

The background of the cover is a green textured surface. In the center is a large, faint watermark of the Seal of the State of Oklahoma. The seal features a five-pointed star with a central figure holding a scale and a sword, surrounded by the Latin motto "LABOR OMNIA VINCIT". The star is set against a circular border containing the text "SEAL OF THE STATE OF OKLAHOMA" and the year "1907".

OKLAHOMA
CORPORATION
COMMISSION

ANNUAL REPORT
FISCAL YEAR 2013

JULY 1, 2012 - JUNE 30, 2013

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**Oklahoma
Corporation
Commission**
ENERGY • TRANSPORTATION • UTILITIES

OUR MISSION

To regulate, enforce laws and supervise activities associated with the exploration and production of oil and gas, the storage and dispensing of petroleum-based fuels, the establishment of rates and services of public utilities, and the operation of intrastate transportation 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 which provide essential and desirable services for the benefit of Oklahoma and its citizens.

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www.occeweb.com

Office of Public Information

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This publication, printed by the Oklahoma Corporation Commission, is issued by the Corporation Commission of Oklahoma as authorized by Article XI, Sections 18, 25 and 29 of the Oklahoma State Constitution; Title 65, Section 3-114 of the Oklahoma Statutes, and in accordance with SSJR20, 1974, passed by the 2nd Session of the 34th Oklahoma Legislature. 100 copies (70 black&white, 30 color) have been prepared and distributed at an approximate cost of \$100.00. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

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CONTENTS

Volume I

Corporation Commission Purpose, History, 2

Present Commissioners, 3-6

Chronology of Commissioners, 6

Organization Chart, 7

Administration, 8

Financial Statements, 9 - 11

Applications and Orders, 12

Administrative Proceedings, 13

Consumer Services Division, 16

Information Technology Division, 20

General Counsel, 22

Oil and Gas Conservation Division, 28

Petroleum Storage Tank Division, 31

Public Utility Division, 33

Transportation Division, 52

Volume II

Rules ***

*** Pursuant to Article 9, Section 18 of the Oklahoma Constitution, any transportation and transmission rules adopted in Fiscal Year 2013 are available at www.occeweb.com, as are all other Commission rules.

The Oklahoma Corporation Commission

History and Responsibilities

The Corporation Commission was established in 1907 by Article 9 of the Oklahoma Constitution, and the First Legislature gave the Commission authority to regulate public service corporations; those businesses whose services are considered essential to the public welfare.

The legal principle for such regulation had been established in 1877 when the United States Supreme Court ruled in *Munn v. Illinois* that when a private company's business affects the community at large, it becomes a public entity subject to state regulation.

Initially, the Corporation Commission regulated transportation and transmission companies; mostly railroads and telephone and telegraph companies. The Commission also was directed to collect and maintain records of the stockholders, officers and directors of all corporations chartered or licensed to do business in Oklahoma (about 12,500 at statehood).

As the state grew, the records collection task became larger than one agency could handle. The Commission kept authority for public service companies, and responsibility for other corporations was allocated to the Secretary of State and other state commissions and agencies according to business type.

Pipelines and telephone service were placed under Commission jurisdiction in 1908. Regulation of water, heat, light and power rates began in 1913.

The Commission began regulating oil and gas in 1914 when it restricted oil drilling and production in the Cushing and Healdton fields to prevent waste when production exceeded pipeline transport capacity. In 1915, the Legislature passed the Oil and Gas Conservation Act. This expanded oil and gas regulation to include the protection of the rights of all parties entitled to share in the benefits of oil and gas production. Also in 1915, the Legislature declared cotton gins to be public utilities and extended Corporation Commission authority over utility companies to include practices as well as rates.

While the basic regulatory responsibility of the Corporation Commission has remained intact, many changes in state and federal laws have changed what is regulated.

The Commission presently regulates public utilities, except those under municipal or federal jurisdiction or exempt from regulation; oil and gas drilling, production and environmental protection;

aspects of motor carrier, rail and pipeline transportation, most taxis, limousine and for-hire buses, cotton gins, private water companies, and the environmental integrity of petroleum storage tank systems. It also has responsibility for the proper operation of fuel dispensing units ("gas pumps") at retail filling stations.

The Corporation Commission also enforces federal regulations for underground disposal of certain oil and gas waste fluids and remediation of soil and groundwater pollution caused by leaking petroleum product storage tanks.

The Corporation Commission is comprised of three commissioners who are elected by statewide vote to serve six-year terms. The terms are staggered so one commissioner vacancy occurs every two years. The election pattern was established when the Commission was created by the state constitution. The first three elected commissioners drew lots for two-year, four-year and six-year terms.

The Corporation Commission has judicial, legislative and administrative authority. The three Commissioners rule on all regulatory matters within Corporation Commission jurisdiction. Commission orders are appealable only to the Oklahoma Supreme Court.

In-term vacancies are filled by gubernatorial appointment. Fifteen commissioners have been seated by appointment.



The Commissioners

Patrice Douglas, Chairman

Term: January 2012 — January 2015

Patrice Douglas was first appointed to the Commission and took October 10, 2011. In 2012, she was elected by the people of Oklahoma to her current term. She has traveled extensively throughout Oklahoma, visiting drilling rigs, wind farms, power plants and many other critical facilities and operations that fall under Commission jurisdiction. She is a member of the National Association of Regulatory Commissioners (NARUC) and serves on NARUC's committees on water and critical infrastructure.

An Oklahoma native,, Patrice is a long time Edmond resident. She attended Oklahoma Christian for her undergraduate degree, and went on the University of Oklahoma, where she obtained her law degree.

Patrice practiced law full-time for 13 years until she joined the family business. Working with her father in his company, ACP Sheet Metal, she faced first-hand the challenges of small business owners. During her five years at ACP, she served as its vice president and general counsel.



With her legal experience and love of small business, banking was a perfect fit. Patrice served as president of SpiritBank, and executive vice president of First Fidelity Bank. She was appointed to the Oklahoma Bankers Association Board of Directors in May, 2011. Community service is her passion. She has been appointed by three governors to serve on six different statewide boards and task forces. Serving two terms for the Edmond Economic Development Authority, Patrice was elected its chair and served in that capacity until October, 2008. In April 2009 Patrice was elected Edmond's Mayor. While in office she championed the creation of the Small Business Task Force, launched a youth volunteerism program, fought to reinstate the senior meal program, and oversaw Edmond's electric utility, the largest municipal electric utility in the state. She also led successful efforts involving a partnership of the public and private sectors to allow the Oklahoma Medical Examiner's office to move to Edmond, and to build Oklahoma's largest competition swimming pool complex. She was elected to serve on the Oklahoma Municipal League Board of Directors, and served on its Task Force on Government Efficiencies. She was instrumental in creating the Mayors Council on Economic Development, and was elected its Chair. In February 2011, Patrice received the Kate Barnard Award for Outstanding Public Service in Oklahoma.

Family and faith are her focus. Her husband of 24 years, Brent Douglas, is a strategic planning consultant. Her two sons are the lights of her life. She enjoys hanging out with them, and knows that she is raising a future astronaut and a President of the United States. She is actively involved in her church, Life Church.



The Commissioners

Bob Anthony, Vice Chairman

Term: January 2013 — January 2019

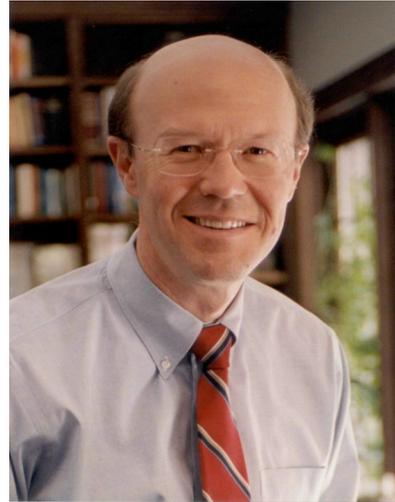
Bob Anthony is currently the longest serving utility commissioner in the United States. He is a member of the board of directors for the National Association of Regulatory Utility Commissioners and past chairman of the National Regulatory Research Institute.

Anthony is a member of the National Petroleum Council, having been appointed twice by the United States Secretary of Energy. He is past president of the Mid-America Regulatory Conference, a member and past president of the Economic Club of Oklahoma, and a delegate to the worldwide General Conference of the United Methodist Church.

Anthony holds a BS from the Wharton School of Finance at the University of Pennsylvania; a Master of Science from the London School of Economics; a Master of Arts from Yale University; and a



Master of Public Administration from Harvard University. He rose to the rank of captain in the U.S. Army Reserve. In 1972 he



served as staff economist for the U. S. House on Interior and Insular Affairs Committee (now called the Natural Resources Committee). From 1979 to 1980 Anthony served on the Oklahoma City Council as Ward 2 Councilman and as vice mayor. In 1980, at age thirty-two, Anthony became president of C.R. Anthony Company retail stores, then the largest privately-owned firm headquartered in Oklahoma. During his seven-year term as

president, annual sales for the retail chain increased from \$256 to \$411 million, with payroll, employment, and dollar profits reaching all-time record levels. In 1988 he was chairman of the Trust Committee of Oklahoma's largest bank trust department.

In 1995 the Federal Bureau of Investigation honored Anthony with its highest award given to a citizen who "at great personal sacrifice, has unselfishly served his community and the nation." Among other recognitions, the American Association of Retired Persons of Oklahoma presented Anthony with an award "in appreciation of his tireless efforts on behalf of Oklahoma consumers."

Anthony has served as a statewide elected official longer than any other current Oklahoma office holder, winning his fifth consecutive six-year term on the Oklahoma Corporation Commission in 2012 and carrying all 77 counties. He initially ran for the Corporation Commission in 1988, becoming the first Republican elected to that body in sixty years and receiving more votes than any Republican since statehood. In 1994 Anthony became the first Republican incumbent in Oklahoma history to win statewide reelection to a state office. In 2000 he was reelected, receiving more votes at that time than any candidate for state office in Oklahoma history



All four of Anthony's grandparents came to Oklahoma before statehood. His father was born in Cleveland, Oklahoma, and his mother grew up in Enid, Oklahoma. He and his wife Nancy were married in 1975. They are the parents of four daughters and have three grandchildren.

The Commissioners

Dana Murphy, Commissioner

Term: January 2011 — January 2017

Born in Woodward, Oklahoma, Commissioner Murphy is a fifth-generation Oklahoman deeply committed to her home state. After attending Central State University in Edmond, Oklahoma, where she received the Best All-Around Freshman Athlete award, she attended Oklahoma State University (OSU) and graduated in the top ten percent of her class with a bachelor's degree in geology. After practicing as a geologist for ten years, she obtained her law degree cum laude while working and attending night school at Oklahoma City University. On November 4, 2008, she was first elected to the statewide office of Oklahoma Corporation Commissioner for a partial two-year term. On July 27, 2010, she was re-elected to a full six-year term. Commissioner Murphy served as Chair of the Corporation Commission following election by her fellow Commissioners from January 3, 2011 through July 31, 2012.

Commissioner Murphy's prior experience includes serving for almost six years as an administrative law judge at the Commission,

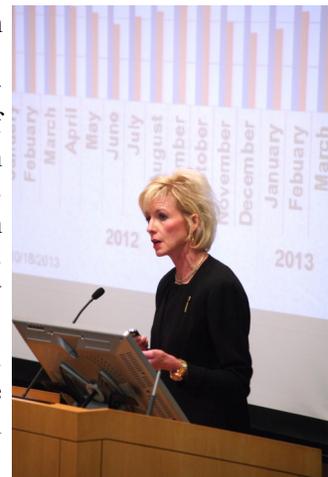


where she was named co-employee of the year for 1997 and received the Commissioners' Public Servant Award in 2001. She has more than 22-years experience in the petroleum industry including owning and operating a private law firm focused on oil and gas title, regulatory practice and transactional work and working as a geologist.

Commissioner Murphy is a member of the National Association of Regulatory Utility Commissioners (NARUC), where she serves on the Electricity Committee. She is the Oklahoma member and vice president of the Regional State Committee of Southwest Power Pool. She also serves on the Oklahoma Water Resources Research

Institute Advisory Board, is the OCC representative on the Board of Trustees of the Oklahoma Public Employees Retirement System, serves as vice chair of the advisory board of the Financial Research Institute, and is a member of the Oklahoma Bar Association, American Association of Petroleum Geologists, Oklahoma City Geological Society and Oklahoma Women's Coalition. In March 2007, Commissioner Murphy was recognized as an outstanding woman in energy by Energy Advocates. In 2010 she was recognized for dedicated service by the National Association of Royalty Owners and in 2011 received the Friends of Agriculture Cooperatives Award. She is also a recipient of the University of Central Oklahoma Distinguished Alumni Award for 2012. She previously served as a trustee and a care chaplain for the Church of the Servant United Methodist Church in Oklahoma City. She also serves as a member of the Salvation Army's Central Oklahoma Area Command Advisory Board.

Prior to joining the Commission, she was a member of the board of directors of Farmers Royalty Company and a member of the Edmond Chamber of Commerce. She is also a part-time personal fitness trainer. Commissioner Murphy lives in Edmond, Oklahoma, but continues to be actively involved with her family's farm and ranch in Ellis County, Oklahoma.



Corporation Commissioners Since 1907

Seat One

Andrew P. Watson (D)
E—1907
RE—1908
RE—1914
Impeached—1915

W.D. Humphrey (D)
A—1915
E—1916
Resigned—1919

R.E. Echols (D)
A—1919

E.R. Hughes (R)
E—1920

C.C. Childers (D)
E—1926

J.C. (Jack) Walton (D)
E—1932

Ray O. Weems (D)
E—1938
RE—1944
RE—1950
Resigned—1955

Harold Freeman (D)
A—1955
E—1956
RE—1962

Charles Nesbitt (D)
E—1968

Hamp Baker (D)
E—1974
RE—1980

Bob Hopkins (D)
E—1986
Resigned—1991

Cody L. Graves (D)
A—1991
E—1992
Resigned—1997

Denise A. Bode (R)
A—1997
E—1998
E—2004
Resigned—2007

Jim Roth (D)
A—2007

Dana Murphy (R)
E—2008
RE—2010

Seat Two

J.J. McAlester (D)
E—1907

George Henshaw (D)
E—1910

Campbell Russell (D)
E—1916

Frank Carter (D)
E—1922

E.R. Hughes (R)
E—1928

A.S.J. Shaw (D)
E—1934

William J. Armstrong (D)
E—1940

Ray C. Jones (D)
E—1946
RE—1952
RE—1958
RE—1964
RE—1970
Resigned—1976

Jan Eric Cartwright (D)
A—1976
E—1976
Resigned—1979

Norma Eagleton (D)
A—1979
E—1980
RE—1982

Bob Anthony (R)
E—1988
RE—1994
RE—2000
RE—2006
RE—2012

Seat Three

J.E. (Jack) Love (D)
E—1907
RE—1912
Died in Office—1918

Art L. Walker (D)
A—1918
E—1918
Resigned—1923

Joe B. Cobb (D)
A—1923

Fred Capshaw (D)
E—1924

Paul A. Walker (D)
E—1930
Resigned—1934

Reford Bond (D)
A—1934
E—1936
RE—1942
RE—1948
Died in Office—1954

Wilburn Cartwright (D)
A—1954
E—1954
RE—1960
RE—1966

Rex Privett (D)
E—1972

Bill Dawson (D)
E—1978
Resigned—1982

James B. Townsend (D)
A—1982
E—1982
RE—1984

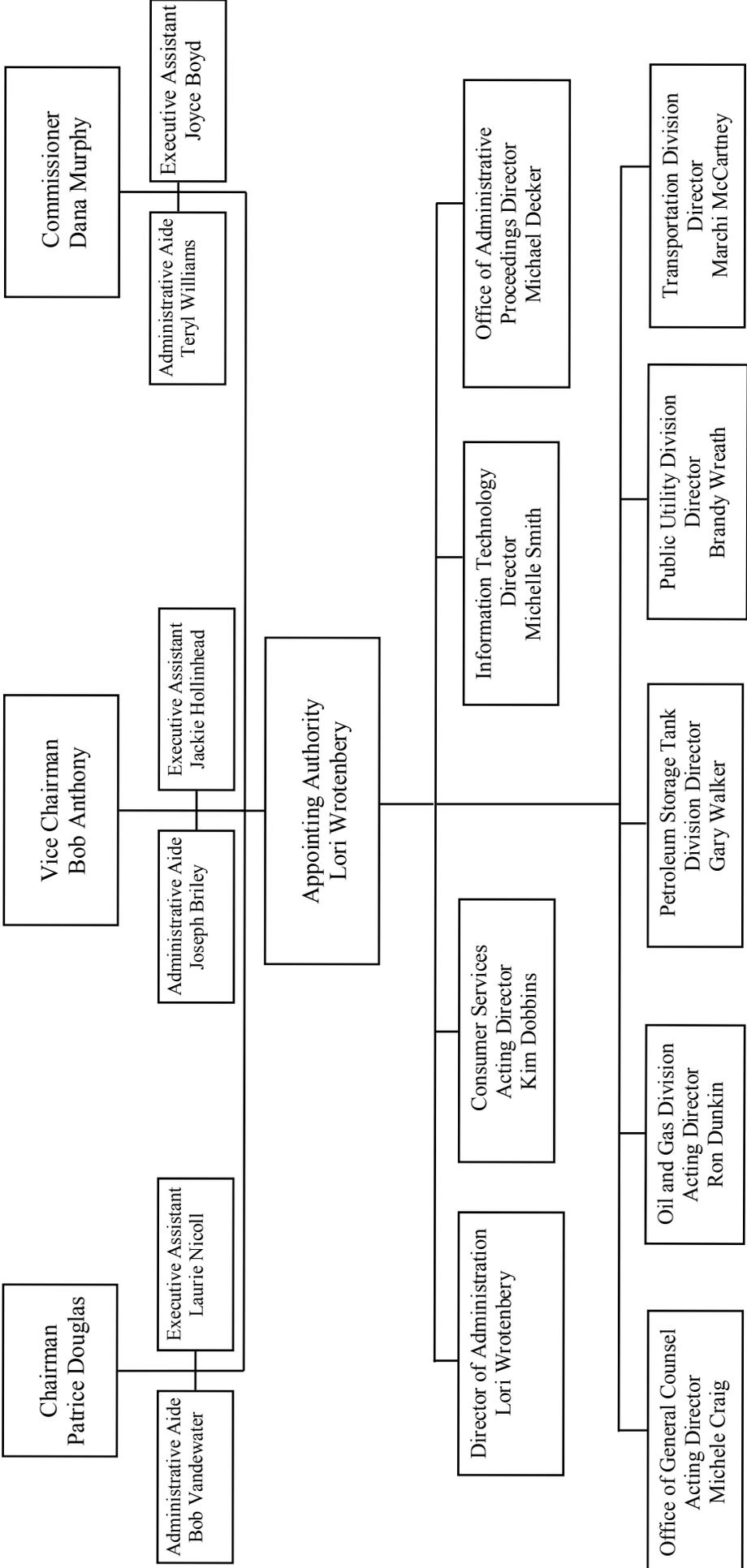
J.C. Watts Jr. (R)
E—1990
Resigned—1995

Ed Apple (R)
A—1995
E—1996

Jeff Cloud (R)
E—2002
RE—2008
Resigned—2011

Patrice Douglas (R)
A—2011
E—2012

OKLAHOMA CORPORATION COMMISSION
June 30, 2013



Administration

In FY-13 the 3-person **Human Resources Department** processed over 10,000 personnel actions related to hiring full time employees, part time employees, temporary employees, and contract employees, promotions, market salary surveys, equity based pay adjustments, career progressions, skill based pay, longevity pay, lateral moves, worker compensation cases, employee disability, employee deaths, shared leave, Family Medical Leave Act actions, leave without pay, PMP evaluation processing, Fair Labor Standards Act actions, Detail to Special Duty actions, demotions, resignations, retirements, terminations, discharges, employee discipline, employee identification badge applications, and employee HRDS training.

Additionally, there were more than 4,000 actions related to employee benefits, including retirements, health insurance questions, and the SoonerSave program. The HR staff processed more than 300 personnel transactions relating to internal re-allocation of positions in both classified and unclassified service and relating to OPM approved re-allocations of classified positions. Included in the actions listed were thousands of CORE and HR database updates, and the filing of thousands of legal source documents into employee personnel records by HR employees.

The **Office of Public Information (OPI)** continued its efforts to formulate cost effective and efficient methods of reaching the public with information and assistance. These included formulating relationships with the news media and trade journals in an on-going effort to educate journalists on the variety of topics that fall under the Commission's jurisdiction and expertise, as well as reaching out to professional groups, citizen groups and government agencies on the local, state and federal level.

Of particular note was the increase in FY 13 of national and local concern in and media interest in seismic activity in Oklahoma and possible ties to oil and gas activity.

In FY 13, the one-person Office had over 500 contacts with the news media, and responded to more than direct inquiries from media, other government agencies, industry, and the general public. In addition, the OPI met more than 100 requests for information under the Oklahoma Open Records Act, and responded to more than 100 consumer complaints related to Commission jurisdiction, either solely or in conjunction with the OCC Consumer Services Division.

The OPI saw demand continue to grow for its daily news update, which was originally provided only to the Commission. It is now distributed by request to many other local, state, and federal officials.

The OPI continued writing, producing, and hosting the Monday - Friday Oklahoma Energy Report, aired statewide via the Radio Oklahoma Network at no cost to the taxpayer.

The OPI worked in a cooperative effort with various divisions of the OCC and with other agencies on a variety of projects.

Examples of such projects in FY 13 include work with the Oklahoma Department of Emergency Management (OEM) in teaching the Public Information Officer emergency training course (accredited by the Federal Emergency Management Agency), as well as joining with OEM to teach classes on emergency Joint Information Systems/Joint Information Centers.

The **Finance Office report** can be found on the next pages.

Five Year Summary

Revenue Sources and Applications

OKLAHOMA CORPORATION COMMISSION
Statement of Sources and Applications (CASH BASIS)
For the Fiscal Year Ending June 30

SOURCES	2013	2012	2011	2010	2009
General Revenue Fund	\$11,583,239	\$11,568,473	\$10,723,167	\$11,544,803	13,590,865
Oil & Gas Conservation Fund					
Revolving Funds	15,404,974	14,415,798	15,103,273	13,473,613	15,096,017
Public Utility Assessment Fund	8,337,993	7,035,829	6,152,022	5,889,096	6,039,513
Transportation One-Stop Shop Fund	10,152,112	8,646,957	7,333,099	7,083,370	7,699,441
Indemnity Fund	3,242,164	3,333,627	3,238,752	4,043,530	3,376,171
Well Plugging Fund	4,003,334	3,471,866	2,839,201	2,541,440	3,210,984
Federal Funds	2,768,969	4,244,939	3,254,719	2,873,215	2,275,780
Other Funds	1,245,155	1,397,942	1,057,562	514,648	327,902
TOTAL AVAILABLE	56,737,940	\$54,115,431	\$49,701,795	\$47,963,715	\$51,616,673
APPLICATIONS					
Administration	3,339,422	\$3,278,405	\$3,197,148	\$3,082,054	\$3,087,175
Consumer Services Division	984,349	920,677	1,031,749	1,040,012	1,033,252
Petroleum Storage Tank	3,606,353	4,480,229	4,842,289	4,790,514	5,050,074
Oil & Gas Division	8,967,257	8,533,278	7,897,754	8,009,238	8,290,474
Well Plugging/Storage Pits	1,254,940	1,097,629	730,372	1,291,445	2,033,266
UIC Federal	481,749	331,226	444,390	448,271	495,883
Office of Administrative Proceedings	2,3631,214	2,364,791	2,292,776	2,286,574	2,538,266
Public Utilities	3,588,438	2,818,831	2,450,356	2,622,932	2,634,406
Office of General Counsel	1,828,065	1,794,307	1,777,354	1,864,410	2,166,053
Transportation	9,396,413	8,645,959	8,200,996	9,528,493	10,142,852
Pipeline Safety	1,513,675	1,347,482	1,092,183	1,056,397	1,114,450
Data Processing	2,748,377	2,538,457	2,367,762	2,474,138	2,805,223
Expenditures	\$40,040,252	\$38,151,271	\$36,325,129	\$38,494,478	\$41,391,374
Reserve for Obligations	4,781,345	4,617,410	4,995,665	3,756,633	4,020,845
*Reserve for Obligations (Well Plugging)	1,040,796	1,459,965	1,261,774	524,729	885,650
Lapsed Funds					
Transferred Funds					
Fund Balance	10,875,547	9,886,785	7,119,227	5,187,875	5,318,804
TOTAL APPLIED	\$56,737,940	\$54,115,431	\$49,701,795	\$47,963,715	\$51,616,673

*Well plugging obligations are now being reported separately.

FY13 Financial Statement—Revenue Sources and Applications

Revenue Sources

The operations of the Corporation Commission are funded by the following fund types:

- **General Revenue:** Funds appropriated by the Legislature each year. These funds are fiscal year specific.
- **Revolving Funds:** Payments received from regulated companies for licenses, permits, fees and fines.
- **Public Utility Assessment:** Annual assessments to regulated utilities for the funding of the Public Utility Division and related support costs.
- **Well Plugging:** Funds from oil and gas excise tax on gross production dedicated for plugging abandoned oil and gas wells.
- **Federal Funds:** Grants for federal programs administered by the Oklahoma Corporation Commission.

Revenue Applications

The FY13 total available funds applied reflects the following distribution as a percent of total.

Expenditure	Total
Salaries & Benefits	54.0%
Professional Services	6.2%
Travel	0.6%
Equipment	1.2%
Other Operating Expenses	8.7%
Funds reserved for obligations	10.2%
Transferred/Lapsed Funds	0.0%
Fund Balance	19.2%
Total	100.00%

Funding and Staffing

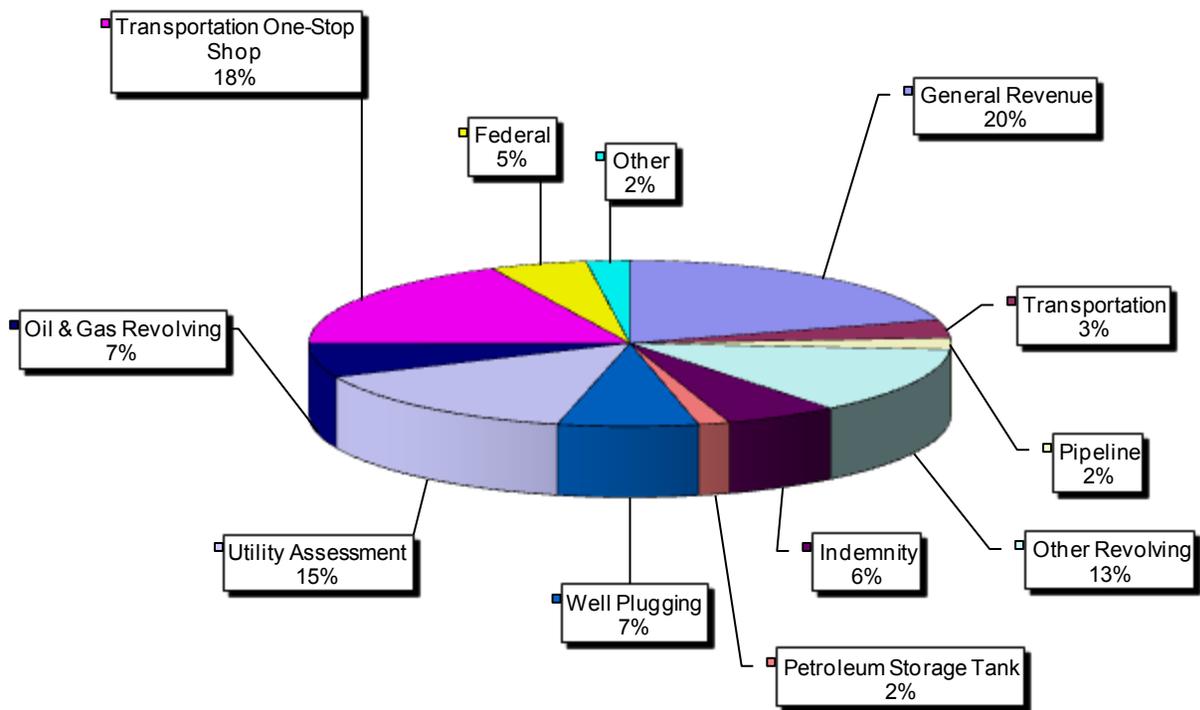
Fiscal Year	Funding	Auth. FTE*
2003	\$30,261,108	453
2004	\$28,679,330	453
2005	\$34,972,742	453
2006	\$39,217,130	535**
2007	\$43,640,941	547
2008	\$49,903,664	547
2009	\$51,616,673	547
2010	\$47,963,714	478
2011	\$49,701,795	547
2012	\$54,115,431	547
2013	\$56,737,940	470

*Denotes maximum authorized Full Time Employee (FTE) positions, not the actual number of FTE's - (actual average number of FTE's in FY13 was 427).

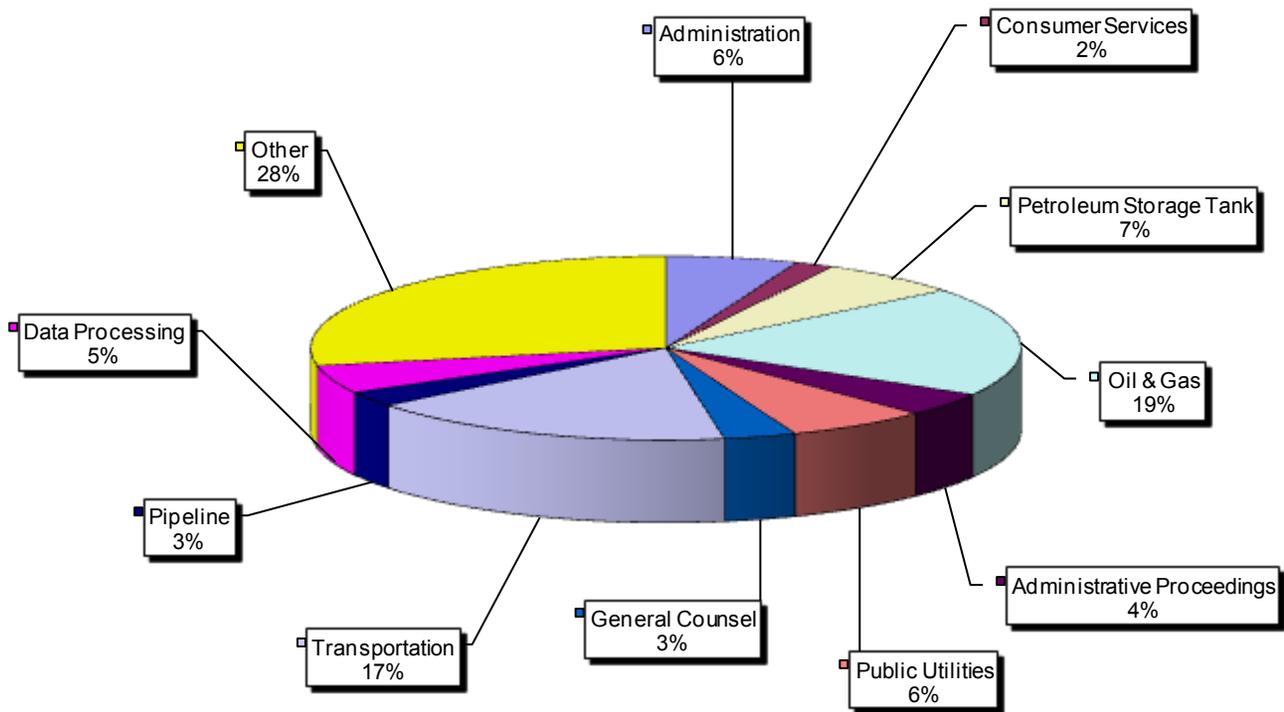
**Increase the result of legislatively-mandated transfer of Oklahoma Tax Commission sections to the Oklahoma Corporation Commission.

SOURCES	AMOUNTS	% OF TOTAL
General Revenue Fund:		
FY13 Cash Balance	\$258,812	0.5%
General Revenue Appropriations	11,324,427	20.0%
Oil & Gas Revolving Fund:		
FY13 Cash Balance	1,319,268	2.3%
Intent to Drill Fees	\$1,156,740	
Other	1,330,525	
	2,487,265	4.4%
OCC Revolving Fund:		
FY13 Cash Balance	2,289,623	4.0%
Unified Carrier Registration	\$2,015,668	
Pipeline Safety Fees	1,273,431	
Filing Fees	941,690	
Other	4,181,504	
	8,412,293	14.8%
Petroleum Storage Tank:		
FY13 Cash Balance	547,177	1.0%
Permits	\$269,512	
Other	79,836	
	349,348	0.6%
Public Utility Assessment Fund:		
FY13 Cash Balance	2,029,804	3.6%
Assessments	6,308,189	11.1%
Transportation One-Stop Shop Fund:		
FY13 Cash Balance	4,059,527	7.2%
Transportation Fees & Fines	6,092,585	10.7%
Indemnity Fund:		
FY13 Cash Balance	39,536	0.1%
Fund Receipts	3,202,628	5.6%
Well Plugging Fund:		
FY13 Cash Balance	2,441,068	4.3%
Oil & Gas Excise Tax Receipts	1,562,266	2.8%
Federal Funds:		
FY13 Cash Balance	81,063	0.1%
Federal Funds Received	2,687,906	4.7%
Other Funds:		
FY13 Cash Balance	1,022,535	1.8%
L.U.S.T. Revolving Fund	222,620	0.4%
TOTAL AVAILABLE	\$56,737,940	100.0%
APPLICATIONS	AMOUNTS	% OF TOTAL
Administration	\$3,339,422	5.9%
Consumer Services Division	984,349	1.7%
Petroleum Storage Tank		
Administration	381,676	0.7%
Claims Processing	789,425	1.4%
Regulatory	2,435,252	4.3%
Oil & Gas Division	8,967,257	15.8%
Well Plugging/Storage Pits	1,254,940	2.2%
UIC Federal	481,749	0.9%
Office of Administrative Proceedings	2,331,214	4.1%
Public Utilities	3,588,438	6.3%
Office of General Counsel	1,828,065	3.2%
Transportation	9,396,413	16.6%
Pipeline Safety	1,513,675	2.7%
Data Processing	2,748,377	4.8%
FY13 EXPENDITURES	\$40,040,252	70.6%
Reserve for General Obligations	4,781,345	8.4%
Reserve for Well-Plugging Obligations	1,040,796	1.8%
Lapsed Funds		
Fund Balance	10,875,547	19.2%
TOTAL APPLIED	\$56,737,940	100.0%

SOURCES



Applications



OKLAHOMA CORPORATION COMMISSION
Applications Filed, Orders Issued

DOCKET LEGEND: CD-Conservation, PD-Pollution, GD-General Docket, (Discontinued FY95), MC-Motor Carrier, MCC-Motor Carrier Citation, EN-Enforcement, FD-Fuel (Petroleum Storage Tank), FDC-Fuel Docket Citation, TD-Transportation, PUD-Public Utility, RM-Rulemaking, SF-State Funds, CS-Consumer Service, OGC-Oil Gas Citation, *1997 MC/MCC and FD/FDC Separated. 2000 GG-Gas Gathering

FISCAL YEARS - 1991-2013

YEAR	CD	PD	GD	GG	MC	MCC	EN	FD	FDC	TD	PUD	RM	SF	CS	OGC	TOTAL	ORDERS
1991	4,957	1,139	3		3,828		279	2		176	188	10				10,582	9,875
1992	4,226	936	5		4,151		160	2		138	220	11				9,849	8,441
1993	3,834	1,099	12		6,540		274	4		123	186	19				12,091	8,258
1994	4,543	868	5		7,159		297	4		121	203	18	52			13,270	9,566
1995	4,760	818	1		6,653		457	272		79	237	19	81			13,377	9,168
1996	4,893	898	0		7,801		398	154		59	512	23	86		29	14,853	9,395
*1997	5,645	614	0		4,604	4,404	308	24	21	120	516	22	99	3	91	16,471	10,697
1998	5,324	574	0		5,421	5,149	432	60	163	92	675	26	111	13	140	18,180	10,949
1999	4,789	456	0		5,937	5,968	254	43	56	64	727	23	85	12	43	18,457	9,081
2000	5,489	414	0	3	6,220	6,032	145	111	39	68	736	16	106	18	31	19,428	9,087
2001	6,594	409	0	3	6,128	6,754	259	9	37	42	683	19	131	15	63	21,146	11,220
2002	6,152	491	0	0	5,999	7,340	185	2	0	54	662	18	118	23	71	21,115	11,447
2003	7,536	486	0	1	6,489	10,496	316	2	1	95	844	9	75	26	84	26,460	12,494
2004	9,022	502	0	1	6,796	9,832	322	36	2	61	698	12	94	17	46	27,441	14,239
2005	9,891	547	3	3	6,504	22,750	349	21	1	78	582	13	120	9	83	40,954	15,903
2006	12,365	576	0	7	2,330	26,823	384	45	1	57	480	22	135	3	59	43,287	18,954
2007	8,728	619	0	0	89	21,009	445	46	7	60	520	6	128	6	20	31,683	14,560
2008	8,714	606	0	2	17	17,606	326	47	0	61	428	11	126	8	11	27,963	15,092
2009	6,086	521	0	0	14	23,463	251	76	0	63	343	12	103	15	17	30,964	12,712
2010	4,683	187	0	2	14	19,301	160	59	0	36	210	7	72	19	8	24,758	7,945
2011	6,214	124	0	0	2	20,592	127	43	3	43	244	7	35	14	14	27,462	10,338
2012	7,938	193	0	0	0	19,003	136	42	0	36	231	6	55	6	4	27,650	12,553
2013	8,858	180	0	4	0	25,555	119	32	0	79	256	11	53	4	6	35,157	14,074

CALENDAR YEARS - 1991-2012

YEAR	CD	PD	GD	GG	MC	MCC	EN	FD	FDC	TD	PUD	RM	SF	CS	OGC	TOTAL	ORDERS
1991	4,605	1,062	5		4,002		248	3		180	180	8				10,293	9,349
1992	4,084	1,035	13		4,152		215	1		112	248	16				9,876	8,511
1993	4,181	990	4		9,439		276	6		129	181	17	15			15,238	8,097
1994	4,691	810	11		5,432		418	203		103	225	14	78			11,985	10,109
1995	4,686	806	0		6,119		438	217		62	435	24	68			12,855	8,426
1996	5,445	823	0		7,849		336	97		88	441	18	100	0	61	15,258	9,961
1997	5,457	663	0		5,278	4,802	397	17	35	104	616	29	114	11	115	17,638	11,447
1998	5,190	503	0		5,423	5,377	342	82	172	84	693	36	96	10	127	18,135	9,964
1999	4,650	380	0		6,194	6,142	133	15	32	80	770	12	91	16	9	18,524	8,414
2000	6,069	447	0	5	6,342	5,732	222	111	52	44	712	15	118	10	57	19,936	10,232
2001	6,606	446	0	0	5,911	7,084	218	6	17	42	661	13	134	28	77	21,243	11,539
2002	6,347	492	0	1	6,374	9,462	277	2	0	87	779	17	94	21	87	24,040	11,840
2003	8,510	515	0	1	6,533	9,561	340	2	2	74	792	10	81	21	36	26,478	13,443
2004	9,427	526	2	4	6,408	14,187	312	43	1	60	636	15	95	20	66	31,802	14,724
2005	11,977	584	1	4	5,230	24,747	344	30	0	66	540	18	71	4	54	43,670	17,901
2006	9,915	601	0	3	97	28,561	478	41	1	63	448	13	147	4	38	40,410	16,562
2007	8,533	606	0	1	25	17,701	363	56	7	49	466	12	108	10	17	27,954	14,952
2008	8,704	626	0	1	15	20,256	282	67	0	72	417	12	123	11	12	30,598	15,567
2009	4,060	321	0	0	14	21,763	217	62	0	45	276	6	107	16	13	26,900	8,821
2010	5,649	146	0	2	8	20,653	142	54	3	36	220	8	45	19	12	26,997	9,141
2011	7,135	125	0	0	0	18,073	105	43	0	51	205	5	46	10	8	25,806	10,982
2012	8,527	229	0	1	0	21,344	144	33	0	33	284	14	54	3	5	30,671	13,603

Administrative Proceedings

The Office of Administrative Proceedings (OAP) is the judicial division of the Oklahoma Corporation Commission (Commission or OCC). OAP's staff includes administrative law judges (ALJs), legal secretaries, court reporters, and the Court Clerk's Office. Adjudicative proceedings are conducted in two offices -- the Western Regional Office, Oklahoma City and the Eastern Regional Office, Tulsa. Both locations maintain a Court Clerk's Office, which accepts filings of applications, notices, affidavits, hearing exhibits, and other pleadings in cases brought for relief from the OCC pursuant to its regulatory jurisdiction. The Eastern Regional Service Office's Court Clerk only receives court documents and permit filings which relate to oil and gas conservation matters. Pursuant to statute, to maximize the convenience of the public, parties, and witnesses, testimony and evidence may be presented in the court of record proceedings by telephonic connection, instead of requiring personal appearances before an administrative law judge and court reporter. Telephone hearings are conducted in both the Regional Service Offices. The Eastern Regional Service Office in Tulsa provides telephonic connections to OAP's Oklahoma City courtrooms and a teleconferencing connection to the Commission's primary courtroom in Oklahoma City. Correspondingly, the Western Regional Service Office provides telephone connections to the Tulsa courtrooms. In FY2013 testimony was presented by telephone in 2,187 hearings.

Hearings: Most applications requiring OCC action are considered first by ALJs, who conduct evidentiary hearings; rule on objections, motions and emergency applications; interpret and apply law; make oral and written recommendations to the

Commissioners for consideration and action; and review proposed orders prior to submission to the Commission's signing agenda. Exceptions to the ALJs' recommendations may be filed with the full Commission, which can entertain oral arguments. The Commissioners, however, may refer the oral arguments on exceptions in certain types of matters to its oil and gas appellate referee, who files an additional report recommending a course of action. Commission orders may be appealed to the Oklahoma Supreme Court. During FY2013, twelve administrative law judges and one appellate referee conducted 40,052 hearings.

Oil and Gas Conservation/Petroleum Storage Tanks: Oil and gas administrative law judges conduct hearings involving applications within the OCC's jurisdiction over oil and gas conservation, petroleum storage tanks, and natural gas gathering fees and open access. The oil and gas ALJs hear enforcement cases involving these areas of regulatory authority. The Oklahoma City office's oil and gas ALJ staff consists of six full-time members who conduct hearings exclusively on oil and gas conservation/petroleum storage tank dockets, and one full-time member who conducts hearings on both oil and gas conservation/petroleum storage tank and public utility dockets. The Tulsa office's oil and gas ALJ staff consists of one full-time member and one part-time member who conduct hearings exclusively on oil and gas conservation dockets. The division director also serves as an oil and gas ALJ in both offices. There is one oil and gas appellate referee who hears exceptions arising from the Regional Service Offices. During FY2013, there were hearings concerning 12,021 initial applications and 2,217 motions brought before the OCC's oil and gas administrative law judges, while 88 protested initial applications and motions were the subject of exception proceedings conducted

by the oil and gas referee. There were 766 initial oil and gas conservation applications heard and processed to final order pursuant to the optional hearing procedure for uncontested spacing-related causes.

Transportation: Transportation and railroad cases are heard as part of the caseload of one administrative law judge in the Oklahoma City office, who also conducts public utility hearings. The administrative law judge also hears applications regarding grade crossings. The ALJ hears enforcement proceedings in this area of the OCC's jurisdiction. During FY2013, the Transportation Docket experienced 25,103 docketed causes resulting in hearings from which 188 final orders issued in EN, MC, MCC, and TD cases.

Public Utility/Consumer Services: Three administrative law judges in the Oklahoma City office conduct public utility and consumer services related hearings. One of the ALJs also conducts hearings on oil and gas conservation/petroleum storage tank dockets. Hearings are held for applications to provide local exchange telephone service; arbitration proceedings regarding interconnection agreements, mergers and acquisitions of public utilities; rate cases; territorial boundary disputes; tariff filings; purchase fuel adjustment clauses; and cotton gins. Consumer service complaints and enforcement proceedings are conducted within the OCC's public utility regulatory authority. During FY2013, there were 327 public utility and consumer services cases heard.

Court Reporters/Court Clerk Office: Court reporters transcribe hearings and prepare transcripts upon request by case participants or other interested persons. The OCC's court reporting staff consists of five full-time and three part-time court reporters. The court

reporters provide services in both Oklahoma City and Tulsa. The Court Clerk's Office is the official repository of the agency's court documents and is responsible for accepting and processing applications for the OCC's action. The Court Clerk's Office maintains court files, and public records relating to the application, hearing and order process, including both paper copies and digital images of these documents. The Court Clerk's Office also responds to public requests to view and/or copy official records. During FY2013, the Court Clerk's Office, staffed by six full-time docket clerks, two temporary docket clerks, and one administrative program officer/court clerk in Oklahoma City, and one full-time docket clerk and one part-time docket clerk in Tulsa, processed 35,157 applications and 13,991 Commission orders.

**ADMINISTRATIVE LAW JUDGE HEARINGS
CASELOAD (FY95 - FY13)**

Fiscal Year	Oil/Gas Initial	Referee Exceptions	Trans	Public Utility	Fuel Initial	Total Hearings
1995	5,654	133	3,422	405	230	9,844
1996	5,340	106	3,772	607	229	10,054
1997	5,118	226	5,270	1,248	101	11,963
1998	5,297	266	6,190	984	389	13,126
1999	,157	125	6,695	893	161	13,031
2000	5,567	106	6,148	705	25	12,551
2001	7,084	110	7,679	827	126	15,826
2002	6,273	139	8,798	624	5	15,839
2003	5,430	159	11,800	800	2	18,191
2004	7,475	126	11,143	1,089	60	19,893
2005	9,579	115	23,216	1,476	57	34,443
2006	11,037	126	27,332	562	90	39,147
2007	11,615	10	21,130	561	115	33,523
2008	13,582	62	17,764	631	131	32,170
2009	11,280	89	23,560	483	170	35,582
2010	6,997	83	19,357	402	142	26,981
2011	9,373	84	20,642	314	91	30,504
2012	12,197	89	19,040	414	65	31,805
2013	14,468	88	25,103*	327	66	40,052

* This calculation for FY 2013 is based on 25,103 docketed applications/citations on the Transportation Docket, from which 188 final orders issued involving EN, MC, MCC and TD cases.

Consumer Services

The Consumer Services Division is the Commission's primary contact with utility consumers and the industry. The division provides information to consumers about utility services, and oil and gas mineral owner issues. Utility Complaint investigators receive and help resolve thousands of consumer and mineral owner complaints involving public utilities and oil and gas companies. The division maintains records of payments due unlocated mineral owners. The Consumer Education Department of the division is the outreach office of the division. Through the Consumer Education Department, consumers learn the latest developments in utility technologies and how the most recent rule changes affect them.

Public Utilities Complaints and Information Department

The Consumer Services Utility Complaints and Information Department investigators provided a total FY2013 savings of \$132,520 to customers of Oklahoma regulated utilities. More than 31,000 Oklahoma consumers were assisted, with 2,605 complaints worked.

The Public Utilities Complaints Department felt the impact of a downturn in the economy with investigators receiving numerous calls regarding disconnection of utility services and consumers seeking assistance with pay arrangements on their accounts. In accordance with Commission rules, CSD's utility department mailed tens of thousands of helpful notices of disconnection, which contain critical, additional information, to the elderly and disabled citizens, assisting them with how to re-establish service.

Investigators continued to receive numerous calls regarding the statewide expansion of the Smart Meter program and fielded new calls in response to proposed rate and cost recovery increases by some major electric utilities.

Oil and Gas Complaints and Information Department

The Oil & Gas Complaints & Information Department acts as the OCC contact for mineral and surface owners in their dealings with petroleum companies as well as serving as an information center for oil and gas matters. Mineral and surface owners and members of the oil and gas industry call the department with a wide variety of questions and complaints ranging from royalty payments and leasing to spacing, pooling, production volumes, and OCC rules and regulations.

The department is active in public outreach and attended several oil and gas industry related events during Fiscal Year 2013, providing exhibits and presentations at some and attending seminars in order to keep up with current trends in the industry at others.

The department's fifth annual "OCC Workshop for Non-resident Oklahoma Royalty Owners" held in Phoenix, Arizona in September was very successful with over eighty attendees. Topics of discussion included minerals management, title issues, horizontal drilling, leasing, and services provided by the Oklahoma Energy Resources Board.

During FY13, staff members gave presentations for the Woods County Mineral Owners Association, the Oklahoma City Association of Professional Landmen, a local Oklahoma City neighborhood association, and the Oklahoma Mineral Owners Association. Exhibits were provided at the annual Marginal Wells Commission Trade Expo, the annual convention of the National Association of Royalty Owners, the annual convention of the Oklahoma Chapter of the National Association of Royalty Owners, and the Tri-State Oil & Gas Convention

Mineral Owners Escrow Account, MOEA

The Mineral Owners Escrow Account department (MOEA) keeps records on money

owed to unknown mineral owners as a result of oil and gas forced pooling. The money is collected and deposited into interest-bearing accounts by the Unclaimed Property division of the Oklahoma State Treasurer's Office. The funds are held in escrow until the unknown mineral owners are found. If the owners are not found, the funds are held for a maximum of five (5) years before they are transferred to the Unclaimed Property division.

In Fiscal Year 2013, there were 19 new reporting holders and operators, 1,012 pooling orders, 10,117 forced pooled unknown mineral owners and 26,322 unknown mineral owners received from 1081 reports. The Mineral Owners Escrow Account department collected and deposited \$12,149,711. Reimbursements to the Unclaimed Property Division totaled \$4,638,592 and five year transfers to the Unclaimed Property Division totaled \$4,455,715. The MOEA fund balance is \$55,617,181.

Consumer Education and Public Outreach

Fiscal 2013 saw the beginning of a requested CSD initiative to research and lay the ground work for a bi-lingual utilities brochure in English-Spanish. Staff met with the CEO of the Latino Community Development Center in Oklahoma City to discuss how best to address the Spanish language side of the project and just what the greatest needs for utility information are for the Latino community. A brochure was under final production at the Commission before the end of the fiscal year.

Staff conducted 17 speaking engagements across the state during FY 2013, reaching 1,874 consumers on every aspect of the Corporation Commission, how it is structured, and how it functions in the areas of public utilities, oil and gas exploration and production, fuel inspection, and intra-state transportation. Staff discussed how the Commission meets its responsibilities to weigh the balance of profitability for the critical industries it regulates while maintaining reasonable service rates for Oklahoma

customers, a critical challenge during the age of rising energy costs.

Some of the speaking engagements included stakeholders at the Association of Central Oklahoma Governments in Bricktown discussing the Commission's agreement with ONG establishing a rebate program to encourage conversion of vehicles to compressed natural gas, and increasing the number of CNG fueling stations; to the statewide Women in Agriculture Conference at the Moore-Norman Technology Center; to the Sooner Association of Division Order Analysts concerning the rules enforced by the Commission's Mineral Owners Escrow Account; the Tulsa Desk and Derrick Club on oil and gas issues; and the Enid AMBUCS concerning telephone rules regarding Lifeline services.

The state science fair season runs from January through March. Staff presented Commission awards to state science fair winners at both regional and state final science fairs.

CSD DEPARTMENTAL STATISTICS

Public Utilities Complaints and Information Department

Complaints by Industry	<u>Totals</u>
Electric Utilities	1,314
Natural Gas Utilities	534
Telecommunication Companies	670
Other Utilities	14
Other	73

Total Regulated Utility Complaints 2,605

Complaints/Calls NOT Referred to Utilities 7,367

Other

Elderly/Handicapped Disconnection Information Notices
provided consumers 21,228

TOTAL Consumers Assisted 31,200

Savings to Utility Consumers
through CSD Intervention \$132,520

Oil and Gas Complaints and Information Department

Complaints (by topic)

Surface	<u>19</u>
Payment	<u>248</u>
Legal	<u>25</u>
Access	<u>1</u>
Unplugged Wells	<u>13</u>
Pipelines	<u>1</u>
Pits	<u>1</u>
Pollution	<u>25</u>
Seismic	<u>6</u>
Pooling	<u>15</u>
Other	<u>110</u>

TOTAL Complaints 464

How Complaints and Inquiries Were Received

<u>In-coming Calls</u>	<u>7,551</u>
<u>Letters, fax, email</u>	<u>832</u>
<u>Walk-Ins</u>	<u>178</u>

Other

Information requests: 8,097

CSD DEPARTMENTAL STATISTICS (cont)

Mineral Owners Escrow Account, MOEA

<u>New Reporting Operators</u>	<u>19</u>
<u>Pooling Orders</u>	<u>1,012</u>
<u>Forced Pooled Mineral Owners</u>	<u>10,117</u>

Unlocated Mineral Owners Bonus/Revenue

<u>Number of Bonus Payments</u>	<u>5,121</u>
<u>Number of Revenue & Interest Payments</u>	<u>21,201</u>
<u>Total Unlocated Mineral Owners Received on 1081 Reports</u>	<u>26,322</u>

Collections/Deposits

<u>Collections Deposited</u>	<u>\$12,149,711</u>
<u>Reimbursements</u>	<u>\$4,638,592</u>
<u>5-Year Transferrals</u>	<u>\$4,455,715</u>
<u>MOEA Fund Balance</u>	<u>\$55,617,181</u>

Consumer Education and Public Outreach

<u>Consumers reach through public speaking engagements</u>	<u>1,874</u>
<u>Public Speaking Engagements</u>	<u>17</u>

Inquiries and Complaints

<u>TOTAL</u>	<u>641</u>
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Information Technology

The mission of the Information Technology Division is to enhance the efficiency and effectiveness of the Commissioners and all divisions of the Commission by providing technically advanced automated tools and services. The division's goals associated with these services are as follows:

- Technically advanced, web-based database applications for the Commission that increase the effectiveness of performing mandated functions.
- Geographical Information Systems (GIS) and the use of Global Positioning Systems (GPS) for the Commission that integrate with the new client/server applications and enhance the ability to view large amounts of data in a single picture through advanced mapping tools.
- Imaging systems for the Commission that integrate with the new applications, enhance the ability to locate original records, reduce space requirements associated with manual files and eliminate duplicate files.
- Increase the effectiveness of the Commission's web page by offering access to query and download database information, locate and print imaged records, acquire established maps and perform electronic filing of information/documents required by rules and regulations.
- Educate, equip and enable the Commission's office and field personnel to utilize new advanced tools in combination with implemented projects as a standard for performing their regulatory functions.
- Coordinate development of projects with other state agencies where appropriate to eliminate duplicate processing and increase sharing of information.
- High-speed telecommunication for the internal architecture and between all field and remote offices.
- Keep up-to-date with computer operating systems and other software to stay current with the industry and ensure maintenance support.

The IT Division consists of two branches and an **Administrative** section. The branches are

Applications Management and Computer Systems Management (CSM).

Applications Management

Applications Management is charged with maintaining existing applications in addition to analysis, design and development of new applications and is staffed with nine programmers, one project manager, and one manager.

A total of 929 work requests were processed during the year by the Applications Management staff.

Computer Systems Management (CSM)

The computer systems environment for the Commission is a very complicated one consisting of several types of servers and many personal computers and printers. This equipment is connected with a cable network system that includes routers, switches, hubs and patch panels. The CSM branch consists of the helpdesk, imaging and server groups. The teamwork of CSM provides for the day to day maintenance and growth of the network and software areas of the Commission.

Network and Server Maintenance/Upgrades

During this fiscal year CSM continued to monitor and optimize the core switch and the satellite switches for the Commission. Significant upgrades were done in this fiscal year with equipment purchased at the end of last fiscal year. The team also worked to monitor network printer performance and remained vigilant in identifying virus and intrusion problems on the servers and workstations.

Network Firewall and Security

Websense enables the agency to collect information regarding Internet use, allowed for blocking of unwanted sites and reduced spam. During this fiscal year CSM manually blocked 77,366 individual addresses that sent spam to the Commission via the email system.

Help Desk Operations

In this fiscal year, CSM's Helpdesk staff received 4,213 calls. The number of items processed for salvage was 4,971.

Imaging Systems

Work continued on improving the system to allow OCC staff and the public access to imaged documents. The total for images scanned in this fiscal year was 405,461.

Office of General Counsel

The Office of General Counsel provides advocacy and advisory legal services to the Corporation Commission, and represents the Commission and its employees in matters before state and federal courts and administrative agencies. Services are provided through seven specialized sections: Agency Counsel, Consumer Services, Petroleum Storage Tank, Transportation, Deliberations, Oil & Gas, and Public Utilities.

The Office of General Counsel prepares and tries cases involving oil and gas regulation, public utilities regulation, petroleum storage tank regulation, intrastate transportation, and consumer services complaints. It advises the Commission on compliance with State and Federal laws, contracting, open meetings and open records requirements, agency rulemakings, ethics laws, and personnel matters. It provides legal research and advises the Commissioners in connection with the deliberation of cases by the Commission.

Agency Counsel Section

The Agency Counsel Section of the Office of General Counsel is responsible for assisting the General Counsel on all issues of law that affect the agency and for providing representation in state and federal courts. Historically, it has been a small section consisting of two or three attorneys, a legal assistant, and has been assisted by the General Counsel. In FY 2013, Agency Counsel advised the Commission on various legal matters including, but not limited to, applicable state and federal laws such as open records laws, open meetings laws, changes in statutes and regulations governing rulemakings, contracts and procurement laws, compliance with various executive orders, new and proposed legislation, administrative policy and procedures, and other public law concerns.

In addition, Agency Counsel handled appellate matters arising from cases heard by the Commission. Agency Counsel successfully defended Commission orders which affected parties' legal rights under force pooling orders, the right to receive notice of drilling and spacing applications, and the validity of certain elections made by polling respondents that were not made in

conformance with pooling orders. In addition to advisory duties, Agency Counsel was responsible for state and federal actions, bankruptcy cases in which the Commission was a creditor, employment issues and litigation arising from the same, agency operation policies, and ethics issues. Agency Counsel represented the Consumer Services Division before the Commission, and assisted all divisions of the agency with legal research.

In those cases requiring legal representation by outside lawyers, Agency Counsel coordinated and assisted with the representation of the agency. Agency Counsel worked with the Oklahoma Attorney General's office on district court litigation involving claims to recover funds on behalf of the Petroleum Storage Tank Indemnity Fund.

Consumer Services Section

The Consumer Services Section is advised by the Assistant Agency Counsel. During FY13, 4 cases were resolved and only one is pending. Several others were resolved without need for court action by the division. Legal counsel continues to assist and advise the Consumer Services Division on pending matters.

Deliberations Section

The Deliberations Section consists of one Deputy General Counsel. His duties include reading all the oil and gas orders on each signing agenda, and drafting a daily memo to the Commissioners and their aides with a listing of oil and gas cases with specific interest. The daily memo includes a detailed description of each case. The Deputy General Counsel consults daily with Commissioners, Commissioners' aides, the technical staff, the oil and gas attorneys for the Commission, and outside counsel regarding orders which pose questions of concern before they are brought before the Commissioners for their approval on the signing agenda.

The Deputy General Counsel assists the Commissioners with their dockets that pertain to

screenings, deliberations, en banc hearings and motions for oral argument on appeals. He also provides legal advice on issues that pertain to these cases. In addition to reviewing 60-70 orders on a daily basis, the Deputy General Counsel advised the Commissioners on 84 oil and gas causes appealed to the Commission.

Oil and Gas Section

The six-person legal staff of the Oil & Gas Section (OGS) is comprised of two Deputy General Counsels, two Assistant General Counsels, and two support staff. The responsibilities of the OGS include: representing the Oil & Gas Conservation Division (OGCD) in matters that pertain to regulating oil and gas operators in conservation cases, pursuing enforcement cases against operators operating out of compliance with statutory authority and Commission rules, working with industry and the Commission in drafting rules that conform to industry needs while maintaining the conservation goals of the State, working with operators to insure they operate underground injection wells in compliance with Commission rules and EPA standards, partnering with the OERB and the EPA Brownfields program in cleaning up the State of Oklahoma, and preserving the State's natural resources.

The OGS represents the OGCD in conservation actions, pollution actions, State Fund actions, enforcement actions, and the entire Rulemaking process. OGS appears for the OGCD at conservation hearings and pollution hearings. OGS provides legal advice to the OGCD Director and staff, and represents them in technical conferences with industry. The OGS handles complaints and contempt actions generated by the district offices by investigating, filing and drafting pleadings for enforcement cases, counseling field inspectors as witnesses for the Commission, and working with the district offices to investigate and acquire evidence for contempt actions. OGC also assists the division by counseling and representing members of OGCD in depositions, answering subpoenas and document requests for district

court matters, and answering correspondence and telephone calls from the public. In addition, OGS researches county records and Commission records in assisting the OERB in an effort to locate responsible parties of abandoned oil and gas well sites, and drafting letter agreements and restrictive covenants for future surface owners on sites that have been cleaned up by the OERB.

This year the Commission adopted rules to provide additional notice regarding applications for underground injection wells; a new Appendix F was added to OCC Rules which corresponds to requirements appearing in OAC 165:10-7-35 regarding notices of applications for authority to operate commercial pits, commercial soil farming sites and/or commercial recycling facilities. Rules were adopted to require surety for those businesses who contract to land apply deleterious substances, and rules were modified for surety requirements for operators of commercial disposal well facilities. New rules were adopted in accordance with recent amendments to the Seismic Exploration Regulation Act in Senate Bill Nos. 243 and 1665 (2012) (52 O.S. Sections 318.21 through 318.23). In addition, rules were adopted to include address information in applications and orders pertaining to proceedings to establish or form horizontal well units.

The Consumer Services Department (CSD) started using a process for collecting funds and receiving reporting data from operators that OGS drafted for CSD this year. The process has worked well in collecting outstanding Mineral Owners Escrow funds and reporting data to the Commission. No enforcement cases had to be filed this year for nonpayment of bonus monies and royalty payments for mineral owners.

As the past year progressed, the OGS was confronted with addressing more issues that dealt with horizontal wells being drilled within a spacing for a vertical well where a vertical well was producing from the same common sources of supply. The operators of the existing vertical wells are concerned about their wells being depleted by the horizontal wells. Also, questions have arisen and litigation has commenced over the flaring of natural gas on wells which are

producing thousands of barrels of oil each day. When large amounts of natural gas are flared, a tremendous amount of waste can result. This issue is a growing concern for the Commission and a possible revision in Commission rules may be necessary.

Concern over the number of earthquakes in Oklahoma has focused attention on the question of whether or not the number of earthquakes is related to the use of underground disposal wells and hydraulic fracturing. OGC will continue to address the legal questions as the OGCD reviews the scientific evidence available.

The OGS along with all the members of the General Counsel's office participated in the Strategic Plan for the Commission.

Public Utilities Section

The Public Utility Section is currently comprised of six attorneys: a Deputy General Counsel, and five Assistants General Counsel.

The Public Utility Section represents PUD in all causes filed with the Commission by the state's public utilities, including but not limited to: general rate cases, mergers and acquisitions, tariff revisions, preapproval of utility projects and other matters. In addition, the Public Utility Section represents PUD in all causes filed by PUD with the Commission, the Federal Communications Commission (FCC) or the Federal Energy Regulatory Commission (FERC). These include show cause matters, enforcement actions, annual or special fuel adjustment clause and prudence reviews, Commission notice of inquiry causes (pre-rulemakings), rulemakings and other matters as assigned. The section provides legal advice to the PUD Director and the PUD Staff and assists PUD by attending technical conferences, meetings with public utilities, and PUD managers and Staff.

Causes that were processed and closed during the year are shown below, broken down into causes affecting Electric Utilities, Gas Utilities, Telecommunications, and other matters.

Electric Utilities

PUD 2011-131 – PUD Staff – annual review of

the fuel adjustment clause of The Empire District Electric Company for calendar year 2011 – includes a prudence review.

PUD 2009-158 – PUD Staff – Application of David B. Dykeman, Director of the Public Utility Division, Oklahoma Corporation Commission, for a Public Hearing to Review and Monitor Public Service Company of Oklahoma's Application of the Fuel, Purchased Power and Purchased Gas Adjustment Clause for the Calendar Year 2008; and for a Prudence Review of the Electric Generation and Fuel Procurement Processes and Costs to Public Service Company of Oklahoma to Determine Whether Fuel, Purchased Power, and/or Generation Expenses Were Prudently Incurred, Pursuant to OAC 165:35-35-1.

PUD 2010-172 – PUD Staff – Application of David B. Dykeman, Director of the Public Utility Division, Oklahoma Corporation Commission, for a Public Hearing to Review and Monitor Application of the Fuel Adjustment Clause of Public Service Company of Oklahoma for the Calendar Year 2009, and for a Prudence Review of the Electric Generation, Purchased Power and Fuel Procurement Processes and Costs of Public Service Company of Oklahoma for the Calendar Year 2009.

PUD 2011-205 – Plains and Eastern Clean Line – Plains and Eastern Clean Line Oklahoma, LLC's Notice and Filing of Semi-Annual Report and Decommissioning Plan.

PUD 2012-087 – AEP Oklahoma Transmission Company – AEP Oklahoma Transmission Company, Inc.'s Application for a Certificate of Authority to Issue Secured notes, Senior Unsecured notes and/or Unsecured Notes and/or Unsecured Promissory Notes in a Principal Amount of \$200,000,000.

PUD 2012-128 – PSO – Public Service Company of Oklahoma's Application for Approval of Energy Efficiency and Demand Response Programs; for Approval of the Recovery of all Demand Program Costs, Lost

Revenues and a Shared Savings Incentive; for Approval to Change the Reporting Requirements to a Calendar Year; for Approval of a Waiver of the \$1.90 Provision Found at OAC 165:35-41-5 (d); and Authorizing the Continued Use of the Demand Side Management Cost Recovery Rider.

PUD 2012-134 – OG&E – Oklahoma Gas & Electric Company’s Application for a Commission Order Approving its Demand Portfolio and Authorizing Recovery of the Costs of the Demand Programs through the Demand Program Rider.

PUD 2012-172 – OG&E – Oklahoma Gas & Electric Company’s Application for an Order of the Commission Authorizing Cost Recovery of Certain Transmission Projects through the SPP Transmission Systems Additions Rider.

PUD 2012-185 – OG&E – Oklahoma Gas & Electric Company’s Application for an order of the commission Determining Prudence and other Related Findings.

PUD 2011-132 – PUD Staff – Application of David B. Dykeman, Director of the Public Utility Division, Oklahoma Corporation Commission, for a Public Hearing to Review and Monitor Application of the Fuel Adjustment Clause of Oklahoma Gas and Electric Company for the Calendar Year 2010; and for a Prudence Review of the Electric Generation, Purchased Power, and Fuel Procurement Processes and Costs of Oklahoma Gas and Electric Company for the Calendar Year 2010.

PUD 2012-151 – Plains and Eastern Clean Line – Application of Plains and Eastern Clean Line Oklahoma, LLC, for Notice and Filing of Semi-Annual Report.

Gas Utilities

PUD 2010-219 – PUD Staff – Application of David B. Dykeman, Director of the Public Utility Division, Oklahoma Corporation Commission, for a Show Cause Hearing Against Wagoner County Gas Authority.

PUD 2012-029 – Oklahoma Natural – Application of Oklahoma Natural Gas Company, a Division of ONEOK, Inc., for Approval of its Performance Based Rate Change Plan Calculations for the Twelve Months ended December 31, 2011, Energy Efficiency True-up and utility Incentive Adjustments for Program Year 2011, Residential Multi-unit Distribution Extension Policy Tariff, and Changes or Modifications to its Tariffs including Performance Based Rate Changes, Residential, Small Sales, Large Sales, Special Terms and Conditions, Miscellaneous Terms and Conditions, and Unmetered Gas Light Tariffs.

PUD 2012-097 – ONEOK Gas Transportation – Application of ONEOK Gas Transportation, LLC for Order Protecting Confidential Information in Competitive Bidding Process by Public Service Company of Oklahoma for Natural Gas Transportation Service.

PUD 2012-107 – ONEOK Partners – Application of ONEOK Partners, LP, and its Subsidiaries for Order Protecting Confidential Information in Competitive Bidding Process by Public Service Company of Oklahoma for Natural Gas Transportation, Storage and Related Services.

PUD 2012-035 – Fort Cobb & LeAnn Gas – Fort Cobb Fuel Authority, LLC and its LeAnn Division’s Application for an Order Granting Approval of a Regulatory Asset for the Costs Associated with its Distribution Integrity Management Program.

PUD 2012-250 – AOG – Arkansas Oklahoma Gas Corporation’s application for Approval of a Special Contract.

PUD 2010-026 – Fort Cobb – Application for a Change or Modification in the Rates, Charges and Tariffs of Fort Cobb Fuel Authority, LLC.

PUD 2012-164 – PUD Staff – Application of Brandy L. Wreath, Acting Director of the Public Utility Division, Oklahoma Corporation Commission, for a Public Hearing to Review and

Monitor Application of the Fuel Adjustment Clause of LeAnn Gas and Fort Cobb Fuel Authority, LLC, for the Calendar Year 2011, and for a Prudence Review of the Fuel Procurement Processes and Costs of LeAnn Gas and Fort Cobb Fuel Authority, LLC, for the Calendar Year 2011.

PUD 2011-129 – PUD Staff – Application of David B. Dykeman, Director of the Public Utility Division, Oklahoma Corporation Commission, for a Public Hearing to Review and Monitor Application of the Fuel Adjustment Clause of Public Service company of Oklahoma for the Calendar Year 2010, and for a Prudence Review of the Electric Generation, Purchased Power and Fuel Procurement Processes and Costs of Public Service Company of Oklahoma for the Calendar Year 2010.

PUD 2013-07 – Oklahoma Natural – Application of Oklahoma Natural Gas Company, a Division of ONEOK, Inc., for an order of the Commission Modifying its Demand Portfolio of Conservation and Energy Efficiency Programs for Calendar Year 2013 and Approving a Demand Portfolio of Conservation and Energy Efficiency Programs for Calendar Years 2014 through 2016.

PUD 2013-025 – CenterPoint Energy – Application of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Oklahoma Gas, for Extension of the dates for Downstream Unbundling Set Forth in OAC 165:45-19-3 (f-h).

Water Utilities and Cotton Gins

No cases were processed during this fiscal year.

Telecommunication Utilities

No E911 case(s) were opened or closed during fiscal year 2013.

49 new cases were opened requesting funding from the Oklahoma Universal Services Fund (OUSF) and forty OUSF cases were closed during fiscal year 2013.

Also during fiscal year 2013, 154 other cases, including Certificate of Convenience and Necessity (CCN) applications, tariff revisions,

requests for approval of Interconnection Agreements (ICAs) and amendments to ICAs, were opened and 132 were closed.

Rulemakings

Two rulemakings affecting telecommunications services and the Oklahoma Universal Service Fund were processed and concluded during fiscal year 2013.

Also of note, PUD filed “show cause” applications against five wireless telecom carriers in an effort to determine whether those carriers were in violation of certain Commission rules related to plan charges, billing, Lifeline service, and/or marketing practices.

Transportation & Petroleum Storage Tank Divisions Section

The PSTD and Transportation Sections are comprised of one Deputy General Counsel and a Senior Attorney, who provided legal assistance and representation to the Petroleum Storage Tank (PSTD) and Transportation Divisions during FY13. Their objective is to effectively represent the Transportation and Petroleum Storage Tank divisions in all matters filed at the Commission, provide legal counsel, assist with rulemakings, legislation, research, and prepare and prosecute legal matters for the represented divisions.

This section represented the Petroleum Storage Tank Division (PSTD) in a variety of ways including interpreting the continued effects of past legislation, drafting legislation and monitoring the legislative process for agency interest bills. This Section handled 33 new causes for PSTD, including 1 application for access to off-site property, 13 requests for variances to Commission rules, 4 determinations of unavailable owner and Indemnity Fund cost reimbursement, 1 determination of unavailable or unwilling owner and Indemnity Fund cost reimbursement, 1 determination of unavailable and unable owner and Indemnity Fund cost reimbursement, 1 determination of unable owner and Indemnity Fund cost reimbursement, 2 determinations of status as an unwilling owner and establishing cost reimbursement, 1 determination of status of storage tank

ownership, 1 judicial determination of cost recovery for corrective action costs associated with emergency responses and Indemnity Fund eligibility, 1 reimbursement for injury to property and personal injury and 7 cost recoveries for expenditures from the Oklahoma Leaking Underground Storage Tank Trust Fund. This Section closed 31 causes for PSTD, including 14 requests for variances for Commission rules. 3 applications for access to off-site property, 3 determinations of unavailable owner and Indemnity Fund cost reimbursement, 1 determination of unavailable or unwilling owner and Indemnity Fund cost reimbursement, 1 judicial determination of status of ownership, 2 determinations of status as an unwilling owner and establishing cost reimbursement and 7 cost recoveries for expenditures from the Oklahoma Leaking Underground Storage Tank Trust Fund resulted in assessments of \$347,612.19.

This Section also filed 1 new complaint and closed 3 complaints resulting in fines of \$1,250.00. Additionally, 22 new applications for otherwise ineligible tank owners were filed through the SB 342 eligibility process and 23 applications were closed resulting in fines of \$66,150.00. Total fines collected for the Petroleum Storage Tank Division (PSTD) this year equaled \$67,400.00. 6 rulemakings for the Petroleum Storage Tank Division were initiated and approved by the Governor and Legislature in FY13, and became effective July 1, 2013. During the last legislative session, PSTD was given authority to regulate and inspect public access to Compressed Natural Gas (CNG) filling stations.

Representing the Transportation Division at administrative hearings continues to be a high priority for this Section. During FY13, this Section participated in 18 new railroad matters filed by railroad companies. 15 matters involved the upgrade or installation of railroad crossing safety equipment at specified locations and 3 matters involved an order authorizing the permanent closure of a railroad at-grade crossing. 17 railroad matters were closed in FY13. 4 new DPS enforcement cases were filed during the year and 2 were closed. The division received \$1,500.00 in fines through its

enforcement actions. 3 Contempt and Refund of Overcharge were filed and 2 were closed. One Contempt and Order for Immediate Payment of Gas Pipeline Assessment was filed and closed in FY13 resulting in fines of \$14,156.82. Modifications of prior orders issued by the Commission were performed under 1 application and 1 was closed. Revocations of IRP/IFTA commercial motor vehicle registrations and Intrastate authority to operate were performed under 45 applications and 27 were closed. 1 application for Order Establishing Rate Increase for Nonconsensual Wrecker and Towing Services and Establishing Policies and Procedures for Supervision and Enforcement of those Rates closed in FY13. 1 Contempt and Revocation of Motor Carrier Authority, Deleterious Substance Transport Permit, Truck Yard Wash Pit Permit, and Order to Properly Close Truck Yard Pits closed in FY13. 1 Oil and Gas Pipeline Acceptance was filed and closed in FY13. Staff prosecuted approximately 25,392 motor carrier citations resulting in fines approximating \$3,745,320.00.

Marchi McCartney, Director of the Transportation Division, participated as an interested party 2 enforcement cases for Oil and Gas which closed this year.

1 rulemaking amending the Commission's Motor Carrier Rules was initiated and approved with the exception of 165:30-26-14 by the Governor and Legislature in FY13 and became effective July 1, 2013.

Oil and Gas Conservation Division

Since 1915 the statutory responsibility for regulating the oil and gas exploration and production industries of Oklahoma has been delegated to the Corporation Commission. The primary regulatory missions are to:

- Prevent the waste of the state's oil and gas resources.
- Protect the correlative rights of all entities entitled to share in the proceeds generated from the production and sale of oil and gas.
- Prevent and abate any pollution that may result from oil and gas exploration and production activities.

The Division's mission statement clarifies the division's focus for our people and customers: *"The mission of the division is to provide information, permitting, investigation, and compliance services to the oil and gas industry, mineral interests, landowners and the general public so together we can develop the oil and gas resources of the state in a fair and orderly manner while protecting the environment and ensuring public safety."*

To accomplish this mission, the division is organized into three departments: **Technical Services, Pollution Abatement, and Field Operations**. The division's staff consists of technical specialists, field personnel, administrative support, and management staff. The division started FY13 with 118 FTE positions. Out of these, the division had 111 employees with 7 funded vacancies. Of the 118 funded positions, 110 were state-funded, 6 were federally funded through the Underground Injection Control program, and 2 were federally funded through the Brownfields program. Of the 110 state-funded employees, 27 (25%) were assigned to Technical Services, 8 (7%) to Pollution Abatement, 72 (65%) to Field Operations and 3 (3%) to administration. The 8 federally funded employees were assigned to Pollution Abatement.

The active rig count averaged 183 rigs per month in FY13 compared to 195 in FY12, 159 in FY11, 99 in FY10, and 152 in FY09.

Technical Services Department

The *Technical Review Section* is responsible for ensuring that the different types of applications and orders meet criteria for approval under Commission rules. This section continued to conduct geological and technical reviews in FY13. The section's FY13 workload involved 5,620 requests for reviews of surface casing requirements to ensure that the state's ground water resources are properly protected. The section also received: 1,881 spacing applications (compared to 1,907 in FY12); 5,605 location exception applications (compared to 4,816 in FY12); 1,097 increased density applications (compared to 696 in FY12); and 1,052 applications for other forms of technical relief (compared to 504 in FY12).

In addition, this section received 4,098 applications to drill, recomplete and reenter wells (compared to 4,422 in FY12). E-permitting has been implemented to help operators by streamlining the processing of intents to drill.

The Technical Review Section continues to handle applications for tax relief as part of the Commission's goal to help operators qualify for this vital incentive. These applications may be filed by the operators of wells that qualify under the provisions enacted under Title 68 O.S., Section 1001. During FY13, the Technical Review Section received 2,137 tax-relief applications. This section also handled 300 commingling and dual completion applications & 152 applications for venting or flaring of casinghead gas.

The *Document Handling Section* is responsible for processing and maintaining the majority of all documents filed with the division. These documents include permits to drill, completion reports, plugging reports, well transfers,

certificates of record search, confidential well logs, and other vital documents.

One major function of the Document Handling Section is customer service. Surface and mineral owners, oil and gas company representatives, attorneys, and other interested parties rely on this section for much of the information concerning individual wells in Oklahoma. Efficient scanning of documents provides timely, easy Internet access. In FY13, the Document Handling Section processed 6,920 completion reports, 1,686 certificates of records search, 2,035 well logs, and 5,960 transfers of operatorship.

The *Compliance Section* is responsible for ensuring compliance with testing and reporting requirements for oil and gas wells completed in the state. In addition, this section regulates the production reporting from approximately 65,000 gas wells and 115,000 oil wells. In FY13, this section processed gas volume reports containing monthly production information on the approximately 65,000 gas wells in Oklahoma. The section also reviewed 169 well tests. The Compliance Section is also responsible for the compilation and presentation of data indicating the trends in the industry and supporting the findings, analysis and recommendations of the division. This section also ensures that all operators in the state maintain surety for plugging wells and remediating sites. These assurances are essential to the state and are required under Title 52 O.S., Section 318.1. During FY13, 85 new companies filed financial assurance mechanisms and operator agreements with the state.

The **Pollution Abatement Department** has two sections: Underground Injection Control (UIC) and Waste Management Services. The Purpose of the Pollution Abatement Department is to provide underground injection control and environmental management services to division field inspectors, the oil and gas industry, landowners and state/federal agencies so they can ensure reasonable measures are being taken to protect the environment while protecting the state's oil and gas resources.

The *UIC Section* administers the federal program that, under the Safe Drinking Water Act, regulates the underground disposal of waste products and the injection of fluids to enhance recovery of oil and gas. The U.S. Environmental Protection Agency (USEPA) provides oversight and some funding for this program. Oklahoma's UIC program has one of the most sophisticated databases and well monitoring programs in the nation, and was the first state UIC program to be approved by the USEPA. The UIC Section monitors 11,358 active wells, 8,434 inactive, unplugged wells with terminated orders, and 6,814 plugged and abandoned wells for 26,765 past and present injection and disposal wells. In FY13, the UIC Section approved 242 non-commercial disposal wells, 51 commercial disposal wells, and 205 enhanced recovery injection wells. In addition, 22 exceptions orders were issued.

The Waste Management Services Section monitors disposal activities, responds to pollution complaints, and oversees the necessary cleanup and restoration efforts. In FY13, the Waste Management Services Section made 20 inspections of 15 active commercial pit operations, 10 inspections of 8 inactive commercial pit sites, and 20 inspections of one-time, non-commercial, soil-farming operations. It also conducted 20 stream water quality tests as checks for the 303d federal list of (potentially) impaired sites.

The Brownfields Program provides a process for individuals, companies and organizations to voluntarily investigate, clean up, and receive a release of liability for any pollution found on properties that may have been contaminated by historic oil field exploration and production activities or petroleum tanks. Since the beginning of FY13, the Brownfields Program has issued certificates of No Further Action for four sites: Schafer's Conoco in Lawton, Stebbins Pipe Yard in Garfield County, the Holman Lease site in Stephens County, and the Mitchell 1-7 well in Carter County.

There are 16 sites currently enrolled in and not yet closed through the Brownfields Program. The Roaring Fork site at 150th and Penn in Oklahoma City has received an EPA Targeted

Brownfields Assessment (TBA) and is awaiting cleanup. Two other sites along the Deep Fork Pipeline in Oklahoma City are awaiting Phase II TBAs by the EPA. The Cedar Lane Gas Station has received Phase I and Phase II TBAs and is being cleaned up using the Indemnity Fund of the OCC PST Division. The American Indian Cultural Center and the Ben Hill Tires sites have been accepted by EPA Region 6 to receive a Targeted Brownfields Assessment this year. Parton Garage in Grandfield, Former Prime Oil in Oklahoma City, and the Town of Valliant have been put on hold for TBAs by the EPA for various reasons. Two notable newly-enrolled sites are the Kelly Mud Pits, a site that has been inspected by the OCC since 2004, and the Navarro Site #2, a half-acre addition to the six-acre site previously cleaned up by the OCC Brownfields Program.

In addition to site-specific projects, the Program is also mapping hundreds of square miles of old oilfield brownfields across the state and gathering, scanning, and georeferencing all of the historic aerial photos in the state from the 1930s to the 1980s to create a permanent digital record of how the state's surface has changed over time.

The **Field Operations Department** is responsible for overseeing all the oil and gas drilling and production activities in Oklahoma. The purpose of the Field Operations Department is to provide investigation, enforcement and assistance services to the oil and gas industry, surface owners, mineral owners and the public so they can access information, resolve issues and correct problems. The main objective is the prevention of pollution. When pollution does occur, the investigation and remediation of such occurrences are given first priority. The department's work has many other facets, such as insuring proper plugging of wells, witnessing mechanical integrity tests, running initial production tests on newly drilled wells, conducting UIC inspections and ensuring that good housekeeping practices are followed. The department is also responsible for identifying and prioritizing wells that need to be plugged using state funds.

The Field Operations Department has four field offices: Bristow, Kingfisher, Duncan and Ada. In FY13, these 4 offices had a combined force of 70: 50 Field Inspectors, 8 Field Inspector Supervisors, 4 District Managers, and 8 administrative support employees.

During FY13, the department registered 1,028 pollution-related citizen complaints compared to 948 in FY12, 933 in FY11, 926 in FY10, and 1,079 in FY09. The majority of these complaints were resolved directly in the field or at the district office level. Staff also worked 874 incidents reported by the industry (compared to 706 in FY12, 568 in FY11, 588 in FY10, and 631 in FY09). Further, 535 violations were discovered in FY13 through on-site inspections (compared to 315 in FY 12, 369 in FY11, 312 in FY10, and 439 in FY09), and 581 non-pollution-related citizen complaints were investigated in FY13 (compared to 764 in FY12, 762 in FY11, 790 in FY10, and 661 in FY09). The Department's inspectors witnessed 3,227 well mechanical integrity tests (MITs) in FY13.

The Field Operations Department is also responsible for identifying and referring abandoned oil field sites to the Oklahoma Energy Resources Board (OERB). Almost all of the sites the OERB has remediated to date were referred by the Field Operations Department. In FY13, 384 sites were referred to OERB compared to 598 in FY12, 537 in FY11, 435 in FY10, and 421 in FY09.

The division issued a total of 31 contracts in FY13 to plug 124 abandoned wells at a cost of \$691,323. Additionally, 260 wells are pending plugging contracts, which will cost an estimated \$2,202,944. This compares to 44 contracts to plug 160 wells in FY12, 65 contracts to plug 261 wells in FY11, 71 contracts to plug 168 wells in FY10, and 90 contracts to plug 171 wells in FY09. Orders authorizing the division to enter into plugging contracts are pending on an additional 138 wells. The estimated plugging costs of these wells total \$1,090,145.

Petroleum Storage Tank Division

The Petroleum Storage Tank Division was created by a merger of the Fuel and Indemnity Fund divisions on July 1, 1998.

The Division is comprised of four departments: **Accounting, Administrative, Compliance and Inspection, and Technical.** The Division enforces state and federal regulations and administers certain assistance programs applicable to the storage, quality, and delivery of refined petroleum products (i.e., gasoline and other fuels).

The Division also administers the Oklahoma Storage Tank Release Indemnity Fund, created by the Legislature in 1989 to help fuel storage tank owners meet a federal requirement for \$1.5M of liability insurance for damage caused by leaking tanks. Our structure enables Oklahoma to efficiently clean up leaking sites while at the same time maintaining the solvency of its Indemnity Fund. This is in stark contrast to the plight of many other states, which have seen similar funds bankrupted without meeting site clean-up goals.

The Division also works with the Environmental Protection Agency, whose Leaking Underground Storage Tank (LUST) Trust Fund provides emergency services and problem resolution. This program protects public health and safety when suspected leaks from underground storage tanks disrupt vital services and there is no known responsible party, or the responsible party is financially unable to remediate the problem. Funding is provided by EPA and administered by the Corporation Commission.

Performance improvements in Oklahoma's petroleum storage tank program this fiscal year were the result of the cooperative effort of Division staff and the Storage Tank Advisory Council. At the request of the EPA, the Division has continued to assist other states in improving their programs by giving presentations on the Oklahoma program.

The Accounting Department administers the Indemnity Fund, reimbursing a portion of the costs of cleaning water and soil contaminated by leaking petroleum storage tanks. Money for reimbursement comes from a one cent-per-gallon assessment on gasoline, diesel fuel and blending materials at the distributor level. In FY13 the Indemnity Fund paid out \$15,778,387 in reimbursements on 1,228 claims. The statutes that govern the Indemnity Fund's operations require that initial claims be paid within 90 days and supplemental claims within 30 days. During FY13 the average time for payment of an initial claim was 7.26 days, and the average time for settling supplemental claims was 8.23 days. The Indemnity Fund claims processing cost for FY13 was 6.43 cents per dollar paid out. The Indemnity Fund closed the fiscal year with an unencumbered balance of \$161,875. During the year, the Fund received \$21,104,195 from assessments, \$31,305 from deductibles, and earned \$439,783 by investing reserve revenue in interest-bearing cash management accounts. The Division collected \$52,100 in fines during FY13; \$49,600 through SB 342 and \$2,500 through enforcement action.

The Administrative Department handles all Division personnel matters, purchasing and provides support functions, including imaging files, supporting the technical staff, processing payments for remediation work done, registering storage tanks and maintaining all files pertaining to petroleum storage tanks. During FY13, 337 underground storage tanks and 29 aboveground storage tanks were removed from service. Concurrently, 123 underground storage tanks and 71 aboveground storage tanks were installed. At the end of the fiscal year, 37,621 underground storage tanks and 6,877 aboveground storage tanks were registered.

The Compliance and Inspection Department protects the public from inferior motor fuels and antifreeze through inspections and product

testing. During FY13, the staff of 19 fuel specialists performed 5,760 service station inspections. They checked 75,939 pump calibrations, finding 621 pumps out of calibration. In addition, fuel specialists conducted 4,284 annual inspections of motor fuel facilities, found 284 water violations and investigated 657 complaints regarding gasoline purchased by consumers.

State law requires that tank owners are substantially compliant with applicable regulations to be eligible for reimbursement from the Indemnity Fund for corrective action required following a release from their storage tank system. Compliance Analysts review facility records to make this determination. Senate Bill 342, passed in 1997 provides an additional opportunity to obtain access to the Fund when tank owners are not compliant with all rules. Fine amounts for each violation are recommended to an OCC Administrative Law Judge and once paid, the tank owner may obtain a Substantial Compliance Certificate and become eligible for the Fund. In FY13, 17 cases became eligible for reimbursement through the SB 342 process.

A variance to any provision of UST or AST regulations may be sought by a tank owner through application, notice and hearing. Compliance Analysts researched and witnessed at 12 variance request proceedings in FY13.

The Technical Department's duties and responsibilities include regulating all corrective actions performed at leaking petroleum storage tank sites, as well as remediation technologies that are implemented in the course of cleaning up release sites. Department staff work with remediation consultants in determining, and must pre-approve appropriate work plans and associated reasonable corrective action costs that are eligible for reimbursement by the Petroleum Storage Tank Indemnity Fund.

The Technical staff is comprised of seven Project Environmental Analysts with hydrogeology or environmental science backgrounds. Each is charged with oversight of corrective actions implemented at leaking petroleum storage tank (PST) sites. The position requires staff "Hydros" be proficient in

hydrogeology issues, regulatory issues, risk-based corrective action environmental assessments and remediation technologies (both design and operation). Technical staff must also be versed in Indemnity Fund operations and are responsible for reviewing/approving corrective action expenditures associated with fuel release sites. The Petroleum Storage Tank Division currently has approximately 425 active release cases in various stages of assessment, monitoring for natural attenuation of contamination, or more aggressive cleanup by remediation. Each staff "Hydro" manages roughly 60 active cases.

Public Utility Division

The Public Utility Division provides technical support and policy analysis to the Commission in: (1) Ensuring reliable public utility services at the lowest reasonable cost; (2) Ensuring open, workable, competitive markets in the transition to competition; and (3) Fulfilling constitutional and statutory obligations. In this role, Staff develops and presents objective, independently researched, fact-based findings and recommendations to the Commission.

The Division's primary duties and responsibilities include:

- Administering and enforcing Commission rules, regulations, and orders concerning public utilities (electric, gas, water, cotton gin, and telecommunications service providers).

- Investigating, researching, and analyzing relevant regulatory data to make recommendations on matters such as establishment of rates or rate adjustments; changes in terms and conditions of service; establishment of, or changes to, public utility rules, regulations or policies; transfer of utility ownership; and utility competition implementation.

- Monitoring fuel procurement procedures of each utility, including the price paid by same for fuel.

Assisting the Consumer Services Division in seeking resolution of service and payment problems of utility customers.

TELECOMMUNICATIONS

RULEMAKING

On July 12, 2012, new Chapter 55 (Telecom) and Chapter 59 (OUSF) rules took effect. These were the result of two rulemakings (RM 201200002 and RM 201200003) that were filed on January 27, 2012.

On December 19, 2012, RM 201200012 and RM 201200013 were filed. RM 201200012 revises Chapter 55 rules to address issues that have arisen concerning Telecommunications Services and Wireless Eligible Telecommunications Carriers and update Subchapter 23 of the rules to, where appropriate, mirror changes in the rules that became effective July 12, 2012, for other than Wireless Carriers. RM 201200013 revises Chapter 59 rules to address issues that have arisen concerning the Oklahoma Universal Service Fund. The rules were submitted to the Oklahoma Legislature and Governor and became effective July 11, 2013.

PUBLIC UTILITY DIVISION TELECOM INITIATED CAUSES

Cause No. PUD 201200186 - PUD filed an application on August 10, 2012, to review the records related to receipt of low income support from the federal Universal Support Fund and/or the Oklahoma Universal Service Fund. In conjunction with this Application, PUD continues to issue data requests to all eligible telecommunications carriers ("ETC") to obtain current information related to their ongoing record keeping and general administrative practices related to the provisioning of Lifeline service. PUD issued the latest data request on September 4, 2013 and is in the process of analyzing the current information received to determine possible abuse of the Lifeline program.

Cause No. PUD 201200202 - PUD filed an application on August 27, 2012, to obtain information from telecommunications carriers who have received funding from the OUSF. PUD is in the process of building an OUSF spreadsheet and the information obtained from telecommunications carriers related to their OUSF causes will be the input for the spreadsheet. Once the spreadsheet is completed, PUD will be able to easily identify the internet provider for each school and library receiving funding from the OUSF and the telemedicine provider for each healthcare entity receiving support for telemedicine. This spreadsheet will facilitate the evaluation of future requests for Special Universal Service requests from the OUSF.

CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN)

During FY 2013, 9 new CCN application was filed and 7 previously filed CCNs were granted. At the end of FY13, 16 CCN applications are under Public Utility Division (PUD) review.

description of OWTC's plans for testing, contingencies, and fallback for future upgrades. The Commission further directed OWTC and the Staff to participate in a collaborative effort to address other customer complaints and compliance with OCC rules. The PUD Staff will review consumer complaints on a quarterly basis and the annual filing for the 2011 year to verify improvement of consumer related complaints. The PUD Staff will file a statement by July 31, 2012 stating the improvements found by the Commission.

MERGERS / NAME CHANGES

During FY 2013, 10 new applications were filed notifying the Commission of a transaction involving a merger, acquisition or transfer of control. 3 previously filed applications were closed. 6 new name change applications were filed and 9 previously filed name change applications were closed during the fiscal year.

TARIFFS

During FY 2013, 48 applications were filed requesting tariff revisions and 48 tariff revision applications were closed. PUD received 236 submissions requesting tariff revisions during the fiscal year.

FCC USF / INTERCARRIER COMPENSATION REFORM

On November 18, 2011, the Federal Communications Commission ("FCC") released its Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161, WC Docket No. 10-90 *et. al.*, ("Order").

The FCC's November Order modified intercarrier compensation regimes that, for decades, have governed the telecommunications industry. The FCC ultimately intends to establish bill-and-keep as the national framework, governing intercarrier compensation, i.e., switched access services, for both inter- and intrastate switched traffic. The FCC's Order established a multiple year transition period ending in 2018 for federally regulated price cap companies and in 2020 for federally regulated rate-of-return companies. Switched access services are wholesale services provided by telecommunications service providers, generally local exchange carriers or competitive local exchange carriers, for use by interexchange carriers, to provision retail long distance or toll services for end user customers. The next step in this multi-year transition, will require providers of switched access services to further reduce their intrastate terminating switched access rates to parity with interstate access rates. Carrier have already started to file applications to comply with the FCC July 1, 2013 requirement. PUD currently has 30 applications pending to change intrastate terminating switched access rates to be in parity with the carriers' interstate rates. PUD is also working on tariff language to reduce the number of applications to be processed in future years.

This same order, in conjunction with the FCC's Lifeline Reformation Order released on February 6, 2012, dramatically changed the requirements for both High Cost support and Low Income support from the federal Universal Service Fund. Among other changes, the current High Cost funds will be transitioned out of existence over a five-year period and two new funds, the Mobility fund and the Connect America fund were created to replace the current High Cost funds. Only one ETC per technology will receive Mobility or CAF support for a particular geographic area. Blanket forbearance of the facilities ownership requirement was granted to Low Income only wireless providers who submit acceptable compliance plans to the FCC and meet new requirements for designation and operation of ETCs; and Tiers 1 through 3 of federal Lifeline

support were combined into a single amount, \$9.25, for Lifeline support. As a result of the changes several new ETC-related causes have been filed. Additional applications are expected in the next few months.

INTERCONNECTION

During FY 2013, there were thirty (30) new applications filed for approval of an interconnection agreement and twenty-two (22) applications were closed.

ARBITRATIONS / COMPLAINTS

During the FY 2013, carrier-to-carrier complaints/arbitrations continued to see progress.

Cause No. PUD 200800388 - The Oklahoma Payphone Association v. AT&T: This is a dispute relating to payphone rates. The Oklahoma Payphone Association claims that AT&T current rates are not cost-based and are unlawful. On July 31, 2012, the Cause was dismissed

Cause No. PUD 201200150 - Oklahoma Corporation Commission (OCC) v. Oklahoma Western Telephone Company (OWTC): - On March 14, 2012, a Final Order was issued in Cause No. PUD 201100135. Pursuant to that Order, PUD was required to file a statement (Statement) by July 31, 2012, stating the improvements found by the Commission. Staff is monitoring any additional outages on a monthly basis, to determine whether additional action by the Commission is needed. On June 27, 2013 a customer from Snow, OK sent a letter to the PUD outlining various recurring problems experienced with their OWTC service. PUD is currently developing a report of all of the OWTC issues over the last couple of years in order to develop a recommended action against OWTC to improve the quality of service to its customers.

ELIGIBLE TELECOMMUNICATIONS CARRIER (ETC) DESIGNATIONS

During FY 2013, fourteen (14) new ETC applications were filed and twenty-two (22) were closed.

OKLAHOMA UNIVERSAL SERVICE FUND (OUSF)

During FY 2013, seventy-three (73) new OUSF causes were filed. Fifty-one (51) Matters of interest are listed below:

OUSF Audits: There were six (6) OUSF carrier audits initiated during the third quarter of FY 2013. These audits included three (3) AT&T companies as well as TerraCom, ICON Telecom LLC and Yourtel. All of these companies receive funding from the OUSF and/or the Oklahoma Lifeline Fund.

OUSF Manager: PUD approved a \$19,827.25 payment from the OUSF for the invoice WithumSmith+Brown submitted for the audit of Solix, the OUSF Manager.

Cause No. PUD 201000211: An application to determine the necessity for and continuation of the High Cost Fund, which Cause No. PUD 201200040 is addressing.

Cause No. PUD 201200040: An application seeking an order abolishing the High Cost Fund created by Order No. 399040 and seeking approval of a stream-lined methodology to determine revenue requirements. This cause is related to cause-PUD 201000211 and dismissed Cause No. PUD 201100145. On May 28, 2013, the ALJ recommended approval of the Revised Settlement Agreement. Sprint and Verizon filed exception to the ALJ's report on June 7, 2013. The Applicants filed responses to those exceptions on June 12, 2013.

Telecom Industry Meeting: On January 25, 2013 the Public Utility Division's Telecom Group conducted a telecommunications industry meeting from 9 a.m.-12 p.m. in the State Supreme Court Building, for the Oklahoma telecommunications industry. The goal of the meeting was to give a refresher course on the state statutes and Commission's rules governing the OUSF and the processes involved in filing for reimbursement of service charges. The PUD was very pleased to have over 100 attendees at the meeting including executives, regulatory

liaisons, sales representatives, and consultants. This meeting was part of an effort by the PUD to ensure that the telecommunications industry has a full understanding of the Oklahoma Universal Services Fund and the proper process to follow in order to receive funding. Industry members and the PUD Staff were able to engage in open discussion over current topics such as technology, telemedicine, and Lifeline services.

OUSF Assessment Factor: On May 2, 2013, the ALJ held the Hearing on the Merits. On May 23, 2013, the Commission issued Final Order No. 611971 approving a 0.64 percent assessment factor to be effective for the fiscal year on July 1, 2013.

Recertification of Telemedicine recipients: Pursuant to OAC 165:59-7-6(h), no later than February 1, each eligible healthcare entity that receives OUSF telemedicine funding shall, annually recertify for the purpose of determining their continued eligibility. As of May 1, 2013, PUD notified each entity, whether it is considered eligible for continued telemedicine funding and the bandwidth OUSF will fund in the future. Pursuant to the rules adopted by the Commission in RM 201200013, changes to funding levels will not occur until December 31, 2013, unless the Commission determines otherwise. PUD continues to work with healthcare entities that have questioned the funding and/or bandwidth recommendation. PUD is also working with carriers to obtain monthly rates for recommended bandwidths which are not part of existing tariffs.

NATURAL GAS

FORT COBB FUEL AUTHORITY / LEANN DIVISION

PUD Cause No. 201000022 - On March 2, 2010, Fort Cobb Fuel Authority, LLC - LeAnn Division (LeAnn) filed an application for an Order of the Commission determining substantial compliance with the requirements of the Rate Stabilization Plan contained in LeAnn's

tariff, and approving the Performance Based Rate Change proposed by LeAnn. LeAnn filed a motion for an Interim Order to reduce rates by \$93,000. The Commission granted interim relief to LeAnn reducing the rates. The Commission granted interim relief with Order No. 581539. PUD is working with LeAnn to complete the rate stabilization review for a final order in this cause. The Commission suspended the procedural schedule in March 2012.

The Hearing on the Merits was held on October 2, 2012, for rates going forward. The parties are working on a process for the annual PBR determinations for 2009-1012.

PUD Cause No. 201000026 - On September 30, 2010, Fort Cobb Fuel Authority, LLC (FCFA) filed an application for rate review and modification in accordance with Commission rules. On May 6, 2012, the ALJ heard the motion to modify the test year to the 12 months ending March 31, 2010. The Commission issued Order No. 575780 granting the motion on May 26, 2010. This allowed PUD a full 12 month period of data to review in this cause. PUD reviewed this filing to determine if FCFA had substantially complied with the requirements of the Minimum Filing Requirements (MFR) for a rate modification. PUD found that FCFA did not comply.

The Commission signed Order No. 581540 allowing an interim rate reduction on December 28, 2010. Final Order 608323 was issued on February 28, 2013

PUD Cause No. 201200035

On March 08, 2012, FCFA) and its LeAnn division filed an application for an order granting approval of a regulatory asset for the costs associated with its Distribution Integrity Management Program (DIMP) that specifies how distribution utilities such as FCFA, must identify, assess, prioritize, evaluate and, repair and validate the integrity of distribution mains. The DIMP plan must, at a minimum, address the following elements: 1) Knowledge of its pipeline; 2) Identify threats such as excavation damage; 3) Evaluate and Rank risks to its pipeline; 4) Identify and implement measures to

address risks; 5) Measure performance, monitor results, and evaluate effectiveness; and 6) Periodic evaluation and improvement.

FCFA requested that the Commission make the following findings: 1) That the DIMP plans for each of FCFA's 22 subsystems are mandated and necessary; 2) That the hiring of Tri-Star Energy Consultants is a necessary and prudent investment for FCFA to meet the requirements for the DIMP and other pipeline safe plans; and 3) That FCFA be permitted to book the costs associated with preparing and implementing the Plans as a regulatory asset and amortize the booked amount over a five year period.

PUD held several meetings with the Company and also with the Commission's Pipeline Safety Department staff in order to help the Company have a better understanding of the DIMP, as well as to present them with alternative evaluation for it. As part of the discovery phase, PUD established conversations with some of the Consultants mentioned on the Company's testimony, and had conversations with key staff from APGA Security and Integrity Foundation on the use of Simple, Handy, Risk-based Integrity Management Plan as an alternative tool for the Company to use.

PUD filed testimony was on October 4, 2012. The Attorney General's office filed their Statement of Position and the Company filed a motion to dismiss cause on October 12, 2012. The ALJ heard this motion on November 14. The Commission issued Order No. 604360 dismissing the cause on the November 20, 2012.

PUD Cause No. 201200167 - On July 31, 2012, Fort Cobb Fuel Authority, L.L.C. (FCFA) and its LeAnn Division filed an application for an order of the Commission approving its Lost, Used and Unaccounted for Gas (LUGF) in Excess of the safe harbor for 12 months ending May 31, 2012. Prior tariffs require that FCFA perform an annual LUGF study and if the LUGF is in excess of the safe harbor specified (10%), FCFA must file an application to report reasons for line loss and identify steps taken to reduce line loss. In prior orders, FCFA and LeAnn Division have been reported separately.

FCFA requested the Commission approve the LUGF of 14.5 percent for both FCFA and LeAnn Division for the 12 month period ending May 31, 2012. As part of the discovery phase, PUD spoke with the Pipeline Safety Division, and other natural gas producers to establish a reference or base point for acceptable LUGF. PUD filed testimony on November 30, 2012 to accept the 14.5 percent LUGF for both systems, set a true up of \$.05 Ccf and recommended that the company keep separate and detailed records on each sub-system within FCFA and LeAnn Divisions.

The Attorney General's Office filed its Statement of Position on December 3, 2012. The Company filed Rebuttal Testimony on December 17, 2012.

The ALJ held the Hearing on the Merits on April 11, 2013 at 1:30 pm in Courtroom B. All parties agreed to a proposed order.

OKLAHOMA NATURAL GAS

PUD Cause No. 201200029 - On March 1, 2012, Oklahoma Natural Gas Company (Oklahoma Natural filed) its application requesting approval of its Performance Based Rate Change Plan calculations for the 12 months ending December 31, 2011. Oklahoma Natural requested a \$16.2 million increase in base rates. The ALJ held the Hearing on the Merits on June 28, 2012.

The Commission approved Final Order No. 599934 approving the Joint Stipulation and Settlement Agreement on July 19, 2012.

PUD Cause No. 2013000007 - Oklahoma Natural filed PUD Cause No. 20130007 on January 22, 2013, regarding the modification of its Demand Portfolio of Conservation of Energy Efficiency Programs ("Demand Programs") for calendar year 2013 and regarding the approval of its Demand Programs for Calendar Years 2014 and 2016. In addition, Oklahoma Natural modified four of its current programs for the calendar year 2013 and requested an increase in its program administration budget. Oklahoma Natural requested that program costs and shared incentives be recovered through its the Performance Based Rate Change (PBRC) Tariff,

Tariff 1201.

The Responsive Testimony was filed on February 25, 2013, and Joint Stipulation and Settlement Agreement was signed on March 7, 2013. PUD filed the Testimony to Support to the Joint Stipulation and Settlement Agreement on March 22, 2013. The ALJ held the Hearing on the Merits on April 8, 2013.

The Commission issued Final Order No. 612837 on June 18, 2013.

PUD Cause No. 201300032 - Oklahoma Natural filed PUD Cause No. 201300032 for approval of its Performance Base Rate Change Plan Calculations for the 12 months ending December 31, 2012, Energy Efficiency True-Up and Utility Incentive Adjustments for program modifications to its tariffs. These modifications include residential, small sales, large sales, transportation, gas transportation agreement, compressed natural gas service, compressed natural gas surcharge incentive mechanism, residential multi-unit distribution extension policy, miscellaneous terms and conditions, and unmetered gas light service tariffs on March 13, 2013.

On April 26, 2013, Oklahoma Natural, PUD, Attorney General, and OIEC (Stipulating Parties) met to discuss any disputed calculations and began to discuss a possible settlement in this Cause. The parties held additional settlement discussions on May 13, 15, and 22, 2013. On May 24, 2013, all parties signed and filed a Joint Stipulation and Settlement Agreement. On June 5, 2013, the ALJ held the Hearing on the Merits. The order is pending.

ARKANSAS OKLAHOMA GAS CORPORATION (AOG)

PUD Cause No. 201200236

On January 30, 2013, AOG filed an application and supporting application package, requesting to increase rates sufficient to generate additional revenues to achieve an 8.8701% ROR (rate of return) on its rate base, which equates to a 10.50 percent return on equity (ROE). The test year ended August 31, 2012. AOG requested that the Commission grant it authority to adjust its rates to produce additional operating income

of \$1,154,000, which after an allowance for taxes, will require additional gross operating revenues of \$1,895,000. AOG serves less than 20,000 meters in Oklahoma; and, it is subject to the jurisdiction, regulation, and control of the Arkansas PSC state of Arkansas. AOG requested that the Commission again establish a Purchased Gas Adjustment (PGA) Clause for AOG, consistent with the PGA Clause proposed by AOG. AOG also requested approval to recover Lost and Unaccounted for Gas using a methodology as set out in the Company's proposed PGA Clause and consistent with the Commission's findings in Cause No. PUD 200900168 wherein the Commission approved a consolidated cost of gas for the Company's integrated service territory. Lastly, AOG proposed a Performance Based Rate (PBR) mechanism.

PUD completed its audit, which included data requests issued and responses reviewed and an onsite visit. In addition, PUD held numerous conversations with the Company. PUD filed testimony on May 15, 2013.

On June 14, 2013, AOG, the PUD, and Oklahoma Attorney General executed and filed a Joint Stipulation and Settlement Agreement. PUD filed Testimony in Support of the Joint Stipulation and Settlement Agreement on June 18, 2013. The ALJ held a hearing on the matter on June 21, 2013 and recommended the Joint Stipulation and Settlement Agreement.

The cause was scheduled for the Signing Agenda on July 25, 2013. The projected rate impact for the residential customer class per month is \$8.38.

PUD Cause No. 201200250

On November 5, 2012, AOG filed an application for approval of a special contract. On that same day, AOG filed verification and sworn testimony of Mr. Michael J. Callan, the President of AOG. On November 28, 2012, the PUD filed a motion for final order. The ALJ heard the motion on November 29, 2012. The application included a special rate contract between AOG and a privately-owned compressed natural gas ("CNG") vehicle fueling station customer, since the current rate schedules

approved by the Commission in Cause No. PUD 200600379 in 2007 did not anticipate a need to serve privately-owned CNG vehicle fueling stations; therefore, a specific rate schedule for that purpose was not included in AOG's rate application. The customer in question is currently the only customer on AOG's systems providing a CNG vehicle fueling service, and is being served pursuant to AOG's "Small Business" (OK-3) rate schedule.

PUD testified that the special contract proposed by AOG (1) will allow this one customer to price CNG competitively with pricing in other geographic locations in Oklahoma, (2) will serve to promote the Governor's promotion of CNG as a motor vehicle fuel, (3) will allow a rate based on the cost of the facilities constructed specifically to serve this customer and (4) will allow revenue generated from this special contract to be used to ensure other AOG customers do not subsidize this service. PUD also testified that the price contained in this special contract will be reviewed in a cost of service study in the next rate case and that this special contract is fair, just, reasonable and in the public interest.

The Commission issued Final Order No. 605021 on December 6, 2012 approving the Special Contract.

CENTERPOINT ENERGY OKLAHOMA GAS

PUD Cause No. 201300025

CenterPoint filed PUD Cause No. 201300025 on March 1, 2013, regarding an extension of the dates for downstream unbundling set forth in OAC 165:45-19-3 (f-h).

The ALJ held the hearing on the Merits on May 2, 2013. The Commission issued a Final Order on May 16, 2013.

WAGONER COUNTY GAS (WCG)

PUD is working with the operators of WCG to determine the need and process for a rate review. WCG only has approximately 25 to 30 ratepayers, but did not currently have filed tariffs with the Commission.

The Company came into compliance with

Commission rules. and the Commission issued Order No, 602227 on September 12, 2012, closing the Show Cause proceeding.

ELECTRIC

OKLAHOMA GAS AND ELECTRIC COMPANY (OG&E)

PUD Cause No. 201100087

On April 9, 2013, the Company submitted their Low Income Assistance Program Study required from the Settlement Agreement. The plan called for OG&E to work with the Oklahoma Department of Human Services ("OKDHS") to study other potential means-tested eligibility metrics and related potential enrollment levels regarding eligibility in the OG&E-offered Low Income Assistance Program (LIAP). PUD filed the study results at the clerk's office.

On June 13, 2013, OG&E presented a preliminary draft of the results of their Weather Normalization Methodologies study, a study to establish normal weather development process for use by the Company for its regulatory needs.

PUD Cause No. 201200134

On July 2, 2012, OG&E filed an application requesting an order approving its 2013 Demand Portfolio and authorizing recovery of the costs of the demand portfolio through the demand program rider. PUD reviewed the Company's portfolio of Energy Efficiency and Demand Response programs and filed testimony in this Cause on September 21, 2012.

The Peak Time Rebate pilot program study was filed by the Consultant on October 31, 2012. OG&E and AARP addressed the PTR report on Statements of Positions filed on November 14, 2012 from each party. The parties in this cause reached a settlement agreement which was filed on December 4, 2012 where part of the main agreements were the approval of the implementation of energy efficiency and demand response programs ("Demand Portfolio"), the Demand Program Rider tariff and an application in 2014 by OG&E requesting a program modification to include a PTR pilot in its

Demand Portfolio, among other agreements. On the same day, testimonies supporting such Settlement Agreement were filed by PUD and OG&E.

The hearing of the merits was held December 5, 2012 before the ALJ, who recommended that the Commission approve the Settlement Agreement. Order PUD No. 605737 was issued by this Commission on December 20, 2012.

PUD Cause No. 201200172

On July 31, 2012 OG&E requested an Order from the Commission “granting the following relief: (i) determining that the portion of the costs of the Sunnyside-Hugo Project (“Sunnyside-Hugo”) and the Sooner-Rose Hill Project (“Sooner-Rose Hill”) (collectively referred to as the “Projects”) that are subject to rate regulation by the Commission are recoverable pursuant to the requirements of 17 O.S. 286(A); (ii) determining that the revenue requirement associated with the Projects shall be recovered through the SPP Transmission System Additions (“STSA”) Rider until the implementation of new rates in OG&E’s next rate case; and (iii) granting such other and further relief as the Commission may determine to be fair, just and equitable in the premises.”

A settlement agreement was reached on this cause among all parties and filed on October 2, 2012. The Hearing of the Merits was heard on October 5, 2012 before the ALJ who recommended that the Commission approve the Settlement Agreement offered by all parties. The Commission issued Final Order No. 603488 on October 25, 2012.

**PLAINS AND EASTERN CLEAN LINE
OKLAHOMA**

PUD Cause No. 201100205:

On December 23, 2011, Plains and Eastern Clean Line Oklahoma LLC filed a Notice of filing of semi-annual report and decommissioning plan. Order 590530 in Cause

No. PUD 201000075 requires Clean Line to provide reports on the status of its transmission construction progress and other economic information.

On September 28, 2012, the Commission issued Final Order No. 602968.

**PUBLIC SERVICE COMPANY OF
OKLAHOMA (“PSO”)**

PUD Cause No. 201200054

On April 16, 2012, PSO filed an Application for Commission authorization of a plan and cost recovery of actions of PSO to be in compliance with certain environmental rules promulgated by the EPA. PSO opened the docket as a means for Corporation Commission Staff and the Office of Attorney General to file a request to acquire an expert witness, consultants and analytical services as provided at 17 O.S. §286(C) (2) and (3).

On February 21, 2013, the PUD filed a Motion to Stay. The ALJ held the hearing on Merits on March 13, 2013 and responded by e-mail denying the motion. On March 21, 2013, OIEC filed an exception to the ruling of the ALJ and requested an en banc hearing before the Commission for Oral Arguments of the parties. On March 28, 2013, the Commission en banc hearing was held and after hearing oral arguments, the Commission reversed the decision of the ALJ and granted the Motion to Stay in Order No. 609662.

PUD Cause No. 201200079

On May 15, 2012, Public Service Company of Oklahoma (PSO) filed an Application seeking recovery of long-term, firm supply contract earnings on the purchase power agreement between PSO and Exelon Generation.

On September 10, 2012, the outside expert representing the PUD and Office of the Attorney General filed direct testimony that did not support PSO’s application. The ALJ has taken the briefs under advisement.

PUD Cause No. 201200097

On May 31, 2012, ONEOK Gas Transportation (OGT) filed an Application for Protective Order

requesting confidential information be protected in the competitive bidding process by PSO for Natural Gas Transportation Service.

A Hearing on the Merits was held on June 7, 2012. On July 2, 2012 a Protective Order was issued.

PUD Cause No. 201200107

On June 6, 2012, ONEOK Gas Partners, L.P. and its Subsidiaries (including ONEOK Gas Storage) filed an Application for Protective Order requesting confidential information be protected in the competitive bidding process by PSO for Natural Gas Transportation Service. A hearing was held on June 14, 2012.

A Protective Order was issued on July 2, 2012.

PUD Cause No. 201200128

On June 25, 2012, PSO filed an Application requesting approval of its proposed energy efficiency and demand response program, including program costs, lost revenues, and the shared savings incentive through the continued use of PSO's Demand Side Management Cost Recovery Rider. PSO also requested approval to change the reporting requirement to a January to December calendar year and a waiver of the \$1.90 provision found at OAC 165:35-41-5(d). This cause was the result of Cause No. PUD 200900196 with Order No. 572836 that approved PSO's initial Comprehensive Demand Programs Portfolio.

On October 4, 2012, PUD, PSO, the AG, Oklahoma Sustainability Network, OIEC and the Quality of Service Coalition entered into a Joint Stipulation and Settlement Agreement. The ALJ held the Hearing on the Merits on October 17, 2012.

The Commission issued Final Order No. 604214 on November 15, 2012.

PUD Cause No. 201200151

On July 23, 2012, Plains and Eastern Clean Line Oklahoma LLC filed its semi-annual report to Commission Order 590530. This report details

the status and decommissioning plan of their transmission project.

On November 30, 2012, PUD filed a motion for final order. On December 6, 2012, the ALJ heard the motion and the ALJ recommended that the semi-annual reporting structure be consistent with the new OAC 165:35-43-4 for Transmission Only Utility rules by submitting status reports once annually.

On February 7, 2013, Commission Order 607502 granted Plains and Eastern Clean Line Oklahoma LLC to make one annual filing required by OAC 165:35-43-4 instead of semi-annual filings as required by Order 590530.

PUD Cause No. 201200257

On November 27, 2012, a joint application was filed by Plains and Eastern Clean Line Oklahoma LLC and GridAmerica Holdings Inc. seeking approval of new voting equity units in Clean Line Energy Partners LLC. On December 18, 2012, the PUD filed a motion for an order assessing costs. On December 27, 2012, the ALJ heard the motion to assess cost and the hearing on merits. The ALJ recommended the motion to assess cost.

On January 8, 2013, the Commission issued Order No. 606280 granting the PUD its motion to assess cost. On January 22, 2013, the Commission issued Order No. 606771; approval of acquisition of voting equity units in Clean Line Energy Partners LLC by GridAmerica Holding Inc.

PUD Cause No. 201200281

On December 21, 2012, Plains and Eastern Clean Line Oklahoma LLC filed its semi-annual report pursuant to Oklahoma Corporation Commission Order No. 590530 issued in Cause No. PUD 201000075.

PUD has filed an affidavit attesting that Clean Line is in compliance with Commission Order No. 590530. The ALJ hearing on the motion for a Final Order was held on June 27, 2013.

WATER

FRONTIER SHORES WATER COMPANY

Cause No. PUD 201100086

The Frontier Shores Homeowners Association owns Frontier Shores; therefore, the ratepayers are also the owners of the system. PUD attempted communication with Frontier Shores Water Company to discuss concerns that were shared with Consumer Services Division (CSD) about Frontier's financial situation.

On May 13, 2011, Frontier Shores filed a Notice of Intent. On June 28, 2011, the Company filed a rate case. The Homeowners' Association held a meeting in mid-October to discuss the water company's financials and to determine the revenue requirement the company will seek in its rate case.

The Office of General Counsel worked with the Homeowners Association to determine if under the current ownership, the system remains under the Commission's jurisdiction. It was staff's contention that it was not.

Final Order No. 609778 issued on April 4, 2013, in which the Commission found that Frontier Shores is not selling water to the general public and, therefore, does not fall under the public utility jurisdiction of the Commission.

The System remains under jurisdiction of Oklahoma Department of Environmental Quality and Oklahoma State Department of Health.

TEXOMA WATER COMPANY LLC

It was brought to the Commission's attention that a transaction to finalize the sale and transfer of assets from the Oakview Water Company to Texoma Water Company LLC, operating as a public water utility as defined by Oklahoma Statutes, Title 17, Section 151 et seq., and Commission Rules OAC 165:65 Water Service Utilities may be in violation of the rules.

PUD was able to establish contact with the new owner to be able to determine if the sale transaction has taken place or not. PUD did an onsite visit to Texoma Water Company's offices on September 12, 2012 to better understand the way the Company operates.

PUD, along with personnel from the General Counsel, is studying the option of filing a rate review cause.

IRONSIDE WATER DISTRICT, INC.

Cause Number PUD 201300037

Ironside Water District, Inc., ("Ironside") filed its initial rate case on March 27, 2013.

A procedural schedule is being determined by the parties.

PUD has determined that Ironside Water District, Inc. is a public utility subject to regulation, and has advised the company of such. The company has indicated they are contemplating a change in status to a "Not for Profit" corporation which would remove the company from regulation. PUD has granted the company until September 20, 2013, to change its status or come into compliance.

FUEL-RELATED AUDITS/ REVIEWS

THE EMPIRE DISTRICT ELECTRIC COMPANY (EMPIRE)

Cause No. PUD 201100131:

On August 19, 2011, PUD filed this cause to review and monitor the application of the Fuel and Purchase Power Adjustment (FAC/PPA) clause for the calendar year 2010 and for the prudence review of the fuel procurement process and cost for the calendar year 2010. PUD filed direct testimony on February 24, 2012. The ALJ held the Hearing on the Merits on May 9, 2012.

Final Order 599422 was issued on July 5, 2012.

Cause No. PUD 201200170

The Director of the Public Utility Division filed an application on July 31, 2012, to review Empire's 2011 fuel adjustment clause and for a prudence review of the company's generation, purchased power and fuel procurement processes during 2011.

On December 20, 2012, the Commission

entered Final Order 605738 approving the charges passed through Empire's Fuel Adjustment Clause for calendar year 2011, and finding that Empire's underlying generation, purchase power and fuel procurement processes and costs are fair, just, reasonable and prudent for the calendar year 2011.

OKLAHOMA GAS AND ELECTRIC (OG&E)

Cause No. PUD 201200169

The Director of the Public Utility Division filed an application to review OG&E's 2011 fuel adjustment clause and for a prudence review of the company's generation, purchased power and fuel procurement processes during 2011.

The ALJ held a Hearing on the Merits on April 9, 2013. The Parties unanimously agreed to the Order. The Commission approved the recommendations and issued Final Order No. 612834 on June 03, 2013. OG&E over collected \$52.9 million and will refund the over collection to its customers based on the Fuel Adjustment Clause for the year 2011.

Cause No. PUD 201200185

On August 9, 2012, OG&E filed an application requesting that the Commission issue an order finding that a one-year extension of the Enogex Agreement beginning May 1, 2013 is prudent due to unique circumstances. Under the Enogex Agreement, Enogex provides integrated, firm, no-notice, load following gas transportation and storage service to six of OG&E's gas-fired generating stations.

On October 5, 2012, the Commission entered Final Order 603489 approving a Joint Stipulation and Settlement Agreement, in which the parties to the cause agreed that 1) extending the Enogex Agreement on May 1, 2013 for one-year is reasonable under the circumstances; 2) the cost of such additional year of service under the Enogex Agreement is reasonable (approximately \$41.9 million) and shall be recovered from customers, reduced by the Oklahoma jurisdictional portion of \$2.1 million; and 3) OG&E has four months following the issuance of the third party expert's final evaluations and

recommendations to file a cause at the Commission in connection with OG&E's prospective gas transportation and storage needs.

PUBLIC SERVICE COMPANY OF OKLAHOMA (PSO)

Cause No. PUD 201000172:

On October 29, 2010, PUD filed this cause to review and monitor the application of the Fuel and Purchase Power Adjustment (FAC/PPA) clause for the calendar year 2009 and for the prudence review of the fuel procurement process and cost for the calendar year 2009. The ALJ held a Hearing on the Merits on June 7 and 8, 2011. The ALJ report was issued on June 18, 2012. An En banc hearing on exceptions to the ALJ report was held on July 16, 2012.

On November 29, 2012, the Commission issued Final Order 604697 adopting the Findings of Fact and Conclusions of Law found at IV (1) through (27) on Pages 3 through 8 of the Report of the ALJ. The Commission through this Order adopted the five recommendations found on Page 9, Section V, of the June 18, 2012 Report of the ALJ. The Commission also adopted the ALJ's Findings of Fact and Conclusions of Law regarding the off-system sales.

Cause No. PUD 201100129:

The Director of the Public Utility Division filed an application on August 19, 2011, to review the 2010 fuel adjustment clause and to conduct a prudence review of costs incurred by PSO. PUD made an onsite visit to AEP offices in Columbus, Ohio, on March 26, 2012 thru March 30, 2012. PUD reviewed PSO's monthly fuel filing and customer billings. PUD filed responsive testimony on April 30, 2012.

The Hearing on the Merits was continued until September 12, 2012, then continued again until November 15, 2012, to allow time for final orders to be issued in PSO's 2008 (PUD 200900158) and 2009 (PUD 201000172) proceedings.

The Commission approved Final Order 612835 on June 18, 2013, accepting the agreed to order by the parties and recommendation of the ALJ. The order contains a \$1.4 million

refund to the Fuel Adjustment Clause for Renewable Energy Credits earned during calendar year 2011.

Cause No. PUD 201200168 (Annual Fuel Review 2011):

On July 31, 2012, the Director of PUD filed an Application for a public hearing to review and monitor the fuel adjustment clause and conduct a prudence review of the fuel procurement process and associated costs for PSO for the calendar year 2011. On August 02, 2012, OIEC filed an Entry of Appearance and on August 03, 2012, the Office of Attorney General filed an Entry of Appearance. PUD is awaiting orders for two previous PSO fuel causes to be resolved for guidance in the review of the fuel adjustment clause and prudence review for 2011.

PUD filed testimony on April 30, 2013. On May 15, 2013, parties filed statement of positions. Parties filed summary testimonies on June 27, 2013. The hearing on the Merits is set for July 11, 2013.

FIRST NATURAL GAS, PANHANDLE NATURAL GAS, AND WEST TEXAS GAS

Cause No. PUD 201200161:

On July 30, 2012, the Director of PUD filed an Application for a public hearing to review and monitor the fuel adjustment clause and to conduct a prudence review of the fuel procurement process and associated costs for First Natural Gas, Panhandle Natural Gas, Inc., and West Texas Gas, Inc. for the calendar year 2011. The Hearing on the Merits was held on January 31, 2013. All parties participated.

PUD expects that the Commission will issue the Final Order in July 2013.

CENTERPOINT ENERGY OKLAHOMA (CPE)

Cause No. PUD 201200163:

On July 30, 2012, the Director of PUD filed an Application for a public hearing to review and monitor application of the fuel adjustment clause and conduct a prudence review of the fuel

procurement process and associated costs for CenterPoint for the calendar year 2011. On August 03, 2012, the Attorney General's Office filed an Entry of Appearance.

The ALJ held a Hearing on the Merits on held on February 7, 2013.

PUD expects that the Commission will issue the Final Order in July 2013.

ARKANSAS OKLAHOMA GAS CORPORATION (AOG)

Cause No. PUD 201200165:

On July 30, 2012, the Director of PUD filed Application for a public hearing to review and monitor the fuel adjustment clause and conduct a prudence review of the fuel procurement process and associated costs for Arkansas Oklahoma Gas Corporation for the calendar year 2011.

The Hearing on the Merits was held on January 31, 2013. All parties participated.

PUD expects that the Commission will issue the Final Order in July 2013.

SPECIAL PROJECTS

COMMISSION WEBSITE:

PUD worked with the other Commission divisions to develop a new website. The new website has many features that allow consumers, industry, and other state regulators to stay abreast of matters being brought before the Commission. Through this website, interested parties will be able to follow the activities with Oklahoma's regulated utilities. The website also enhances the public's ability to send comments and complaints to the Commission.

COTTON GINS

PUD is working with the Oklahoma Cotton Council to update the cotton gin information concerning annual reports, abandoned and or dismantled cotton gins. PUD has added several forms and instructions to the website for Cotton Gins to file for dismantling and or to go dormant. PUD reviews Cotton Gin annual reports to determine if they were consistent with the previous year's reports.

PUD is working towards getting information filed for distribution to include ownership changes, dormancy, and dismantling. PUD is also working on getting the individual certificate number of each Cotton Gin for the OCC data base as many of the cotton gins go by the name of Farmers Cooperative Cotton Gin, with possibly a name of a town. Some of the cotton gins have misplaced their certificate and have asked for a replacement. PUD is working on streamlining the cotton gin review and update process.

DEMAND PORTFOLIO UPDATES:

PUD reviewed and accepted the Demand Portfolio's for 2011 of Empire District, PSO, OG&E, Centerpoint and Oklahoma Natural Gas Company.

In June 2013, PUD began reviewing the Demand Portfolio's for 2012 of OG&E, PSO and Empire District Electric Company. Also, PUD will conduct an examination of OG&E's evaluation, measurement and verification measures.

RELIABILITY:

On a quarterly basis, PUD reviews and approves spending for OG&E's System Hardening Program and vegetation management established IN 200800387 and modified in 201100087.

On a quarterly basis, PUD reviews PSO's vegetation management and undergrounding costs established with 200500218 and 200500515. PUD also conducts an annual true-up.

FERC ANALYSIS OF MAJOR UTILITIES:

PUD analyzes FERC data for major utilities regularly and accumulates several years' worth of data from FERC Form 1 (Electric) and 2 (Gas). This information is now available to the public through the Commission website.

THREE PERCENT RATE INCREASE:

Under 17 O.S. § 158.27, an association or cooperative corporation may propose an increase in its rates and charges does not exceed three percent based on the previous 12 months revenue

generated by the existing rates. The companies do not file the rate increase with the Commission's Court Clerk but rather submit the rate increase to the PUD; therefore, the Court Clerk does not assign a cause number unless more than five percent of the customers sign a petition calling for the Commission to review the increase within 90 days of the initial submission.

ARKANSAS VALLEY ELECTRIC COOPERATIVE ("AVEC")

Arkansas Valley Electric Cooperative sent its Notice of Intent to increase its rates and charges. Revenue will increase by \$ 202, 217. AVEC submitted its Notice of Intent on June 22, 2012. On June 22, 2012, PUD was notified by AVECC that it intended to initiate a rate increase under 17 O.S. §158.27, Under this provision, PUD waited 90 days to determine whether five percent of a Cooperative's members object to the rate increase. PUD did receive 5 percent objections to the rate increase; these objections did not meet the minimum threshold of five percent to warrant a full rate case. Therefore, PUD allowed AVECC to increase by \$202,217 on October 1, 2012.

Under 17 O.S. § 158.27, Arkansas Valley Electric Cooperative requested an increase on June 25, 2013.

SOUTHWEST ARKANSAS ELECTRIC COOPERATIVE

Southwest Arkansas Electric Cooperative ("Southwest Arkansas") filed for a three percent increase in rates on September 12, 2012, to become effective January 4, 2013. PUD did not receive any letters of protest. Therefore, Southwest Arkansas' rates became effective on January 4, 2013.

PROCESS IMPROVEMENT

MONTHLY FUEL REPORTING AND REVIEW PROCESS

HISTORY:

PUD reviews the monthly fuel transactions of the following utilities: CenterPoint, OG&E, Oklahoma Natural, PSO, Empire District Electric Company, Arkansas

Oklahoma Gas Co., several small electric and gas companies, and various electric cooperatives.

Each month PUD reviews fuel transactions as they relate to the pass through of fuel costs to ratepayers by way of fuel adjustment clauses, purchased gas adjustment clauses, and purchased power adjustment clauses.

Oklahoma Statutes and Corporation Commission rules dictate that monthly filings are reviewed by PUD within five days of being received to help insure that only actual fuel costs are passed through to the ratepayers, and to check for accuracy of the fuel clause calculations.

PUD established written policies and procedures for handling the monthly Fuel Audits and Updates these policies and procedures periodically. PUD performs an analysis and submits it to Coordinator of Fuels for approval.

PUD is working to mechanize these reports further. PUD will continue to refine the input format and security requirements of this new process. It is PUD's goal to enable utilities to upload their monthly filings, thus reducing the amount of paper and extensive re-entering of data now needed for these reporting processes.

ELECTRIC SYSTEM PLANNING REPORT (ESPR)

PUD has mechanized the input process for the ESPR. A webpage has been established that will allow energy providers operating in Oklahoma to input key information into a database, thus eliminating the need to transfer data from e-mail responses to an excel spreadsheet and then to a word document.

According to 17 Okla. Stat., § 157, the Corporation Commission must prepare and publish an assessment of electrical power and energy requirements of the state every two years and assess the need for additional or replacement generating facilities and the associated costs of such facilities to the state's electric consumers.

PUD sent the final copy of the 12th ESPR to the Governor and the Legislature. This edition addresses additional costs associated with

transmission upgrades and environmental compliance.

NOTICE OF INQUIRY (NOI) AND RULEMAKING (RM) ACTIVITIES

NOTICE OF INQUIRY

Cause No. PUD 201100077

At the recommendation of the PUD, the Commission initiated a Notice of Inquiry (NOI) on June 15, 2011 to examine existing and pending federal regulations that could affect regulated utilities, natural gas commodity markets and their customers in the state of Oklahoma. The Commission held three Technical Conferences. A large number of stakeholders who provided various view points regarding environmental and long-term natural gas supply contracts attended each technical conference. PUD compiled several comments and presentations by stakeholders and added them to the PUD website for public viewing.

UPDATE:

The EPA has not issued its final rules regarding several key environmental issues that affect Oklahoma's generation utilities. Therefore, PUD asked the Commission to continue its Deliberations until October 31, 2012. PUD will continue to monitor the issuance and outcome of these environmental rules, which includes attending any meetings with Region 6 of the United State Environmental Protection Agency (EPA) officials to understand the impact of their final environmental rules.

REGIONAL HAZE RULE ISSUE

On July 6, 2005, the United State Environmental Protection Agency (EPA) issued its final Regional Haze Rule. This rule requires that Oklahoma submit a state implementation plan (SIP) to address regional haze visibility impairment in the Wichita Wilderness Area, located in Southwestern Oklahoma. On May 10, 2010, the Oklahoma Department of

Environmental Quality (DEQ) submitted the Oklahoma SIP to the EPA. On March 22, 2011, the EPA partially approved and partially disapproved the Oklahoma SIP. The EPA then issued its proposed Federal implementation plan (FIP) and sought comments on its proposed rules. The Public Utility Division contracted an independent expert witness who then developed an analysis of the EPA's FIP.

The EPA issued a final decision on December 14, 2011 with the final rule becoming effective January 27, 2012. In its ruling, the EPA accepted in part, rejected in part the state plan, and issued its own Federal Implementation Plan (FIP). The major findings of this plan called for scrubbers to be placed on three coal-fired generating units for Oklahoma Gas and Electric Company ("OG&E") and three coal-fired generating units for the Public Service Company of Oklahoma ("PSO").

In response to the EPA's final rule, OG&E sought and was granted a stay by the U.S. Court of Appeals for the 10th Circuit.

The Environmental Protection Agency (EPA) has been actively proposing emission standards on fossil fuel generation power plants in Oklahoma and nationwide. The following are several proposed EPA rules:

Regional Haze Rule (RHR) – to reduce pollutants from EGUs causing visibility impairments in the Wichita Wildlife area.

Status – This order has been stayed and is pending final decision by the 10th Circuit Court.

Cross-State Air Pollution Rule (CSAPR) - reducing power plant emissions that contribute to ozone and particulate matter pollution in other states.

Status – Vacated by U.S. Court of Appeals.

Mercury and Air Toxics Standards (MATS) – establishing emission standards for Mercury and certain hazardous air pollutants from electric generating units.

Status – Rule in effect with a compliance deadline of April 2015, with a possible one year extension (April 2016).

National Ambient Air Quality Standards (NAAQS) - periodic review of established emission standards for ozone and other pollutants harmful to public health.

Status – no word or action from EPA

Cooling Water Intake Structure Rule – proposed rule impacting cooling water intakes on generation facilities.

Status – Final rule expected Summer of 2013

Coal Ash Rule – proposed rule impacting disposal and storage of coal ash waste.

Status – Final rule expected 3rd Quarter 2013

FEDERAL AND REGIONAL REGULATORY ACTIVITIES

UNITED STATES DEPARTMENT OF ENERGY ARRA GRANTS

ENERGY ASSURANCE PLANNING:

In conjunction with the American Recovery and Reinvestment Act of 2009, (ARRA) the State of Oklahoma received a federal grant to develop an "Energy Assurance Plan" for the state.

One of the goals of the grant is to facilitate and protect the vital energy sources that Americans have come to rely on routinely in carrying out our daily activities. This \$534,000 grant will enable Oklahoma to create and develop new capabilities and initiatives that will help ensure Oklahoma residents, business, and industry have adequate and reliable energy supplies, and prevent or reduce major economic harm caused by energy disruptions related to storms, vandalism and terrorism.

This grant is for the development of an energy assurance plan, not the implementation of such a plan. The Oklahoma Department of Commerce ("DOC") is the grant recipient; but subcontracted the coordination and development of an Oklahoma Energy Assurance Plan to PUD.

The Oklahoma Energy Assurance Plan ("EA Plan") may affect several state agencies; therefore, PUD formed a taskforce with state agencies to help develop the EA Plan. The

University of Oklahoma (“OU”) is under contract to provide research assistance and development of the Energy Assurance Plan.

OU presented a draft of Oklahoma’s EA Plan and PUD agreed to provide some additional work on the EA Plan to promote statewide awareness and input into the state’s plan. PUD hired an independent evaluator to augment and finalize the draft submitted by OU, and coordinate delivery of the final Plan to the Oklahoma Department of Commerce by April 30, 2013. This evaluator is currently drafting additional sections that the federal grantors recently requested by updating data pieces from the initial OU text, and augmenting other text where necessary. The evaluator is also performing a thorough style and technical edit of the document, and is soliciting additional external reviews and input from energy experts and stakeholders. Finally, PUD contracted with an external firm to create an educational video about the Energy Assurance Plan, to ensure that government agencies and energy stakeholders are aware of the plan. That video is complete and copies have been delivered to PUD.

A public presentation and feedback session for the plan was held at the History Center on March 7. That feedback is now being incorporated into the plan along with detailed feedback from Jeff Pillon, Energy Assurance Director at NASEO.

PUD staff distributed hard and electronic copies to stakeholders who were involved in the planning process and posted an electronic copy of the plan and educational video to the OCC webpage.

Final monitoring for the grant will occur on July 30th, when DOC staff visit OCC to ensure that all grant paperwork is in order.

assist them in gaining expertise in new and innovative technologies and methodologies for electric utility regulation, such as smart grid technology, cyber security, renewable energy resources, energy efficiency, and demand side management.

PUD has hired and continues to seek qualified PUD personnel under the grant.

Select PUD staffers have received training in rate regulation, rate of return, and cost of capital analysis for electric utilities and other areas.

PUD is planning a major training project for the new and existing PUD staff using funds from this grant.

STATE REGULATORS ASSISTANCE

PROJECT:

The Public Utility Division of the Corporation Commission received Am \$842,000 grant from the Department of Energy to assist the Commission in the hiring and training of personnel responsible for processing energy initiatives related to electricity regulation, and to

DEFINITIONS

Active Cases - Those cases filed with the Court Clerk's office, assigned to an analyst and currently being worked. In this publication new cases are included in the totals represented on the Caseload Statistic graph.

Active Regulated Companies – Those companies with a current annual report on file.

Cases Closed - Those cases closed during the quarter either with a formal hearing/order or through the streamline Close-Out Memo process.

Competitive Access Provider (CAP) – A provider of tariffed wholesale services provided by one LEC to another LEC, CLEC, interexchange carrier certificated by the Commission or an end user that allows for access to the local exchange telecommunications network, excluding local interconnection.

Competitive Local Exchange Carrier (CLEC) – A local carrier that is determined by the Commission to be subject to effective competition for a relative geographic and service (s) market, after notice and hearing.

Incumbent Local Exchange Carrier (ILEC) – with respect to an area or exchange(s), any telecommunications service provider furnishing local exchange service in such area or exchanges (s) within the State of Oklahoma on July 1, 1995, pursuant to Certificate of Convenience and Necessity or grandfathered authority.

Interexchange Carrier (IXC) – A long distance telecommunications service provider.

New Cases Filed - those cases filed with the Court Clerk's office during the quarter.

Operator Service Provider (OSP) – Any common carrier that provides intrastate operator services or any other person or entity determined by the Commission to be providing operator services.

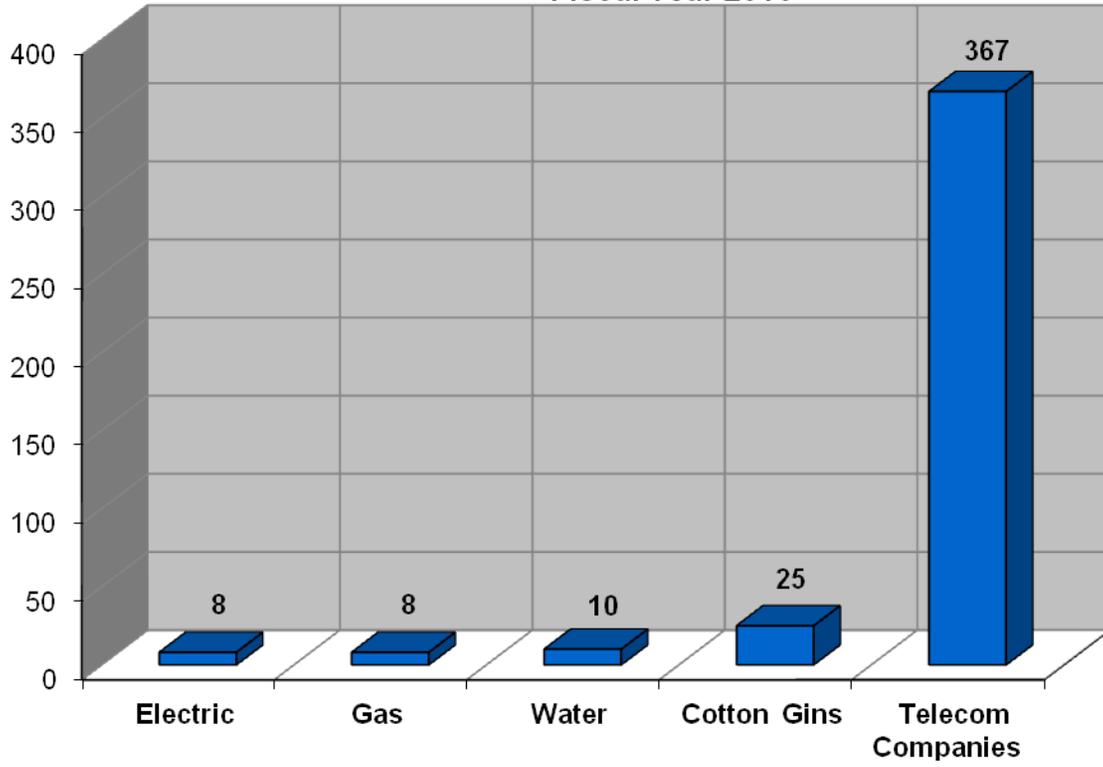
Payphone Service Provider (PSP) – Any person, firm, partnership, corporation, cooperative, corporation or other lawful entity providing payphone service as defined in OAC 165:58.

Promotions – Promotional offerings from telecommunication companies that are submitted to the Public Utility Division. Promotions are intended to be limited-duration programs beneficial to the targeted and/or qualified customers.

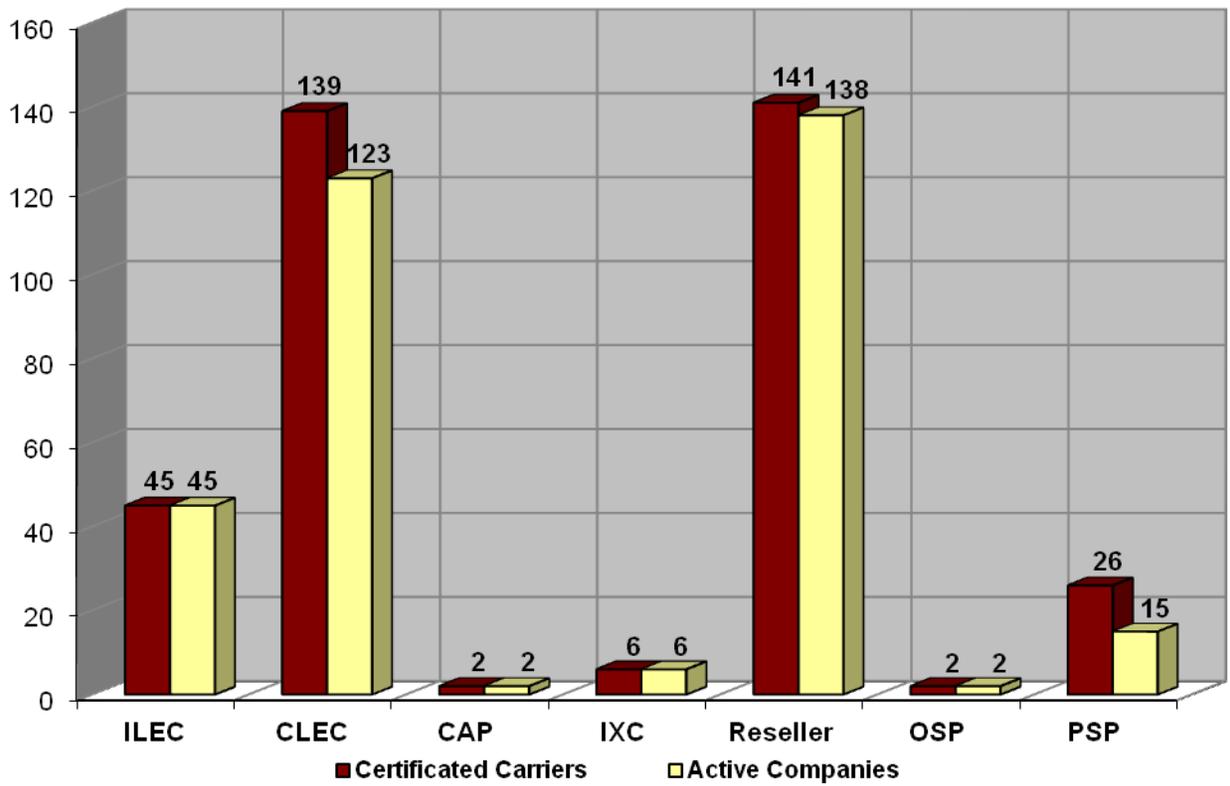
Submissions – Revisions to tariffs that are submitted directly to the Public Utility Division pursuant to Oklahoma Administrative Code (OAC) 165:55-5-10(b)(1), OAC 165:55-5-10(c), OAC 165:56-5-5(b). Submissions must meet the requirements and criteria within those rules and go into effect 1 day after they are submitted.

Reseller of Intrastate Toll Services (Reseller) – A carrier that purchases and then “resells” telecommunication services for any “non-local” call which is originated and terminated within the boundaries of the State of Oklahoma, regardless of whether such call crosses state boundaries prior to reaching its termination point.

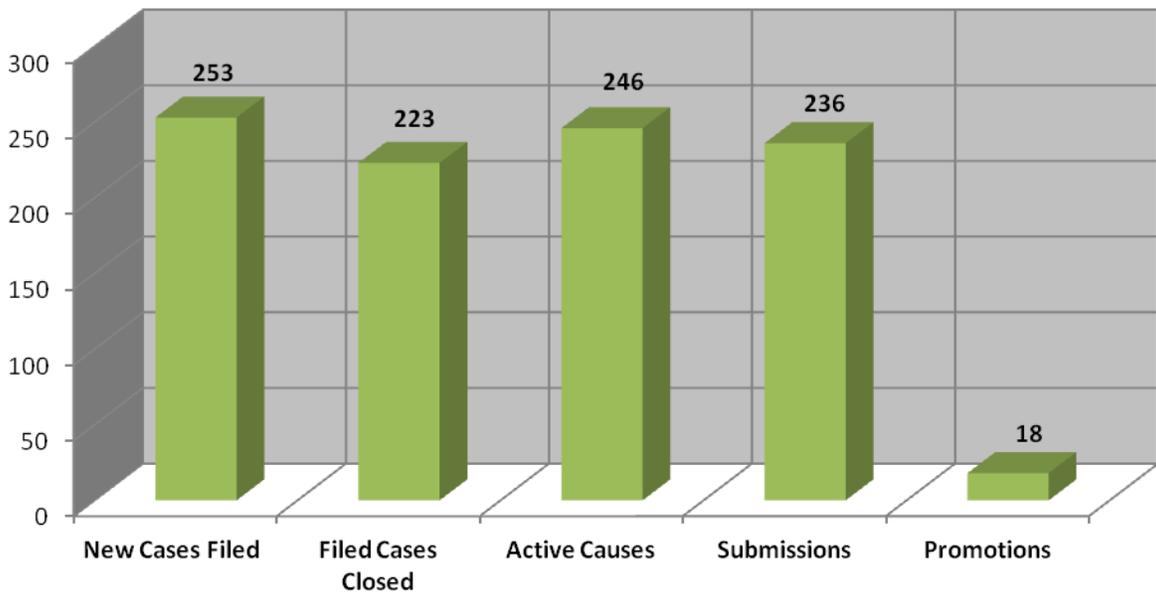
**Number of Regulated Companies by Industry
Fiscal Year 2013**



**Number of Certificated/Active Telecom Carriers by Type
Fiscal Year 2013**



**Caseload Statistics
PUD Applications and Submissions
Fiscal Year 2013**



Transportation Division

The **Transportation Division** administers and enforces federal and state laws, interstate and international compacts, and Commission rules as they relate to motor carriers, commercial motor vehicles, pipeline safety, and railroad safety.

The Division's operations are carried out through five Departments: **Administrative and Regulatory Operations, International Fuel Tax Agreement/International Registration Plan (IFTA/IRP), Motor Carrier Enforcement, Pipeline Safety and Railroad.**

Administrative and Regulatory Operations Department

The Administrative and Regulatory Operation Department is comprised of four sections: *Administrative Support, Enforcement Support, Motor Carrier Requirements, and Compliance Support.*

Administrative Support Section

The Administrative Support Section is responsible for purchasing, supplies, inventory, leave tracking and other personnel related functions, rulebook tracking, fleet tracking, and support of Division management.

Enforcement Support Section

The Enforcement Support Section is responsible for support of all motor carrier and motor vehicle enforcement activity, including citations, warnings, complaint investigations, site visit inspections, wash pit inspections, show causes, officer activity, etc.

Motor Carrier Requirements Section

The Motor Carrier Requirements Section has more than 7,754 for-hire and private motor carriers licensed to operate in interstate and intrastate commerce. All for-hire and private intrastate motor carriers must comply with insurance standards and administrative requirements to obtain and hold licenses or certificates to operate in the state. In addition, the Section issues household goods certificates for motor carriers regulated by the Corporation Commission. Oklahoma has 77 carriers authorized to transport household goods within

the state of Oklahoma.

This Section registers the Oklahoma-based interstate carriers that are required to register annually in the Unified Carrier Registration Program (UCR). In FY12, 6,459 UCR applications were processed for Oklahoma-based interstate motor carriers, interstate private carriers, brokers, freight forwarders, and leasing companies.

In FY12, the Motor Carrier Requirements Section received 19,341 applications for authorization or changes in authorization to operate in or through Oklahoma. This Section also approved 8,891 insurance filings and issued 427 permits for the transportation of deleterious substances, such as saltwater and other oilfield materials. The number of intrastate carriers who lost their authorization to operate due to lack of proper liability insurance on file was 362.

Compliance Support Section

The Compliance Support Section assists Oklahoma-based motor carriers with obtaining their USDOT numbers and issues hazardous waste registrations and permits. During FY12 132 USDOT numbers were issued to intrastate carriers and 59 hazardous waste credentials were issued.

IFTA/IRP Department

The IFTA/IRP Department is comprised of three sections: *Registration and Licensing Services, Technical Services, and Audit.*

Registration and Licensing Services, Technical Services

The *Registration and Licensing Services* and *Technical Services* sections ensure the proper registration and licensing of all vehicles in Oklahoma under the International Fuel Tax Agreement (IFTA) and the International Registration Plan (IRP) compacts. Walk-in and mail-in applicants are served by these sections. During FY12 completed work included the processing of 4,486 new and/or renewal IRP applications, 3,930 new and/or renewal IFTA applications, and 5,903 supplemental IRP applications. The sections also handled 307 IRP

applications that were closed, withdrawn, or denied. In FY12 a total of 140,490 vehicles were registered under IRP, while 3,767 IFTA licenses and 180,105 IFTA decals were issued.

Audit Section

The Audit Section includes 1 administrator, 9 field auditors, and 3 in-house auditors. The Audit Section audits registrants to ensure compliance with the IRP and IFTA compacts as well as compliance with Oklahoma statutes and Commission rules. The primary purpose of the Audit Section is to ensure proper payment of registration fees and fuel taxes by verifying reported distance, distance allocations, and motor fuel purchases. During FY12 the field auditors conducted 269 IRP audits and 110 IFTA field audits. The in-house auditors completed 14,105 audits on quarterly fuel tax reports.

Motor Carrier Enforcement Department

The Motor Carrier Enforcement Department includes 52 field-based enforcement officers, 5 field supervisors, and a Chief Motor Carrier Enforcement Officer. These employees check private and for-hire motor carriers and commercial motor vehicles for compliance with state statutes, Commission rules, and federal regulations governing interstate and intrastate motor carriers and commercial motor vehicles. The Motor Carrier Enforcement Department also performs overweight audits of motor carriers and shippers, oversees the building of truck yard wash pits used to temporarily store deleterious substances, and conducts complaint investigations.

In January 2008 the Oklahoma Department of Transportation (ODOT) and the Oklahoma Corporation Commission joined together to develop a plan to provide ODOT the funds to construct 9 state-of-the-art state-line weigh stations commonly referred to as Ports of Entry (POE). ODOT is responsible for all construction aspects of the new Ports of Entry and the OCC is responsible for staffing and day-to-day operations. The Kay County POE opened April 27, 2012 with limited technology (internet, static scales, open/close signage, etc.).

In FY12 Motor Carrier/Vehicle Enforcement Officers and supervisors performed 190,821 vehicle checks resulting in the issuance of 19,058 citations and 2,955 warnings. Motor Carrier Enforcement Officers investigated 18 complaints against the motor carrier industry, ranging from motor carriers operating without authority to motor carriers illegally dumping deleterious substances.

Pipeline Safety Department

The Pipeline Safety Department has 10 field inspectors, 2 field supervisors, 1 administrative officer, and 1 program manager. The Pipeline Safety Department has inspection and enforcement authority over 231 natural gas operators and 21 hazardous liquid operators. These companies operate over 38,574 miles of natural gas pipeline and 3,441 miles of hazardous liquid pipeline in Oklahoma. The Department ensures code compliance by conducting onsite inspections of the pipeline operators' records and facilities. The regulations cover the design, construction, operations, maintenance, and abandonment of operators' pipeline facilities.

The Pipeline Safety program is funded through an assessment levied against the pipeline operators and by a federal reimbursement of up to a maximum of 80% of the program's expenses. The U.S. Department of Transportation's Southwest Regional Office of Pipeline Safety oversees and supports the program. The U.S. Department of Transportation Office of State Programs evaluated the Natural Gas and Hazardous Liquid Pipeline Safety Programs and assigned a proficiency rating of 98% on each program. The two points were due to the State not having the capability of levying civil penalties against excavators who violate the Underground Damage Prevention Statutes of the State of Oklahoma and exemptions provided to certain excavators and underground facility owners.

In FY12 the Department spent 1,065 man-days inspecting 201 of 231 intrastate natural gas pipeline operators and 165.5 man-days inspecting 18 of the 21 hazardous liquid pipeline operators. The Department spent 33.5

man-days investigating natural gas pipeline incidents and 17 man-days investigating hazardous liquid pipeline incidents. Inspectors identified 370 natural gas and 19 hazardous liquid pipeline safety rule violations.

Railroad Department

The Railroad Department consists of 3 employees who monitor the operations of 24 Oklahoma railroads for compliance with state statutes and rail crossing safety. The Railroad Section investigated and resolved 134 public queries or potential complaints, participated in 13 public hearings, and performed 111 crossing safety reviews.