

ARKANSAS PUBLIC SERVICE COMMISSION

<u>1st Revised</u>	Sheet No. <u>80.0</u>
Replacing <u>Original</u>	Sheet No. <u>80.0</u>
<u>OKLAHOMA GAS AND ELECTRIC COMPANY</u>	
Name of Company	
Kind of Service: <u>Electric</u>	Class of Service: <u>All</u>
<b>Part I. Rate Schedule No. <u>FRP</u></b>	
Title: <u>Formula Rate Plan Rider</u>	

Docket No.:

Order No.:

Effective:

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**80.0 FORMULA RATE PLAN RIDER**

**80.1 REGULATORY AUTHORITY**

The Arkansas General Assembly has delegated authority to the Arkansas Public Service Commission (“APSC” or the “Commission”) to regulate public utilities in the State of Arkansas, including Oklahoma Gas & Electric (“OG&E” or the “Company”). The Arkansas General Assembly has enacted the Formula Rate Review Act (“FRRA”), Ark. Code Ann. §§ 23-4-1201 *et seq.*, which authorizes use of this Formula Rate Plan Rider tariff (“FRP”).

**80.2 PURPOSE**

The FRP defines the procedure by which all rates and applicable riders (Rate Schedules) on file with the APSC, except those excluded in Attachment A.1 to this FRP, may be periodically adjusted. The FRP shall apply to all electric service billed under the Rate Schedules, whether metered or unmetered.

**80.3 DEFINITIONS**

**A. BENCHMARK RATE OF RETURN ON RATE BASE**

“Benchmark Rate of Return on Rate Base” means the composite weighted, embedded cost of capital reflecting OG&E’s annual costs of long-term debt, common equity, and other capital components as of the end of the Evaluation Period.

**B. COMPLIANCE COST OF SERVICE STUDY**

“Compliance Cost of Service Study” means the cost of service study that supports the final approved rates and allocation methodologies approved by final order in Docket No. 16-052-U.

**C. EARNED RATE OF RETURN**

“Earned Rate of Return” means OG&E’s return on common equity calculated by dividing the weighted earned common equity rate by the common equity ratio percentage.

**D. EVALUATION REPORT**

“Evaluation Report” means the information required by the Commission in support of a Formal Application for an annual FRP filing, including all Rider FRP Schedules, Filing Requirements, and Adjustments with supporting work papers as set forth under the terms of this Rider FRP.

**E. FORMULA RATE REVIEW EVALUATION PERIOD**

The annual evaluation of the Formula Rate Review shall be based upon data for the twelve-month period ended March 31 of the Projected Year for the 1<sup>st</sup> and 2<sup>nd</sup> Evaluation Reports filed on or about October 1 of 2018 and 2019. Beginning with the Company’s 3<sup>rd</sup> Evaluation Report filed on or about October 1 of 2020 and each subsequent year thereafter the annual evaluation of the Formula Rate Review shall be based upon data for the twelve-month period ended March 31 of the Historical Year.

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**F. FORMULA RATE REVIEW PROTOCOLS**

“Formula Rate Review Protocols” means the protocols provided in Attachment E and includes the Rider FRP general provisions and filing requirements for the Annual Evaluation Report.

**G. HISTORICAL YEAR**

A Historical Year shall be the twelve (12) month period ended March 31 immediately preceding the filing of an Evaluation Report.

**H. FILING YEAR**

The Filing Year shall be the twelve (12) month ending March 31 after the Annual Filing date.

**I. PROJECTED YEAR**

The Projected Year shall be the twelve (12) month period ended March 31 immediately following the Filing Year.

**J. RATE ADJUSTMENT**

“Rate Adjustment” means the change in rates resulting from an annual formula rate review under the FRRRA as reflected in Attachment A-1 to the Evaluation Report.

**K. TARGET RETURN RATE**

“Target Return Rate” means the target rate of return as defined in Arkansas Code § 23-4-1203.

**80.4 ANNUAL FILING AND REVIEW**

**A. ANNUAL FILING**

On or about October 1, 2018 and on or about October 1 of each subsequent year, OG&E shall file a report (“Evaluation Report”) with the Commission containing an evaluation of the Company’s earnings pursuant to the FRP for the Formula Rate Review Evaluation Period. Attachment A-1 shall be included in each such filing and shall contain the Company’s proposed Rate Adjustment. The Evaluation Report and the Rate Adjustment shall be filed pursuant to the FRP.

**B. EFFECTIVE DATE**

Rates pursuant to the initial FRP shall become effective with the first billing cycle of April 2019 and subsequently adjusted FRP rates shall be effective with the first billing cycle of April of each successive projected year after the evaluation report is filed.

**C. REVIEW PERIOD**

The Parties shall file a statement of error(s) or objection(s) and supporting Testimony with or without Exhibits at least 90 days before the date on which the Rate Adjustment becomes effective. The Company shall have fifteen (15) days to review the statement of error(s) or objection(s), to work with the Parties to

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resolve any differences, and to address the error(s) and objection(s) raised by the Parties by filing either a corrected Attachment A.1 or Rebuttal Testimony with or without Exhibits.

**D. HEARING AND APPROVAL OF RATE ADJUSTMENT**

Following a hearing at least fifty (50) days before the date on which the Rate Adjustment shall become effective, unless waived by OG&E and the Parties, the Commission shall issue a final order in which it resolves any issues in dispute and approves the Rate Adjustment at least twenty (20) days before the date on which the Rate Adjustment shall become effective. If a final order is not issued by such date, the initially filed or revised Rate Adjustment shall become effective for bills rendered on and after the first billing cycle of April, subject to refund, and shall remain in effect until changed by final order of the Commission.

If the Commission's final ruling on any disputed issues requires changes to the Rate Adjustment, the Company shall file a revised Attachment A-1 containing such further modified Rate Adjustment within five (5) days after receiving the Commission's order resolving the disputed issues. The Parties shall have three (3) days to review the revised Attachment A-1. The revised Attachment A-1 shall be implemented as ordered by the Commission.

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**80.5 ANNUAL DETERMINATION OF RATE ADJUSTMENT**

**80.5.1. INDEX OF ATTACHMENTS**

Attachment	Description
A-1	FRP Rate Adjustment (Rate Adjustment).
A-2	FRP Revenue Change
B-1 – B-6	Eliminated per Order No. 10 in Docket No. 18-046-FR
C	FRP Adjustments
D-1	Earned Rate of Return (“ERR”) on Common Equity.
D-2	Rate Base
D-3	Operating Income
D-4	Income Tax
D-5	Benchmark Rate of Return on Rate Base
D-6	Revenue Redetermination Formula
E	FRP Filing Requirements
F	Formula Rate Review Protocols

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**80.5.2. FRP BANDWIDTH CALCULATION**

The Total FRP revenue level shall be adjusted in the FRP review mechanism based on a comparison of the ERR to the TRR calculated using the following formula:

- A. If the ERR is less than the TRR minus five-tenths percent (0.50%), the Total FRP Revenue level shall be increased by the amount necessary to increase the ERR to the TRR.
- B. If the ERR is greater than the TRR plus five-tenths percent (0.50%), the Total FRP Revenue level shall be decreased by the amount necessary to decrease the ERR to the TRR.
- C. There shall be no change to the FRP Revenue level if the ERR is less than or equal to the TRR plus five-tenths percent (0.50%), and greater than or equal to the TRR minus five-tenths percent (0.50%).

**80.5.3. NETTING OF HISTORICAL YEAR DIFFERENCES ADJUSTMENT**

The Netting of Historical Year Differences Adjustment shall be determined in accordance with Attachment D-6. The Netting of Historical Year Differences Adjustment shall then be applied to the Formula Rate Review Evaluation Period FRP Revenue in the year following the filing year to derive the Total FRP Revenue as set out in Attachment A-2. Netting shall not begin until there is an actual twelve (12) months of Historical Year to report.

**80.5.4. FRP REVENUE ALLOCATION**

The total change in the formula rate revenue level shall be allocated to each applicable rate class based on an equal percentage of the base rate revenue used in the development of rates approved by the Commission in Docket No. 16-052-U. The total amount of such revenue increase or decrease for each rate class shall not exceed four percent (4%) of each rate class's revenue for the Filing Year.

**80.6 TERM**

The initial term of the FRP rider shall not exceed five (5) years from the date of the Commission's final order in Docket No. 16-052-U. If OG&E requests an extension of the FRP rider, OG&E shall make such request in accordance with the Extension of Term provisions of the Formula Rate Protocols.

If the FRP is not extended, the then-existing Total FRP rates shall continue to be in effect until new base rates reflecting the then-existing Total FRP Revenue are duly approved and implemented and until the Company recovers or returns the remaining Netting of Historical Year Differences Adjustments, per § 23-4-1208- (b).