

**BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION**

IN THE MATTER OF THE APPLICATION OF)
OKLAHOMA GAS AND ELECTRIC) **DOCKET NO. 06-070-U**
COMPANY FOR APPROVAL OF A GENERAL)
CHANGE IN RATES AND TARIFFS)

APPLICATION

COMES NOW Oklahoma Gas and Electric Company (“OG&E” or “Company”) and hereby applies to the Arkansas Public Service Commission (“Commission”) for approval of a general change in rates and tariffs, and in support of its Application respectfully states as follows:

1. OG&E is a corporation organized under the laws of the State of Oklahoma and is qualified to do business in the States of Oklahoma and Arkansas. It is an investor owned electric utility company engaged in the business of generating, transmitting and distributing electrical power and energy in the States of Oklahoma and Arkansas. OG&E has approximately 724,000 total customers, of which approximately 61,500 are located in Arkansas. OG&E’s principal office is at 321 North Harvey, Oklahoma City, Oklahoma 73101. The Company’s principal place of business in Arkansas is located at 219 Garrison Avenue, Fort Smith, Arkansas 72902.

2. OG&E is a public utility as defined by Act 324 of 1935, as amended, which is codified at Arkansas Code Annotated § 23-1-101 *et seq.*, and as such, is subject to the jurisdiction of the Commission. Approval of new rates and charges is sought hereunder pursuant to the provisions of Ark. Code Ann. 23-4-402 *et seq.* and the Commission’s *Rules of Practice and Procedure* Rules 4 and 9.

On May 1, 2006, the Company filed with the Commission, pursuant to the provisions of Ark. Code Ann. § 23-4-401, its notice of intention to seek a general change in rates and tariffs. A copy of OG&E's Articles of Incorporation has previously been filed with the Commission and is hereby incorporated by reference.

3. OG&E's books and records are kept in accordance with the Uniform System of Accounts, pursuant to the rules and regulations of the Commission and of the Federal Energy Regulatory Commission. All utility plant accounts are stated at original cost. With the Application, OG&E is submitting schedules called for by the Commission's *Rules of Practice and Procedure* supporting its proposed changes to its rates and tariffs. Changes in the Company's rates and tariffs will go into effect in thirty (30) days unless the Commission suspends the tariffs pursuant to Ark. Code Ann. § 23-4-407. In such event, it is anticipated that new rates and tariffs will become effective no later than ten (10) months from the date of this filing pursuant to the provisions of Ark. Code Ann. § 23-4-407 or Ark. Code Ann. § 23-4-410(b).

4. OG&E filed its last application for a general change in rates and tariffs on September 12, 1983 in Docket No. 83-179-U. It has been over twenty (20) years since OG&E has received a general increase in its rates and tariffs. In the two decades since OG&E's last rate relief, the Company has continuously and aggressively sought to minimize the ever increasing costs of materials, supplies, equipment, labor, health and insurance plans, capital costs and the other costs of doing business. During this time, OG&E has continued to make a substantial investment in utility plant and facilities.

In 2004, OG&E received approval to consummate the acquisition of a seventy-seven percent (77%) interest in the McClain Power Plant owned by NRG McClain,

L.L.C. ("NRG"), located near Newcastle, Oklahoma, on the south bank of the South Canadian River. The Oklahoma Municipal Power Authority ("OMPA") owns the other 120 Megawatts of the facility. The McClain facility is a 520 MW gas fired combined cycle plant utilizing two GE 7FA steam turbines with one heat recovery steam generator (HRSG). The McClain facility was constructed at a cost of \$580 per kilowatt. OMPA paid \$518 per kilowatt for its interest, NRG paid \$707 per kilowatt for its interest and OG&E paid NRG approximately \$400 per kilowatt for its interest or \$160,213,000.

The Company's cost-cutting measures, while being successful enough in their own right to allow OG&E to not seek to raise rates for over twenty years, cannot be relied upon any more to offset the ever-present cost increases and particularly capital investment costs which are required so that OG&E can reliably supply the electric needs and demands of its customers. The Company finds itself in the position of needing increased revenue through revised rates and tariffs in order for it to be provided a reasonable opportunity to earn sufficient revenue to cover its cost of service, with a fair return on investment to its stockholders. Therefore, it is necessary that the rates of OG&E be increased by \$13,517,699 annually.

5. OG&E further states that prompt and adequate rate relief is essential to enable it to:

- (a) assure continued adequate, reliable and safe electric service and to be able to provide for the expansion of its plant and equipment needed to provide adequate, reliable and safe electric service to the citizens and customers of Arkansas;

- (b) achieve the rate of return upon its investment needed to attract capital at reasonable costs; and
- (c) fairly compensate investors who have supplied the hundreds of millions of dollars which the Company has invested to provide electric facilities to serve its more than 61,500 retail customers in the State of Arkansas.

6. OG&E proposes to use a test period of twelve consecutive calendar months ending December 31, 2005, adjusted for reasonably known and measurable changes through December 31, 2006.

7. The rates requested by OG&E are designed to reflect an equalized cost of service to the various customer classes.

8. In determining the appropriate amount of working capital, OG&E has utilized the modified balance sheet approach.

9. Through its proposed revised rate schedules, OG&E seeks the opportunity to earn a just and reasonable return of 6.29% on its investment.

10. Attached hereto and made a part hereof are the minimum filing requirement schedules required by Rule 9 of the Commission's *Rules of Practice and Procedure*.

11. Pursuant to the provisions of Rule 2.03 of the Commission's *Rules of Practice and Procedure*, all correspondence in this docket should be addressed to:

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12. Notice, pursuant to Rule 3.03(b)(1) of the Commission's *Rules of Practice and Procedure*, will be promptly published and proof thereof will be filed with the Commission promptly after publication is completed.

WHEREFORE, in consideration of the foregoing, Oklahoma Gas and Electric Company prays that its application for a general change in the rates, charges and tariffs for its Arkansas customers be approved and for all other appropriate relief.

Respectfully submitted,

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