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BEFORE THE
CORPORATION COMMISSION OF THE STATE OF OKLAHOMA
CORPORATION COMMISSION'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF)
OKLAHOMA GAS AND ELECTRIC COMPANY)
FOR AN ORDER OF THE COMMISSION)
GRANTING PRE-APPROVAL TO CONSTRUCT)
RED ROCK GENERATING FACILITY AND)
AUTHORIZING A RECOVERY RIDER)

CAUSE NO. PUD 200 700012

APPLICATION

COMES NOW Oklahoma Gas and Electric Company, hereinafter referred to as "Applicant," "OG&E," or "Company," and in accordance with 17 O.S.A. §286 and the Commission's rules promulgated thereunder, alleges and shows as follows:

I. Parties.

OG&E is an investor-owned electric public utility that owns and operates plant, property, and other assets used for the generation, production, transmission, distribution and sale of electric power and energy at wholesale and at retail in the states of Oklahoma and Arkansas. OG&E is incorporated in the State of Oklahoma, is subject to the regulatory authority of this Commission with respect to its retail rates and charges for sales of electricity made within the State of Oklahoma, and has its principal place of business at the following address:

321 N. Harvey
Oklahoma City, Oklahoma 73102

Applicant is represented for the purpose of these proceedings by the following named individuals whose addresses are reflected below:

William J. Bullard, OBA No. 1302
Patrick D. Shore, OBA No. 8205
Kimber L. Shoop, OBA No. 19571

Oklahoma Gas and Electric Company
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and

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

II. Facts.

A. OG&E has determined it will need to add additional generation capability in order to meet growing demand for electric power during the next decade, and the Company has further determined, based upon extensive integrated resource planning, that a 400 MW base load resource would be the optimal means of meeting its customers' requirements for electricity beginning in the 2011 to 2012 timeframe.

B. During the fall of 2005, Public Service Company of Oklahoma ("PSO") also announced a need for 400 to 600 MW of additional base load generation capability beginning in June 2011 and issued a Request for Proposals ("RFP") to supply power supply resources to satisfy its customers' needs.

C. OG&E concluded that significant savings resulting from economies of scale could be achieved by constructing a base load generating facility with adequate capacity to satisfy

the electric service requirements of both PSO and OG&E through the construction of a single generating facility located in proximity to the service areas of both PSO and the Company. OG&E further determined that the joint construction of a coal-fired generating facility located adjacent to the Company's Sooner Generating Station would benefit both utilities.

D. In response to the PSO RFP, OG&E proposed to build a 950 MW coal-fired generating facility ("Red Rock") at a site adjacent to its Sooner Station, where existing infrastructure, including land, unloading facilities for coal delivered by rail, and coal storage facilities are already in place and adequate to accommodate additional coal-fired generation. On July 18, 2006, PSO advised that the OG&E proposal had been selected as the winning bid. Initially, OG&E proposed that PSO and OG&E each own an undivided 50% interest in Red Rock; after OG&E submitted its bid to PSO, the Company proposed that the Oklahoma Municipal Power Authority ("OMPA") be a co-owner in Red Rock. As a result, Red Rock will be owned by PSO (50%), OG&E (42%) and OMPA (8%), as tenants in common.

The Company, PSO and OMPA have executed a Construction, Ownership and Operating ("COO") Agreement. The terms of the COO Agreement reflect the ownership interests of the parties. This Agreement also establishes that OG&E will be responsible for construction and operation of Red Rock, subject to oversight by the Executive Committee, consisting of a representative of each of the owners. In a separate agreement, OMPA has given OG&E an irrevocable proxy to vote its ownership share.

E. Subject to timely approval of Red Rock as requested below, OG&E estimates that total construction costs of Red Rock will not exceed \$1.807 billion. OG&E's 42% share

of such construction costs is \$759 million. Red Rock will require construction of certain transmission facilities, the cost of which will be determined by the Southwest Power Pool (“SPP”). OG&E estimates that the cost of transmission upgrades needed to accommodate energy delivered by Red Rock into the transmission system is at \$71 million. OG&E’s share of those costs is estimated at \$30 million. Thus, the total costs for Red Rock for which OG&E seeks pre-approval in this Application pursuant to OAC 165:35-38-5(d) is \$789 million.

F. In support of the relief OG&E is requesting in this Application, the Company is filing pre-filed Direct Testimony of the following witnesses whose testimonies cover the issues identified below:

Witness	Scope of Testimony
James R. Hatfield	Policy, Case Summary and Relief Requested
Jesse B. Langston	Prudence of Red Rock, Capped Level of Construction Costs and Benefits
Howard W. Motley	Phase-In Recovery Proposal that will Minimize customer Impact, Quarterly Reporting and Annual True-Up of Costs
Roger D. Walkingstick	Rider Tariff Design and Increases to Customer Bills
Frank C. Graves The Brattle Group	Alternative cost recovery mechanisms and Risk to customers of “Rate Shock”

G. OG&E is filing this Application pursuant to Oklahoma law (17 O.S. §286.C.) and OCC Rules (OAC 165:35-38-5). Both §286.C and Commission Rule 38-5 provide that, if the Commission determines there is a need for the construction or purchase of a new electric generating facility, the generating facility shall be considered used and useful and its costs shall be subject to cost recovery rules of the Commission. More specifically, Rule 38-5(e) requires a utility to open a cause for cost recovery if the utility wishes pre-

approval when the competitive bidding RFP process in the OCC Rules has not been utilized. OG&E witness Langston explains why OG&E did not conduct an RFP process before seeking pre-approval. OG&E shows the Commission that the recovery of construction costs for Red Rock through the rate rider proposed by the Company will avoid rate shock to OG&E's customers, result in comparable costs to customers, and permit OG&E to maintain a more competitive position as it seeks capital funding for Red Rock and other necessary infrastructure improvements identified by Mr. Hatfield in his pre-filed Direct Testimony.

H. he Commission is required by Oklahoma law to issue an Order on an application filed pursuant to 17 O.S.A. §286.C.1. within two hundred forty (240) days of the filing of the application. However, OG&E requests that this Commission issue an order providing the relief requested herein on or before July 20, 2007. OG&E makes this request because time is of the essence with respect to this project because of the joint owners' need to obtain pricing commitments consistent with the estimated costs to construct Red Rock, as explained in Paragraph II.E. of this Application. The Company further shows that if this date for execution of the EPC contract is not met, the total cost for the Red Rock Project will almost certainly increase.

III. Legal Authority.

The Commission has jurisdiction in these proceedings by virtue of Article IX, Sections 18 and following of the Constitution of the State of Oklahoma, 17 O.S. §286, the Rules of Practice (OAC 165:5) and the Commission's Electric Rules, including the Commission's rules implementing 17 O.S. §286 and Competitive Procurement (OAC 165:35-34-1 *et seq.*)

IV. Relief Requested.

WHEREFORE, premises considered, OG&E requests that the Commission issue an Order by July 20, 2007:

1. determining OG&E has a need to add additional base load generation capability to its system in order to provide safe, reliable and dependable service to its customers;
2. determining OG&E's ownership of a portion of the Red Rock unit is appropriate to address the Company's need for additional generation;
3. determining that a "not to exceed" cost to OG&E for the construction of Red Rock and related transmission facilities of \$789 million is prudent, and recognizing OG&E's right to seek recovery in a future proceeding of any additional costs incurred to complete the Red Rock unit;
4. authorizing OG&E to implement its proposed tariff effective with the Company's August 2007 billing cycle; and
5. granting such other and further relief as the Commission may determine to be fair, just and equitable in the premises.

Respectfully submitted,

OKLAHOMA GAS AND ELECTRIC COMPANY

By



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