

# **News from the Oklahoma Corporation Commission**

**Matt Skinner, Public Information**

**Phone: (405) 521-4180, FAX: (405) 521-6945 [m.skinner@occemail.com](mailto:m.skinner@occemail.com)**

**December 17, 2004**

## **COMMISSION APPROVES PSO/AMERICAN AIRLINES AGREEMENT**

*Special contract will help keep thousands of jobs in Oklahoma*

**Following the lead set by voters and area officials in their approval of incentives to keep the Tulsa facility of American Airlines open, the Oklahoma Corporation Commission today approved a special contract between Public Service Company of Oklahoma (PSO) and American. The vote was 2-1. The three-year contract will reduce American's power costs by about 15 percent.**

**Commission Chairman Denise Bode called it a "pure pocketbook issue for all involved."**

**"We are talking about a facility that directly employs more than 8,000 people in Oklahoma," said Bode. "Indirectly, it supports an additional 14,000 jobs. American's total impact on the local economy is estimated at \$2.6 billion.**

**"Obviously, the loss of this facility would be a major blow to individual Oklahomans and to the state's economy as a whole," Bode continued. "Further, it is worth noting that if this facility should close and the jobs lost, electric rates in PSO's service area would probably have to go up as well as there would be a far smaller base to support the cost of providing electricity."**

**Commissioner Jeff Cloud said the final proposal is the result of the diligent efforts of commission staff, PSO and the Oklahoma Industrial Energy Consumers.**

**"The original proposal would have passed on to PSO's customers the entire cost of this contract. The agreement approved today means the company will bear at least 15 percent of the cost. It's expected that the rest of the cost will be paid through a reduction in the so-called 'off-systems sales margin credit'. This small credit is part of the fuel adjustment clause on the PSO electric bill. If for some reason the off-system sales don't generate enough money for a credit, PSO will have to make up the difference itself, with no added cost to customers," Cloud said.**

**(MORE)**

**(PSO-American cont.)**

**"Also, under the original proposal PSO's biggest customers – who are also major employers and contributors to our economy – would have paid as much as \$50,000 a year more in power costs," Cloud added. "I want to especially thank the members of the Oklahoma Industrial Energy Consumers (OIEC), and OIEC executive director Tom Schroedter for their invaluable assistance in analyzing this issue and helping to craft a solution that does not pose a burden on other sectors of Oklahoma's economy."**

**Commission Vice-Chair Bob Anthony issued a dissenting opinion in the matter.**

**Under the agreement, the monthly bill of a PSO residential customer using 1,000 kilowatt hours a month would increase about 23 cents.**

**-OCC-**

(All OCC advisories and news releases are available at the Commission web site [www.occ.state.ok.us](http://www.occ.state.ok.us))

**EDITORS – PLEASE NOTE: COMMISSIONER ANTHONY’S DISSENTING OPINION  
FOLLOWS**

**Dissenting Opinion of Commissioner Bob Anthony**

**Cause PUD No. 200400261**

TO: Commissioner Denise Bode  
Commissioner Jeff Cloud  
FROM: Commissioner Bob Anthony  
DATE: September 15, 2004  
RE: Deliberations of PSO Special Contract With American Airlines

I do not support making average PSO residential customers pay an additional 23 cents per month for three years to subsidize American Airlines electric bills by up to \$1.6 million per year for that period. Instead, the Oklahoma Corporation Commission could issue an order upholding the recommendations of the PUD Staff and the OIEC allowing a special discounted electricity contract between PSO and American Airlines with the discount to be covered by PSO shareholders and not the utility’s other customers. Recovery of the proposed discount is a subsidy whether or not it is disguised as a reduction in the amount of off-system sales credited back to ratepayers.

The Commission should not set an example for other distressed companies in the PSO service territory to seek special treatment at the expense of the electric company’s remaining customers. For example, there are between 15 and 20 other industrial customers in the vicinity of American Airlines. Extending the same treatment to just these customers located in the same geographic area could add an additional 55 cents for each 1,000 kilowatt hours per month on the

bills of the utility's residential customers.

PSO utility customers are already facing the possibility of significant increases in their utility bills. These could come from a potential hike requested in the company's pending rate case; possible recovery of increased vegetation management costs needed to meet the Commission's new reliability rules, and the possibility of allowing PSO to recapture the amount in the fuel adjustment clause the company says was under-collected as a result of allocation errors at the AEP corporate level. These pending cases or applications, if granted in full, would be over \$100 million in additional costs to ratepayers, with more than \$50 million of that amount being an annual increase.

