

STANDARD PRICING SCHEDULE: GEM  
GRID ENHANCEMENT MECHANISM

STATE OF OKLAHOMA

**EFFECTIVE IN:** All territory served.

**PURPOSE:** The purpose of the Grid Enhancement Mechanism (“GEM”) is to recover the Oklahoma retail jurisdictional portion of the annual revenue requirement for grid enhancement capital expenditures associated with automation and related communication and technology systems, overhead to underground highway conversions, replacing exposed wired secondary with covered cable on certain circuits, and structural design upgrades through 2024. All cost recovery through the Mechanism shall be subject to true-up and refund in the Company’s first rate case following 2024 projects going into service.

**APPLICABILITY:** With the exception of the exemptions listed below, the GEM tariff will apply as follows: For distribution grid enhancement expenditures associated with FERC accounts 360 through 363 this mechanism is applicable to all Oklahoma retail rate classes in Service Levels 2, 3, 4 and 5. For distribution grid enhancement expenditures associated with FERC accounts 364 through 368 this mechanism is applicable to all Oklahoma retail rate classes in Service Levels 3, 4 and 5. For intangible, general, and transmission plant grid enhancement expenditures, this mechanism is applicable to all Oklahoma retail rate classes.

**EXEMPTIONS:** Customers subscribed to the Power and Light and Large Power and Light tariffs at Service levels 1 and 2 and customers who are qualified for LIHEAP program and are subscribed to the LIAP and Senior Citizen Discount programs are exempt from this mechanism and any costs that would have been allocated to those customers shall be foregone by the Company during the effectiveness of the GEM and shall not be reassigned to other customers or classes.

**TERM:** This GEM shall become effective upon a final order of the Commission in Cause No. PUD 202100164 and shall continue until the implementation of rates resulting from a final order in OG&E’s next base rate case following the completion of projects included in the 2024 annual investment plan; however recovery under this mechanism shall terminate no later than July 1, 2025.

**REVENUE REQUIREMENT:** The revenue requirement shall include the return on rate base at the Commission’s most recent authorized rate of return in Cause No. PUD 202100164, associated depreciation expense, and property taxes. The rate base for the revenue requirement shall include plant-in-service, accumulated depreciation, and any associated accumulated deferred income taxes. The revenue requirement shall not include any operations and maintenance expenses. Each annual investment plan submitted for 2022, 2023 and 2024 shall be subject to each plan year’s \$6 million revenue requirement cap.

**REPORTING REQUIREMENTS:** The Company shall submit a quarterly report of completed and in-service projects to the PUD, and all parties of record in Cause No. PUD 202100164, inclusive of the revenue requirement associated with all in-service projects. The first quarterly report shall be filed within 30 days after the issuance of a final order in Cause No. PUD 202100164. Thereafter, the

**Rates Authorized by the Oklahoma Corporation Commission:**

Public Utilities Division Stamp

<u>(Effective)</u>	<u>(Order No.)</u>	<u>(Case No.)</u>
January 1, 2025	745601	PUD 2023-000087
October 1, 2022	728277	PUD 202100164
February 1, 2021	715188	PUD 202000021

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quarterly reports shall be submitted after the close of each quarter on approximately January 15th, April 15th, July 15th, and October 15th of each year. Each submission shall include a listing of projects included for recovery, the purpose of each project, and any authorizations for expenditures (“AFE”).

**FACTOR REDETERMINATION SCHEDULE:** Factor redeterminations shall be submitted on a quarterly basis along with the report of completed in-service projects. The PUD, and all parties of record in Cause No. PUD 202100164, shall have thirty (30) calendar days to object to any project or calculation. Disagreements not resolved by the parties will be processed by a cause filed by the Company and items in dispute will not be included for recovery in the Mechanism until resolved. The PUD will endeavor to complete its review of the factors within 45 days. Recovery under the Mechanism cannot be implemented until PUD completes its review of the quarterly factor updates. The revised factors will become effective following the PUD’s completed review.

**FACTOR CALCULATION:** The Company will calculate the GEM mechanism factors using the following formulas, on a per kilowatt-hour (kWh) basis for non demand-billed customers and on a per kilowatt (kW) basis for demand-billed customers, for each of the major rate classes, combined minor classes, and service level (“SL”). The factor shall reflect actual completed projects in service, with any accumulated over/under amortized over a 3-month period. No projections for upcoming projects may be included in the factor calculation. The GEM factors will be computed as follows:

$$GEM\ Factor_{Class\ and\ SL} = \frac{((A * B) * C) + D_{Class\ and\ SL} + ((E * F) + G_{Class\ and\ SL}) + ((H * I) + J_{Class\ and\ SL}) + ((K * L) * M) + N_{Class\ and\ SL}}{O_{Class\ and\ SL}}$$

Where:

A = *Transmission Service Level Retail Revenue Requirement;*

B = *Oklahoma Jurisdiction Transmission Service Level Allocation = 91.8270%;*

C = *Oklahoma Transmission Service Level Demand Class and SL Allocator;*

D = *Transmission Service Level Annual True Up;*

And

E = *Distribution Service Level FERC Accounts 360-363 Revenue Requirement;*

F = *Distribution Service Level FERC Accounts 360-363 Class and SL Allocator;*

G = *Distribution Service Level FERC Accounts 360-363 Annual True Up;*

And

H = *Distribution Service Level FERC Accounts 364-370 Revenue Requirement;*

I = *Distribution Service Level FERC Accounts 364-370 Class and SL Allocator;*

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J = *Distribution Service Level FERC Accounts 364-370 Annual True Up;*

And

K = *General and Intangible Plant Revenue Requirement;*

L = *Oklahoma Jurisdiction General and Intangible Plant Allocation = 86.7863%;*

M = *General and Intangible Plant Class and SL Allocator;*

N = *General and Intangible Plant Annual True Up;*

And

O = *Base kWh for each Applicable non demand-billed Class and SL or Base kW for each Applicable demand-billed Class and adjusted to exclude exempt demands for SL1&2 customers, and exempt kWhs for low income customer and senior discount customer kWhs.*

The revenue requirement items above (A, E, H, and K) shall be calculated as follows:

$$\text{Revenue Requirement} = ((\text{GEMCE} * \text{RORB}) + \text{DE} + \text{AVT})$$

Where:

GEMCE = *Grid Enhancement Mechanism Capital Expenditures as described in the PURPOSE section above;*

RORB = *Authorized Rate of Return on Rate Base = 8.9710%;*

DE = *Depreciation Expense associated with such Grid Enhancement Mechanism capital expenditures;*

AVT = *Ad Valorem Taxes associated with such Grid Enhancement Mechanism capital expenditures.*

The total Oklahoma jurisdictional revenue requirement for all GEM cost net of exempt classes (and without any reassignment to other classes) as described in the APPLICABILITY section above, and excluding any true-up balances, each annual investment plan shall be subject to each plan year's \$6.0 million revenue requirement cap.

**RATE CLASSES:** The applicable rate classes are as follows:

Rate Class	Distribution	Intangible, General Plant	Transmission
Residential	SL 2, 3, 4, 5	All SLs	All SLs
General Service	SL 2, 3, 4, 5	All SLs	All SLs
Power and Light	SL 3, 4, 5	SL 3, 4, 5	SL 3, 4, 5
Public School Large	SL 3, 4, 5	SL 3, 4, 5	SL 3, 4, 5

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Large Power and Light	SL 3, 4, 5	SL 3, 4, 5	SL 3, 4, 5
Other	SL 2, 3, 4, 5	All SLs	All SLs

Combined Minor Rate Classes (Other) = *Oil and Gas Producers + Public Schools Small + Municipal Pumping + Municipal Lighting + Outdoor Security Lighting + LED Lighting; Power and Light = Power and Light Standard, Power and Light Time-of-Use, Back-Up and Maintenance Services*

**BASE CLASS AND OTHER kWh AND kW:** The applicable projected Oklahoma jurisdictional kWh and kW consistent with data from Cause No. PUD 2023-0000087.

**ALLOCATORS:** The transmission, distribution FERC, and intangible and general plant allocators as determined in PUD 2023-0000087.

Rate Class	Distribution FERC Accounts 360 - 363	Distribution FERC Accounts 364-370	Intangible, General Plant	Transmission (rebased to 100%)
Residential **	45.0301%	58.5585%	53.8395%	45.3015%
General Service*	8.7026%	15.4092%	10.6011%	8.6220%
Public Schools Large				
Service Level 3	0.0564%	0.0247%	0.0411%	0.0473%
Service Level 4	0.0818%	0.0407%	0.0538%	0.0579%
Service Level 5	1.0627%	0.9789%	0.8189%	0.8604%
Power and Light				
Service Level 1	0.0000%	0.0000%	0.0000%	0.0000%
Service Level 2	0.0000%	0.0000%	0.0000%	0.0000%
Service Level 3	2.1432%	0.9424%	1.7505%	2.2455%
Service Level 4	0.7512%	0.3619%	0.6278%	0.8048%
Service Level 5	18.3410%	19.4041%	17.0432%	19.4529%
Large Power & Light				
Service Level 1	0.0000%	0.0000%	0.0000%	0.0000%
Service Level 2	0.0000%	0.0000%	0.0000%	0.0000%
Service Level 3	2.4858%	1.0199%	2.0174%	2.6193%
Service Level 4	0.4356%	0.2027%	0.3355%	0.4236%
Service Level 5	0.8505%	0.5962%	0.7249%	0.9049%
Other*	3.0535%	2.4463%	2.5043%	2.2475%

\* Service Levels 2 through 5 are combined.

\*\* Residential allocators will be adjusted to reflect removal of Low Income and Senior customers and included for review in workpapers submitted to stipulating parties prior to recovery.

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