Exhibit 2

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OG/E

September 18, 2009

HAND DELIVERED

Mr. Eddie Terrill, Director
Air Quality Division
Oklahoma Department of Environmental Quality
707 N. Robinson
Oklahoma City, Oklahoma 73101-1677

Subject: Best Available Retrofit Technology (BART) Determination Report
Oklahoma Gas & Electric Sooner/Muskogee Generating Stations

Dear Mr. Terrill:

Enclosed is a report by Sargent & Lundy updating the cost effectiveness calculations for sulfur dioxide (SO2) retrofit control technologies included in the Sooner and Muskogee Generating Station Best Available Retrofit Technology Evaluations dated May 27, 2008 and May 28, 2008, respectively (the "BART Evaluations"). We are providing this report now based on recent guidance from EPA on the appropriate methodology for cost effectiveness calculations. 74 Fed. Reg. 44313, 44321 (Aug. 28, 2009).

The cost effectiveness calculations in the BART Evaluations for OG&E have been updated using actual annual baseline emissions rather than the conservatively high baseline emission rate developed for visibility impact modeling. Using this methodology provides a more realistic estimate of actual baseline emissions and a more accurate cost-effectiveness calculation. EPA used this methodology in a recent notice of proposed rulemaking. 74 Fed. Reg. at 44321.

Using this methodology, the cost effectiveness of Dry FGD-SDA at the OG&E units ranges from $9,625 to $10,843 per ton of SO2 removed, and the cost effectiveness of the Wet FGD ranges from $10,271 to $11,490 per ton of SO2 removed. The revised cost effectiveness information for the OG&E stations supports a determination that low sulfur coal is BART for OG&E's units.

If you have any questions concerning the report please contact me at 553-3221.

Sincerely,

Ford Benham
Air Quality Supervisor

Enclosure

Kenneth J. Snell
Senior Environmental Consultant
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September 17, 2009

Mr. Ford Benham
Air Quality Supervisor
OG&E Power Supply Services
P.O. Box 321, M/C 610
Oklahoma City, OK 73101-0321

Subject: Oklahoma Gas & Electric Company
Sooner and Muskogee Generating Stations
BART Cost Effectiveness Update

Dear Mr. Benham;

The purpose of this letter report is to update the cost effectiveness calculations for sulfur dioxide (SO_2) retrofit control technologies included in the Sooner and Muskogee Generating Station Best Available Retrofit Technology Evaluations dated May 27, 2008 and May 28, 2008, respectively (the "BART Evaluations"). The cost effectiveness calculations in the BART Evaluations for OG&E have been updated using actual annual baseline emissions rather than the conservatively high baseline emission rate developed for visibility impact modeling. Using this methodology provides a more realistic estimate of actual baseline emissions and a more accurate cost-effectiveness calculation. Using this methodology, which has been recommended by EPA, the cost effectiveness of Dry FGD-SDA at the OG&E units ranges from $9,625 to $10,843 per ton of SO_2 removed, and the cost effectiveness of the Wet FGD ranges from $10,271 to $11,490 per ton.

Guidelines for making BART determinations are included in Appendix Y of 40 CFR Part 51 (Guidelines for BART Determinations Under the Regional Haze Rule). The BART determination process described in Appendix Y includes the following steps:

Step 1. Identify All Available Retrofit Control Technologies.
Step 2. Eliminate Technically Infeasible Options.
Step 3. Evaluate Control Effectiveness of Remaining Control Technologies.
Step 4. Evaluate Impacts and Document the Results.
Step 5. Evaluate Visibility Impacts.

Step 4 of the BART determination process includes an evaluation of potential impacts associated with the technically feasible retrofit technologies, including: (1) costs of compliance; (2) energy impacts; and (3) non-air quality environmental impacts. The cost impact evaluation examines the cost-effectiveness of

each control technology, on a dollar per ton of pollutant removed basis. Annual emissions using a particular control device are subtracted from baseline emissions to calculate tons of pollutant controlled per year. Annual costs are calculated by adding annual operation and maintenance costs to the annualized capital cost of an option. Cost effectiveness ($/ton) is simply the annual cost ($/yr) divided by the annual pollution controlled (ton/yr).[1] Baseline emissions should "represent a realistic depiction of anticipated annual emissions for the source."[2]

Baseline emissions used to calculate cost effectiveness in the BART Evaluations were based on the baseline emission rates (lb/hr) used to model visibility impacts. Baseline emissions used to model visibility impacts were based on the highest hourly emission rate (on a 24-hour calendar day average) that occurred from 2002-2005 for each unit. The highest 24-hour calendar day SO_2 emissions for each unit used to model baseline visibility impacts are shown in Table 1.[3] Baseline annual emissions used to calculate cost effectiveness were calculated using the highest 24-hour SO_2 emission rate and assuming a 90% capacity factor. Baseline annual emissions used to calculate cost-effectiveness are shown in Table 2.

Table 1
Highest 24-hour Calendar Day SO_2 Emissions (2002-2005)

Unit	Baseline 24-hr SO_2 Emissions (lb/hr)
Muskogee 4	4,384
Muskogee 5	4,657
Sooner 1	4,393
Sooner 2	4,410

Table 2
BART Cost Effectiveness Baseline Annual SO_2 Emissions

Unit	Baseline 24-hr SO_2 Emissions (lb/hr)	Maximum Heat Input to Boiler (mmBtu/hr)	Baseline SO_2 Emission Rate (lb/mmBtu)	Baseline Annual SO_2 Emissions (tpy)
Muskogee 4	4,384	5,480	0.80	17,282
Muskogee 5	4,657	5,480	0.85	18,362
Sooner 1	4,393	5,116	0.86	17,344
Sooner 2	4,410	5,116	0.86	17,344

1 See, 40 CFR Part 51, Appendix Y, Step 4.c.
2 70 FR 39167, July 6, 2005.
3 Baseline emission rates were included in Table 2-1 of the respective BART Evaluations.

Using this methodology to calculate baseline annual emissions for BART cost-effectiveness overestimates actual emissions from the units, and does not provide a realistic estimate of anticipated annual emissions from each source. Table 3 shows the calculated BART baseline annual emissions compared to the maximum annual emissions from each unit for the years 2002 through 2008. It can be seen that, in all cases, the calculated baseline annual emissions were at least 60% higher than the maximum annual actual emissions from each unit.

Table 3
BART Baseline Annual SO_2 Emissions v. Maximum Actual Annual SO_2 Emissions

Unit	Calculated BART Baseline Annual SO_2 Emissions (tpy)	Maximum Actual Annual SO_2 Emissions (2002 – 2008) (tpy)
Muskogee 4	17,282	9,775 (2006)
Muskogee 5	18,362	11,160 (2003)
Sooner 1	17,344	10,644 (2002)
Sooner 2	17,344	9,779 (2008)

A more accurate cost-effectiveness calculation would include a more realistic estimate of actual baseline emissions. In its review of the cost effectiveness calculations prepared by Salt River Project (SRP) to support the Navajo Generating Station's BART determination, EPA stated that "[i]n calculating the cost effectiveness, it appears SRP used the same 24-hour average actual emission rate from the highest emitting day used for its modeling impacts, rather than an annual average rate. Therefore, EPA has revised SRP's estimated NOx emissions reductions by starting with baseline emission rates for NOx averaged over 2004-2006..."[4] Average actual emissions from the unit should provide a more realistic estimate of baseline actual emissions, and a more accurate cost-effectiveness calculation.

To provide a more realistic estimate of anticipated annual emissions from each OG&E BART source, baseline emissions were recalculated as the actual average emission rate for the years 2004-2006. Revised baseline annual emissions, and corresponding average SO_2 emission rates, are shown in Table 4.

4 EPA, Assessment of Anticipated Visibility Improvements at Surrounding Class I Areas and Cost Effectiveness of Best Available Retrofit Technology for Four Corners Power Plant and Navajo Generating Station; Advanced Notice of Proposed Rulemaking, 74 Fed. Reg. 44313, August 28, 2009, at 44321.

Sargent & Lundy LLC

Oklahoma Gas & Electric Company
Sooner and Muskogee Generating Stations
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Table 4
Revised BART Baseline Annual SO_2 Emissions

Unit	Average Annual SO_2 Emissions (2004-2006) (tpy)	Average SO_2 Emission Rate (2004-2006) (lb/mmBtu)
Muskogee 4	9,113	0.507
Muskogee 5	9,006	0.514
Sooner 1	9,394	0.509
Sooner 2	8,570	0.516

Lowering the baseline emission rates will not effect capital cost estimates prepared for the BART Evaluations. Capital cost estimates are based on the unit size, flue gas flow rates, and maximum design pollutant loading (i.e., the maximum 24-hour inlet rate). However, lower baseline emissions will result in a slight reduction in the annual variable O&M costs. For example, reactant costs and FGD byproduct disposal costs will vary depending on the baseline inlet SO_2 emission rate. To account for these changes, the BART cost-effectiveness calculations were redone using the lower, more realistic, baseline emission rates. Updated cost-effectiveness calculations for each unit are attached at the end of this report.

The cost effectiveness calculations in the BART Evaluations for OG&E have been updated using actual annual baseline emissions rather than the conservatively high baseline emission rate developed for visibility impact modeling. Using the more realistic baseline emissions, the average cost effectiveness of Dry FGD-SDA at the OG&E units ranges from $9,625 to $10,883 per ton of SO_2 removed, and the average cost effectiveness of Wet FGD ranges from $10,271 to $11,490 per ton. The cost effectiveness of FGD control on the OG&E units is poor in comparison to the cost effectiveness estimates used by EPA to establish the presumptive BART emission limits. EPA estimated that most of the BART applicable units could meet the presumptive standards at a cost of $400 to $2,000 per ton of SO_2 removed. The revised cost effectiveness information for the OG&E stations supports a determination that low sulfur coal is BART for OG&E's units.

Sincerely,

Ken Snell, P.E.
Senior Environmental Consultant

Sargent & Lundy

Oklahoma Gas & Electric Company
Sooner and Muskogee Generating Stations
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Sooner Unit 1
Annual SO_2 Emissions

Control Technology	SO_2 Emissions (lb/mmBtu)	Sooner 1	
		Emissions (tpy)*	Reduction in Emissions (tpy)*
Wet FGD	0.08	1,613	7,781
Dry FGD – SDA	0.10	2,017	7,377
Baseline	0.509	9,394	--

* Baseline annual emissions were calculated based on average annual SO_2 emissions for the years 2004-2006. Projected annual emissions were calculated based on the controlled SO_2 emission rate, full load heat input of 5,116 mmBtu/hr, and assuming 7,884 hours/year (90% capacity factor).

Sooner Unit 1
SO_2 Emission Control System Cost Summary

Control Technology	Total Capital Investment* ($)	Annual Capital Recovery Cost ($/year)	Annual Operating Costs ($/year)	Total Annual Costs ($/year)
Wet FGD	$441,658,000	$37,898,900	$42,017,000	$79,915,900
Dry FGD – SDA	$390,406,000	$33,500,900	$37,505,800	$71,006,700

* Capital costs for SO_2 control systems will be similar for Sooner Units 1 & 2. Capital costs include the cost of major components and indirect installation costs such as foundations, mechanical erection, electrical, piping, and insulation for the control system. Capital costs for the Wet FGD scenario include the cost of a new chimney, and capital costs for the Dry FGD scenario include the cost of a post-scrubber fabric filter baghouse.

Sooner Unit 1
SO_2 Emission Control System Cost Effectiveness

Control Technology	Total Annual Cost ($/year)	Annual Emission Reduction (tpy)	Average Annual Cost Effectiveness ($/ton)	Incremental Annual Cost Effectiveness* ($/ton)
Wet FGD	$79,915,900	7,781	$10,271	$22,052
Dry FGD – SDA	$71,006,700	7,377	$9,625	--

*Incremental cost effectiveness of the wet FGD control systems compared to the SDA control system.

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Sooner Unit 2
Annual SO_2 Emissions

Control Technology	SO_2 Emissions (lb/mmBtu)	Sooner 1	
		Emissions (tpy)*	Reduction in Emissions (tpy)*
Wet FGD	0.08	1,613	6,957
Dry FGD – SDA	0.10	2,017	6,553
Baseline	0.516	8,570	--

* Baseline annual emissions were calculated based on average annual SO_2 emissions for the years 2004-2006. Projected annual emissions were calculated based on the controlled SO_2 emission rate, full load heat input of 5,116 mmBtu/hr, and assuming 7,884 hours/year (90% capacity factor).

Sooner Unit 2
SO_2 Emission Control System Cost Summary

Control Technology	Total Capital Investment* ($)	Annual Capital Recovery Cost ($/year)	Annual Operating Costs ($/year)	Total Annual Costs ($/year)
Wet FGD	$441,658,000	$37,898,900	$42,036,700	$79,935,600
Dry FGD – SDA	$390,406,000	$33,500,900	$37,556,000	$71,056,900

* Capital costs for SO_2 control systems will be similar for Sooner Units 1 & 2. Capital costs include the cost of major components and indirect installation costs such as foundations, mechanical erection, electrical, piping, and insulation for the control system. Capital costs for the Wet FGD scenario include the cost of a new chimney, and capital costs for the Dry FGD scenario include the cost of a post-scrubber fabric filter baghouse.

Sooner Unit 2
SO_2 Emission Control System Cost Effectiveness

Control Technology	Total Annual Cost ($/year)	Annual Emission Reduction (tpy)	Average Annual Cost Effectiveness ($/ton)	Incremental Annual Cost Effectiveness* ($/ton)
Wet FGD	$79,935,600	6,957	$11,490	$21,977
Dry FGD – SDA	$71,056,900	6,553	$10,843	--

*Incremental cost effectiveness of the wet FGD control systems compared to the SDA control system.

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Muskogee Unit 4
Annual SO_2 Emissions

Control Technology	SO_2 Emissions (lb/mmBtu)	Sooner 1	
		Emissions (tpy)*	Reduction in Emissions (tpy)*
Wet FGD	0.08	1,728	7,385
Dry FGD – SDA	0.10	2,160	6,953
Baseline	0.507	9,113	--

* Baseline annual emissions were calculated based on average annual SO_2 emissions for the years 2004-2006. Projected annual emissions were calculated based on the controlled SO_2 emission rate, full load heat input of 5,480 mmBtu/hr, and assuming 7,884 hours/year (90% capacity factor).

Muskogee Unit 4
SO_2 Emission Control System Cost Summary

Control Technology	Total Capital Investment* ($)	Annual Capital Recovery Cost ($/year)	Annual Operating Costs ($/year)	Total Annual Costs ($/year)
Wet FGD	$418,567,000	$35,917,500	$40,335,100	$76,302,600
Dry FGD – SDA	$373,106,000	$32,016,400	$36,418,000	$68,434,400

* Capital costs for SO_2 control systems will be similar for Muskogee Units 4 & 5. Capital costs include the cost of major components and indirect installation costs such as foundations, mechanical erection, electrical, piping, and insulation for the control system. Capital costs for the Wet FGD scenario include the cost of a new chimney, and capital costs for the Dry FGD scenario include the cost of a post-scrubber fabric filter baghouse.

Muskogee Unit 4
SO_2 Emission Control System Cost Effectiveness

Control Technology	Total Annual Cost ($/year)	Annual Emission Reduction (tpy)	Average Annual Cost Effectiveness ($/ton)	Incremental Annual Cost Effectiveness* ($/ton)
Wet FGD	$76,302,600	7,385	$10,332	$18,213
Dry FGD – SDA	$68,434,400	6,953	$9,842	--

*Incremental cost effectiveness of the wet FGD control systems compared to the SDA control system.

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Muskogee Unit 5
Annual SO_2 Emissions

Control Technology	SO_2 Emissions (lb/mmBtu)	Sooner 1	
		Emissions (tpy)*	Reduction in Emissions (tpy)*
Wet FGD	0.08	1,728	7,278
Dry FGD – SDA	0.10	2,160	6,846
Baseline	0.514	9,006	--

* Baseline annual emissions were calculated based on average annual SO_2 emissions for the years 2004-2006. Projected annual emissions were calculated based on the controlled SO_2 emission rate, full load heat input of 5,480 mmBtu/hr, and assuming 7,884 hours/year (90% capacity factor).

Muskogee Unit 5
SO_2 Emission Control System Cost Summary

Control Technology	Total Capital Investment* ($)	Annual Capital Recovery Cost ($/year)	Annual Operating Costs ($/year)	Total Annual Costs ($/year)
Wet FGD	$418,567,000	$35,917,500	$40,406,300	$76,323,800
Dry FGD – SDA	$373,106,000	$32,016,400	$36,471,700	$68,488,100

* Capital costs for SO_2 control systems will be similar for Muskogee Units 4 & 5. Capital costs include the cost of major components and indirect installation costs such as foundations, mechanical erection, electrical, piping, and insulation for the control system. Capital costs for the Wet FGD scenario include the cost of a new chimney, and capital costs for the Dry FGD scenario include the cost of a post-scrubber fabric filter baghouse.

Muskogee Unit 5
SO_2 Emission Control System Cost Effectiveness

Control Technology	Total Annual Cost ($/year)	Annual Emission Reduction (tpy)	Average Annual Cost Effectiveness ($/ton)	Incremental Annual Cost Effectiveness* ($/ton)
Wet FGD	$76,323,800	7,278	$10,487	$18,138
Dry FGD – SDA	$68,488,100	6,846	$10,004	--

*Incremental cost effectiveness of the wet FGD control systems compared to the SDA control system.