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OG&E

Statement of Paul Renfrow
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My name is Paul Renfrow. I am the Vice President for Public Affairs for OGE Energy Corp., which is an electric utility and natural gas pipeline company headquartered in Oklahoma City. My company and I appreciate the opportunity to come before you today to provide what I trust will be a useful perspective for you to consider on the issue of green jobs as a result of global warming initiatives.

Our electric utility, which is called OG&E, serves approximately 780,000 customers in Oklahoma and western Arkansas. Our fossil-fuel generation mix is approximately 60% natural gas-fired, 40% coal-fired, and we currently have wind power capacity of roughly 3% of our total generation. Our wind power program is growing quickly and is already listed by The National Renewable Energy Laboratory as being a leader in terms of size and cost.

I can report firsthand to you from Oklahoma that the interest in environmentally friendly energy and energy related consumer behavior is, in fact, providing jobs in our state. The most apparent evidence is in the western part of our state where wind farms seem to be popping up everywhere. Oklahoma has gone from virtually no wind power just a few years ago to being ranked 6th nationally in existing installed wind power generation capacity today. And, more is on the way. I can assure you that OG&E is at least one company that intends to add significant amounts of wind power over the next

few years. In fact we are planning additions in the range of 600 MW by 2015. And I might emphasize that all of this is happening without state or federal mandates.

OGE strongly believes that it is incumbent on us as a good corporate citizen to both produce reliable and low cost power for our customers and to do so in an environmentally responsible manner. Our company's response in adopting cleaner sources of power generation is therefore motivated not necessarily by a legal compulsion but by a belief that it is simply the right thing to do. Producing electricity with fewer emissions is a rational and worthy objective regardless of whether others believe it should be done for reasons related to global climate change concerns.

Our customers want their electricity to be inexpensive and reliable, but also as cleanly generated as we can make it. It makes good business sense to respond to our customers in that regard. It also makes good business sense in our line of work to diversify our generation mix to reduce dependency on any one fuel choice option. The history of legislated fuel choice mandates in Oklahoma is strewn with undeniable and expensive disaster stories. OGE's experience with PURPA's mandatory purchase obligation is a prime example of what was destructive about that federal policy, costing the ratepayers of Oklahoma billions for unneeded but mandated purchases of power that was priced out of market.

The bottom line is that our efforts to invest in ever cleaner sources of generation is not premised on global climate concerns, but rather on the parallel notion that producing power with diversified sources as cleanly as possible is simply good business and simply the right thing to do.

But the subject today is jobs. Those wind farms I previously mentioned employ people to secure the land and obtain rights of way; people to construct the equipment at the factory; people to transport the equipment and people to install and operate the machinery. OGE now has an in-house development team aggressively finding and evaluating renewable projects—which in our state means wind projects since we lack other alternatives. We work with wind developers across the state to determine the feasibility of such new projects. On the transportation side, I might note that what used to be the remarkable sight of tractor trailer rigs hauling 120 foot wind turbine blades across the state has now become common place and barely elicits a second glance.

One important reality you should understand about our wind resources in Oklahoma is that the wind tends to be where people are not, meaning that the commercial quality wind sites overwhelmingly tend to be in the very rural western part of Oklahoma. The significance of this is that these rural areas tend not to have existing transmission lines necessary to transport the wind power to load centers where it can be used. We are working with the Southwest Power Pool to plan and construct new transmission lines to deliver the wind power from remote areas of the state to the load centers, which will entail the investment of hundreds of millions of dollars. Again, building the necessary transmission for wind power results in more jobs for engineers, construction workers, utility linemen, and, of course, lawyers, rate specialists and regulatory personnel needed to handle those aspects of such new generation.

In addition to wind power, we are renewing our interest and focus on demand side management ("DSM") programs aimed at reducing energy use. Through programs like time of use rates, weatherization programs, highly efficient lighting and appliance incentive programs, commercial and industrial load curtailment programs and consumer education we are already reducing our system's demand for power by approximately 200 megawatts and with additional customer education, better technology such as smart meters and other programs, we believe that there is another 100 or so megawatts of additional energy savings to be obtained.

Demand side management provides jobs as well. At OG&E we have a team of 9 full time employees who design, plan and implement these programs. It takes people from our rates, engineering, marketing and communications departments for these programs to work. We even employ some of our retired OG&E employees to help us with programs like weatherization.

But as we talk about jobs that are related to the environment, I want to emphasize that in our view the concept of "green jobs" extends beyond those associated solely with renewable resources and conservation. OG&E sees the notion of "green jobs" as legitimately extending to our efforts to provide the next generation of coal-fired facilities in an environmentally beneficial way. I am not suggesting that coal plants should carry the label of "green power" but I am saying that advancements in technology are allowing for the addition of ever more environmentally responsible coal fired generation. In this

regard, I want to share with you an extremely relevant experience we have just gone through in Oklahoma.

Our state has a wonderful problem. The economy is strong and growing. And with that growth comes a demand for power. As a result, OG&E's system is in need for base load generation in the 2012 timeframe. Our sister utilities in the state, Public Service Company of Oklahoma and the Oklahoma Municipal Power Authority were experiencing the same need in the same timeframe. We partnered with those two utilities to propose building one 950 megawatt ultra super critical coal-fired power plant together rather than each of us individually building, smaller, less efficient plants scattered across the state. An ultra-supercritical plant represents the very latest in state-of-the-art technology and offers major efficiency and environmental performance advantages over older technology.

In reaching the decision of what type of plant to build, we quickly discounted wind power because it is not suitable for base load generation. We also discounted nuclear because our need for power is in 2012 which would be impossible to meet with the timeframes associated with nuclear plant construction. We have no appreciable untapped hydro power to speak of in Oklahoma and it was apparent we could not conserve our way out of the need for base load power. So that left gas and coal as our effective options.

Both those fossil fuel options come with pros and cons. Natural gas is certainly a cleaner burning fuel, but comes with high prices and enormous price volatility. We have low electric rates in Oklahoma but because the summers are so hot and so long, electric bills can be quite high since our customers tend to use a lot of electricity for air conditioning. By the same token, just 2 winters ago we were in emergency meetings trying to determine how we could supplement the funding of public and private low income assistance programs that were not going to be able to meet the projected heating needs of those customers that winter due to gas prices that had spiked over $10. Consequently, summer or winter, we very much understand from our customers how much importance they attach to the price of their power.

Coal on the other hand is both abundant domestically and significantly cheaper than natural gas—even with the uncertainties of future environmental regulation factored

in—it still handily beats the price of natural gas by many multiples. Clearly, however, the downside to coal is the environmental cost concern.

Being sensitive to the environment and to the economic needs of our customers, we decided to build the coal plant, but, to mitigate the environmental concerns, we didn't propose just any coal plant. We stepped up to build a state-of-the art ultra-super critical plant that is the best proven technology available to us today. With the addition of this plant, OG&E's projected carbon footprint was projected to be as much as 3% lower than today. This would be accomplished by being able to reduce the use of our less efficient plants and through increased use of wind power.

After a lengthy and thorough public review and comment process at the Oklahoma Corporation Commission, an administrative law judge issued a recommendation strongly in favor of approval of the plant, citing $5.5 billion in customer savings compared to deployment of a gas-fired base load alternative. Nonetheless, two weeks ago, our application was denied in a 2-1 vote by the Oklahoma Corporation Commissioners. While a written order expressing the definitive basis for the majority's decision to reject the recommendation of the ALJ's report has not yet been issued, from the oral comments at the time of the vote it appears that the majority cited concerns about process, the evidence of the need for the power, and cost recovery. Of special interest to this Committee, environmental concerns per se were not identified as reasons for denial of the application.

While one need not necessarily agree with our characterization of our proposed ultra-supercritical plant as "green power", it is clear to us that this plant was an environmentally responsible option for us to meet the base load need. This story is relevant to the hearing today because of its jobs impact. This plant was going to directly provide about 1,000 construction jobs for five years or more with dozens more jobs required to operate the plant on a permanent basis. That doesn't include all the indirect jobs associated with the purchase of fuel and supplies, transportation, housing, retail, etc. that would have resulted as well.

I would draw the Committee's attention to several aspects of this recent experience:

First, the new coal-fired technologies such as ultra-super critical and IGCC should be viewed the same as "green" facilities. Such nomenclature would be beneficial in promoting the understanding of their environmental purpose and value.

Second, in terms of the number of jobs produced, these new coal-fired facilities create a lot more environmentally responsible jobs than do construction and operation of renewable-fueled facilities. On any basis of comparison the job creating value of these new plants is enormous.

Third, I would emphasize that beyond the jobs that would have been created by the construction and operation of the proposed plant, the $5.5 billion in savings to electric consumers in Oklahoma would have been a very substantial economic engine for enhanced competitiveness and prosperity in the region and as an inducement for expanding jobs and attracting new job-creating investment into Oklahoma. While we need not attempt to categorize that economic activity and its job creation as "green jobs" per se, the point is that one has to appreciate that building the new generation of coal-fired facilities that will produce low cost electricity is simply critical to the overall welfare of our community. And that raises a very important additional point on the broader "jobs" story that deserves some elaboration.

In recent years, we, like many other states, have had our share of manufacturing plant closings. Just in the Oklahoma City area alone we have had a large tire plant and an automobile plant close, taking with them in excess of 4,000 jobs. In each case, we were called upon by many, including the Governor of our state, to see if there was anything we could do to lower the energy costs of these plants. We did what we could at the time, but were unable to do enough on our own to convince the manufacturer to preserve the local plants and the associated jobs.

In each of these instances, we heard the message loudly and clearly that the cost of energy matters to businesses and that is a key reason we proposed the ultra-supercritical coal-fired solution—with its $5.5 billion in customer savings-- for keeping energy costs low.

It is ironic that, generically speaking, many of our manufacturers leave the U.S. for lower energy and labor costs and wind up in countries with who-knows- what kind of government monitoring and enforcement of pollution controls. We certainly think it

would be better to keep those jobs here and provide energy that is low cost and sensitive to environmental impact.

So, as you examine this subject, OG&E encourages you to broaden your view to include renewable energy, demand side management and more state-of-the-art fossil fueled generation as desirable. Furthermore, Congress should be adopting a public policy response that facilitates construction of this new generation of cleaner fossil fuel-based facilities. By this I mean Congress should provide not mandates but incentives such as suitable tax, cost recovery and regulatory policies that will help utilities design and plan such facilities and actually expedite their construction and entry into operation. It is not enough to provide incentives only for renewables and their associated "green jobs." The contribution of renewables is important but limited since they cannot serve as base load capacity. Given the relative greater role that coal and nuclear generation must play in the future as base load facilities, it is practical to consider providing incentives for these technologies and their associated jobs.

On behalf of OG&E, I want to thank you for the opportunity to share our views. I am pleased to provide any additional information that you find helpful.