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BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF PUBLIC SERVICE COMPANY)
OF OKLAHOMA TO COMPLY WITH ORDER NO.) CAUSE NO. PUD 200700449
545168 ISSUED IN CAUSE NO. PUD 200600285)

Hearing: April 8, 2008
Before Jacqueline T. Miller, Administrative Law Judge

Appearances: Jack P. Fite, Attorney, Public Service Company of Oklahoma;
Teryl Leslie Williams, Assistant General Counsel, Oklahoma Corporation Commission for the Public Utility Division;
William L. Humes, Elizabeth Ryan and Whitney Weingartner, Assistant Attorney General, Office of the Attorney General;
Thomas P. Schroedter, James D. Satrom and J. Fred Gist, Attorneys for Oklahoma Industrial Energy Consumers;
Harlan Hentges, Attorney for ClimateMaster, Inc., Oklahoma Sustainability Network and Sierra Club;
Lee W. Paden, Attorney for Quality of Service Coalition;
Glenn M. White, Karl F. Hirsch and Robert A. Weishaar, Jr., Attorneys for Gerdau Ameristeel Corporation;
Mickey S. Moon, Attorney for CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Oklahoma Gas;
Deborah R. Thompson and Cheryl A. Vaught, Attorneys for Redbud Energy, L.P.;
Joseph L. McCormick IV, David E. Keglovits and Vivian C. Hale, Attorneys for Oklahoma Natural Gas Company, a Division of ONEOK, Inc.;
Rick D. Chamberlain and Cheri M. Wheeler, Attorneys for Wal-Mart Stores East, LP; and
Steven G. Cousparis, Nancy J. Siegel and Mary Lockhart, Attorneys for the City of Tulsa

REPORT AND RECOMMENDATIONS OF THE ADMINISTRATIVE LAW JUDGE

The genesis of this cause was Commission Order No. 545168 ("Order") issued on October 9, 2007, in PSO's most recent rate case, Cause No. PUD 200600285.

The Order directed PSO to file an application with the Commission within sixty days of the effective date of the Order seeking approval of comprehensive and cost effective demand programs to begin in 2008, and ordered PSO to develop a tariff consistent with Gerdau Ameristeel Corporation's recommendations in that proceeding. (Final Order No. 545168, pp. 162-3, J(1) and K)

I. PROCEDURAL HISTORY

The application in this cause was filed December 12, 2007, requesting approval of various programs and tariffs that, according to PSO, would fulfill the requirements of the Order. Participants in this proceeding included the Public Utility Division of the Oklahoma Corporation Commission ("Staff") and the Office of the Attorney General. The Commission entered orders at various times allowing the following parties to intervene and participate in this docket: Oklahoma Industrial Energy Consumers ("OIEC"); ClimateMaster, Inc. (ClimateMaster); Oklahoma Sustainability Network; Sierra Club; Quality of Service Coalition ("QOSC"); Gerdau Ameristeel Corporation ("Gerdau"); CenterPoint Energy Resources, Corp., d/b/a CenterPoint Energy Oklahoma Gas ("CenterPoint"); Redbud Energy, L.P. ("Redbud"); Oklahoma Natural Gas Company, a division of ONEOK, Inc. ("ONG"); Wal-Mart Stores East, LP ("Wal-Mart"); and The City of Tulsa ("Tulsa").

On December 12, 2007, PSO filed the Direct Testimony of Billy G. Berny, Kathy J. Champion, Will Castle and William L. Brooks. On December 14, 2007, PSO filed a Motion for Procedural Schedule and to Determine Notice. On December 14, 2007, PSO filed an Amended Motion for Procedural Schedule and Amended Motion to Determine Notice. On December 14, 2007, the OIEC filed its Motion to Intervene. On December 21, 2007, PSO filed its Motion for Protective Order. On January 2, 2008, the Attorney General filed his entry of appearance. On January 3, 2008, the Commission issued Order No. 548467 granting the intervention of the OIEC. On January 4, 2008, the QOSC filed its Motion to Intervene. On January 7, 2008, the Commission issued Order No. 548527 allowing withdrawal of motion for procedural schedule and to determine notice.

On January 8, 2008, the Commission issued Order No. 548557 directing PSO to publish notice in the statewide edition of the Tulsa World and a newspaper of general circulation in both Comanche and Stephens Counties once each week for two consecutive weeks at least fifteen days prior to the hearing on the merits pursuant to OAC 165:5-7-51(b). PSO was also to provide to its customers individual notice in the form of a bill insert. The Commission on January 8, 2008, also entered Order No. 548558 establishing procedural schedule. On January 8, 2008, Gerdau filed its Motion to Intervene. On January 14, 2008, the Commission issued Order No. 548790 granting Motion for Protective Order. On January 17, 2008, the Commission issued Order No. 548956 granting intervention of the QOSC. On January 24, 2008, the Commission issued Order No. 549226 granting the motion to intervene of Gerdau. On February 7, 2008, PSO filed a Motion to Substitute Exhibit. On February 21, 2008, Gerdau filed its Motion to Associate Counsel. On February 25, 2008, a Statement of Position and Motion to Intervene were filed by the Oklahoma Sustainability Network and the Sierra Club. On February 25, 2008, ClimateMaster filed its Motion to Intervene. On February 25, 2008, the Attorney General filed his Statement of Position. On February 25, 2008, Gerdau filed the Responsive Testimony of Darren MacDonald. On February 25, 2008, QOSC filed the Testimony of Joe Robson. On February 27, 2008 the Commission issued Order No. 550555 granting PSO's Motion to Substitute. On February 28, 2008, PSO filed its Motion to Amend Procedural Schedule.

On March 3, 2008, the Public Utility Division Staff filed the Responsive Testimony of David Smith. On March 3, 2008, the OIEC filed the testimony of Mark E. Garrett. On March 3, 2008, ClimateMaster filed its Motion to File Testimony Late. On March 4, 2008, the OIEC filed an Errata. On March 7, 2008, ClimateMaster filed the responsive testimony of Dan Ellis. On March 7, 2008, ONG filed its Motion to Intervene. On March 12, 2008, CenterPoint filed its Motion to Intervene. On March 12, 2008, the Commission issued Order No. 551253 granting Gerdau's Motion to Associate Counsel. On March 12, 2008, Redbud filed its Motion to Intervene. On March 18, 2008, the Commission issued Order Nos. 551549 and 551550 granting the interventions of the Oklahoma Sustainability Network, Sierra Club and ClimateMaster. On March 18, 2008, PSO filed the Rebuttal Testimony of Billy G. Berny and Kathy J. Champion. On March 18, 2008, Staff filed the Rebuttal Testimony of David W. Smith and ONG filed the Rebuttal Testimony of Paul H. Raab. On March 18, 2008, the Rebuttal Testimony of Mark E. Garrett was filed by the OIEC.

On March 19, 2008, the Commission entered Order No. 551646 amending the procedural schedule in part. As part of the amendments to the procedural schedule, the Commission granted ClimateMaster's request to late-file testimony by or on March 6, 2008; ClimateMaster filed testimony on March 7, 2008. On March 20, 2008, the Commission issued Order Nos. 551690, 551691, granting the interventions of Redbud and CenterPoint. On March 20, 2008, the Commission issued Order No. 551692 granting withdrawal of the Motion to File Testimony Late of ClimateMaster. On March 20, 2008, the Commission issued Order No. 551693, granting the Motion to Intervene of ONG. On March 20, 2008, the City of Tulsa filed a Motion to Intervene.

On March 25, 2008, Wal-Mart filed its Motion to Intervene. On March 27, 2008, public comment was filed by the Staff. On April 1, 2008, the Commission issued Order No. 552052 granting the intervention of the City of Tulsa. On April 1, 2008, the Commission issued Order

No. 552053 granting the intervention of Wal-Mart. On April 2, 2008, ClimateMaster filed the summary testimony of Dan Ellis. On April 2, 2008, PSO filed the testimony summaries of Billy G. Berny, William L. Brooks, Will Castle and Kathy J. Champion. On April 2, 2008, ONG filed the testimony summary of Paul H. Raab. On April 2, 2008, the Staff filed the summary of responsive and rebuttal testimony of David W. Smith. On April 2, 2008, the OIEC filed the testimony summary of Mark E. Garrett. On April 2, 2008, a prehearing conference was held, ClimateMaster announced opposition to the Joint Stipulation, however at the merit hearing on April 8, 2008, ClimateMaster declined to call its witness.

On April 2, 2008, a Joint Stipulation and Settlement Agreement with Attachment A-Demand Side Management Cost Recovery Rider ("DSM Rider"), Attachment B-SPP EIS Market Demand Response Pilot Rider ("SPP-DR" or "Tariff") and Calculation of DSM Factor-as demonstrative, ("worksheet"), which is attached hereto as "*Exhibit A*" and incorporated herein by reference as ("Joint Stipulation"), was executed by the Public Utility Division of the Oklahoma Corporation Commission, PSO, the Office of Attorney General, the OIEC, QOSC, CenterPoint, Tulsa, ONG, Gerdau, and Redbud. Wal-Mart did not sign the Agreement but did not oppose its approval by the Commission. Regarding the Joint Stipulation, on April 4, 2008, PSO filed the Supplemental Testimony of Alan W. Decker and Kathy J. Champion; and the Staff filed the prefiled direct testimony of Jason Thenmadathil.

The record was opened on April 3, 2008, as provided for in the notice of hearing. At that time it was established that proof of publication had occurred in accordance with the Commission's Order and individual customer notice had been given by PSO. The hearing was continued on the record until 9:00 a.m. on April 8, 2008. At the hearing, by agreement of the parties, the Attorney for CenterPoint appeared telephonically and ONG witness Paul H. Raab was present, telephonically. An order of presentation was followed during the hearing, and each party was allowed to conduct examination of witnesses. PSO and Staff presented witnesses, the other parties declined to call any witnesses. Following witness testimony, ClimateMaster presented a statement of position.

II. SUMMARY OF EVIDENCE

PSO's first witness was *Mr. Alan W. Decker*, Director, Regulatory Services for PSO. Counsel for PSO began witness examination by highlighting the language of the Joint Stipulation at page 4, paragraph 5, "or any Commission Order approving the same". Counsel for PSO also referenced the Availability Clause of Attachment B to the Joint Stipulation, and removed "be" from the final sentence of that clause. These matters were noted for the record by the ALJ.

Counsel for PSO, then began direct examination of Mr. Decker. According to Mr. Decker, the Joint Stipulation and Settlement Agreement entered into by most of the parties to the proceeding attempted to resolve most of the issues in the cause. Approval of the Joint Stipulation would allow PSO to immediately begin to implement its proposed Demand Side Management Programs ("Quick Start Programs") and to begin recovery of the costs associated with such implementation.

Mr. Decker testified that it was the understanding of the parties from the Commission's DSM rulemaking proceeding that the Commission desired PSO to begin implementing DSM programs as soon as possible hoping to have some impact on the 2008 summer peak season.

Mr. Decker further stated that it would be fair to characterize the settlement as one in which no party was entirely happy with the final agreement, but all of the parties compromised to reach a settlement and to get at least some portion of what they wanted.

Mr. Decker testified that PSO filed the application in this proceeding to comply with the Commission's rate case order. The application sought approval of a portfolio of seven DSM programs including:

(1) The Low Income Weatherization Assistance Program;
(2) The Energy Star New Homes Programs;
(3) The Large Commercial and Industrial Standard Offer Program;
(4) The Energy Efficiency for Cities Program;
(5) The Residential and Small Commercial Energy Star Program;
(6) The Energy Load Management Standard Offer Program; and
(7) The Oklahoma Higher Education Loan Energy Audit Program.

According to Mr. Decker, PSO was attempting to provide DSM opportunities for all classes of customers which included residential, small commercial, large commercial, industrial, and municipal and state government customers.

The Joint Stipulation also requested that the Commission approve recovery of PSO's DSM program costs, Lost Revenues (capped for the first year at $477,808), and Incentives (25% of savings for programs for which savings can be estimated and 15% of the costs of programs for which savings cannot be determined), through PSO's proposed DSM rider (Attachment A to the Joint Stipulation).

The Joint Stipulation also allows Service Level ("SL") 1 and 2 customers to choose to opt out of participation in the applicable quick start DSM programs and to opt out of any payment of DSM costs to be recovered through the DSM rider during the quick start period.

The Joint Stipulation further provided that incentive payments to home builders under the Energy Star New Homes Program would be based upon the U.S. Environmental Protection Agency's Guidelines for Energy Star qualifications. There was a provision that all other quick start programs would be fuel source neutral and an agreement that PSO would provide a quarterly report to the Commission detailing the incentives paid during each quarter. The Joint Stipulation further provided that PSO's educational and program documents would be fuel neutral and would not promote fuel switching and approved PSO's SPP EIS Demand Response Pilot Rider (SPP-DR), Attachment B to the Joint Stipulation, for one year. (See, supplemental testimony of Alan W. Decker, filed April 4, 2008, pgs. 6 and 7)

In essence, according to Mr. Decker, the Joint Stipulation allowed PSO to begin implementing its proposed DSM programs this summer while preserving most of the issues for discussion in the DSM rulemaking proceeding currently underway at the Commission (Cause No. RM 200700007).

Mr. Decker testified that assuming all Service Level 1 and 2 customers opt out of participating in the DSM Programs, PSO estimates that a residential customer using 1000 kilowatt-hours per month would see an increase of approximately $.40 per month.

PSO's second witness was *Ms. Kathy J. Champion*, Principal Regulatory Consultant for American Electric Power Service Corporation. Ms. Champion testified regarding the proposed DSM rider stating it was structured to recover the costs associated with the DSM programs in a manner similar to the way they would be recovered in a base rate proceeding. The costs associated with the DSM programs are allocated to customers using information from the PSO rate filing which was then recovered monthly using a per kilowatt charge.

The costs included in the DSM rider are program costs, lost revenue, shared savings, and a DSM true-up component.

Ms. Champion further testified regarding the proposed SPP EIS Tariff ("Tariff"). The Tariff allows customers to nominate an amount of load (kW), the hours that load would be available, and the price at which that load is available. The Tariff requires a participating customer to notify the company the day before the customer's load will be available for interruption so that the Company can update their SPP schedules and provide the information to

SPP. Once the customer's load is bid into the SPP imbalance market, the customer is bound by SPP's response, either their bid is accepted and the participating customer must respond with their nominated load reduction within 5 minutes of SPP's notification, or their bid is not accepted and no action is required of the customer. As proposed, the SPP EIS Tariff keeps the company and all other customers indifferent to the risk and/or reward of participating customers according to Ms. Champion.

Ms. Champion also testified regarding the DSM factor development, customer impacts and worksheet attached to the Joint Stipulation.

The final witness in the proceeding was *Mr. Jason Thenmadathil*, Public Utility Regulatory Analyst for the Public Utility Division of the Oklahoma Corporation Commission.

According to Mr. Thenmadathil, the Joint Stipulation represents a compromise of the issues for a majority of the parties in the case and it will allow PSO to remain in substantial compliance with the directives given by the Commission in Order No. 545168, while at the same time addressing some of the concerns the parties had with the DSM programs submitted by the Company in its initial filing. The Joint Stipulation states that the DSM programs approved as a result of the stipulation would conform to any subsequent rules established by the Commission.

Mr. Thenmadathil testified that this Joint Stipulation requests the Commission to approve cost recovery for (1) DSM program costs, (2) revenues lost as a result of the programs, (3) 25% of the net savings resulting from the programs (with 75% going to the ratepayers), and (4) 15% of the costs of programs for which savings are difficult to quantify.

Mr. Thenmadathil testified that the DSM rider will include an annual true-up that will net the actual revenues collected with the actual costs and savings achieved as a result of the DSM programs. Any over collection will be refunded and any under collection will be charged to customers.

Mr. Thenmadathil testified that the general issue of allowing customers to opt out of demand programs in the future will be deferred to the rulemaking process.

Mr. Thenmadathil testified that the terms of the Joint Stipulation specifically stated that by executing the Joint Stipulation, no party was agreeing to a position regarding any issue, concept, legal position, or regulatory policy to be addressed in any future proceedings. Further, the Joint Stipulation stated the DSM programs would be fuel neutral and would not promote fuel switching and that the stipulation stated that the parties would help the Commission develop, on its website, information regarding energy efficiency and alternative fuels. Further, Subsection (H) of the stipulation represented a compromise between Gerdau and PSO.

Mr. Thenmadathil testified Staff believed approval of the Joint Stipulation would enable PSO to be in compliance with the Commission's Order No. 545168 and represented a first step in establishing demand programs for PSO that would conform to any future rules that occur as a result of the collaborative process among all parties interested in establishment of DSM rules which is currently taking place.

III. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The ALJ finds that the Commission has jurisdiction over this matter pursuant to Article IX, Section 18, of the Oklahoma Constitution, 17 O.S §§ 151 *et seq.*, and Order No. 545168 issued in Cause No. 200600285.

The ALJ finds that notice was given as required by law and Commission rules and in accordance with Commission Order.

The ALJ finds that the Joint Stipulation is a compromise by the majority of the parties, and will allow PSO to begin implementing the Quick Start programs prior to the summer of 2008.

The ALJ recommends that the Commission approve the Joint Stipulation attached hereto as "*Exhibit A*" and incorporated herein by reference, as being in the public interest, recognizing that the Quick Start programs will conform to rules that may be promulgated in Cause No. RM 200700007.

The ALJ recommends that the schedule Demand Side Management Cost Recovery Rider, as well as the SPP EIS Market Demand Response Pilot Rider and demonstrative worksheet attached to the Joint Stipulation be approved.

IV. RECOMMENDATION

IT IS THEREFORE THE RECOMMENDATION of the Administrative Law Judge that the Joint Stipulation and Settlement Agreement, and attachments thereto, filed April 2, 2008, be approved by the Commission.

Respectfully submitted, this 5th day of May, 2008.

Jacqueline T. Miller

Jacqueline T. Miller, Administrative Law Judge

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF PUBLIC SERVICE COMPANY OF OKLAHOMA TO COMPLY WITH ORDER NO. 545168 ISSUED IN CAUSE NO. PUD 200600285	) CAUSE NO. PUD 200700449

JOINT STIPULATION AND SETTLEMENT AGREEMENT

I. Introduction

The undersigned parties believe it is in the public interest to effectuate a settlement of the issues in Cause No. PUD 200700449.

Therefore, now the undersigned parties to the above entitled cause present the following Joint Stipulation and Settlement Agreement ("Joint Stipulation") for the Commission's review and approval as their compromise and settlement of all issues in this proceeding between the parties to this Joint Stipulation ("Stipulating Parties"). The Stipulating Parties represent to the Commission that the 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 this Joint Stipulation.

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

II. Terms of the Joint Stipulation and Settlement Agreement

Effective with a non-appealable final order of the Oklahoma Corporation Commission ("OCC" or "Commission") approving all elements of this Joint Stipulation:

A. Except as otherwise provided herein, the Stipulating Parties request that the Commission issue an order approving the implementation of programs and the recovery of costs described in the testimony of PSO ("Quick Start programs") filed in this docket on December 12, 2007.

B. The Stipulating Parties further request that the Commission issue an order approving the Demand Side Management Cost Recovery Rider (DSM Rider) attached hereto as Attachment A. The Stipulating Parties further agree that for purposes of the DSM Rider projected annual lost revenues shall not exceed, for the first year, $477,808. The Stipulating Parties further agree PSO's Shared Percentage (SP) under the rider shall be 25 percent. The Stipulating Parties further agree that the DSM Rider Program Incentives (SP2) under the rider shall be fifteen percent.

EXHIBIT "A"

C. The Stipulating Parties further agree that individual customers in the SL1 and SL2 customer classes may elect to opt out of the Quick Start programs, in which case they will not be responsible for the payment of program, lost revenue, or related costs. Within twenty days after the issuance of the Final Order adopting this stipulation, individual customers within SL1 and SL2 classes desiring to opt out shall provide PSO with written notice of their opt out election. The issue of whether SL3 customers and customers in other classes, including SL1 and SL2, may elect not to participate in energy or demand savings programs arising from RM 200700007 will be deferred to the rulemaking process. See attached worksheet.

D. The Stipulating Parties further agree that the Quick Start programs, as well as the DSM Rider, shall conform to subsequent rules issued by the Commission. No Party, by executing this Joint Stipulation, is agreeing to a position regarding any issue, concept, legal position or regulatory policy to be addressed in RM 200700007 or in any other proceeding.

E. The Stipulating Parties agree as follows: (i) that any incentives offered or provided under the Energy Star New Homes Program shall be based solely on the criteria contained in the U.S. Environmental Protection Agency's guidelines for Energy Star qualified homes and shall not be conditioned on the installation of energy efficient electric heating equipment in lieu of energy efficient natural gas heating equipment; (ii) that all other Quick Start programs are to be fuel neutral and are not to promote any type of fuel switching; for example, from natural gas to electricity; (iii) that PSO will maintain and provide quarterly to the Commission a list of all incentives provided in that quarter and the end uses for which those incentives were provided, and will be available to the Stipulating Parties pursuant to a confidentiality agreement.

F. The Stipulating Parties agree to assist the Commission in developing on its web site energy efficiency information associated with alternative fuels such as geothermal, natural gas, solar, and wind power. A link to this information shall be provided to PSO's customers.

G. The Stipulating Parties agree that the Company's educational and program documents, media promotion, and contact information to explain and to encourage participation in the Quick Start programs are to be fuel neutral and are not to promote fuel switching from natural gas to electricity.

H. To resolve their outstanding differences related to the SPP EIS Market Demand Response Pilot Rider (SPP-DR) proposed by PSO in this Cause, PSO and Gerdau agree as follows:

1. The SPP-DR will expire one year following its effective date. PSO and Gerdau acknowledge and agree that existing Southwest Power Pool (SPP) rules enable the demand response participation provided for in the SPP-DR. PSO and Gerdau further acknowledge and agree that SPP is developing changes to its Open Access Transmission Service Tariff (SPP Tariff) to provide greater detail on demand response participation in the Energy Imbalance Service (EIS) Market. If and when those changes are approved by the Federal Energy Regulatory Commission (FERC), PSO shall confer with Gerdau to determine what PSO tariff modifications, if any, PSO should file with the OCC to facilitate Gerdau's participation.

2. PSO shall coordinate with Gerdau to enable only Gerdau's Furnace(s) Load to participate under the SPP-DR. If PSO and Gerdau mutually agree that appropriate metering is in place, and that PSO's revenues are not adversely impacted, then Gerdau's baseline will be developed using only those meters serving the furnace(s) load and may bid only its Furnace(s) Load under the SPP-DR.

3. PSO and Gerdau agree to modify the section in the SPP-DR entitled "Customer Daily Baseline Load (CDB)" as shown in the attached version of the SPP-DR. Attachment B.

4. PSO and Gerdau agree to modify the section in the SPP-DR entitled "Non-Compliance Energy Charges" as shown in the attached version of the SPP-DR.

5. PSO and Gerdau acknowledge and agree that PSO tariff modifications are not appropriate, at this time, to enable demand resources to provide Ready Reserves. PSO and Gerdau further acknowledge and agree that SPP is contemplating changes to its SPP Tariff that may provide market opportunities for demand resources to provide Ready Reserves or other types of reserves. PSO and Gerdau further acknowledge and agree that demand resources could not be used now to enable PSO to meet its existing Ready Reserve requirements. If and when SPP Tariff changes are approved by FERC, or if and when PSO reasonably concludes that demand resources could be used to enable PSO to meet its Ready Reserve requirements, PSO shall confer with Gerdau to determine what PSO tariff modifications, if any, PSO should file with the OCC to facilitate Gerdau's participation.

I. Discovery and Motions

As between and among the Stipulating Parties, all pending requests for discovery, and all motions pending before either the Commission or the Administrative Law Judge are hereby withdrawn.

J. General Reservations

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

1. This Joint Stipulation represents a negotiated settlement for the purpose of compromising and settling all issues that were raised relating to this proceeding.

2. Each of the undersigned counsel of record affirmatively represents to the Commission that he or she has fully advised their respective client(s) that the execution of this Joint Stipulation constitutes a settlement of all issues which were raised in this proceeding and 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).

3. 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.

4. Nothing contained herein shall constitute an admission by any party that any allegation or contention in these proceedings, or 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 rate proceeding.

5. 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 settling the issues in 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, or any Commission Order approving the same, 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.

K. 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

By: Andrew Tevington Dated: 4/2/2008
Andrew Tevington, Deputy Director

PUBLIC SERVICE COMPANY OF OKLAHOMA

By: Jack P. Fite Dated: 4-2-08
Jack P. Fite
Attorney for Public Service Company of Oklahoma

W.A. DREW EDMONDSON
ATTORNEY GENERAL OF THE STATE OF OKLAHOMA

By: William L. Humes Dated: 4/2/08
William L. Humes
Assistant Attorney General

OKLAHOMA INDUSTRIAL ENERGY CONSUMERS

By:__________ Dated: 4/2/08
Thomas P. Schroedter
Hall, Estill, Hardwick, Gable, Golden & Nelson

QUALITY OF SERVICE COALITION

By: Lee W. Paden Dated: 4/02/08
Lee W. Paden
Law Offices of Lee W. Paden, P.C.

CENTERPOINT ENERGY RESOURCES CORP.

By: Mickey S. Moon Dated: April 2, 2008
Mickey S. Moon
Senior Counsel

CLIMATEMASTER, INC., SIERRA CLUB, AND OKLAHOMA SUSTAINABILITY NETWORK

By:____________________ Dated:__________
Harlan Hentges
Mulinex Ogden Hall Andrews & Ludlam

CITY OF TULSA

By:____________________ Dated:__________
Mary Lockhart
Assistant City Attorney, City of Tulsa

WAL-MART STORES EAST, LP

By:____________________ Dated:__________
Rick D. Chamberlain
Behrens, Taylor, Wheeler & Chamberlain

QUALITY OF SERVICE COALITION

By:________________________________ Dated:________________
Lee W. Paden
Law Offices of Lee W. Paden, P.C.

CENTERPOINT ENERGY RESOURCES CORP.

By:________________________________ Dated:________________
Mickey S. Moon
Senior Counsel

CLIMATEMASTER, INC., SIERRA CLUB, AND OKLAHOMA SUSTAINABILITY NETWORK

By:________________________________ Dated:________________
Harlan Hentges
Mulinex Ogden Hall Andrews & Ludlam

CITY OF TULSA

By: Mary Lockhart Dated: 4-2-08
Mary Lockhart
Assistant City Attorney, City of Tulsa

WAL-MART STORES EAST, LP

By:________________________________ Dated:________________
Rick D. Chamberlain
Behrens, Taylor, Wheeler & Chamberlain

Joint Stipulation
PUD 200700449

OKLAHOMA NATURAL GAS CO.

By: ______________________ Dated: 4/2/08
Joseph L. McCormick

GERDAU AMERISTEEL CORP.

By: ______________________ Dated: 4/2/08
Glenn M. White
Mullins, Hirsch & Jones, P.C.

REDBUD ENERGY, LP

By: Deborah R. Thompson Dated: 4-3-08
Deborah R. Thompson
Vaught & Conner, P.L.L.C.

PUBLIC SERVICE COMPANY OF OKLAHOMA
P.O. BOX 201
TULSA, OKLAHOMA 74102-0201

SHEET NO. XX-XX
EFFECTIVE DATE xx/xx/xx

SCHEDULE DEMAND SIDE MANAGEMENT COST RECOVERY RIDER (DSM RIDER)

AVAILABILITY

DSM Rider is designed to recover costs associated with the Energy Efficiency and Demand-side Management programs (DSM Programs).

This Rider is applicable to and becomes part of each OCC jurisdictional rate schedule. This Rider is applicable to energy consumption of retail customers and to facilities, premises and loads of such retail customers.

The DSM Factor shall be determined annually for each major rate class using the DSM Program projected costs for that year and any true-up amounts included from the previous year. The DSM Factor will be calculated in accordance with the following methodology and will be applied to each kWh sold.

Method of Calculation For DSM Rider

The DSM Factor is calculated annually for each major rate class. The formula for the DSM Factor is as follows:

DSM Factor = [((Projected Program cost + Projected Lost Revenues + Projected Shared Saving + DSM true-up for previous period) * Demand/Energy Allocator)] / Class Annual kWhs.

Method of Calculation For DSM Rider:

PDSM = ((PPC + PLR + PSS+ TPER) * DEF) + OPT AD, where:

PPC = Budgeted DSM Program Cost for the year associated with the DSM programs approved by the OCC.

PLR = Annual Projected Lost Revenues as calculated by DSM program. The PLR is calculated as follows:

PLR = (ECR * CKWH)

ECR = Embedded cost per kWh by class; Embedded Cost per kWh is calculated by dividing the Final revenue allocation by class, established in the most recent rate proceeding, by the total kWhs also established for use in that proceeding.

The ECR by classes for use in this tariff will be:

Participating Class	COS $/kWh
Residential	$ 0.03485
Residential & Small Comm.	$ 0.03177
Large Comm & Industrial	$ 0.02060
Large Industrial	$ 0.01224

Effective:

Rates Authorized by
(Order No.) (Cause/Docket No.) (Date of Order)

SCHEDULE DEMAND SIDE MANAGEMENT COST RECOVERY RIDER (DSM RIDER)

CKWH = Cumulative kWhs for Demand programs.
CKWH = CKWH + PKWH where:
CKWH = cumulative kWh saved
PKWH = kWh savings projected for this period.

The kWh savings used in the Lost Revenue calculate will accumulate until the final order in a new base rate case, at which time the cumulative kWhs will be zeroed out until the next calculation of the DSM Rider and new DSM programs are implemented.

PSS = Annual Projected shared saving as calculated, by customer classes, resulting from the implementation of the DSM Programs. The PSS is calculated as follows:
PSS = Shared Benefit + Program Incentives where:
Shared Benefit = Net benefit * Sharing Percentage (SP)
Where: Net Benefit = is a product of the Total Resource Cost test, for the DSM Programs with measurable benefits.
TRC = Avoided capacity and energy costs – Equipment + EE program Administration costs.
SP = 25%
Where: Program Incentives = Program costs * sharing percentage (SP2)
Program costs = budgeted program costs for DSM period
SP2 = 15%

TDSM = DSM program true-up balance from the previous period where:
TDSM = (APC – PPC) + (ALR – PLR) + (ASS – PSS) + (ADSM Revenues – PDSM)
APC = (Actual Program costs)
ALR = (Actual Calculated Lost revenues)
ASH = (Actual Calculated Shared Savings)
ADSM = (Total revenues collected from DPCR Rider)
PDSM = (DSM Revenues projected to be recovered during previous period)

DEF = Demand/Energy Allocation Factor for each major rate class (based upon allocators from Cause PUD 200600285) are as follows:

SCHEDULE DEMAND SIDE MANAGEMENT COST RECOVERY RIDER (DSM RIDER)

DEF Allocator	Major Rate Class
40.27%	Residential - Secondary
33.64%	Commercial - Secondary
10.00%	SL3 – Primary
13.23%	SL2 – Primary Sub
2.86%	SL1 – Transmission

* Lighting included in the Secondary Rate Classes

SL1/SL2 Optional participation Adjustment

Per Order XXXX - SL1 and SL2 customers may elect to opt out of participation and recovery of the Quick Start programs under this rider. The cost allocated to the SL1 /SL 2 customers for non-participating (opt out) customers will be redistributed to all other classes.

The Director of the Public Utility Division will approve the requested DSM Factor to become effective with the first billing cycle of the requested billing month.

Effective:

Rates Authorized by
(Order No.) (Cause/Docket No.) (Date of Order)

PUBLIC SERVICE COMPANY OF OKLAHOMA
P.O. BOX 201
TULSA, OKLAHOMA 74102-0201
PHONE: 1-888-216-3523

SCHEDULE: SPP EIS MARKET DEMAND RESPONSE PILOT RIDER (SPP-DR)

AVAILABILITY

This Rider is available to customers normally taking firm service under Schedule LPL for their total requirements from the Company. The Customer must have on-peak curtailable hourly energy of not less than 1,000 kWh and will only be compensated for kWh curtailed under the provisions of this Rider. This Rider will be expire one year from the effective date of this Rider.

CONDITIONS OF SERVICE

1. The Customer will be responsible for monitoring the Southwest Power Pool (SPP) Energy Imbalance Service (EIS) Market locational imbalance prices (LIPs) and shall notify the Company of their desire to offer their load into the SPP EIS market. The Customer's notification of willingness to participate in the SPP EIS Market must occur no later than 3:00 pm the day prior. No later than 2 hours, or less if the Customer and Company mutually agree, prior to any individual hour or group of hours and no more than once in any individual day, the Customer may notify the Company that its load is no longer available to be offered into the SPP EIS Market.

2. The Customer and Company shall mutually agree upon the direct electronic methods for the Customer to communicate its bids, offers, and dispatch availability to the Company. In addition, the Customer and the Company shall mutually agree upon the direct electronic methods by which the Company will notify the Customer of SPP's acknowledgement of the Customer's Demand Response Bid Energy (DR bid) offer and SPP's dispatch of the Customer's DR Bid. The Customer is ultimately responsible for receiving and acting upon a curtailment notification from the Company.

3. The Customer's Daily Baseline (CDB) for each day in which the Customer intends to participate in the SPP EIS Market will be based upon an average of the Customer's highest 5 weekday hourly loads that occurred in the previous 10 weekdays on which the Customer was not dispatched by SPP. The Company shall notify the Customer of its CDB no later than 3:00 pm the day prior. If the CDB is not reflecting the Customer's actual load levels, the Customer and Company shall mutually agree on an alternative calculation.

4. The Customer bears all responsibility for its participation in the SPP EIS Market, including but not limited to the price risk and other fees, which may include uninstructed deviation charges and revenue neutrality assessments, and the SPP conditions of service made to resources in the SPP

EIS Market. No responsibility or liability of any kind shall attach to or be incurred by the Company or the AEP System for, or on account of, any loss, cost, expense or damage caused by or resulting from, either directly or indirectly, any curtailment of service under the provisions of this Rider. The Customer may request information related to the charges incurred under this rider in order to more effectively manage their participation in the SPP EIS Market through this rider.

5. The Company reserves the right to test and verify the Customer's ability to curtail, if the Customer has not demonstrated its ability in practice to respond to SPP DR acceptance notices. Such test will be limited to one curtailment per contract term. Any failure of the Customer to comply with a request to curtail energy will entitle the Company to call for one additional test. The Company agrees to notify the Customer as to the month in which the test will take place, and will consider avoiding tests on days that may cause a unique hardship to the Customer's overall operation. There shall be neither credits for test curtailments nor charges for failure to curtail during a test. In addition, should SPP implement testing requirements pertaining to Demand Response loads, the Customer agrees to also comply with those SPP requirements.

6. Upon receiving a SPP DR acceptance notice, the Customer must respond within the time specified by SPP. If the Customer fails to respond after receiving such SPP DR acceptance notice, the Customer will receive no payments for the volume that failed to respond, and may be subject to charges as assigned by SPP and to non-compliance charges assigned by the Company.

7. The Company reserves the right to suspend service to the Customer under this Rider if the Customer fails to perform its obligations under this Rider. Service shall be reinstated upon the Customer's demonstration of its ability to resume its obligations under this Rider.

8. The Customer shall not receive credit for any DR period in which the Customer's operations are already down for an extended period due to a planned or unplanned outage as a result of vacation, renovation, repair, refurbishment, force majeure, strike, or any event other than the Customer's normal operating conditions.

CUSTOMER DAILY BASELINE LOAD (CDB)

The Company and the Customer shall determine and agree upon the CDB pursuant to paragraph 3 of the Conditions of Service. The Customer shall specify the hours for which it intends to offer to reduce load. The Customer may bid a load amount up to its CDB. No later than 2 hours, or a mutually agreed shorter period, prior to any individual hour or group of hours and no more than once in any individual day, the Customer may notify the Company of, and the Company shall communicate to SPP, changes to the CDB. The Customer will be permitted to make such changes (a) once in any individual day; or (b) twice in any individual day up to two days per week; or (c) by mutual agreement.

The Company may also use the Customers' actual load data to verify the DR Bid Energy before each event. If upon verification the Company determines the DR Bid Energy is not valid, the Customer will be notified and allowed to modify its DR Bid Energy.

CURTAILMENT ENERGY BID PRICE

The Customer shall nominate their Curtailment Energy Bid (CEB) Price and volume (DR Bid Energy) for each SPP DR offer. The CEB Price will be provided by the Customer with their notification of intent to participate and must be received with the notification to bid by 3:00 pm the day before an event. No later than 2 hours, or a mutually agreed shorter period, prior to any individual hour or group of hours, and no more than once in any individual day, the Customer may notify the Company of, and the Company shall communicate to SPP, changes to the CEB.

CURTAILMENT ENERGY CREDIT

For each SPP DR period, the Curtailment Energy Credit (CEC) shall be the product of the Curtailed Hourly Energy (CHE) and the applicable SPP LIP minus the Day Ahead Real Time Price as provided for the corresponding hour. The formula for determining the credit is as follows:

CEC = (CHE * SPP LIP) – (CHE * RTP) where:

CHE = ECDB - AHE where:

ECDB = Customer Daily Baseline Energy at the hour of SPP DR event
AHE = Actual Hourly energy consumed during the hour of SPP DR event
RTP = RTP prices for the hours of the DR event (day-ahead RTP price)

For purposes of establishing the credit – the CHE shall not be greater than the DR Bid Energy.

NON-COMPLIANCE ENERGY CHARGES

If the Customer responds affirmatively that it will participate in a SPP DR event, and subsequently fails to fully comply with a SPP DR acceptance notice under the provisions of this Rider, then the Noncompliance Energy Charge will be applied. The Noncompliance Energy Charge shall be the product of the Non-compliance energy and the Non-compliance energy price plus any additional fees and charges that may be assigned by SPP for failure to respond. Non-compliance energy is the difference between the Curtailed Hourly Energy and the DR Bid Energy. Non-compliance energy for each DR Event will be billed at the higher of the SPP Hourly LIP, the Curtailment Energy Bid Price or the hourly RTP price, and shall not be subject to any other energy-based charge.

MONTHLY CREDIT

The Monthly Credit shall be equal to the sum of the Curtailment Energy Credits less any Noncompliance Energy Charges for the calendar month.

The Company will provide the Monthly Credit to the Customer as an energy credit on the Customer's bill for service. This amount will be recorded in the Federal Energy Regulatory Commission's Uniform System of Accounts under Account 555, Purchased Power, and will be recorded in a subaccount so that the separate identity of this amount is preserved.

TERM

Contracts under this Rider shall be made for a minimum of one year.

SPECIAL TERMS AND CONDITIONS

Individual Customer information, including, but not limited to, SPP Bid Energy, Curtailment Energy Bid Price, and the hourly RTP prices shall remain confidential.

PUBLIC SERVICE COMPANY OF OKLAHOMA
Demand Side Management Cost Recovery Rider (DSM Rider)
Calculation of DSM Factor
For the January 2008 through December 2008

FORMULA
DSM Factor = AEE (Annual EE budget) / Forecasted kWh Sales by Major Rate Class.

PDSM = {(PPC + PLR + PSS + TDSM) * DEF} / kWh sales
DSM progam cost = Annual DSM budget, PLR = Annual lost revenues, PSS = Annual Shared Savings
TDSM = True-up amount for variance in previous year's DSM revenue recovery
DEF = Demand/Energy Allocator

PPC = Projected Demand Program Costs	$4,250,000
PLR = Projected Lost Revenues	$ 477,808
PSS = Projected Shared Savings	$ 780,478
Total	$5,508,286

Original MAJOR RATE CLASS	Allocated DPCR	DEF	Previous Period True-up	Total DPCR	Annual kWh Sales	DPCR Factor	
Residential - Secondary	$2,218,129	40.3%	$0	$2,218,129	6,250,786,884	$0.000355	per kWh
SL4 & SL5 - Secondary	$1,853,147	33.6%	0	1,853,147	5,847,115,396	$0.000317	per kWh
SL3 - Primary	$550,750	10.0%	0	550,750	1,962,737,039	$0.000281	per kWh
SL2 - Trans Sub	$728,638	13.2%	0	728,638	3,484,957,423	$0.000209	per kWh
SL1 - Transmission	$157,623	2.9%	0	157,623	592,416,996	$0.000266	per kWh
Total	$5,508,286	100.00%	$0	$5,508,286	18,138,013,738	$0.000304	

Example - Assume all SL1/SL2 opt out MAJOR RATE CLASS	Allocated DPCR	DEF	No ELM	Previous Period True-up	Total DPCR	Annual kWh Sales	DPCR Factor	
Residential - Secondary	$2,643,449	40.3%	48.0%	$0	$2,643,449	6,250,786,884	$0.000423	per kWh
SL4 & SL5 - Secondary	$2,208,482	33.6%	40.1%	0	$2,208,482	5,847,115,396	$0.000378	per kWh
SL3 - Primary	$656,355	10.0%	11.9%	0	$656,355	1,962,737,039	$0.000334	per kWh
SL2 - Trans Sub	$0	0.0%		0	$0	3,484,957,423	$ -	per kWh
SL1 - Transmission	$0	0.0%		0	$0	592,416,996	$ -	per kWh
Total	$5,508,286	83.91%		$0	$5,508,286	18,138,013,738	$0.000304	

Example - Assume 1/2 SL1/SL2 customers participate SL1 / SL2 only ELM MAJOR RATE CLASS	Allocated DPCR	DEF	Only ELM costs	Previous Period True-up	Total DPCR	$443,130.22 Annual kWh Sales	DPCR Factor	
Residential - Secondary	$2,430,789	40.3%	44.1%	$0	$2,430,789	6,250,786,884	$0.000389	per kWh
SL4 & SL5 - Secondary	$2,030,814	33.6%	36.9%	0	$2,030,814	5,847,115,396	$0.000347	per kWh
SL3 - Primary	$603,553	10.0%	11.0%	0	$603,553	1,962,737,039	$0.000308	per kWh
	$5,065,156							
SL2 - Trans Sub	$364,319	0.0%	6.6%	0	$364,319	1,742,478,711	$0.000209	per kWh
SL1 - Transmission	$78,811	0.0%	1.4%	0	$78,811	296,208,498	$0.000266	per kWh
Total	$5,508,286	83.91%	100.0%	$0	$5,508,286	18,138,013,738	$0.000304	