

News from the Oklahoma Corporation Commission
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COMMISSION APPROVES OG&E, POWERSMITH AGREEMENT

Move will ensure reliable electric service, strengthen Oklahoma's economy and provide ratepayer savings

(Oklahoma City) In a unanimous vote, the Oklahoma Corporation Commission today approved a power sales agreement (PSA) between Oklahoma Gas and Electric (OG&E) and PowerSmith. The PSA sets forth the conditions under which OG&E will buy needed electricity from PowerSmith's cogeneration facility in Oklahoma City. The facility also provides steam used by the Dayton Tire manufacturing plant in Oklahoma City.

Commission Chairman Denise Bode said the deal is a classic "win-win".

"First and foremost, the agreement will ensure the area served by OG&E can count on having the reliable, affordable power it needs both for current customers, for economic development and for jobs. Studies show reliable and affordable electricity is one of the most important items on the lists of companies who are scouting locations or considering expansion plans.

"The agreement's economic benefits to Oklahoma are multi-faceted," Bode continued. "It is estimated that over 15 years, OG&E customers will realize a savings of approximately 30 million dollars over what they would otherwise have had to pay in fuel charges on their electric bill. At the same time, the agreement opens the door for PowerSmith to continue providing the steam Dayton Tire officials say they need to keep the Oklahoma City plant open. With about 1800 employees, the Dayton Tire facility has an estimated economic impact of some 800 million dollars a year on the Oklahoma economy."

Commission Vice-Chair Bob Anthony said the agreement "presents the Commission with a unique set of circumstances."

"This is the first time the Commission has been presented with a proposed agreement under the federal Public Utility Regulatory Policies Act (PURPA) involving an existing plant that has been in operation for some years. Further, this is the first time such an agreement was independently negotiated and agreed to by the utility and the cogeneration facility.

"But most noteworthy is the fact that this agreement breaks new ground by allowing OG&E to decide, within certain parameters, just when to purchase electricity from PowerSmith. This is very different from other cogeneration contracts that basically require the utility to take all the power the facility produces, regardless of whether or not it's needed. The bottom line is that OG&E will now have the flexibility it needs to be able to meet its customers' power needs in a cost-effective manner, and it opens the door to significant potential savings."

Commissioner Jeff Cloud said the agreement meets both the mandate of the Oklahoma Constitution and PURPA that the contract be "fair, just and reasonable."

"The numbers that make up the debate over such issues are incredibly complex, and the Commission has the daunting task of carefully weighing, reviewing and triple-checking the data used by the parties to the case to back up their sometimes competing claims. This would be impossible without the extraordinary effort and expertise of this agency's staff. It would be an understatement to say the successful conclusion to this case is the result of a great deal of very hard work; work that in the end, will benefit the people of Oklahoma."

The power sales agreement is scheduled to take effect September 1.

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