

BEFORE THE OKLAHOMA CORPORATION COMMISSION

IN RE: INQUIRY OF THE OKLAHOMA CORPORATION)
COMMISSION TO EXAMINE CURRENT AND PENDING)
FEDERAL REGULATIONS AND LEGISLATION)
IMPACTING REGULATED UTILITIES IN THE STATE OF)
OKLAHOMA AND THE POTENTIAL IMPACT OF SUCH)
REGULATIONS ON NATURAL GAS COMMODITY)
MARKETS AND AVAILABILITY IN OKLAHOMA)

Cause No. PUD 201100077

**Responses to Additional Questions Posed by the Oklahoma Corporation
Commission**

**On Behalf of
Sierra Club**

October 4, 2011

These comments are prepared for the Sierra Club by Paul Chernick and Rachel Brailove of Resource Insight, Inc. and John Plunkett of Green Energy Economics Group

1. What next steps do you recommend the Commission take in regards to NOI 2011-77?

Sierra Club references its Response to Question #1 on the Topic Fuel-Source-Related Issues, (July 18, 2011), where it urged the Commission to consider an “Integrated Environmental-Compliance Planning” (IECP) approach. The IECP can provide the system-wide perspective the Commission needs to inform future pre-approval determinations, while avoiding the time-consuming process of reviewing all the statewide issues from scratch in each pre-approval case. The Commission should announce its intention to initiate an IECP process, and move forward into a formal fact-finding proceeding. The proceeding should include full discovery and sworn testimony and cross-examination, and allow the Commission to select default values for important inputs (e.g., costs of fuel, compliance investments, and replacement resources), estimate the potential for important replacement resources (e.g., energy efficiency, existing merchant capacity, purchased power, gas supply, wind potential, transmission capacity for delivering wind and external power purchases) and understand the capability and limitations of large coal units for integrating wind generation.

In addition, Sierra Club suggests that focused technical conferences, either in the NOI or in a follow-up docket, may be helpful, as discussed in response to question 4, below.

2. Do you support a rulemaking process?

Sierra Club believes that a rulemaking process is not needed currently for the Commission to review and implement the near-term compliance. Sierra Club is concerned that an immediate rulemaking would cause delay in the current need for substantive implementation. Sierra Club believes that it is important for the Commission to begin addressing electric utility portfolio issues as soon as possible.

A rulemaking related to the electric utility IRP requirements could be very helpful to Sierra Club and other parties, down the road, who believe that the electric utility IRP process should be more comprehensive and transparent.

3. If so, what rules do you believe need to be addressed in regards to issues raised in 2011-77?

Sierra Club urges the Commission to focus on inputs, replacement resources, and wind-integration, rather than new rules. Existing Oklahoma law requires that the utilities act prudently to provide safe, reliable service to consumers at the lowest feasible cost. The Commission describes its mission as including “the establishment of rates and services of public utilities...to best serve the economic needs of the public. In the interests of the public, the Commission will oversee the conservation of natural resources to avoid waste, abate pollution of the environment, and balance the rights and needs of the people with those of the regulated entities...” (“Empowering Oklahoma: Annual Report Snapshot FY2010,” Oklahoma Corporation Commission, p. 1).

4. Do you support further technical conferences?

Yes. Further technical conferences may be useful as part of the continuing exchange of information to ensure that all parties understand the data and analyses presented by other parties, minimizing confusion and wasted time and potentially allowing the parties to reach consensus on many issues. Sierra Club suggests that the technical conferences might best be structured as opportunities for exchanges of information and discussion of analytical approaches among the technical experts of the electric utilities, power producers, developers, gas suppliers, DEQ, Staff, the Attorney General, OIEC, and Sierra Club. Rather than the Commission questioning the experts, Sierra Club believes that it would be more productive to put the technical experts from the various parties around a table and let them talk with one another. These meetings could be limited to the experts, or the Commission (and even the parties’ attorneys) may attend, to learn from the exchange and possibly ask for clarification.

5. If so, what specific meetings and or topics do you believe would be helpful?

As part of the NOI, technical conferences may be useful on the following topics:

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- Existing and emerging environmental regulations and requirements, and associated costs of compliance at the regulated Oklahoma coal-fired power plants.
- The value of energy-efficiency programs to reduce energy and capacity requirements and hence the cost of retiring one or more coal units.
- Availability of existing underutilized generation (particularly gas-fired combined-cycle units) in Oklahoma and interconnected areas in adjacent states.
- The value and cost of new wind farms in Oklahoma and interconnected areas in adjacent states.

In the IEC proceeding that Sierra Club proposes in response to question 1, above, specific meetings and topics should be scheduled once the parties have seen the utility assumptions and analyses, and possibly again after non-utility evidence is filed.

6. What other suggested actions would you recommend?

Sierra Club recommends that the technical meetings described in response to questions 4 and 5, and the initiation of an IEC proceeding, would comprise a comprehensive response to new and emerging environmental compliance issues.

7. Do you have any specific timing concerns?

Sierra Club recommends that the process proceed as expeditiously as practicable.

8. Do you believe there are any legislative actions necessary?

Sierra Club is not aware of any legislative actions that would be necessary to allow the Commission to move forward with determinations in the public interest.

9. If so, what specifically do you believe is needed?

Not applicable.

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Respectfully submitted,

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