

**OGE Town of Wellston Town Hall Meeting
Additional Clarification and Information
November 2, 2022**

1. OGE is allowed to make so much on your investment?

- Rates are calculated in two ways
 - Oklahoma Corporation Commission allows OGE to recover costs
 - OGE earns rate on return on investments-currently it is 9.35%, under 10%

Additional Information/Clarification

Rates. The Oklahoma Corporation Commission (OCC) is responsible for approving rates charged by OG&E. Further, OG&E cannot change rates without approval by the OCC.

Investment. The Oklahoma Corporation Commission limits the earnings potential of OG&E. The authorized Return on Equity is 9.5%.

Records and Regulations. OG&E is a highly regulated organization and financial records are open for ongoing review by the OCC and others. The goal is to design rates which are fair, just and reasonable to the customer; allow the utility to recover costs incurred to serve customers and earn a fair rate of return on its investments; and prevent the utility from earning excessive profits.

2. Will rates ever come back down?

- Yes, it will be a long time because of recovery costs
- The storm cost approximately \$900 million dollars and will be recovered over 28 years
- OGE is self-insured
- OGE states as of 3 years ago their rates are the lowest, they are not a growth company
- Potential increase again due to fuel costs
 - This would be for fuel recovery
 - OGE stated this is a passthrough
 - Approximately \$9.37 per household

Additional Information/Clarification

Fuel Adjustment Cost Factor. In late September, OG&E notified the OCC -- as required by law -- of a needed adjustment to the fuel cost on customers' bills. (*OG&E does not, and cannot, profit from fuel purchases; fuel costs are a pass through to customers.*) When fuel factors were last set in March, 2022, the average natural gas price was \$3/MMBtu. Recent gas prices have risen above \$9 and in the last quarter of 2022 is expected to be at or above \$9. While gas prices are expected to moderate somewhat in 2023, the average gas price is still expected to be twice as high as the prices used in existing fuel charges. The expected increase to the average residential bill is expected to be less than **\$10/month** over 24 months. OG&E uses natural gas to power a large part of our power-generating fleet. Like gasoline prices, natural gas prices have risen significantly – making it much more expensive to generate electricity.

3. When the full amount that OGE is trying to recover with the fuel cost increase is repaid, will the cost go back down? If not, why?

- OGE answers to the Oklahoma Corporation Commission
- If gas prices go back down, then the fuel cost goes back down
- Potential increase again due to fuel costs
 - This would be for fuel recovery
 - OGE stated this is a passthrough
 - Approximately \$9.37 per household
- This is on a 24-month cycle

4. What type of maintenance/upgrade schedule are we on?

- Wellston is on a circuit that just had approximately \$2 million grid enhancement in 2021 and another circuit is on the schedule in the next couple of years around the same dollar amount
- OGE will evaluate every pole, crossarm, wire, etc. this way if a storm comes through, Wellston should not experience the same outages as we have in the past
- Wellston area has improved on how long power outages are, they have gotten shorter
- OGE is working on transmission issues
- Vegetation is on a 4-year cycle slated to begin the first of 2023
- Pruning will be 14 feet of clearance, may have to get more for safety
- Circuit cycles are 8-10 years

5. When tree removal is being done in an alley, who is responsible for clean up?

- It depends, normal maintenance is cleaned up by OGE
- During storms, OGE does not pick up brush, it is to be placed in the homeowner's front curb
- Will post diagram from OGE website

- 6. What kind of impact does that have on the amount of power outages and average repair time?**
- When OGE makes improvements, we can isolate the power outages and have a more focused reaction time to those outage areas
 - If OGE has another power source in the area, it allows them to back feed and automatically put power around the problem that is there

Additional Information/Clarification

- **Wellston Circuit.** This circuit was part of OG&E’s 2021 Grid Enhancement, investing \$2.5 million to improve reliability. In addition, substation settings have been updated to reduce circuit blinks.

The average minutes/year a customer has experienced an outage on this circuit, excluding storms (SAIDI):

2017 avg/year	2018 avg/year	2019 avg/year	2020 avg/year	2021 avg/year	Jan-June 2022 avg/month
118.06 min Avg: 2 hrs	214.05 min Avg: 3.6 hrs	61.47 min Avg: 1 hr	58.33 min Avg: 1 hr	148.6 min Avg: 2.5 hrs	Avg: 35 min

OG&E’s average SAIDI score across the service area: 155 min/2.6 hrs.

The average number of interruptions an individual customer would experience per year on this circuit, excluding storms (SAIFI):

	2017	2018	2019	2020	2021	Jan-June 2022 avg/month
Wellston	.48	.54	.17	.37	.64	.18
OG&E	.87	.88	.79	.89	1.00	.10

The increase reflected in Jan-June 2022 was due to an outage on June 20th affecting Wellston. The cause: a static pin broke causing the wire to fall in the Overhead Primary at the intersection of HWY 177 and HWY 66.

7. Do we have the above in Wellston already?

- OGE has some of the devices yes, but some circuits you must manually operate
- Someone in a truck must drive out and operate those devices to make this happen
- OGE is working on making this automatic
- Grid enhancement

8. Since OGE has a lot bigger customers, where does Wellston fall on the list?

- Wellston is not on the very top of the list, but at the top of the list
- OGE spent a lot of money last year in this area on circuits and are continuing to make those investments in the community

9. What are the benefits to the citizens to continue this franchise agreement? Why should we vote yes?

- OGE wants to be a partner and help the community grow
- Efforts to make community stronger
- OGE wants to see Wellston be the best it can be
- Allows us to make responses to outages
- If agreement is not in place, it would extend the outage time

Additional Information/Clarification

Additional Franchise Benefits:

- OG&E provides affordable and reliable power to communities and customers cross our service area.
- OG&E restores power after storms. Power maintenance and restoration requires a significant investment in infrastructure, a skilled workforce and specialized equipment; OG&E franchise municipalities don't have to worry about providing and funding this service for residents.
- Through the franchise agreement, municipalities are provided with a steady source of revenue through the franchise fee and sales tax remittance. This money is remitted back to the local municipality to utilize however is deemed appropriate without any oversight.
- OG&E customers – both business and residential - can participate in a variety of energy efficiency programs, which result in cost savings.
- OG&E is focused on economic development and partners with local communities to promote economic growth. Because service territories are locked in the state of Oklahoma, local economic growth provides opportunity for local workforce to expand and opportunity for OG&E to increase capacity.
- OG&E provides significant support of non-profit organizations throughout our service area. In Lincoln County, OG&E is a member of local Chambers and supports other organizations, such as Lincoln County Partnership for Child Well Being.

10. Whom does this *fee* benefit?

- OGE benefits by not having to pull permits
- 3% of OGE revenues goes to the Town averaging \$20,000 paid by the citizens
- Free service amount that benefits the Town calculated from the Town's previous years usage averaging \$5000.00. This is from operating streetlights and things of that nature.
- Annual sales tax paid by the citizens averaging \$21,000 goes to the Town

Additional Information/Clarification

- The franchise fee collected benefits the Town of Wellston, providing a steady source of revenue for the Town leaders to use however they deem appropriate.

11. What happens if this franchise doesn't pass?

- Per OGE, it has never happened
- OGE stated this is a loaded question, what *could* happen
 - Potential-Wellston Public Schools does not get their monies
 - Potential-No franchise fee would be collected and remitted back to the Town

12. Does OGE own any part of ONEOK?

- No, that is a separate entity

13. When we lose power are we essentially having to recoup the cost for?

- OGE stated it is part of the overhead loss
- There is always a loss in the system
- It is all part of the fuel cost
 - Oklahoma Corporation Commission has a storm recovery component which is spread out throughout all OGE customers
 - Spread equally between all 900,000 customers

14. How much does OGE spend on lobbyist(s) and why do they need them?

- OGE has a lobbyist at the State and Federal level
- Money spent is unknown
- Lobbyist have been helpful to OGE to get laws in place to help us do our jobs at the lowest cost
- High rate of return on lobbyist dollars OGE has spent over the years

15. Do we lose power through tree consumption/outages?

- Yes, this is just overhead loss

16. Can you lock in a price for the customers?

- OGE can lock in or average their rates
- OGE cannot negotiate overall rates per the Oklahoma Corporation Commission

Additional Information/Clarification

OG&E has several programs available to assist customers: Average Monthly Billing; Guaranteed Flat Bill and Smart Hours.