

**BEFORE THE CORPORATION COMMISSION OF OKLAHOMA**

APPLICATION OF PUBLIC SERVICE )  
COMPANY OF OKLAHOMA, AN )  
OKLAHOMA CORPORATION, FOR ) **CAUSE NO. PUD 201500208**  
AN ADJUSTMENT IN ITS RATES AND )  
CHARGES AND THE ELECTRIC ) **658529**  
SERVICE RULES, REGULATIONS AND ) **ORDER NO. \_\_\_\_\_**  
CONDITIONS OF SERVICE FOR )  
ELECTRIC SERVICE IN THE STATE OF )  
OKLAHOMA )

HEARING: November 29, 2016, Hearing on Public Service Company of Oklahoma Motion to Modify Order No. 657877 before the Commission

APPEARANCES: Jack P. Fite, and Joann S. Worthington, Attorneys representing Public Service Company of Oklahoma  
Judith L. Johnson, Deputy General Counsel, and Natasha M. Scott, Deputy General Counsel, Deputy General Counsel, representing Public Utility Division, Oklahoma Corporation Commission  
Dara M. Derryberry and Jared B. Haines, Assistant Attorneys General, representing Office of the Attorney General, State of Oklahoma  
Thomas P. Schroedter, Attorney representing Oklahoma Industrial Energy Consumers  
Lee W. Paden, Attorney representing Quality of Service Coalition  
Rick D. Chamberlain, Attorney representing Wal-Mart Stores East, LP and Sam's East, Inc.  
Deborah R. Thompson, Attorney representing AARP

**ORDER MODIFYING ORDER NO. 657877**

BY THE COMMISSION:

The Corporation Commission of the State of Oklahoma ("Commission") being regularly in session and the undersigned Commissioners being present and participating, there comes on for consideration and action the motion filed November 16, 2016, of Public Service Company of Oklahoma ("PSO") to modify Order No. 657877 ("Motion"). Order No. 657877 was issued November 10, 2016.

On November 29, 2016, a hearing on the Motion was held before the Commission. At the close of the hearing, the Commission announced it would further consider PSO's motion on Thursday, December 1, 2016.

### **Findings of Fact and Conclusions of Law**

The Commission has authority to modify Order No. 657877 pursuant to Okla. Const. Art. 9, Sec. 18; 17 O.S. §§ 152, 153; and OAC 165:5-17-1.

Upon review of the Motion and the record, including the responses filed by the AG and AARP, and having heard the arguments of counsel, the Commission hereby grants the Motion in part and modifies Order No. 657877 as follows:

#### **(A) System Reliability Rider ("SRR") (ALJ Initial Report at Page 153)**

The Commission finds that PSO's motion is granted in part to take into account the timing difference that exists between when PSO has made expenditures under the SRR and when it collects the commensurate costs. While the Commission declines to modify its decision to terminate the vegetation management operations and maintenance ("O&M") cost portion of the SRR for new expenses, the Commission finds that PSO should be and hereby is granted recovery of the unrecovered balance of vegetation management O&M expense incurred under the SRR prior to the date new tariffs become effective pursuant to this Order. Therefore, the vegetation management O&M portion of the SRR shall remain in effect for the limited purpose of providing for recovery of the unrecovered balance of the vegetation management O&M expense incurred prior to the effective date of the new tariffs.

The Commission further finds that for the limited purpose of providing for recovery of the unrecovered balance of the capital costs incurred under the SRR prior to the date new tariffs become effective pursuant to this Order, the capital portion of the SRR shall remain in effect

until those costs are recovered through base rates in PSO's next rate case, at which time the SRR shall terminate. Capital costs incurred after the effective date of the new tariffs shall not be recovered through the SRR.

**(B) Line Item on Consumer Bills (ALJ Initial Report at Page 156)**

The Commission finds that Order No. 657877 should be and hereby is modified to reject the Administrative Law Judge ("ALJ") recommendation in the first full paragraph of page 156 of the Report and Recommendations of the ALJ filed May 31, 2016, ("ALJ Initial Report") that would have required PSO to "add a separate line item on the consumer's bill that shows the breakdown of costs that can be attributed to managerial decisions of the Company and those that are due to outside action." The Commission finds that such a requirement would be impractical at this time.

**(C) Marginal Cost Study (ALJ Initial Report at Pages 155-156)**

The Commission finds that Order No. 657877 should be and hereby is modified to reject the ALJ's recommendation in the last sentence of page 155 and the first two lines of page 156 of the ALJ Initial Report that would have required PSO to conduct a marginal cost study, prior to the next rate case, to develop a rate design providing what the ALJ described as "more accurate price signals to customers to promote more efficient use of electric energy and utility resources." The Commission finds that it is not inclined at this time to make this particular mandate for a marginal cost study or to commit to depart from its traditional approach for rate setting, although the Commission is willing to consider innovative approaches as might be warranted in the future.

**(D) Interim Rate Refund (Order No. 657877 at Pages 12-13)**

The Commission finds that the fourth and fifth sentences of the "Interim Rate Refund" section of page 12 and concluding with the first three words of page 13 of Order No. 657877

should be and hereby are modified to: 1) require that the refund, with interest as stated in Order No. 657877, shall be credited to **customer classes** using the same allocation method by which the interim rates were collected; and 2) require that the refund shall be given to customer classes through adjusted tariff rates through October 2017 and shall be reflected by a line-item credit on customers' bills as soon as possible, but no later than February 1, 2017.

Based on the particular circumstances of this Cause and pursuant to 17 O.S. § 152(B)(5), the Commission further finds that PSO shall provide refunds to customers who left the PSO system prior to the credit ordered by the Commission. The refund shall be available to those former customers who paid the interim rates. The refund shall be calculated on an average customer monthly impact by class. The former customers' refund shall be the average monthly impact multiplied by the number of months they paid under interim rates. Only customers who ended service without starting new service on the PSO system are eligible for a one-time refund. Former customers not in good payment status will first have their accounts credited, then any remaining refund balance will be provided to them. Former customers shall have six months from the date of this Order to request a refund from PSO. Thereafter, any remaining funds shall be included in the deferred fuel account and credited immediately to PSO's fuel expense for the benefit of all customers. The Commission further directs PSO to immediately issue press releases in its service areas to inform former customers of any potential refund.

### **ORDER**

IT IS THEREFORE THE ORDER OF THE CORPORATION COMMISSION OF OKLAHOMA that Order No. 657877 is hereby modified as specified above.

IT IS FURTHER ORDERED that the rates, charges and tariffs reflecting the terms of this Order be and the same are hereby approved and shall become effective the first billing after

tariffs conforming to this Order have been submitted to, reviewed by, and approved by the Director of the Public Utility Division.

OKLAHOMA CORPORATION COMMISSION

*Bob Anthony*

BOB ANTHONY, Chairman

*Dana L. Murphy*

DANA L. MURPHY, Vice Chairman

DISSENTING STATEMENT ATTACHED

J. TODD HIETT, Commissioner

DONE AND PERFORMED this 1<sup>st</sup> day of December, 2016.

BY ORDER OF THE COMMISSION:

*Peggy Mitchell*  
PEGGY MITCHELL, Secretary

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**DISSENTING STATEMENT OF COMMISSIONER J. TODD HIETT**

I respectfully dissent from the Order Modifying Order No. 657877 entered today (“Modification Order”), for the same reason I dissented from Order No. 657877 entered November 10, 2016 (“Final Order”). Although the Modification Order results in an outcome I may ultimately support, my overarching concerns regarding the prudence of PSO’s Environmental Compliance Plan (“ECP”) remain.

During deliberations on November 10, 2016, I questioned the effect of the Final Order on the overall prudence of the ECP. More specifically and of utmost concern, is the Final Order’s specific rejection of the Administrative Law Judge’s (“ALJ”) recommendation to defer ruling on the prudence of PSO’s planned 2026 retirement of the retrofitted Northeastern 3 unit and its related capacity factor limitations. During deliberations on November 29, 2016, I again addressed this concern.

The ALJ recommended the ECP be found prudent—but only with important conditions, as recommended by PUD witness Dr. Craig R. Roach. *See Report and Recommendation of the ALJ* (“Report”) at pp. 148-49 and *Responsive Testimony of Dr. Roach* at pp. 55-57. I question whether the Modification Order grants prudence of the ECP and which, if any, of the recommended conditions remain. The sixth condition, as set forth on page 149 of the ALJ’s Report, is specifically rejected in the Final Order. I do not support this rejection.

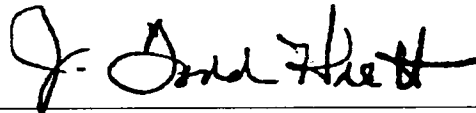
As also expressed on November 10, 2016, I do not agree that the requested air quality control system consumables be included in the Fuel Adjustment Clause by statutory definition. Specifically, the Modification Order allows approximately \$4,000,000 per year for estimated recovery of future air quality consumables. I do not support this recovery.

Further, as recommended by the ALJ (*see ALJ Report* at pp. 153 and 156), I would support a sunset provision to terminate the Advanced Metering Infrastructure (“AMI”) rider. The Modification Order rejects this recommendation.

Today’s Modification Order does not modify the provisions of the Final Order addressing: (a) the prudence of the ECP (either in full or in part), (b) PSO being allowed to recover the non-fuel air quality consumables through the Fuel Adjustment Clause, or (c) declining to terminate the AMI rider.

Today's decision results in a reduction of PSO's requested rate increase by approximately 90% and requires customer refunds under 17 O.S. § 152(B)(5)—due to PSO electing to implement interim rates. However, the Modification Order stops short of ensuring additional ratepayer protections. My concern is that when these matters are revisited in the near future, should assertions be made that the costs associated with the ECP must be approved as previously determined prudent under today's Modification Order—the Commission will be without the ability to examine the prudence of PSO's ECP and/or imprudent financial obligations and costs. Rather than conducting a meaningful review, the Commission could find itself in a position of merely reviewing the costs for compliance and accuracy. Moreover, with respect to the planned retirement of Northeastern Unit 3 in 2026—ruling on the prudence of an event that is uncertain at this time is premature.

Accordingly, for the reasons set forth above and as expressed in prior deliberations, I respectfully disagree with my colleagues and dissent from today's Modification Order.

A handwritten signature in black ink, appearing to read "J. Todd Hiatt", written in a cursive style.

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J. TODD HIETT, Commissioner