ANNUAL REPORT 2017

Commissioners of the Oklahoma Corporation Commission
for Fiscal Year 2017:

Commissioner Dana Murphy
Commissioner Bob Anthony
Commissioner Todd Hiett
THE OKLAHOMA CORPORATION COMMISSION

OUR MISSION

To empower Oklahoma by:

• Ensuring responsible development of oil and gas resources; reliable utility service at fair rates; safe and legal operation of motor carriers, pipelines, rail crossings, and fueling stations; and prevention and remediation of energy-related pollution of the environment; while

• Balancing the rights and needs of the people with those of regulated entities through development and enforcement of regulations in an open, transparent, ethical, and just manner.

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www.occeweb.com
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The History of the Oklahoma Corporation Commission
The History of the Oklahoma Corporation Commission

The Oklahoma Corporation Commission was established in 1907 by Article 9 of the Oklahoma Constitution. The First Legislature gave the Commission the authority to regulate public service corporations.

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

Initially, the Commission regulated transportation and transmission companies; mostly railroad and telephone and telegraph companies. The Commission was also directed to collect and maintain records of the directors, officers, and stockholders of all corporations chartered or licensed to do business in the State of Oklahoma. At Statehood, there were approximately 12,500 businesses in the State of Oklahoma.

As the State grew, the task of record collection became larger than any one agency was able to handle. The Commission kept the authority over public service companies, while the responsibility over other companies was allocated to the Oklahoma Secretary of State, along with additional State agencies and commissions according to the type of business it was.

In 1908, pipelines and telephone services were placed under the authority of the Commission. In 1913, regulation of heat, light, power rates, and water became the authority of the Commission.

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 Act expanded oil and gas regulation to include the protection of rights to all parties entitled to share in the benefits of oil and gas production. During that same year, 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 Commission’s basic regulatory responsibilities have remained intact, many changes in Federal and State laws have changed what is regulated.

The Commission presently regulates public utilities, except those under federal or municipal jurisdictions 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; towing companies performing non-consensual tows; cotton gins; pipeline transportation; and private water companies. The Commission also has the responsibility to ensure proper operation of fuel dispensing units (i.e., gas pumps) at all retail filling stations, and the remediation of groundwater and soil pollution caused by leaking petroleum storage tanks.

The Commission also enforces federal regulations regarding the underground disposal of certain oil and gas waste fluids.

The Commission is comprised of three Commissioners who are elected by a statewide vote of the people to serve a six-year term. The terms are staggered so one Commissioner vacancy occurs every two years. The election pattern was established when the Commission was created by the Oklahoma Constitution. The first three elected Commissioners drew lots for two-year, four-year, and six-year terms. In-term vacancies are filled by gubernatorial appointment. There have been a total of 15 Commissioners who have been seated by appointment.

The Commission has administrative, judicial, and legislative authority. The three Commissioners rule on all regulatory matters within the jurisdiction of the Commission. Commission orders are appealable only to the Oklahoma Supreme Court.
The Fiscal Year 2017 Commissioners

IN THIS SECTION:

Chairman Dana Murphy

Vice chairman Todd Hiett

Commissioner Bob Anthony
Chairman Dana Murphy

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. She was re-elected to full six-year terms on July 27, 2010, and July 13, 2016. Commissioner Murphy was elected Chairman by her fellow Commissioners, effective February 1, 2017. She previously served as Chairman 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 a member of the Electric Power Research Institute Advisory Council. She is the Oklahoma member of the Regional State Committee of Southwest Power Pool. She also serves on the Oklahoma Water Resources Research Institute Advisory Board, serves on 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 serves as a trustee and previously served as 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.
Vice chairman Todd Hiett

Todd Hiett is married to Bridget Hiett. They have three children; Jimmy, John and Hillary. The Hiett family lives on a ranch two miles south of Kellyville. Hiett graduated from Oklahoma State University.

Hiett was elected to the Oklahoma House of Representatives in 1994 at the age of twenty-seven. Hiett quickly ascended into leadership and was selected by his colleagues to be House Minority Leader in November of 2002. Two years later, he led the state House Republicans to their first majority in eight decades and their largest victory in nearly a half-century. Marking a historic shift in power at the Capitol, Hiett was chosen the first Republican Speaker of the House in more than eight decades.

During his first year as Speaker, Hiett oversaw a smooth transition as House Republicans ascended to power with a bold agenda. The new Speaker pushed through the largest tax cut in state history, the most significant right-to-life legislation in thirty years, an innovative highway-funding bill and significant education reforms, collectively known as the ACE Initiative, which raised the bar for curriculum standards and graduation requirements in Oklahoma.

After a successful twelve years in the Oklahoma Legislature, Hiett worked eight years with various entities in the manufacturing, navigation and energy industries. In this role, he enjoyed the opportunity to work with many pro-growth companies such as Webco Industries and Callidus Technologies to strengthen and expand their ability to provide jobs.

Hiett was elected to the Oklahoma Corporation Commission in November, 2014.

Most recently, Hiett was elected to serve as Vice chairman of the Oklahoma Corporation Commission.

Bridget Hiett teaches fourth grade at Kellyville Elementary. Sons Jimmy and John are graduates of Oklahoma State University. Daughter Hillary is a sophomore at Oklahoma State University. The Hietts attend First Baptist Church of Kellyville.

Todd and Bridget continue to operate a ranch south of Kellyville, and Todd serves on various boards of directors including SpiritBank and Farm Bureau.
Commissioner Bob Anthony

Bob Anthony is currently the longest serving utility commissioner in the United States and has served six times as chairman of the Oklahoma Corporation Commission. 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 four times 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 to 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.

Commissioner Anthony’s current term began in January 2013 and will expire in January 2019.

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 four grandchildren.
The Administration Division

IN THIS SECTION:

- The Human Resources Department
- The Office of Public Information
- The Finance Department
The three-person Human Resources (HR) Department supports over 500 employees across seven agency divisions throughout the State of Oklahoma. The HR Department provides advice and guidance to managers, staff, and supervisors in all aspects of the human resources and personnel functions, as well as administrative support to all employees.

During Fiscal Year 2017, the Commission advertised 102 Classified and Unclassified positions that became vacant due to newly available positions, resignations, retirements, deaths, and terminations. Each recruitment notice generated an additional 20 or more actions to bring a single applicant on board, leading to over 2,000 actions related to the hiring of new employees.

The HR staff also processed:

- 24 hiring contracts and temporary employees;
- Over 600 career progressions, demotions, detail to special duty, equity-based pay adjustments, longevity pay, market-based pay adjustments, promotions, salary adjustments, and transfers;
- Numerous transactions relating to disability insurance benefits, Family and Medical Leave Act (FMLA), health insurance benefits, life insurance benefits, jury duty leave, leave without pay (LWOP), military leave, paid leave, retirement benefits, shared leave, and SoonerSave; and
- Transactions related to coaching, discipline, workplace safety, Workers’ Compensation, employee development, the Fair Labor Standards Act (FLSA), the Performance Management Process (PMP), and training.

The statistics listed above required thousands of CORE/PeopleSoft and HR Database entries, along with the filing of legal source documents and confidential personnel records.

From the close of Fiscal Year 2016, the Commission’s workforce increased, taking the Commission to 502 employees at the close of Fiscal Year 2017. Although the Commission is heavily invested in recruitment and hiring of personnel to properly staff its mission, it is losing a significant number of employees throughout the agency each month, due to both natural attrition and superior salaries offered by private industry.

The Commission is committed to ensuring that every hire is necessary to meet the legislative mandates and the strategic goals of the hiring section and the agency.

**HR Activities**

**Employment Separation**
The Office of Public Information

The Office of Public Information (OPI) continued its efforts to, within available resources, formulate effective and efficient methods of reaching the public with assistance and information. These methods included use of the Commission's website, continuing to formulate and maintain relationships with the general news media, trade journals, community groups and stakeholders, and officials in all branches and levels of government.

As was the case in the past three fiscal years, the issue garnering the most concern on the part of the government, media, and public during Fiscal Year 2017 was the issue of induced seismicity. While Fiscal Year 2017 saw a decline in the number of earthquakes, in part because of actions taken by the Oil and Gas Conservation Division, the two strongest earthquakes recorded in modern times in the state struck the communities of Cushing and Pawnee. Understandably, these events further increased the concern and interest in the issue.

OPI worked closely with the Oklahoma Geological Society, the Commission's Oil and Gas Conservation Division staff, and the Oklahoma Secretary of Energy and Environment's office on this complex and ever-changing issue in an effort to ensure the public, lawmakers and stakeholders had the most accurate and up-to-date information possible on the State's evolving response to this issue. This effort included:

- Answering questions from concerned citizens on a “24-7” basis (OPI’s answering message gave the 24-hour contact number for the Public Information Manager);
- Giving presentations to and answering questions at community forums and meetings both within and near the 15,000-square mile earthquake “Area of Interest;”
- Serving as a member of the State's Earthquake Working Group, tasked by the Governor with developing a State emergency response plan (ESF) for a large earthquake;
- Serving with members of the Oil and Gas Conservation Division on the Governors Induced Seismicity Task Force;
- Working closely with international, national, and local media on the subject;
- The OPI took part in the planning and execution of the Office of Emergency Management's statewide annual “Earth, Wind and Fire” Exercise, which tests state and local emergency response and information systems for earthquakes and other disasters; and
- During Fiscal Year 2017, two staffers from other divisions were added to the OPI, in part to bolster the response to inquiries and concerns regarding earthquakes.

Additional issues receiving attention from Oklahoma Legislators, the media, and the public included, but were not limited to:

- Concerns over contamination of gasoline at the Oklahoma City mixing rack. OPI worked closely with Magellan Pipeline officials and the Petroleum Storage Tank Division in disseminating information on the matter to consumers and the media; and
- Natural gas distribution safety concerns, prompted by the explosion of a line in an Oklahoma City neighborhood. OPI worked closely with the Commission’s Pipeline Safety Department in disseminating information on the matter to media, residents and government officials and represented the Commission at a town hall meeting on the incident.
The OPI had approximately 1,200 contacts with the general public, industry, news media, and other government agencies in Fiscal Year 2017, not including audiences at community meetings. Additionally, OPI met about 90 requests for information pursuant to the Oklahoma Open Records Act, and responded to approximately 60 consumer complaints related to the Commission’s jurisdiction (not including earthquake concerns), either solely or in conjunction with the Consumer Services Section or Oil and Gas Conservation Division.

OPI continued working with the Oklahoma Department of Emergency Management (OEM), representing the Commission as a voting member of the Governor’s State Hazard Mitigation Team and in the State Emergency Operations Center during times of activation. OPI has continued to work with OEM in teaching the Emergency Public Information Officer Training Course, which is accredited by the Federal Emergency Management Agency.

In Fiscal Year 2017, OPI continued to write, produce and anchor the Commission’s Oklahoma Energy Report, a daily (Monday through Friday) two-minute radio program report on energy topics. It is distributed at no cost by the Radio Oklahoma Network (RON) to affiliates in three states.

The Finance Department

The Mineral Owners Escrow Account

The Mineral Owners Escrow Account (MOEA) keeps records of monies owed to unknown or unlocated royalty mineral owners as a result of oil and gas forced-pooling. The money is collected and deposited into an interest-bearing account by the Oklahoma State Treasurer’s Office, where the funds are held in escrow until the unknown or unlocated royalty mineral owner is found or for a maximum of five years. After five years, any unclaimed monies are transferred to the Unclaimed Property Section of the Treasurer’s Office.

During Fiscal Year 2017 there were a total of:

- 25 new reporting holder/operators;
- 648 pooling orders;
- 6,658 forced pooling orders involving unlocated mineral owners; and
- 56,257 unknown or unlocated royalty mineral owners.

The Commission collected and deposited a total of $12,729,331.00, a decrease of 29.44 percent from Fiscal Year 2016. Reimbursements to the located royalty mineral owners or their heirs totaled $6,947,720.84, an increase of $1,925,724.45 from Fiscal Year 2016. The five-year transfer to the Treasurer’s Office totaled $6,753,451.82. At the end of Fiscal Year 2017, the MOEA fund balance totaled $67,592,590.

Financial Statements

The operations of the Commission are funded by the following types of funds:

- The General Fund, in which funds are appropriated by the Legislature each fiscal year and are therefore fiscal year specific;
- The Revolving Fund, in which payments are received from regulated companies for fees, fines, licenses, and permits;
- The Public Utility Assessment, in which annual assessments to regulated utilities are made for the funding of Public Utility Division and related support costs;
- Well Plugging, funded by an excise tax on oil and gas gross production and dedicated for the plugging of abandoned oil and gas wells; and
- Federal Funds, in which grants for Federal programs are administered by the Commission.

Please note that well plugging obligations are now being reported separately.
## Five-Year Summary
### Revenue Sources and Applications

<table>
<thead>
<tr>
<th>Revenue Sources</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
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<td>PST Revolving Funds</td>
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<td><strong>TOTAL REVENUE SOURCES</strong></td>
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<td>Petroleum Storage Tank Division</td>
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<td>Reserve for Obligations</td>
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<td>Transferred Funds</td>
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### Expenditures and Obligations

The Fiscal Year 2017 total available funds applied reflects the following distribution as a percent of total.

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Fiscal Year 2017 Financial Statements

MOEA RECEIPTS AND POOLED ORDERS - FY17

- Production Receipts: $10,002,267
- Bonus Receipts: $2,727,064
- Forced Pooled Orders: 648

MOEA CLIENTS SERVED - FY17 - 63,185

- Production Clients: 49,275
- Bonus Clients: 7,252
- Pooled Orders Clients: 6,658
IN THIS SECTION:

The Court Clerk’s Office

The Court Reporter Section

The Oil and Gas Conservation and Petroleum Storage Tank Sections

The Public Utility and Consumer Services Sections

The Transportation Section
The Office of Administrative Proceedings (OAP) is the judicial division of the Commission. The staff is comprised of:

- Administrative Law Judges (ALJ);
- Court Reporters;
- Legal Secretaries; and
- The Court Clerk’s Office (Clerk’s Office).

Adjudicative proceedings are conducted in the Commission’s two offices, the:

- Eastern Regional Service Office, located in Tulsa, Oklahoma (Tulsa Office); and the
- Western Regional Service Office, located in Oklahoma City, Oklahoma (OKC Office).

Pursuant to State statutes, to maximize the convenience of the parties, public, and witnesses, evidence and testimony may be presented in the court of record proceedings telephonically, as opposed to requiring personal appearances before an ALJ and Court Reporter. Telephonic hearings are conducted in both the OKC and Tulsa Offices. The Tulsa Office provides telephonic connections to OAP’s courtrooms at the OKC Office along with a teleconferencing connection to the Commission’s primary courtroom. Likewise, the OKC Office provides telephonic connections to the Tulsa Office.
The vast majority of applications require final action by the 3 Commissioners. Those applications are first considered by an ALJ, who then:

- Conducts evidentiary hearings;
- Interprets and applies the law;
- Makes oral and written recommendations to the Commissioners for their action and consideration;
- Reviews proposed orders prior to submission to the Commission’s Signing Agenda; and
- Rules on emergency applications, motions, and objections.

Exceptions to the recommendation of an ALJ may be filed with the full Commission, which has the option of entertaining oral arguments. However, in certain matters, the Commission also has the option of referring oral arguments on exceptions to the Oil and Gas Appellate Referee, who then files an additional recommendation report regarding a course of action. Orders of the Commission may be appealed to the Oklahoma Supreme Court.

The Court Reporter Section

Court Reporters transcribe hearings and, by request, prepare transcripts. The Court Reporters provide services in both the OKC and Tulsa Offices.

The Oil and Gas Conservation and Petroleum Storage Tank Section

Oil and Gas Conservation ALJs conduct hearings involving applications on:

- Natural gas gathering fees and open access;
- Oil and gas drilling and production issues; and
- Petroleum storage tanks.

The ALJs in this section hear Enforcement Causes involving these areas of regulatory authority. In the OKC Office, the oil and gas ALJ staff consists of staff members who conduct hearings exclusively on oil and gas conservation and petroleum storage tank dockets. Another ALJ in the OKC Office conducts hearings on both the initial unprotected oil and gas conservation and public utilities dockets.

In the Tulsa Office, the oil and gas ALJ staff consists of one full-time member ALJ who conducts hearings exclusively on the oil and gas conservation docket. When necessary, an OKC Office oil and gas ALJ will serve as a “back-up” ALJ for the Tulsa Office.

The Director of OAP also serves as an oil and gas ALJ in both the OKC and Tulsa Offices. An Oil and Gas Appellate Referee hears exceptions arising from both the OKC and Tulsa Offices. When necessary, a Public Utility ALJ serves as an Oil and Gas Appellate Referee.
The Public Utility and Consumer Services Sections

There are four ALJs in the OKC Office who conduct hearings regarding public utilities and consumer services. Hearings are held for applications regarding:

- Arbitration proceedings regarding interconnection agreements and mergers and acquisitions of public utilities;
- Cotton gins;
- Local exchange telephone services;
- Purchase fuel adjustment clauses;
- Rate causes;
- Reconsideration applications involving the OUSF;
- Tariff filings; and
- Territorial boundary disputes.

Consumer services complaints and enforcement proceedings are conducted within the Commission’s public utility regulatory authority.

The Transportation Section

Transportation and railroad Causes are heard as part of the cause load of one ALJ in the OKC Office, who also conducts public utility hearings. This particular ALJ hears causes for applications regarding grade crossings and enforcement proceedings.
During Fiscal Year 2017, 12 ALJs and two Appellate Referees conducted 51,318 hearings and testimony was provided by telephone in 2,679 hearings.
### FISCAL YEARS 1992-2017

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![Graph showing case average days from recommendation to final order for different categories.]
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The Oil and Gas Conservation and Petroleum Storage Tank Sections

During Fiscal Year 2017 there were hearings concerning 9,950 initial applications and 3,360 motions brought before the Commission's oil and gas ALJs, while 54 protested initial applications and motions were the subject of exception proceedings conducted by the oil and gas referee. There were also 253 initial oil and gas conservation applications heard and processed to final order, pursuant to the optional hearing procedure for uncontested spacing-related causes.

October 21, 2016, the 2016 Oil and Gas Institute was held at the Perkins Family Auditorium, Schusterman Learning Center, University of Oklahoma-Tulsa. Entitled “Dynamic Oklahoma,” the program featured Oklahoma Geological Survey Director Dr. Jeremy Boak, Commissioner Dana Murphy, several Oklahoma mineral attorneys and Commission staff members in individual presentations and panel discussions regarding current issues affecting Oklahoma’s energy economy. Approximately 200 persons attended the event. OAP staff members ALJ Andy Dunn, ALJ Rick Colaw, and ALJ David Leavitt participated in the program. These individuals, as well as ALJ Curtis Johnson, Stacy Marsee, Tramesha Teague, Salina Diffin, Erica Martin, Susie Dennis, Suz Culp, Tammie Shipman, and Director Michael Decker assisted with the seminar. The conference generated coverage in state-wide and local media.

The Public Utility and Consumer Services Sections

During Fiscal Year 2017, there were 290 public utility and consumer services causes heard.

From August 2016 to September 2016, OAP's public utility ALJs and support staff members developed a strategy for management of Oklahoma Universal Service Fund claim reconsideration applications pursuant to HB 2616 and the emergency rules covering the amended claim process, which became effective on August 18, 2016. The ALJs developed a management plan using a prehearing conference agreement process to deal with the accelerated 60-day period established by the new procedure for completion of ALJ review of Oklahoma Universal Service Fund reconsideration petitions. On September 2, 2016, OAP staff members met with staff members of the Public Utility Division, Office of the General Counsel and the Commissioners’ offices to outline the case management plan for Oklahoma Universal Service Fund reconsideration applications under the revised system.

From December 2016 to March 2017 the OAP group met weekly to sharpen the details of procedural and staffing strategies proposed for the plan. During the same time period, the OAP group met periodically with Public Utility Division (PUD) Director Brandy Wreath and staff member Fairo Mitchell to gain input from the Public Utility Division. On March 20, 2017, the group reviewed a draft proposal with the Director of Administration Tim Rhodes, Finance Division Director Holly George and PUD Director Brandy Wreath, and included their suggested changes. On March 24, 2017, a handbook incorporating the strategies was distributed to the Commissioners’ offices, the Administration Division, and the Public Utility Division for future comment and suggestions.

From January 2017 to March, 2017, the Public Utility ALJs, ALJ Jackie Miller, ALJ Ben Jackson, ALJ Mary Candler and support personnel Francie Ludwick, Geri Bowen, and Larry Lago worked with Director Decker and PUD Director Brandy Wreath and PUD staff member Fairo Mitchell to complete development of strategies for improving the turnaround time for public utility rate application hearings.

OAP staff members also assisted with the planning and execution of a three-day public utility issues training program, held March 14-16, 2017, presented by the National Regulatory Research Institute of Silver Springs, Maryland. The meeting was held in cooperation with the Oklahoma Bar Association (OBA) in the Emerson Conference Room in the OBA Center. The training opportunity attracted approximately 80 attendees.

The Transportation Section

During Fiscal Year 2017, the Transportation Docket experienced 37,450 docketed causes, resulting in hearings from which 80 final orders were issued in EN, MCC, and TD cases.
Rules of Practice

At the request of the Director of Administration, OAP ALJs participated in a one-month review process for possible 2017 amendments to the Commission’s Rules of Practice aimed at making the system more efficient. The committee, consisting of ALJ Jackie Miller, ALJ Elizabeth Cates, ALJ David Leavitt, ALJ Keith Thomas, ALJ Kathy McKeown, ALJ Patricia MacGuigan, Court Clerk Garey Wortham, and Director of Administrative Proceedings Michael Decker met with the Office of General Counsel’s Susan Conrad and Interim Director Michele Craig on several occasions to form concepts for rule amendments. Several of the amendments suggested by the committee were adopted by the Commissioners en banc and submitted to the Legislature in April 2017.
The Office of the General Counsel (OGC) provides advocacy and advisory legal services to the Commission, and represents the Commission and its staff in matters before federal and state administrative agencies and courts. Services are provided through seven specialized Sections:

- Commission Counsel;
- Consumer Services;
- Deliberations;
- Oil and Gas;
- Petroleum Storage Tank;
- Public Utilities; and
- Transportation.

The OGC prepares and litigates causes involving regulation of consumer services complaints, intrastate transportation, oil and gas, petroleum storage tanks, and public utilities. The Division also advises the Commission on compliance with federal and state matters and rulemaking. OGC
further provides legal research and advises the Commissioners in connection with deliberation of causes by the Commission.

**The Agency Counsel Section**

The Agency Counsel Section of the OGC is responsible for assisting the Division on all issues of law that affect the Commission and for providing representation in federal and state courts. The Section advises the Commission on issues to include, but not limited to:

- Authority for collecting and levying penalties;
- Bankruptcy and collection issues;
- Code of Judicial Conduct;
- Contracts and memorandum of understanding;
- Discovery;
- Ethics rules;
- Immigration issues;
- Jurisdiction issues;
- Meetings with the Oklahoma Attorney General;
- Notice of inquiries and rulemakings;
- Open meetings and open records laws;
- Personnel matters;
- Proposed legislation;
- Records retention;
- Reporting requirements;
- Requirements for Federal programs;
- Reviewing and drafting internal polices;
- Risk management matters;
- Settlement negotiations;
- Supreme Court appeals; and
- Additional legal matters.

The Section also represents the Commission on Appellate matters involving, but not limited to:

- Oil and Gas Conservation Docket orders;
- Oil and gas enforcement orders; and
- Orders denying reimbursement from the Oklahoma Universal Service Fund.

The Agency Counsel Section assists and coordinates representation of the Commission on causes requiring legal representation from outside counsel. The Section works 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 and personnel matters.

**The Consumer Services Section**

The Consumer Services Section provides legal assistance and representation to the Consumer Services Section of the Public Utility Division. The objective is to effectively represent the Section in:

- All matters filed at the Commission;
- Assist with legislation, research, and rulemaking;
- Conduct legal research;
- Prepare and prosecute legal matters; and
- Provide legal counsel.

**The Deliberations Section**

The Deliberations Section’s responsibilities include, but are not limited to:

- Drafting a daily memorandum to the Commissioners and their aides with a listing of causes and specific interests; and
- Studying all the orders on each Signing Agenda in order to provide answers to any questions asked by the Commissioners regarding a Signing Agenda item.

The daily memorandum includes a detailed description of each cause. The deliberating attorney(s) consults daily with the Commissioners, their aides, technical staff, Commission attorneys, and outside counsel regarding orders which pose questions of concern before they are brought before the Commissioners for their approval.

The deliberating attorneys further assist the Commissioners with respect to deliberations, en banc hearings, motions for oral argument on appeal and screenings.

**The Oil and Gas Section**

The Oil and Gas Section represents the Oil and Gas Conservation Division and advises staff on matters regarding enforcement of rules on oil and gas exploration, drilling and production, the Mineral Owners Escrow Account, the Oklahoma Energy Resources Board program, and the Environmental Protection Agency Brownfields program. This Section also works with other government agencies on environmental issues related to oil and gas.

Additionally, the attorneys in the Oil and Gas Section represent the Oil and Gas Conservation Division with cases before the Commission and Administrative Law Judges to enforce the laws of the State of Oklahoma; respond to public and internal inquiries; provide training and public outreach both in-house and to the public; and assist the Oil and Gas Conservation Division’s Induced Seismicity Department in drafting communications to oil and gas operators to advise them of guidelines and procedures being implemented to address induced seismic activity in the state.

The Section is also involved in the preparation and submission of Commission claims in bankruptcies filed by operators of oil and gas wells, prepares and files proposed rules and other required documents, conducts meetings with stakeholders and technical conferences on proposed rules and performs other actions in connection with rulemaking proceedings to clarify, streamline, and update language and procedures in Commission rules.

The Commission is charged with protecting the waters and lands of the State of Oklahoma against pollution. When necessary, the Section will represent the Oil and Gas Conservation Division in its filing of enforcement actions against oil and gas operators charged with pollution-related offenses. The Section also files applications to obtain the issuance of Commission orders authorizing the use of the State Fund to plug abandoned or improperly plugged wells which pose a potential or active threat for surface or subsurface pollution of fresh water, or which are purging or likely to purge deleterious substances
onto the surface of the lands in the vicinity of such wells. The State Fund is used when a responsible party for the well cannot be located or is financially unable to pay the cost of performing the necessary remedial work.

The Petroleum Storage Tank Section

The Petroleum Storage Tank Section provides legal assistance and representation to the Petroleum Storage Tank Division (PSTD). This Section’s responsibilities include, but are not limited to:

- Assistance with all (PSTD) matters filed at the Commission;
- Assistance with rulemaking;
- Drafting legislation;
- Interpretation of legislation;
- Legal counsel;
- Monitoring legislation of interest to the Commission;
- Preparation and prosecution of PSTD legal matters; and
- Research.

The Public Utility Section

The Public Utility Section represents the Public Utility Division in all causes filed with the Commission by the State’s regulated public utility companies including, but not limited to:

- General rate causes;
- Mergers and acquisitions;
- Pre-approval of utility projects;
- Tariff revisions; and
- Other matters.

Additionally, the Section represents the Public Utility Division in all causes filed with the Commission, the Federal Communications Commission, and the Federal Energy Regulatory Commission. These causes include, but are not limited to:

- Annual or special fuel adjustment clauses and prudence reviews;
- Commission notice of inquiries;
- Enforcement actions;
- Rulemakings;
- Show cause matters; and
- Other matters.

This Section also:

- Conducts meetings with stakeholders and hearings;
- Performs other actions in connection with rulemaking proceedings in order to clarify, streamline, and update language and procedures of the Commission rules;
- Prepares and files proposed rules and other required documents; and
- Provides legal advice to the Director of the Public Utility Division and its staff, assisting them by attending Technical Conferences, meetings with industry, and meetings with management and staff.

Public Utility Section attorneys also represent the Oklahoma Universal Service Fund Administrator in causes before the Commission and Administrative Law Judges. This activity includes, but is not limited to:

- Advises the Oklahoma Universal Service Fund Administrator and staff of legal issues;
- Attend on-site reviews;
Office of the General Counsel

- Conducting discovery;
- Conduct legal research;
- Drafting pleadings and orders;
- Hearings;
- Meet with Oklahoma Universal Service Fund analysts and management to perform bid reviews;
- Participate in policy discussions with attorneys and management;
- Peer review proposed determinations;
- Peer review proposed orders from other attorneys;
- Prepare applications and prosecute actions to revoke companies' Certificate of Convenience and Necessity for non-compliance with the Commission’s annual reporting;
- Prepare applications and prosecute causes for Oklahoma Universal Service Fund Contribution Factor;
- Presenting orders at Signing Agenda;
- Public Utility Fee Assessment and/or Oklahoma Universal Service Fund Assessment;
- Respond to public and internal inquiries;
- Review causes and provide legal advice for the Monthly Payment Team;
- Review data requests sent by analysts;
- Trial preparations; and
- Witness preparations.

The Transportation Section

The Commission is charged with regulation of commercial motor carriers, intrastate pipeline safety, and railroads. Household good movers, passenger carriers, private carriers, Transportation Network Companies, among others, also fall into this category. The Transportation Section assists in this mission by representing the Transportation Division during audits, facilitating rulemaking processes, ensuring licensure, fuel tax requirements, railroad crossing requirements, and pipeline safety requirements are all followed through enforcement actions, and prosecuting motor carrier citations issued by the Commission’s field officers.

The Transportation Section handles causes to include, but not limited to:

- Applications for hearing notice of assessment of motor vehicle excise tax;
- Rail crossing upgrades;
- Installation of rail crossing safety improvements or permanent closures;
- Reviews of railroad crossings;
- Revocation of International Registration Plan registration, International Fuel Tax Agreement permits, and intrastate authority to operate; and
- Waiver of penalty and disposition of motor carrier citations.
The Consumer Services Section

During Fiscal Year 2017, there were three applications filed by Consumer Services Section and four cases closed.

Causes of Interest

Causes Closed

During Fiscal Year 2017, along with several consumer complaints against utility companies that were closed, Office of the General Counsel closed numerous causes to include, but not limited to the following:

Causes Closed

OGC filed a major contempt action on behalf of the Public Utility Division against Easy Wireless for the use of invalid eligibility documentation in its enrollment of subscribers into the Federal Lifeline program, and the request of Federal Universal Service Fund support monies.

The Public Utility Division requested that the Commission order Easy Wireless to repay $58,053.75 to the Universal Service Administrative Company, revoke the Easy Wireless’ Eligible Telecommunications Carrier designation in the State of Oklahoma, and impose a fine of approximately $847,500. The hearing on the merits was held on June 14, 2017, and the Administrative Law Judge took the matter under advisement. Similar contempt complaints against additional telecommunications carriers will be filed in the near future.

Causes Closed

OGC filed this contempt action against Tag Mobile for violating mobile marketing rules and Lifeline Program rules, as set forth in OAC 165:55-23-1 et. seq. On August 16, 2016, the Commission issued its Final Order approving a settlement of the case with the following terms:

- Tag Mobile had demonstrated efforts to correct previous deficiencies and maintain compliance with Commission rules;
- Tag Mobile agreed to suspend new customer enrollments for 10-days from May 27, 2016, through June 5, 2016; and
- Tag Mobile agreed to make a voluntary payment of $5,000 to the Commission within 45-days of the Final Order adopting the settlement agreement terms in the case.

Causes Closed

OGC filed this contempt action against True Wireless for violating mobile marketing rules and Lifeline program rules, as set forth in OAC 165:55-23-1 et. seq. On January 24, 2017, the Commission issued its Final Order Approving Joint Stipulation and Settlement Agreement. Pursuant to the terms of the settlement agreement, the Commission ordered True Wireless to pay $2,500 to the Commission.

Causes Closed

The complaints in these causes alleged that True Wireless provided Lifeline services to consumers outside of its authorized service area, to duplicate subscribers, and violated mobile marketing rules. There was a joint settlement of all three of the above causes.

On November 30, 2016, the Commission issued its Final Order Approving Joint Stipulation and Settlement Agreement in all three causes, and ordered pursuant to the terms of the settlement that True Wireless pay $22,500 in penalties and reimbursement.

Causes Closed

OGC filed a show cause action against Windstream Nuvox Oklahoma, Inc. with regard to its contracting, marketing, and sales practices relative to a contract entered into with a healthcare entity. Pursuant to the terms of the settlement agreement and as part of the settlement agreement of Cause Number: PUD 201500342, Windstream Nuvox Oklahoma, Inc. made a voluntary payment of $5,000.
**The Oil and Gas Section**

During Fiscal Year 2017, the Oil and Gas Section filed applications for orders authorizing the use of the State Fund to plug 161 wells. Of the 161 wells, 28 wells were the subject of applications to plug said wells on an emergency basis, as three of the wells were located on school properties, three wells were close to residential properties, and 22 wells threatened pollution of fresh water and lands of the State. The State Funds applications regarding the remaining 133 wells were filed to protect the environment from potential pollution.

Rulemakings handled by the Section included amendments to rules regarding the venting and flaring of gas from wells, operations in hydrogen sulfide areas, monitoring and reporting for wells within areas of interest that concern seismic activity, addressing administrative shutdown of underground injection wells, increasing liner requirements for flow back water pits in hydrologically sensitive areas, commercial pits, commercial disposal well pits and commercial recycling facilities, and the Brownfields Program, facilitating beneficial use of real property and assistance to owners of properties which have seeping natural gas occurrences.

**The Petroleum Storage Tank Section**

**Causes of Interest**

*Cause Number: PSD 201600005*

During Fiscal Year 2017, the Petroleum Storage Tank Section handled an application for a hearing filed by a property owner to determine whether ownership of real property constitutes ownership of a tank system present on the property. The system in question was never operated by the property owner. In this case, the tanks were in use after November 8, 1984. The Petroleum Storage Tank Section argued that Title 17, Oklahoma Statutes §303, provides a definition of “owner” for tanks in use after November 8, 1984 which does not require present storage, dispensing, or use. Section attorneys are awaiting the appellate Oil and Gas Referee's report associated with this matter.

**The Public Utility Section**

**Causes of Interest**

*Cause Number: EN 201700073*

Northeast Rural Services, Inc. filed an application and later an amended notice requesting $17,395.90 for the lump sum period of July 1, 2015, through June 30, 2016, and a monthly recurring amount of $1,841.40 beginning on July 1, 2016 for providing one 100-Mbps Internet access line and one 100-Mbps wide area network line.

On August 22, 2016, the Oklahoma Universal Service Fund Administrator filed a Notice of Determination by the Administrator for Reimbursement from the Oklahoma Universal Service Fund for Chelsea Public Schools. It was determined that for funding year 2015, Northeast Rural Services, Inc. did not submit the lowest cost reasonable bid and sufficient justification was not provided to support the selection of Northeast Rural Services, Inc.’s bid without adjustments.

As a result, the OUSF Administrator adjusted the Oklahoma Universal Service Fund eligible cost to the lowest cost reasonable bid. This resulted in a disallowance in the amount of $13,235.75 to the lump sum amount requested and $1,386.00 to the monthly recurring amount requested. The OUSF Administrator determined that Northeast Rural Services, Inc., on behalf of Chelsea Public Schools, was entitled to a lump sum amount of $4,160.15, for dates of service beginning July 1, 2015 through June 20, 2016, and a monthly recurring support amount of $455.40 beginning on July 1, 2016.

On September 6, 2016, Northeast Rural Services, Inc. filed a Request for Reconsideration, submitting that the OUSF Administrator of the Public Utility Division erred in adjusting reimbursement to the lowest bid, and that the OUSF Administrator's adjustment was against the public's best interests. Northeast Rural Services, Inc. requested the Public Utility Division set aside the OUSF Administrator’s Determination and grant a lump sum support payment in the amount of $17,395.90, and a monthly recurring support payment of $1,841.40.

On November 4, 2016, the Administrative Law Judge filed an Expedited Report and Recommendation. The Administrative Law Judge recommended that the
The Commission not adopt at this time the Determination of the OUSF Administrator and enter an order granting Northeast Rural Services, Inc.’s, Request for Reconsideration. Further, the Administrative Law Judge recommended that the OUSF Administrator’s Determination be deemed premature until such time as the Commission addressed the Remand Order in Case Number: 114470 and/or the rules and statutes sought to be applied by Commission staff members are effective and applicable prior to bid submission or the entering into of the service contract of the applicant. On November 7, 2016, the Public Utility Section filed an Exception to the Administrative Law Judges’ Report, with oral arguments before the Commission en banc on December 5, 2016.

On January 4, 2017, the Commission issued a final order stating that Northeast Rural Services, Inc., should receive reimbursement from the Oklahoma Universal Service Fund in the lump sum amount of $4,160.15 for the period beginning July 1, 2015 through June 20, 2015, for Internet access and a wide area network line.

In the final order, the Commission made a finding that it would not be in the public’s best interest for the Oklahoma Universal Service Fund to fund the additional $13,303.68, sought by Northeast Rural Services, Inc., as the school district could have received comparable service at a lower cost. The Commission also found that Northeast Rural Services, Inc. should be reimbursed on a monthly recurring basis the amount of $455.40 for 100-Mbps wide area network line and $300.00 for the 100-Mbps Internet access service beginning on July 1, 2016. The Commission also added that the monthly recurring payment was conditional upon the provision of services.

This cause resulted in a savings to the contributors to the Oklahoma Universal Service Fund of approximately $30 thousand.

**Cause Number: PUD 201500208**

On December 1, 2016, the Commission issued an order modifying Order Number 657877 in the matter of Public Service Company of Oklahoma’s request for a rate increase. The order marked the conclusion of the cause and the Commission’s approval of a rate increase of approximately $14 million dollars for the electric utility, which had originally requested $130 million.

**The Transportation Section**

During Fiscal Year 2017, the Transportation Section handled 72 new cases and closed 56 cases.

Commission motor carrier field officers issued over 50 different forms of regulatory citations at the Commission’s ports of entry and weigh stations in FY 2017, including vehicle overweight violations, International Fuel Tax Agreement or International Registration Plan violations, and violations of Federal requirements on lease agreements and vehicle markings. The Section prosecuted all of the citations through the Commission’s administrative court system. Additionally, the Section assisted in yearly field officer training to update officers on legal changes and best practices for issuing citations.

**Causes of Interest**

**Cause Number: EN 201600156**

During Fiscal Year 2017, the Transportation Section also prosecuted an enforcement action against Oklahoma Natural Gas, a gas utility. It was shown the company violated a number of pipeline safety procedures that resulted in a home explosion in Oklahoma City. The company was fined $1,010,000 by the Commission. Commission’s order did not allow ONG to recover the fine from its Oklahoma customers.

The Transportation Section also implemented a rulemaking for two chapters in the Oklahoma Administrative Code, governing motor carriers and pipeline safety. As a result, the pipeline safety rules were updated with the latest incorporation of statutory law for the State of Oklahoma and the Code of Federal Regulations. The motor carrier rules were updated to include a wide variety of changes including wrecker company audits; removed redundant terminology, and allowed for the filing of quarterly fuel tax returns.
The Oil and Gas Conservation Division

IN THIS SECTION:

- The Field Operations Section
- The Pollution Abatement Section
- The Technical Services Section
- The Induced Seismicity Section
- The Public Assistance Section
Since 1915 the statutory responsibility for regulating the oil and gas exploration and production industries in Oklahoma has been delegated to the Corporation Commission. The Oil and Gas Conservation Division’s primary regulatory responsibilities are to:

- Abate and prevent any pollution that may result from oil and gas exploration and production activities;
- Prevent the waste of the State’s oil and gas resources; and

### Total Oil and Gas Conservation Division Employees for Fiscal Year 2017

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#### Technical Services Section

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#### Pollution Abatement Section

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#### Field Operations Section

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#### Induced Seismicity Section

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#### Public Assistance Section

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Oil and Gas Conservation Division

- Protect the correlative rights of all entities entitled to share in the proceeds, which are generated from the production and sale of oil and gas.

This Division’s mission statement further clarifies its focus for staff, stakeholders and the general public:

The mission of the Oil and Gas Conservation Division (OGCD) is to provide compliance, information, investigation, and permitting services to the oil and gas industry, landowners, mineral interests, 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 the public’s safety.

To accomplish this mission, OGCD is organized into three sections:

- Field Operations;
- Pollution Abatement; and
- Technical Services.

This Division’s staff consists of:

- Administrative Support;
- Field Personnel;
- Management staff; and
- Technical Specialists.

The Field Operations Section

Field Operations is responsible for overseeing all of the oil and gas drilling and production activities in the State of Oklahoma.

The purpose of the Field Operations Section 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.

This Section’s primary objectives are the prevention and mitigation of pollution. The Section’s work includes, but is not limited to:

- Well inspection;
- Ensuring proper plugging of wells;
- Ensuring that “good housekeeping” practices are followed on-site;
- Identifying and prioritizing wells that need to be plugged using state funds;
- Identifying, researching and referring abandoned oil field sites to the OERB; and
- Witnessing well mechanical integrity (“MIT or MITs”) tests.

Field Operations has four Field Offices located in:

- Ada;
- Bristow;
- Duncan; and
- Kingfisher.

The Pollution Abatement Section

The Pollution Abatement Section includes the following sub-sections:

- Underground Injection Control (UIC);
- Waste Management; and
- Brownfields.

The purpose of the Pollution Abatement Section is to provide underground injection control and environmental management services to OGCD field inspectors, the oil and gas industry, landowners and state/federal agencies in order to ensure the safe and responsible production of Oklahoma’s oil and gas resources.
The Underground Injection Control Sub-Section

UIC administers the Federal Underground Injection Control Well Program under the Safe Drinking Water Act and regulates the underground disposal of waste products and the injection of fluids to enhance recovery of oil and gas. The wells covered under this program include injection wells used in Enhanced Oil Recovery (EOR) operations and injection wells used for disposal of oilfield waste. The Environmental Protection Agency provides oversight and some funding for this program.

The Waste Management Sub-Section

Waste Management responsibilities include, but are not limited to:

- Monitoring and regulating disposal of waste resulting from oil and natural gas activity;
- Overseeing necessary clean-up and restoration efforts; and
- Response to pollution complaints.

The Brownfields Sub-Section

The Brownfields Sub-Section administers the Brownfields Program, which provides a process for individuals, companies and organizations to voluntarily investigate, remediate, and receive a release of liability for any pollution found on properties that were contaminated by historic oil field exploration and production activities or petroleum tanks.

The Technical Services Section

The Technical Services Section is organized into three sub-sections:

- Compliance;
- Document Handling; and
- Technical Review.

The purpose of the Technical Services Section is to provide compliance, document handling, and permitting services to the general public and the oil and gas industry.

The Compliance Sub-Section

Compliance responsibilities include, but are not limited to:

- Analysis and recommendations;
- Compilation and presentation of data and supporting filings;
- Ensuring compliance with testing;
- Ensuring that all operators in the State of Oklahoma maintain surety for plugging wells and remediating sites; and
- Reporting requirements for oil and gas wells completed in the State of Oklahoma.

The Document Handling Sub-Section

Document Handling is responsible for maintaining and processing the majority of the documents filed with the OGCD. These documents include, but are not limited to:

- Certificates of record search;
- Well logs;
- Drilling completion reports;
- Plugging reports; and
- Well transfers.

An important function of this Sub-Section is customer service. Industry representatives, mineral and surface owners, and other interested parties rely on this Sub-Section for much of the information concerning individual wells in Oklahoma.
The Technical Review Sub-Section

The Technical Review Sub-Section is responsible for ensuring that the various applications and orders meet the criteria for approval pursuant to Commission rules.

As part of the Commission’s goal to assist operators who qualify for tax relief incentives, the Sub-Section handles applications pertaining to requests for tax relief. These applications may be filed by the operators of wells that qualify pursuant to the provisions enacted by Title 68, Oklahoma Statutes §1001.

The Induced Seismicity Section

The Induced Seismicity Section (IS) is responsible for the monitoring and tracking of earthquake activity in Oklahoma, the formulation and implementation of measures to mitigate the risk of induced seismicity from oil and gas activity, working with the science community to further understanding of the issue of induced seismicity in Oklahoma, and working with other state agencies on the issue of induced seismicity.

The formation of the Section was made possible largely through a one-time Governor’s grant. Prior to the grant, the OGCD’s earthquake response was the responsibility of employees of the Pollution Abatement Section, who also had other duties. In order to ensure resources were sufficient to keep IS functional, the Oil and Gas Division Director also served as Pollution Abatement Manager.

The Public Assistance Section

The Public Assistance Section acts as the Commission contact for mineral and surface owners in their dealings with petroleum companies as well as serving as an information and referral center for oil and gas matters. Mineral and surface owners and members of the oil and gas industry call with a wide variety of questions and complaints, ranging from royalty payments and leasing to spacing, pooling, production volumes, and Commission rules and regulations.
The Induced Seismicity Section

One-time grants from the Governor, the OERB, and the Groundwater Protection Council provided OGCD with the opportunity to establish an Induced Seismicity Section as well as develop software programs and purchase equipment that greatly aided its response to induced seismicity. In Fiscal Year 2017, OGCD formulated and issued induced seismicity mitigation directives that covered an 11,000-square mile area and resulted in sharp reductions in the amount of oil and gas wastewater disposed into the Arbuckle formation. The actions are credited by researchers and the Environmental Protection Agency (EPA) with playing a key role in what appeared to be a gradual decline in earthquake activity. The OGCD also continued to play an active role on the Governor’s Induced Seismicity Council.

The Field Operations Section

In FY 2017 the Field Operations Section’s 55 field inspectors traveled over 1.2 million miles in the state and conducted 43,415 site inspections, 6,597 UIC inspections and 4,123 complaint investigations; as well as oversaw 1,416 well pluggings and 4,530 UIC Mechanical Integrity Tests. The Field Operations Section is responsible for identifying and referring abandoned oil field sites to the OERB. Almost all of the sites the OERB has remediated were referred by the Section.

In FY 2017, 395 sites were referred to the OERB and the Brownfields Sub-Section. Brownfields Sub-Section staff review the inspections and make notes of which ones are qualified for the Brownfields Program. The Brownfields Program is a potential backup, should the OERB decide not to address a given site.

Field Operations by District Office - FY 17

<table>
<thead>
<tr>
<th>Well Pluggings</th>
<th>258</th>
<th>472</th>
<th>477</th>
<th>1,153</th>
<th>462</th>
<th>1,343</th>
<th>213</th>
<th>657</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plugging Follow up</td>
<td>397</td>
<td>501</td>
<td>420</td>
<td>2,326</td>
<td>1,343</td>
<td>1,310</td>
<td>129</td>
<td>306</td>
</tr>
<tr>
<td>UIC Inspections</td>
<td>2,976</td>
<td>3,295</td>
<td>2,418</td>
<td>3,521</td>
<td>906</td>
<td>931</td>
<td>697</td>
<td>586</td>
</tr>
<tr>
<td>UIC NIPs</td>
<td>1,267</td>
<td>3,355</td>
<td>272</td>
<td>1,225</td>
<td>1,150</td>
<td>1,456</td>
<td>1,159</td>
<td>3,553</td>
</tr>
<tr>
<td>Complaint Investigation</td>
<td>1,126</td>
<td>1,693</td>
<td>1,185</td>
<td>2,197</td>
<td>1,186</td>
<td>2,002</td>
<td>694</td>
<td>1,593</td>
</tr>
<tr>
<td>Complaint Follow up</td>
<td>2,029</td>
<td>3,452</td>
<td>1,786</td>
<td>3,431</td>
<td>1,920</td>
<td>2,633</td>
<td>1,050</td>
<td>1,388</td>
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<tr>
<td>Well Testing</td>
<td>338</td>
<td>71</td>
<td>248</td>
<td>193.5</td>
<td>143</td>
<td>129</td>
<td>533</td>
<td>536</td>
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<tr>
<td>Site Inspections</td>
<td>10,529</td>
<td>4,088</td>
<td>8,241</td>
<td>3,136</td>
<td>11,356</td>
<td>5,398</td>
<td>11,658</td>
<td>5,020.5</td>
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<tr>
<td>Site (Oil Farming)</td>
<td>113</td>
<td>113</td>
<td>861</td>
<td>682</td>
<td>405</td>
<td>390</td>
<td>633</td>
<td>416</td>
</tr>
<tr>
<td>Reports/Paperwork</td>
<td>6,187</td>
<td>3,548</td>
<td>17,111</td>
<td>3,450</td>
<td>12,177</td>
<td>6,288</td>
<td>6,809</td>
<td>2,466</td>
</tr>
<tr>
<td>Telephone/Consultation</td>
<td>23,983</td>
<td>3,753</td>
<td>25,541</td>
<td>5,086</td>
<td>7,873</td>
<td>2,748</td>
<td>4,892</td>
<td>836</td>
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<tr>
<td>Court Appearance</td>
<td>325</td>
<td>117</td>
<td>54</td>
<td>193</td>
<td>198</td>
<td>252</td>
<td>102</td>
<td>197</td>
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<tr>
<td>Meetings</td>
<td>394</td>
<td>1,035</td>
<td>225</td>
<td>993</td>
<td>967</td>
<td>1,654</td>
<td>408</td>
<td>665.5</td>
</tr>
<tr>
<td>Sample Analysis</td>
<td>76</td>
<td>95</td>
<td>95</td>
<td>60</td>
<td>206</td>
<td>199</td>
<td>156</td>
<td>321</td>
</tr>
<tr>
<td>Other</td>
<td>167</td>
<td>406</td>
<td>250</td>
<td>676</td>
<td>1,771</td>
<td>1,500</td>
<td>757</td>
<td>1,065</td>
</tr>
<tr>
<td>Brownfields</td>
<td>96</td>
<td>48</td>
<td>42</td>
<td>44</td>
<td>25</td>
<td>20</td>
<td>5</td>
<td>48</td>
</tr>
<tr>
<td>TOTAL</td>
<td>49,278</td>
<td>24,639</td>
<td>59,396</td>
<td>25,570.5</td>
<td>42,681</td>
<td>28,312.5</td>
<td>31,265</td>
<td>22,554</td>
</tr>
</tbody>
</table>

Mileage

| 234,467 | 330,262 | 280,621 | 306,641 | 1,213,991 |
The Technical Services Section

The OGCD worked with stakeholders in developing a proposed emergency rule to initially govern the implementation of SB 867, which created the Creating the Oklahoma Energy Jobs Act of 2017. This law allows for the first time long lateral spacing units in any common source of supply in Oklahoma (previously restricted to unconventional plays, which were mainly shale formations). This is expected to cause a sharp increase in oil drilling and production activity in the State of Oklahoma. Permanent rules will be developed in Fiscal Year 2018.

The Compliance Sub-Section

During Fiscal Year 2017, the Compliance Sub-Section processed gas volume reports containing monthly production information on the 65,000 gas wells in the State of Oklahoma. The Sub-Section also reviewed 382 well tests. There were 316 new companies that filed Financial Assurance Mechanisms and Operator Agreements with the State. As of June 15, 2017, the State of Oklahoma had 3,058 active operators.

The Document Handling Sub-Section

During Fiscal Year 2017, the Document Handling Sub-Section processed:

- 1,084 Certificates of Record Search;
- 1,560 Completion Reports; and
- 11,933 Transfer of Operations.

The Technical Review Sub-Section

During Fiscal Year 2017, the Technical Review Sub-Section continued to conduct geological and technical reviews. The Sub-Section’s workload included:

- 563 requests for reviews of surface casing requirements to ensure that the State’s ground water resources were properly protected;
- 2,608 Applications to Drill, Recomplete, and Re-enter wells;
- 691 Increased Density Applications;
- 30 Applications for Installation of Vacuum Pumps;
- 957 Tax-Relief Applications;
- 92 Applications for Venting or Flaring of Casinghead Gas; and
- 2,150 applications for other forms of technical relief.

Well Record Research
The Pollution Abatement Section

The Section continued to be a major participant in the Governor’s Produced Water Working Group, which was tasked with investigating alternatives to produced water disposal.

A report and recommendations are expected in Fiscal Year 2018.

The Brownfields Sub-Section

- The former Prime Oil site is in the process of creating a re-development plan so that it may receive an EPA TBA;
- The East Sheridan Re-Development Project has had the oil and gas remediation part of its cleanup completed and site closure is imminent, pending the concurrent closure of the site by the Oklahoma Sub-Section of Environmental Quality Brownfields Program;
- The Creek County Landfill has completed remediation activities and Brownfields Sub-Section staff will review the Phase II results upon receipt; and
- The newest enrollee is the LL Males Storage Facility, which houses equipment, supplies, and vehicles for Roger Mills County District #1. The District enrolled the facility in hopes of having an old underground storage tank assessed and remediated if necessary.

In addition to site-specific projects, one Brownfields Sub-Section staff member is in charge of the Oklahoma Historical Aerial Digitization Project, which aims to gather, scan, and geo-reference all of the historic aerial photographs in the State of Oklahoma from the 1930s to the 1980s, in order to create a permanent digital record of how the State’s surface has changed throughout time, and make all of the data available to the public. Newly scanned and geo-referenced photographs are periodically given to the Office of Geographic Information for uploading to their OKMaps Data Viewer and FTP site.

The Brownfields Sub-Section staff is also working continuously to increase the functionality of the online Brownfields Program site tracking database.

The Underground Injection Control Sub-Section
Oil and Gas Conservation Division Highlights

Applications, Orders, and Reports Reviewed

Conservation and Pollution Prevention Applications
Oil and Gas Conservation Division Highlights

State Funds Wells

FY 2017 Plugging

<table>
<thead>
<tr>
<th>Category</th>
<th>Wells Plugged</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 1 wells plugged</td>
<td>1</td>
<td>Life threatening or an immediate danger to the environment or personal property</td>
</tr>
<tr>
<td>Category 2 wells plugged</td>
<td>11</td>
<td>Emergency – Potential environmental pollution, purging, etc.</td>
</tr>
<tr>
<td>Category 3 wells plugged</td>
<td>2</td>
<td>Potential danger to personal property</td>
</tr>
<tr>
<td>Category 4 wells plugged</td>
<td>19</td>
<td>Not life threatening and is not an immediate danger to the environment or personal property</td>
</tr>
<tr>
<td>Category 5 wells plugged</td>
<td>8</td>
<td>No immediate danger. Conditions have existed for many years and pose no immediate danger.</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td></td>
</tr>
</tbody>
</table>

Plugging Costs

[Bar chart showing plugging costs for each quarter]
Oil and Gas Conservation Division Highlights

The Public Assistance Section

Type of Call

How Complaints/Inquiries Received

Complaints by Category
The Petroleum Storage Tank Division (PSTD) is responsible for the administration of the Federal Underground Storage Tank (UST) Program in Oklahoma and has jurisdiction over aboveground and underground tanks containing antifreeze, aviation fuel, diesel, gasoline, kerosene, motor fuel, and motor oil (See Title 17, Oklahoma Statutes §301 et. seq.). The Petroleum Storage Tank program protects human health, safety and the environment, when a leak from a petroleum storage tank system disrupts vital services and/or contaminates soil and/or groundwater in Oklahoma. The PSTD is responsible for maintaining the storage tank program, including inspections at storage tank facilities, enforcement of rules, conducting risk assessments to determine the potential effects of exposure after a leak has occurred, developing and enforcing corrective actions or remediation plans at contaminated sites, provides alternative water supplies when necessary, provides emergency services if needed; and can impose administrative penalties and fines.

The Oklahoma Storage Tank Release Indemnity Fund (Indemnity Fund) was established by the Oklahoma Legislature in 1989 to assist petroleum storage tank owners with meeting a financial responsibility requirement for 1.5-million dollars of liability insurance for damages caused by a leaking petroleum storage tank system and reimburse owners and operators for corrective action costs resulting from the release. The Indemnity Fund Administrator ensures adequate funds are available for required corrective actions to take place to mitigate environmental, health, and safety threats to the public; and oversees all expenditures for the reimbursement of claims determined to be eligible. The Oklahoma Legislature established a one-cent
Petroleum Storage Tank Division

per gallon assessment on gasoline, diesel fuel, and blending materials at the distributor level, to provide the funding for the Indemnity Fund (See Title 17, Oklahoma Statutes §354; HB 1316, effective April 21, 1989).

The PSTD also administers the Oklahoma Leaking Underground Storage Tank Trust Fund (LUST Trust), which can be utilized when prompt action is required at leaking underground storage tank sites when the responsible party is unknown, unwilling, or unable to perform corrective action. Funding for the LUST Trust is provided by the Environmental Protection Agency (EPA) through assistance grants (See Title 17, Oklahoma Statutes §365).

The structure of Oklahoma’s program enables the PSTD to effectively enforce state and federal regulations for storage tank facilities, and effectively coordinate corrective actions at leaking petroleum storage tank sites, while maintaining solvency of the 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 is comprised of four departments:

- The Accounting Department;
- The Administration Department;
- The Compliance and Inspection Department; and
- The Technical Department.

The Accounting Department

The PSTD Comptroller manages the transactions and expenses of the Division; completes and submits grants to the EPA; provides reports and documentation to the Oklahoma Legislature, the Storage Tank Advisory Council, and the EPA; and oversees all expenditures to ensure Indemnity Fund payments are made in a timely manner.

The Administration Department

The Administration Department provides administrative support functions to the Division and is responsible for:

- Maintaining the storage tank database;
- Managing the operator training program;
- Invoicing, permitting, and registration of petroleum storage tanks;
- Scheduling tank installations, removals, and repairs;
- Licensing of Environmental Consultants and other professionals who install, monitor or remove petroleum storage tanks; and
- Handling public information requests and other customer service issues.

The Compliance and Inspection Department

Tank owners are required to be substantially compliant with applicable regulations in order to be eligible for reimbursement from the Indemnity Fund for corrective action that is required following a release from their storage tank system. Fine amounts for compliance

PSTD Accounting staff:

- Conduct audits of purchase orders and claims to ensure the efficient use of Indemnity Fund and EPA grant monies;
- Process payments for Indemnity Fund claims by reimbursing a portion of the costs of corrective actions caused by leaking petroleum storage tanks;
- Process tank permit fees and licensing payments; and
- Seek cost recovery of all LUST Trust grant monies expended.
Petroleum Storage Tank Division

violations are determined by an Administrative Law Judge. Once paid and the violation corrected, the tank owner may obtain a Substantial Compliance Certificate allowing them to be eligible for reimbursement from the Indemnity Fund should there be a release (See Title 17, Oklahoma Statutes §356; SB 342, effective May 23, 1997).

PSTD's Fuel Specialists enforce Commission regulations through inspections at regulated storage tank facilities. In the annual review of the storage tank program, the EPA noted PSTD's inspection program is one of the most active in the nation, far exceeding the three-year inspection standard mandated by the Energy Policy Act of 2005. Fuel Specialists perform an annual compliance inspection and two calibrations each year at all active retail facilities in the state, along with:

- Checking tanks for the presence of water and the quality of fuel sold;
- Measuring the octane rating and verifying the accuracy of dispensers;
- Reviewing tank system monitoring, testing, and other required record keeping;
- Investigating consumer complaints; and
- Assisting owners and operators with understanding the maintenance and operation of their petroleum storage tank system.

A variance to any provision of petroleum storage tank regulations may be sought by a tank owner through application, notice, and hearing. To ensure consistency and uniformity, formal enforcement is evaluated and determined by the Manager of Compliance and Inspection. Prior violations for the same offense, habitual negligence, or flagrant disregard for Commission rules may support seeking an administrative penalty after notice and hearing before an Administrative Law Judge. In determining the amount of the penalty, the Division considers the nature, circumstance, and gravity of the violation.

It is the responsibility of PSTD Compliance Analysts to:

- Assist Fuel Specialists on regulation enforcement;
- Review and approve the registration and closure of petroleum storage tanks;
- Perform facility file reviews for substantial compliance;
- Provide testimony in court proceedings;
- Resolve complaints; and
- Respond to calls from consumers, field personnel, and licensees.

The Technical Department

The Technical Department Project Environmental Analysts work directly with administering the Indemnity Fund to reimburse petroleum storage tank owners for eligible costs of corrective action performed at leaking petroleum storage tank sites. When a suspected or confirmed release occurs and a case is activated, all corrective action costs must be submitted to PSTD for review and pre-approval prior to any work commencing. This process ensures that only the work that actually needs to be conducted is reimbursed and allows the Indemnity Fund to continue to remain financially sound.

The PSTD Technical staff has direct environmental oversight for all corrective action performed at leaking petroleum storage tank sites and works with Licensed Environmental Consultants to determine the most appropriate corrective action to be taken. Project Environmental Analysts must be proficient in regulatory issues, remediation technologies (both in design and operation), and risk-based corrective action environmental assessments. Technical Department staff must also be well versed in the operations of the Indemnity Fund, as they are responsible for reviewing and approving corrective action expenditures associated with fuel release sites.
The greatest threat from a leaking storage tank is contamination of soil and groundwater. The PSTD Fuel Specialists assist owners and operators with the proper operation and maintenance of their storage tank system to prevent leaks. Oversight from the Division’s regulatory program and availability of funds from the Indemnity Fund allow for necessary corrective actions to take place in order to mitigate the associated environmental and safety threats to the public when a leak occurs.

A white calibration label is placed on all fuel dispensers at retail fueling facilities indicating the date the dispenser was last calibrated by a PSTD Fuel Specialist. If a dispenser is found to not be in compliance it will be locked down until it is replaced or repaired to comply with Commission standards. The label also has the phone number for the public to contact the Division to report issues with fuel quality or other problems encountered at the facility.

Petroleum storage tanks are a crucial part of the country's fueling infrastructure. It is important that storage tanks be constructed, maintained, and operated so that regulated substances are stored safely. As the country moves toward a more ethanol-based fuel and biodiesel, compatibility issues with these fuels and the material of the tank and associated equipment may cause more tanks to corrode and piping to split, as indicated in the photograph to the right. Ensuring tank systems are compatible with the substances they store is essential to preventing releases into the environment.
Below is an example of a PSTD remediation site, which made possible construction of the Devon Energy Center Building in Oklahoma City. The project involved the removal of 8,359 tons of contaminated soil and 66,814 gallons of contaminated groundwater. The pollution was caused by ancient, long abandoned, leaking underground fuel storage tanks. The $469,283.51 in costs associated with investigation and remediation was reimbursed by the Indemnity Fund.
The Accounting Department

During Fiscal Year 2017, the Indemnity Fund provided a total of $18,974,895 in reimbursement on approximately 1,236 claims. The average time for payment of an initial claim during Fiscal Year 2017 was 7.40 days and the average time for supplemental claims was 6.56 days. The Indemnity Fund closed the 2017 Fiscal Year with an unencumbered balance of approximately $117,055.

In FY17 the Indemnity Fund received approximately:

- $21,176,426 from assessments;
- $94,457 from co-pays; and
- $380,425 earned by investing reserve revenue in interest bearing cash management accounts.

The Administration Department

Installations, Removals, Licensing, and Permits

During Fiscal Year 2017, approximately 339 underground storage tanks and 81 aboveground storage tanks were removed from service. Concurrently, 98 underground storage tanks and 38 aboveground storage tanks were installed.

At the end of the Fiscal Year:

- 38,407 underground storage tanks and 7,381 aboveground storage tanks were registered;
- 4,410 tank permits were issued;
- 571 antifreeze licenses were issued;
- 111 Environmental Consultants were licensed; and
- 304 storage tank professionals were licensed.

In Fiscal Year 2017, PSTD collected $367,355 in licensing and permit fees.

PSTD Quarterly Assessment Amounts

- 1st Qtr: $5,634,345.67
- 2nd Qtr: $5,274,746.63
- 3rd Qtr: $5,113,840.59
- 4th Qtr: $5,153,493.40
Petroleum Storage Tank Division Highlights

For FY 2017, the Division collected:

- $60,525 in fines;
- $14,250 through SB 342; and
- $46,275 through enforcement actions.

The Technical Department

Petroleum Releases

The Division activated 113 new petroleum release cases, closed 111 cases, and had two emergency responses during the 2017 Fiscal Year. At the close of FY 17, PSTD had 402 active petroleum release cases in various stages of assessment, monitoring for natural attenuation of contamination, or more aggressive clean-up by remediation. Each PSTD Technical Department Project Environmental Analyst manages approximately 57 active cases. By the end of Fiscal Year 2017, the Division had closed approximately 5,400 petroleum release cases since the beginning of storage tank program in 1987.
The Compliance and Inspection Department

Inspections and Violations

During Fiscal Year 2017, PSTD Fuel Specialists performed 4,923 service station inspections, which represented 100-percent of the Oklahoma retail fueling facilities in Oklahoma. There were 73,169 pump calibrations checked, with 745 pump meters found to be out of calibration. Additionally, Fuel Specialists conducted 4,509 annual storage tank compliance inspections of motor fuel facilities, identified 271 water violations and investigated 791 complaints regarding purchased fuel quality.

Substantial Compliance, Variances, Fines, and Enforcement

During Fiscal Year 2017, 16 cases were filed and became eligible for reimbursement through the SB 342 process, and 52 enforcement complaints were heard and closed out.

PSTD Compliance Analysts researched and witnessed approximately 20 variance proceedings.
The Public Utility Division

IN THIS SECTION:

The Administration Department

The Compliance Department

The Consumer Services and Enforcement Department

The Energy Department

The Telecommunications Department

The Oklahoma Universal Service Fund Administration Department
The Public Utility Division (PUD) provides technical support and policy analysis to the Commission by:

- Acting as the Administrator of the Oklahoma Universal Service Fund (OUSF);
- Appearing as a party in ratemaking causes involving regulated utilities and providing data to the Commission to help the Commission make regulatory decisions that are in the public interest and result in the lowest reasonable cost for safe and reliable service;
- Enforcing compliance with applicable statutes and rules;
- Ensuring competitive, open, and workable markets in the telecommunications industry;
Ensuring reliable and safe public utility services are provided at the lowest reasonable cost; and

- Fulfilling constitutional and statutory obligations.

In these roles, PUD develops and presents fact-based independently researched objective findings, determinations and testimony to the Commission in filed causes.

PUD protects all Oklahoma ratepayers against unfair rate treatment by regulated utility monopolies and OUSF service providers. The Division also enforces federal and state statutes and rules related to public safety for some regulated entities.

The Division is comprised of six Departments:

- Administration;
- Compliance;
- Consumer Services and Enforcement;
- Energy;
- Telecommunications; and
- Oklahoma Universal Service Fund Administration.

### The Compliance Department

The Compliance Department staff serve as embedded auditors for the Division, responsible for managing the Change Management Team, Quality Control Process, and public reporting for PUD. The Change Management Process is an ongoing process of internal reviews designed to alleviate duplicative efforts and inefficient processes. The Quality Control Process is a qualitative process designed to track progress for all job families in relation to strategic goals.

### The Consumer Services and Enforcement Department

The Consumer Services and Enforcement Department is responsible for handling incoming consumer complaints and enforcing Division-related rules across the state. The Department has a call center, which handles incoming calls, walk-in complaints, electronic mail complaints, and social media outreach. Field enforcement is handled through a statewide monitoring program of all regulated facilities. Additionally, the Department has a public outreach arm that conducts educational programs across the State to inform at-risk citizens of their rights under the law.

### The Energy Department

The Energy Department is responsible for ensuring the Commission meets its mandate of safe and reliable service at a fair cost, involving all regulated monopolies in the field of electric, gas, and water distribution, as well as cotton gin regulation. The Department is comprised of experts who serve as witnesses in litigated matters before the Commission. The Department is also responsible for audit and prudence determinations of billions of dollars annually.
Public Utility Division

The Department participates in energy efficiency program oversight, managerial and ownership changes, and federal compliance plan reviews. Assigned staff serve as representatives for Oklahoma to the Southwest Power Pool (SPP), which is the federally designated regional transmission authority.

**The Telecommunications Department**

The Telecommunications Department is responsible for overseeing the telecommunications companies within the State of Oklahoma. This includes review of applicable tariffs, recommending new participating companies in the State, Lifeline services, interconnections, and federal program involvement. Work within the Department has saved Oklahomans hundreds of millions of dollars over the last few years.

**The Oklahoma Universal Service Fund Administration Department**

The OUSF Administration Department is responsible for managing the legislatively created Oklahoma Universal Service Fund. This Fund was designed to ensure reasonably priced universal telephone service for all Oklahomans. Additionally, the program provides internet access support to eligible Oklahoma schools, libraries, and healthcare facilities. The Department processes hundreds of payment requests monthly and ensures statutory compliance and protection for ratepayers through audits and defined processes. Efforts have aided in adding significant bandwidth at lower prices to OUSF beneficiaries.
The Administration Department

PUD completed a project to perform a review of all of its Audit Programs and established a combined, comprehensive Procedures Manual to support the Audit Programs.

Caseload Statistics PUD Applications and Submissions
Fiscal Year 2017

Number of Regulated Companies by Industry
Fiscal Year 2017
The Consumer Services and Enforcement Department

After months of preparation with Oklahoma Management and Enterprise Services (OMES), the Consumer Services and Enforcement Department completed the conversion to a new telephone system in FY 17. The Voice Over Internet Protocol (VOIP) system provides more services with no need to buy, maintain, or upgrade hardware. This advanced system allows the Department flexibility and greater efficiencies in providing consumer service.

During Fiscal Year 2017, two enforcement causes were filed. The PUD Enforcement team was very active during the second half of the Fiscal Year, responding to natural disasters that resulted in service interruptions for both electric and natural gas consumers within the State of Oklahoma.

On April 29, 2017, a large storm with high winds and heavy rains caused damage across the Oklahoma City metro area. This resulted in fallen power lines on public roadways and approximately 40,000 consumers being without power. Commission Enforcement Investigators quickly responded to the area of the State Fair Park and assisted local law enforcement in diverting traffic around debris and downed power lines and poles. Investigators also surveyed other areas with damage and reported any public safety issues found to utility representatives.

On May 16, 2017, a tornado struck Elk City, Oklahoma. The tornado damaged at least 100 structures with reports of approximately 3,000 power outages. Commission Enforcement Investigators responded to the area, met with residents who were impacted by the storm and utility representatives that were on site. Elk City sustained heavy damage to transmission lines and utility poles.

While surveying a nearby area, Commission Enforcement Investigators discovered a site with an oil storage tank that sustained storm damage. Commission Enforcement Investigators immediately contacted the Commission’s Oil and Gas Division.
The Energy Department

During Fiscal Year 2017, there were 19 causes filed and 18 causes closed.

Causes of Interest

Cause Number: PUD 201600468

On December 21, 2016, the Empire District Electric Company filed a rate cause seeking an overall increase of approximately $3.8 million in Oklahoma revenues, an increase of 27.28 percent. On May 25, 2017, PUD filed its proposed findings of fact and conclusions of law, and all parties filed exceptions to the Administrative Law Judge’s recommendation report on June 16, 2017.

Cause Number: PUD 201500273

On July 28, 2015, Oklahoma Gas and Electric (OG&E) filed a rate application seeking an increase of approximately $93 million dollars. On March 20, 2017, the Commission issued its final order (Order No. 662059), granting a revenue increase of $8,803,215.

Cause Number: PUD 201500208

On May 14, 2015, Public Service Company (PSO) of Oklahoma filed a rate application, seeking an increase of approximately $84 million dollars. After hearing exceptions to the Administrative Law Judge’s report, the Commission issued its final order (Order No. 657877) on November 10, 2016, granting a revenue increase of $14,469,574.

Reliability Summary

Cause Number: PUD 201500273

OG&E spent $12,686,723 of an approved $15,000,000 in capital costs, and another $10,923,738 of an approved $10,950,000 in overhead and maintenance. As a result of PUD’s recommendation issued in the Commission's final order (Order No. 662059), on March 20, 2017, OG&E no longer has a rider for system hardening and vegetation management. However, according to OAC 165:35-25-15, OG&E is required to maintain a four-year vegetation management cycle. Due to the closure of the rider, the dollars expensed for these activities in the future are to be collected through base rates.

Cause Number: PUD 201500208

PUD reviewed PSO’s Distribution System Reliability Expenses of $12,134,665 and corresponding Capital Carrying Costs of $1,795,880. Because of the Division’s recommendation issued by the Commission’s final orders (Order Nos. 657877 and 658529), PSO will no longer have a rider for system hardening and vegetation management. Final Order No. 6585829 allowed for the System Reliability Rider to remain in effect for the limited purpose of providing for recovery of the unrecovered balance of the vegetation management O&M expense incurred prior to the effective date of the new tariff. Due to the closure of the rider, the dollars expensed for these activities are to be collected in the future through base rates. Additionally, PSO is required to maintain a four-year vegetation management cycle.

Transmission Summary

During Fiscal Year 2017, four transmission causes were filed and PUD closed two causes. The Division continued to actively monitor and participate in the following Southwest Power Pool (SPP) working groups:

- Board of Directors/Members Committee;
- Change Working Group;
- Competitive Transmission Process Task Force;
- Cost Allocation Working Group (CAWG);
- Economic Studies Working Group;
- Markets and Operations Policy Committee;
- Market Working Group;
- Project Cost Working Group;
- Regional Allocation Review Task Force;
- Regional State Committee;
- Regional Tariff Working Group;
- Settlement User Group;
- Supply Adequacy Working Group;
- Strategic Planning Committee (including task forces on FERC Order 1000, Export Pricing, and expanding SPP membership); and
- Transmission Working Group.

On July 28, 2016, OG&E and PSO reported to the Commission on the second-year performance of the Integrated Marketplace (IM). SPP reported a current total of 172 market participants, 695 generating resources, and SPP’s 2016 coincident peak load of
50,622 MW on July 21, 2016. SPP reported second-year annual net savings from the IM to be $422 million, leaving SPP expecting cumulative benefits to the region from the IM topping one-billion dollars in September of 2016.

**Southwest Power Pool Working Groups**

**Regional State Committee**

At its quarterly meeting in Little Rock, Arkansas, on October 24, 2016, the Regional State Committee (RSC) voted on and passed the New Member Cost Allocation Review Process.

At the next quarterly meeting in Dallas, Texas, on January 30, 2017, the RSC approved the following items:

- Annual RSC audit services;
- CAWG resolution regarding the Aggregate Study Waiver Criteria with an annual review in the near term;
- Established an RSC nomination committee; and
- Revision Request 187 for Capacity Margin Task Force policy package tariff language.

At the following quarterly meeting on April 17, 2017, in Dallas, Texas, the RSC voted unanimously to accept the Seams Project Policy Paper, setting up the cost allocation and procedure for analysis of non-Order 1000 interregional projects. The RSC voted unanimously to approve 100 percent regional funding of SPP’s share of the Morgan Transformer project and reviewed three Revision Requests during the meeting and found none of them inconsistent with prior guidance given by the RSC. The Revision Requests approved the following:

- RR 202 - Network Customers Obligation for Re-dispatch Costs;
- RR 203 - Monthly Auction Revenue Rights Allocation Process; and
- RR 208 - Transmission Planning Improvement Task Force Tariff Revisions.

The RSC continued its discussion of the Aggregate Study Safe Harbor Review, as the CAWG is continuing its analysis of whether the $180,000 per megawatt Safe Harbor amount is appropriate. Additionally, the CAWG continues to work on its future reviews of the Aggregate Study Safe Harbor waiver criteria, including the 20 percent wind criterion.

The RSC reviewed a tariff revision request related to the work of the Regional Allocation Review Task Force; RR 223 - Regional Cost Allocation Review (RCAR) Frequency Change. The proposed request changes how often a RCAR must occur from at least once every three years to at least once every six years.

**Board of Directors**

The Board of Directors (BOD) held its annual meeting in Little Rock, Arkansas, on October 25, 2016. The BOD approved revisions to the:

- PCWG and SAWG;
- 2017 Industry Expert Pool for competitive projects;
- Eight market revision requests from the MWG;
- Three revision requests from the RTWG;
- One revision request from the Operating Reliability Working Group and Business Practices Working Group; and
- PCWG project cost variance report relating to the NW Texarkana 345 kV project.

Due to historic flooding in the Red River Valley, this project had cost overruns that exceeded the PCWG’s 20 percent threshold, which required the BOD to approve.

During its January 31, 2017 quarterly meeting in Dallas, Texas, the BOD approved the following items:

- MOPC recommendations - MWG - RR 191 - Re-pricing Timelines and Requirements and RR 198 - Variable Demand Curves;
- ORWG - RR 134 - Outage Scheduler Derate Threshold and RR 195 - Creation of RC and BA Data Specification Documents;
- RTWG - RR 197 - 2016 FCA Annual Update;
- TWG - 2017 ITPNT NTC Re-evaluations;
- PCWG - Out of Bandwidth Projects;
- TPITF - White Paper recommendation;
Public Utility Division Highlights

- Staff - NTC modifications (MIDW Ratings Change, SPS Topology Change) and 2017 STEP Report; and
- 2017 ITP10 portfolio of projects with the exception of the Potter to Tolk 345 kV line with further evaluation from staff and to report back to the BOD in April and RR 187 - Planning Reserve Margin Tariff language.

At the April 25, 2017, quarterly meeting in Tulsa, Oklahoma, the BOD and Members Committee approved RR 125 - Removal of Day-Ahead Limited Must-Offer, which removes the day-ahead limited must-offer, as it is not necessary in the market. Its removal reduces the workload for SPP. The BOD remanded RR 214 - Cost Plus 10 Percent Mitigation Enhancement to the Market and Operations Policy Committee and the Market Working Group for further review.

Members voted to approve the removal of the Potter to Tolk 345 kV line from the 2017 ITP10 portfolio. SPP staff members shall conduct a high priority study to assess the needs in the Texas panhandle related to the Potter to Tolk 345 kV line, and other areas with severe congestion, by April 2018.

The Committee also approved the Seams Steering Committee minutes (revisions to the seams projects policy paper and the 2017 ITPNT portfolio).

Market Operations Policy Committee

During the May 2017 meeting, the Market Operations Policy Committee approved RR 230, which lowers the Capacity Margin effective June 1, 2017, until 10-business days after the Federal Energy Regulatory Commission (FERC) takes action on RR 187 (ER 17-1098).

Clean Power Plan

During the public comment period ahead of the Environmental Protection Agency’s issuance on August 3, 2015 of its Clean Power Plan Final Rule to cut carbon emissions from existing United States electric power plants, the SPP submitted comments, analysis, and conclusions. On February 9, 2016 the United States Supreme Court granted a stay, halting implementation of the Clean Power Plan pending the resolution of legal challenges to the program. Currently, the Clean Power Plan Final Rule remains frozen and State compliance deadlines under the rule are no longer certain.

Fuel Audits and Reviews Summary

During Fiscal Year 2017, PUD began processing its annual Fuel Audits and Prudence Reviews covering Calendar Year 2015, for an estimated cost of 1.8 billion dollars. These included:

- Three investor owned electric utilities;
- Five electric cooperatives; and
- Seven natural gas utilities.

Natural Gas Summary

During Fiscal Year 2017, 12 new natural gas causes were filed and PUD closed 14 causes.

Water Summary

During Fiscal Year 2017, five water causes were filed and PUD closed two causes.

The Telecommunications Department

During Fiscal Year 2017, PUD continued its investigation in regard to potential abuse of the Federal Lifeline Program. The Division investigated the eligibility verification and document review practices of several Eligible Telecommunications Carriers (ETC), with a focus on the Bureau of Indian Affairs (BIA) General Assistance Program. PUD continued its investigations regarding compliance with the Commission’s mobile marketing rules. These efforts included an investigation of ETCs’ designation of the Lifeline customer’s locations as “tribal” or “non-tribal,” pursuant to the new tribal boundary definition implemented by the Federal Communications Commission (FCC).

PUD continued to review compliance efforts of ETCs with new eligibility requirements adopted by the FCC, effective December 2, 2016. Several low-income programs that were previously used for
determining eligibility for the Lifeline Program, such as the Free School Lunch Program and the Low Income Heating Assistance Program, no longer qualified customers for a Lifeline discount on their telephone services.

<table>
<thead>
<tr>
<th>Audits Conducted</th>
<th>Violations Discovered</th>
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</thead>
<tbody>
<tr>
<td>182</td>
<td>230</td>
</tr>
</tbody>
</table>

During Fiscal Year 2017, PUD closed four telecommunication Show-Cause actions. There were also 53 causes for approval of interconnection agreements/amendments and 53 causes closed.

Tariff revisions continued to be filed during the Fiscal Year, to comply with FCC rules governing switched access rates and inmate operator services. The Department received 18 causes for such tariff revisions and closed 27 causes. The Department also received four tariff approvals and closed two tariff approvals during Fiscal Year 2017.

The Department closed five enforcement actions with the following telecommunications companies:

- Easy Wireless (Cause No. EN 201300117);
- TAG Mobile (Cause No. EN 201600037);
- TAG Mobile (Cause No. EN 201300116);
- True Wireless (Cause No. EN 201600094); and
- True Wireless (Cause No. EN 201300115).

PUD determined and filed enforcement causes against Lifeline providers that were found to be in noncompliance with mobile marketing rules and for providing Lifeline services outside of the ETC’s service area. PUD monitored and reviewed customer lists and conducted on site audits at various tent and retail locations throughout Oklahoma. PUD determined that these specific companies provided Lifeline services outside of their designated service areas, in violation of Commission orders designating them as ETCs.

**Causes of Interest**

**Cause Number: PUD 201300014**

True Wireless was investigated for potential abuse, fraud, and waste within the Lifeline Program. This investigation included the review of current and historical subscriber data and operational processes.

**Cause Number: EN 201600037 and EN 2013000117**

The Division entered into a settlement agreement with TAG Mobile on May 26, 2016, which the Administrative Law Judge approved after the hearing on the merits and the Commission approved on August 16, 2016. Because of the settlement agreement, TAG Mobile paid the Commission $5,000 and suspended enrollment of customers for 10 days. Additionally, the Commission issued an order approving a stipulated settlement agreement closing both causes.

**Certificates of Convenience and Necessity**

During Fiscal Year 2017, the Division filed one cause requesting cancellation of Certificates of Convenience and Necessity (CCN) and closed 17 causes. PUD also filed one cause requesting to revoke a CCN and closed 44 revocation causes. There were 10 causes filed requesting CCNs and 15 request causes closed.

**Arbitrations and Complaints**

PUD filed a Show Cause application (Cause No. PUD 201200150), in which the Division monitored the trouble reports of the Oklahoma Western Telephone Company. Since the opening of the cause, trouble reports have decreased. Medicine Park Telephone Company purchased Oklahoma Western Telephone Company. PUD anticipates the action will result in a switch upgrade, so the cause has been closed.

**Eligible Telecommunications Carrier (ETC) Designations**

During Fiscal Year 2017, four applications were filed requesting to relinquish ETC designation and PUD closed two ETC relinquishment causes. Four final orders were also issued granting relinquishment.
Additionally, various common carriers filed petitions at the FCC for Federal designation as Lifeline Broadband Provider (LBP) ETCs. This would include operations in Oklahoma. The Division has therefore filed requests with the FCC to hold such petitions in abeyance, pending action by the Washington D.C. Circuit and the FCC. At the close of Fiscal Year 2017, there were four LBP ETC designations granted. However, the FCC subsequently issued an order revoking the LBP ETC designation orders from December to January. This included the four Oklahoma designations for carriers.

The Division also received four applications for ETC designations from companies that had previously sought designation from the FCC as LBP ETCs, to which PUD had filed objections.

Based on PUD’s efforts to remind all existing ETCs of their obligations to provide service throughout the area in which they have been designated as an ETC, and after conversations between PUD and one ETC, the ETC filed to amend its ETC designated service territory to ensure that it could meet its obligations to provide services. Throughout the Fiscal Year, the Division continued its review of service territory capabilities.

The Division reviewed the annual FCC Form 481 reports as well as any confidential information required to be included with the FCC Form 481. This information is an integral component of the analysis PUD performs annually in providing the annual certification in accordance with U.S.C. 47 C.F.R. §54.314.

The Oklahoma Universal Service Fund Administration Department

The high volume of requests for funding from the OUSF continued throughout Fiscal Year 2017. Although most requests for funding were timelier than in previous fiscal years, there continued to be issues, which resulted in disallowances in funding. These disallowances included:

- Carriers seeking funding beyond 18 months from the date of the Request for OUSF Funding;
- Selections made by public school districts for an internet access provider which were not in the best interests of the OUSF due to an unsupported increase in cost to the OUSF;
- Failure to file sufficient documentation to support requests for Primary Universal Service funding; and
- Failure to seek federal funding for which the OUSF beneficiary would have been eligible.
Since the passage of HB 2616, the new administrative process for OUSF has provided efficiencies. These have allowed public schools, public libraries and eligible healthcare facilities to improve their decision-making process, resulting in a decrease in disallowances of requested funding compared to the previous fiscal year. In addition, the time spent by the Department on OUSF requests has decreased.

During Fiscal Year 2017, Arledge & Associates, P.C., completed an independent auditor's report concerning the OUSF for fiscal years 2013, 2014, and 2015. The findings are as follows:

- OUSF Fund Manager, GVNW should implement a double entry accounting system. This recommendation was implemented during Fiscal Year 2017;

- OUSF Fund Manager, GVNW should contract or utilize a Certified Public Accountant (CPA) to perform systematic reviews. It is the OUSF Administrator's belief that the Division has fulfilled this recommendation with reviews performed by in-house staff members who are CPAs. Additionally, OUSF Fund Manager, GVNW has assigned a CPA to review monthly reporting;

- OUSF Fund Manager, GVNW should develop a written policy and procedure. During Fiscal Year 2017, OUSF Fund Manager, GVNW created policies and procedures that combined the Division's policies and procedures into one document; and

- Recommend the approval of an OUSF factor. During Fiscal Year 2017, the Commission has approved an interim OUSF factor.
The Transportation Division

IN THIS SECTION:

The Administrative Services Department

The Administrative Support Section

The Enforcement Support Section

The Regulation Department

The Motor Carrier Requirements Section

The IFTA/IRP Section

The Audit Sub-Section

The IFTA/IRP Administration Sub-Section

The Nonconsensual Towing Sub-Section

The Enforcement Department

The Motor Carrier Enforcement Section

The Railroad Section

The Pipeline Safety Department
Transportation Division Overview

The Transportation Division (TR) administers and enforces the following:

- Commission rules;
- Federal and State laws; and
- International and Interstate Compacts;

as they apply to the following:

- Commercial Motor Vehicles;
- Motor Carriers;

- Pipeline Safety; and
- Railroad Safety.

The Division is comprised of four Departments:

- Administrative Services Department (AS Department);
- Regulation (REG Department);
- Enforcement (ENF Department); and
- Pipeline Safety (PLS Department).

<table>
<thead>
<tr>
<th>Total Transportation Division Employees for Fiscal Year 2017</th>
<th>180</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>1</td>
</tr>
<tr>
<td>Director</td>
<td>1</td>
</tr>
<tr>
<td>Administrative Services Department</td>
<td>10</td>
</tr>
<tr>
<td>Regulatory Program Manager</td>
<td>1</td>
</tr>
<tr>
<td>Administrative Program Managers</td>
<td>4</td>
</tr>
<tr>
<td>Administrative Assistants</td>
<td>5</td>
</tr>
<tr>
<td>Regulation Department</td>
<td>43</td>
</tr>
<tr>
<td>Regulatory Program Managers</td>
<td>4</td>
</tr>
<tr>
<td>Administrative Program Manager</td>
<td>1</td>
</tr>
<tr>
<td>Auditors</td>
<td>19</td>
</tr>
<tr>
<td>Transportation Customer Specialists</td>
<td>18</td>
</tr>
<tr>
<td>Information System Management Specialist</td>
<td>1</td>
</tr>
<tr>
<td>Enforcement Department</td>
<td>107</td>
</tr>
<tr>
<td>Regulatory Program Managers</td>
<td>2</td>
</tr>
<tr>
<td>Administrative Program Manager</td>
<td>1</td>
</tr>
<tr>
<td>Motor Carrier Enforcement Officers</td>
<td>64</td>
</tr>
<tr>
<td>Motor Vehicle Enforcement Officers</td>
<td>37</td>
</tr>
<tr>
<td>Administrative Assistants</td>
<td>3</td>
</tr>
<tr>
<td>Pipeline Safety Department</td>
<td>19</td>
</tr>
<tr>
<td>Regulatory Program Managers</td>
<td>3</td>
</tr>
<tr>
<td>Pipeline Safety Specialists</td>
<td>14</td>
</tr>
<tr>
<td>Administrative Program Officers</td>
<td>2</td>
</tr>
</tbody>
</table>
The Administrative Services Department

The Administrative Support Section

The Administrative Support Section is responsible for:

- Human resources and budget related functions;
- Fleet tracking;
- Inventory;
- Purchasing;
- Travel;
- Legislative tracking;
- CLEET requirements coordination;
- Training coordination; and
- Support of the Division’s management.

The Enforcement Support Section

The Enforcement Support Section (ENF Support) is responsible for support of all motor carrier and motor vehicle enforcement activities, to include:

- Citation/warning tracking;
- Fine tracking;
- Leniency requests and citation dockets;
- Officer activity reporting; and
- Site visit inspection tracking.

The Regulation Department

The Motor Carrier Requirements Section

The Motor Carrier Requirements Section (MC Requirements) is responsible for:

- Administering the Unified Carrier Registration Program (UCR Program) for Oklahoma motor carriers;
- Certifying household goods carriers;
- Issuing permits for transportation of deleterious substances; and
- Licensing and permitting of intrastate for-hire and private carriers, including passenger carriers.

There are more than 7,958 for-hire and private carriers licensed to operate in interstate and intrastate commerce. All for-hire and private intrastate motor carriers must comply with administrative requirements and insurance standards in order to obtain and hold certificates or licenses to operate within the State of Oklahoma. Oklahoma has 63 carriers authorized to transport household goods within its borders.

The IFTA/IRP Section

The International Fuel Tax Agreement (IFTA) and International Registration Plan (IRP) Section (IFTA/IRP) is comprised of three Sub-Sections:

- Audit;
- IFTA/IRP Administration; and
- Nonconsensual Towing.
Transportation Division

The Audit Sub-Section

The Audit Sub-Section is responsible for auditing registrants to ensure compliance with the IFTA and IRP Compacts, as well as compliance with Commission rules and Oklahoma statutes. The Sub-Section is responsible for ensuring proper payment of registration fees and fuel taxes by reviewing records to verify reported distances, distance allocations, and motor fuel purchases.

The IFTA/IRP Administration Sub-Section

The IFTA/IRP Administration Sub-Section is responsible for ensuring the proper licensing and registration of commercial vehicles used in interstate operations under the IFTA and IRP Compacts. Walk-in and mail-in applicants are served by this Sub-Section.

The Nonconsensual Towing Sub-Section

The Nonconsensual Towing Sub-Section is responsible for administering the Nonconsensual Towing Act of 2011, which assigned the Commission authority over rates charged for nonconsensual towing and storage.

The Enforcement Department

The Motor Carrier Enforcement Section

The Motor Carrier Enforcement Section (MCE) is responsible for checking for-hire and private motor carriers for compliance with Commission rules, federal regulations, and Oklahoma state statutes which govern commercial vehicles and interstate and intrastate motor carriers. This Section is also responsible for:

- Conducting complaint investigations to include, but not limited to, illegal dumping of deleterious substances; and
- Performing overweight audits of motor carriers and shippers.

The Railroad Section

The Railroad Section is responsible for enforcing state rules and regulations on rail company right-of-way fencing and at-grade rail crossing maintenance and safety.

The Pipeline Safety Department

The Pipeline Safety Department is responsible for enforcement and inspection authority over 218 natural gas operators and 31 hazardous liquid operators. These companies operate over 45,470 miles of natural gas pipeline and 5,113 miles of hazardous liquid pipeline throughout the State of Oklahoma. This Department conducts on-site inspections of the pipeline operators’ facilities and records, as regulations cover the abandonment, construction, design, maintenance and operation of operators’ pipeline facilities.

This Department is funded through an assessment paid by the pipeline operators, and by a federal reimbursement. 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 annually evaluates Oklahoma’s Natural Gas and Hazardous Liquid Pipeline Safety Programs and assigns a proficiency rating to each program.
The Administrative Services Department

The Administrative Support Section

Over the course of Fiscal Year 2017, 39 officer positions and 12 office positions were filled, bringing total Division employees to 185 as of June 30, 2017. In the beginning of Fiscal Year 2017, 27 officer positions and one administrative position were funded as a result of SB 1059. Of those 28 positions, 24 were filled in Fiscal Year 2017.

The Regulation Department

The Motor Carrier Requirements Section

The Ohio Public Utility Commission announced it is pulling out of the Alliance for Hazardous Materials Procedures (a hazardous material/waste registration program). The Alliance, of which Oklahoma is a member, has been meeting via conference calls regularly since Ohio's formal announcement to discuss other states' plans to pick up additional carriers under their registration program.

<table>
<thead>
<tr>
<th>Insurance Filings Processed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017  8,377  ↓  134</td>
</tr>
<tr>
<td>2016  8,511  ↓  537</td>
</tr>
<tr>
<td>2015  9,048  ↓  310</td>
</tr>
<tr>
<td>2014  9,358  ↑  405</td>
</tr>
<tr>
<td>2013  8,953  ↑  --</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Hazardous Waste Credentials Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017  75  ↑  6</td>
</tr>
<tr>
<td>2016  69  ↑  2</td>
</tr>
<tr>
<td>2015  67  ↑  15</td>
</tr>
<tr>
<td>2014  52  ↓  8</td>
</tr>
<tr>
<td>2013  60  ↑  --</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Deleterious Substance Transport Permits Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017  424  ↑  28</td>
</tr>
<tr>
<td>2016  396  ↓  25</td>
</tr>
<tr>
<td>2015  421  ↑  22</td>
</tr>
<tr>
<td>2014  399  ↓  52</td>
</tr>
<tr>
<td>2013  451  ↑  --</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Motor Carrier Operating Oklahoma Intrastate Authority and Permits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017  7,958  ↑  95</td>
</tr>
<tr>
<td>2016  7,863  ↑  85</td>
</tr>
<tr>
<td>2015  7,778  ↑  38</td>
</tr>
<tr>
<td>2014  7,740  ↑  297</td>
</tr>
<tr>
<td>2013  7,443  ↓  --</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UCR Applications Processed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017  6,781  ↑  206</td>
</tr>
<tr>
<td>2016  6,575  ↑  28</td>
</tr>
<tr>
<td>2015  6,547  ↑  175</td>
</tr>
<tr>
<td>2014  6,372  ↑  172</td>
</tr>
<tr>
<td>2013  6,200  ↓  --</td>
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</table>

<table>
<thead>
<tr>
<th>Identification Devices Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017  17,562  ↓  257</td>
</tr>
<tr>
<td>2016  17,819  ↓  880</td>
</tr>
<tr>
<td>2015  18,699  ↑  1,666</td>
</tr>
<tr>
<td>2014  17,033  ↓  1,572</td>
</tr>
<tr>
<td>2013  18,605  ↓  --</td>
</tr>
</tbody>
</table>
Transportation Division Highlights

The IFTA/IRP Section

The IRP Section completed its five-year compliance review by IRP Inc. and, with the exception of a one-time system problem that prevented timely transmission of accurate data and funds to jurisdictions, the Review Committee issued no “Out-of-Compliance” findings.

Oklahoma became a member of the IRP Clearinghouse when functionality was deployed June 1, 2017. This membership will reduce voluminous mailings of transmittals and remittances to the 58 IRP jurisdictions; instead, only one data file is remitted. The IRP Clearinghouse aggregates and nets the data files together so only one monthly remittance is submitted to the Clearinghouse. The Commission’s first data transmission into the Clearinghouse was error-free and on deadline.

The new IFTA system was deployed on June 1, 2017, which will lead to IFTA clearinghouse functionality in the first quarter of Fiscal Year 2018.

Management staff worked with ODOT contractors to update the State's Innovative Technology Deployment (ITD) Program Plan and Top Level Design (PPTLD) document. This document must be updated and approved before the State can apply for Federal Motor Carrier Safety Administration (FMCSA) ITD grant funds after the state reaches core compliance in Fiscal Year 2018.

The Enforcement Department

The Motor Carrier Enforcement Section

The Love County Port of Entry opened as a manual weigh station on May 30th. Full Electronic Screening System (ESS) technology will be completely installed early in FY 2018.

The demolition and rebuild began for the Boise City Weigh Station with a projected completion date of March 2018. The new facility is the first interior weigh station constructed under ODOT’s Weigh Station Charette Report.
Transportation Division Highlights

<table>
<thead>
<tr>
<th>Vehicles Checked</th>
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<tbody>
<tr>
<td>2017</td>
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<tr>
<td>2016</td>
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<td>2015</td>
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<td>2014</td>
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<table>
<thead>
<tr>
<th>Citations Issued</th>
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<tbody>
<tr>
<td>2017</td>
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<td>2016</td>
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<tr>
<th>Warnings Issued</th>
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<td>2017</td>
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<td>2016</td>
</tr>
<tr>
<td>2015</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>2013</td>
</tr>
</tbody>
</table>

Note: The decrease in the reported number of vehicles checked from Fiscal Year 2015 to Fiscal Year 2016 (chart, top left) is the result of a clarification/narrowing of the definition of “vehicles checked” on the officers’ activity reports.

The Railroad Section

The Transportation Division brought an enforcement action against the BNSF railway regarding a closed crossing in Cimarron County that was improperly filed with the Commission. The ALJ recommended a fine of $28,335 and the crossing will remain closed.

The Pipeline Safety Department

The U.S. Department of Transportation Office of State Programs performed its annual evaluation of the Pipeline Safety Program and assigned a 98 percent proficiency rating.

The evaluation also found the State of Oklahoma has not met all the federal damage prevention requirements. This is because state law does not currently give the Commission the authority to levy civil penalties against excavators or interstate pipeline operators who violate the Underground Damage Prevention statutes. There was no reduction of points for this in FY 17’s evaluation. PHMSA is still working through the evaluation of all state programs to determine compliance. Once completed, PHMSA could reduce any program found to be inadequate by 4 percent.

A final order was entered in Case No. EN 2016-00156, approving settlement of the enforcement action brought against Oklahoma Natural Gas.
Company as the result of an explosion involving a gas line at 12505 Whispering Hollow Drive in Oklahoma City.

The Pipeline Safety Department hosted three training sessions for small operators. The topics included the Damage Prevention Act; Simple, Handy, Risk-Based Integrity Management Plan review; Excess Flow Valve rule update; Leaks - What to do When Arriving Upon Scene; and the Distribution Integrity Management Plan requirement. The three training sessions were held in Gore, Afton, and Drumright; and were attended by 132 small operator employees.
Fiscal Year 2017 Commission Rule Updates

Oil and Gas Conservation Division

OAR Docket #16-421
Chapter 10: Oil and Gas Conservation

OAC 165:10-1-4 is amended to update the list of effective dates for OAC 165:10 rulemakings; OAC 165:10-1-7 to update the list of Oil and Gas Conservation Division prescribed forms and to eliminate requirements for the submission of multiple copies of forms to the Commission; OAC 165:10-1-15 regarding transfer of operatorship of oil and gas wells; OAC 165:10-3-1 concerning permits to drill for horizontal wells; OAC 165:10-3-15 regarding the venting and flaring of gas from wells; OAC 165:10-3-16 with respect to operations in hydrogen sulfide areas; OAC 165:10-5-7 to add a provision concerning requested monitoring and reporting within areas of interest regarding seismicity and to address administrative shutdown of underground injection wells; OAC 165:10-5-9 with respect to duration of underground injection well orders or permits, and OAC 165:10-5-10 is amended regarding transfer of authority to inject concerning underground injection wells. OAC 165:10-5-13 is amended to eliminate surface casing injection of reserve pit fluids; OAC 165:10-7-16 regarding liner requirements for flow back water pits in hydrologically sensitive areas, sampling of monitor wells and leachate collection systems, and the use of flow back water pits by other operators; OAC 165:10-7-20 to eliminate a requirement that applications to permit noncommercial disposal or enhanced recovery well pits used for temporary storage of saltwater be submitted in duplicate to the Commission and regarding sampling of monitor wells and leachate collection systems pertaining to such pits; OAC 165:10-7-33 regarding sampling of monitor wells and leachate collection systems with respect to truck wash pits; OAC 165:10-9-1 regarding monitoring by engineers during construction of commercial pits, geomembrane liners installed in such pits and sampling of monitor wells pertaining to such pits; OAC 165:10-9-2 with respect to sampling of monitor wells concerning commercial soil farming; OAC 165:10-9-3 to eliminate a requirement that applications to permit commercial disposal well pits be submitted in duplicate to the Commission, amend requirements regarding geomembrane liners installed in such pits, and approval and sampling of monitor wells and leachate collection systems regarding such pits, and OAC 165:10-9-4 is amended concerning monitoring by engineers during construction of commercial recycling facilities, geomembrane liners installed in pits pertaining to such facilities, and sampling of monitor wells and leachate collection systems regarding such facilities.

In addition, OAC 165:10-10-1 is amended concerning the purpose, authority and applicability of the Brownfields program; OAC 165:10-10-2 regarding Brownfields sites; OAC 165:10-10-3 concerning administration and enforcement of rules pertaining to Brownfields sites; OAC 165:10-10-4 with respect to determination of eligibility for the Brownfields program; OAC 165:10-10-5 regarding the Brownfields program application process; OAC 165:10-10-6 concerning Brownfields site eligibility is revoked, OAC 165:10-10-7 with respect to the Commission's maintenance of a list of Brownfields sites; OAC 165:10-10-8 regarding processing of Brownfields applications is revoked: OAC 165:10-10-9 concerning assessment and remediation of Brownfields sites; OAC 165:10-10-10 with respect to public notice requirements pertaining to Brownfields sites; OAC 165:10-10-11 regarding public meetings and public comments concerning Brownfields sites; OAC 165:10-10-12 with respect to closure of Brownfields sites; OAC 165:10-10-13 regarding issuance of Brownfields certificates by the Commission, and OAC 165:10-10-14 is amended concerning closures of Sites by responsible parties.

Further, OAC 165:10-11-4 is amended to eliminate a requirement that notification of intention to plug forms be submitted in duplicate to the Commission; OAC 165:10-11-7 to eliminate a requirement that plugging record forms be submitted in duplicate to the Commission; OAC 165:10-12-3 to change the reference to the statute authorizing the Commission to promulgate and enforce rules and issue and enforce orders relating to seeping natural gas; OAC 165:10-12-6 regarding notice requirements for seeping natural gas occurrences; OAC 165:10-12-8 concerning procedures for the Rapid Action Assessment Team pertaining to gas surface seeps; OAC 165:10-12-9 regarding assistance to an owner of property which has a seeping natural gas occurrence and in accordance with 17 O.S. §180.10 and amendments thereto in Enrolled HB 2234 (2015), and OAC 165:10-15-17 is amended to eliminate a requirement that initial production test forms regarding excessive water exempt oil projects be submitted in duplicate to the Commission.
Petroleum Storage Tank Division

During Fiscal Year 2017, the PSTD conducted six permanent rulemakings, which were adopted by the Commission en banc at a public hearing held on January 24, 2017. The adopted rules were forwarded to the Oklahoma Legislature and the Governor of the State of Oklahoma on February 1, 2017. The Governor issued her declaration of approval on June 13, 2017, with an effective date of September 11, 2017.

RM 201600009
Chapter 15: Fuel Inspection

This rulemaking was held to clarify some ambiguities pertaining to definitions and remove obsolete or incorrect references, establish 30-day monitoring for all methods of leak detection, to further reduce the risk of spills and overfills, and update current practices to align with changes in the fuel industry.

RM 201600010
Chapter 16: Antifreeze

The antifreeze rules had not been updated in several years and revisions were needed to update definitions, clarify the entities that are subject to the requirements of Chapter 16 rules, the requirements for an application to sell antifreeze in Oklahoma, update the current standards for testing antifreeze, and clarify what constitutes a violation of the antifreeze rules.

RM 201600011
Chapter 25: Underground Storage Tanks

Revisions were needed to the underground storage tank rules to incorporate recent changes in Federal requirements, which the Petroleum Storage Tank Division is required to do in order to administer and enforce the Federal Underground Storage Tank program. The revisions emphasize proper maintenance and operation of tank system and dispenser equipment, and establish new requirements to enable operators to detect potential problems with their tank system and associated equipment before a release occurs. Codes and standards were updated to current editions, timeframes for submitting required documentation was clarified, and release detection requirements expanded.

RM 201600012
Chapter 26: Aboveground Storage Tanks

The revisions made to Chapter 26 expand safety features for aboveground storage tank design and installation, clarify the requirements for monitoring dispenser pumps, require transporters to report releases, expand records retention requirements, provide an alternative to formal court proceedings, and update codes and standards to current editions.

RM 201600013
Indemnity Fund

The Petroleum Storage Tank Division staff acknowledged the need to clarify definitions for “confirmed release,” “eligible release,” and “suspicion of release,” so that stakeholders can be more clearly informed as to what constitutes each type of release. A definition for “electronic signature” was added so it can be used for online submission of Indemnity Fund applications, and a revision was made to allow electronic funds transfers for payment of Indemnity Fund claims to increase efficiency in the claim process.

Corrective Action of Petroleum Storage Tank Releases

Definitions were amended to further establish what the Commission does and does not regulate. Incorporated codes and standards were updated to current editions, the after hours/emergency contact number was changed for accurate public referral, amendments to incorporate the Federal requirements for release investigation for interstitial integrity testing, and amendments were made for when and how a release may be determined for a confirmed release.
Public Utility Division

**RM 201700002**  
*Chapter 55: Telecommunications Services Rules*


**RM 201700006**  
*Chapter 59: Oklahoma Universal Service Fund Rules*

On January 25, 2017, PUD filed a Notice of Proposed Rulemaking, recommending to the Commission to amend the Oklahoma Universal Service Fund Rules, as set forth in OAC 165:59. The proposed changes addressed issues that arose concerning OUSF and the Oklahoma Lifeline Fund. The Division wanted to match the Commission’s rules to the procedures and requirements, as set forth in the Oklahoma Telecommunications Act, which was amended by HB 2616, and became effective on May 9, 2016. The Commission held Technical Conferences on February 3, 2017 and February 22, 2017. On March 8, 2017, the Commission en banc adopted the proposed rules at a public hearing. On June 13, 2017, the Governor approved and adopted these rules.
Oklahoma Corporation Commission

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