BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

APPLICATION OF PUBLIC SERVICE COMPANY OF OKLAHOMA ("PSO") FOR APPROVAL OF THE COST RECOVERY OF THE WIND CATCHER ENERGY CONNECTION PROJECT; A DETERMINATION THERE IS A NEED FOR THE PROJECT; APPROVAL FOR FUTURE INCLUSION IN BASE RATES COST RECOVERY OF PRUDENT COSTS INCURRED BY PSO FOR THE PROJECT; APPROVAL OF A TEMPORARY COST RECOVERY RIDER; APPROVAL OF CERTAIN ACCOUNTING PROCEDURES REGARDING FEDERAL PRODUCTION TAX CREDITS; WAIVER OF OAC 165:35-38-5(e); AND SUCH OTHER RELIEF THE COMMISSION DEEMS PSO IS ENTITLED	CAUSE NO. PUD 201700267

JOINT STIPULATION AND SETTLEMENT AGREEMENT

COME NOW the undersigned parties to the above entitled cause and present the following Joint Stipulation and Settlement Agreement ("Joint Stipulation") for Oklahoma Corporation Commission ("Commission") review and approval as their compromise and settlement of all issues in this proceeding between the parties to this Joint Stipulation ("Stipulating Parties"). The Stipulating Parties represent to the Commission that this Joint Stipulation represents a fair, just and reasonable settlement of these issues, that the terms and conditions of the Joint Stipulation are in the public interest, and the Stipulating Parties urge the Commission to issue an Order in this Cause adopting and approving this Joint Stipulation.

It is hereby stipulated and agreed by and between the Stipulating Parties as follows:

TERMS OF THE JOINT STIPULATION AND SETTLEMENT AGREEMENT

Effective with the Order of the Commission approving of all elements of this Joint Stipulation, the Stipulating Parties request that the Commission issue an order approving the Application as set forth in the testimony and exhibits of the Public Service Company of Oklahoma ("Company"), except as modified by this Joint Stipulation:

1. **Terms**

   (a) Cost Cap. The Company commits to a total Company cost cap on investment for the Wind Facility, Gen-Tie and all SPP-assigned generation interconnection costs (collectively the "Wind Catcher Energy Connection" or "Project") of 107.5% of estimated cost, which is $1.412 billion, excluding AFUDC (the "Cost Cap"). The Cost Cap shall be increased solely to include additional Project costs reasonably incurred by the Company due to events of Force Majeure and Changes in Law affecting the costs of the Project. Otherwise, costs above the Cost Cap will not be recoverable through retail rates.

(b) PTC Guarantee. The Company will provide a guarantee, for cost recovery purposes, that the Project will be eligible to receive 100% of the Federal Production Tax Credits ("PTCs") for the actual output from the Wind Facility. The Stipulating Parties agree that the Company will be excused from this PTC Guarantee to the extent that it is prevented by any Change in Law affecting PTC value or eligibility.

(c) Net Capacity Factor Guarantee. The Company shall guarantee, for rate making purposes, a minimum net average capacity factor at the western bus-bar of 44.7% (P95) for each of the five consecutive five-year periods during the twenty five-year period of Project commercial operation.

The Stipulating Parties agree that the Company will be excused from the minimum average net capacity factor guarantee for each of the five consecutive five-year periods during the twenty-five year period of Project commercial operation to the extent that the minimum average net capacity factor guarantee is not met due to events of Force Majeure. Normal deviations in wind velocity shall not constitute an event of Force Majeure.

Any make whole payment due from the Company at the end of each of the five consecutive five-year periods during the twenty-five year period of Project commercial operation will include incremental replacement energy costs (as measured at the eastern bus-bar of the Gen-Tie after losses) and PTCs (as measured at the western bus-bar of the Gen-Tie), and will flow to customers through the Fuel Cost Adjustment Rider.

The calculation for determining amounts due to customers under this guarantee shall be as set out in Attachment 1 hereto.

If the number of turbines comprising the completed Wind Farm is reduced as a result of the micro-siting process, the Stipulating Parties agree that the number of turbines comprising the Wind Farm will not decline by more than twenty turbines and that the nameplate capacity of the completed Wind Farm will not decline by more than fifty megawatts.

(d) Net Benefits Guarantee. The Company will provide a net benefits guaranty as set forth in Attachment 2 hereto.

(e) Incremental Off-System Energy Sales Margins. One hundred percent of the incremental off-system energy sales margins that would not have occurred but for the Project and net proceeds from the sale of RECs associated with the Project will flow to customers through the Company's Fuel Cost Adjustment Rider, notwithstanding any provision of the Company's Fuel Cost Adjustment Rider that would otherwise allocate a portion of such incremental off-system energy sales to the Company. The calculation for determining incremental off-system energy margins from the Project shall be as set out in Attachment 3 hereto.

(f) Most Favored Nations. The Company shall notify the Stipulating Parties if terms more favorable to customers related to (i) the Net Capacity Factor Guarantee, (ii) the PTC Guarantee, (iii) the Cost Cap percentage or (iv) the Net Benefits Guaranty, are agreed to by the Southwestern Electric Power Company ("SWEPCO") in any of its regulatory proceedings in Arkansas, Louisiana or Texas seeking approval of the Project, and the respective terms of this Joint Stipulation shall be deemed to be modified to incorporate those more favorable terms. With respect to this most favored nations provision as it applies to any Net Benefits Guarantee, it will be limited to the formulas used to calculate net customer benefits and not to any inputs. The Company's notice to the Stipulating Parties as set forth above will include a copy of the terms that SWEPCO agreed to in the other jurisdictions and a discussion by the Company of their applicability to this Stipulation.

(g) Force Majeure Definition. "Force Majeure" as used herein means any event that is not within the Company's reasonable control. Examples of events of Force Majeure include (i) acts of God or the public enemy; (ii) the effects of severe weather (e.g., lightning; tornadoes; high winds, excepting normal deviations in wind velocity; or icing), (iii) delays in obtaining permits, licenses and real property rights that are necessary to construct and operate the Project, (iv) equipment failure or (v) the inability of any Project vendor or supplier to fulfill its obligations to the Company so long as the cause thereof otherwise would qualify as an event of Force Majeure or is the result of labor strike, lockout or other labor issues. Events of Force Majeure shall not include (i) any event which could have been prevented, avoided or overcome as a result of the Company taking all reasonable precautions and measures pursuant to prudent industry practices to avoid the effect or occurrence of such event or (ii) any event caused by the Company's negligence.

(h) Change in Law Definition. "Change in Law" as used herein means the occurrence after January 1, 2018 of the adoption or taking effect of any Law and any change in any Law. "Law" means any law (including common law), statute, rule, regulation, order, judgment, binding decision, or decree issued or enforced by any branch (judicial, executive or legislative), agency or instrumentality of any state, federal, tribal or foreign government.

(i) Retail Customers. This Joint Stipulation is applicable only to the Company's retail customers and all references to "customers" herein shall mean the Company's retail customers.

(j) Allocation of Revenue Requirement to Customer Classes. The revenue requirement of the Project will be allocated among the Company's customer classes based on demand. For demand metered customer classes, the class revenue requirement will be billed to customers on a kW demand basis.

(k) Oklahoma Allocation. The Stipulating Parties agree that the Oklahoma jurisdictional share of the costs of the Project will not increase if any jurisdictions in which SWEPCO operates do not participate in the Project.

(l) Deferred Tax Asset Balance Cap. The Company may earn a return on any deferred tax asset balance related to the Project over the first thirteen calendar years. The Company will earn a return on the deferred tax asset balance using a combination of (1) its then approved weighted average cost of capital on sixty percent of any deferred tax asset balance and (2) its then applicable cost of long term debt on forty percent of any deferred tax asset balance. The deferred tax asset balance shall not exceed a cumulative, annual average of two hundred forty million dollars in any calendar year. The Company shall not earn a return on any deferred tax asset balance after the thirteenth calendar year.

2. Additional Regulatory Provisions.

The Stipulating Parties agree to the additional regulatory provisions set forth in Attachment 4 hereto.

3. Discovery.

As between and among the Stipulating Parties, all requests for discovery are deemed satisfied.

4. General Reservations.

The Stipulating Parties represent and agree that, except as specifically otherwise provided herein:

(a) This Joint Stipulation represents a negotiated settlement for the purpose of compromising and settling all issues which were raised relating to this proceeding.

(b) Each of the undersigned counsel of record affirmatively represents that he or she has full authority to execute this Joint Stipulation on behalf of his or her client(s).

(c) None of the signatories hereto shall be prejudiced or bound by the terms of this Joint Stipulation in the event the Commission does not approve this Joint Stipulation.

(d) Nothing contained herein shall constitute an admission by any party that any allegation or contention in these proceedings as to any of the foregoing matters is true or valid and shall not in any respect constitute a determination by the Commission as to the merits of any allegations or contentions made in this proceeding.

(e) The Stipulating Parties agree that the provisions of this Joint Stipulation are the result of extensive negotiations, and the terms and conditions of this Joint

Stipulation are interdependent. The Stipulating Parties agree that settling the issues in this Joint Stipulation is in the public interest and, for that reason, they have entered into this Joint Stipulation to settle among themselves the issues in this Joint Stipulation. This Joint Stipulation shall not constitute nor be cited as a precedent nor deemed an admission by any Stipulating Party in any other proceeding except as necessary to enforce its terms before the Commission or any state court of competent jurisdiction. The Commission's decision, if it enters an order consistent with this Joint Stipulation, will be binding as to the matters decided regarding the issues described in this Joint Stipulation, but the decision will not be binding with respect to similar issues that might arise in other proceedings. A Stipulating Party's support of this Joint Stipulation may differ from its position or testimony in other causes. To the extent there is a difference, the Stipulating Parties are not waiving their positions in other causes. Because this is a stipulated agreement, the Stipulating Parties are under no obligation to take the same position as set out in this Joint Stipulation in other dockets.

4. Non Severability.

The Stipulating Parties stipulate and agree that the agreements contained in this Joint Stipulation have resulted from negotiations among the Stipulating Parties and are interrelated and interdependent. The Stipulating Parties hereto specifically state and recognize that this Joint Stipulation represents a balancing of positions of each of the Stipulating Parties in consideration for the agreements and commitments made by the other Stipulating Parties in connection therewith. Therefore, in the event that the Commission does not approve and adopt the terms of this Joint Stipulation in total and without modification or condition (provided, however, that the affected party or parties may consent to such modification or condition), this Joint Stipulation shall be void and of no force and effect, and no Stipulating Party shall be bound by the agreements or provisions contained herein. The Stipulating Parties agree that neither this Joint Stipulation nor any of the provisions hereof shall become effective unless and until the Commission shall have entered an Order approving all of the terms and provisions as agreed by the parties to this Joint Stipulation and such order becomes final and non-appealable.

Signatures appear on the following page

WHEREFORE, on this 5th day of March, 2018, the Stipulating Parties hereby submit this Joint Stipulation and Settlement Agreement to the Commission as their negotiated settlement of this proceeding with respect to all issues which were raised with respect to this Application, and respectfully request the Commission to issue an Order approving this Joint Stipulation and Settlement Agreement.

PUBLIC UTILITY DIVISION
OKLAHOMA CORPORATION COMMISSION

By: ______________________________
Fairo Mitchell, Chief of Energy and Water

PUBLIC SERVICE COMPANY OF OKLAHOMA

By: Jack P. Fite
Jack P. Fite
Joann S. Worthington
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Michael Hunter
ATTORNEY GENERAL OF THE
STATE OF OKLAHOMA

By: ______________________________
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OKLAHOMA INDUSTRIAL ENERGY CONSUMERS

By: ______________________________
Thomas P. Schroedter
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WAL-MART STORES EAST, LP and SAM'S EAST, INC.

By: ______________________
Rick D. Chamberlain

ONETA POWER, LLC

By: ______________________
Cheryl Vaught

PLAINS AND EASTERN CLEAN LINE OKLAHOMA, LLC

By: ______________________
James A. Roth

OKLAHOMA MUNICIPAL POWER AUTHORITY

By: ______________________
Randall Elliott

WINDFALL COALITION, LLC

By: ______________________
David E. Keglovits

NOVUS WINDPOWER, LLC

By: ______________________
Patrice Douglas

KIOWA POWER PARTNERS, LLC

By: ______________________________
Kenneth H. Blakely

TRI-COUNTY ELECTRIC COOPERATIVE, INC.

By: ______________________________
James R. Fletcher

GOLDEN SPREAD ELECTRIC COOPERATIVE, INC.

By: ______________________________
J. Eric Turner

SOUTH CENTRAL MCN L.L.C.

By: ______________________________
Deborah Thompson

ATTACHMENT 1

Details for Determining the Net Capacity Factor Guarantee

Following the fifth, tenth fifteenth, twentieth and twenty-fifth years after the Project reaches commercial operation, the Company will sum the total energy output from the Wind Facility for the previous five years.

- If the Company's 30% share of that energy equals or exceeds a minimum net average capacity factor at the western bus-bar of 44.7% ("Minimum Net Average Capacity Factor"), no other calculations are made and no capacity factor guarantee payment is necessary.

- If the Company's 30% share of that energy is less than the Minimum Net Average Capacity Factor, the following ratio will be taken: (the energy equivalent of the output of the Project at the Minimum Net Average Capacity Factor – the Company's 30% share of the actual energy output)/the Company's 30% share of the actual energy output. This ratio will be rounded to 5 decimal places. The Company's 30% share of the hourly actual MWh energy output of the Wind Facility, as measured at the eastern bus-bar of the Gen-Tie after losses for each hour of the five-year period, will be multiplied by this ratio to determine the additional energy for the customer credit. These hourly MWh energy values will be individually multiplied by the hourly, day-ahead Locational Marginal Price (LMP) at this location. The hourly dollar amounts will then be summed for the total five-year period to arrive at the energy value portion of the customer credit. In addition, the five-year total GWh shortfall energy at the western bus-bar of the Gen-Tie will be multiplied by the average, grossed up, PTC credit, provided, however, that the PTCs will be grossed up only for the first ten Calendar Years that the Project is in commercial operation when it is producing PTCs, and not for subsequent periods.

If a credit is owed by the Company to customers for any five-year period, the Company will calculate the impact of Force Majeure on the credit. The Company will determine the MWhs not produced by the Project due to Force Majeure during the five-year period and then determine the replacement energy and PTC value of those hours as set forth in the preceding paragraph. The value of the Force Majeure will be applied to reduce the credit that would otherwise be due hereunder.

ATTACHMENT 2

Details for Determining Project Net Benefit for Customers During the Initial Ten Years of Project Commercial Operation

To perform an evaluation of the Project's net benefits during the initial ten years of commercial operation, the Company will perform the calculation set forth below annually until the Project has been in base rates for ten years. The ten-year period starts on the date the Project is placed in base rates and ends exactly ten years after that date.

Net Benefit for Customers = Fuel Savings + Project Capacity Value + PTCs + Minimum Net Capacity Factor Guarantee Payments + RECs Value + Carbon Savings – Project Revenue Requirement

Net Benefits for Customers: If the net benefit for customers at the end of the ten-year period is positive, that means that customers have received net savings and, therefore, the Company does not owe customers any compensation under this customer net benefit guarantee. If the net benefit for customers at the end of the ten-year period is negative, that means that customers have incurred a net cost and, therefore, the Company will compensate customers for such net cost under this customer net benefit guarantee. A regulatory liability will be established if customers are owed a credit under this calculation. The regulatory liability will be amortized in retail rates over the remaining period of commercial operation (years 11-25). The Company will be excused from its obligation to compensate customers for any net cost increase only to the extent that such net cost increase is caused by events of Force Majeure or Changes in Law.

Fuel Savings: The Oklahoma retail portion of the fuel and energy savings achieved by the Project during the first ten years, adjusted for Force Majeure, based upon a comparison of a Base Case to a Modified Base Case for each hour of the period. The Base Case shall represent the thermal and non-thermal generating units set forth on Table 1 hereto, which represents for purposes hereof the thermal and non-thermal generating units that the Company currently owns or controls under power purchase agreements, or is projected to own and control (collectively, the Company's Existing and Forecasted Generation"), and including the Company's share of energy from the Project. In the Modified Base Case, the Company will remove the Project and re-dispatch the Company's Existing and Forecasted Generation to replace the removed Project generation. The difference in costs (including all variable unit production costs) between the Base Case and Modified Base Case will be used to determine the fuel savings attributable to the Project. Both the Base Case and the Modified Base Case will incorporate the following assumptions:

- Unit operating characteristics, constraints and limits including such inputs as heat rate coefficients, unit availability, start-up costs, tolling fees, non-fuel operating and maintenance costs, and fuel prices. The inputs used in this analysis will be the same type of inputs that the Company uses in its generation market offers submitted to the SPP Integrated Marketplace.

- Actual integrated hourly operating reserve requirements.

- To the extent that the Company's Existing and Forecasted Generation in the Modified Base Case is insufficient to replace the Project generation, the Company will assume in its calculations that the marginal unit is used to serve the insufficiency.

Project Capacity Value: $4.3 million annually over the ten-year period, as filed.

PTCs: The Company's portion of the PTCs grossed up for taxes, either passed through or held in a regulatory liability and determined annually, and any credits to customers resulting from the Company's PTC guarantee.

Net Capacity Factor Guarantee: Any payments made by the Company for the net capacity factor guarantee for each of the two five-year periods of commercial operation during the period of PTC eligibility.

RECs Value: Any Company renewable energy credit value received, or inventory value at the prevailing market price, resulting from the Project.

Carbon Savings: Any carbon costs that actually would have been incurred by the Company's fossil generation fleet but for the Project.

Project Revenue Requirement: The Company's Revenue Requirement of the Project, including both the Wind Farm and Gen-Tie line, that is in rates.

Table 1 – Company's Existing and Forecasted Generation

			Capacity	2021-2030 Period	
Unit Name[B]	**State**	**Fuel Type**	**MW**	**Additions**	**Retirements[A]**
458 CC PSO 1	OK	CC-Gas	375	1/1/2022	
458 CC PSO 2	OK	CC-Gas	375	1/1/2025	
458 CC PSO 3	OK	CC-Gas	375	1/1/2027	
Comanche 1	OK	CC-Gas	260		
Northeastern 1	OK	CC-Gas	472		
Northeastern 2	OK	ST-Gas	440		
Northeastern 3	OK	Coal	462		12/31/2026
Oklaunion 1	TX	Coal	105		
Riverside 1	OK	ST-Gas	453		
Riverside 2	OK	ST-Gas	454		
Riverside 3	OK	CT-Gas	80		
Riverside 4	OK	CT-Gas	80		
Southwestern 1	OK	ST-Gas	75		12/31/2021
Southwestern 2	OK	ST-Gas	79		12/31/2023
Southwestern 3	OK	ST-Gas	311		
Southwestern 4	OK	CT-Gas	85		
Southwestern 5	OK	CT-Gas	85		
Tulsa 2	OK	ST-Gas	162		
Tulsa 4	OK	ST-Gas	157		
Weleetka 4	OK	CT-Gas	65		12/31/2022

Weleetka 5	OK	CT-Gas	60	12/31/2022
Weleetka 6	OK	CT-Gas	60	12/31/2022
Calpine 1	OK	PPA	260	
Exelon 1	OK	PPA	519	2/28/2022
Exelon 2	OK	PPA	261	2/28/2022
Balko	OK	Wind PPA	199.8	
Blue Canyon V	OK	Wind PPA	99	10/31/2029
Elk City	OK	Wind PPA	98.9	1/31/2030
Goodwell	OK	Wind PPA	200	
Minco	OK	Wind PPA	99.2	12/31/2030
Seiling	OK	Wind PPA	198.9	
Sleeping Bear	OK	Wind PPA	94.5	
Weatherford	OK	Wind PPA	147	12/31/2025
Wind Catcher	**OK**	**Wind PPA**	**570**	

Notes:
A. Units without retirement dates indicated are assumed on-line through the 2021-2030 period.
B. Units listed will be utilized independent of future modifications to retirement dates of existing units or commercial operation dates of new units.

ATTACHMENT 3

Incremental Off-System Energy Sales Margins

Incremental off-system energy sales margins should be determined as follows:

- When total off-system energy sales are less than or equal to the Project generation in any given hour, the total off-system energy sales margins will be 100% to the benefit of customers.

- When off-system energy sales are greater than the Project generation in any given hour the off-system energy sales margins for the MWh equivalent to the Project generation in an hour will be 100% to the benefit of customers and the incremental off-system energy sales margins above that level will be treated as existing off-system energy sales with margin sharing at the then current allocation.

ATTACHMENT 4
Oklahoma Regulatory Provisions

A. Rider Modifications. The Stipulating Parties agree that the Company's rider proposal shall be accepted as set forth in its application and testimony with the following additions:

1. As set forth in the Company's application, the Stipulating Parties agree to include any PTCs deferred for rate-making purposes in a regulatory liability that is included in rate base and which earns a return at the company's pre-tax weighted average cost of capital (WACC), including during the period the Rider is in effect after the Project achieves Commercial Operation.

2. The revenue requirement for Rider WCA will not include ARO costs. Recovery of ARO costs shall be addressed in the Company's next general rate case.

3. The depreciation rate for the Wind Facility shall be 3.815% until such time that it is modified in the Company's next general rate case.

4. The depreciation rate for the Gen-Tie Line shall be 2% until such time that it is modified in the Company's next general rate case.

5. The Company shall submit a depreciation study to support any depreciation rate change requests related to the Project in the Company's next general rate case, and shall submit a comprehensive dismantlement study to justify any requested dismantlement costs, whether related to an ARO or included in any such changed depreciation rates for the Wind Facility, Gen-Tie or any other account.

6. [Reserved]

B. Reporting Provisions.

1. The Company shall report semi-annually to Staff on the status of Project construction and any anticipated delay in the Project commencing commercial operation.

2. The Company shall notify the Stipulating Parties when the Project commences commercial operation.

3. The Company shall report to PUD during the construction phase on the Project's impact on employment in Oklahoma.

C. Base Rate Case. The Company shall file a base rate case within one-hundred eighty days of the Project reaching commercial operation.

D. Renewable Energy Credits. Within 90 days of a final non-appealable order from the Commission adopting this Joint Stipulation, the Company shall file an application for approval of a tariff under which large industrial and commercial customers may purchase their allocation of RECs from the Project.