



Cal Hobson
President Pro Tempore
State Senate

Brad Henry
Governor

Larry Adair
Speaker
House of Representatives

To: Honorable Brad Henry, Governor
Honorable Cal Hobson, President Pro Tempore of the Oklahoma State Senate
Honorable Todd Hiett, Speaker-elect of the Oklahoma House of Representatives

REPORT OF THE JOINT PUBLIC UTILITY PURCHASED POWER STUDY COMMISSION
December 9, 2004

This report briefly outlines the proceedings of the Joint Public Utility Purchased Power Study Commission, created by SCR 73 (2004) and co-chaired by Senator Kenneth Corn and Representative Danny Morgan.

The Commission was directed pursuant to the provisions of SCR 73 to address the issue of creating incentives for public utilities to purchase electric energy from non-utility independent power producers. The Commission met seven times between August and December of this year. All Commission members and interested participants were invited to make presentations. Those making presentations included representatives of the Corporation Commission, AES Shady Point, Intergen, Tenaska, Inc., Zilka Renewable Energy, OG&E, PSO, Electric Cooperatives, and Municipal Electric Systems of Oklahoma. In addition, staff of the National Conference of State Legislatures briefed the Commission on the status of this issue in other states.

On December 9, 2004, the Commission held its final meeting, at which all members were given the opportunity to present recommendations for legislative action. Briefly summarized the recommendations were:

1. Permit utilities to receive a reduced rate of return on qualified purchased power (submitted by both Mike Bergey and the Oklahoma Independent Power Producers Group);
2. Create an Oklahoma Infrastructure Authority to address impediments in the transmission system. The OIA would address transmission needs from an economic development perspective, as opposed to the Southwest Power Pool's (the regulatory body governing Oklahoma's transmission system) priorities of addressing congestion and reliability. OIA should investigate the transmission of Oklahoma merchant natural gas and wind power generation to the Dallas-Fort Worth metroplex (Mike Bergey);

3. Require utilities to submit comprehensive annual resource plans to the Corporation Commission that include utilities' plans to acquire fuel and purchased power at the lowest reasonable cost (A.G.);
4. Require the Corporation Commission to perform annual prudence reviews of utilities' fuel and purchased power procurement practices (A.G.);
5. Require utilities to purchase fuel and power at the lowest reasonable cost (A.G.); and
6. The Commission should make no recommendations (OG&E).

Upon presentation of these recommendations, Chris Cariker asked the chair to rule that recommendations 2, 3, 4 and 5 were outside the scope of the Commission according to the provisions of SCR 73 because they did not directly relate to the issue of creating incentives for utilities to use purchased power from non-utility independent power generators. The chair, Senator Corn, ruled those items were outside the scope of the Commission. Bill Humes made a motion for the Commission members to overturn the ruling by the chair which failed. Mr. Cariker motioned for the Commission to make no recommendations, which was seconded by Jesse Langston and approved. Senator Corn announced in accordance with SCR 73 that the proceedings of the Commission were concluded. Members present at the final meeting were: Senator Corn, Mike Bergey, Chris Cariker, David Chernecky, Bill Humes, David Fleischaker, Harriett LaGrone, Tom Kemp, Lundy Kiger, Jesse Langston, and Kathryn Taylor.

As co-chairs of this Commission, we feel this subject has had a thorough study with an opportunity for input from the Commission members and all the interested participants. There was much useful information gathered and while several of the recommendations were not within the purview of this Commission such proposals may be studied further either by the Corporation Commission or the Legislature.

Senator Kenneth Corn
Co-Chair

Representative Danny Morgan
Co-Chair

Members:

Mr. David Fleischaker, Secretary of Energy
Designee of Governor Henry
Hon. Denise Bode, Corporation Commissioner
Hon. Drew Edmondson, Attorney General
Mr. Bill Humes, Asst. Attorney General
Designee of Attorney General Edmondson
Ms. Kathryn Taylor, Secretary of Commerce and
Tourism
Hon. Sandy Garrett, Superintendent of Public
Instruction
Ms. Harriett LaGrone
Designee of Superintendent Garrett
Mr. Tom Kemp, Chair, OK Tax Commission

Senate Appointees:
Mr. David Chernecky
Mr. Jesse Langston
Mr. Lundy Kiger

House Appointees:
Mr. Bill Braudt, Jr.
Mr. Chris Cariker
Mr. Ron Jacobs

Joint House/Senate Appointee:
Mr. Mike Bergey