

**BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION**

IN THE MATTER OF THE APPLICATION OF )  
OKLAHOMA GAS AND ELECTRIC COMPANY )  
FOR APPROVAL OF A GENERAL CHANGE IN )  
RATES AND TARIFFS )

DOCKET NO. 06-070-U

Direct Testimony

of

Jesse B. Langston

on behalf of

Oklahoma Gas and Electric Company

July 28, 2006

Jesse B. Langston  
*Direct Testimony*

1 Q. **Please state your name, by whom you are employed, and your business address.**

2 A. My name is Jesse B. Langston. I am employed by Oklahoma Gas and Electric  
3 Company (“OG&E” or “Company”) and my business address is 321 N. Harvey, P. O.  
4 Box 321, Oklahoma City, Oklahoma 73101.

5

6 Q. **What position do you hold with OG&E?**

7 A. I hold the position of Vice President of Utility Commercial Operations. Prior to  
8 assuming my current duties, I served as Director of Corporate Planning for OGE  
9 Energy Corp. where my primary duties were to lead the Company’s corporate and  
10 business strategy development, planning, and implementation for regulated as well as  
11 unregulated activities.

12

13 Q. **Please summarize your professional experience and educational background.**

14 A. I have been employed by OG&E since 1985. I have over 20 years of experience in the  
15 electric utility industry in various areas including corporate planning, business  
16 planning, engineering, transmission and distribution system design, end-use metering,  
17 end-use forecasting, load forecasting, telecommunications, corporate marketing,  
18 demand-side management programs, transmission maintenance, and generation  
19 maintenance. Over the past few years, I have led a number of significant initiatives  
20 within the Company including those relating to electric deregulation in Oklahoma and  
21 Arkansas and the Company’s resource planning efforts. I was assigned responsibility  
22 to manage and oversee the acquisition of a substantial capacity resource pursuant to a

1 settlement agreement in the Oklahoma jurisdiction. I hold an MBA from Oklahoma  
2 City University (May 2002) and a Bachelor of Science degree in Electrical  
3 Engineering from Oklahoma State University (1985).

4  
5 **Q. Please identify the areas in which you have testified in the Arkansas Jurisdiction.**

6 A. I have appeared before the Arkansas Public Service Commission (“Commission”) on a  
7 number of occasions to provide oral testimony regarding various issues related to  
8 industry restructuring and to address OG&E’s activities regarding electric deregulation  
9 and resource planning.

10  
11 **Q. What is the purpose of your testimony in this proceeding?**

12 A. In 2004, OG&E acquired a 77% ownership interest in a combined cycle, gas fired  
13 generation facility located southwest of Oklahoma City, Oklahoma, and previously  
14 owned by NRG McClain, LLC (“McClain Plant”). The purpose of my testimony is to  
15 provide the evidence in this proceeding for the Commission to determine that the  
16 McCain Plant is used and useful in providing electric service to OG&E’s Arkansas  
17 customers. Based on a favorable determination, OG&E’s investment in the McClain  
18 Plant will be included in rate base as a part of establishing new rates in this  
19 proceeding. OG&E has also commenced construction of a wind energy facility  
20 (“Centennial Project”) located in Harper County in Western Oklahoma. On June 8,  
21 2006, OG&E filed Docket No. 06-079-U related to the Centennial Project, which is  
22 discussed later in my testimony.

23

1 Q. **What evidence will you provide to justify that the McClain Plant is used and**  
2 **useful for the Arkansas customers?**

3 A. My testimony will provide the supporting facts in the following four areas (i) Need for  
4 Additional Capacity, (ii) Fuel Cost Savings, (iii) Acquisition Process and (iv) Steps to  
5 Finalize Acquisition.

6

7

**NEED FOR ADDITIONAL CAPACITY**

8 Q. **Please describe the circumstances giving rise to OG&E's acquisition of the**  
9 **McClain Plant.**

10 A. On September 7, 2001, the Oklahoma Corporation Commission Staff ("OCC Staff")  
11 initiated a review of OG&E's retail rates and charges ("2001 Rate Review").<sup>1</sup> OG&E  
12 entered a Joint Stipulation and Settlement Agreement ("Settlement Agreement") with  
13 the OCC Staff and all other parties in that proceeding in which the Company  
14 expressed its intention to purchase additional generation to replace certain purchased  
15 power agreements and to meet the growing needs of its customers. The Settlement  
16 Agreement was approved by the OCC on November 22, 2002.<sup>2</sup>

17

18 Q. **Why did OG&E need additional generation capability?**

19 A. There were two primary factors that contributed to OG&E's need to add new  
20 generation to its system in order to provide safe and reliable electric energy. First,  
21 OG&E had purchase power agreements that were approaching the end of their

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<sup>1</sup> Application of Ernest G. Johnson, Director of the Public Utility Division, Oklahoma Corporation Commission to Review the Rates, Charges, Services and Service Terms of Oklahoma Gas and Electric Company and All Affiliate Companies and Any Affiliate or Nonaffiliate Transaction Relevant to Such Inquiry, Cause No. PUD 200100455.

<sup>2</sup> Final Order Approving Joint Stipulation and Settlement Agreement, Order No. 470044.

1 contract terms. When the Settlement Agreement was entered in 2002, OG&E was  
2 purchasing 200 MW of capacity from Southwestern Public Service Company (“SPS”)  
3 pursuant to a contract that would expire at the end of 2003. OG&E did not expect that  
4 the SPS contract could be renewed. OG&E also had a PURPA capacity purchase  
5 contract with Smith Cogeneration, Inc. (now PowerSmith) with a primary term ending  
6 September 1, 2003. OG&E planned to and did exercise its option to terminate that  
7 agreement.

8 The second factor contributing to OG&E’s need to add new generation was the load  
9 growth the Company was experiencing on its system. The combined effect of these  
10 factors resulted in OG&E’s conclusion to add not less than 400 Megawatts of new  
11 generation.

12  
13 **Q. Did the Company's conclusion regarding the need for additional capacity prove**  
14 **to be appropriate?**

15 **A.** Yes. The company's expected capacity margin in 2007, the first year proposed rates  
16 will be in effect in Arkansas, is almost exactly 12%. Without the inclusion of the  
17 McClain plant in the calculation, that margin will be less than 8%. As this  
18 Commission knows, the Southwest Power Pool ("SPP") requires that each member  
19 utility maintain a capacity margin of at least twelve percent (12%) above its forecast,  
20 weather-normalized peak demand for any given year. Consequently, not only does  
21 OG&E need the McClain plant to meet the minimum SPP reliability requirements in  
22 2007, but the company's capacity margin will dip to 10.5% in 2008 and 9.4% in 2009  
23 unless even more generation is procured. In other words, even after acquiring

1 McClain, estimates show<sup>3</sup> that OG&E will need to obtain an additional 120MW of  
2 capacity in 2008 and 80MW on top of that in 2009 in order to just meet the SPP  
3 minimum.

4  
5 **Q. Did OG&E consider other factors in deciding to purchase a plant?**

6 A. Yes. The OCC Staff had expressed concern with the Company's reliance on purchased  
7 power.<sup>4</sup> OG&E agreed with the concerns expressed by Staff, and these concerns and  
8 circumstances were taken into consideration when, during settlement negotiations  
9 related to the 2001 Rate Review, OG&E expressed its intention to purchase not less  
10 than 400 Megawatts of mid merit generation to be integrated into the Company's  
11 generation system, and that intention became a part of the Settlement Agreement. In  
12 addition, three factors moved OG&E to the decision to buy an existing plant: the cost  
13 and risk of long-term purchase power agreements; the Company could buy at least one  
14 existing facility for less than the cost to build; and OG&E needed to add generation  
15 quickly to replace expiring purchase power contracts and did not have sufficient time  
16 to build.

17 In summary, the generation purchase option surfaced as a viable alternative as the  
18 Company evaluated options available to meet customer needs including increasing  
19 demand, current market conditions for dependable and reliable purchased power, the

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<sup>3</sup> OG&E conducted an analysis of its future capacity needs as a predicate for the Company's June 30, 2006 avoided capacity and energy cost data submission which was made pursuant to Section 3.2(b) of the Commission's Cogeneration Rules and designated as a part of Docket No. 81-071-F.

<sup>4</sup> In the "Seventh Electric System Planning Report" prepared by the OCC Staff, the OCC Staff determined that without purchased power OG&E's reserve margins for 1999 and 2000 were -5.08% and -0.54% respectively. See Table 2-3 at page 11 and page 14 of the Report.

1 approaching termination of purchase power agreements, and Staff's concerns with  
2 respect to reliance on purchased power.

3  
4 Q. **How did OG&E determine the cost of purchase power agreements?**

5 A. OG&E received offers from independent power producers that clearly demonstrated  
6 the acquisition of the McClain Plant was preferable to purchase power agreements.

7  
8 Q. **What offers did the Company receive?**

9 A. During the acquisition process, the Company received seven unsolicited offers to sell  
10 capacity to OG&E in lieu of purchasing an existing power plant. Those offers covered  
11 contract terms of from five to ten years. My **Exhibit JBL-1** reflects a comparison of  
12 the proposed capacity sales to the cost of acquiring the McClain Plant on a dollars per  
13 kilowatt-year basis. This exhibit reflects that the acquisition was the best, low cost,  
14 long-term source of capacity for OG&E's customers when compared to the purchase  
15 power offers OG&E received.

16  
17 Q. **Did the Company have another reason for rejecting purchase power agreements  
18 as the best solution for OG&E customers?**

19 A. Yes. OG&E has an obligation to provide **safe and reliable service**. Ownership of  
20 generation allows OG&E to avoid external risks related to purchase power  
21 agreements. During this period, had OG&E received a favorable purchase power rate,  
22 such a favorable contract was at risk of being lost through bankruptcy. I have been  
23 advised that a bankruptcy court has the power to set aside any contract the court finds

1 to be a burdensome asset. Many IPP's were built in anticipation of retail choice for  
2 generation suppliers in OG&E's service area. When IPP expectations were not  
3 realized, many facilities became economically distressed.

4  
5 **Q. How did OG&E evaluate the option to construct a new facility?**

6 **A.** The acquisition of an efficient, mid-merit, gas fired generation facility would provide  
7 customers with a reliable, low cost, long-term source of electricity for many years into  
8 the future. OG&E believed that existing non-utility generation could be purchased at  
9 less than the cost to build a new facility. During the acquisition process, OG&E  
10 considered multiple cost estimates, including an internal cost estimate of \$500 per  
11 kilowatt to construct a combined cycle gas generation unit. The U.S. Department of  
12 Energy's Energy Information Administration estimated the cost to construct a  
13 combined cycle gas generation facility would be \$534 per kilowatt in the Southwest  
14 Power Pool region. Burns and McDonnell, a consulting engineering firm, estimated  
15 the cost to construct a combine cycle generation facility in our area would be in the  
16 range of \$528 per kilowatt depending upon the design technology. The \$400 per  
17 kilowatt cost OG&E incurred to acquire the McClain Plant compares quite favorably  
18 with these construction cost estimates.

19  
20 **FUEL COST SAVINGS**

21 **Q. Did OG&E anticipate fuel cost savings for the customers with the acquisition of**  
22 **the McClain Plant?**

1 A. Yes. By integrating the highly efficient McClain Plant into the Company's generation  
 2 portfolio and modifying the dispatch order for OG&E's remaining plants, the  
 3 Company expected to produce significant fuel cost savings for its customers.

4

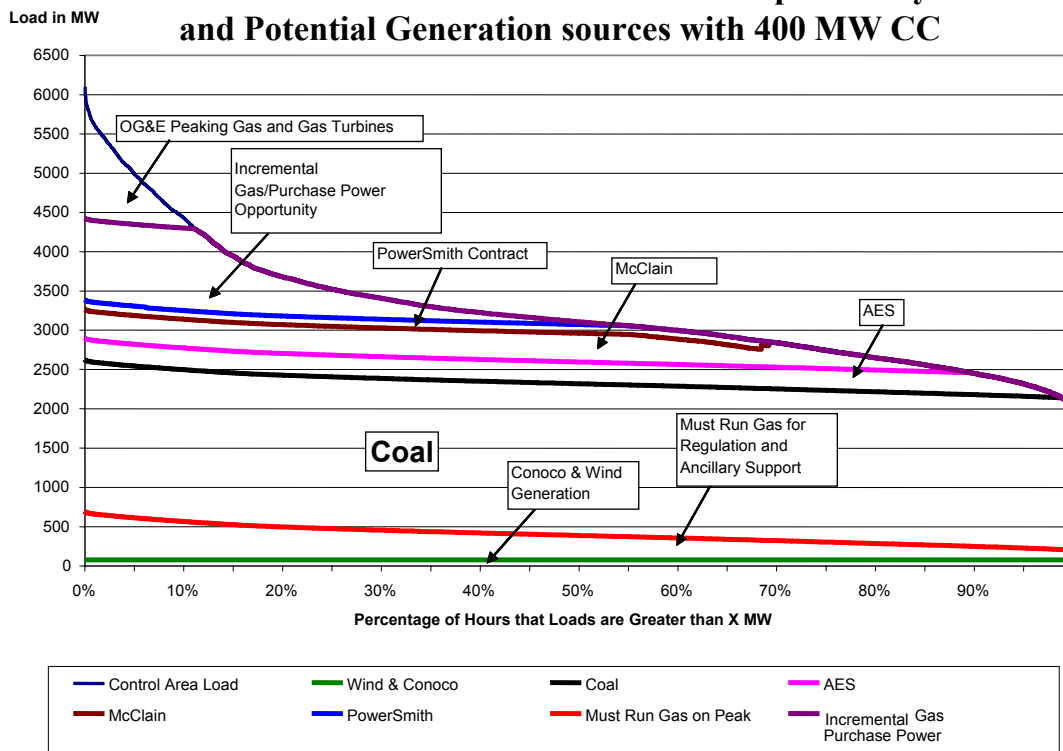
5 Q. **How does the McClain Plant fit in OG&E's generation portfolio?**

6 A. As shown in Chart 1, the McClain Plant is the most efficient of OG&E's gas  
 7 generation units. The full load heat rates for OG&E's existing gas units ranged from  
 8 9,850 to 10,500.

9

**Table 1**

**OG&E Forecasted 2004 Generation Responsibility  
 and Potential Generation sources with 400 MW CC**



10 In contrast, heat rates for the McClain Plant are in the 6,900-7,200 Btu/kWh range.  
 11 Therefore, in addition to addressing OG&E's capacity shortfall, acquisition of power  
 12 from the McClain Plant results in very substantial fuel cost savings to customers.

1 Q. **What were the McClain fuel cost savings for Arkansas customers during the test**  
2 **year?**

3 A. In calendar year 2005, the McClain Plant produced fuel cost savings of \$5.8 million  
4 compared to the fuel cost customers would have experienced based on OG&E's  
5 generation portfolio prior to the acquisition of McClain.

6

7 Q. **Please summarize how these fuel cost savings are calculated.**

8 A. Each month OG&E determines the fuel cost savings resulting from the integration of  
9 the McClain Plant in the Company's generation resource mix using its GenTrader®  
10 model. GenTrader is an optimization model in which the Company's least cost  
11 generation options are dispatched first, subject to all binding operational constraints.  
12 GenTrader is used to replicate the actual dispatch of OG&E's generation. GenTrader  
13 is then used to create a hypothetical dispatch of the generation on the OG&E system  
14 without the McClain Plant. The difference between the replicated and hypothetical  
15 calculations is the estimated total company fuel benefit from McClain.

16

17 Q. **What has been the fuel cost savings to Arkansas customers since January 2004?**

18 A. During the period January 2004 through May 2006, fuel cost savings have amounted  
19 to \$11.7 million. In addition, the McClain Plant is expected to provide fuel savings in  
20 the future.

21

22

23

1 **ACQUISITION PROCESS**

2 Q. **What steps did OG&E take to acquire the McClain Plant?**

3 A. After OG&E decided to consider acquiring a plant, the Company employed a six-step  
4 process leading up to the signing of the agreement to purchase a 400 MW interest in  
5 the McClain Plant:

- 6 1) Identification and initial screening of 200 potential options
- 7 2) Decision to rely on a negotiation-based approach
- 8 3) Preliminary OG&E assessment of 6 viable candidates
- 9 4) Preliminary contact with viable candidates
- 10 5) Parallel negotiations and evaluation of purchased power offers
- 11 6) Execution of the Asset Purchase Agreement

12 The Company began by developing a composite list of non-utility owned facilities  
13 proposed within our region, including the State of Oklahoma, as shown on **Exhibit**  
14 **JBL-2**. The next step was to narrow the list of over 200 candidate plants by applying  
15 specific selection criteria.

16  
17 Q. **Please describe the specific selection criteria that were used to narrow the list of**  
18 **over 200 candidate plants.**

19 A. As may be seen from the map I have attached to my testimony as **Exhibit JBL-2**,  
20 some of the candidate plants were quite remote both electrically and geographically  
21 from the OG&E load. Location and transmission availability were key factors in  
22 narrowing the field of candidate plants. Consequently, having the new generation in  
23 reasonable proximity to the OG&E load reduced the field to 9 candidate plants.  
24 Another major selection criterion was that the candidate plant had to be in commercial  
25 operation by the summer of 2004. Of the remaining candidates, 6 were either in

1 commercial operation or construction had progressed to the point that OG&E had  
2 reason to believe those facilities would be in commercial operation by the summer of  
3 2004. The six candidate generation facilities were Green Country, Kiamichi,  
4 McClain, Oneta, Redbud, and Spring Creek. The locations of these candidate power  
5 plants are shown on **Exhibit JBL-3**.

6  
7 **Q. What was the next step in the acquisition process?**

8 A. OG&E compiled data on the candidate plants. A data sheet was developed on each  
9 plant from public data, including such information as Size of Plant, Type of Plant,  
10 Location of Plant, Operational Date, Announced Construction Cost, General  
11 Contractor, Sales Price (if sold), Type of Equipment, Heat Rate, Air Permit  
12 Information, Fuel Supply, Transmission, Plant Debt, Parent Company Annual  
13 Revenues, Long Term Debt, Short Term Debt and Bond Rating. A limited sample of  
14 this data is identified on **Exhibit JBL-4**.

15  
16 **Q. How was this information used in the acquisition process?**

17 A. This public data allowed OG&E to develop an internal evaluation methodology to  
18 complete a preliminary assessment of the six candidate plants in the following  
19 categories: Regulatory, Finance, Operations, Transmission, Gas Supply, and Owner's  
20 Willingness to Sell.

1 Q. **Please summarize how those categories were used.**

2 A. The regulatory perspective reviewed the candidate plants to ascertain that each plant  
3 would support OG&E's obligation to serve, provide reliable energy, and fulfill the  
4 requirements of the Settlement Agreement.

5 The finance category involved examining OG&E's ability to finance the project  
6 without diluting the value of the Company to its existing owners, and the need to  
7 retain an investment grade credit rating.

8 The operations category examined the impact on OG&E's existing generation fleet. In  
9 particular, the new generation would not impede OG&E's ability to maximize the  
10 dispatch of low cost coal generation.

11 The transmission category examined transmission needs in more detail by reviewing  
12 the system improvements necessary to deliver the new plant energy. To the extent that  
13 transmission improvements would be needed, the cost of those improvements were  
14 taken into consideration as a part of the plant cost.

15 The gas supply category evaluated the adequacy of gas transportation service to  
16 support the full generation output capability of the facility and the number of suppliers  
17 available on the pipeline serving the facility. The distance to alternative pipeline  
18 suppliers becomes important if the pipeline connected to the generation facility has  
19 limited gas supply availability or if the pipeline cannot deliver the capacity needed to  
20 support full plant electrical output. Also evaluated was storage availability along with  
21 the existing contracts that a generation facility may have in place to provide  
22 transportation service and/or supply service to the facility.

1 The owners' willingness to sell was a significant category; unless the owner of a  
2 facility is willing to sell at a price acceptable to OG&E, there is little more the  
3 Company can do but to move on to those facilities where the owners are more  
4 motivated to sell.

5  
6 **Q. What were the results of OG&E's preliminary analysis?**

7 A. Several of the plants were logical targets for acquisition, but the McClain Plant  
8 appeared to be the best fit for OG&E's needs.

9  
10 **Q. Did the Company involve outside support to assist with the acquisition process?**

11 A. Yes. The Company retained CitiGroup (formerly Solomon Smith Barney), an  
12 investment banking firm, to conduct an analysis of the candidate power plants on  
13 OG&E's short list and serve as advisor to the Company throughout the remainder of  
14 the process.

15  
16 **Q. Did OG&E utilize a Request for Proposals ("RFP") as a part of the plant  
17 acquisition process?**

18 A. No. OG&E, in consultation with CitiGroup, rejected the RFP approach because it was  
19 determined that direct negotiations with the plant owners on a simultaneous basis  
20 would result in a better purchase price for the new generation. OG&E was advised by  
21 CitiGroup that it would be better to negotiate than to use an RFP for several reasons.  
22 First, CitiGroup advised that negotiating directly with plant owners, and in some cases  
23 with their lenders, would be the most effective way of achieving the best value.

1 CitiGroup cautioned that it would be difficult for an RFP to account for asset specific  
2 differences and that bidders in an RFP process would potentially make erroneous  
3 judgments concerning the value of these differences and specific plant attributes to  
4 OG&E. In addition, it became apparent to OG&E early in the acquisition process that  
5 a project's debt level would likely be the floor for a purchase price, but neither OG&E  
6 nor CitiGroup believed that the RFP process would provide an incentive for sellers to  
7 walk away without seeking some equity recovery. OG&E concluded that face-to-face  
8 negotiations would allow these issues to be more thoroughly explored by the  
9 Company with prospective sellers and would provide a better result for OG&E and its  
10 customers. Through the negotiation process, OG&E contacted the owners of each of  
11 the remaining plants. The owners of three of the plants, Green Country, Kiamichi, and  
12 Spring Creek advised OG&E that they were not interested in selling their facilities.  
13 OG&E made no further effort to negotiate with those owners. OG&E met several  
14 times at various locations with the owners of the McClain, the Oneta, and the Redbud  
15 facilities.

16  
17 **Q. How long did negotiations continue with the owners of candidate power plants**  
18 **before OG&E executed an agreement with NRG McClain, L.L.C. ("NRG") to**  
19 **purchase the McClain Plant?**

20 **A.** Negotiations with the owners of candidate power plants continued until the definitive  
21 agreement was reached to acquire McClain. OG&E was unable to reach an agreement  
22 with the owners of either Redbud or Oneta although discussions continued with the

1 owners of those facilities. I might add, OG&E was considering and evaluating  
2 purchase power offers during that same period.

3  
4 **STEPS TAKEN TO FINALIZE ACQUISITION**

5 **Q. Please describe the final steps to acquire the McClain Plant.**

6 A. OG&E finalized negotiations, reached an agreement in principle with NRG, and  
7 drafted and executed a definitive Asset Purchase Agreement to purchase NRG's  
8 interest in the McClain Plant on August 18, 2003.

9  
10 **Q. Please give the Commission a general description of the McClain Plant.**

11 A. The McClain Plant is located near Newcastle, Oklahoma, on the South bank of the  
12 South Canadian River. It consists of two combustion turbine units, two heat recovery  
13 steam generators, and one steam turbine. The McClain Plant has a nominal or  
14 nameplate rating of 520 Megawatts. Oklahoma Municipal Power Authority ("OMPA")  
15 owns 23% or 120 Megawatts of the facility while NRG owned the remaining 77% or  
16 400 Megawatts. OG&E purchased all of NRG's 400 Megawatt interest in the  
17 McClain Plant.

18  
19 **Q. Please describe the terms of the purchase agreement through which OG&E  
20 acquired this facility.**

21 A. The terms related to the purchase of NRG McClain's 77% interest in the McClain  
22 Plant were set forth in the Asset Purchase Agreement. The adjusted purchase price for  
23 NRG McClain's interest was \$160,213,000. I have attached the Closing Statement

1 which includes all adjustments and closing costs for the McClain Plant purchase as  
2 **Exhibit JBL-5**. Closing of the purchase agreement was subject to all of the customary  
3 conditions related to the purchase of an existing generating station, including  
4 regulatory approval from the Federal Energy Regulatory Commission ("FERC")  
5 pursuant to §203 of the Federal Power Act. In addition, because the seller of the plant  
6 had filed for bankruptcy protection, the acquisition of this facility was also subject to  
7 the approval of the United States Bankruptcy Court for the Southern District of New  
8 York. The Bankruptcy Court approved the sale of NRG's interest in the McClain  
9 Plant on October 28, 2003<sup>5</sup>. OG&E anticipated that the acquisition of the NRG  
10 McClain Plant would be completed by December 1, 2003.

11  
12 **Q. How does the purchase price for the McClain Plant compare with**  
13 **contemporaneous sales of natural gas fired non-peaking facilities?**

14 **A. Exhibit JBL-6** reflects the cost per kilowatt of the McClain Plant compared to the  
15 cost per kilowatt of sales of natural gas fired non-peaking generation facilities during  
16 the 2001 through 2003 time period. The comparison of these prices reflects that the  
17 McClain price was very favorable.

18  
19 **Q. How does the price OG&E paid for the McClain Plant compare to what previous**  
20 **owners paid?**

21 **A. Exhibit JBL-7** shows the original cost to construct the McClain Plant was \$580 per  
22 kilowatt, NRG paid \$707 per kilowatt for its 77% interest, OMPA paid \$518 per

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<sup>5</sup> United States District Court for the Southern District of New York, Bankruptcy Division, Cause No. 03-13024 (PCB).

1 kilowatt for its 23% interest, and OG&E paid \$400 per kilowatt for its 77% interest in  
2 the power plant. OG&E's 2003 purchase price was almost half the price NRG paid.

3  
4 Q. **Was OG&E able to complete the acquisition as anticipated?**

5 A. No. As I mentioned above, the sale of the facility was subject to the approval of the  
6 FERC. On August 26, 2003, OG&E filed a joint application with NRG under Section  
7 203 of the Federal Power Act requesting that the FERC authorize the sale of NRG's  
8 interest in the McClain Plant to OG&E. On July 2, 2004, the FERC issued its Order<sup>6</sup>  
9 approving the acquisition.

10  
11 Q. **Has the Oklahoma Corporation Commission included the McClain Plant in  
12 OG&E's Oklahoma rate base?**

13 A. Yes. On December 12, 2005, the OCC issued its Order<sup>7</sup> determining OG&E was  
14 prudent in acquiring the McClain Plant and allowing the inclusion of the costs related  
15 to the McClain Plant in OG&E's cost of service for its Oklahoma jurisdiction  
16 customers. New rates were effective in January 2006.

17  
18 Q. **Has OG&E initiated a proceeding at the Commission concerning ownership of a  
19 wind energy project?**

20 A. Yes. On June 8, 2006, OG&E filed an Application with this Commission seeking a  
21 declaratory ruling authorizing the jurisdictional allocation of energy and costs related

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<sup>6</sup> Docket No. EC03-131-000, Order issued July 2, 2004, at ¶2, 3, 42, and Order provisions at Pp. 17, 18.

<sup>7</sup> In the matter of the Application of Oklahoma Gas and Electric Company for an Order of the Commission Authorizing Applicant to Modify its Rates, Charges, and Tariffs for Retail Electric Service in Oklahoma, Cause No. PUD 200500151, filed April 4, 2005, before the Corporation Commission of the State of Oklahoma in Oklahoma Commission Order No. 516261.

1 to the construction, ownership and operation of the Centennial Project. In Docket No.  
2 06-079-U OG&E is seeking an Order from the Commission authorizing and allowing  
3 OG&E to jurisdictionally allocate energy from Centennial to the Company's  
4 Oklahoma and Arkansas customers and to allocate project costs between Oklahoma  
5 and Arkansas retail jurisdictions using a retail energy allocator.

6  
7 Q. **Please describe the Centennial Project.**

8 A. The Centennial Project is a one hundred twenty (120) megawatt wind energy project  
9 being constructed in Harper County, Oklahoma. Centennial will consist of eighty (80)  
10 1.5 MW General Electric turbines with a mounted hub height of 80 meters. The  
11 expected annual energy output for the facility is 468 million kWh, of which a little  
12 over 52 million kWh will be available for OG&E's Arkansas customers, should  
13 OG&E's proposal be adopted and approved by the Commission. The expected  
14 commercial operation date is before the end of calendar year 2006.

15  
16 Q. **What is OG&E seeking in this proceeding for the Centennial Project?**

17 A. OG&E is seeking a ruling from the Commission authorizing the costs of the  
18 Centennial Project to be recovered as a part of its cost of service.

19  
20 Q. **Does this conclude your Direct Testimony?**

21 A. Yes.