

**RATE SCHEDULE 1201  
PERFORMANCE BASED RATE CHANGE (“PBRC”) PLAN**

**Section 1 - Application**

This Rate Schedule is the formula by which the jurisdictional non-fuel revenue requirements of Oklahoma Natural Gas Company (“Oklahoma Natural” or “the Company”) shall be calculated and allocated to the Company’s various rate schedules subject to the jurisdiction of the Oklahoma Corporation Commission (“OCC”). The Rates associated with the PBRC will be calculated in Exhibit A and the rates associated with the Energy Efficiency programs will be calculated in Exhibit B. Sections 2 through 7 are intended to address the PBRC calculation and Section 8 is intended to address the rates associated with the Energy Efficiency programs.

No provision contained within this tariff will limit the Company’s ability to file a general rate change application, or the Commission’s authority to file a show cause.

The Company shall file an Application for a Commission determination pursuant to this PBRC Rate Schedule for calendar years 2021, 2022, 2023, 2024 and 2025.

The Company shall file Chapter 70 general rate change application on or before June 30, 2027 for calendar year 2026.

**Section 2 – Application of the PBRC Plan**

- (a) The Company’s Allowed Return on Equity (“AROE”) is 9.4%. This AROE shall be the effective AROE until modified by Commission order after notice, an evidentiary hearing, and approval of this Rate Schedule by the Director of the Public Utility Division of the Oklahoma Corporation Commission (“Director”). Such modification shall be applied prospectively.

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November 30, 2021	721916	PUD 202100063
August 20, 2019	701025	PUD 201900018
January 8, 2019	689337	PUD 201800028
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- (b) The Earned Return on Equity (“ER”) shall be recalculated annually under this Plan, for use in determining any rate change adjustments that become effective during subsequent years. Except as otherwise provided by Sections 5 and 6 of this tariff, the calculation shall be performed using the same methodology used to calculate the 9.4% AROE in the Company’s last Chapter 70 general rate change application.
- (c) All parties to the annual review may request modifications to be applied prospectively to this tariff including the rate change adjustments (rate base and cost of service) used to determine the AROE in the Company’s last Chapter 70 general rate change application. No such modifications may become effective until approved by the Commission after notice and an evidentiary hearing.
- (d) An AROE dead-band of 100 basis points is hereby established. The dead-band shall be from 8.9% to 9.9% in which no rate change shall occur. The Company may request a rate increase only when the ER falls below 8.9%. Similarly, any credit and sharing with the Company’s customers shall occur only when the ER is greater than 9.9%. However, due to practical constraints, no adjustments provided for under this Rate Schedule will be made for amounts less than \$200,000.
- (e) If the ER falls below the ROE dead-band, the calculated revenue requirement deficiency shall be offset by including an adjustment to annualize any base rate revenue increase authorized after the beginning of the test year. This annualization adjustment shall not be applied when the ER without such adjustment falls within or above the dead-band.
- (f) Should a change in non-fuel revenues be required under the terms of this Rate Schedule, the required change will be made to the Monthly Service Charge or Monthly Utility Meter Charge as listed in the rate schedules subject to this Rate Schedule. The Company will provide revised rate schedules to the Director each time the rates are adjusted pursuant to this Rate Schedule. Those rate schedules shall become the effective rates of the Company upon approval by the Director.
- (g) Should this Rate Schedule require a credit to the Company’s customers, the credit shall be made by crediting customer bills over a 12-month period beginning with the July cycle one bills.

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**Section 3 – Term**

This Rate Schedule shall become effective upon issuance of a Commission order and approval of the Director.

**Section 4 – Force Majeure Provision**

If any cause beyond the reasonable control of the Company, such as natural disaster, orders or acts of civil or military authority, terrorist attacks, or government mandates, which results in a deficiency in the revenues which are not readily capable of being addressed in a timely manner under this Rate Schedule, the Company may file for expedited rate relief. This expedited or out of cycle rate relief will still be subject to the filing requirements of Section 7 but will not be bound by the timelines identified in Sections 5, 6 and 7 of this Rate Schedule. Such expedited rate relief would result in a calendar year containing multiple filings.

**Section 5 – Application of PBRC Plan Calculation Procedure**

- (a) For each 12-month period ending December 31, the Company shall file an Application for a Commission determination pursuant to this PBRC Rate Schedule to determine whether the Company’s jurisdictional non-fuel revenues should be increased, decreased, or left unchanged. If it is determined that the jurisdictional non-fuel revenues should be increased or decreased, the Company’s rate schedules will be adjusted in the manner set forth in this Rate Schedule. These adjustments will be added to or subtracted from the rate schedules previously in effect and the revised rate schedules will become effective by Order of the Commission and approval of the Director for the July cycle one bills and will remain in effect until changed under the provisions set forth in this Rate Schedule and by order of the Oklahoma Corporation Commission. These non-fuel jurisdictional revenue modifications will be allocated to the Company’s customers based upon the customer class cost of service allocation approved by the Commission in the Company’s last Chapter 70 general rate change application.
- (b) If for the 12 month period ending December 31, the Company’s ER is below 8.9%, the base rates under the rate schedules subject to this PBRC Plan shall be increased upon Commission approval for the amount necessary to restore the ER to the 9.4% AROE.
- (c) If for the 12 month period ending December 31, the Company’s ER is above 9.9%, the portion of the ER that is greater than 9.9% shall be shared on a 75/25 basis between the customers and the Company, with the customers receiving the greater amount.

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- (d) Should a change in non-fuel jurisdictional revenues be required under the terms of this PBRC Plan, then the PBRC shall be developed using the Schedules and Format outlined and attached herewith. The amounts used to calculate ER shall be the actual costs recorded in the books and records of the Company, except for the adjustments for any payroll changes implemented during the Test Year, any depreciation and amortization expense increases during the Test Year, and any statutorily enacted tax changes as listed in Section 6(e) below. Also, actual revenues as adjusted per Section 6(c) will be used in all calculations of ER. (This provision does not preclude Staff, the Office of the Attorney General, or any other intervening parties from proposing Test Year adjustments customarily accepted for ratemaking purposes by the OCC.)

**Section 6 – Annual PBRC Plan Calculation**

- (a) The calendar year shall be the Test Year.
- (b) There shall be no pro forma adjustments to Test Year, per books amounts except as listed in (e) and (f).
- (c) Rate Base and cost of service shall be computed in the same manner as in the Company’s last Chapter 70 general rate change application. As noted in section 2(c), this section does not prohibit the parties from requesting certain modifications to these rate change adjustments.
- (d) Rate Base shall include the December 31 test year end Construction Work In Progress (“CWIP”) balance limited to those projects placed in service or reasonably certain to be placed in service by June 30 following the test year. The Company shall provide an updated listing by CWIP project of in service and expected in service dates to all parties to the case on a monthly basis following the filing of the application until a hearing on the merits commences in the case.
- (e) Operating Revenues shall be modified as follows:
- (1) All revenues associated with energy efficiency shall be removed;
  - (2) All credits associated with excess deferred income taxes shall be removed;
  - (3) Gas cost revenues shall be removed;
  - (4) Include annualized revenue as necessary under Section 2(e); and
  - (5) Modifications requested by the parties under Section 2(c) and approved by the Commission shall be applied prospectively.
- (f) Operating Expenses shall also be modified as follows:
- (1) All expenses associated with energy efficiency shall be removed;

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- (2) Gas costs shall be removed;
- (3) Statutorily enacted tax changes or unfunded federal mandates shall be annualized;
- (4) The level of salaries and wages, savings plans expenses, payroll taxes, and other payroll-related expenses for the last month (December) of the Test Year shall be annualized;
- (5) The level of depreciation and amortization expense for the last month (December) of the Test Year shall be annualized;
- (6) Any expenses associated with energy efficiency will be removed prior to the PBRC calculation and addressed in accordance with Section 8; and
- (7) Modifications requested by the parties under Section 2(c) and approved by the Commission shall be applied prospectively.

**Section 7 – Annual Application and Review**

- (a) The Company shall, on or before March 15, file an application with the Court Clerk of the OCC and provide copies to Staff of the OCC, the A.G. and intervening parties the following information:
- (1) The forms identified in exhibit one including; a Variance Analysis in the form of the Chapter 70 Minimum Filing Requirement Supplemental W/P H-3;
  - (2) Supporting documentation for any modification requested under Section 2(c);
  - (3) The ER calculation;
  - (4) The PBRC calculation;
  - (5) The Utility Incentive Adjustment;
  - (6) The Energy Efficiency True-up Adjustment;
  - (7) Excess Deferred Income Tax Credit and True-Up; and
  - (8) The revised rate schedules.
- (b) A reconciliation of those issues (rate base and cost of service) that resulted in the annual adjustments.

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- (c) An expedited processing schedule shall be established to provide notice and due process to all interested parties, including customers. Any calculations disputed by the parties shall be identified to the Company prior to May 1. The parties shall work in good faith to resolve all disputes prior to May 30.
- (d) Unless disputed by the parties, any rate schedules incorporating the PBRC Plan by reference will become effective by Order of the Commission and approval of the Director with the first billing cycle in July. If the parties have not resolved the disputed issues, the issues will be set for hearing before the Commission. If the Commission has not issued an order within one hundred twenty (120) days from the date of filing the application, then the rate schedules may be placed into effect and collected on an interim basis subject to refund.

**Section 8 – Energy Efficiency (“EE”)**

In addition to any credits or base rate increases applied pursuant to the PBRC plan above, the energy efficiency program costs and a utility incentive shall be recovered within the PBRC and trued up annually as set forth in this Section. The energy efficiency component of the PBRC will be added to or subtracted from the Company’s base rates and may be adjusted twice annually. Each adjustment shall be added to the base rates currently in effect. The Company’s EE Program Rate will be effective with the first billing cycle in January of each year and remain in effect until the last billing cycle in December (“Program Year”). The Company’s Utility Incentive and True-Up Adjustments for the prior Program Year will be effective with the first billing cycle in July.

- (a) **EE PROGRAM RATE** - The EE Program Rates shall be concurrently recovered beginning with the first billing cycle in January and shall end with the last billing cycle in December of each Program Year. On November 1 prior to the Program Year, the Company shall propose the rates to be recovered during the Program Year accompanied by the work papers sufficient to fully document the computation of the proposed rates. Such rates shall consist of the budgeted EE program costs for the upcoming Program Year approved by the Commission as part of the Company’s most recent energy efficiency filing, shall be calculated by the rate formulas as set forth in Exhibit B and shall be in addition to any existing Utility Incentives and True-Up Adjustments as set forth in 8(b) and 8(c) below. The rates will become effective with the first billing cycle in January or as the Commission shall otherwise determine.

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- (b) **UTILITY INCENTIVE ADJUSTMENT** - The Company may propose to make a Utility Incentive Adjustment calculated as set forth below. The utility incentive shall be proposed as part of the PBRC rate filings made pursuant to Section 8 above and shall be effective with the first billing cycle in July, or as the Commission shall otherwise determine. The Utility Incentive Adjustment shall be applied in addition to the current EE program Rates and any True-Up Adjustment as set forth in 8(c) below:
- (1) Utility incentive for programs that pass the Total Resource Cost (“TRC”) Test: The Company may collect fifteen percent (15%) of the net benefits of such programs; and
  - (2) Utility incentive for programs that do not pass the TRC Test: The Company may collect fifteen percent (15%) of the program costs for the applicable program period.
  - (3) Beginning with Program Year 2017, the Company shall calculate the Utility Incentive pursuant to OAC 165:45-23-8 of the Commission’s Rules.
- (c) **TRUE-UP ADJUSTMENT** - The EE Program Rates and Utility Incentive Adjustment shall be trued-up annually. The True-Up Adjustment shall consist of the difference between the energy efficiency revenues collected during the prior Program Year and (1) the actual costs of the energy efficiency programs; and (2) the utility incentive approved by the Commission for recovery during the same period. To this difference shall be added any remaining over/under balance from the prior year. The True-up adjustment shall be proposed as part of the PBRC rate filing pursuant to Section 8 and shall be implemented with the first billing cycle in July, or as the Commission shall otherwise determine. This adjustment shall be applied in addition to the current EE Program Rates and Utility Incentive Adjustment.
- (d) For each adjustment made pursuant to Section 8, the Company shall file a schedule in the form of Exhibit B that sets forth the proposed adjustments to the rates.
- (e) Program or budget amendments that cause overall program budget to exceed ten percent (10%) of the previously approved budget shall be filed with the Commission by September 1 prior to the start of the Program Year.

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- (f) Should the balance in the over-recovery or under-recovery account for energy efficiency program costs exceed ten percent (10%) of the energy efficiency costs approved by the Commission for that Program Year, the Company may propose an interim revision to the then-currently effective energy efficiency program costs being collected by the Company.

**Section 9 – Excess Deferred Income Tax Credit (“EDIT”)**

In addition to any credit or base rate increases applied pursuant to the PBRC plan above, the amortization of the regulatory liability for Federal excess deferred income taxes resulting from the Tax Cuts and Jobs Act of 2017 and in compliance with Order No. 671984 in Cause No. PUD 201700571, as well as the regulatory liability for State excess deferred income taxes resulting from passage of Oklahoma House Bill 2960 (68 O.S. § 2355), will be credited to customers annually in February billing, on a one-time, per bill basis utilizing the same cost of service allocation as defined in Section 5(a).

This credit will not be included within the determination of the Company’s earned return calculation that is discussed in Section 5 and will show as a separate line item on the customer’s bill until fully amortized.

**EDIT CREDIT –**

The total amount, if any, of the Federal portion of the credit in a given year will be determined by the average rate assumption method (“ARAM”) as required by the Tax Cuts and Jobs Act of 2017 Section 13001(d) for protected EDIT, ARAM for unprotected EDIT asset related to cost of removal, and a 10 year amortization for unprotected EDIT liability.

The total amount, if any, of the State portion of the credit in a given year is considered unprotected and will be determined using a 10 year amortization.

**TRUE-UP ADJUSTMENT** - The Excess Deferred Income Tax credit shall be trued-up annually. The True-Up Adjustment will be the difference between the actual credit occurring during the Test Year and the approved amount of the EDIT Credit.

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