be allowed to request recovery through normal means, such as in a general rate case. Betchan Responsive, 17:17-19.

56. THE COMMISSION FURTHER FINDS that the temporary SRA Rider should be approved subject to the above referenced limitations.

J. Alleged Ancillary Services Benefits

57. THE COMMISSION FURTHER FINDS that the value of the black-start capabilities of the RICE units were not quantified by PSO, but such capabilities may primarily benefit Ft.Sill due to the fact that the base would likely be islanded on any occurrence that would require a black start capability. Alexander Redirect, Tr. 111:14-112:5.

58. THE COMMISSION FURTHER FINDS that the RICE units proposed as part of the FSEC are peaking units, yet PSO has not identified a need in any particular load center for peaking generation. Horeled Cross, Tr. 67:25-68:8; Becker Cross, Tr. 31:5-15; Hearing Ex. 14.

59. THE COMMISSION FURTHER FINDS that PSO has not performed any analysis of the need for generation facilities providing ancillary services to stabilize the grid. Horeled Cross, Tr. 68:10-17; Becker Cross, Tr. 32:18-33:7; Hearing Ex. 15.

60. THE COMMISSION FURTHER FINDS that PSO has not performed any analysis to determine whether the RICE units have grid stabilization value. Horeled Cross, Tr. 68:18-21; Becker Cross, Tr. 34:1-5; Hearing Ex. 16.

61. THE COMMISSION FURTHER FINDS that it does not rely on the existence of any benefits to the bulk electric system or PSO's general body of ratepayers in reaching its decisions in this case. The presence of such benefits that can be quantified and attributed to ratepayers has not been substantiated.

62. THE COMMISSION FURTHER FINDS PSO should file a rate case at the earliest possible date at which costs associated with the FSEC can be included in an historic test year, or no later than January 1, 2025, as required pursuant to Order No. 708933.

V. ORDER

IT IS THEREFORE THE ORDER OF THE CORPORATION COMMISSION OF OKLAHOMA that PSO's Application for pre-approval of the Ft. Sill Energy Center shall be approved, subject to the limitations noted hereinabove.

IT IS FURTHER ORDERED THAT the cost responsibility of PSO's customers for the proposed RICE facility shall be limited to the U.S. Energy Information Administration data proxy for 36 MW of capacity as calculated by the Attorney General in Ex. BDB-7 and Ex. TFB-10.

IT IS FURTHER ORDERED THAT the return on the net book value of the Ft. Sill Energy Center facilities shall be set at PSO's cost of debt for the temporary SRA Rider.

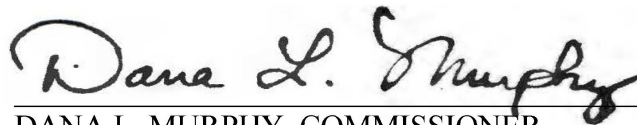
CORPORATION COMMISSION OF OKLAHOMA



J. TODD HIETT, CHAIRMAN

Does not support the order/separate opinion attached

BOB ANTHONY, VICE CHAIRMAN




DANA L. MURPHY, COMMISSIONER

CERTIFICATION

DONE AND PERFORMED by the Commissioners participating in the making of this Order, as shown by their signatures above, this 7th day of June, 2021.

BY ORDER OF THE COMMISSION:



KYNDEL LEATHEROCK, Acting Secretary

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

**APPLICATION OF PUBLIC SERVICE)
COMPANY OF OKLAHOMA (“PSO”) FOR)
APPROVAL OF THE COST RECOVERY OF)
FACILITIES TO BE LOCATED AT FT. SILL;)
A DETERMINATION THERE IS A NEED)
FOR THE FACILITIES; APPROVAL FOR)
FUTURE INCLUSION IN BASE RATES FOR)
COST RECOVERY OF PRUDENT COSTS)
INCURRED BY PSO FOR THE FACILITIES;)
APPROVAL OF A TEMPORARY COST)
RECOVERY RIDER; AND SUCH OTHER)
RELIEF THE COMMISSION DEEMS PSO IS)
ENTITLED)**

Cause No. PUD 202000097

SEPARATE OPINION BY COMMISSIONER BOB ANTHONY

Time will tell if today’s “limited” approval meets the need.

To enable Ft. Sill to strengthen its strategic energy resilience using secure on-site facilities required by Army Directive 2020-03, the Oklahoma Corporation Commission should have issued a timely order acceptable to both the U.S. Department of Defense and Public Service Company of Oklahoma (PSO).

June 7, 2021

ATTACHMENT 1

Combined Cycle - New Build Approach WACC

Combined Cycle - New Build Approach WACC
36 MW Combined Cycle
Project Revenue Requirement

Line	Year	1 2023	2 2024	3 2025	4 2026	5 2027	6 2028	7 2029	8 2030	9 2031	10 2032	11 2033	12 2034	13 2035	14 2036	15 2037	16 2038	17 2039	18 2040	
Rate Base (\$ Millions)																				
1	Plant In Service	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	
2	ARO Asset	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	
3	Accumulated Depreciation - Fixed Asset		(\$1.50)	(\$3.00)	(\$4.50)	(\$5.99)	(\$7.49)	(\$8.99)	(\$10.49)	(\$11.99)	(\$13.49)	(\$14.99)	(\$16.48)	(\$17.98)	(\$19.48)	(\$20.98)	(\$22.48)	(\$23.98)	(\$25.48)	
4	Accumulated Depreciation - ARO		(\$0.01)	(\$0.03)	(\$0.04)	(\$0.06)	(\$0.07)	(\$0.09)	(\$0.10)	(\$0.12)	(\$0.13)	(\$0.15)	(\$0.16)	(\$0.17)	(\$0.19)	(\$0.20)	(\$0.22)	(\$0.23)	(\$0.25)	
5	ARO Liability	(\$0.45)	(\$0.47)	(\$0.49)	(\$0.52)	(\$0.54)	(\$0.57)	(\$0.59)	(\$0.62)	(\$0.65)	(\$0.68)	(\$0.71)	(\$0.75)	(\$0.78)	(\$0.82)	(\$0.86)	(\$0.90)	(\$0.94)	(\$0.99)	
6	Net Rate Base	\$44.96	\$43.42	\$41.89	\$40.35	\$38.81	\$37.28	\$35.74	\$34.19	\$32.65	\$31.11	\$29.56	\$28.02	\$26.47	\$24.92	\$23.37	\$21.81	\$20.26	\$18.70	
7	Accumulated Deferred Income Taxes	(\$0.03)	(\$0.44)	(\$0.79)	(\$1.08)	(\$1.32)	(\$1.51)	(\$1.66)	(\$1.76)	(\$1.86)	(\$1.96)	(\$2.06)	(\$2.16)	(\$2.26)	(\$2.36)	(\$2.46)	(\$2.55)	(\$2.65)	(\$2.74)	
8	Net Rate Base - including ADIT	\$44.93	\$42.98	\$41.10	\$39.27	\$37.50	\$35.77	\$34.08	\$32.43	\$30.79	\$29.14	\$27.50	\$25.85	\$24.21	\$22.56	\$20.91	\$19.26	\$17.61	\$15.95	
9																				
10	Beg/Ending Avg Rate Base-2023		\$44.17	\$42.04	\$40.19	\$38.39	\$36.63	\$34.92	\$33.25	\$31.61	\$29.97	\$28.32	\$26.68	\$25.03	\$23.38	\$21.73	\$20.08	\$18.43	\$16.78	
11																				
12	Retail Return on Rate Base	6.97%	\$3.08	\$2.93	\$2.80	\$2.68	\$2.55	\$2.44	\$2.32	\$2.20	\$2.09	\$1.97	\$1.86	\$1.75	\$1.63	\$1.52	\$1.40	\$1.29	\$1.17	
13																				
14	Tax Calculation																			
15	Return on Rate Base		\$3.08	\$2.93	\$2.80	\$2.68	\$2.55	\$2.44	\$2.32	\$2.20	\$2.09	\$1.97	\$1.86	\$1.75	\$1.63	\$1.52	\$1.40	\$1.29	\$1.17	
16	Less: Synchronized Interest	2.45%	(\$1.08)	(\$1.03)	(\$0.98)	(\$0.94)	(\$0.90)	(\$0.85)	(\$0.81)	(\$0.77)	(\$0.73)	(\$0.69)	(\$0.65)	(\$0.61)	(\$0.57)	(\$0.53)	(\$0.49)	(\$0.45)	(\$0.41)	
17	Less: ITC Amortization		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
18	Add: Book Depreciation AFUDC Equity		\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	
19	Taxable Component of Return		\$2.05	\$1.96	\$1.87	\$1.79	\$1.71	\$1.63	\$1.56	\$1.48	\$1.41	\$1.34	\$1.26	\$1.19	\$1.11	\$1.04	\$0.96	\$0.89	\$0.81	
20	Tax Factor	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	
21	Federal and State Income Tax Before Adjustment		\$0.70	\$0.67	\$0.64	\$0.61	\$0.59	\$0.56	\$0.53	\$0.51	\$0.48	\$0.46	\$0.43	\$0.41	\$0.38	\$0.36	\$0.33	\$0.30	\$0.28	
22	ITC Amortization		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
23	Total Federal and State Income Tax		\$0.70	\$0.67	\$0.64	\$0.61	\$0.59	\$0.56	\$0.53	\$0.51	\$0.48	\$0.46	\$0.43	\$0.41	\$0.38	\$0.36	\$0.33	\$0.30	\$0.28	
24																				
25	Fixed Expenses																			
26	Depreciation Expense - Fixed Asset (Excluding ARO)		\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	
27	Depreciation Expense - ARO		\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	
28	Accretion Expense - ARO		\$0.02	\$0.02	\$0.02	\$0.02	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03	\$0.04	\$0.04	\$0.04	\$0.04	\$0.04	\$0.04	
29	O&M Expense - 36 MW CC		\$1.31	\$1.34	\$1.37	\$1.40	\$1.43	\$1.46	\$1.49	\$1.52	\$1.56	\$1.59	\$1.63	\$1.66	\$1.70	\$1.74	\$1.78	\$1.82	\$1.86	
30	Total		\$2.84	\$2.87	\$2.90	\$2.94	\$2.97	\$3.00	\$3.03	\$3.07	\$3.10	\$3.14	\$3.17	\$3.21	\$3.25	\$3.29	\$3.33	\$3.37	\$3.41	
31																				
32	Total Project Revenue Requirement		\$6.63	\$6.48	\$6.35	\$6.23	\$6.11	\$6.00	\$5.89	\$5.78	\$5.68	\$5.57	\$5.47	\$5.36	\$5.26	\$5.16	\$5.06	\$4.96	\$4.86	
33																				
34	PSO Retail Revenue Requirement		\$6.62	\$6.47	\$6.34	\$6.22	\$6.10	\$5.99	\$5.88	\$5.78	\$5.67	\$5.57	\$5.46	\$5.36	\$5.26	\$5.16	\$5.06	\$4.96	\$4.86	
35																				
36	Jurisdictional Allocation																			
37	PSO Retail Share of Project		99.91%																	
38	PSO Wholesale Share of Project		0.09%																	
39			<u>100.00%</u>																	
	PSO Proposed Retail Revenue Requirement		\$15.56	\$15.28	\$15.06	\$14.84	\$14.64	\$18.21	\$14.28	\$14.11	\$13.94	\$13.78	\$13.62	\$13.46	\$13.31	\$13.16	\$13.02	\$12.88	\$12.74	
	Attorney General's 36 MW Alternative Savings		\$8.94	\$8.81	\$8.71	\$8.62	\$8.54	\$12.22	\$8.40	\$8.33	\$8.27	\$8.21	\$8.16	\$8.10	\$8.05	\$8.01	\$7.96	\$7.92	\$7.88	
	Cumulative Savings		\$240.17																	
	NPV of Cumulative Savings		\$104.83																	

Combined Cycle - New Build Approach WACC
36 MW Combined Cycle
Project Revenue Requirement

Line	Year	18 2041	19 2042	20 2043	21 2044	22 2045	23 2046	24 2047	25 2048	26 2049	27 2050	28 2051	29 2052	
Rate Base (\$ Millions)														
1	Plant In Service	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	\$44.96	
2	ARO Asset	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	
3	Accumulated Depreciation - Fixed Asset	(\$26.97)	(\$28.47)	(\$29.97)	(\$31.47)	(\$32.97)	(\$34.47)	(\$35.97)	(\$37.46)	(\$38.96)	(\$40.46)	(\$41.96)	(\$43.46)	
4	Accumulated Depreciation - ARO	(\$0.26)	(\$0.28)	(\$0.29)	(\$0.31)	(\$0.32)	(\$0.33)	(\$0.35)	(\$0.36)	(\$0.38)	(\$0.39)	(\$0.41)	(\$0.42)	
5	ARO Liability	(\$1.03)	(\$1.08)	(\$1.13)	(\$1.19)	(\$1.24)	(\$1.30)	(\$1.36)	(\$1.43)	(\$1.49)	(\$1.56)	(\$1.64)	(\$1.72)	
6	Net Rate Base	\$17.14	\$15.58	\$14.01	\$12.45	\$10.88	\$9.31	\$7.73	\$6.15	\$4.57	\$2.99	\$1.40	(\$0.19)	
7	Accumulated Deferred Income Taxes	(\$2.84)	(\$2.94)	(\$2.78)	(\$2.38)	(\$1.98)	(\$1.58)	(\$1.18)	(\$0.78)	(\$0.37)	\$0.03	\$0.44	\$0.84	
8	Net Rate Base - including ADIT	\$14.30	\$12.64	\$11.23	\$10.06	\$8.89	\$7.72	\$6.55	\$5.38	\$4.20	\$3.02	\$1.84	\$0.66	
9														
10	Beg/Ending Avg Rate Base-2023	\$15.13	\$13.47	\$11.94	\$10.65	\$9.48	\$8.31	\$7.14	\$5.96	\$4.79	\$3.61	\$2.43	\$1.25	
11														
12	Retail Return on Rate Base	6.97%	\$1.05	\$0.94	\$0.83	\$0.74	\$0.66	\$0.58	\$0.50	\$0.42	\$0.33	\$0.25	\$0.17	
13														
14	Tax Calculation													
15	Return on Rate Base	\$1.05	\$0.94	\$0.83	\$0.74	\$0.66	\$0.58	\$0.50	\$0.42	\$0.33	\$0.25	\$0.17	\$0.09	
16	Less: Synchronized Interest	2.45%	(\$0.37)	(\$0.33)	(\$0.29)	(\$0.26)	(\$0.23)	(\$0.20)	(\$0.17)	(\$0.15)	(\$0.12)	(\$0.09)	(\$0.06)	
17	Less: ITC Amortization	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
18	Add: Book Depreciation AFUDC Equity	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	
19	Taxable Component of Return	\$0.74	\$0.66	\$0.59	\$0.54	\$0.48	\$0.43	\$0.38	\$0.32	\$0.27	\$0.22	\$0.16	\$0.11	
20	Tax Factor	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	34.292%	
21	Federal and State Income Tax Before Adjustment	\$0.25	\$0.23	\$0.20	\$0.18	\$0.17	\$0.15	\$0.13	\$0.11	\$0.09	\$0.07	\$0.06	\$0.04	
22	ITC Amortization	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
23	Total Federal and State Income Tax	\$0.25	\$0.23	\$0.20	\$0.18	\$0.17	\$0.15	\$0.13	\$0.11	\$0.09	\$0.07	\$0.06	\$0.04	
24														
25	Fixed Expenses													
26	Depreciation Expense - Fixed Asset (Excluding ARO)	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	
27	Depreciation Expense - ARO	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	
28	Accretion Expense - ARO	\$0.05	\$0.05	\$0.05	\$0.05	\$0.06	\$0.06	\$0.06	\$0.06	\$0.07	\$0.07	\$0.07	\$0.08	
29	O&M Expense - 36 MW CC	\$1.90	\$1.94	\$1.98	\$2.03	\$2.07	\$2.12	\$2.16	\$2.21	\$2.26	\$2.31	\$2.36	\$2.42	
30	Total	\$3.46	\$3.50	\$3.55	\$3.59	\$3.64	\$3.69	\$3.74	\$3.79	\$3.84	\$3.89	\$3.95	\$4.01	
31														
32	Total Project Revenue Requirement	\$4.76	\$4.67	\$4.58	\$4.52	\$4.47	\$4.41	\$4.36	\$4.32	\$4.27	\$4.22	\$4.18	\$4.13	
33														
34	PSO Retail Revenue Requirement	\$4.76	\$4.66	\$4.58	\$4.51	\$4.46	\$4.41	\$4.36	\$4.31	\$4.26	\$4.22	\$4.17	\$4.13	
35														
36	Jurisdictional Allocation													
37	PSO Retail Share of Project		99.91%											
38	PSO Wholesale Share of Project		0.09%											
39			100.00%											
	PSO Proposed Retail Revenue Requirement	\$12.61	\$12.48	\$12.38	\$12.32	\$12.30	\$12.28	\$12.26	\$12.25	\$12.25	\$12.25	\$12.25	\$12.26	
	Attorney General's 36 MW Alternative Savings	\$7.85	\$7.81	\$7.80	\$7.81	\$7.84	\$7.87	\$7.90	\$7.94	\$7.98	\$8.03	\$8.08	\$8.14	
	Cumulative Savings													
	NPV of Cumulative Savings													

ATTACHMENT 2

*Cause No. PUD 202000097
Public Service Company of Oklahoma
Exhibit TFB-10*

PUBLIC SERVICE COMPANY OF OKLAHOMA ANNUAL REVENUE REQUIREMENT RICE FACILITY (\$ Millions)

Year	PSO As-Filed	AG Recommendation
2024	\$15.6	\$5.3
2025	\$15.3	\$5.8
2026	\$15.1	\$6.3
2027	\$14.8	\$6.2
2028	\$14.6	\$6.1
2029	\$18.2	\$6.0
2030	\$14.3	\$5.9
2031	\$14.1	\$5.8
2032	\$13.9	\$5.7
2033	\$13.8	\$5.6
2034	\$13.6	\$5.5
2035	\$13.5	\$5.4
2036	\$13.3	\$5.3
2037	\$13.2	\$5.2
2038	\$13.0	\$5.1
2039	\$12.9	\$5.0
2040	\$12.7	\$4.9
2041	\$12.6	\$4.8
2042	\$12.5	\$4.7
2043	\$12.4	\$4.6
2044	\$12.3	\$4.5
2045	\$12.3	\$4.5
2046	\$12.3	\$4.4
2047	\$12.3	\$4.4
2048	\$12.3	\$4.3
2049	\$12.2	\$4.3
2050	\$12.2	\$4.2
2051	\$12.3	\$4.2
2052	\$12.3	\$4.1