

OKLAHOMA

State Profile

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| Capitol City | Oklahoma City |
| Governor | Mary Fallin |
| General Elections | November 6, 2012 |
| Legislature Convenes | January 8, 2013 |

Senate

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|-------------------------|----------------------------------------|
| Republicans (#) | 32 |
| Democrats (#) | 16 |
| Term | 4 Years |
| Presiding Officer | President Pro Tempore, Brian Bingman |
| Majority Leader | Mike Schulz |
| Minority Leader | Sean Burrage |
| Major Utility Committee | Energy Committee, Cliff Branan (Chair) |

House

| | |
|-------------------------|--------------------------------------------------------------|
| Republicans (#) | 69 |
| Democrats (#) | 32 |
| Term | 2 Years |
| Presiding Officer | Speaker, Kris Steele (T.W. Shannon, Speaker-Designate, 2013) |
| Majority Leader | Dale DeWitt |
| Minority Leader | Scott Inman |
| Major Utility Committee | Energy and Utility Regulation, Ron Peters (Chair) |

Regulatory Body

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|---------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Members | Dana Murphy - R (Chair), Patrice Douglas – R (unopposed), and Bob Anthony – R (primary opponent, June 26 th election) |
| Method of Selection | Election |
| Current Issues | On-going Rate Case - ROE Smart Grid Implementation – To be completed by year-end |

2012 OKLAHOMA LEGISLATIVE SUMMARY

The 53rd Legislature of Oklahoma Convened on February 6, 2012, and Adjourned Sine Die 16 weeks later at 5 p.m. on May 25, 2012.

During this Session Legislators dealt with 4,000-plus bills, including approximately 2,000 Bills which carried over from the 2011 Session.

OGE ENERGY LEGISLATION

Top Priority - OGE Energy – HB2658 – A 2010 state law required staggered terms for the members of boards of directors of public companies domiciled in Oklahoma. OGE, in an effort to address shareowner concerns, was transitioning to the annual election of all board members. Certain changes were needed in Legislation, in order to comply with shareowner wishes. This was the first Bill signed into law by the Governor this Session.

UTILITY ISSUES

Economic Development Tax Credits - Of particular interest was the issuance of Economic Development Tax Credits (Utilities purchased Tax Credits in lieu of paying current state income tax obligations). However, as a result of changes in federal tax law (i.e. "Bonus Depreciation") many utilities were not able to currently utilize tax credits which had expiration dates. Legislature "unwound" entire program thoughtfully, allowing participating utilities to remain unharmed.

Water and Water Rights – This issue was high atop the list of topics competing for attention this past year. Obviously, as an electric generator, we utilize a tremendous amount of water; and we must protect our access to that natural resource. No significant legislation was passed relative to the numerous water issues we have to address, but the dialogue, debate (and litigation) will likely continue into the foreseeable future.

Generation Mandates – Legislation was introduced by a wind developer which mandated "30% Renewables" and "65% Natural Gas" as the new "minimums" in generation mix for electric generation in Oklahoma. This measure never received a hearing in Committee, but it re-surfaced numerous times throughout the Session. **Oklahoma currently has a RPS "Goal" (expressed desire, not a mandate) of 15%**, with conversations ongoing regarding increasing that number over time.

Eminent Domain / Landowner Bill of Rights – The Legislature passed a law this Session requiring the Attorney General to develop a "Landowner Bill of Rights". The new law requires that the Landowner Bill of Rights "...be made available to the public and written in plain language designed to be easily understood by the average property owner". Industry will be working together, and with the AG, to ensure existing Eminent Domain laws are not weakened through this process.

2012 OKLAHOMA LEGISLATIVE SUMMARY

TAXES

Reducing / Eliminating Individual Income Taxes was a “High Priority” for Governor Fallin, in her 1st Term. However, in spite of this being an election year, after much discussion and numerous pieces of Legislation being drafted and debated, ultimately the Governor, House and Senate could not agree on a plan, so no progress was made this Session.

The topic of State-issued Tax Credits and the “transferability” of those tax credits consumed a significant portion of time and energy during both the Interim and during the 2012 Session.

Should “Intangibles” be subject to Ad Valorem Taxes? – There will be a Referendum in the General Election this November, where the voters will ultimately decide this matter. If the Ballot Measure fails, it could result in the “largest tax increase” in the State’s history.

OTHER BUSINESS ISSUES

Worker’s Compensation and Lawsuit Reform, Employment Law, Energy and Natural Resources, Transportation Infrastructure, Healthcare Education, and Economic Development were some of the most significant Business Issues addressed in the 2012 Session.

SOCIAL ISSUES

Legislators handled many Social Issues, most notably, Department of Human Services (DHS) Reform, “Personhood Bill”, and 2nd Amendment / “Open-Carry” concerns.

“YOU’VE GOT TO BE KIDDING”

As local governmental agencies in rural areas deal with the high cost of providing Emergency Medical Services to their constituencies, rural legislators have introduced measures that add a “fee” on to every electric meter in rural areas. While we’re sympathetic to their current dilemma, we aren’t the solution to the problem; this is a local issue that is best addressed by local government agencies.

Under the umbrella of a “Woody Biomass” initiative, and in an effort to reduce / eliminate the Red Cedar Trees (water conservation and reduce wildfires), legislation was introduced to require electric generating companies to burn the Red Cedar Trees in their boilers.

Neither of those measures moved forward, but rest assured, we’ll see them again!