

OKLAHOMA CORPORATION COMMISSION

ANNUAL REPORT FISCAL YEAR 2018



JULY 1, 2017—JUNE 30, 2018



OKLAHOMA CORPORATION COMMISSION

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ANNUAL REPORT 2018

**Commissioners of the Oklahoma Corporation Commission
for Fiscal Year 2018:**

**Commissioner Dana Murphy
Commissioner Bob Anthony
Commissioner Todd Hiett**



THE OKLAHOMA CORPORATION COMMISSION

OUR MISSION

Empowering 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.

OUR VISION

To be a trusted, effective agency that works collaboratively to accomplish its Mission in a way that protects people and the environment, conserves natural resources, improves quality of life, promotes continued economic development, and holds both itself and the industries it regulates accountable to the citizens of Oklahoma.

WANT TO KNOW MORE?

Join us on the Internet for docket and meeting postings, forms, news, program updates, rules, useful consumer information, well records, and to contact us:

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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.

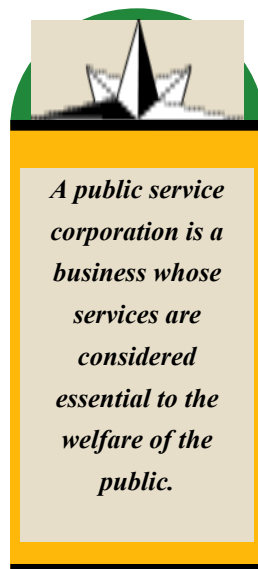
While the Commission's basic regulatory responsibilities have remained intact, many changes in Federal and State laws have changed what is regulated.

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; transportation networks, (e.g. Lyft, Uber); 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 2018 Commissioners

IN THIS SECTION:

Chairman Dana Murphy

Vice chairman Todd Hiatt

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 10 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 on 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 (EPRI) 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 27. 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 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 the board

of directors for SpiritBank and as a member of the SpiritBank Corp. Holding Co.



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 million 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.

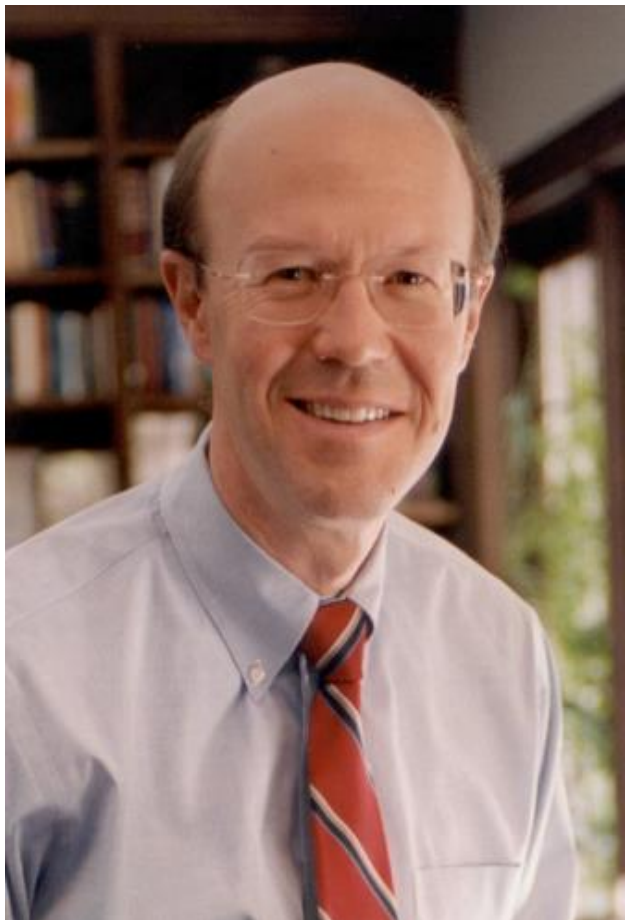
In 1995 the Federal Bureau of Investigation honored Anthony with its highest award given to a citizen who "at great personal sacrifice, has unselfishly served his community and the nation." Among other recognitions, the AARP of Oklahoma presented Anthony with an award "in appreciation of his tireless efforts on behalf of Oklahoma consumers."

Anthony has served as a statewide elected official longer than any other current Oklahoma office

holder, winning his sixth consecutive six-year term to the Oklahoma Corporation Commission in 2018 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 term will expire in 2018.

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 Judicial and Legislative
Services Department

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 Agency Counsel Section

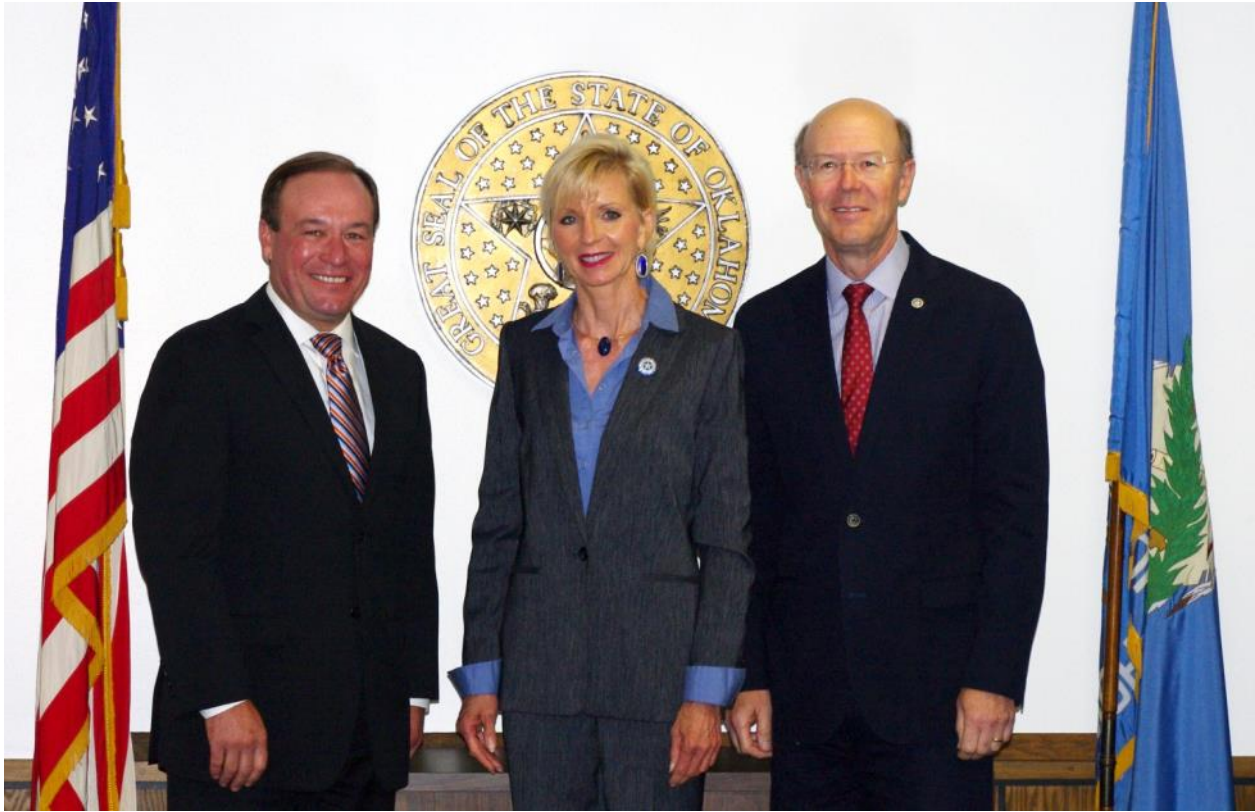
The Deliberations Section



Administration Division

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Commissioners staff - 1 aide and 1 executive assistant per office		6
Deliberating Attorneys- 1 attorney per office		3
Director of Administration - Appointing Authority		1
Chief Legal Advisor		1
Chief Legal Counsel		1
Deputy Legal Counsel		1
Administrative Program Officers		3
Public Information Office		2
Commission Secretary		1
Regulatory Programs Manager		1
Administrative Services - Finance and Human Resources		
Director of Administrative Services		1
Comptroller		1
Human Resources Manager		1
Human Resources Specialists		3
Special Project Manager		1
Administrative Program Officers		5
Accountants		8
Contracting Agent		1
Accounting Technicians		7
Judicial and Legislative Services - Support Staff		
Director of Judicial and Legislative Services		1
Technical Advisor		1
Administrative Program Officers		2
Legal Assistant		1
Legal Secretary		8
Judicial Services		
Managing Deputy Administrative Law Judge		1
Appellate Referee		1
Deputy Administrative Law Judge		3
Administrative Law Judge		9
Court Clerk		1
Docket Clerk		8
Court Reporters		7
Legislative Services		
Managing Deputy General Counsel		1
Deputy General Counsel		4
Assistant General Counsel		10

Administration Division



From left: Corporation Commission Vice chairman Todd Hiett, Chairman Dana Murphy, Commissioner Bob Anthony.

The Human Resources Department

The four-person Human Resources (HR) Department supports more than 525 employees across five agency divisions throughout the state. The staff provides advice and guidance to managers, staff and supervisors in all aspects of human resources and personnel functions, as well as administrative support to all employees.

During Fiscal Year 2018, the Commission advertised 130 Classified and Unclassified positions that became vacant due to newly available positions, resignations, retirements and terminations.

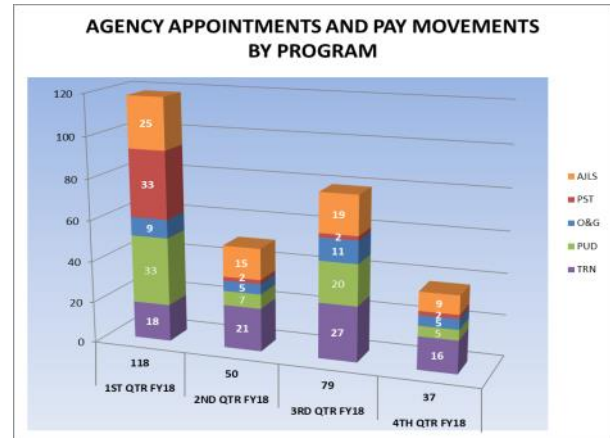
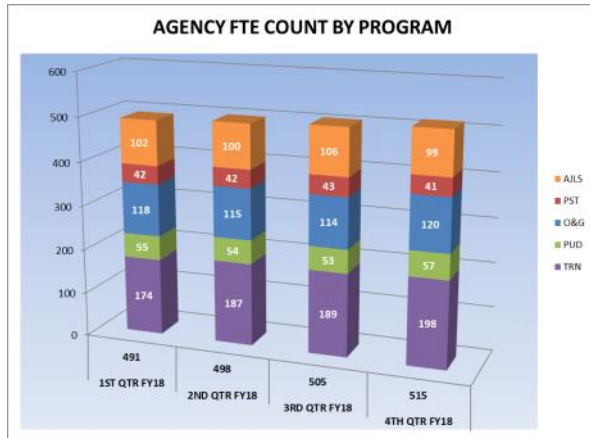
The HR staff also processed:

- Hiring contracts for 43 temporary employees;

- More than 327 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, health insurance benefits, life insurance benefits, jury duty leave, leave without pay, 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, the Performance Management Process and training.

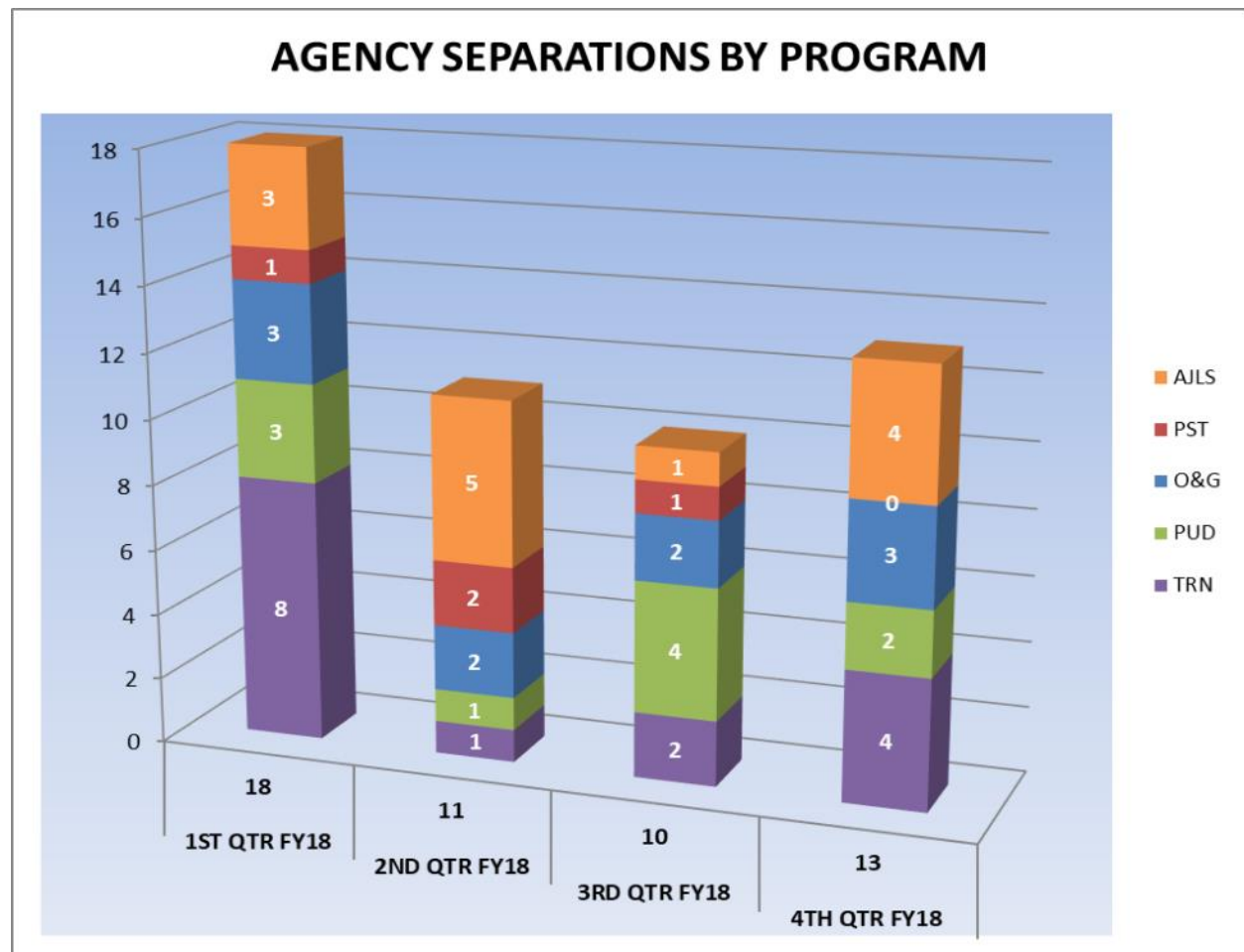
The statistics listed above required thousands of entries into the HR database software, along with the filing of legal source documents and confidential personnel records.

Administration Division



The Commission's workforce increased nearly 9 percent from the prior fiscal year, with 43 new employees hired during fiscal year 2018. Although the Commission is heavily invested in recruiting and hiring so the agency has enough staff to fulfill its constitutionally-mandated mission, it is losing a

number of employees throughout the agency each month, due to both natural attrition and superior salaries offered by private industry. The agency lost 56 people, nearly 11 percent of its workforce, during the fiscal year.



Administration Division

In some divisions, the struggle to hire qualified candidates is particularly acute. Private law firms and the oil and gas industry can offer substantially higher pay than the Commission.

The Commission is committed to ensuring that every hire is necessary to meet the legislative mandates, including Title 17 and the Oklahoma Merit Rules, as well as the strategic goals of the hiring section and the agency. The department's goal is to invest in the workforce by systematically promoting high-quality employees to new positions based on their proven performance. In addition, HR staff strive continuously to maximize efficiencies by streamlining processes that will modernize the workforce in order to meet tomorrow's challenges.

The Office of Public Information

The Office of Public Information (OPI) continued its efforts to 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 and trade news media, community groups and stakeholders, and officials in all branches and levels of government.

As was the case in the past four fiscal years, the issue garnering the most concern on the part of the government, media, and public during Fiscal Year 2018 was the issue of induced seismicity. New actions taken by the OCC's Induced Seismicity Department, coupled with actions taken previously, are largely credited by researchers with reducing the number of events linked to induced seismicity. Even though the number of earthquakes has decreased, public interest and concern remained high, particularly with the addition of certain well completion operations to deep disposal as activities that posed a risk of induced seismicity.

The OPI developed for and released to the public materials on the issue of well-completion-linked seismic activity, and arranged and attended town hall meetings on the subject in FY18.

The OPI also continued to work closely with the OCC's Induced Seismicity Department, Oklahoma Geological Survey, 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. In addition to the well completion issue efforts above, the OPI:

- Offered 24/7 contact for concerned residents and lawmakers (OPI's answering message gave the 24-hour contact number for the Public Information Manager);
- Gave presentations to and answered questions at community forums and meetings;
- Served as a member of the state's Earthquake Working Group, tasked by the Governor with developing a State emergency response plan for a large earthquake;
- Served with members of the Oil and Gas Conservation Division on the Governor's Induced Seismicity task force;
- Worked closely with international, national, and local media on the subject;
- Took part in the planning and execution of the Office of Emergency Management's state-wide annual "Earth, Wind and Fire" Exercise, which tests state and local emergency response and information systems for earthquakes and other disasters.

Additional issues receiving attention from Oklahoma Legislators, the media, and the public

Administration Division

included, but were not limited to:

- Concerns over contamination of a large housing development in the Edmond area following the rupture of a large oil transportation line. OPI worked closely with neighborhood association officials and area residents, Energy Transfer Company officials, the OCC's Pipeline Safety Department and the Oil and Gas Conservation Division to ensure a coordinated response both on the ground and in providing information to residents, the media and electric officials.
- Hydrogen sulfide gas concerns regarding wells in north central Oklahoma. OPI worked with the Oklahoma Department of Environmental Quality and the OCC's Oil and Gas Conservation Division in a response to residents' concerns, including a town hall meeting in the area.

The OPI had approximately 2,000 contacts with the general public, industry, news media, and other government agencies in Fiscal Year 2018, including audiences at community meetings, up 67 percent compared with the prior fiscal year. Additionally, OPI met requests for information pursuant to the Oklahoma Open Records Act, and responded to 42 consumer complaints related to the Commission's jurisdiction (not including earthquake concerns), either solely or in conjunction with the Public Utility, Oil and Gas Conservation, and Petroleum Storage Tank divisions.

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 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.

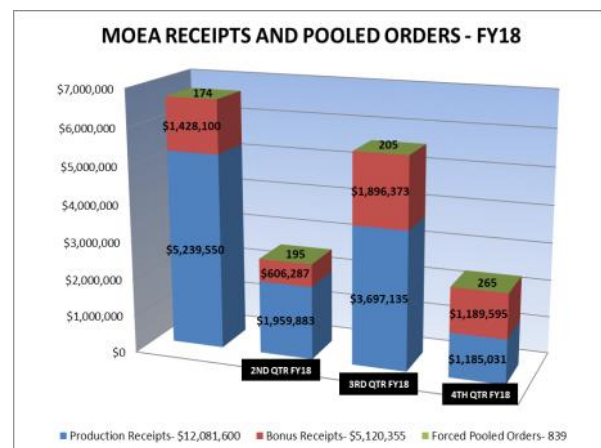
In Fiscal Year 2018, OPI continued to write, produce and anchor the Commission's Oklahoma Energy Report, a daily (Monday through Friday) two-minute radio program report on energy topics. It is distributed at no cost to the state by the Radio Oklahoma Network to affiliates in three states.

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 State Treasurer's Office, where the funds are held in escrow until the royalty mineral owner is found or for a maximum of five years. After five years, any unclaimed monies are transferred to the Treasurer's Office Unclaimed Property Section.

Pooling orders increased by 29 percent from the prior fiscal year and forced pooling orders including unlocated mineral owners rose by 36 percent.



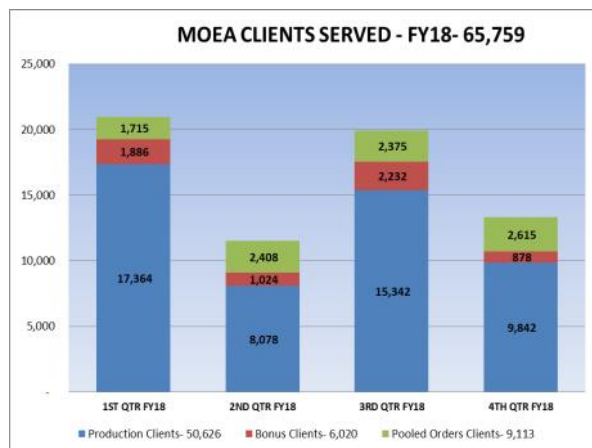
The Commission tracks the amount of money that flows into the Mineral Owner's Escrow Account, as well as the number of forced pooled orders and bonus receipts paid.

Administration Division

During Fiscal Year 2018 there were a total of:

- 32 new reporting holder/operators;
- 839 pooling orders;
- 9,113 forced pooling orders involving unlocated mineral owners; and
- 56,646 unknown or unlocated royalty mineral owners.

The Commission collected and deposited a total of \$17,201,954.35, a 28 percent increase from the prior fiscal year. Reimbursements to the located royalty mineral owners or their heirs totaled \$5,855,474, a nearly 16 percent decrease from Fiscal Year 2017. The five-year transfer to the Treasurer's Office totaled \$6,480,044, a 4 percent decrease from the same time the previous period. At the end of Fiscal Year 2018, the MOEA fund balance totaled \$72,026,677 up nearly 7.5 percent from the prior fiscal year.



The Commission tracks the number of clients the Mineral Owner's Escrow Account serves on a quarterly and annual basis.

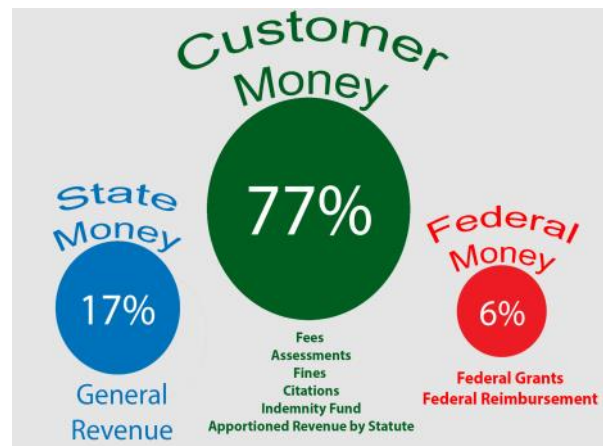
Financial Statements

Commission operations are funded by three fund types: discretionary, restricted and federal. Discretionary funds include money appropriated from the state's general revenue fund and the

Corporation Commission's revolving fund, both of which can be spent for all commission-related operations. Restricted funds is money deposited into agency revolving funds that regulated entities pay for, such as fees, fines, licenses and permits. Oklahoma statutes restrict this money's use to only what the law allows and cannot be transferred to other departments or uses within the agency. Federal funds are received for programs that the commission administers and can only be used for those programs' specific costs.

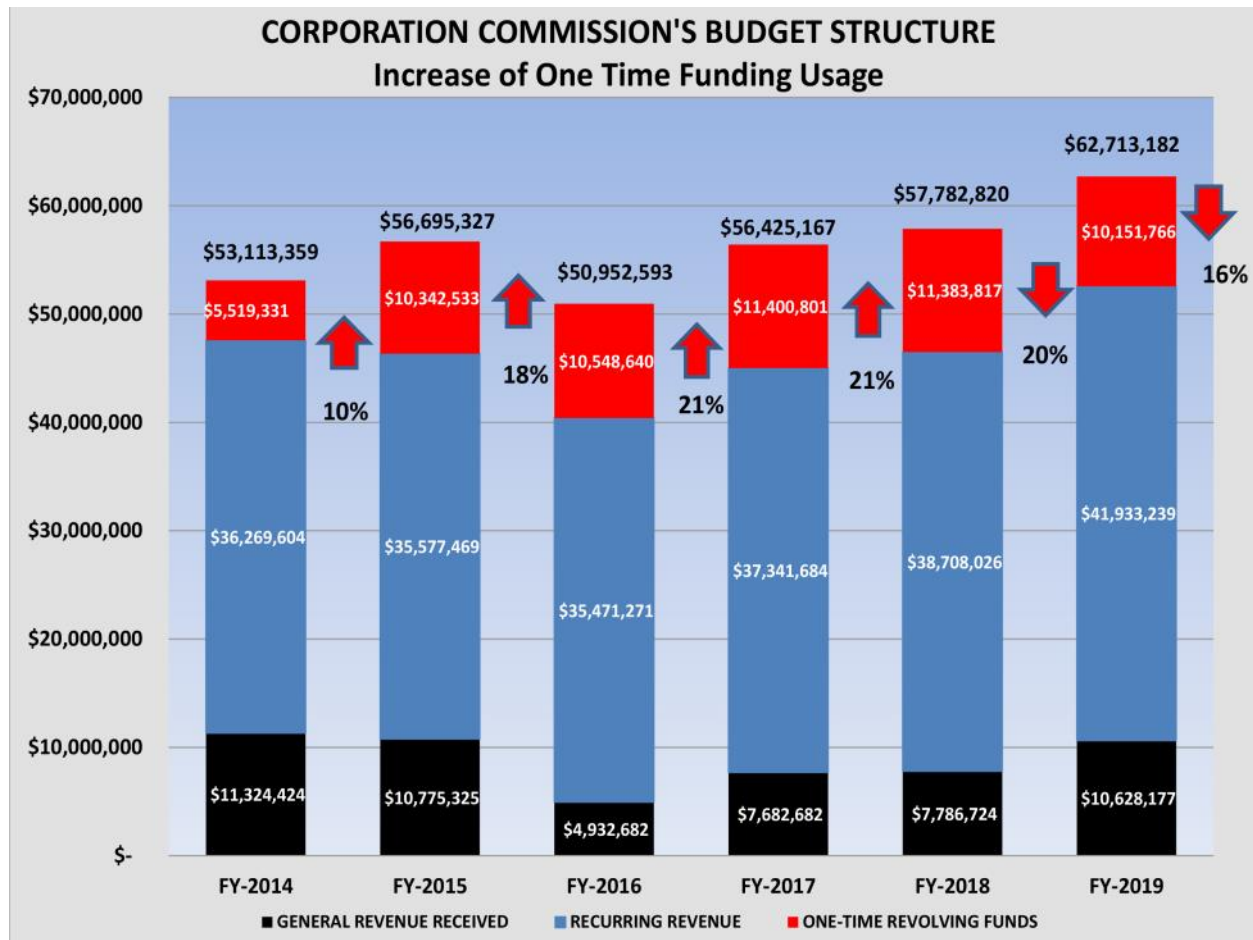
More than three-quarters of the agency's revolving funds are restricted by statute to cover specific operations and cannot be transferred from one division to another.

Only about 17 percent of the agency's budget comes from Oklahoma's General Revenue Fund, which the Legislature appropriates. Federal money makes up about 6 percent and the rest, about 77 percent, comes from customers for fees, assessments, citations, the Indemnity Fund and revenue apportioned by statute.



Two divisions are self-funded, the Public Utility Division and the Petroleum Storage Tank Division. The Public Utility Division has an assessment regulated entities pay, which fully covers the division's operating costs. The Petroleum Storage Tank Division receives money from the Indemnity Fund and from federal grants. Both the Transportation Division and the Oil and Gas Conservation Division rely on the Corporation Commission's general fund to cover operational

Administration Division



Percentages based on total one-time revolving funds used in proportion to the overall budget for each fiscal year.

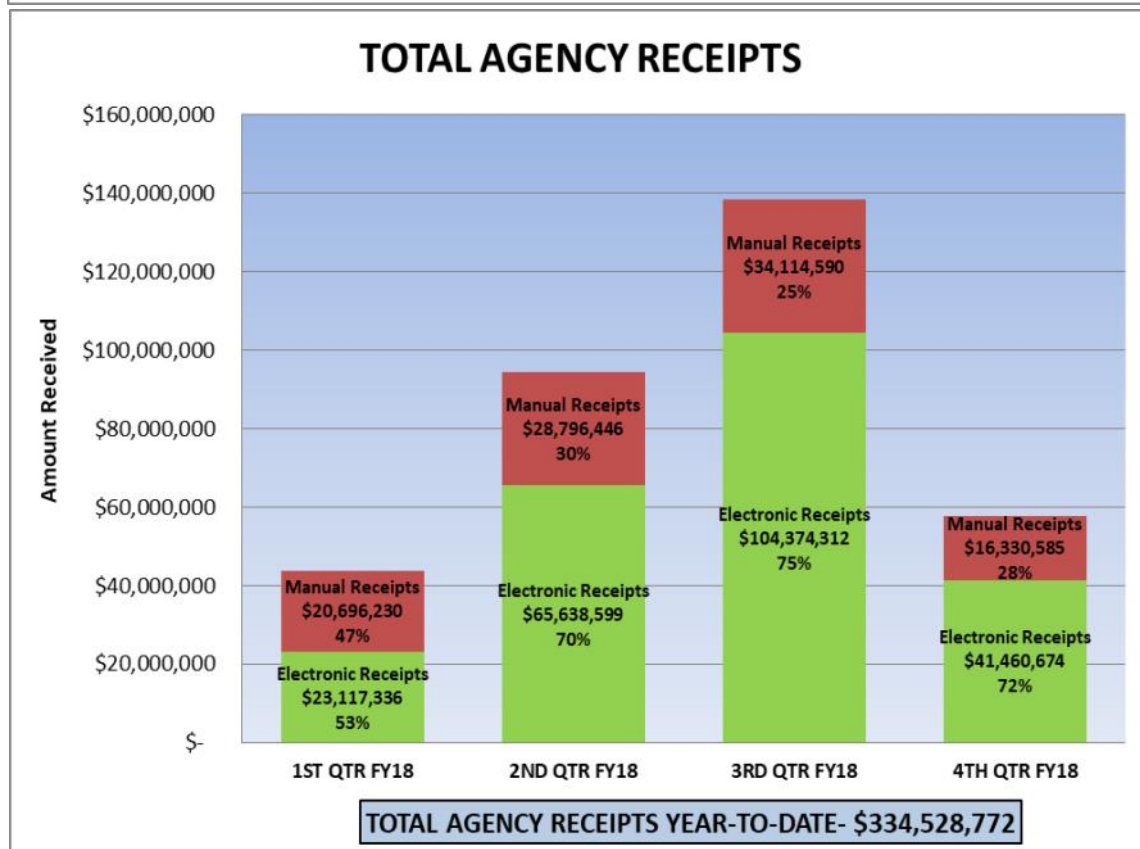
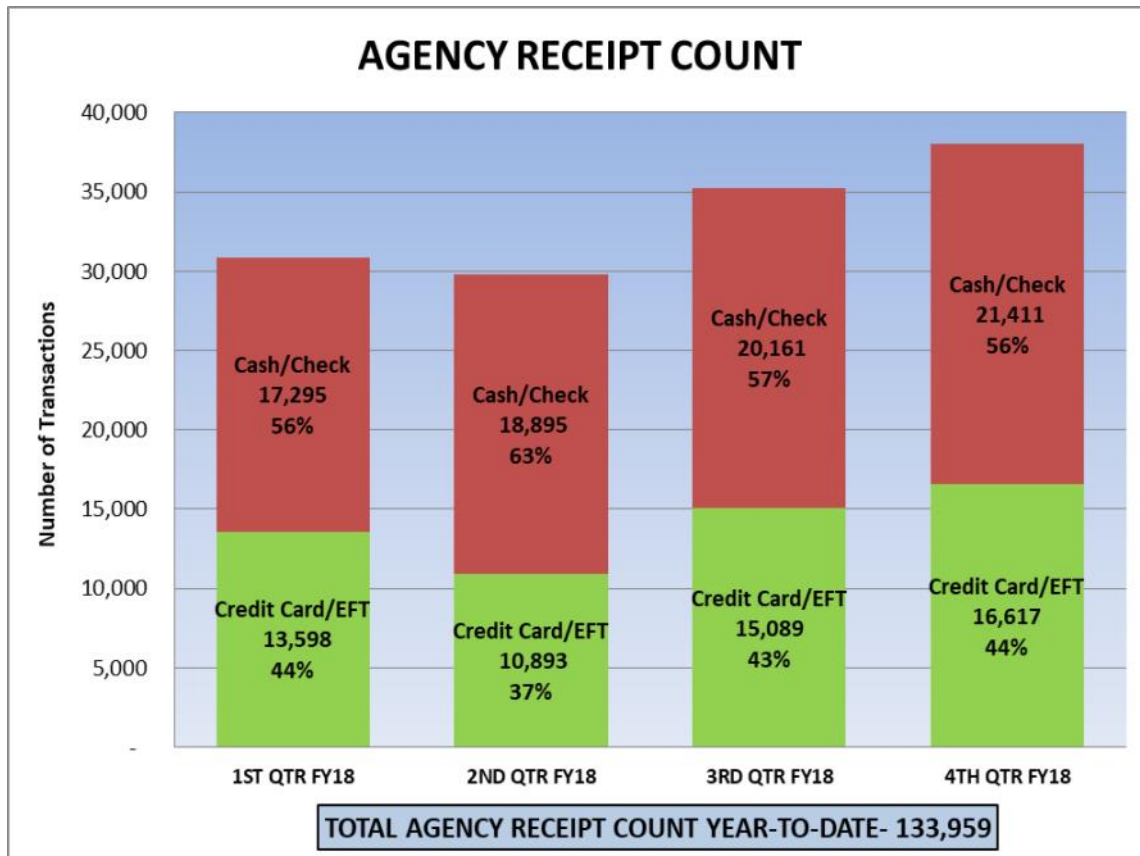
costs. Revenue to each of those divisions depends on economic factors within those industries, which makes funding volatile. During the oil and gas industry downturn from late 2014 through late 2016, the Oil and Gas Conservation Division's funding sources were hit doubly hard; the agency's general fund was cut, and the division received less revenue due to less industry activity.

Those difficult budget years, from fiscal year 2015 through fiscal year 2017, increased the Commission's dependence on one-time funding, as a result of statewide shortfalls to general revenue available to all appropriated agencies. The one-time funding came from the Commission's revolving funds, delaying environmental cleanup projects like abandoned well pluggings, which required the agency to default on contract obligations.

Modernizing agency workflow

Nearly 60 percent of the agency's transactions from customers are manually performed, in which an employee processes cash or a check from the customer. Larger transactions are processed using a credit card or an electronic funds transfer or EFT. The goal is to move as many transactions as possible to electronic, rather than manual. However, the agency cannot move forward on adding a new credit card portal until four applications are properly coded. Once this is complete, the agency will be able to pass along to customers a 3 percent processing fee that the agency currently covers. That will allow the Commission to receive 100 percent of the fees paid by credit card, up from 97 percent.

Administration Division



Fiscal Year 2018 Financial Statements

Five-Year Summary Revenue Sources and Expenditures

REVENUE SOURCES	2018	2017	2016	2015	2014
General Revenue Fund	\$8,271,629	\$7,814,742	\$5,834,589	\$11,367,569	\$11,568,508
**Oil & Gas Conservation Fund	\$7,224,560	\$5,316,989	\$6,015,354		
**Corp. Comm. Revolving Fund	\$13,090,912	\$14,604,753	\$15,799,994	\$23,549,105	\$19,383,754
Public Utility Assessment Fund	\$8,866,882	\$9,337,551	\$9,247,614	\$8,604,318	\$8,925,302
Transportation One-Stop Shop Fund	\$15,725,847	\$12,690,267	\$9,765,807	\$8,955,945	\$10,522,451
Indemnity Fund	\$4,783,767	\$4,042,484	\$4,056,817	\$4,219,395	\$4,078,358
Well Plugging Fund	\$4,319,385	\$3,444,238	\$4,784,855	\$5,204,084	\$4,734,782
Federal Funds	\$1,657,231	\$1,844,626	\$1,907,764	\$1,823,853	\$2,604,824
PST Revolving Funds	\$3,539,669	\$4,202,497	\$2,628,861	\$1,021,376	\$1,337,687
TOTAL REVENUE SOURCES	\$67,479,882	\$63,298,147	\$60,041,655	\$64,745,645	\$63,155,666
EXPENDITURES AND OBLIGATIONS	2018	2017	2016	2015	2014
*Administrative, Judicial and Legislative Services	\$10,080,707	\$4,315,916	\$4,012,271	\$3,699,358	\$3,668,192
Consumer Services Division			\$594,524	\$888,646	\$990,667
Petroleum Storage Tank	\$4,254,340	\$4,016,150	\$4,297,650	\$4,152,621	\$4,929,414
Oil & Gas Division	\$9,240,624	\$9,079,249	\$8,949,612	\$8,967,836	\$8,828,310
Well Plugging/Storage Pits	\$1,038,051	\$782,605	\$958,149	\$1,841,035	\$1,390,374
UIC Federal	\$407,650	\$409,773	\$439,274	\$428,071	\$470,602
Office of Administrative Proceedings		\$2,931,055	\$2,630,431	\$2,649,184	\$2,634,468
Public Utilities	\$4,807,795	\$4,805,951	\$4,034,109	\$4,127,709	\$3,968,842
Office of General Counsel		\$2,425,129	\$2,164,777	\$1,909,254	\$1,973,114
Transportation	\$13,365,087	\$13,066,673	\$11,431,320	\$11,750,539	\$10,755,941
Pipeline Safety	\$2,033,430	\$1,959,931	\$1,682,115	\$1,594,248	\$1,582,974
Data Processing	\$3,990,835	\$2,943,087	\$5,068,531	\$5,499,584	\$3,336,991
Expenditures	\$49,218,519	\$46,735,519	\$46,262,763	\$47,508,086	\$44,529,889
Reserve for Obligations	\$6,919,313	\$3,955,299	\$5,004,558	\$9,033,201	\$7,081,194
Reserve for Obligations (Well Plugging)	\$1,350,934	\$1,316,501	\$1,132,290	\$1,550,408	\$2,122,499
Lapsed Funds	\$0	\$1,525	\$1,924		
Transferred Funds	\$0	\$0	\$0		
Revolving Funds Balance	\$9,991,116	\$11,289,303	\$7,640,120	\$6,653,950	\$9,422,084
TOTAL EXPENDITURES AND OBLIGATIONS	\$67,479,882	\$63,298,147	\$60,041,655	\$64,745,645	\$63,155,666

*Administration, Office of Administrative Proceedings, and Office of General Counsel were consolidated into one division (Administrative, Judicial and Legislative Services) in FY2018

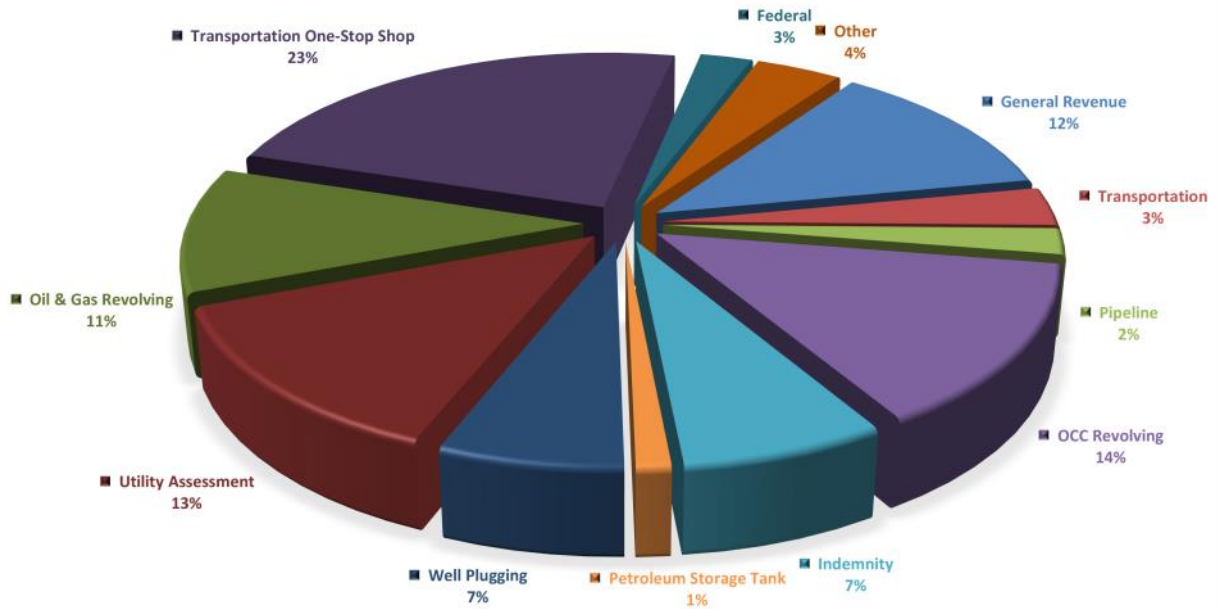
**These revolving funds are reported separately beginning in FY2016

Fiscal Year 2018 Financial Statements

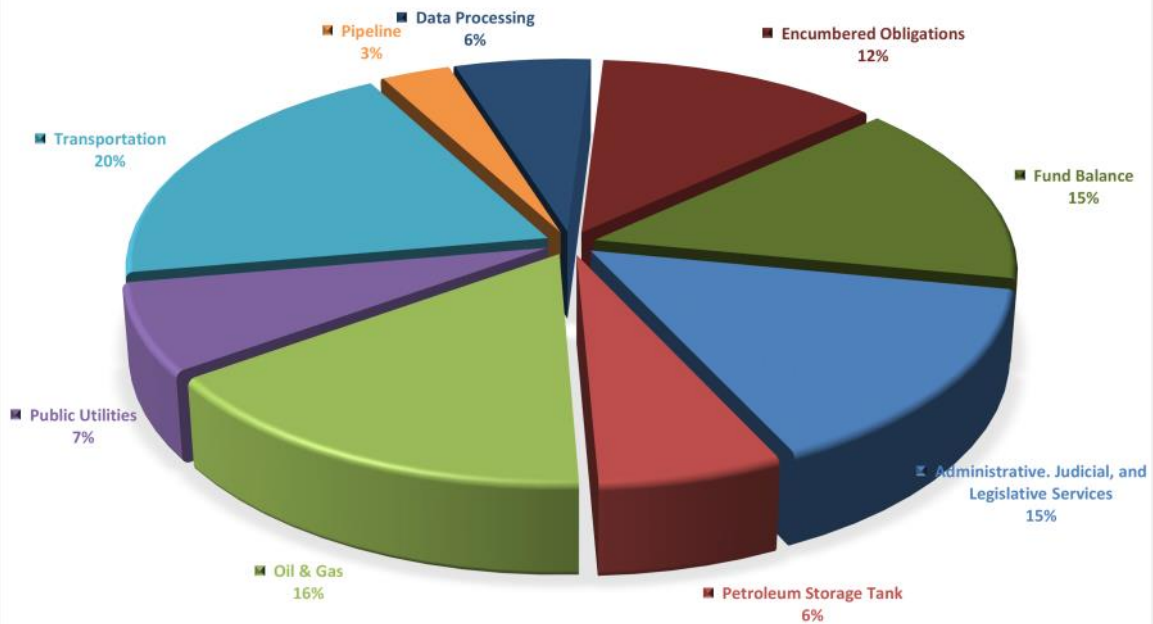
REVENUE SOURCES	BREAKDOWN	AMOUNTS	% OF TOTAL
General Revenue Fund:			
FY18 Beginning Cash Balance		\$549,161	0.8
General Revenue Appropriations		\$7,722,468	11.4
Oil & Gas Revolving Fund:			
FY18 Beginning Cash Balance		\$1,612,331	2.4
Intent to Drill Fees	\$1,143,050		
Other	\$4,469,179		
		\$5,612,229	8.3
OCC Revolving Fund:			
FY18 Beginning Cash Balance		\$3,305,755	4.9
Unified Carrier Registration	\$2,236,523		
Pipeline Safety Assessment	\$1,502,444		
Filing Fees	\$1,195,500		
Other	\$4,850,690		
		\$9,785,157	14.5
Petroleum Storage Tank:			
FY18 Beginning Cash Balance		\$402,933	0.6
Permits	\$308,139		
Other	\$103,215		
		\$411,354	0.6
Public Utility Assessment Fund:			
FY18 Beginning Cash Balance		\$1,085,404	1.6
Assessments	\$6,505,943		
Other	\$1,275,535	\$7,781,478	11.5
Transportation One-Stop Shop Fund:			
FY18 Beginning Cash Balance		\$4,588,025	6.8
Transportation Fees & Fines		\$11,137,822	16.5
Indemnity Fund:			
FY18 Beginning Cash Balance		\$30,891	0.0
Fund Receipts		\$4,752,876	7
Well Plugging Fund:			
FY18 Beginning Cash Balance		\$2,339,008	3.5
Oil & Gas Excise Tax Receipts		\$1,980,377	2.9
Federal Funds:			
FY18 Beginning Cash Balance		\$41,712	0.1
Federal Funds Received		\$1,615,519	2.4
Other Funds:			
FY18 Beginning Cash Balance		\$2,661,165	3.9
Fund Receipts		\$64,217	0.1
TOTAL REVENUE SOURCES		\$67,479,882	100.0

Fiscal Year 2018 Financial Statements

REVENUE SOURCES FY18



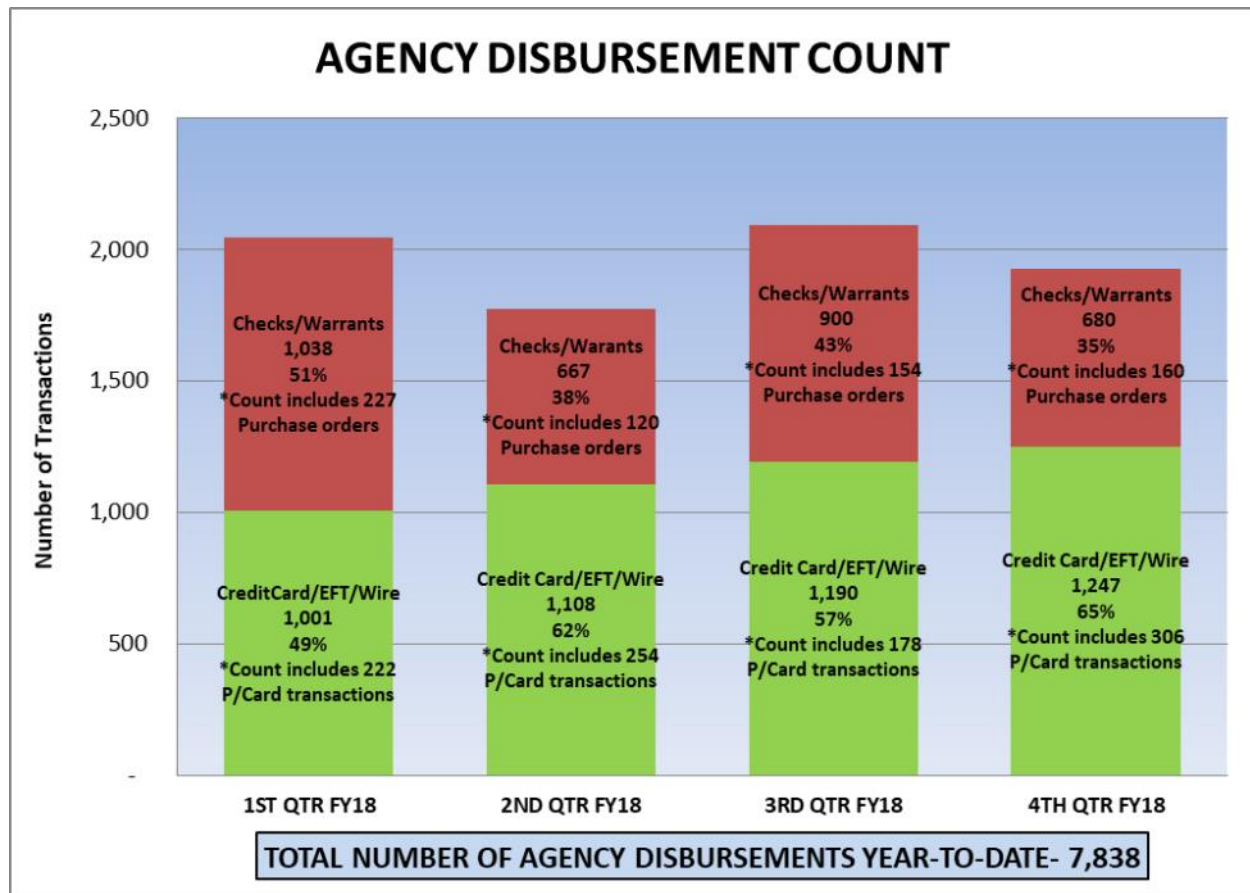
EXPENDITURES AND OBLIGATIONS FY18



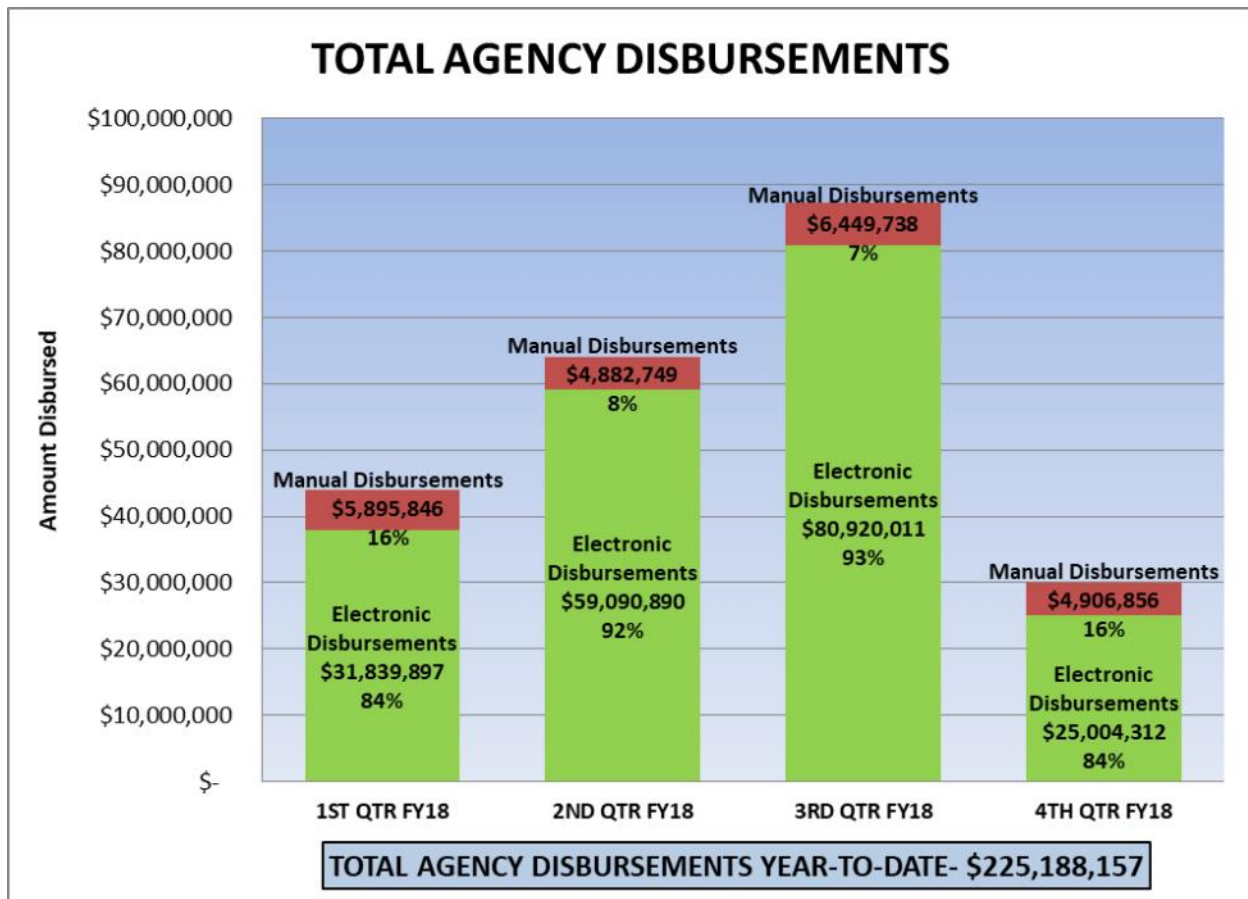
Fiscal Year 2018 Financial Statements

EXPENDITURE AND OBLIGATIONS			
	FISCAL YEAR	BUDGETED FTE	AVERAGE FTE
Agency staffing levels	2018	542	502
FY18 total available funds applied reflects the following distribution			
EXPENDITURE CATEGORY	AMOUNTS		% OF TOTAL
Personnel	\$38,935,866	57.70	
Professional Services	\$3,625,730	5.37	
Travel	\$280,559	0.42	
Administrative	\$3,821,552	5.66	
Furniture & Equipment	\$139,703	0.21	
Transfers & Disbursements	\$256	0.00	
General Assistance and Awards	\$68,073	0.10	
Prior Year Obligations	\$2,346,780	3.48	
Funds reserved for obligations	\$8,270,247	12.26	
Transferred/Lapsed Funds	\$0	0.00	
Fund Balance	\$9,991,116	14.81	
TOTAL	\$ 67,479,882	100.00	
EXPENDITURES AND OBLIGATIONS	AMOUNTS	% OF TOTAL	
Administrative, Judicial and Legislative Services	\$10,080,707	14.9	
Petroleum Storage Tank			
Administration (PST)	\$238,602	0.4	
Claims Processing (PST)	\$788,248	1.2	
Regulatory (PST)	\$2,745,072	4.1	
Remediation (PST)	\$482,417	0.7	
Oil & Gas (Includes Brownfields)	\$9,240,624	13.7	
Well Plugging/Storage Pits	\$1,038,051	1.5	
Underground Injection Control Federal	\$407,650	0.6	
Public Utilities	\$4,807,795	7.1	
Transportation	\$13,365,087	19.8	
Pipeline Safety	\$2,033,430	3.0	
Data Processing	\$3,990,835	5.9	
FY18 EXPENDITURES	\$49,218,519	72.9	
Reserve for General Obligations	\$6,919,313	10.3	
Reserve for Well-Plugging Obligations	\$1,350,934	2.0	
Lapsed Funds	\$0	0.0	
Revolving Fund Balance	\$ 9,991,116	14.8	
TOTAL EXPENDITURES AND OBLIGATIONS	\$67,479,882	100.00	

Fiscal Year 2018 Financial Statements



Fiscal Year 2018 Financial Statements



Administration Division

Administrative, Judicial, and Legislative Services

As part of the Commission's ongoing efforts to increase efficiency, the number of separate programs have been reduced from eight to five. The four core programs and the new Administrative, Judicial, and Legislative Services (AJLS) Program includes the former Finance Division, Human Resources Department, Office of Administrative Proceedings, and General Counsel's Office. The Director of Administration functions as the Director of AJLS. Consolidating these functions, all of which support the four core programs, makes the core functions more efficient and facilitates sharing of common resources.

The Judicial and Legislative Services (JLS) component of AJLS, consists of the OCC court clerk, administrative law judges, attorneys, court reporters, and administrative and support personnel. JLS is responsible for maintaining all documents filed of record with the agency and for fulfilling the Commission's constitutional and statutory court of record duties by ensuring the opportunity for fair and open hearings in all legislative and judicial matters. These functions ultimately support the Commissioners' roles as decision makers by facilitating the development of proper evidentiary records in proceedings before the Commission.

JLS- Judicial

The JLS includes the judicial division of the Commission, which was formerly referred to as the Office of Administrative Proceedings. The consolidation allowed support staff and legal secretaries to be cross-trained in different subject matters. This improved efficiencies and identified a better, more modern process to revise certain types of orders, creating more consistent and higher-quality orders. The improved process has

also reduced the time it takes to receive an order. The consolidation also allowed the department to condense three databases for Commission orders into a single database.

The judicial staff contracted to provide oil and gas geology training to staff in Oklahoma City at a fraction of the price these sessions would normally cost. The department contracted a University of Tulsa professor to teach 40 staff members the Fundamentals of Exploration, Drilling & Production. The course covered basic petroleum geology and is usually taught only in Houston. Typically the cost of attending this training can be up to \$4,000 per person. By bringing the training to Oklahoma City, the cost was less than \$500 per person. This allowed more staff to be trained and eliminated expenses for travel and per diem as well as drastically reduced tuition and course material fees. The two-day training, held on March 22 and 23, 2018, provided context for technical terminology heard on a daily basis, as well as boosted morale, by demonstrating the agency's commitment to investing in the employees' professional development.



Above, from left: Administrative Law Judge Michael Norris and court reporter Beth Weldon.

Administration Division

Adjudicative proceedings are conducted in the Commission's two offices:

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

Testimony and evidence may be presented telephonically in the court of record proceedings as opposed to requiring personal appearances before an administrative law judge (ALJ), pursuant to state statutes, and to maximize the convenience of the parties, public, and witnesses. Telephonic hearings are conducted in both the OKC and Tulsa Offices. The Tulsa Office provides telephonic connections to JLS'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 three 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 an ALJ's recommendation may be filed, and the Commissioners have 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. Commission orders are appealable to the Oklahoma Supreme Court.

The Court Clerk's Office

The Clerk's Office is the repository of the Commission's court documents and has the responsibility of accepting and processing applications for Commission action. The Clerk's Office maintains court files and public records relating to applications, hearings, and order processes, including both digital images and paper copies of said documents. Furthermore, the Clerk's Office responds to requests by the public to view and/or copy official court records.

Both the Tulsa Office and OKC Office maintain a Clerk's Office, which accepts filings of applications, affidavits, hearing exhibits, notices, and other pleadings in causes brought before the Commission. The Tulsa Office's Court Clerk receives court documents and permit filings relating only to oil and gas conservation matters.



Above, from left: Docket clerks Jesse Pineda and Brittany Gwaltney work in the court clerk's office.

Court Reporters

Court Reporters record hearings before ALJs, Oil and Gas Appellate Referee or Commissioners and, by request, prepare transcripts. They mark exhibits during hearings and provide the information to the ALJ, as well as file notice of transcript completion with the Court Clerk, providing an original transcript to the clerk when there is an appeal to the Oklahoma Supreme Court. The Court Reporters provide services in both the OKC and Tulsa Offices.

Administration Division

Oil and Gas Conservation and Petroleum Storage Tank Hearings

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 hear enforcement, conservation and pollution causes involving these areas of regulatory authority. In the OKC Office, the oil and gas ALJ staff conduct hearings exclusively on oil and gas conservation and petroleum storage tank dockets.

In the Tulsa Office, the oil and gas ALJ staff consists of two full-time ALJs who conduct 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.

An Oil and Gas Appellate Referee hears exceptions arising from both the OKC and Tulsa Offices. During this fiscal year, a Public Utility ALJ also served as an Oil and Gas Appellate Referee.

During Fiscal Year 2018, there were hearings concerning 13,241 initial applications and 4,428 motions brought before the Commission's oil and gas ALJs, while 110 protested initial applications and motions were the subject of exception proceedings conducted by the Oil and Gas Appellate Referee.

Public Utility and Consumer Services Hearings

During FY 2018, there were four ALJs in the OKC Office who conducted hearings regarding public utility and consumer services issues. Hearings were held for applications regarding:

- Interconnection agreements and mergers and acquisitions of public utilities;

- Cotton gins;
- Local exchange telephone services;
- Purchased fuel adjustment clauses;
- Rate causes;
- Pre-approval of Energy Generation Purchases;
- Reconsideration applications involving the Oklahoma Universal Service Fund;
- Tariff filings; and
- Territorial boundary disputes.

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

During Fiscal Year 2018, there were 307 public utility causes heard.

All public utility ALJs received oil and gas training in order to have a cross-trained group of ALJs. Each public utility ALJ participated in cross training while maintaining a full public utility case load. This cross training provided increased flexibility and efficiency in scheduling hearings.

Public utility ALJs heard multiple rate causes. Two rate causes that garnered significant public and media interest were the rate causes filed by Oklahoma Gas and Electric Company and Public Service Company of Oklahoma. Customers were provided opportunities to give public comment. The public utility ALJs met all Commission-ordered filing deadlines so that rate causes could be processed in a timely manner.

Transportation Hearings

Transportation and railroad causes are heard as part of the case load of two ALJs in the OKC Office, who also conduct oil and gas hearings. The ALJs hear causes for applications regarding upgrading railroad crossings, railroad crossing closings, motor carrier citations, and enforcement proceedings.

During Fiscal Year 2018, the Transportation

Administration Division

dockets saw 45,544 docketed causes, resulting in 89 hearings.

Agency Counsel Attorneys

Agency Counsel Attorneys are responsible for assisting the agency on all issues of law that affect the Commission and for providing representation in federal and state courts. Agency Counsel Attorneys advise the agency on issues including, 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 policies;
- Risk management matters;
- Settlement negotiations;
- Supreme Court appeals; and
- Additional legal matters.

These attorneys also represent 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.

Agency Counsel Attorneys assist and coordinate

representation of the Commission on causes requiring legal representation from outside counsel. Agency Counsel Attorneys work 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.

Deliberations Attorneys

Deliberations attorneys' 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
- Which includes writing 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.
- Studying all the proposed orders on each Signing Agenda to provide answers to any questions asked by the Commissioners regarding a Signing Agenda item.
- The deliberating attorneys further assist the Commissioners with respect to deliberations, order review, order drafting, legal research, en banc hearings, motions for oral argument on exceptions and screenings.

JLS- Legal and Legislative

JLS provides advocacy and advisory legal services to the Commission, and represents the Commission and its staff. Services are provided through five specialized subject areas:

- Consumer Services;
- Oil and Gas;

Administration Division

- Petroleum Storage Tank;
- Public Utilities; and
- Transportation.

JLS 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. JLS further provides legal research and advises the Commissioners in connection with deliberation of causes by the Commission.

Consumer Services Attorneys

Consumer Services Attorneys provide 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.

Causes of Interest

Cause No: EN 201700151

On September 7, 2017, the Public Utility Division filed Cause No. EN 201700151, an enforcement action against multiple Windstream companies, regarding concerns related to Windstream's Oklahoma Universal Service Fund (OUSF) requests, consumer service and public safety issues, among other matters.

Windstream provides Special Universal Services throughout the State of Oklahoma. The company must file a request at the Commission for processing by the OUSF Administrator pursuant to the Oklahoma Telecommunications Act in order to receive reimbursement for those services. Over the last several years, PUD staff noticed issues with

Windstream's OUSF filings, including filings made using the wrong company name, using inaccurate information, incomplete filings, and failing to respond to information requests necessary to process the reimbursement requests.

Following several consumer complaints and field inspections conducted by the Consumer Services unit, staff discovered some Windstream equipment was not in good working condition, raising concerns about the company's ability to provide adequate and efficient telephone service. These issues included, among other things: fiber optic lines laying on the ground, wires wrapped around signs, leaning poles, unsecured and damaged lines and service outages.

PUD's enforcement action further outlined concerns regarding Windstream's management, such as the adequacy and accuracy of monthly payment requests, and failing to reimburse the OUSF several times following changes in federal funding. The case also noted that Windstream had not informed the OUSF Administrator it disconnected Special Universal Services, yet the company continued to request and receive monthly OUSF payments for 23 different entities.

PUD and Windstream ultimately entered into a joint stipulation agreement that included a \$75,000 fine, and the company agreed to improve its OUSF applications, and agreed to provide current information to PUD staff, among other improvements in its reporting and compliance. The Commission approved the joint stipulation and ordered payment of the \$75,000 fine on February 8, 2018.

Oil and Gas Attorneys

The Oil and Gas Attorneys represent the Oil and Gas Conservation Division and advise 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 wellsite surface restoration program, and the U.S. Environmental Protection Agency's Brownfields cleanup program. These attorneys also work with other government agencies on environmental issues related to oil and gas.

Administration Division

Additionally, the Oil and Gas attorneys represent the Oil and Gas Conservation Division in cases before the Commission and Administrative Law Judges to enforce Oklahoma law; 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.

These attorneys are also involved in the preparation and submission of Commission claims in bankruptcies filed by operators of oil and gas wells, prepare and file proposed rules and other required documents. This group also 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 Oklahoma waters and lands against pollution. When necessary, these attorneys 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 Oil and Gas Attorneys also file 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 of 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 cleanup work.

Petroleum Storage Tank Attorneys

The Petroleum Storage Tank Attorneys provide

legal assistance and representation to the Petroleum Storage Tank Division (PSTD). These attorneys' responsibilities include, but are not limited to:

- Providing legal counsel and assistance with all PSTD matters filed at the Commission;
- Assistance with rulemaking;
- Drafting legislation;
- Interpretation of legislation;
- Monitoring petroleum storage tank-related legislation of interest to the Commission;
- Preparation and prosecution of PSTD legal matters; and
- Research.

Public Utility Attorneys

Public Utility attorneys represent the Public Utility Division in all cases filed with the Commission by the State's regulated public utility companies and telecommunications companies, including, but not limited to:

- General rate causes;
- Mergers and acquisitions;
- Pre-approval of utility projects;
- Tariff revisions; and
- Annual or special fuel adjustment clauses and prudence reviews;
- Commission notice of inquiries;
- Enforcement actions;
- Rulemakings;
- Show cause matters;
- Review data requests sent by analysts;
- Trial preparations;
- Witness preparations; and
- Other matters.

These attorneys also:

- Conduct meetings with stakeholders and hearings;
- Perform other actions in connection with rulemaking proceedings in order to clarify, streamline, and update language and

Administration Division

procedures of the Commission rules;

- Prepare and file proposed rules and other required documents; and
- Provide 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 attorneys also represent the Oklahoma Universal Service Fund (OUSF) Administrator in causes before the Commission and Administrative Law Judges. This activity includes, but is not limited to:

- Advising the OUSF Administrator and staff of legal issues;
- Attending on-site reviews;
- Conducting discovery;
- Conducting legal research;
- Drafting pleadings and orders;
- Hearings;
- Meeting with OUSF analysts and management to perform bid reviews;
- Participating in policy discussions with attorneys and management;
- Review proposed determinations;
- 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 OUSF Contribution Factor;
- Presenting orders at signing agenda;
- Public Utility Fee Assessment and/or OUSF Assessment;
- Respond to public and internal inquiries;
- Review causes and provide legal advice for the Monthly Payment Team;

Additionally, the Public Utility Attorneys represent the Public Utility Division in causes filed at the Federal Communications Commission and the

Federal Energy Regulatory Commission.

Causes of Interest

Cause No: PUD 201700267

On July 31, 2017, Public Service Company of Oklahoma (PSO) filed Cause No. PUD 201700267, seeking the Commission's pre-approval of the PSO Wind Catcher Energy Connection Project. As part of this project, PSO and its sister company, Southwestern Electric Power Company (SWEPCO), entered into an agreement with Invenergy to purchase the Wind Catcher Facility. The Wind Catcher Facility is a 2,000 megawatt wind farm comprised of 800 2.5-MW turbines to be constructed in the Oklahoma panhandle near Guymon. In conjunction with the wind farm, PSO and SWEPCO planned to construct a 350-mile electric transmission line to deliver the wind power from the panhandle to PSO's grid near Tulsa. The project was estimated to cost \$4.5 billion, with PSO's share being \$1.36 billion. PSO was to own 30 percent of the project, resulting in 570 MW of wind energy being delivered to the Tulsa area.

The projected completion date was to be late 2020, and PSO customers were to receive nearly 40 percent of their energy from wind.

PSO requested approval to recover the project's costs, sought a determination that the project was needed, and asked for a temporary rider to recover costs, among other things.

There were a total of 14 parties represented by 34 attorneys in this cause and 33 witnesses provided testimony.

The Wind Catcher project was also filed in Arkansas, Louisiana, and Texas. Oklahoma's Commission was the first to conduct a merit hearing. It was held on January 8-12, 2018 and January 16-18, 2018. The administrative law judge recommended denying PSO's requests, filing her report on February 12, 2018. The case continued after the fiscal year's end.

Administration Division

Transportation Attorneys

The Commission is charged with regulation of commercial motor carriers, intrastate pipeline safety, and railroads. Household goods movers, passenger carriers, private carriers, and Transportation Network Companies, among others, also fall into this category. The Transportation attorneys assist 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.

Transportation attorneys handle causes which include, but are 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.

Causes of Interest

Cause No: EN 201800119

The Transportation Division filed an enforcement action against OKC Party Bus, Inc. and its owner David Guthrie, Cause No. EN 201800119, on March 16, 2018. The company is a for-hire intrastate motor carrier and is required to obtain proper licensing and maintain insurance before operating within Oklahoma. OKC Party Bus was

unable to obtain a license because it could not provide proof of insurance. But it was operating in Oklahoma despite receiving cease and desist letters from the Transportation Division. The company continued to operate after receiving the Transportation Division's filed complaint detailing the violations.

An administrative law judge conducted a hearing, wherein several Commission employees testified, including Transportation Division enforcement officers who observed the unlawful operations around the metro. These witnesses presented photographs of the unlawful operations during the hearing.

The Transportation Division recommended the maximum statutory fine of \$500 for each day of unlawful operation. The total recommended fine was \$95,000, which the administrative law judge recommended in her report. The Commissioners issued a final order after the fiscal year's end.



Above: Transportation enforcement employees photographed a party bus vehicle in operation despite lack of proper licenses.

Administration Division

OKLAHOMA CORPORATION COMMISSION

Applications Filed, Orders Issued

DOCKET LEGEND: CD-Conservation, PD-Pollution, GD-General Docket, (Reinstated 2004), MC-Motor Carrier, MCC-Motor Carrier Citation, EN-Enforcement, FD/PSD-Fuel (Petroleum Storage Tank), FDC-Fuel Docket Citation, TD-Transportation, PUD-Public Utility, RM-Rulemaking, SF-State Funds, CS-Consumer Service, OGC-Oil Gas Citation, *1997 MC/MCC and FD/FDC Separated. 2000 GG-Gas Gathering; OSF-Oklahoma Universal Service Fund (created 01/01/2018) (*requests for reimbursement from Oklahoma Universal Service Fund not included in applications total)

FISCAL YEARS 1993-2018

YEAR	CD	PD	GD	GG	MC	MCC	EN	FD/PSD	FDC	TD	PUD	OSF	RM	SF	CS	OGC	TOTAL	ORDERS
1993	3,834	1,099	12		6,540		274	4		123	186		19				12,091	8,258
1994	4,543	868	5		7,159		297	4		121	203		18	52			13,270	9,566
1995	4,760	818	1		6,653		457	272		79	237		19	81			13,377	9,168
1996	4,893	898	0		7,801		398	154		59	512		23	86		29	14,853	9,395
1997	5,645	614	0		4,604	4,404	308	24	21	120	516		22	99	3	91	16,471	10,697
1998	5,324	574	0		5,421	5,149	432	60	163	92	675		26	111	13	140	18,180	10,949
1999	4,789	456	0		5,937	5,968	254	43	56	64	727		23	85	12	43	18,457	9,081
2000	5,489	414	0	3	6,220	6,032	145	111	39	68	736		16	106	18	31	19,428	9,087
2001	6,594	409	0	3	6,128	6,754	259	9	37	42	683		19	131	15	63	21,146	11,220
2002	6,152	491	0	0	5,999	7,340	185	2	0	54	662		18	118	23	71	21,115	11,447
2003	7,536	486	0	1	6,489	10,496	316	2	1	95	844		9	75	26	84	26,460	12,494
2004	9,022	502	0	1	6,796	9,832	322	36	2	61	698		12	94	17	46	27,441	14,239
2005	9,891	547	3	3	6,504	22,750	349	21	1	78	582		13	120	9	83	40,954	15,903
2006	12,365	576	0	7	2,330	26,823	384	45	1	57	480		22	135	3	59	43,287	18,954
2007	8,728	619	0	0	89	21,009	445	46	7	60	520		6	128	6	20	31,683	14,560
2008	8,714	606	0	2	17	17,606	326	47	0	61	428		11	126	8	11	27,963	15,092
2009	6,086	521	0	0	14	23,463	251	76	0	63	343		12	103	15	17	30,964	12,712
2010	4,683	187	0	2	14	19,301	160	59	0	36	210		7	72	19	8	24,758	7,945
2011	6,214	124	0	0	2	20,592	127	43	3	43	244		7	35	14	14	27,462	10,338
2012	7,938	193	0	0	0	19,004	136	42	0	36	231		6	55	6	4	27,651	12,551
2013	8,858	180	0	4	0	25,555	119	32	0	79	256		11	53	4	6	35,157	14,074
2014	9,171	220	0	0	0	25,216	145	33	0	37	332		17	50	4	4	35,229	14,110
2015	7,776	213	0	1	0	28,004	146	32	0	27	418		12	53	3	1	36,686	15,368
2016	5,891	173	0	2	0	30,958	215	60	0	48	520		11	52	5	3	37,938	11,510
2017	7,850	243	0	17	0	37,450	229	53	0	78	487		19	33	4	0	46,463	11,865
2018	9,661	217	0	2	0	45,468	491	70	0	68	424	*266	15	321	1	2	56,740	14,370

CALENDAR YEARS 1993-2018

YEAR	CD	PD	GD	GG	MC	MCC	EN	FD/PSD	FDC	TD	PUD	OSF	RM	SF	CS	OGC	TOTAL	ORDERS
1993	4,181	990	4		9,439		276	6		129	181		17	15			15,238	8,097
1994	4,691	810	11		5,432		418	203		103	225		14	78			11,985	10,109
1995	4,686	806	0		6,119		438	217		62	435		24	68			12,855	8,426
1996	5,445	823	0		7,849		336	97		88	441		18	100	0	61	15,258	9,961
1997	5,457	663	0		5,278	4,802	397	17	35	104	616		29	114	11	115	17,638	11,447
1998	5,190	503	0		5,423	5,377	342	82	172	84	693		36	96	10	127	18,135	9,964
1999	4,650	380	0		6,194	6,142	133	15	32	80	770		12	91	16	9	18,524	8,414
2000	6,069	447	0	5	6,342	5,732	222	111	52	44	712		15	118	10	57	19,936	10,232
2001	6,606	446	0	0	5,911	7,084	218	6	17	42	661		13	134	28	77	21,243	11,539
2002	6,347	492	0	1	6,374	9,462	277	2	0	87	779		17	94	21	87	24,040	11,840
2003	8,510	515	0	1	6,533	9,561	340	2	2	74	792		10	81	21	36	26,478	13,443
2004	9,427	526	2	4	6,408	14,187	312	43	1	60	636		15	95	20	66	31,802	14,724
2005	11,977	584	1	4	5,230	24,747	344	30	0	66	540		18	71	4	54	43,670	17,901
2006	9,915	601	0	3	97	28,561	478	41	1	63	448		13	147	4	38	40,410	16,562
2007	8,533	606	0	1	25	17,701	363	56	7	49	466		12	108	10	17	27,954	14,952
2008	8,704	626	0	1	15	20,256	282	67	0	72	417		12	123	11	12	30,598	15,567
2009	4,060	321	0	0	14	21,763	217	62	0	45	276		6	107	16	13	26,900	8,821
2010	5,649	146	0	2	8	20,653	142	54	3	36	220		8	45	19	12	26,997	9,141
2011	7,135	125	0	0	0	18,073	105	43	0	51	205		5	46	10	8	25,806	10,982
2012	8,527	229	0	1	0	21,344	144	33	0	33	284		14	54	3	5	30,671	13,603
2013	8,779	182	0	3	0	26,732	130	31	0	74	240		15	56	2	5	36,249	13,842
2014	9,443	258	0	0	0	25,613	144	38	0	39	366		12	47	6	2	35,968	14,937
2015	6,319	175	0	2	0	29,827	173	39	0	32	478		10	54	1	3	37,113	13,636
2016	6,220	189	0	11	0	33,443	231	57	0	44	549		21	36	5	1	40,807	11,537
2017	8,785	230	0	8	0	39,730	253	48	0	106	579		16	49	4	0	49,808	12,407
2018	10,904	264	0	4	0	51,290	503	77	0	36	159	*752	22	58	1	2	63,320	17,468

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



Oil and Gas Conservation Division Overview

Total Oil and Gas Conservation Division Employees for Fiscal Year 2018	123
Personnel Status	
Total FTE Approved (State)	123
State-Funded	116
Federally Funded	7
Technical Services Department	29
Director	1
Administrative Programs Officer	1
Manager	1
Statistical Research Specialist	2
Regulatory Program Manager	1
Oil & Gas Specialist (1 vacant position)	12
Induced Seismicity Services Coordinator	1
Administrative Technician	7
Administrative Assistant (2 vacant positions)	3
Pollution Abatement Department	14
Regulatory Program Manager	1
Administrative Programs Officer	1
Oil & Gas Specialist (1 vacant position)	11
Administrative Assistant	1
Field Operations Department	74
Field Operations Manager	1
Administrative Programs Officer	9
Regulatory Program Manager	4
Oil & Gas Field Inspector (1 vacant position)	60
Induced Seismicity Department	4
Regulatory Program Manager	1
Regulatory Manager	3
Public Assistance Department	2
Administrative Programs Officer	1
Consumer Complaints Investigations Manager	1

The Corporation Commission received from the Legislature in 1915 the statutory responsibility for regulating the oil and gas exploration and production industries in Oklahoma. The Oil and Gas Conservation Division's primary regulatory responsibilities are to:

- Abate and prevent any pollution that might result from oil and gas exploration and production activities;
- Prevent the waste of the state's oil and gas resources; and
- Protect the correlative rights of all entities entitled to share in the proceeds, which are generat-

Oil and Gas Conservation Division

ed 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 Oklahoma Energy Resources Board (OERB);
- Witnessing well mechanical integrity tests (MIT or MITs).

Field Operations has four Field Offices located in:

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

Oil and Gas Conservation Division

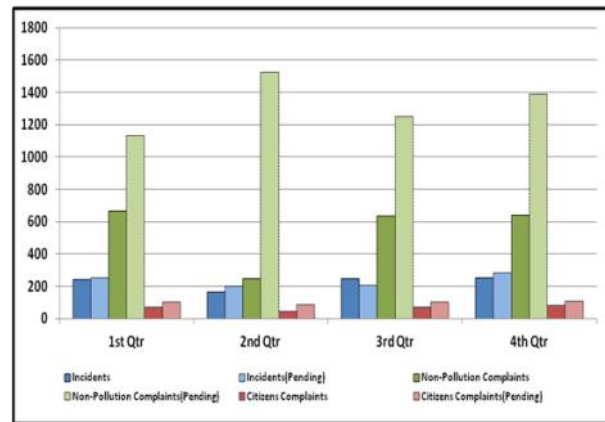
Department Operations

In FY 2018, the Field Operations Department's 60 field inspectors traveled over 1.2 million miles in the state and conducted 45,609 site inspections, 6,295 underground injection control well inspections and 4,647 complaint investigations; as well as oversaw 1,641 well plugging jobs and 3,655 UIC Mechanical Integrity Tests.

The Field Operations Department 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 Department.

In FY 2018, 213 sites were referred to the OERB and the Brownfields Section. The OCC Brownfields Program has leveraged millions of develop-

Complaints, Incidents FY18



ment dollars with the federal grants they receive by providing technical and financial assistance to

	District I		District II		District III		District IV		Total	
	#	MnHr	#	MnHr	#	MnHr	#	MnHr	#	Man-hours
Well Pluggings	294	461	612	1,453	425	1,638	310	1,151	1,641	4,702.5
Plugging follow up	443	624	474	906	997	898	65	157	1,979	2,584.5
UIC Inspections	2,298	941	2,203	1,327	1,036	529	758	544	6,295	3,341
UIC MITs	1,122	4,472	776	2,265	1,124	2,859	633	3,591	3,655	13,187
Complaint Investigation	1,129	1,610	1,379	2,366	1,355	2,206	784	1,217	4,647	7,399
Complaint follow-up	2,382	3,616	1,827	3,674	1,800	3,432	1,427	1,772	7,436	12,494
Well Testing	45	72	207	192	190	133	113	110	555	507
Site Inspections	10,402	4,040	8,809	3,274	10,826	5,088	15,572	8,284.5	45,609	20,687
Site (Soil Farming)	43	55	376	465	425	280	312	221	1,156	1,021
Reports/Paperwork	6,581	3,704	18,384	3,628.5	14,029	4,076.0	9,165	2,911	48,159	14,320
Telephone/Consultation	22,731	4,152	22,191	5,257	7,767	3,371	9,529	854	62,218	13,634
Court Appearance	83	58	67	242	174	407	273	116	597	823
Meetings	337	877	283	1,060	1,156	1,622	324	858	2,100	4,417
Sample Analysis	42	44	69	61	169	177	69	114	349	396
Other	186	450	357	765	2,177	2,421	875	1,749	3,595	5,385
Brownfields	0	2	1	0	80	57	0	0	81	59
TOTAL	48,118	25,178	58,015	26,934	43,730	29,194	40,209	23,650	190,072	104,956
Mileage		276,992		348,078		279,647		299,169		1,203,886

Oil and Gas Conservation Division

properties contaminated—or perceived to be contaminated—by historic oil and gas exploration and production activities, pipelines, bulk oil storage, and gas stations.

One of the Brownfields Program’s main functions is to do site-specific work, which is described in the [Brownfields Program Story Map](#) on the OCC Brownfields Program website.

The Pollution Abatement Section

The Pollution Abatement Section includes the following sub-sections:

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

The Pollution Abatement Department’s purpose is to provide underground injection control and environmental management services to division field inspectors, the oil and gas industry, landowners and state/federal agencies in order to ensure Oklahoma’s oil and gas resources are safely and responsibly produced.

Staff in these three sections process thousands of highly complex and technical applications that require thorough review and analysis before a project can move forward.

Staff in these three sections help oil and gas operators manage their waste in order to ensure the state’s groundwater is protected from potential contamination. The state can further advance economic development when land and groundwater resources are protected from pollution. Properly managing waste disposal is paramount to oil and gas drilling. Without proper disposal and management options, petroleum development cannot continue.

In the last year, the Pollution Abatement Department was able to fill all of the approved positions available to allow all of its functions to be fully executed. This has improved

our customer service to those that depend on the oversight we provide.

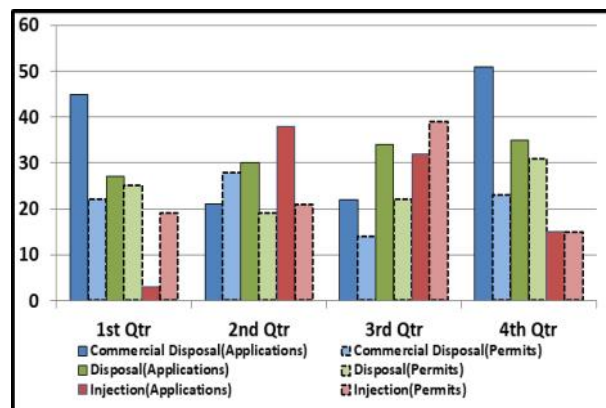
Department staff continued to be a major participant in the [Governor’s Produced Water Working Group](#), which was tasked with investigating alternatives to produced water disposal.

A report and recommendations [were completed in Fiscal Year 2018](#).

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 waste products disposal and fluid injection to enhance oil and gas recovery. The program covers [Class II wells](#), which include injection well types used for Enhanced Oil Recovery (EOR) operations and injection wells used for [oilfield waste disposal](#). The Environmental Protection Agency (EPA) [provides oversight](#) and some funding for this program.

Oklahoma was the first state in the nation to receive the EPA’s permission to administer the injection well program, [receiving primacy](#) on Dec. 2, 1981. It is critical that our department’s staff have the resources and tools to effectively manage this program. Otherwise the EPA can take control of the program, which would require operators to work with federal regulators for permit requests, inspections and enforcement.



Oil and Gas Conservation Division

Staff expect an increased workload in the coming fiscal year, and the system's current database is not able to handle the increase. Higher fees passed during this fiscal year's rulemaking, effective in October, are expected to help add upgrades to the system.

The Waste Management Sub-Section

Waste Management responsibilities include, but are not limited to:

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

Staff spend hours with operators seeking approval for each waste disposal project application, discussing regulatory specifications, examining site assessments and evaluating proposals to ensure each site is suitable for what is requested. These analyses involve complex technical documents that require vast knowledge of environmental engineering controls, soil science, geology, chemistry, in addition to an in-depth understanding of various state and federal regulations. This specialized knowledge is important so staff can address disposal and potential reuse options for oilfield waste material.



Above: Construction contractors work at a water reuse pit.

As horizontal drilling technology advances, the amount of waste material generated increases. For

example, staff processed 3,500 applications to spread treated waste material on surface land, a process known as land application, sometimes referred to as soil farming. Our employees oversee 35 commercial soil farms that dispose of drilling waste, 22 commercial pits associated with liquid waste disposal, and have overseen 63 applications of projects to recycle oilfield waste materials. Staff manage more than 19 million barrels (798 million gallons) for large pits that have a capacity of 50,000 barrels (2.1 million gallons) or more. Devon Energy Corp. received the first large fluid pit permit in 2012.



Above: A worker pressure washes a road near a well site.

The Brownfields Section

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



Above: The Gates Hardware building in Tulsa had an old railcar that was used for underground petroleum storage. Brownfields funding helped remove the tank so the company could expand its parking lot.

Oil and Gas Conservation Division

The OCC Brownfields Program closed 3 sites in FY 2018. The Blue Wave Boats facility, a boat manufacturing company in Seminole, was built on an old tank farm. The company wanted to expand the manufacturing facility for its aluminum boat manufacturing. The site received a Certificate of No Action Necessary, allowing the company to expand and redevelop the site.

The Creek County Landfill site and Roaring Fork site both received certificates of completion. The Creek County landfill had pits with contaminated soil from old oilfield activity. The owner disposed of the contaminated soil and was able to expand the landfill to accommodate new cells.

The Roaring Fork site at 150th and Pennsylvania Avenue in Oklahoma City was a parcel with major scarring on the land from spilled saltwater and petroleum hydrocarbons from years ago. Now the developer who owns the site can continue with his project.

The Brownfields Program enrolled five new sites in FY 2018: the LL Males Storage Facility in Cheyenne, the North East Resource Center Inc. (NERCI) Soup Kitchen in Oklahoma City on East 23rd Street, the Circle J Mini Mart in Oklahoma City, the GreenTech facility in Anadarko and the former Body Works facility in Oklahoma City.

The Brownfield Section staff manage several ongoing projects, including:

- The former Prime Oil site, which is forming a redevelopment plan so that it may receive a Phase II Targeted Brownfields Assessment.
- The East Sheridan Re-Development Project has completed the oil and gas contamination remediation on site (plugging of the Oklahoma City #1 well) and site closure is pending testing of the vapor intrusion system by the Oklahoma Department of Environmental Quality. The Steelyard Apartments now stand on the site.



Above: A contractor crew works to plug the well using Brownfields funds in 2014. Below: The Steelyard Apartments.



Oil and Gas Conservation Division Highlights

In addition to site-specific projects, one Brownfields Section staff member manages the [Oklahoma Historical Aerial Digitization Project](#) (OHADP), which coordinates the gathering, scanning, and geo-referencing of all the existing historical aerial photographs in the state from the 1930s to the 1980s, 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.



Above: This 1951 aerial photo of the area surrounding the Oklahoma State Capitol is part of the collection.

Newly scanned and georeferenced photographs are periodically given to the Office of Geographic Information for uploading to their file transfer protocol site. These photographs were originally collected using taxpayer dollars after Great Depression. Agency staff use the archived photos to track contamination history in some of its cases.

Brownfields Section staff is also working closely with the Department of Environmental Quality and other state agencies to plan for the 2018 Oklahoma Brownfields Conference that will happen after the fiscal year ends.

The Technical Services Section

The Technical Services Department is organized into three sections:

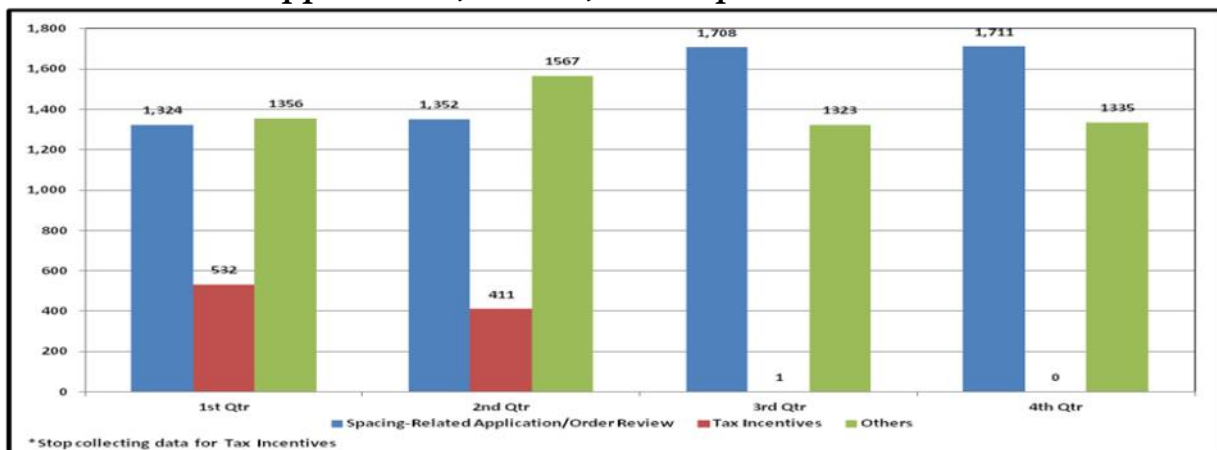
- Compliance;
- Document Handling; and
- Technical Review.

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

The division staff worked with stakeholders to develop a proposed emergency rule to initially govern the implementation of Senate Bill 867, which created the Oklahoma Energy Jobs Act of 2017. The law allowed for the first time long lateral spacing units in any common source of supply in Oklahoma, which were previously restricted to unconventional plays, mainly shale formations. The law was expected to cause a sharp increase in oil drilling and production activity.

There was a 0.1 percent increase in the number of intent to drill application forms filed in Fiscal Year 2018 compared to the prior fiscal year. Spacing-related applications and order reviews increased by 36 percent from FY 17 to FY 18.

Applications, Orders, and Reports Reviewed



Oil and Gas Conservation Division Highlights

Other applications increased nearly 19 percent in the same time frame.

Staff worked with stakeholders to develop new rules and adjust fee schedules to better fund the Division.

The Compliance Sub-Section

Compliance responsibilities include, but not limited to:

- Analysis and recommendations;
- Data compilation, presentation and supporting filings;
- Ensuring testing compliance;
- Ensuring that all operators in the state maintain surety for plugging wells and remediating sites; and
- Maintaining reporting requirements for oil and gas wells completed in the state.

During Fiscal Year 2018, staff processed gas volume reports containing monthly production information on the 63,500 gas wells in the state. Employees also reviewed 555 well tests. There were 186 new companies that filed Financial Assurance Mechanisms and Operator Agreements with the state. There were 2,965 active operators in the state as of July 15, 2018.

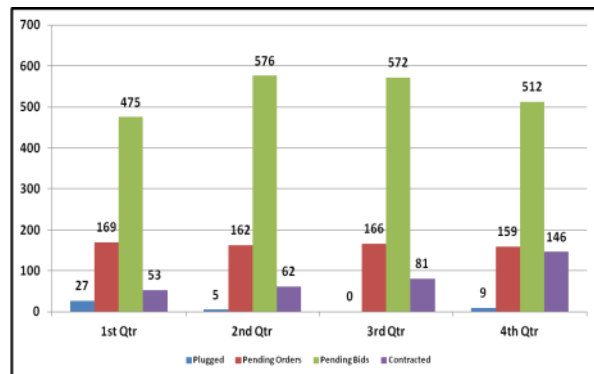
The Document Handling Sub-Section

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

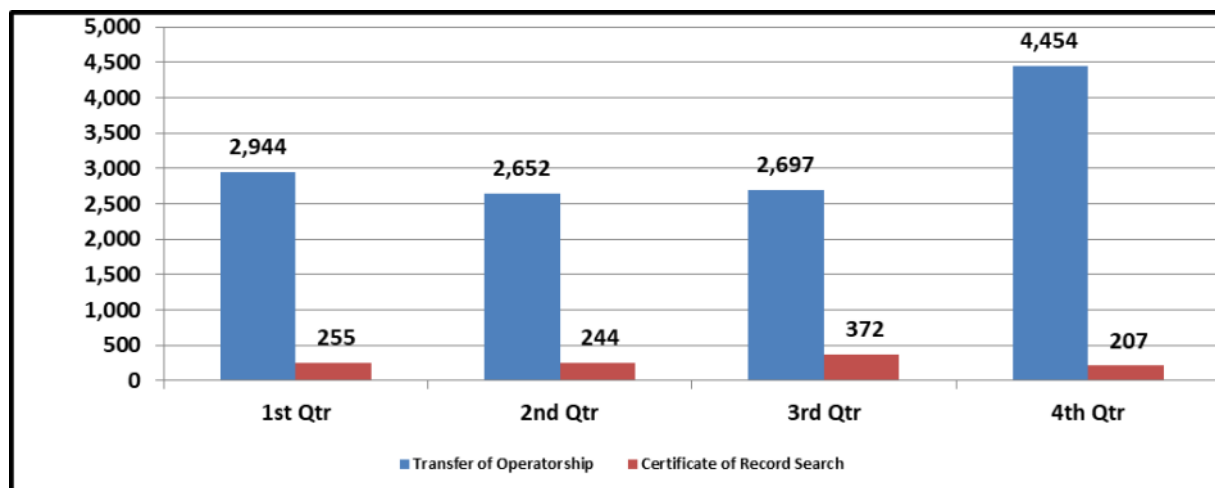
- Certificates of record search;
- Well logs;
- Drilling completion reports;
- Plugging reports; and
- Well transfers.

Customer service is an important function of this section. Industry representatives, mineral and surface owners, and other interested parties rely on these employees for much of the information concerning individual wells in Oklahoma.

State Funds Wells



Well Records Research



Oil and Gas Conservation Division Highlights

During Fiscal Year 2018, staff in the Document Handling Section processed:

- 1,078 Certificates of Record Search;
- 1,370 Completion Reports;
- 12,747 Transfer of Operations; and
- 652 Well Logs.

The Technical Review Sub-Section

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

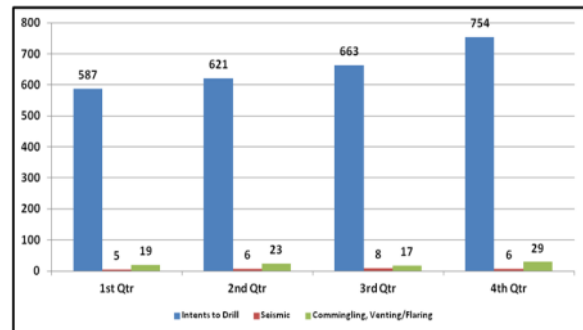
As part of the Commission's goal to assist operators who qualify for tax relief incentives, employees in this section handle tax relief application requests. These applications may be filed by the well operators that qualify pursuant to the provisions enacted by Title 68, Oklahoma Statutes §1001.

Staff's workload included:

- Reviewing 5,672 requests of surface casing and pit requirements to ensure that the state's ground water resources were properly protected;
- Reviewing 5,672 requests of surface casing and pit requirements to ensure that the state's ground water resources were properly protected;
- Reviewing 2,625 applications to drill, recomplete, and re-enter wells;
- Reviewing 11,676 spacing, location exception, increased density and other related applications and orders;

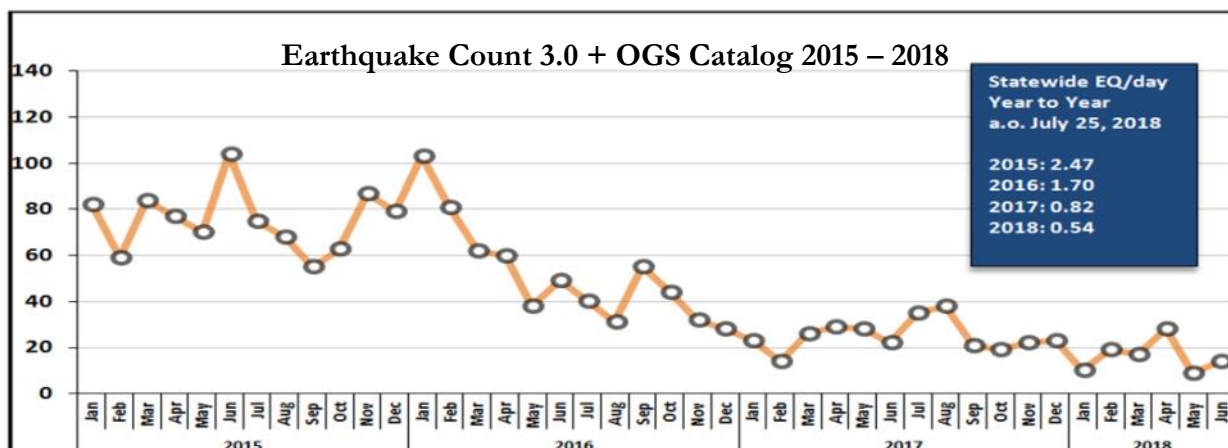
- Reviewing 1 application for vacuum pump installation;
- Reviewing 944 tax-relief applications;
- Reviewing 88 gas venting or gas flaring;
- Reviewing 644 applications for other forms of technical relief.

Conservation and Pollution Prevention Applications



The Induced Seismicity Department

The Induced Seismicity Department (ISD) is responsible for risk mitigating from induced seismicity in Oklahoma related to oil and gas activity. Employees also are responsible for ensuring the utmost stewardship of oil and gas data that the agency receives and maintains, instilling public confidence in the duties upon which the agency has been bestowed and demonstrating the agency is fulfilling its responsibilities. The department's staff monitors and tracks all earthquake and oil and gas activity statewide using modern software, including geographic information systems.



Oil and Gas Conservation Division Highlights

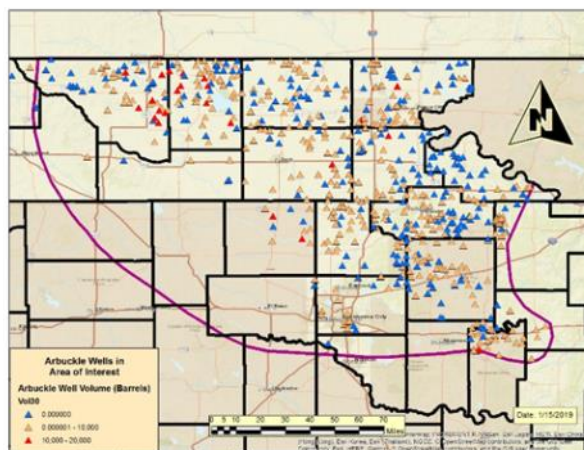


Above: Induced Seismicity Department Regulatory Manager Charles Lord reviews earthquake information.

The department is a multi-disciplinary-minded group that collaborates regularly with academia, industry, and other state and federal regulatory entities to stay on the forefront of new scientific developments related to induced seismicity as well as to stay on the leading edge of tool and application development. Such collaborations include:

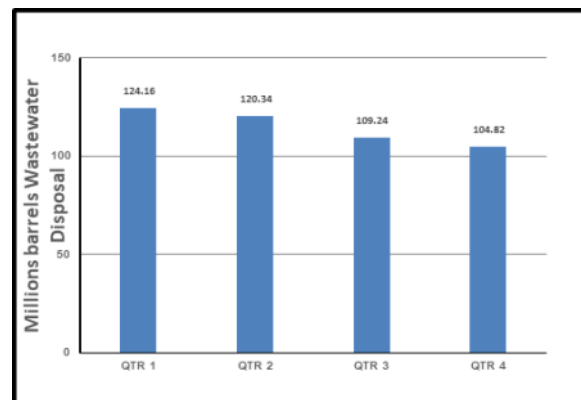
- University of Oklahoma
- Oklahoma Geological Survey
- Oklahoma State University
- University of Tulsa
- U.S. Environmental Protection Agency-Region 6
- Groundwater Protection Council
- United States Geological Survey
- Kansas Corporation Commission
- Kansas Geological Survey

In FY 2018, the department staff implemented four local directives (Jacks, Enid, Crescent, and Covington) which included 62 wells and 16 operators. These directives were designed to curtail injection in the Arbuckle Formation in aforementioned areas.



Arbuckle injection volumes in the Area of Interest (AOI) during FY 2018 declined by 19.3 million barrels (810.6 million gallons) or 16 percent since the start of the fiscal year. Volumes within the AOI, a 15,000-square-mile-area in central and northern Oklahoma, have dropped 66 percent since the peak of injection in the fourth quarter of 2015. There are approximately 619 wells and 163 operators in the AOI currently disposing in to the Arbuckle Formation.

Area of Interest Wastewater Disposal FY 18



The earthquake frequency for magnitudes 3.0 and stronger during FY 2018 have declined 46 percent since the beginning of the first quarter, or 43 fewer events. All earthquakes with magnitudes 3.0 or stronger declined by 32 percent from FY 2017 to FY 2018, or 118 fewer events year over year.

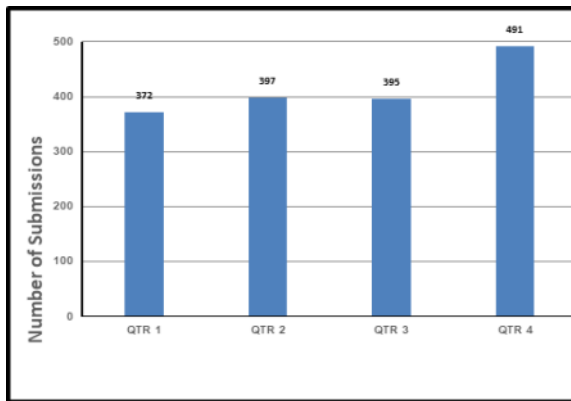
Department staff reviewed and implemented a Well Completions Protocol. In February 2018, staff updated a protocol first issued in December 2017. Both the initial and updated protocol set guidelines for operators completing wells in the state (in the Well Completions Area of Interest) to monitor for earthquakes during completion operations and to perform mitigation measures when earthquakes occur above certain magnitude thresholds.

Oil and Gas Conservation Division Highlights

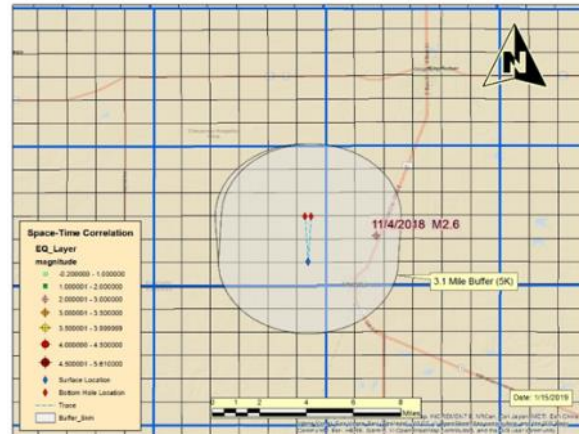
The Hydraulic Fracture Notice Form was re-vamped and department staff received 1,662 forms during the fiscal year, a nearly 95 percent increase from the prior fiscal year.

Hydraulic Fracture Notice Form

Submission FY18



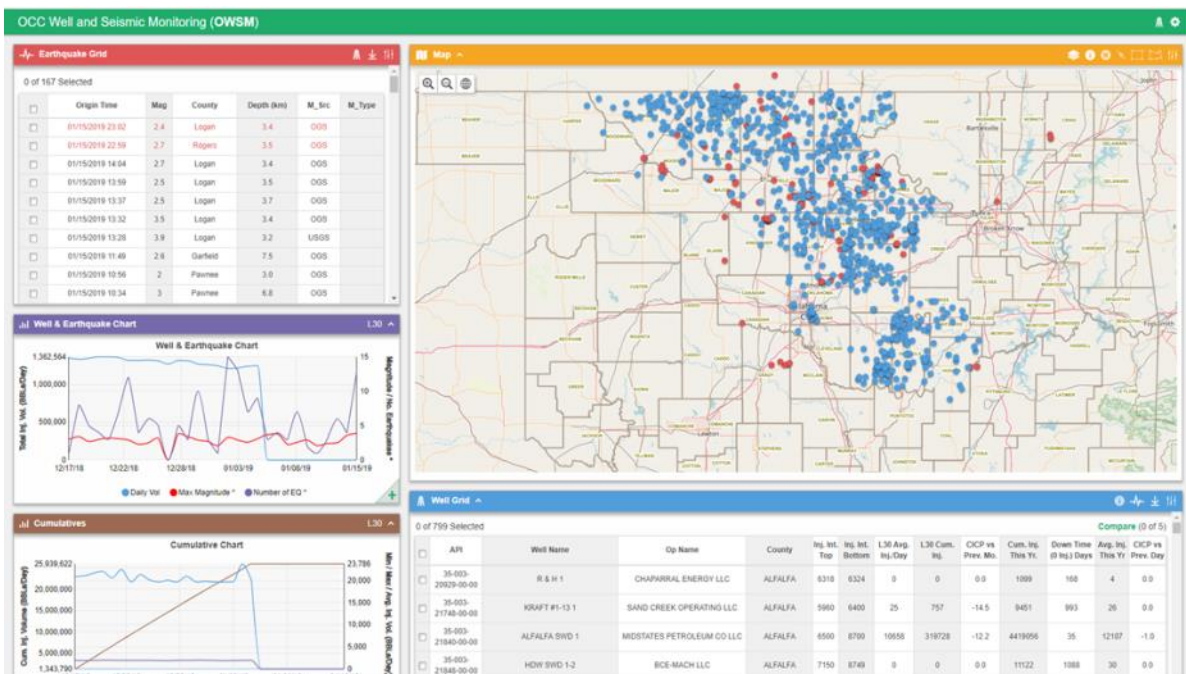
Space-time correlation application



Induced Seismicity Department staff built tools and applications to track earthquakes occurring near active completions in the state, identifying 854 correlations in fiscal year 2018, up nearly 13 percent from the prior Fiscal Year. Staff has created a catalog of those correlations, which expedited

Regardless of the earthquake activity level, ISD staff keeps in close contact with oil and gas operators concerning operations. Department staff has used off-site monitoring tools and applications and maintains 24/7, on-call support for OCC staff, operators, the Oklahoma Geological Survey staff, and other stakeholders related to seismicity issues.

The OCC Well and Seismic Monitoring tool (also known as the dashboard)



Oil and Gas Conservation Division Highlights

Staff also facilitated re-permitting or permit terminations for 36 wells. Staff continues to work to improve its well database to more efficiently manage needed resources on well records. Over 1,580 wells have been reviewed in detail to supplement the division's information compiled in its Risk-Based Data Management Solutions (RBDMS) software that catalogs well information. Department staff was intensely involved in improving the database to ensure the active Arbuckle disposal wells list is accurate, including each well's location and status. It is critical for staff to have accurate and updated data when they are researching well information while examining and responding to earthquakes.

Department employees worked with the Ground Water Protection Council to demonstrate the Oklahoma Well and Seismic Monitoring tool, an online mapping and charting application, to other states agencies that also address induced earthquakes. ISD staff presented the tool to the Kansas Corporation Commission, the Kansas Geological Survey staff at Kansas University, the Texas Railroad Commission and the U.S. EPA's Region 6 office staff. Groundwater Protection Council also demonstrated the tool to oil and gas regulators in California, Arkansas and Ohio, as well as tribal officials with the Osage Nation. These presentations help demonstrate the Corporation Commission's staff is on the leading edge of using technology to efficiently use limited resources while addressing critical public safety issues and can serve as a model for other states interested in developing similar tools.

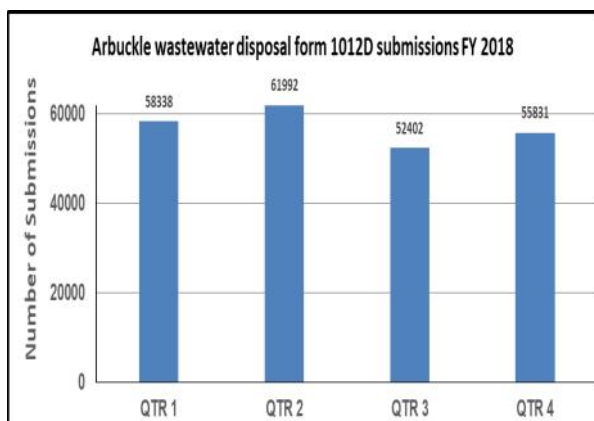
Department employees reviewed more than 229,563 1012D reports, the electronic form required for operators in the Area of Interest to demonstrate each week how much volume was injected into the Arbuckle on a daily basis. Operators filed 5 percent fewer 1012D reports compared with the prior fiscal year. Staff will be expanding the number of wells reporting with the 1012D form in the upcoming fiscal year. Staff also reviewed 159 disposal wells permits and 478 underground injection control applications in FY 2018.

The Public Assistance Section

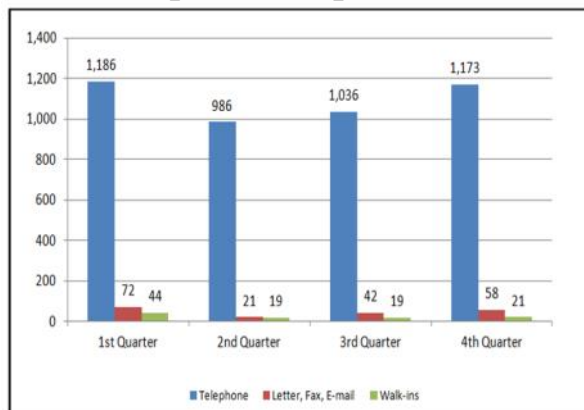
The Public Assistance Department acts as the Commission contact for mineral and surface owners in their dealings with petroleum companies. Staff also serve as an information and referral center for oil and gas matters. Mineral and surface owners and oil and gas industry members call with a wide variety of questions and complaints, ranging from royalty payments and leasing to spacing, pooling, production volumes, and Commission rules and regulations. We help facilitate communication wherever possible.

We do not provide advice or legal counsel. We do refer people to organizations that can help, such as royalty owners' trade groups. Staff help guide callers through our website so they can learn how to do the research they need on their own. We help them help themselves.

Area of Interest Wastewater Disposal FY 18



How Complaints/Inquiries Received



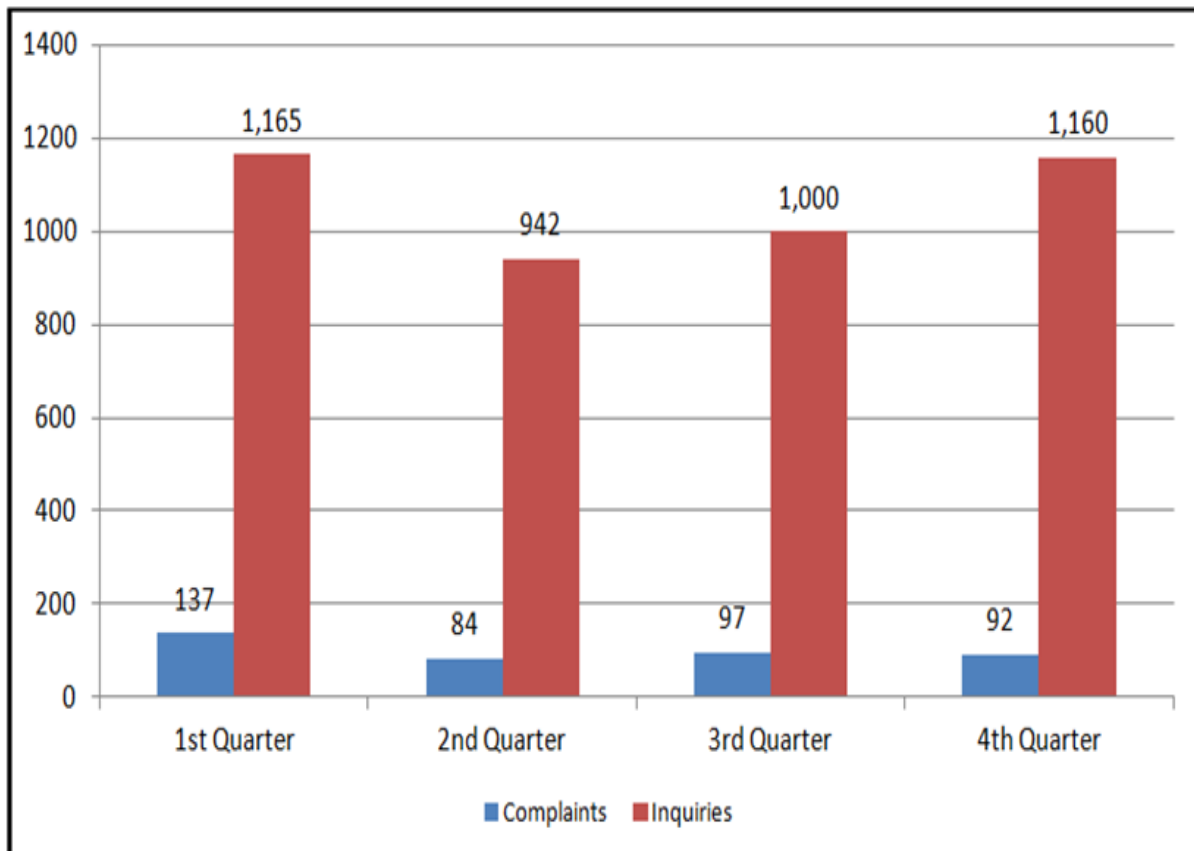
Oil and Gas Conservation Division Highlights

Though the majority of the calls are related to matters over which the agency does not have jurisdiction, our goal is to provide friendly, accurate information to help the mineral owner, surface owner, and Oklahoma residents seeking to learn more about the industry.

Several example of the assistance call types include:

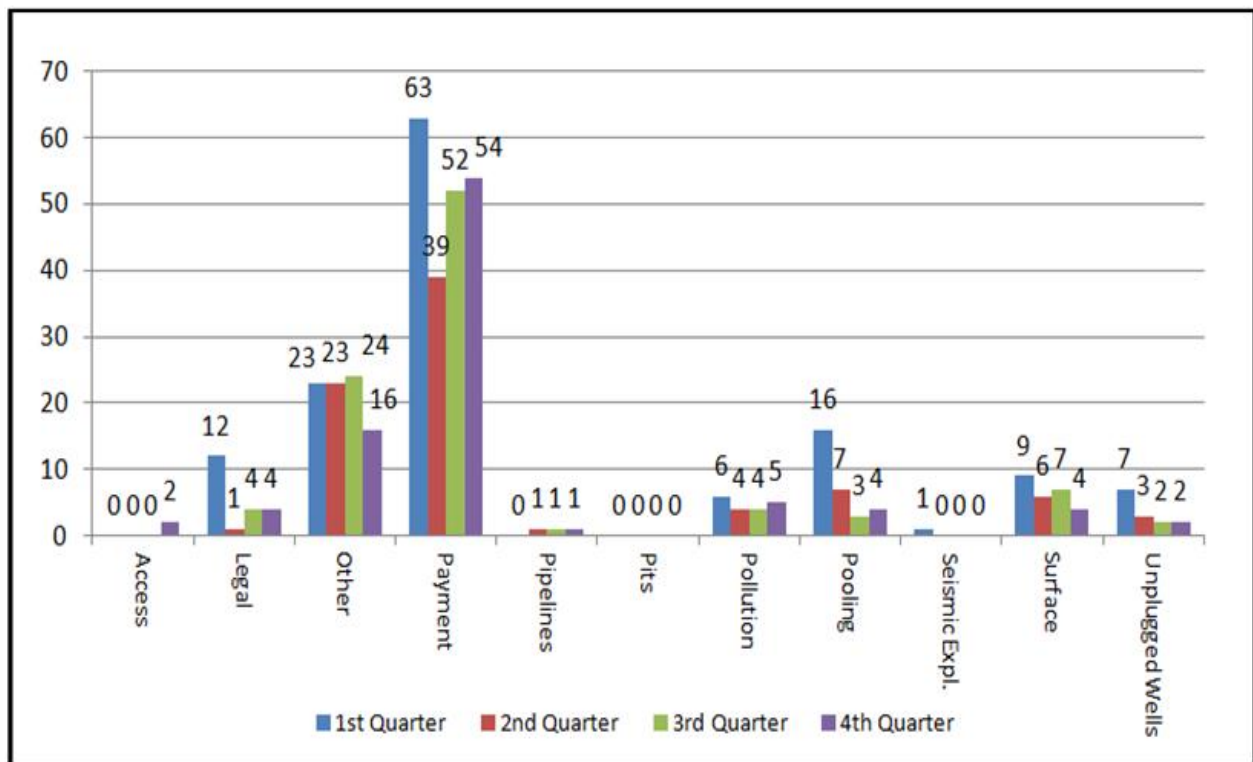
- Helping guide callers through the court system and what it means when they receive a hearing document or a forced pooling notice;
- Outlining the basics of oil and gas drilling;
- Explaining recent law changes and how that affects the industry and mineral owners;
- Providing information for County Commissioners;
- Describing how to read a legal description of a well site's location;
- Listening to complaints of alleged missed payments or unpaid bonuses and facilitating dialogue with the operator.

Type of Call



Oil and Gas Conservation Division Highlights

Complaints by Category



The Petroleum Storage Tank Division

IN THIS SECTION:

The Accounting Department

The Administrative Department

The Compliance
and Inspection Department

The Technical Department



Petroleum Storage Tank Division Overview

Total Petroleum Storage Tank Division Employees for Fiscal Year 2018	43
Management	3
Director	1
Indemnity Fund Administrator	1
Executive Administrative Assistant	1
The Accounting Department	3
Comptroller Accounting Manager	1
Process Auditor	2
The Administration Department	6
Administrative Programs Officer	1
Project Records Analyst	4
Senior Administrative Section Supervisor	1
The Compliance and Inspection Department	23
Environmental Compliance Analysts	3
Fuel Specialists	15
Fuel Specialist Supervisors	4
Manager of Compliance and Inspection	1
The Technical Department	8
Project Environmental Analysts	6
Project Environmental Analyst Supervisor	1
Technical Manager	1

The Petroleum Storage Tank Division (PSTD) administers the federal underground storage tank (UST) program in lieu of federal regulation and staff has jurisdiction over underground and aboveground storage tanks that contain antifreeze, aviation fuel, diesel, gasoline, kerosene, motor fuel, and motor oil. The programs protect human health, safety, and the environment when a leak from a petroleum storage tank system disrupts vital services and/or contaminates soil or groundwater.

Division staff is responsible for maintaining the storage tank program, including inspecting storage tank facilities, calibrating dispensers, enforcing

rules, conducting risk assessments to determine the potential exposure effects after a leak has occurred, developing and enforcing corrective actions or remediation plans at contaminated sites, providing alternative water supplies when necessary, providing emergency services if needed, and we can also impose administrative penalties and fines.

Division staff administer the Petroleum Storage Tank Indemnity Fund, which was established to help petroleum storage tank owners meet a \$1.5 million-liability-insurance requirement for damages that leaking regulated storage tank systems cause and to reimburse owners and operators for

Petroleum Storage Tank Division

corrective action costs resulting from the release. The Oklahoma Legislature in 1989 established a one-cent-per gallon assessment on gasoline, diesel fuel, and blending materials. Wholesalers pay the assessment and the money goes to the [Indemnity Fund](#).

The Indemnity Fund administrator determines eligibility, ensures there's enough money available for required corrective actions needed to mitigate environmental, health, and safety threats to the public and oversees all expenditures for eligible claims seeking reimbursement. The administrator also participates in the development of the division's Petroleum Information Management System (PIMS) database; collects statistical data for all division reports; submits quarterly and semi-annual storage tank activity reports to the U.S. Environmental Protection Agency (EPA); ensures the agency maintains data on whether operators are in compliance and reports the data to the EPA; represents the division at national conferences and meetings; and serves as the director's backup.

Division staff also administer the Oklahoma Leaking Underground Storage Tank Trust Fund (LUST Trust), which can be tapped when leaking underground storage tank sites pose an imminent threat to human health or the environment and requires prompt action, or when the responsible party is unknown, unwilling, or unable to respond. The U.S. EPA [provides the trust's funding](#) through assistance grants. The division seeks reimbursement from the LUST Trust Fund for corrective action costs. Reimbursement money the division requests can be used for underground storage tank remediation, among other things the EPA has outlined in its LUST Trust Fund grant program.

Our storage tank program's structure enables division staff to effectively enforce state and federal regulations, effectively coordinate corrective actions at leaking sites, while ensuring the indemnity fund remains solvent. In many other states similar financial assurance funds have gone bankrupt without meeting site clean-up goals.

The division is comprised of four departments:

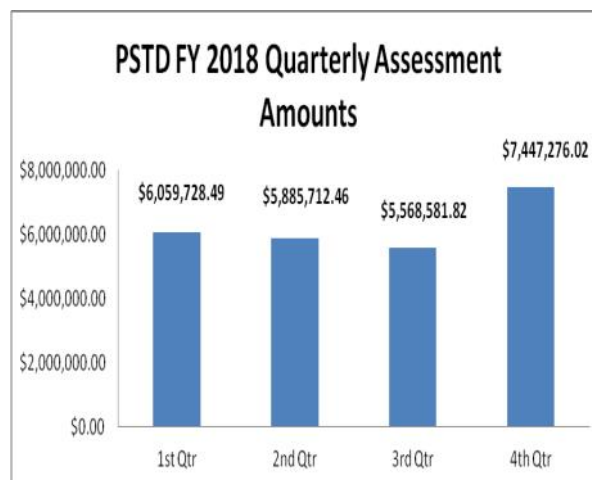
- The Accounting Department;
- The Administration Department;
- The Compliance and Inspection Department; and
- The Technical Department.

The Accounting Department

The division's comptroller manages transactions and expenses; 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 parties make timely indemnity fund payments.

The division's accounting staff:

- Conducts purchase order and claims audits to ensure indemnity fund money and EPA grants are used efficiently;
- Processes payments for indemnity fund claims by reimbursing a portion of the corrective action costs leaking petroleum storage tanks cause;
- Processes tank permit fees and licensing payments; and
- Seeks reimbursement for all LUST Trust grant money spent.



Petroleum Storage Tank Division

Income & Expenditures

The indemnity fund reimbursed \$17,345,280 on about 1,165 claims. The indemnity fund had an unencumbered balance of approximately \$129,840 at the end of FY18.

The indemnity fund received approximately:

- \$24,961,298 from assessments;
- \$89,843 from co-pays;
- Earned \$379,231 by investing reserve revenue in interest-bearing cash management accounts; and
- Collected \$328,713 in licensing and permit fees.

The division collected:

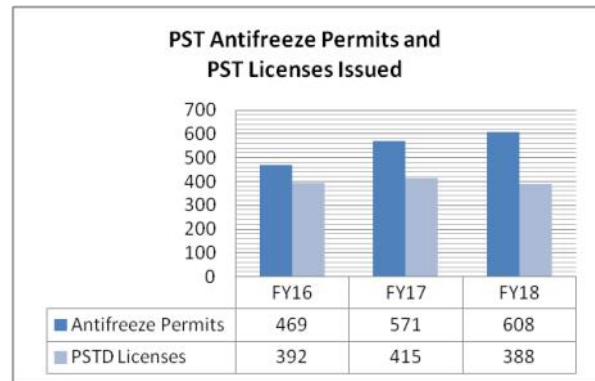
- \$81,550 in fines,
- \$38,800 through substantial compliance,
- \$42,500 through enforcement actions, and
- \$60,000 in antifreeze license permits.

The Administration Department

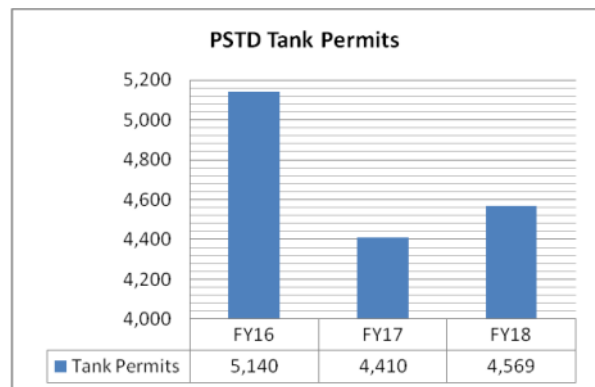
The administration department provides support and is responsible for:

- Maintaining the storage tank database;
- Managing the operator training program;
- Invoicing, permitting, and registering petroleum storage tanks;
- Scheduling tank system installations, removals, repairs, and testing activities;
- Processing indemnity fund checks and electronic fund transfers;
- Licensing environmental consultants and other storage tank professionals who install, monitor or remove regulated petroleum storage tanks;

- Licensing and permitting of antifreeze;
- Imaging records and documents; and
- Public information requests and customer service issues.



Approximately 421 underground storage tanks and 93 aboveground storage tanks were removed from service during the fiscal year, while 111 underground storage tanks and 66 aboveground storage tanks were installed.



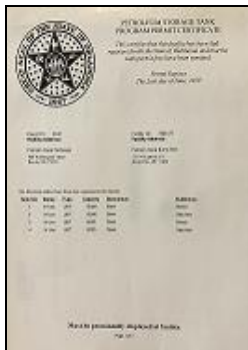
At the end of the fiscal year administration staff:

- Registered 39,597 underground storage tanks;
- Registered 7,481 aboveground storage tanks;
- Issued 4,569 tank permits;
- Issued 608 antifreeze licenses;
- Licensed 103 Environmental Consultants;
- Licensed 285 storage tank professionals.

Petroleum Storage Tank Division Highlights

The Compliance and Inspection Department

The compliance and inspection department staff enforces OCC regulations and protects consumers by inspecting, calibrating and checking octane at storage tank facilities; explains rules and regulations to stakeholders and regulated entities and explains operation and maintenance necessary for storage tank systems to owners and operators.



Left: All retail fueling stations must have a current certificate prominently displayed.

The compliance and inspection manager supervises and coordinates the division's compliance analysts and fuel specialists, oversees

our inspectors, as they conduct field inspections to operators are compliant with state and federal laws and agency rules. The manager determines enforcement actions and/or tank shutdowns for violating division rules, in addition to reviewing licensing applications, and serving as the division's primary troubleshooter on storage tank compliance.

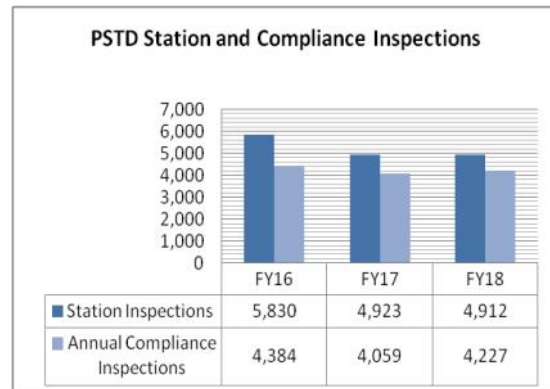
The Inspection and Enforcement Section

The division has 19 fuel specialists, one of whom is dedicated to monitoring installations and removals of tank systems statewide; one of whom is dedicated to high-flow calibrations at truck stops and travel plazas across the state. The remaining 17 cover different geographic territories across the state and check fuel storage and delivery systems at 4,678 regulated facilities. An inspector's job has two facets: ensuring tank systems or associated equipment have no leaks and to ensure consumers receive the correct type and amount of motor fuel from the dispenser.

Fuel specialists are also responsible for:

- Checking storage tanks for the presence of water and the fuel's quality;

- Measuring the octane rating and accuracy of dispensers;
- Ensuring emergency breakaways for dispenser hoses are operational in case a motorist drives off with the nozzle still in the vehicle;
- Verifying emergency breakaways between the dispenser and fuel delivery system will disconnect from the fuel source if the dispenser is knocked over;
- Checking the lower interiors of dispensers to make sure there are no exposed wires nor leaks;
- Reviewing tank system monitoring, testing, and other required recordkeeping;
- Ensuring all antifreeze sold has a valid permit;
- Investigating consumer complaints.



Fuel Specialists also verify the amount advertised on the fueling facility's sign is the same as what is on the dispenser and ensure signs are properly posted to inform motorists which dispensers are designated for ethanol-blended fuels.



Left: A white calibration label is placed on all dispensers at retail motor fueling facilities indicating the date it was calibrated by a PSTD Fuel Specialist. Inspectors will lock down dispensers not in compliance until the equipment is replaced or repaired to comply with agency standards. The label includes the phone number to report fuel quality issues or any other problems encountered.

Petroleum Storage Tank Division Highlights



Above: An inspector checks a fuel tank at a dispensing station.

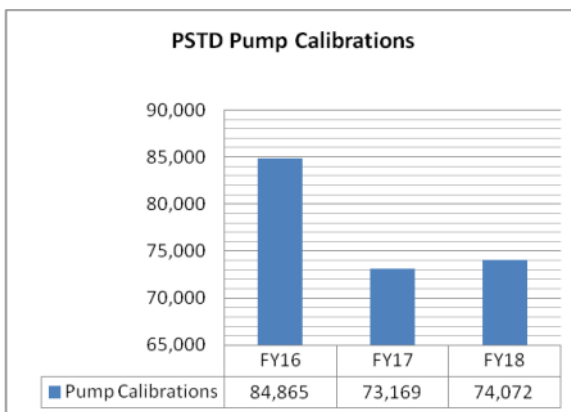
For years, division staff has maintained one compliance inspection and two calibrations annually at all active retail facilities statewide. EPA staff noted in their annual storage tank program review that our PIMS inspection application is one of the most sophisticated databases in the nation and provides inspectors more updated information than most other states use.



Left: Inspectors must check electrical connections at fuel dispensers to ensure the equipment is safe.

Inspections, Violations and Calibrations

Fuel specialists performed approximately 4,912 service station inspections, or 100 percent of the retail facilities operating in Oklahoma. There were 74,072 pump calibrations checked and 691 meters, also known as dispensers, weren't properly calibrated. Specialists inspected 4,227 motor fuel facilities for annual storage tank compliance checks, identifying 311 water violations and investigated 170 consumer complaints regarding gasoline purchases.



The Compliance Section

Tank owners may request a variance to any petroleum storage tank regulation provisions through an application, a notice, and a hearing. Division rules were revised so that owners can apply for administrative approval for a variance to close a tank without removal as an effort to streamline processes and avoid court cases. Compliance analysts review and administratively approve applications for in-place tank closure, without needing a hearing before an Administrative Law Judge, who then submits a proposed order to the Commissioners to determine whether to grant the variance. If staff deny the application, the owner still has the option to request a hearing and present the case to an agency judge. The process saves time and money for both the owner and the Commission and has been so successful, the division proposed rules to expand the variance process for any PSTD rule.

Petroleum Storage Tank Division Highlights

Tank owners must be substantially compliant with applicable regulations to be eligible for Indemnity Fund reimbursement when a storage tank system releases fuel and the agency requires cleanup. An administrative law judge determines compliance violation fine amounts. Once they pay the fine and correct the violation, the tank owner may obtain a Substantial Compliance Certificate, which allows them to be eligible to receive reimbursement from the Indemnity Fund. The division's three compliance analysts review the facility's records to determine if the owner was in substantial compliance when the release occurred.



Above: Owners and operators must register their tanks with division staff within 30 days of installation .

In addition, Compliance Analysts:

- Assist fuel specialists on regulation enforcement;
- Pursue enforcement actions against tank owners and operators not in compliance; and
- Review and approve all regulated petroleum storage tanks registrations and closures;
- Provide testimony in court proceedings;
- Resolve complaints;
- Respond to calls from consumers, field personnel, and licensees.

Formal enforcement can occur when regulated entities violate rules, requirements or agency orders. The manager of compliance and inspection evaluates enforcement to ensure it is consistent

and uniform. 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 agency judge. The division staff considers the nature, circumstance and gravity of the violation when determining the penalty amount.



Above: The operator did not anchor this underground storage tank, which caused it to float when workers began excavation to remove it.

Installations, Closures, Registrations

The division's compliance analysts review and approve registrations and closures to ensure applications are complete and have met all requirements. They also administratively review and approve variance applications; review Indemnity Fund applications for substantial compliance; make fine recommendations, provide testimony and exhibits in OCC court proceedings; assist inspectors in determining violations when tank owners don't comply with regulations; review division rules, policies and procedures for rulemakings; explain rules to owners and operators; answer inquiries from property owners, prospective buyers, bankers and real estate personnel regarding a facility's history and represent the division at national meetings, conferences and seminars.

The division's three compliance analysts approved 119 amended registration forms, 45 new registrations, 374 change of ownership forms and 283 tank closure reports during the fiscal year. They also researched and processed 58 variance applications, brought forward 101 enforcement actions and filed 15 causes which became eligible for reimbursement.

Petroleum Storage Tank Division Highlights

The Technical Department

The division's technical employees have direct environmental oversight for all corrective actions performed at leaking petroleum storage tank sites and work with licensed environmental consultants to determine the most appropriate corrective action necessary. A project environmental analyst 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 Indemnity Fund's operations, as they are responsible for reviewing and approving corrective action expenditures coming from fuel release sites.

The Technical Department manager oversees the day-to-day operations related to petroleum release cases to ensure corrective actions are completed according to applicable rules and protocols. The division's technical manager ensures that costs for



Above: Until the mid-1980s, most storage tanks were made of bare steel, which is more likely to corrode over time and allow its contents to leak.



Above: A worker installs a vapor extraction system into the soil. The facility is an active gas station surrounded by commercial and residential water supply wells.

contractor labor and materials billed for corrective actions are fair, reasonable, and current; tracks and updates estimated costs to close release cases; reviews courses, seminars and meetings for possible continuing education credit; reviews licensing applications and participates in the development, testing, and troubleshooting of the Petroleum Information Management System database and Petroleum Storage Tank Portal.

Technical department project environmental analysts directly administer the Indemnity Fund to reimburse petroleum storage tank owners for eligible corrective action costs performed at leaking petroleum storage tank sites. When a case examining suspected or confirmed pollution is activated, an analyst must submit all proposed cleanup costs for review and pre-approval before any work begins. The process ensures only necessary work is reimbursed and ensures the Indemnity Fund remains financially sound.

Technical Department Project Environmental Analysts:

- Review and approve all release case work plans, purchase orders, and change orders

Petroleum Storage Tank Division Highlights

submitted by licensed environmental contractors;

- Review and approve all regulatory reports, maps, etc. submitted for release cases;
- Review and approve all claims and invoices for completed work performed; and
- Conduct site visits to ensure corrective actions are progressing according to established protocols, rules, standards and other requirements.

Petroleum Releases

Division staff activated 173 new petroleum release cases and closed 118 cases during the fiscal year. Each environmental analyst manages approximately 61 cases.

By the fiscal year's end, there were 431 active petroleum release cases ongoing in which staff were monitoring contaminants for potential migration or in case more aggressive cleanup action could be necessary. The division's seven hydrologists processed 1,986 work orders for active petroleum release cases in FY 2018.

Division employees have closed approximately

5,523 petroleum release cases since the storage tank program began.



Approximately 500 gallons of gasoline leaked from a storage tank and accumulated underneath this concrete slab.

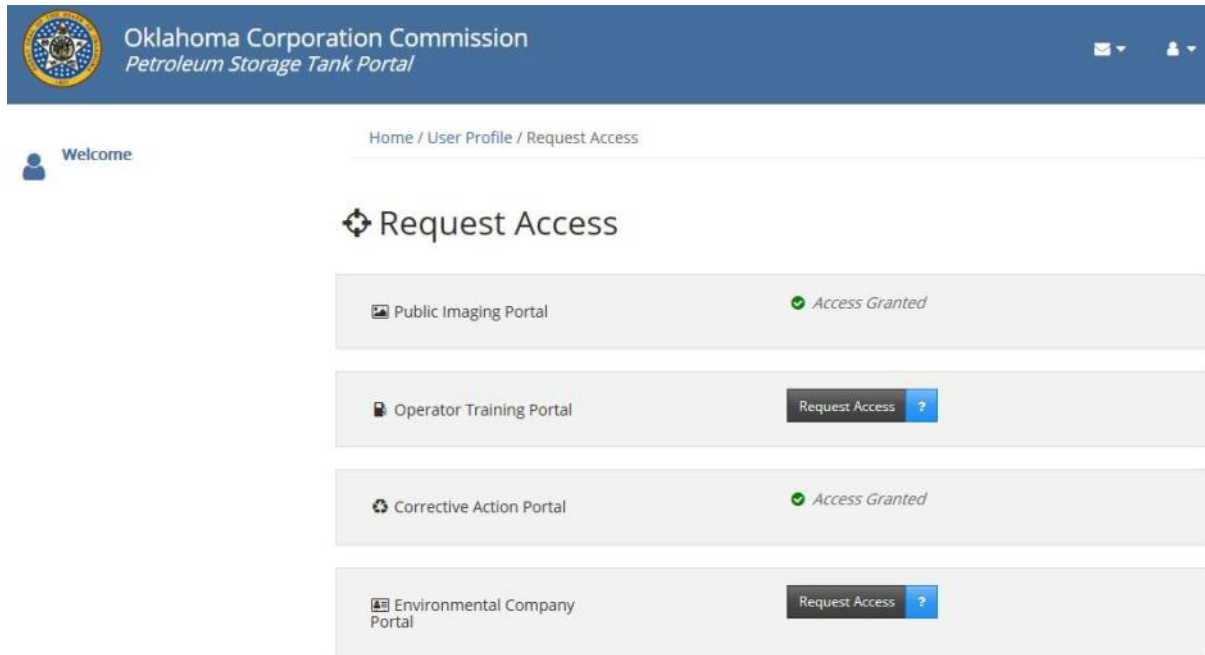
Division Highlights

The Petroleum Information Management System (PIMS)

The division upgraded its information application system into a centralized database several years ago, implementing an online submission process for staff, stakeholders and regulated entities. The Petroleum Information Management System, or PIMS, database maintains all the division's data. Separate modules within the database link registration, inspection and licensing functions, among other things, into a single management system that



Petroleum Storage Tank Division Highlights



automatically fills out forms as a user enters information, creating documents added to the database. All information is available in real-time and staff can track document flow as each document is received through an electronic work folder. PIMS can produce standardized, frequently used reports and is capable of creating customizable reports. The system interfaces with the Commission's central imaging and case processing systems that contain court documents. The system even allows staff to track time worked and leave taken.

Staff and software developers began improving compliance-related documents that can be submitted electronically during the fiscal year. They also began upgrades for the license information module, which will make tank registration and licensee documentation fully electronic.

The division's accounting staff process payments for tank permits, licensing fees and the Indemnity Fund in separate modules than used by inspection staff. All receipt data are centralized, allowing the division's comptroller to have access to all cash receipt information as it is entered. This year staff and developers added to the database financial audit logs that can be exported from PIMS into spreadsheets. These spreadsheets allow comptrollers to balance the account. Payment

history, cash receipts and numerous other standardized accounting reports are also available.

Fuel specialists have laptops and printers in their vehicles so they can enter inspection information into the PIMS Inspection Application directly from the field. They have access to all information on tank systems, ownership records, inspections, violations, permits and pollution history, as well as track all operator training certificates in the state and view scanned documents. The system uses a wireless or mobile internet connection to synch inspection information, immediately uploading it into PIMS.

The division staff updated the application so the database alerts an inspector when a violation has occurred, based on the agency's rules written into the software. When a significant operational compliance violation is entered and synched, PIMS automatically generates a notice to the operator advising their operator training certificate will expire in 30 days and training must be completed again to receive a new one. The system also emails operators notifying them there is a secure message on the PST Portal. The dual notification system is especially helpful for the owners who are not at the facility on a daily basis.

The Petroleum Storage Tank (PST) Portal is being developed as a one-stop site to standardize and streamline all petroleum storage tank related

Petroleum Storage Tank Division Highlights

communication for tank owners, operators, and licensees.

All the division's records and information can be accessed through the Portal's public imaging section. Owners and operators take the operator training course and can download and print their certificate after the course has been successfully completed. Operators control their account and have 24/7 access to the Portal.

All information entered is automatically uploaded into PIMS and allows real-time reporting for operator training. Environmental contractors can now use online Indemnity Fund applications and submit those electronic documents through the portal, thanks to updates developed in the fiscal year. The portal is linked to PIMS and those electronic documents are automatically uploaded, allowing administrative staff to review and compliance staff to approve the applications. Staff can use the portal to send the application back for corrections if the employee finds deficiencies during their review. Once approved, the portal's software automatically generates the eligibility letter and Indemnity Fund co-payment invoice and sends the documents electronically to the applicant and prepares the paperwork for staff to print and mail to the tank owners. The environmental contractor receives email notifications the documents are available through the portal as well.

Environmental contractors submit all required petroleum pollution case information and documentation through the portal, which automatically uploads into technical staff's electronic folder in the Petroleum Information Management System. All corrective actions must be submitted to and approved by technical staff before any work begins at a cleanup site. After technical staff approve a scope of work, PIMS electronically submits the document to the division's accounting staff's electronic folder for approval. Then the Indemnity Fund Administrator can encumber money to pay the contractor through PIMS. Contractors submit invoices and upload an online claims form after the work is completed. An Electronic Funds Transfer makes payments from the Indemnity Fund to the environmental contractor.

The development of PIMS, PIMS Inspection App, and the PST Portal helps control corrective action costs at cleanup sites, provides real-time information access, increases the speed and accuracy of division staff's workflow, provides consistent and uniform inspections across the state, and improves worker productivity without adding more employees to the division. The Indemnity Fund will continue to be a viable and solvent financial responsibility tool for storage tank owners and operators because the updated system requires pre-approval for the work and encumbers the money before work begins. All the division's Technical Department processes are now performed electronically. Virtually all the division's workflow processes will be performed electronically once the improvements are implemented in the next fiscal year.

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



Public Utility Division Overview

Total Public Utility Division Employees for Fiscal Year 2018		58
Administration Department		5
	Director /Oklahoma Universal Service Fund Administrator	1
	Policy Advisor	1
	Manager, Administration	1
	Public Utility Regulatory Analysts	2
Compliance Department		3
	Manager, Compliance	1
	Manager, Quality Control	1
	Coordinator, Change Mnagement	1
Consumer Services Department		5
	Manager, Consumer Services	1
	Coordinator, Consumer Services	1
	Public Utility Compliance Investigators	3
Energy Department		17
	Coordinators, Energy	3
	Senior Public Utility Regulatory Analyst	1
	Public Utility Regulatory Analysts	13
Enforcement and Outreach Department		7
	Chief, Field Enforcement	1
	Manager, Outreach	1
	Coordinator, Enforcement	1
	Public Utility Compliance Investigators	4
Telecommunications Section		5
	Manager, Telecommunications	1
	Coordinator, Telecommunications	1
	Public Utility Regulatory Analysts	3
Oklahoma Universal Services Fund Administration Section		16
	Managers, OUSF	3
	Coordinator, OUSF	1
	Senior OUSF Analyst	1
	OUSF Analysts	11

Public Utility Division

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 reliable and safe public utility services are provided at the lowest reasonable cost; and
- Fulfilling constitutional and statutory obligations.

In these roles, division staff 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.

There are seven departments in the division:

- Administration;
- Compliance;
- Consumer Services;
- Energy;
- Enforcement and Outreach;

- Telecommunications; and
- Oklahoma Universal Service Fund Administration.

The Administration Department

The Administration Department is primarily responsible for managing the day-to-day operations and policy for the division. The director acts as the Commission and legislative policy advisor for the division and serves as the statutorily appointed OUSF administrator. The deputy director is primarily responsible for the day-to-day operations of all filed PUD docket causes before the Commission. The department also manages the division's budget, expenditures, and planning.

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 staff handle incoming consumer complaints and enforce division-related rules statewide. The department's call center staff handles incoming calls, walk-in complaints, email complaints and social media outreach. A statewide monitoring program of all regulated facilities is responsible for field enforcement. A public outreach group educates at-risk residents around the state of their rights under the law.

Public Utility Division

Category	Quarter Total
Complaints by Industry	
Electric Utilities	1,909
Natural Gas Utilities	512
Telecommunication Companies	1,219
Other	241
Total	3,881
Complaints/calls NOT referred to utilities	5,564
Total consumers assisted	9,445
Documented utility consumer savings	\$87,903.82

Enforcement Group

PUD Enforcement worked thousands of public safety complaints and responded to thousands customer inquiries. Typical inquiries included low hanging service lines for electric and telecommunications carriers, along with utility pedestals and damaged support guy wires.

Below: Damaged telephone pedestal to which enforcement staff responded.



Division enforcement staff addressed 1,301 public-safety-related matters statewide. Enforcement employees also conducted 46 payphone audits across Oklahoma. During the audits, employees

Complaint Source	Total
Referral	11
E-Mail	153
Enforcement	1,213
Letter	13
Telephone	3,797
Walk-In	11
Total	5,198

discovered abandoned equipment from providers that no longer conduct business in the state in a majority of cases.

These audits discovered damaged phones that posed a public safety issue. Enforcement staff placed an out of order sticker on the phones to warn the public the phone did not operate and the user might lose money if coins were deposited into the phone.

Enforcement staff responded to natural disasters that resulted in service interruptions for electric and natural gas consumers as well as affecting cotton gin operations.

Below: A broken payphone poses a public safety risk.



Public Utility Division Highlights



Above: Aerial view of a cotton gin fire in April 2018.

In April 2018, wildfires burned more than 300,000 acres across several counties in northwestern Oklahoma. PUD Enforcement Investigators responded to the area, met with residents and business who were affected by the fires and utility representatives that were on site.

Below: PUD Enforcement Investigators assessed the damage in the Tulsa area after a tornado damaged the area in December 2017.



Consumer Service Group

Four consumer service complaint causes were filed and three were closed the fiscal year. The group developed a process to reach out to communities statewide in order to expand the consumer base who depend on agency assistance and to ensure regulated utilities comply with OCC rules when they interact with consumers.

The community outreach representative traveled the state to reach out to those that might be most

at-risk, such as those who live in retirement communities, shelters, and nursing facilities. The outreach representative discussed with them consumer rights so they understand their rights if there is a dispute with a utility company. The representative also met with hospital and school administrators to educate them about the Oklahoma Universal Service Fund, which provides funding for internet access and telemedicine capabilities to eligible entities.

The consumer service group adopted a new focus; not only to provide excellent service to Oklahoma consumers but also to provide additional value by providing education that might help consumers in the future.

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. Department staff serve as expert witnesses in litigated matters before the Commission. Employees are also responsible for audit and prudence determinations of billions of dollars annually.

Number of regulated companies by industry

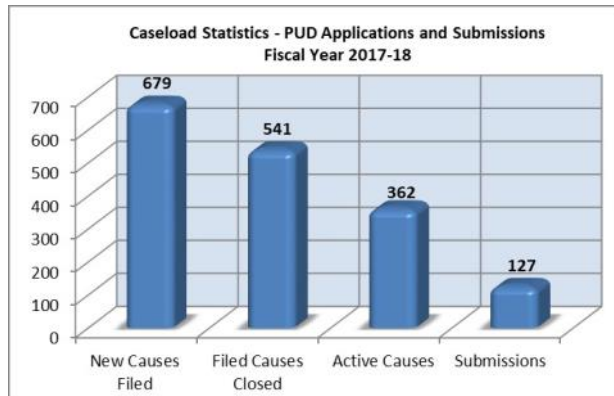
FY 2018

	Telecom 306
	Cotton Gins 16
	Water Utilities 10
	Gas Utilities 8
	Electric Utilities 8

Public Utility Division Highlights

The department's employees oversee energy efficiency programs, managerial and ownership changes, and federal compliance plan reviews. Assigned staff represent Oklahoma at the Southwest Power Pool (SPP), the federally designated regional transmission authority.

During Fiscal Year 2018, there were 19 causes filed and 18 causes closed.



Causes of Interest

Cause Number: PUD 201600468

On December 21, 2016, the Empire District Electric Co. filed a rate cause seeking an increase of approximately \$3.8 million in Oklahoma revenues. On August 17, 2017, the Commission issued Final Order No. 667123 granting the company an environmental compliance rider to collect \$992,170.

Cause Number: PUD 201700217

On June 29, 2017, Public Service Company of Oklahoma (PSO) filed an application to decrease the one-time fee and monthly fee associated with its non-standard metering option tariff. On December 28, 2017, the Commission issued Order No. 671469 decreasing the one-time fee from \$110 to \$53.55 reducing the monthly fee from \$28 to \$13.21.

Cause Number: PUD 201700151

On June 30, 2017, PSO filed a rate application seeking an increase of \$156 million. On February 28, 2018, the Commission issued Order No. 67413 granting a revenue increase of nearly \$76.6 million.

Cause Number: PUD 201700267

On July 31, 2017, PSO filed a request for preapproval of "Wind Catcher," a wind facility in the Oklahoma Panhandle. This project has an estimated cost of \$4.5 billion with PSO's share estimated at \$1.36 billion. PSO is developing this project with Southwestern Electric Power Co. and Invenergy. A hearing on the merits was held on January 8-12, 2018. Settlement agreements were filed along with objections to those settlement agreements.

Transmission Summary

During Fiscal Year 2018, four transmission causes were filed and PUD closed three 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;

Public Utility Division Highlights

- Strategic Planning Committee (including task forces on [FERC Order 1000](#), Export Pricing, and expanding SPP membership); and
- Transmission Working Group.

On September 22, 2017, the Mountain West Transmission Group (MWTG) announced it completed initial discussions with the SPP management staff concerning membership in the regional transmission organization. The company determined through these discussions that membership in SPP would provide opportunities to reduce customer costs and maximize resource and electric grid utilization.

The company began negotiations with SPP through a public stakeholder process on October 13, 2017, in Denver, and on October 16, 2017, in Little Rock, Arkansas. These meetings accommodated stakeholders and interested parties in areas that serve members of both the company and SPP and were open to the public and to the press.

Utility division staff continued to be involved in the transmission group's negotiation process to become members of SPP. PUD staff participated in numerous confidential meetings and conference calls related to the Mountain West's potential integration into SPP.

On March 13, 2018, Southwest Power Pool's board of directors approved the next phase to integrate the Mountain West Transmission Group into the regional transmission organization's membership. The board's vote represented confidence in the value of Mountain West's membership and the benefits it will bring to SPP's existing members, the Mountain West entities, and the customers both serve.

The following Mountain West members are transmission-owning entities in the Western Interconnect:

- Basin Electric Power Cooperative, (Bismarck, North Dakota);
- Black Hills Energy's three electric utilities (Colorado, South Dakota, and Wyoming, subsidiaries of the Rapid City-based Black Hills Corp.);
- Colorado Springs Utilities;
- Platte River Power Authority, (Fort Collins, Colorado);
- Public Service Co. of Colorado, (an operating company of Xcel Energy, Denver);
- Tri-State Generation and Transmission Association, (Westminster, Colorado); and
- Western Area Power Administration's Loveland Area Projects and Colorado River Storage Project.

On April 20, 2018, Xcel Energy announced that it was ending its participation in the transmission group and in related efforts to form a regional transmission organization in the Rocky Mountain west. The company cited a number of issues, including limited benefits for the company's 1.4 million customers in Colorado; lack of market expansion opportunities for the transmission group; and increasing uncertainty over the costs of the regional transmission group. The remaining Mountain West members are evaluating whether to continue integration in SPP or end participation as well.

Southwest Power Pool Working Groups

Regional State Committee

The committee held its annual retreat on July 23, 2017 in Denver, Colorado. The group's agenda included these items: history of the RSC, committee bylaws, 2018 committee officers, history of cost allocation, market bid process, wind in SPP, and the Mountain West Transmission Group's proposed membership in SPP.

The Regional State Committee on July 24, 2017, approved to keep aggregate study safe harbor limit, approved the committee's Cost Allocation Working Group review period for aggregate study safe

Public Utility Division Highlights

harbor limit and approved revision request approval process and presentation to the committee.

SPP held its annual Regional State Committee at the end of October 2017 in Little Rock, Arkansas. OCC Chairman Dana L. Murphy serves as the Oklahoma voting member for the committee. She held an educational session and approved several items during the annual meeting.

SPP held its next quarterly meeting at the end of January 2018 in Oklahoma City, Oklahoma. The RSC held an educational session and approved several items.

Board of Directors

At the July 25, 2017, meeting in Denver, Colorado, the board of directors and members committee approved items on its agenda and voted to approve a recommendation from the strategic planning committee for the transmission owner zonal placement process and approved a markets and operations policy committee recommendation of the Z2 task force policy changes. Board and committee members voted against Kansas City Power and Light's appeal of RR 172, a request for transmission owner zonal placement revision.

The board met on October 30, 2017, and approved items on its agenda including a letter to appeal RR 241 zonal cost shift and associated Federal Energy Regulatory Commission filing. The Board met on January 30, 2018 and April 24, 2018, and approved several items on its agenda.

Market Operations Policy Committee

The committee at its July 2017 meeting did not approve RR172, a cost-shift mitigation implementation initiative from the zonal placement decision policy reflected in the revised RR172 whitepaper. The Mountain West Transmission Group announced its intent to continue with the next step toward membership in Southwest Power Pool.

The Market Operations Policy Committee approved several items at both its October 2017

meeting and at its April 10-12, 2018 meeting in Kansas City, Missouri. The committee provided an update on Mountain West Transmission Group's integration into SPP.

Utility Visits



On March 30, nine PUD energy analysts and two energy attorneys toured Oklahoma Gas & Electric Co.'s Sooner Power Plant in Red Rock. Plant staff showed the OCC delegation boiler #1, the plant's central control room, and the rooftop overlooking the construction of the scrubber project.



On April 2, 2018, eleven PUD energy analysts and two energy attorneys toured two additional OG&E plants. The first stop was the Mustang plant in Oklahoma City to see seven recently installed quick-start natural gas combustion turbines and the adjacent solar panel farm. Next the staff delegation visited the McClain plant in Newcastle, Oklahoma.

Public Utility Division Highlights

Fuel Audits and Reviews Summary

During Fiscal Year 2018, division staff processed its annual fuel audits and prudence reviews covering calendar year 2016, for an estimated cost of \$1.8 billion dollars. These reviews included:

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

These fuel audits and prudence reviews were represented in nine causes.

Natural Gas Summary

During Fiscal Year 2018, 19 new natural gas causes were filed and division staff closed 11 causes.

In August 2017, Arkansas Oklahoma Gas Corp. (AOG) requested in its cause to waive the requirement to review its annual performance based rates because the company was acquired by Summit Utilities. AOG also requested in a separate cause to file its performance-based rate review in April 2019 and to change its fiscal year to December 31, from the current August 31.

Cotton Gin Activity

During Fiscal Year 2018, three cotton gin applications were filed and two causes were closed. One application resulted in the commission issuing a Final Order granting permission for a new gin utility to operate near Carnegie in Caddo County.

Below: Baled cotton sits in a field awaiting pickup.



Motley Gin Inc. in Hollis, Oklahoma requested to dismantle its cotton gin because of an ownership change. PUD approved the dismantling in August 2017.

PUD conducted its annual inspection of the cotton gin utilities that operate in the State of Oklahoma. During Fiscal Year 2018, PUD conducted 14 inspections.

Division staff reissued 15 licenses to operating gins in the state. Staff discovered through last year's inspections that the majority of licenses were no longer legible or had been misplaced.



Water Summary

During Fiscal Year 2018, two water causes were filed and division staff closed six causes. Staff received all annual reports from water utilities in April 2017, pursuant to OAC 165:65-9-10(d).

The Telecommunications Department

During Fiscal Year 2018, PUD continued to investigate potential abuse of the Federal Lifeline Program. Division staff investigated the eligibility verification and document review practices of several Eligible Telecommunications Carriers, focusing on the Bureau of Indian Affairs general assistance program. Staff continued its compliance investigations under the Commission's mobile marketing rules. Those investigations included

Public Utility Division Highlights

examining a carrier's designation of the Lifeline customers' locations as "tribal" or "non-tribal," pursuant to the new tribal boundary definition the Federal Communications Commission (FCC) implemented.

Audits Conducted	Violations Discovered
137	159

PUD processed multiple tariff submissions that eligible carriers made as these companies adjusted their service offerings to meet the new FCC service level standards that became effective December 2017.

PUD staff closed one telecommunication Show-Cause action during the fiscal year. In addition, 31 causes for approval of interconnection agreements/amendments were filed and 34 causes were closed.

Companies continued to file tariff revisions to comply with FCC rules governing switched access rates and inmate operator services. Department staff received 12 tariff revision causes and closed 13 causes. Staff also received two tariff approvals and closed four tariff approvals.

Department employees initiated 100 enforcement actions with the telecommunications companies and closed 86 during the fiscal year.

PUD employees determined and filed enforcement causes against Lifeline providers that were not in compliance with mobile marketing rules and also for providing Lifeline services outside of the carrier's service area. Staff monitored and reviewed customer lists and conducted on site audits at various tent and retail locations throughout Oklahoma. PUD staff determined that these specific companies provided Lifeline services outside of their designated service areas, in violation of Commission orders designating them as eligible telecommunications carriers. Staff also filed enforcement causes against telecom companies that did not pay their assessment fees.

Causes of Interest

Cause Number: PUD 201700073

Staff investigated Easy Wireless due to concerns regarding eligibility documentation used to enroll Lifeline subscribers who receive Bureau of Indian Affairs general assistance. PUD staff recommended revoking Easy Wireless' eligible carrier designation in Oklahoma based on the company's failure to use valid documentation to determine eligibility.

Cause Number: PUD 201700128

True Wireless was investigated due to concerns regarding eligibility documentation used to enroll Lifeline subscribers who receive Bureau of Indian Affairs general assistance. PUD staff recommended revoking True Wireless' eligible carrier designation in Oklahoma due to the company's failure to use valid documentation. True Wireless executives and division staff reached a stipulated settlement agreement requiring the company to make a \$45,000 payment to the Commission.



Above: PUD enforcement staff discovered a contractor not complying with mobile marketing rules for Lifeline providers. That led to an enforcement case against True Wireless with multiple violations. The company paid a \$2,250,000 fine and agreed to major operational changes.

Cause Number: PUD 201700151

PUD staff brought the action after Windstream failed to properly reimburse the Oklahoma Universal Service Fund (OUSF) for double recovery, failure to notify the fund's administrator of service changes and disconnections, failure to meet minimum filing requirements for OUSF

Public Utility Division Highlights

requests for funding, and for failing to timely respond to safety issues PUD staff discovered during routine equipment inspections.

Commissioners approved a Final Order on February 8, 2018. Windstream has since paid a \$75,000 fine to the Commission.

Certificates of Convenience and Necessity

During Fiscal Year 2018, eight new applications requesting a Certificate of Convenience and Necessity were filed. PUD staff closed seven of those causes.

Companies filed 31 new applications for approval of interconnection agreements/amendments. The commission issued 35 Final Orders approving interconnection agreements/amendments Applications. There were 11 causes filed cancelling Certificates of Convenience and Necessity and 11 causes closed.

Arbitrations and Complaints

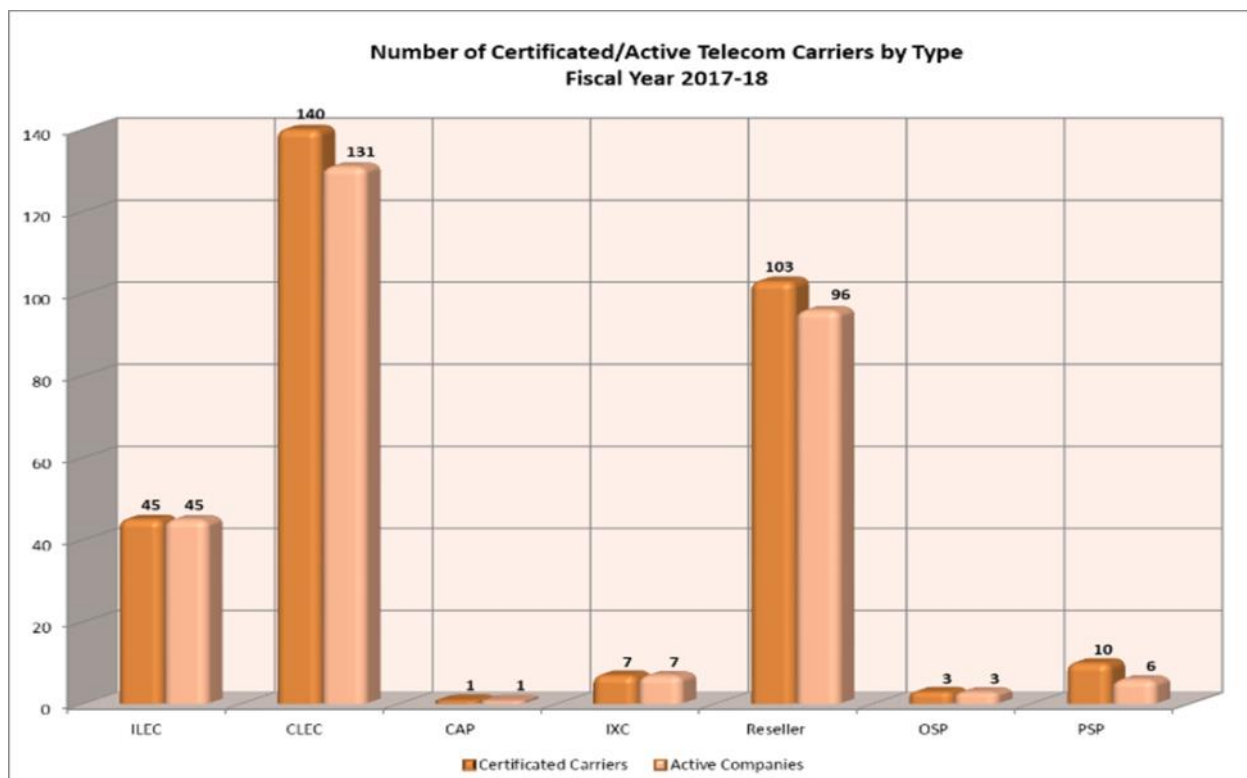
PUD continued to monitor the trouble reports of the Oklahoma Western Telephone Company in the show cause application staff filed in cause No. PUD 201200150. Since the opening the cause, trouble reports have decreased. Medicine Park Telephone Co. later purchased this company.

Comcast Phone of Oklahoma filed for arbitration of an interconnection agreement with Bixby Telephone. On December 1, 2017, Comcast filed for approval of a voluntarily negotiated interconnection agreement, resolving all issues with Bixby. Comcast dismissed its application for arbitration.

Eligible Telecommunications Carrier Designations

One new request for eligible telecommunications carrier designation was filed during the fiscal year. Six ETC Designation applications were closed. One application is seeking a modification of eligible carrier designation.

TracFone Wireless, one of the companies that



Public Utility Division Highlights

had previously sought designation from the FCC as a Lifeline Broadband Program eligible carrier, (and to which PUD staff filed objections), received an order granting eligible carrier designation in Oklahoma.

The FCC in July 2017 [issued an order](#) eliminating the requirement that states annually receive a copy of the Form 481 that High Cost Fund participants must submit to the federal government. In addition, Universal Service Administrative Co., which collects and distributes Lifeline funding, will not provide an electronic portal through which states can review the information. However this information is an integral component of the analysis PUD staff performs in providing the annual certification, in accordance with [47 C.F.R. § 54.314](#), each October.

Numbering

PUD staff continued to monitor numbering applications by Voice over Internet Protocol (VoIP) providers at the FCC to make sure we are able to contact those providers in order to contribute the Oklahoma Universal Service Fund.

Neustar, the numbering administrator, in April 2018 projected that the 405 area code will exhaust the second quarter of 2021. This resulted in Neustar developing a relief plan, which was adopted through their industry consensus process.

The solution to the exhaust situation will be to implement an all services overlay for the 405 numbering plan areas.

Rulemaking Preparation

Staff filed to revoke modifications to Chapters 56, 57, 58, and 61, which were placed on hold last year. Staff held a technical conference regarding the proposed changes and a hearing before the Commissioners was held on October 19, 2017, when the Commission adopted the changes.

The final versions of the Chapter 55 and 59 rule changes were adopted by the Commission on March 8, 2017. Those rules were then submitted to the Legislature and Governor for approval, which

became effective September 11, 2017.

The Commission issued a Notice of Inquiry (NOI) in June 2018. The NOI takes up a range of topics, including:

- OUSF Support for Primary Universal Services;
- Impact of abolishing Oklahoma High Cost Fund;
- Commission support for broadband development;
- Commission regulation of VoIP;
- Consideration of current applicability of some existing rules and potential changes;
- Review of recommendation point from 2016 OUSF audit;
- Consideration of changes to the Oklahoma Lifeline Program;
- Consideration of Oklahoma Attorney General opinion regarding regulation of competitive services.

The Oklahoma Universal Service Fund Administration Department

The high volume of requests for funding from the OUSF continued throughout Fiscal Year 2018. 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

Public Utility Division Highlights

support requests for Primary Universal Service funding; and

- Failure to seek federal funding for which the OUSF beneficiary would have been eligible.

of Form 481 that High Cost Fund participants must submit. Instead, Universal Service Administrative Co., which collects and distributes Lifeline funding, will not provide an electronic portal through which states can review the information. However, this information is an integral component of the analysis PUD staff performs in providing the annual certification, in accordance with [47 C.F.R. § 54.314](#), each October. PUD staff was active in the FCC's rulemaking process, filing comments in the matter. Staff is considering alternative rules at the state level to address the lack of data.

OUSF Preapproval and Cause Processing

PUD received 550 requests for OUSF funding and preapproval during the fiscal year. The OUSF preapproval and audit staff continued to review the federal [E-rate](#) and [Rural Health Care](#) programs, in addition to monitoring the competitive bidding process to ensure the eligible services received funding. E-rate is the federal program that reimburses schools and libraries for a portion of their broadband costs. New OUSF statutes became effective May 9, 2016, and has since streamlined the analytical processes and enabled OUSF analysts to handle an ever-increasing workload efficiently and effectively.

OUSF Monthly Payment Process

Change Requests

The OUSF Monthly Payment group received 315 change requests. The group approved 267 of these requests after evaluating each change request and a related affidavit. The remaining 48 requests for changes in funding required new applications. While analyzing these change requests, staff noticed a trend in which service providers have lowered prices for the same bandwidth amount.

Invoice Audits

The group implemented an audit process to test compliance with OAC 165:59-3-68(p), which requires an eligible provider to notify the OUSF administrator in writing of any changes to service provision. The staff reviewed 1,146 invoices and identified 47 discrepancies between actual and reported bandwidth or pricing data during the fiscal year.

Telemedicine True-Ups

The FCC issued an order on June 25, 2018 adopting rules to increase the annual Rural Health Care Program funding cap to \$571 million and apply it to fiscal year 2017; annually adjust for inflation the program's funding cap, beginning with fiscal year 2018; and establish a process to carry-forward unused money from previous years for use in the future.

Due to the increase in federal funding for fiscal year 2017, the payment group worked with service providers to reimburse the OUSF for a portion of the funding the state Universal Service Fund paid to the Rural Health Care Program to cover a federal shortage from previous years. Staff conducted an audit to ensure the appropriate amount was repaid.

OUSF Funding Database

The group's staff and the fund manager have collaborated since the end of 2015 on improving the OUSF database and necessary modifications due to the passage of [House Bill 2616](#). Phase 1 improvements began with the migration to an improved database, completed August 2017.

OUSF Beneficiary Outreach

Division staff in August 2017 conducted a service provider workshop to provide an overview of the Oklahoma Universal Service Fund and discuss rule changes after the agency implemented new rules. A follow-up webinar was held for those who could not make the original meeting. In

Public Utility Division Highlights

September, division staff provided training in nine locations to schools and libraries to help them meet OUSF requirements. A separate webinar was conducted with E-rate consultants to discuss program requirements. The workshops complement the ongoing discussions with beneficiaries and service providers.

Division employees conducted a webinar, in cooperation with OMES-Information Services division and the State Department of Education, to present to school and library administrators information on OUSF; E-rate; the state [OpenRange project](#) for shared software and information technology contracts and services; as well as the state [Connect and Learn initiative](#), which aims to ensure all Oklahoma students have access to affordable broadband and Wi-Fi internet connections for learning purposes.

Utility division staff released guidance for OUSF-eligible schools, libraries, and health care facilities. The guidance explained changes in the permanent rules which affect how they should request bandwidth for the competitive bidding process. The additional guidance for just schools and libraries provided examples to satisfy new E-rate service selection requirements, while also meeting OUSF requirements.

In December 2017, staff conducted six webinars for health care providers after the Universal Service Program's rural health care portion of the funding window opened. The health care webinars introduced both rural health care and Oklahoma Universal Service Fund, providing an overview of the state's competitive bidding requirements and spotlighted rural health care provider deadlines.

Division staff continued to monitor [FCC Form 470](#), which schools and libraries file with the Universal Services Access Co. regarding competitive bidding. Staff notified schools and libraries, as best they could, if it appeared the form's information might contradict OUSF rules.

In addition, utility division employees provided direct support to many beneficiaries to help them meet OUSF requirements.

The division's payment employee group worked with Bridge Enterprises, an outside contractor for OUSF processes, to develop an assessed revenue audit procedure. The audits ensure the proper contributions are received based on assessable revenues. A risk analysis was completed, identifying contributing providers that will be included in the first group of periodic audits.

The audits will be performed to review all contributing providers over a period of years. The first audit resulted in no material findings.

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

Total Transportation Division Employees for FY 2018	201
Administration	1
Director	1
Administrative Services Department	10
Regulatory Program Manager	1
Administrative Program Officer	3
Administrative Assistant	6
Regulation Department	47
Regulatory Program Manager	4
Administrative Program Manager	1
Auditors	20
Transportation Customer Specialist	17
Transportation Regulatory Analyst	1
Info System Management Specialist	2
Administrative Assistants	2
Enforcement Department	124
Regulatory Program Manager	3
Motor Carrier Enforcement Officers	78
Motor Vehicle Enforcement Officers	39
Administrative Assistants	4
Pipeline Safety Department	19
Regulatory Program Manager	3
Pipeline Safety Specialist	14
Administrative Program Officer	2

The Transportation Division 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;
- Regulation;

Transportation Division

- Enforcement; and
- Pipeline Safety.

The Administrative Services Department

The Administrative Support Section

The Administrative Support Section employees are responsible for:

- Human resources and budget-related items;
- Fleet tracking;
- Inventory;
- Purchasing;
- Travel;
- Legislative tracking;
- Council on Law Enforcement Education and Training (CLEET) requirements coordination;
- Training coordination; and
- Supporting the division's management.

Over the course of Fiscal Year 2018, 38 officer positions and 14 office positions were filled, bringing total division employees to 201 as of June 30, 2018.

The Enforcement Support Section

The Enforcement Support Section employees support 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.

For the first time in recent history, the February 2018 citation court was cancelled due to inclement weather, so January-issued citations were continued to the March court date and heard along with the February-issued citations. There were 6,986 citations on the docket.

The Regulation Department

The Motor Carrier Requirements Section

The Motor Carrier Requirements Section staff 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 in Oklahoma. The state has 63 carriers authorized to transport household goods within its borders.

The Motor Carrier Requirements Section employees administer the national Unified Carrier Registration program. The normal annual

Transportation Division

registration period runs from October 1st through December 31st of the following year. A federal rulemaking adjusted the fees structure and postponed the registration period until January 18, 2018. That also delayed roadside enforcement from January 1st to April 5, 2018.

Unified Carrier Registration Applications Processed			
2018	6,311	↓	470
2017	6,781	↑	206
2016	6,575	↑	28
2015	6,547	↑	175
2014	6,372	↑	172

Motor Carrier Operating Oklahoma Intrastate Authority and Permits			
2018	8,133	↑	175
2017	7,958	↑	95
2016	7,863	↑	85
2015	7,778	↑	38
2014	7,740	↑	297

Intrastate Applications Received			
2018	3,664	↑	24
2017	3,640	↑	168
2016	3,472	↓	176
2015	3,648	↓	59
2014	3,707	↑	148

Insurance Filings Processed			
2018	8,044	↓	333
2017	8,377	↓	134
2016	8,511	↓	537
2015	9,048	↓	310
2014	9,358	↑	405

The Ohio Public Utility Commission announced it is pulling out of the [Alliance for Hazardous Materials Transportation Procedures](#), a hazardous materials and 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.

Hazardous Waste Credentials Issued			
2018	161	↑	86
2017	75	↑	6
2016	69	↑	2
2015	67	↑	15
2014	52	↓	8

Deleterious Substance Transport Permits Issued			
2018	392	↓	32
2017	424	↑	28
2016	396	↓	25
2015	421	↑	22
2014	399	↓	52

Authority Canceled Due to Lack of Insurance on File			
2018	487	↑	81
2017	406	↓	20
2016	426	↑	20
2015	406	↓	106
2014	512	↑	116

Identification Devices Issued			
2018	19,485	↑	1,923
2017	17,562	↓	257
2016	17,819	↓	880
2015	18,699	↑	1,666
2014	17,033	↓	1,572

Transportation Division Highlights

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.



Left: An example of the International Fuel Tax Agreement (IFTA) sticker issued for all motor carriers in compliance with this interstate regulation

The Audit Sub-Section

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

IFTA/IRP Field Audits			
2018	207	↓	53
2017	260	↑	58
2016	202	↑	4
2015	198	↓	71
2014	269	↓	56

The IFTA/IRP Administration Sub-Section

The IFTA/IRP Administration Sub-Section workers ensure applicants' commercial vehicles have proper licensing and registration used in interstate operations under the IFTA and IRP Compacts. Employees also take walk-in applicants and process mailed-in applications.

IRP Applications			
2018	19,284	↑	1,683
2017	17,601	↓	1,641
2016	19,242	↓	2,424
2015	21,666	↑	2,125
2014	19,541	↑	7,357

Transmissions to the IRP and IFTA Clearinghouses were both timely and accurate. The division's employees sent more than \$167 million in total revenues to the IRP and IFTA Clearinghouses. We continue to work with OMES and IRP, Inc. to complete the IRP Data Standardization Project. This project will standardize data sent from across North America to the IRP Clearinghouse, establishing the ability for roadside enforcement workers to electronically verify an operator's credentials without paper documentation.

IFTA Returns Processed			
2018	12,769	↓	1,931
2017	14,700	↓	2,288
2016	16,988	↑	2,616
2015	14,372	↑	184
2014	14,188	↓	32

The Nonconsensual Towing Sub-Section

The Nonconsensual Towing Sub-Section employees administer the Nonconsensual Towing Act of 2011, which authorized the Commission to establish rates charged for nonconsensual towing and storage.

The Enforcement Department

The Motor Carrier Enforcement Section

The Motor Carrier Enforcement Section staff perform compliance checks on for-hire and private motor carriers to ensure those operators

Transportation Division Highlights

are following Commission rules, federal regulations, and Oklahoma state statutes that 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.

Vehicles Checked			
2018	252,898	↓	4,214
2017	257,112	↑	28,546
2016	228,566	↓	57,900
2015	286,466	↑	79,015
2014	207,451	↓	7,689

Citations Issued			
2018	45,700	↑	7,900
2017	37,800	↑	6,839
2016	30,961	↑	2,835
2015	28,126	↑	3,006
2014	25,120	↓	422

Warnings Issued			
2018	8,808	↑	224
2017	8,584	↓	147
2016	8,731	↑	285
2015	8,446	↑	2,069
2014	6,377	↑	2,018

Transportation Division CLEET-certified officers completed mandated annual firearms qualification and continuing service training hours. CLEET-certified trainers conducted four training sessions, one in each of the four zones, for all certified officers with applicable training extended to non-CLEET-certified officers.



Above, from left: Chief Enforcement Officer Lt. Col. Mike Henley, Captain Kevin Woods, and Enforcement Manager Col. Jack McNutt stand outside at the opening of the Love County Port of Entry.

Construction of the new Boise City Weigh Station continued with a projected opening date for the new facility of August 2018. When fully staffed initially, the facility will have five OCC officers operating the facility, which has triple platform scales and a separate inspection bay for the Department of Public Safety (DPS) and Oklahoma Highway Patrol (OHP) to perform commercial vehicle inspections.

Transportation Division staff worked with OMES to upgrade broadband internet connections at Hugo and El Reno weigh stations, creating a higher quality and more stable broadband environment. Those facilities are now connected to the OMES network.

Complaints and Mediations			
2018	214	↑	47
2017	167	↓	10
2016	177	↓	20
2015	197	↑	24
2014	173	↓	36

Staffers integrated the IRD electronic screening system with PrePass at the Love County Port of Entry. Now all four ports of entry are now fully integrated, so commercial motor vehicles that are in compliance according to the electronic screening system don't have to stop. That electronic verification process reduces congestion at the ports, saves time and money for the trucking industry, creates safer highway

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conditions, and allows enforcement workers to concentrate their efforts on carriers and vehicles which might not be complying with rules and laws.

The agency completed its portion of the Federal Highway Administration State Enforcement Plan for FY2019. We submitted documentation to DPS and OHP Troop S, who compile information from the Oklahoma Department of Transportation, DPS permits, DPS Troop S and OCC Transportation, and then submit the State Enforcement Plan to the federal agency.

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.

<i>Crossing Inspections Performed</i>			
2018	248	↑	25
2017	223	↑	118
2016	105	↓	20
2015	125	↑	5
2014	120	↓	48

The Transportation Division brought an enforcement action against the BNSF railway regarding a closed crossing in Cimarron County that was improperly filed with the agency. The Administrative Law Judge in the case recommended a \$28,335 fine and the crossing will remain closed.

The Pipeline Safety Department

The Pipeline Safety Department is responsible for enforcement and inspection authority over 258 natural gas operators and 35 hazardous liquid operators. These companies operate more than 40,864 miles of natural gas pipeline and 5,234 miles of hazardous liquid pipeline throughout the state. The department's staff

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.

<i>Pipeline Operators Inspected</i>			
2018	406	↓	25
2017	431	↑	45
2016	386	↓	16
2015	402	↓	35
2014	437	↓	50

This department receives funding from an assessment pipeline operators pay and by a federal reimbursement. The U.S. Department of Transportation's Southwest Regional Office of Pipeline Safety oversees and supports the program. The federal DOT's 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 U.S. DOT's Office of State Programs performed its annual evaluation and assigned a 100 percent proficiency rating to the department's program.

<i>Inspection "Man-Days"</i>			
2018	1559	↑	2
2017	1,557	↑	195
2016	1,362	↑	74
2015	1,288	↓	161
2014	1,449	↑	25

Oklahoma was adequate in establishing statutes covering damage prevention to underground facilities. The Commission was authorized to enforce those standards as they apply to gas and hazardous liquid pipelines. In a 2017 review, PHMSA found the Commission to be in compliance with all requirements of federal guidelines for

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Above: Pipeline Safety Inspector Randy Kirkegard (far right) inspects natural gas relief valves at a facility in Blaine County. The Pipeline Safety Department inspects these facilities to ensure they are working correctly to protect the natural gas facilities from becoming over-pressured.

promoting and enforcing the damage prevention statutes.

The Pipeline Safety Department hosted six 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 six training sessions were held in Tahlequah, Afton, Drumright, Weatherford, Enid, and Guymon and were attended by 179 small operators' employees.