

IN THE DISTRICT COURT OF OSAGE COUNTY
STATE OF OKLAHOMA

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District Court, Osage County, Okla.
FILED

STATE OF OKLAHOMA *ex rel.* GENTNER
DRUMMOND,
ATTORNEY GENERAL OF OKLAHOMA,

Plaintiff,

vs.

ET GATHERING & PROCESSING LLC, *successor by
merger to* ENABLE MIDSTREAM PARTNERS, LP,
ENABLE OKLAHOMA INTRASTATE TRANSMISSION,
LLC, ENABLE GAS TRANSMISSION, LLC, and
ENABLE ENERGY RESOURCES, LLC,

Defendants.

JUN - 3 2024
By JENNIFER BURD, Court Clerk
Deput
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Case No. CJ-24-77
Honorable Stuart Tate

**DEFENDANTS' EXHIBITS IN SUPPORT OF
MOTION TO DISMISS AND ALTERNATIVELY
TO TRANSFER VENUE**

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(Motions to Associate Counsel Forthcoming)

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Attorneys for Defendants

June 3, 2024

IN THE DISTRICT COURT OF OSAGE COUNTY
STATE OF OKLAHOMA

STATE OF OKLAHOMA *ex rel.* GENTNER
DRUMMOND,
ATTORNEY GENERAL OF OKLAHOMA,

Plaintiff,

vs.

ET GATHERING & PROCESSING LLC, *successor by
merger to* ENABLE MIDSTREAM PARTNERS, LP,
ENABLE OKLAHOMA INTRASTATE TRANSMISSION,
LLC, ENABLE GAS TRANSMISSION, LLC, and
ENABLE ENERGY RESOURCES, LLC,

Defendants.

Case No. CJ-24-77
Honorable Stuart Tate

DECLARATION OF MARGARET BROOKS IN SUPPORT OF
DEFENDANTS' MOTION TO DISMISS

I, Margaret Brooks, state under penalty of perjury under the laws of Oklahoma that the foregoing is true and correct:

1. I am Senior Director of Commercial Optimization for Energy Transfer LP, the parent company for Enable Oklahoma Intrastate Transmission, LLC ("EOIT"), a defendant in the above-titled case and, by virtue of my position and responsibilities, I am familiar with the facts attested to herein.

2. I submit this affidavit in support of Defendants' Motion to Dismiss.

3. Attached hereto as **Exhibit A-1** is a true and correct copy of the Intrastate Firm Transportation Service Agreement ("Service Agreement") between EOIT and GRDA dated April 1, 2014, with redactions to confidential information.

4. Attached hereto as **Exhibit A-2** is a true and correct copy of EOIT's Statement of Operating Conditions Applicable to Transportation Services on file with the Federal Energy

Regulatory Commission dated February 28, 2023.

5. Attached hereto as **Exhibit A-3** is a true and correct copy of the Amendment to the Service Agreement dated June 1, 2016, with redactions to confidential information.

6. Attached hereto as **Exhibit A-4** is a true and correct copy of the Amendment to the Service Agreement dated February 1, 2017, with redactions to confidential information.

7. Attached hereto as **Exhibit A-5** is a true and correct copy of the Amendment to the Service Agreement dated April 1, 2017, with redactions to confidential information.

8. Attached hereto as **Exhibit A-6** is a true and correct copy of the Amendment to the Service Agreement dated September 1, 2021, with redactions to confidential information.

9. Attached hereto as **Exhibit A-7** is a true and correct copy of Oklahoma Governor, J. Kevin Stitt's, Executive Order declaring a State of Emergency, No. 2021-06, dated February 12, 2021.

10. Attached hereto as **Exhibit A-8** is a true and correct copy of the Oklahoma Corporation Commission's Final Financing Order, Order No. 723033, dated January 25, 2022.

11. Attached hereto as **Exhibit A-9** is a true and correct copy of the Oklahoma Corporation Commission's Final Financing Order, Order No. 723434, dated February 10, 2022.

12. Attached hereto as **Exhibit A-10** is a true and correct copy of the Oklahoma Corporation Commission's Final Financing Order, Order No. 722254, dated December 16, 2021.

13. Attached hereto as **Exhibit A-11** is a true and correct copy of the Oklahoma Corporation Commission's Final Financing Order, Order No. 723435, dated February 10, 2022.

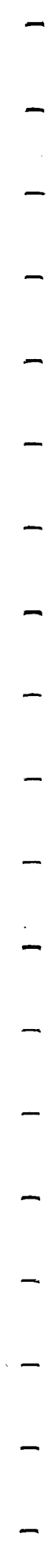


EXHIBIT A-1

**INTRASTATE
FIRM TRANSPORTATION SERVICE AGREEMENT**

This Agreement is made and entered into as of this 1ST day of April, 2014 ("Contract Effective Date"), between **ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC**, hereinafter referred to as "TRANSPORTER" and **GRAND RIVER DAM AUTHORITY**, hereinafter referred to as "SHIPPER." TRANSPORTER and SHIPPER may be referred to sometimes as "Party" and collectively as "Parties."

WITNESSETH:

WHEREAS, TRANSPORTER represents it is an intrastate pipeline within the meaning of Section 2(16) of the Natural Gas Policy Act of 1978 ("NGPA");

WHEREAS, SHIPPER owns and operates a large coal fired facility for the generation of electric power in Mayes County, Oklahoma; and

WHEREAS, SHIPPER plans to construct and operate a new natural gas-fueled electric generating unit (the "Plant") at the same site; and

WHEREAS, TRANSPORTER operates facilities for the transportation and storage of natural gas in the State of Oklahoma (hereinafter the "Transportation System"); and

WHEREAS, effective April 1, 2017 (hereinafter "Service Commencement Date"), SHIPPER desires to have TRANSPORTER receive and transport on a firm basis natural gas from various Points of Receipt on TRANSPORTER'S existing pipeline system in the State of Oklahoma (hereinafter referred to as the "Transportation System"), including certain existing or future point(s) of connection between the Transportation System and other pipeline companies (the delivering party or parties), to a Point of Delivery serving SHIPPER'S Plant; and

WHEREAS, the Parties desire to enter into an Agreement whereby TRANSPORTER will transport such natural gas volumes, including gas delivered to TRANSPORTER by connecting pipelines from sources outside Oklahoma, for SHIPPER in intrastate commerce ("Intrastate Service");

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the Parties hereto covenant and agree as follows:

1. Maximum Daily Quantity.

a. In accordance with all of the terms, conditions and limitations herein set forth, upon delivery by SHIPPER of gas at the Point(s) of Receipt as described on Exhibit "A" hereto, TRANSPORTER shall receive such gas, transport and deliver on a firm basis thermally equivalent quantities of such gas for the account of SHIPPER to the Point of Delivery described on Exhibit "B" hereto, after deducting from the gross volume received by TRANSPORTER, System Fuel (as defined in Section 4 herein) used on TRANSPORTER'S system. Exhibits "A", "B", "C" and "D" are attached hereto and are hereby incorporated in this Agreement and made a part hereof for all purposes.

b. TRANSPORTER'S obligation to receive, compress, if applicable, and deliver the gas tendered by SHIPPER is subject to the physical capacity and operating constraints of the Transportation System; provided, however, TRANSPORTER warrants that it has and will maintain sufficient capacity to reliably transport SHIPPER'S daily confirmed nominations, up to the "Maximum Daily Quantity" as defined herein, absent *force majeure*, subject to Sections 1.c and 1.d below. TRANSPORTER'S daily obligation to accept gas hereunder at all or any combination of Point(s) of Receipt described on Exhibit "A" shall not exceed [REDACTED] MMBtus per day (hereinafter referred to as "Maximum Daily Quantity" or "MDQ") exclusive of System Fuel; provided, however, in [REDACTED] [REDACTED] per day exclusive of System Fuel. TRANSPORTER'S cumulative obligation to receive and transport gas from all or any combination of Point(s) of Receipt hereunder shall not exceed the Maximum Daily Quantity plus System Fuel.

c. TRANSPORTER'S maximum hourly obligation, at the Point of Delivery (the "Maximum Hour Quantity" or "MHQ"), is: the lesser of (i) 1/24th of the MDQ; or (ii) 1.5 times 1/24th of the [REDACTED] in any hour, provided SHIPPER does not exceed the MDQ. SHIPPER'S MHQ allows it to take 24 hours of gas over a 16 hour period, up to the MDQ and MHQ.

d. SHIPPER may reduce SHIPPER'S above stated MDQ and MHQ by up to 20%, by providing TRANSPORTER with written notice by no later than November 30,

2014. In the event that SHIPPER provides TRANSPORTER with timely notice, the annual demand charges specified in Section 4 hereof shall be reduced in proportion to the reduction in MDQ and MHQ.

e. Daily and Hourly Overrun Gas. Gas transported in excess of the Maximum Daily Quantity ("Daily Overrun Gas") or the Maximum Hourly Quantity ("Hourly Overrun Gas") plus, in each case, the applicable quantity of System Fuel, shall be transported on an interruptible basis under the provisions of the SOC at the rates as set forth in Section 4 hereof. Such Daily Overrun Gas and Hourly Overrun Gas shall be nominated, scheduled and confirmed in accordance with TRANSPORTER'S Statement of Operating Conditions Applicable to Transportation Services ("SOC") (as defined more fully in Section 6 hereof).

f. Intra-day Nominations:

(i) SHIPPER may make up to four (4) additional nominations before 5:00 p.m. on the flow day, subject to confirmation by upstream parties and a requirement that nominations be submitted four (4) hours prior to gas flow ("Intra day Nomination"). TRANSPORTER will use good faith efforts to schedule on shorter notice, if SHIPPER so requests. If the SOC is changed to allow more intraday nominations than those stated in this Agreement, SHIPPER will have the right to use such additional intraday nomination cycles once they have been made effective. Intra day Nominations will only be permitted to: (1) increase or decrease total gas receipts and (2) change Receipt Point(s). Intra day nominations that reduce total gas receipts will not create hourly overruns so long as the prior rate of flow at the Delivery Point [REDACTED]

(ii) Intra-day Nominations span one day only. Intra day Nominations must be based on a daily quantity, and include the effective date and time.

2. Point(s) of Receipt and Point of Delivery.

Gas delivered by SHIPPER hereunder, including gas transported from interstate receipt points, shall be delivered to TRANSPORTER at the point or points which are hereinafter referred to as the "Point(s) of Receipt" and which are specifically set forth and identified in Exhibit "A" (Intrastate Point(s) of Receipt) hereto. Gas delivered


hereunder by TRANSPORTER shall be delivered to the SHIPPER at the point that is hereinafter referred to as the "Point of Delivery" and as specifically set forth and identified in the Exhibit "B" (Intrastate Point of Delivery) hereto.

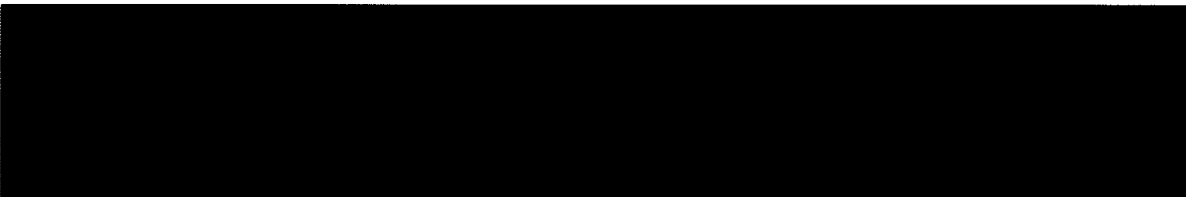
3. Receipt and Delivery Pressures.

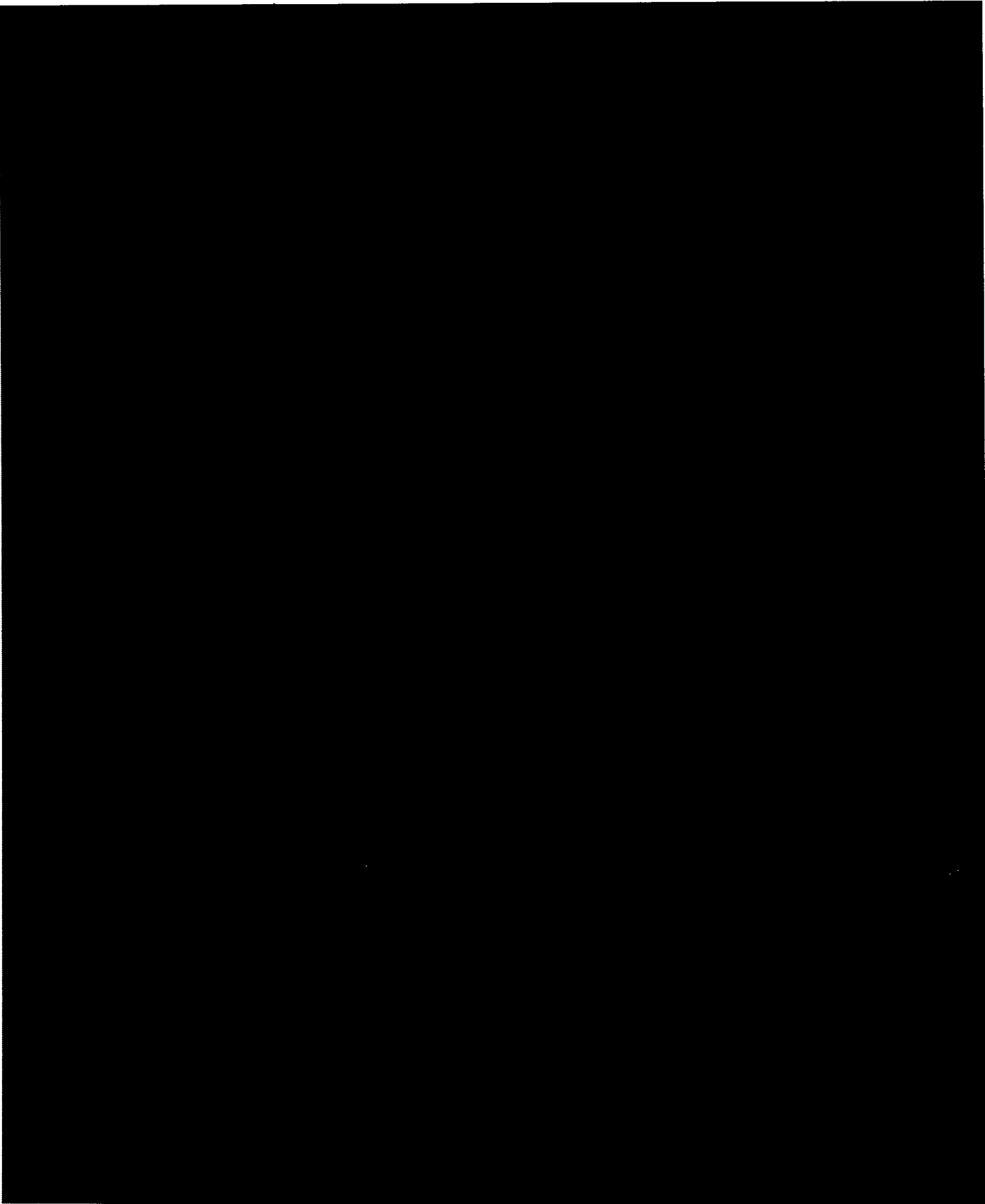
a. All gas delivered hereunder by SHIPPER shall be delivered at pressures sufficient to enter the Transportation System at the prevailing working pressures that exist at the Point(s) of Receipt. TRANSPORTER shall not be obligated to receive gas hereunder at pressures exceeding the applicable maximum allowable operating pressures of the Transportation System, as determined by TRANSPORTER. Notwithstanding anything to the contrary contained herein, neither SHIPPER nor TRANSPORTER shall be obligated to provide compression facilities to cause gas to flow into any Point(s) of Receipt.

b. All gas delivered hereunder by TRANSPORTER at the Point of Delivery shall be delivered at pressures sufficient to enter the facilities of SHIPPER at such Point of Delivery, but in no event less than the delivery pressure requirement as set forth in Exhibit "B".

4. Rates and Charges.

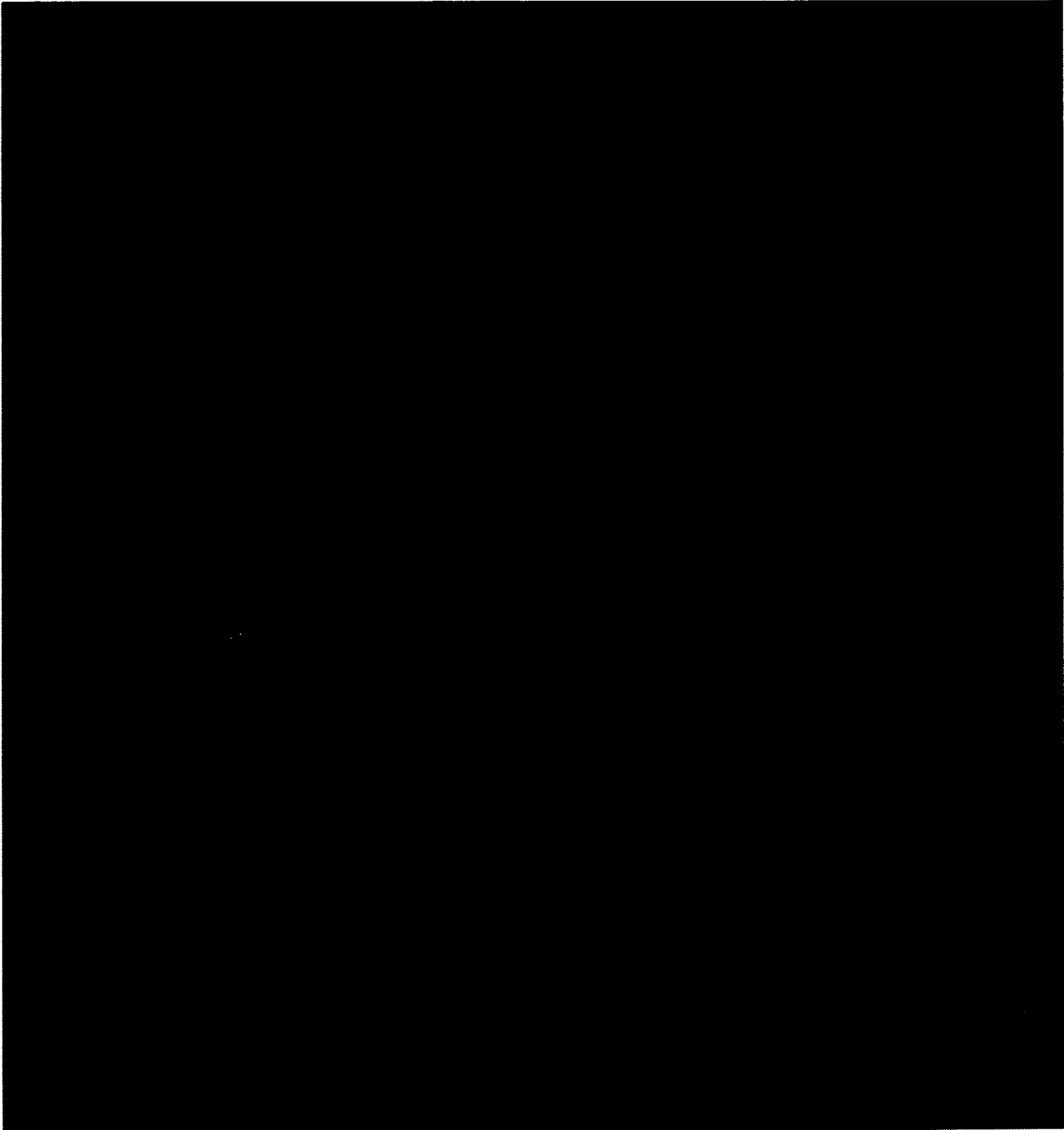
a. SHIPPER agrees to pay TRANSPORTER each month, during the term of this Agreement under the payment terms set forth in TRANSPORTER'S SOC: 

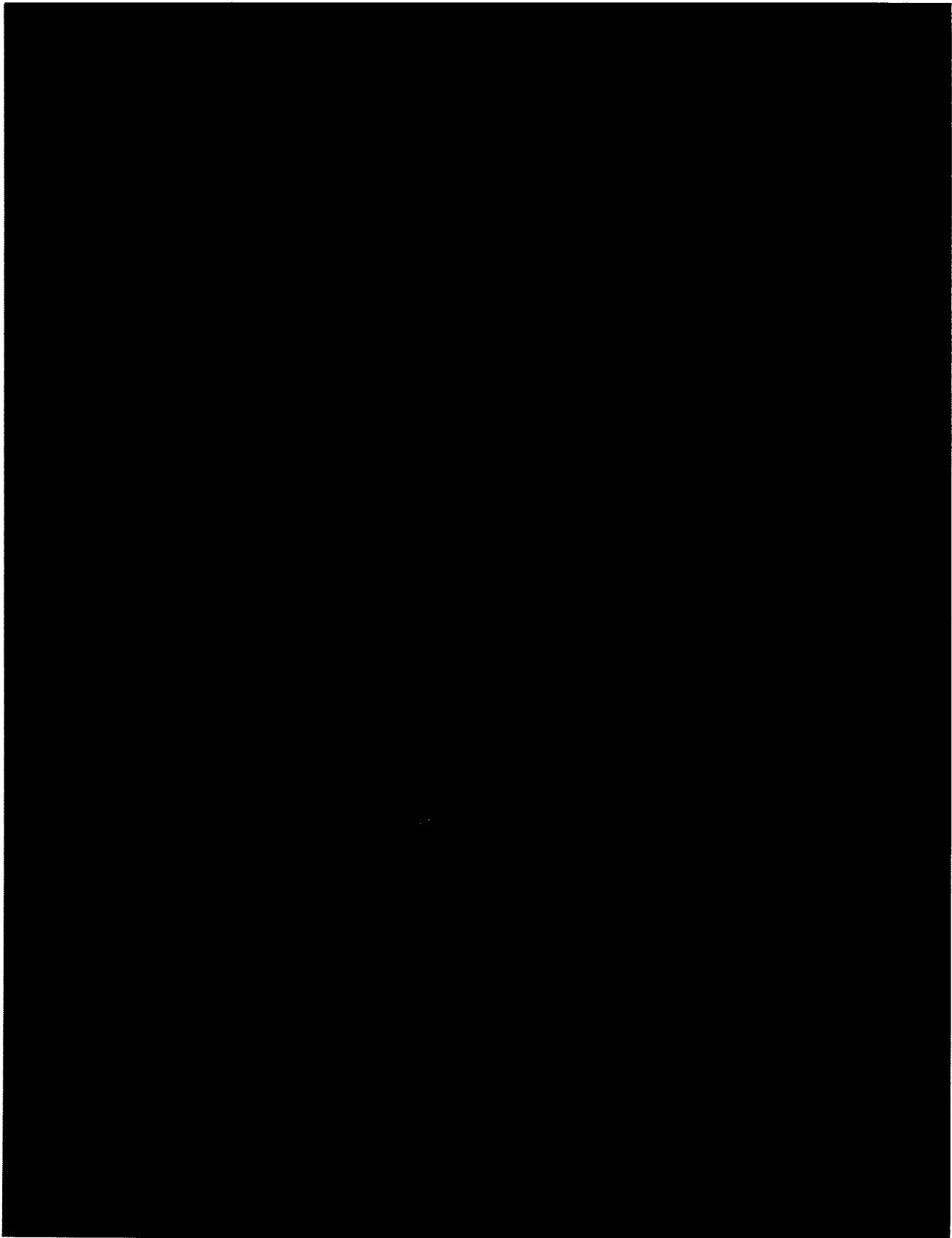


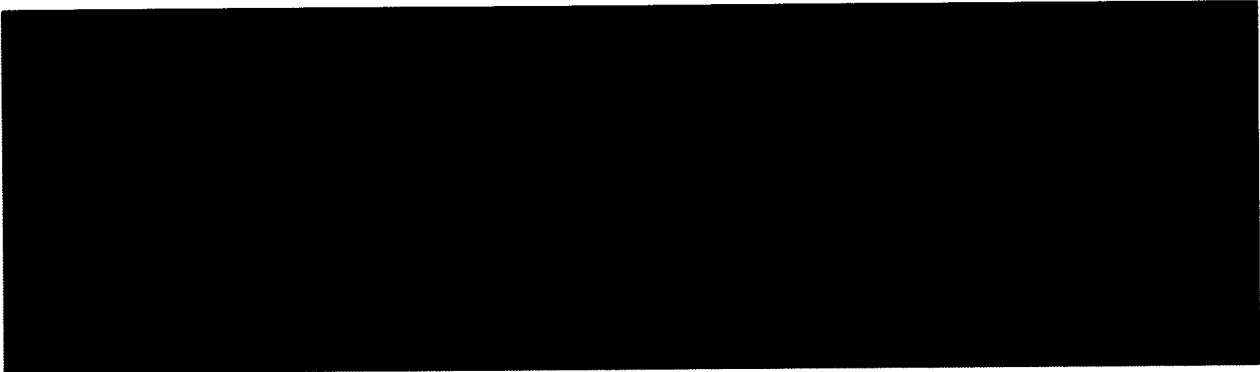


(iv) System Fuel. System Fuel shall mean and equal SHIPPER'S pro-rata share of the actual fuel and loss and unaccounted for gas on the Transportation

System, which pro-rata share shall be calculated based on the volumes of gas delivered by SHIPPER to the Point(s) of Receipt. SHIPPER shall provide the System Fuel in-kind to TRANSPORTER. The System Fuel referenced herein and in Section 1 above is in addition to the Transportation Fee. "West Fuel" shall mean the percentage of System Fuel applicable to the West Zone (as defined in TRANSPORTER'S SOC) and "East Fuel" shall mean the percentage of System Fuel applicable to the East Zone (as defined in the SOC).




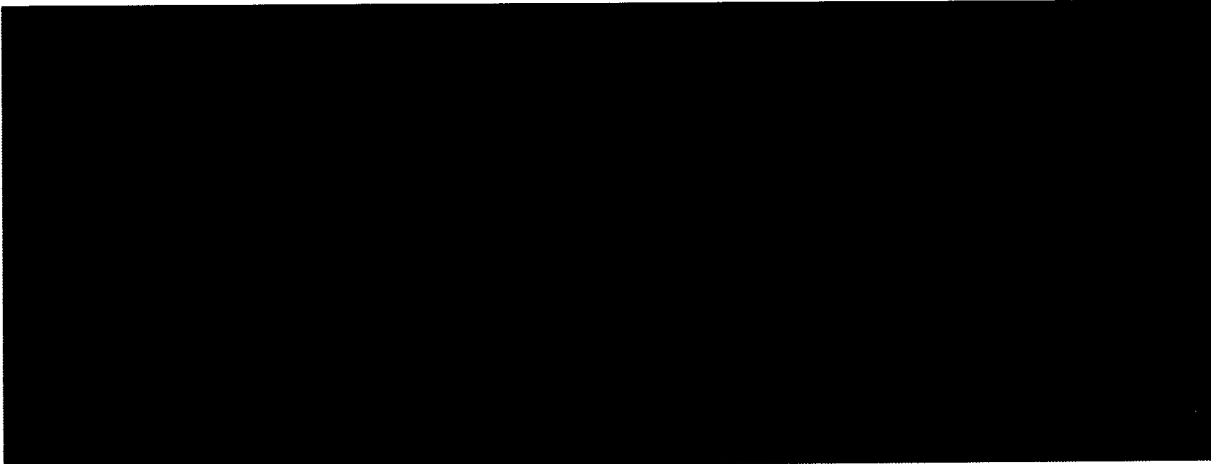


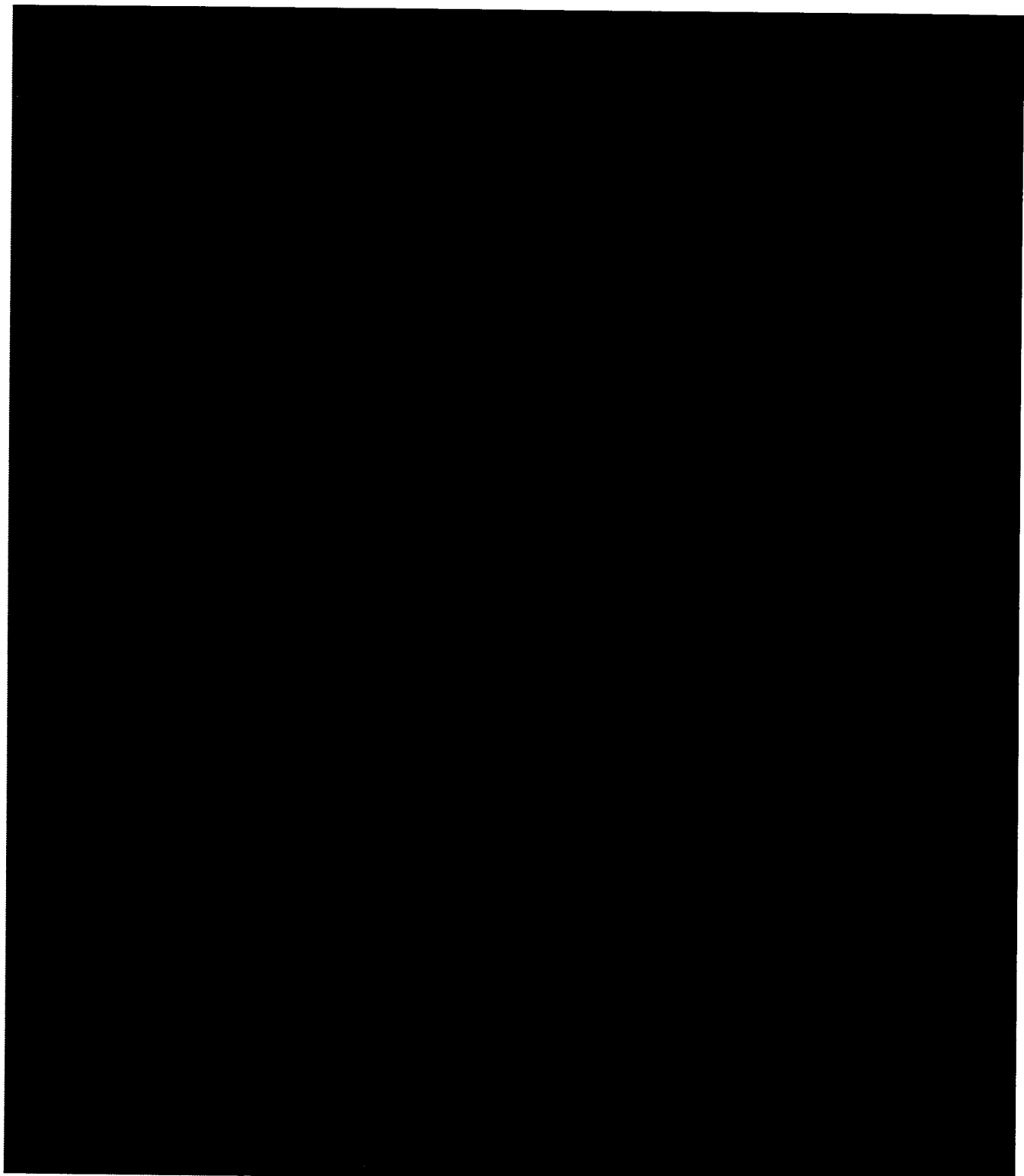


(vi) SHIPPER may not create a Positive Imbalance greater than the MDQ on any given day.

(vii) TRANSPORTER further represents that if and when SHIPPER enters into a separate contract with TRANSPORTER for the provision of storage and/or transportation to such storage, SHIPPER will be able to offset imbalances under this Agreement by injecting or withdrawing gas to or from storage, as the case may be, up to the limits imposed in any such storage contract and/or transportation contract.

5. a. Term. Except as provided in subsections b, c, and d of this Section 5, this Agreement shall remain in full force and effect from the Contract Effective Date (April 1, 2014), with service commencing on the Service Commencement Date (April 1, 2017), until March 31,  ("Primary Term") and shall remain in effect from month to month thereafter. Either Party may terminate this Agreement after the end of the Primary Term or any subsequent month thereafter by giving the other Party written notice of such termination date one hundred eighty (180) days prior thereto. TRANSPORTER shall have the right to terminate this Agreement upon 30 day written notice to SHIPPER in the event SHIPPER fails to make timely payment under the Aid in Construction Agreement.





6. General Terms for Intrastate Service.

a. TRANSPORTER'S SOC on file with the Federal Energy Regulatory Commission ("FERC"), as may be amended from time to time by TRANSPORTER, is

hereby incorporated into this Agreement and made a part hereof for all purposes applicable to Intrastate Service. If the SOC or any amendment thereto, is inconsistent with any provision of this Agreement, this Agreement shall control. Electronic access to the SOC in effect is available for review at www.enablemidstream.com. The incorporation of the SOC is for the convenience of the Parties only, and shall not imply or serve as evidence that either TRANSPORTER or this Agreement is subject to any authority of the FERC.

b. SHIPPER agrees that any gas transported to Point(s) of Receipt by an interstate pipeline will be transported by said interstate pipeline pursuant to Section 311 of the NGPA.

7. **Authority.** SHIPPER and TRANSPORTER each represents and warrants that it has the requisite authority to enter into this Agreement and incur the obligations herein.

8. **Notices.** Except as herein otherwise provided, any notice, request, demand, statement, routine communications, invoice or bill provided for under this Agreement or the Exhibits hereto shall be in writing and delivered to the Parties at the addresses (including email addresses) or facsimile numbers identified on Exhibits "C" and "D" attached hereto. Notice shall be deemed given when physically delivered to the other Party in person, when transmitted to the other Party by confirmed facsimile transmission, when transmitted to the email address of the person designated by a Party to receive such notice, with delivery confirmation requested and received, or when deposited in the U. S. Mail or with a delivery service, postage prepaid. Either Party may change its address (including email address) or facsimile number by providing notice of same in accordance herewith. Notices under this Agreement are to be made to the persons designated by each Party on Exhibits "C" or "D" until each Party designates other persons to receive such notices.

9. Government Regulations.

a. The Parties hereto recognize that this Agreement has been entered into by TRANSPORTER in the good faith understanding that all acts, obligations, and intrastate services performed or to be performed by TRANSPORTER hereunder, and the charges therefor, are exempt from the regulation of FERC or any successor federal governmental authority under the Natural Gas Act ("NGA"), the NGPA and any successor statute. In the event that TRANSPORTER'S performance of services under this Agreement is determined to be subject to regulation by FERC under the NGA, the NGPA or successor statute and TRANSPORTER notifies SHIPPER of the need to change the terms of the Agreement due to such determination, within sixty (60) days of the date of such notification, the Parties will seek to negotiate a resolution of the change which may include a substitute agreement to replace this Agreement (a "Substitute Agreement") that (i) preserves for each Party to the maximum extent possible the commercial advantages and economics each enjoys under this Agreement and (ii) adjusts the services and rights to be performed and secured under a Substitute Agreement in order to permit TRANSPORTER to perform services for SHIPPER under the Substitute Agreement without TRANSPORTER or that Substitute Agreement becoming subject to regulation under the NGA, NGPA or successor statute, while preserving SHIPPER'S access to natural gas from interstate points of receipt as defined in Exhibit "A" hereto. In the event that TRANSPORTER and SHIPPER fail to agree upon the resolution including the terms of Substitute Agreement by the conclusion of said sixty (60) day period (the "Negotiation Termination Date"), to the fullest extent permitted by law, the Parties shall within thirty (30) days following the Negotiation Termination Date, submit the resolution to binding arbitration under the procedure set forth in this Section 9 and will specify either termination of this Agreement or a request for a determination of the terms of a proposed Substitute Agreement for the purpose of achieving a Substitute Agreement that as nearly as possible places the Parties in a position comparable to the position each occupied under this Agreement.

b. If the Parties are unable to agree upon termination or the terms of Substitute Agreement as provided in Section 9.a above, then the following provisions shall apply:

(i) Any dispute concerning termination or the terms of Substitute Agreement shall be finally settled by binding arbitration in accordance with the

Commercial Arbitration Rules of the American Arbitration Association ("AAA") then in effect except as modified herein.

(ii) Arbitrations shall be held in Oklahoma City, Oklahoma. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. §§ 1, *et seq.*

(iii) The dispute will be determined by a panel of three (3) arbitrators. Each Party may select one arbitrator, or if such Party to the dispute fails to make such selection within thirty (30) days from the Negotiation Determination Date, the Parties or either of the shall petition the AAA to make such appointment. The two arbitrators thus appointed shall select the third arbitrator, who shall act as the chairman of the panel. If the two arbitrators fail to agree on a third arbitrator within thirty (30) days of the selection of the second arbitrator, the AAA shall make such appointment. All arbitrators must be neutral parties who have never been officers, directors or employees of the Parties or any of their affiliates or predecessors, must have not less than ten (10) years' experience in the energy industry, and must have a formal financial/accounting, engineering, business or legal education.

(iv) The arbitral hearing shall be commenced within thirty (30) days after the selection of the chairman of the panel, and the panel will render its award not later than thirty (30) days thereafter, unless the Parties agree to waive the time period for entering an award. The Parties and the arbitrators shall proceed diligently and in good faith in order that the arbitral decision shall be rendered as promptly as possible.

(v) The arbitral decision shall be in writing, and shall identify specifically the panel's resolution as to termination or each term of any proposed Substitute Agreement submitted for their consideration. The panel's decision shall be final and binding upon the Parties. Each of the Parties irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the submission of disputes as to termination or the terms of an appropriate Substitute Agreement to arbitration as provided in this Section 9.

(vi) Unless otherwise ordered by the arbitrators, each Party shall bear its own costs and fees, including attorneys' fees and expenses. The Parties expressly agree that the arbitrators shall have no power to consider or award any form of damages.

(vii) This agreement to arbitrate shall be binding upon the successors, assigns and any trustee or receiver of each Party.

(viii) The Parties, to the fullest extent permitted by law, hereby irrevocably waive and exclude any rights of application or appeal or rights to state a special case for the opinion of the courts or any other recourse to the court system other than to enforce this agreement to arbitrate, for attachment or other order in aid of arbitration proceedings or to enforce the award of the arbitral panel.

c. All of the provisions of this Agreement are hereby expressly made subject to all present and future applicable federal or state laws, orders, rules and regulations of governmental authorities having jurisdiction. If at any time during the term of this Agreement any such governmental authority shall take or threaten to take any action, directly or indirectly, whereby the receipt, transportation and delivery of gas as contemplated hereunder shall be proscribed or possibly subjected to terms, conditions, restraints or regulations that would be unduly burdensome to TRANSPORTER (a "Regulatory Event"), then TRANSPORTER shall provide written notice of such Regulatory Event to SHIPPER. Upon mailing of such notice by TRANSPORTER, TRANSPORTER and SHIPPER shall, within thirty (30) days of such mailing, negotiate in good faith with each other to SHIPPER either (i) to amend the Agreement so as to eliminate the impact of the Regulatory Event upon TRANSPORTER or (ii) terminate the Agreement and enter into a new agreement which contains substantially the same terms as the Agreement but is not subject to or otherwise addresses the Regulatory Event. In the event that SHIPPER and TRANSPORTER do not reach mutually agreeable terms of an amendment or new agreement as set forth in this Section 9.c, TRANSPORTER or SHIPPER may seek resolution by binding arbitration as referenced in Section 9.a above.

10. Rights of Way. SHIPPER hereby grants to TRANSPORTER, or its designee, insofar as SHIPPER has the right to do so, all requisite easements and rights-of way over, across and under properties covered hereby, owned by or under lease to SHIPPER, with full right of ingress and egress, for the purpose of constructing and operating (which shall include repair and maintenance) gas pipelines, meter stations and other equipment necessary or convenient for carrying out the terms of this Agreement and TRANSPORTER'S obligations hereunder; provided, however that TRANSPORTER shall

comply with all applicable Plant safety rules and other requirements, including security access rules. TRANSPORTER, or its designee, shall have the right to remove, repair and replace all or any part of TRANSPORTER'S, or its designee's, pipelines, meter stations, and other equipment and facilities, at any time during, and within a reasonable time after, the expiration of the term of this Agreement; provided, however that TRANSPORTER shall comply with all applicable Plant safety rules and other requirements, including security access rules.

11. Damages. NEITHER PARTY SHALL BE LIABLE OR OTHERWISE RESPONSIBLE TO THE OTHER PARTY FOR PUNITIVE, SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES OR FOR LOST PROFITS WHICH ARISE OUT OF OR RELATE TO THIS AGREEMENT OR THE PERFORMANCE OR BREACH THEREOF.

12. Confidentiality. Neither Party shall disclose the terms of this Agreement to a third party (other than the Party's representatives with a need to know such information, such as, counsel, financial advisors and analysts, risk managers, accountants and lenders who have agreed to keep such terms confidential) except in order to comply with any applicable law, order, regulation, or exchange rule; provided, that each Party shall notify the other Party of any proceeding of which it is aware which may result in disclosure and use reasonable efforts to prevent or limit the disclosure. Such confidentiality obligations shall terminate one year after termination of this Agreement.

13. Assignment. This Agreement, including TRANSPORTER'S SOC, shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns; provided, however, that neither this Agreement, the SOC nor the rights and obligations of either Party hereunder may be assigned, except where such assignment is made to an affiliate of the assigning Party, without the prior written consent of the non assigning Party, which consent shall not be unreasonably withheld or delayed if the proposed assignee demonstrates to the non-assigning Party's reasonable satisfaction that it is financially capable of performing the duties and obligations of the assigning Party hereunder. No such assignment will release the assigning Party of its duties and obligations hereunder without the non assigning Party's written consent, which consent shall not be unreasonably withheld or delayed. In the event of a partial assignment of the Agreement, TRANSPORTER reserves the right to terminate this Agreement as to the assigned Point(s) of Delivery and a new agreement shall

be required between TRANSPORTER and the successors and/or permitted assigns of SHIPPER for the affected Point(s) of Delivery. Any assignment in violation of this provision shall be void.

14. **Choice of Law.** The Parties agree that the Agreement shall be governed by and construed in accordance with the laws of the State of Oklahoma, excluding any conflicts of law, rule, or principle that might refer such construction to the laws of another state with respect to any cause of action brought under or with respect to the Agreement.

15. **Additional Terms.** TRANSPORTER and SHIPPER agree that any additional terms shall be as follows: [NONE]

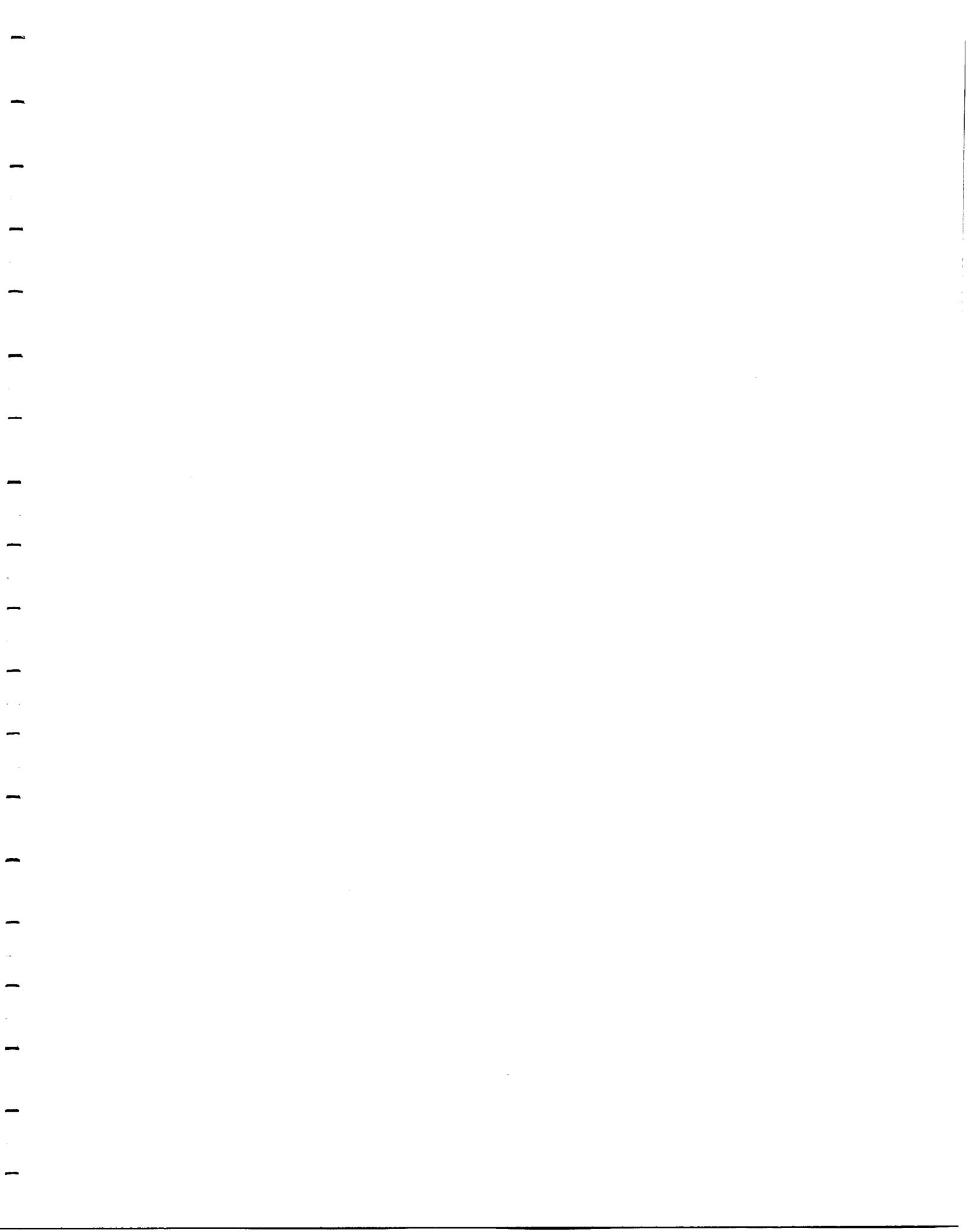


EXHIBIT "A"
INTRASTATE POINT(S) OF RECEIPT

This Exhibit "A" to the Intrastate Firm Transportation Service Agreement by and between **ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC ("TRANSPORTER")** and **GRAND RIVER DAM AUTHORITY ("SHIPPER")**, dated April 1, 2014, is for all purposes made a part of said Agreement.

INTRASTATE POINT(S) OF RECEIPT

All active Major Interconnect Point(s) of Receipt for the Transportation System as listed, including potential gas sourced outside of the State of Oklahoma, and which may be viewed at www.enablemidstream.com. The Parties agree that TRANSPORTER may revise the Major Interconnect Point(s) of Receipt from time to time to add or delete interconnects, and such revisions shall be incorporated into this Agreement without amendment to this Agreement.

SHIPPER understands and agrees that it may not be able to obtain all of the MDQ from any single one of the Point(s) of Receipt but can obtain the MDQ from a combination of Point(s) of Receipt. [REDACTED]

[REDACTED] SHIPPER further understands that:

- (1) SHIPPER'S ability to obtain gas at any Point of Receipt is subject to any capacity limitation at that Point of Receipt and confirmation between TRANSPORTER and the operator of such Point of Receipt; and
- (2) TRANSPORTER will not, in any way, be liable to SHIPPER if capacity is not available at any particular Point of Receipt as long as capacity up to SHIPPER'S nominations, not to exceed the MDQ, is available at a combination of Point(s) or Receipt.

EXHIBIT "B"
INTRASTATE POINT OF DELIVERY

This Exhibit to the Intrastate Firm Transportation Service Agreement between **ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC ("TRANSPORTER")** and **GRAND RIVER DAM AUTHORITY ("SHIPPER")**, dated April 1, 2014, is incorporated by reference and for all purposes made a part of said Agreement.

INTRASTATE POINT OF DELIVERY

The planned point of interconnect in the State of Oklahoma between TRANSPORTER'S Transportation System and the facilities of the entities described below:

<u>Point of Delivery</u>	<u>Description</u>	<u>County</u>
GRDA Coal Fired Complex	Section 21 – Township 20N – Range 19E	Mayes

Minimum Delivery Pressure is 450 PSIG at the interconnect flange as set out in the Interconnection Agreement.

EXHIBIT "C"
NOTICES

This Exhibit to the Intrastate Firm Transportation Service Agreement between **ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC** ("TRANSPORTER") and **GRAND RIVER DAM AUTHORITY** ("SHIPPER"), dated April 1, 2014, is for all purposes made a part of said Agreement.

TRANSPORTER:

NOTICES:

ENABLE OKLAHOMA INTRASTATE
TRANSMISSION, LLC
P. O. Box 24300
Oklahoma City, OK 73124-0300

Scheduling and Nominations:

Attn: Volume Control
Telephone No.: (405) 525-7788
Facsimile No.: (405) 557-7981

Other Notices:

Attn: Contract Management
Telephone No.: (405) 525-7788
Facsimile No.: (405) 557-6827

PAYMENTS:

By Check Only:

ENABLE OKLAHOMA INTRASTATE
TRANSMISSION, LLC
Bank of Oklahoma, N.A.
Dept. # 960008
Oklahoma City, OK 73196-0008



EXHIBIT "D"
NOTICES

This Exhibit to the Intrastate Firm Transportation Service Agreement between **ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC** ("TRANSPORTER") and **GRAND RIVER DAM AUTHORITY** ("SHIPPER"), dated April 1, 2014, is for all purposes made a part of said Agreement.

SHIPPER:

Notices:

Name: Grand River Dam Authority
Address: P.O. Box 409
City, State: Vinita, OK
Zip Code: 74301
Telephone No: (918) 256-5545
Facsimile No: (918) 256-2983
E Mail: _____
DUNS: _____

Invoices/Statements:

Attn: Accounts Payable
Telephone No: (918) 256-5545
Facsimile No: (918) 256-5289
E-Mail: accountspayable@grda.com

Scheduling and Nominations:

Attn: Randy Root, Superintendent of System
Operations – Generation & Marketing
Telephone No: (918) 824 7247
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EXHIBIT A-2

**STATEMENT OF
OPERATING CONDITIONS
APPLICABLE TO TRANSPORTATION SERVICES**

of

ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC

(filed in compliance with 18 C.F.R. Part 284)

February 28, 2023

eTariff Information:

Tariff Subscriber: **Enable Oklahoma Intrastate Transmission, LLC**

FERC Tariff Program Name: FERC NGPA Gas Tariff

Tariff Title: Transportation SOC database

Tariff Record Proposed Effective Date: April 1, 2023

Tariff Record Title: Tariff, Enable Transportation Statement of Operating Conditions

Option Code: A

Other Information: Revised SOC

**STATEMENT OF
OPERATING CONDITIONS OF
ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC
IN COMPLIANCE WITH 18 C.F.R. PART 284**

ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC (hereinafter “Enable” or “Transporter”), an intrastate pipeline operating within the State of Oklahoma, will engage in the transportation of natural gas pursuant to Section 311(a)(2) of the Natural Gas Policy Act of 1978 and pursuant to applicable regulations of the Federal Energy Regulatory Commission on the following terms and conditions:

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FIRM AND INTERRUPTIBLE TRANSPORTATION SERVICE

1. DEFINITIONS

In addition to the definitions of terms contained in the attached General Terms (“General Terms and Conditions”), and except where the context expressly states another meaning, the following terms, when used herein, shall have the following meanings:

- A. “Applicable Regulations” shall mean those regulations promulgated by FERC pursuant to Section 311(a)(2) of the Natural Gas Policy Act of 1978 (“Section 311”), or other authority, including regulations at 18 C.F.R. Part 284, applicable to transportation under Section 311, as such regulations may be amended from time to time.
- B. “Central Clock Time” shall mean Central Standard Time or Central Daylight Savings Time, as applicable in Oklahoma.
- C. “Contract” or “Shipper’s Contract” shall mean a service agreement for the transportation of Natural Gas between Transporter and Shipper, as such agreement may be amended from time to time.
- D. “Daily Imbalance” shall mean the daily volumetric variance between net receipts and allocated deliveries, adjusted for System Fuel.
- E. “Daily Index Penalty Percentage” shall mean the percentage obtained by referencing the Daily Imbalance percentage in the table included in Section 8.
- F. “East Daily Index Price” shall mean the arithmetic average of the applicable midpoint prices quoted for deliveries to Transporter in the Daily Price Surveys published by Gas Daily for the applicable Day of Gas flow and for (1) NGPL, Texok zone and (2) Enable Gas Transmission, East. Should one or both of such surveys no longer be published, Transporter will determine an acceptable substitute source or sources for such Daily Price Survey(s), as closely comparable as possible to that previously used. Transporter will post such new source(s) on Transporter’s Internet Web Site.

- G.** “East Zone” shall include all Transporter’s facilities on or directly interconnected with (1) Transporter’s Line 111 located East and/or downstream of Transporter’s Sasakwa compressor station located in Section 1, 5N-6E in Seminole County, Oklahoma, (2) Transporter’s Line 114 located East and/or downstream of Prague Junction in Section 36, T13N-R5E, Lincoln County, Oklahoma (3) Transporter’s Lines 7 and 18, located East and/or downstream of Transporter’s Noble interconnect with Williams Natural Gas located in Section 10, T21N-R2W, Noble County, Oklahoma, 4) Transporter’s Line 1 located East and/or downstream of Transporter’s Pink Compressor Station in Section 8, T9N-R2E, Pottawatomie County, Oklahoma and (5) Transporter’s Line 22 located East and/or downstream of Transporter’s Comanche Tie Compressor Station located in Section 23, T4N-R6W, Grady County, Oklahoma.
- H.** “FERC” shall mean the Federal Energy Regulatory Commission or any successor agency or governmental authority having jurisdiction under Section 311.
- I.** “Point(s) of Delivery” shall mean the point(s) at which Transporter delivers Gas on Shipper’s behalf.
- J.** “Point(s) of Receipt” shall mean the point(s) at which Shipper delivers Gas to the Transporter for transport to a Point of Delivery.
- K.** “Shipper” shall mean any person or entity who has requested Transporter to transport Natural Gas on behalf of an eligible person or entity and any person who has entered into a valid Contract with Transporter for the transportation of Natural Gas.
- L.** “SOC” shall mean this Statement of Operating Conditions Applicable to Transportation Services together with the attached General Terms and Conditions, which are fully incorporated by reference herein.
- M.** “Reasonable Discretion” shall mean Enable’s discretion exercised in a reasonable and non-discriminatory manner.

- N. "System Fuel" shall mean mainline compression fuel plus lost and unaccounted for Gas on Transporter's System. Such System Fuel will be calculated pursuant to the Fuel Tracker set forth in Exhibit A hereto.
- O. "Transporter" shall mean Enable, an intrastate pipeline company operating within the State of Oklahoma which provides transportation service pursuant to the Applicable Regulations.
- P. "Transporter's System" shall mean the pipeline facilities, including appurtenant facilities, owned, leased, or operated by Transporter within the State of Oklahoma.
- Q. "West Daily Index Price" shall mean the arithmetic average of the applicable midpoint prices quoted for deliveries to Transporter in the Daily Price Surveys published by Gas Daily for the applicable Day of Gas flow and for (1) ANR, Okla. and (2) Panhandle, Tx. - Okla. Should one or both of such surveys be no longer published, Transporter will determine an acceptable substitute source or sources for such Daily Price Survey(s), as closely comparable as possible to that previously used. Transporter will post such new source(s) on Transporter's Internet Web Site.
- R. "West Zone" shall include all portions of the Transporter's System that have not been designated as the East Zone.

2. AVAILABILITY OF SERVICE

2.1 Transportation service by Transporter is available for any Shipper to the extent that:

- (1) Capacity is available on Transporter's System;
- (2) Shipper (a) makes a valid request for service, including documentation to demonstrate its creditworthiness to the satisfaction of Transporter in accordance with the provisions of Section 5.G, and (b) executes a Contract with Transporter applicable to service; and

- (3) Said service complies with the terms and conditions of this Statement of Operating Conditions.

2.2 For the purpose of determining the availability of service in processing requests received pursuant to Section 5, Transporter shall not be required to grant any requests for transportation service:

- (1) Which could, in Transporter's Reasonable Discretion, impair Transporter's Firm or Interruptible Service arrangements, jeopardize the integrity of Transporter's System, interfere with the efficient operation of its system or be detrimental to Transporter's compression, storage or other operations;
- (2) Which would require the construction, modification, expansion, or acquisition of any facilities; provided, however, Transporter may agree, in its Reasonable Discretion, to construct, modify, expand, or acquire facilities to enable it to perform such service;
- (3) If Transporter determines in accordance with Section 9 (Creditworthiness) of the General Terms and Conditions that Shipper is not creditworthy; or
- (4) If Shipper's Contract has expired and no replacement or rollover agreement has been executed.

2.3 Nothing within this Section 2 is intended to control the interruption or curtailment of service once a request for service has been granted pursuant to Section 5 and while a Contract is in effect.

3. APPLICABILITY AND CHARACTER OF SERVICE

3.1 Section 311 transportation service provided under this Statement of Operating Conditions shall be performed under Subpart C of Part 284 of the Applicable Regulations ("Subpart C"). This Statement of Operating Conditions and any Contract covering the transportation of Natural Gas thereunder shall be subject to the provisions of Subpart C.

3.2 **Firm Transportation Service.** Transporter may contract for and provide firm transportation for either intrastate or Section 311 service. (A firm transportation contract between Transporter and Shipper will be referenced herein as a "Firm Contract" and a Shipper that has entered into a Firm Contract will be referenced as a "Firm Shipper".) Firm

transportation service (“Firm Service”) shall mean transportation service that: is provided on a firm basis; is not subject to a prior claim by another customer or another class of service; and receives the same priority as firm service under any other Firm Contract in that it has the highest priority of transportation service offered by Transporter as set forth in Section 4. Transporter shall provide the Firm Service subject to the provisions of the Firm Contract between Transporter and Shipper, including the maximum daily quantity (“MDQ”) specified therein, and the provisions of this SOC. Transporter may interrupt service hereunder whenever Shipper fails to comply with any provision of this SOC or of Shipper’s currently effective Firm Contract(s). Transporter shall have the right to waive any one or more specific defaults by Shipper; provided, however, that no such waiver shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or different character.

3.3 **Interruptible Transportation Service.** Transporter may contract for and provide interruptible transportation for either intrastate or Section 311 service. (An interruptible transportation contract between Transporter and Shipper will be referenced herein as an “Interruptible Contract” and a Shipper that has entered into an Interruptible Contract will be referenced as an “Interruptible Shipper”). Interruptible transportation service (“Interruptible Service”) shall mean service that is subject to interruption at any time by Transporter, without liability as set forth herein, and shall have the priority as specified in Section 4. Transporter shall provide the Interruptible Service on an interruptible basis subject to the provisions of the Interruptible Contract between Transporter and Shipper, including the MDQ specified therein, and the provisions of this SOC. Interruptible Service shall be provided by Transporter on a ratable basis in accordance with Section 8 hereof. Transporter may interrupt service hereunder whenever Shipper fails to comply with any provision of this SOC or of Shipper’s currently effective Interruptible Contract(s). Transporter shall have the right to waive any one or more specific defaults by Shipper; provided, however, that no such waiver shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or different character. In addition, Transporter, in its Reasonable Discretion, may interrupt service if it deems such interruption necessary due to operating conditions or system requirements or to assure that

Transporter can render service to its other customers according to the priorities of Section 4.

- 3.4 **Maximum Daily Quantity.** Upon delivery by Shipper of Gas to the Point(s) of Receipt specified under Shipper's Contract, Transporter shall receive such Gas and deliver on a firm or interruptible basis thermally equivalent quantities of such Gas for the account of Shipper to the Point(s) of Delivery up to the MDQ specified in Shipper's Contract, after deducting System Fuel from the volume received by Transporter. Transporter's obligation to receive and deliver the Gas tendered by Shipper is subject to the physical capacity and operating constraints of Transporter's System, including, but not limited to, the Gas quality specifications set forth in Section 2 of the General Terms and Conditions.
- 3.5 Shipper shall protect, defend, indemnify, and hold Transporter harmless from and against any and all losses, damages, or expenses of every kind and character that Shipper or Transporter may suffer, sustain, or be liable for as a result of any interruption of service pursuant to the terms and conditions hereof; provided, however, that this provision shall not apply to losses, damages, or expenses attributable to gross negligence on the part of Transporter.
- 3.6 Transportation Service hereunder shall consist of the acceptance by Transporter of Natural Gas tendered or delivered by Shipper for transportation at the Point(s) of Receipt specified in the Contract, the transportation of that Natural Gas through Transporter's System, and the delivery of equivalent quantities of Natural Gas (less any reductions permitted under the Contract or this SOC) by Transporter to Shipper or for Shipper's account at the Point(s) of Delivery specified in the Contract. Transporter shall not be required to accept any Gas tendered or delivered by Shipper in excess of the maximum daily quantity specified in the Contract.

4. CURTAILMENT AND PRIORITY OF SERVICE

4.1 Service hereunder on all or any portion of Transporter's System may be allocated at the first of the Month or curtailed at any time during the Month due to capacity constraints on all or any portion of Transporter's System pursuant to the following provisions:

A. Firm Shippers shall receive first priority on a pro rata basis based on their nominations up to the MDQ set forth in their respective Firm Contracts.

B. Interruptible Shippers paying a higher unit rate per MMBtu shall receive a higher priority than Interruptible Shippers paying a lower unit rate. If, at the first of the Month, Transporter is required to allocate or, at any time during the Month, Transporter is required to curtail Interruptible Shippers because of changes in available capacity at any time, Transporter shall allocate or curtail as follows:

(1) Transporter shall, upon written or telephonic notice or notice given in person, refuse, curtail or interrupt service being provided under any Interruptible Contract to enable Transporter to provide or continue service to a Firm Shipper or another Shipper that is paying a higher unit rate per MMBtu. Transporter shall provide any Interruptible Shipper whose service is being subordinated by another Interruptible Shipper the right to bid for capacity through payment of a higher unit rate (if Section 311 service is involved, such rate may be bid up to the Maximum Interruptible Rate). If Shipper's bid for capacity results in a unit rate per MMBtu equal to or greater than the unit rate per MMBtu generated by service to the other interested Interruptible Shipper, then the Interruptible Shipper making such bid shall retain its priority, provided that priority between Shippers paying the same unit rate per MMBtu shall be determined as indicated below.

(2) If, after the specified bid process described above, volumes tendered for transportation by Interruptible Shippers under their respective Interruptible Contracts still exceed Transporter's ability to receive, transport and redeliver all nominated volumes, Interruptible Shippers paying the same unit rate per MMBtu shall be curtailed on a pro rata basis.

(3) Once capacity has been awarded, in accordance with this Statement of Operating Conditions, an Interruptible Shipper will not be interrupted during the Month due to a change in available capacity caused by a nomination of other Interruptible Shippers; provided however, that Interruptible Shippers are subject to being interrupted if a Firm Shipper submits a revised nomination pursuant to Section 8.1 of this Statement of Operating Conditions.

5. VALID REQUESTS FOR SERVICE

A request for service hereunder shall be valid as of the date received if it contains adequate information with respect to all items specified below, subject to any necessary verification of such information; provided, however, that a request shall not be valid if the service requested does not conform to the terms of this Statement of Operating Conditions or if the data provided are incomplete or not adequately substantiated. Transporter may waive any requirement below if it deems the information unnecessary in a specific case and may request additional information in a specific case if the data provided are, in Transporter's Reasonable Discretion, inadequate. Transporter shall promptly notify a Shipper whose request is rejected because of failure to submit or substantiate all data specified below or whose request fails to comply with any terms of this Statement of Operating Conditions.

Transporter shall promptly notify Shipper when its request for service is accepted and shall tender a Contract to Shipper for execution. Unless waived by Transporter, in its Reasonable Discretion, a request for service shall be invalid if Shipper fails to return an executed Contract within thirty (30) Days after such Contract has been tendered by Transporter to Shipper for execution. Requests for transportation service hereunder shall be deemed valid only after Shipper submits to Transporter at Enable Oklahoma Intrastate Transmission, LLC, P.O. Box 24300, Oklahoma City, Oklahoma 73124-0300, a Transportation Service Request Form, which Transporter shall make available to any Shipper, via Transporter's Internet Web Site or Shipper may provide such information in letter or tabular form.

- A. **Gas Quantity.** Shipper shall specify an MDQ, stated in MMBtus, to be received from Shipper and transported by Transporter.

- B. Point(s) of Receipt.** Shipper shall identify the points at which it desires to nominate Gas to be received by Transporter into its facilities. However, Transporter shall retain operational control over receipts into its system, including, but not limited to, the right to require Shipper to comply with all provisions of Section 8. Should Shipper's failure to comply with any provision of Section 8 unreasonably interfere, in Transporter's Reasonable Discretion, with Transporter's control over its system, then Transporter may, at its option, cease transportation and terminate any relevant agreements, without limitation of Transporter's rights and remedies at law and equity. Shipper shall provide the names or other suitable identification of all entities that are providing Gas transportation service upstream of Transporter's Point(s) of Receipt.
- C. Point(s) of Delivery.** Shipper shall identify the point(s) at which it desires Transporter to deliver the Gas. Shipper shall also provide, if requested by Transporter, the names or other suitable identification of all entities transporting the Gas downstream of Transporter.
- D. Term of Service.** Shipper shall state the date on which service is requested to commence. Transporter shall not be obligated to accept requests if the requested commencement date is more than three (3) Months after the date that the request for service was received by Transporter.
- E. Shipper's Arrangements.** Shipper shall provide to Transporter sufficient detail as to Gas supply, intervening transportation or markets to permit Transporter to complete any regulatory or informational reports required under the Applicable Regulations.
- F. Gas Analysis.** If Shipper is proposing or requesting the construction of new facilities connecting a new source of Gas supply to Transporter's System, Shipper shall submit a Gas analysis, including, but not limited to, test results and analyses for oxygen, carbon dioxide, nitrogen, water content (H₂O) and hydrogen sulfide, for Gas proposed to be received by Transporter. The analyses shall demonstrate that the Gas complies with the quality specifications for Gas to be received by

Transporter as set forth in Section 2 (Quality) of the General Terms and Conditions. If Transporter, in its Reasonable Discretion, determines that additional tests or analyses are required on the Gas, Shipper shall acquire those tests or analyses and submit the results thereof to Transporter. Notwithstanding the foregoing, Shipper shall permit Transporter to perform any tests and analyses that Transporter, in its Reasonable Discretion, deems necessary.

G. Creditworthiness. In accordance with the provisions of Section 8 (Creditworthiness) of the General Terms and Conditions:

1. Prior to commencing service hereunder, Shipper shall be required to establish creditworthiness with Transporter. Transporter shall not be required to process or review Shipper's request for service until it receives such credit information. After commencing service hereunder, Shipper shall be required to maintain creditworthiness with Transporter.

2. At any time upon request, Shipper shall provide Transporter with information sufficient to establish or maintain creditworthiness with Transporter. Such information may include, but is not limited to, financial statements, bank references and trade references.

3. If Shipper fails to establish or maintain creditworthiness with Transporter, Transporter may require Shipper to provide Adequate Assurances; and

4. If Shipper fails to establish or maintain creditworthiness with Transporter, or if Shipper fails to provide Adequate Assurances if required, Transporter shall not be required to commence or continue service hereunder.

6. TERM

6.1 The term for Firm or Interruptible Service hereunder shall be as set forth in the Shipper's Contract from the effective date of Shipper's Contract. In addition to any termination rights in the Contract, Transporter may also terminate an Interruptible Contract if, among other things:

- A. Shipper fails to commence transportation service thereunder within three (3) Months of the effective date of the Contract;
- B. Shipper fails to tender Gas to Transporter for receipt, transportation and redelivery for any period greater than one hundred eighty (180) consecutive Days; or
- C. Shipper's Interconnect Agreement or Operational Balancing Agreement expires or is terminated.

7. RATES AND CHARGES

Shipper shall pay Transporter each Month hereunder the applicable charge for transportation services, together with such other charges as are identified herein and applicable to such transportation service.

- 7.1 The maximum rates for firm transportation service under Section 311 shall be the applicable maximum demand rate and the applicable maximum commodity rate approved by FERC ("Maximum Firm Rates"). *See* Exhibit B to this Statement of Operating Conditions. Notwithstanding the foregoing, Transporter and Shipper may agree to a discount to the maximum demand rate and/or the maximum commodity rate for firm transportation service.
- 7.2 The maximum unit transportation charge for interruptible transportation service under Section 311 shall be the applicable maximum unit rate approved by the FERC for interruptible transportation by Transporter under Section 311 ("Maximum Interruptible Rate"). *See* Exhibit B to this SOC. Notwithstanding the foregoing, Transporter and Shipper may agree to a discount to the unit rate to be charged for interruptible transportation.
- 7.3 In Transporter's Reasonable Discretion, Transporter may provide transportation under the Applicable Regulations at a discount from Transporter's applicable Maximum Rates. Nothing herein shall obligate or require, or be construed to obligate or require, Transporter to offer such a discount. Transporter will offer any such discounts in a non-discriminatory manner.

- 7.4 Nothing in this Section shall be construed to modify any provision of Section 4.
- 7.5 Transporter shall invoice the Shipper each Month and the Shipper shall pay all charges applicable to each Contract.
- 7.6 Transporter's Maximum Rates for Section 311 service shall be determined pursuant to Section 284.123(b)(2) of the Applicable Regulations. Prior to approval by the FERC, Shipper shall pay, and Transporter shall be entitled to collect an agreed upon unit rate up to the applicable Maximum Rates for which approval from the FERC has been sought by Transporter, subject to Transporter's obligation to make refunds pursuant to FERC regulations, if necessary.
- 7.7 Transporter reserves the right to file for higher Maximum Rates during the term of the Contract.
- 7.8 Unless otherwise provided for by Shipper's Contract, Shipper shall reimburse Transporter, in kind, an amount equal to the FERC approved zonal fuel percentage(s) for System Fuel times the volumes received by Transporter.

As set forth more fully in Section 7 of the General Terms and Conditions hereto, within fifteen (15) days after the date of any invoice for payment, Shipper shall reimburse Transporter for all fees, including, but not limited to, FERC or other regulatory filing, reporting and application fees, transportation fees, construction costs or other applicable fees that:

- (1) Have been paid by Transporter; or
 - (2) Were required to be paid by FERC or any other regulatory body; and
 - (3) Were applicable to transportation service or other applicable service performed or being performed by Transporter for Shipper.
- 7.9 If Transporter agrees to (i) construct, acquire or modify any facilities, (ii) acquire the right to use facilities by lease, or (iii) contract with a third-party for the provision of upstream or downstream transportation service at the request of Shipper in order to perform transportation service hereunder, Shipper shall pay Transporter the cost of such facilities, lease payments or third-party service agreement payments, including all costs and charges

associated therewith. Transporter shall recover such costs, lease payments or third-party service agreement payments, and any costs or charges associated therewith, from the Shipper requesting Transporter to incur them by means of a separately stated facilities charge or charges to be included in Transporter's monthly invoice.

8. NOMINATIONS, IMBALANCES AND SYSTEM OPERATIONS ORDERS

- 8.1 **Nominations.** In accordance with the nomination deadlines set out below, Shipper shall provide to Transporter electronically, via Transporter's Internet Web Site unless otherwise specifically agreed to by Transporter, the nominations of volumes to be received by Transporter from Shipper at each Point(s) of Receipt and the aggregate of such nominations at all Point(s) of Receipt and the nominations of volumes to be delivered by Transporter to Shipper or for Shipper's account at each Point(s) of Delivery or pool(s) and the aggregate of all such nominations at all Point(s) of Delivery. Such nominations shall include all information deemed necessary, in Transporter's Reasonable Discretion, to adequately and correctly confirm, allocate and account for volumes so nominated, including, but not limited to, the number of Days for which the volume is nominated. If the number of Days for which the volume is nominated is not specified by Shipper, the nomination shall be presumed to be for one Day only. Transporter shall maintain a record of such nominations. Any Shipper who fails to provide Transporter with an electronic nomination on or before the nomination deadlines set out below shall be deemed to have nominated no volumes at any Point(s) of Receipt or Point(s) of Delivery; provided, however, that Transporter may, but shall not be obligated or required to, accept nominations from Shipper after the nomination deadlines set out below.

The deadline for nominations will be on or before 11:00 a.m. Central Clock Time on the 2nd working Day prior to the end of the Month preceding the Month in which nominations are to be effective. The nomination will consist of the Transportation Receipt Nomination which shall identify, by Zone, all volumes nominated to be received by Transporter for Shipper or for Shipper's Account and the Transportation Delivery Nomination which shall identify, by Zone, all volumes nominated to be delivered by Transporter for Shipper or for Shipper's Account.

All nominations received after the first of the Month must be received by Transporter by 1:00 p.m. Central Clock Time on the Day prior to requested flow. All such nominations shall include all information required by Transporter as set out hereinabove for first of the Month nominations.

Transporter may, but is not required or obligated to, accept:

- A) Any nomination which exceeds Shipper's maximum daily quantity specified in the Contract, or
- B) Any nomination not submitted via Transporter's Internet Web Site.

Transporter will confirm nominations with the operator(s) of the Point(s) of Receipt and Point(s) of Delivery ("Operator(s)") at downstream pipeline interconnects. Shipper understands and agrees to contact, or cause contact with, the Operator(s) to confirm Shipper's nominations of volumes to be received by Transporter from Shipper at each Point(s) of Receipt and the nominations of volumes to be delivered by Transporter to Shipper or for Shipper's account at each Point(s) of Delivery. Transporter will not be obligated to schedule a nomination if the Operator does not confirm such nomination electronically, via Transporter's Internet Web Site, unless Transporter and Operator agree otherwise. Operator confirmations must be made on or before 4:30 p.m. Central Clock Time on the 2nd working Day prior to the end of the Month. All nominations received after the first of the Month must be confirmed by the Operator by 4:30 p.m. Central Time on the business Day prior to requested flow.

Volumes of Gas received by Transporter at the Point(s) of Receipt shall conform as closely as possible to the volumes nominated by Shipper at each Point(s) of Receipt and shall be delivered by Shipper to Transporter at hourly rates of flow that are as nearly as practicable uniform throughout the Day. Subject to Transporter's operating conditions and contractual requirements, volumes delivered by Transporter to Shipper or for Shipper's account at the Point(s) of Delivery shall conform as closely as possible to the volumes nominated by Shipper for delivery at Transporter's Point(s) of Delivery, less any deductions for System Fuel, and any provision for imbalance corrections, except that Transporter may conform such volumes to Shipper's volumes delivered at Transporter's Point(s) of Receipt less any

deduction for System Fuel and any provision for imbalance corrections. Transporter may temporarily interrupt receipts and/or deliveries at any time and from time to time, in accordance with: 1) the provisions of Section 4, 2) due to Transporter's operating conditions, 3) system requirements or 4) system operations orders.

8.2 **(a) Imbalances.** Transporter shall maintain an imbalance account for each Shipper by Contract and by the applicable zone, which reflects, for any given Month, total volumes received, delivered and retained, previous and new imbalance positions, and any other information deemed necessary and appropriate by Transporter. Transporter may provide Shipper with notice of imbalances on Transporter's Internet Web Site, by electronic mail, by facsimile transmission, or in writing.

Actual receipts and deliveries must balance daily with nominated receipts and deliveries, respectively, and nominated receipts, less any deductions for System Fuel and any provision for imbalance corrections, shall equal nominated deliveries. Transporter shall inform Shipper when daily receipts and deliveries are not in balance and require Shipper to take such action as is necessary to balance on a daily basis.

Volumes to be received or delivered to resolve all or any portion of a then-existing imbalance will be specifically designated as balancing volumes. Shippers within the same Zone (East or West) may also correct imbalances by sales or purchases from each other's contracts within the same Zone. For example, a Shipper that is long in the West Zone may nominate and sell all or a portion of its long position to a Shipper that is short in the West Zone.

Transporter may apply volumes first received or delivered (as the case may be) if Transporter so elects, in its Reasonable Discretion, to offset Shipper's then-existing imbalance, but only upon notice to Shipper.

(b) Penalties. Transporter may advise Shipper of a specific action regarding daily imbalances to be taken if deemed necessary by Transporter in its Reasonable Discretion. In the event Transporter requires Shipper to take specific action, Transporter shall notify Shipper thereof at a time and in a manner that is reasonable under the existing or expected

conditions. Transporter may post notices of the required action on Transporter's Internet Web Site and shall make reasonable efforts to notify the employee(s) of Shipper responsible for the then most recent nomination(s). If Transporter provides the original notice telephonically, Transporter shall follow up in a reasonable time with written confirmation.

If Transporter requires a specific action to be taken and Shipper fails to take such action as requested in Transporter's notice, Transporter may assess and Shipper shall pay Transporter, an imbalance penalty calculated by multiplying the Shipper's Daily Imbalance times the East Daily Index Price or West Daily Index Price (as appropriate) times the Daily Index Penalty Percentage. The Daily Index Penalty Percentage is based upon a Shipper's Daily Imbalance percentage as indicated in the table below:

Daily Imbalance %	Daily Index Penalty %
0% to 5%	0%
>5% to 25%	25%
>25% to 50%	50%
>50% to 75%	100%
>75% to 100%	200%

In the event Transporter as a result of Shipper's over deliveries or under deliveries incurs costs and/or penalties, Shipper shall also be responsible for and shall reimburse Transporter for such costs and/or penalties in excess of the penalty levels described above.

If Shipper is advised or directed by any upstream or downstream pipeline or operator to reduce or suspend deliveries for transportation, Shipper shall immediately so notify Transporter by telephone (or in person) and shall confirm such reduction or suspension in writing with Transporter. Furthermore, if Transporter is advised by any upstream or downstream pipeline or operator of the reduction or suspension of deliveries for the account of Shipper, Transporter shall immediately so notify Shipper verbally and Shipper shall immediately confirm such reduction or suspension of deliveries in writing by way of a revised nomination to Transporter.

Shipper shall be responsible for and shall bear any penalties imposed or assessed by upstream or downstream pipelines or operators for imbalances in receipts and/or deliveries caused by Shipper action or inaction. Shipper shall indemnify and hold Transporter harmless and free from all such payments or charges for imbalances imposed or assessed against Transporter.

Shipper shall have ninety (90) Days to resolve any imbalance remaining at the termination of its Contract. If Shipper does not reduce the remaining imbalance to zero within ninety (90) Days of the termination of its Contract (unless due to the actions or inactions of Transporter), Transporter will:

- A. Charge Shipper and Shipper shall be obligated to pay for those quantities Shipper owes Transporter at a rate equal to 125% (one hundred and twenty five percent) of the final settlement price for the current prompt month NYMEX Henry Hub Natural Gas Contract which expired during the Month the ninetieth (90th) day occurred; or
- B. Be obligated to pay for those quantities Transporter owes Shipper at a rate equal to 75% (seventy five percent) of the final settlement price for the current prompt month NYMEX Henry Hub Natural Gas contract which expired during the Month the ninetieth (90th) day occurred.

8.3 (a) **System Operations Orders.** Transporter shall have the right to issue System Operations Orders when, in its Reasonable Discretion, such orders are necessary to maintain or restore the operational integrity of Transporter's System, alleviate conditions that threaten safe operations, or which are required to maintain efficient and reliable service. The operational integrity of Transporter's System shall encompass the integrity of the physical system and the preservation of physical assets and their performance, the overall operating performance of the entire physical system as an entity (or any portion thereof), and the maintenance (on a reliable and operationally sound basis) of total system deliverability and the quality of Gas delivered. To accomplish these objectives, Transporter shall be entitled to take actions as described in this Section.

A System Operations Order shall require actions or measures that Transporter determines will neutralize or reduce threats to, or otherwise preserve, the integrity of all or a portion of Transporter's System and that may require immediate response as determined by Transporter in its Reasonable Discretion. System Operations Orders may require a Shipper or Shippers to take any of the following actions, or similar actions, to the extent such action(s) would tend to alleviate the situation to be addressed:

- (i) Correct Daily Imbalances on a deficient segment of Transporter's System. A Shipper may, at its option, achieve the required balance by ceasing or reducing deliveries from deficient segments of Transporter's System or, alternatively, commencing or increasing supply inputs into deficient segments of Transporter's System; provided, however, that Transporter itself always retains the right to curtail deliveries, if necessary for system operations;
- (ii) Correct imbalances on an oversupplied segment of Transporter's system. A Shipper may, at its option, achieve the required balance by ceasing or reducing supply inputs into oversupplied segments of Transporter's System or, alternatively, commencing or increasing deliveries from oversupplied segments of Transporter's System; provided, however, that Transporter itself always retains the right to decline to receive supply, if necessary for system operations;
- (iii) Limit pool transfers or other aspects of pooling;
- (iv) Implement curtailments;
- (v) Such other actions as are within Shipper's control which would tend to alleviate or forestall the situation to be addressed.

(b) Penalties for Failure to Comply. A Shipper may be subject to a penalty for failure to comply with a System Operations Order calculated by multiplying the Shipper's Daily Imbalance times the East Daily Index Price or West Daily Index Price (as appropriate) times the Daily Index Penalty Percentage. The Daily Index Penalty Percentage is based upon a Shipper's Daily Imbalance percentage as indicated in the table in Section 8.2 above.

In the event that, in Transporter's Reasonable Discretion, actions undertaken pursuant to this Section are insufficient to remedy the situation or there is insufficient time to institute such actions, Transporter shall take such actions as are reasonably necessary to maintain System Operations, deliverability, reliable services and pressurization to all or any segment(s) of its system. Transporter is authorized to use all of the resources of its system to such ends, including line pack and all supply received into Transporter's System.

Transporter shall provide Shipper with notice of System Operations Order(s) at a time and in a manner that is reasonable under the existing or expected conditions. Transporter shall post notices of System Operations Order(s) on Transporter's Internet Web Site and shall make reasonable efforts to notify the employee(s) of Shipper responsible for the then most recent nomination(s). If Transporter provides the original notice telephonically, Transporter shall follow up in a reasonable time with written confirmation.

9. OPERATING CONDITIONS

- 9.1 Shipper shall make all necessary arrangements with other parties at or upstream of Transporter's Point(s) of Receipt where Shipper tenders Gas to Transporter for transportation, and at or downstream of any Point(s) of Delivery at which Transporter redelivers Gas to or for the account of Shipper. Such arrangements shall otherwise meet the terms and conditions herein.
- 9.2 Shipper shall represent and warrant to Transporter in writing that all volumes of Gas delivered to Transporter may be transported under the Applicable Regulations. Furthermore, at Transporter's Reasonable Discretion and upon request, Shipper shall secure written "on-behalf-of" authorization, in a form satisfactory to Transporter, from an interstate pipeline or a local distribution company served by an interstate pipeline evidencing that the transportation to be performed hereunder is on such party's behalf under Section 311. Transporter shall not be obligated to perform service hereunder unless and until Shipper has provided such written representation, warranty, and authorization, if requested.
- 9.3 Transporter shall not be required to perform any service hereunder unless all facilities necessary to render the service exist and are in good operating condition.

- 9.4 Shipper shall deliver Gas or cause Gas to be delivered to Transporter at the Point(s) of Receipt at pressure(s) sufficient to allow the Gas to enter Transporter's System as such pressure will vary from time to time. Transporter shall not be required to compress into its pipeline Gas transported hereunder, lower its system operating pressure, alter the direction of Gas flow, the Gas load, or other operations or utilization of its facilities or otherwise change its pipeline operations in order to receive, transport, or deliver Gas hereunder. Unless waived by Transporter, at each Point(s) of Receipt, Shipper shall provide, or cause to be provided, equipment acceptable to Transporter which will prevent over pressuring Transporter's System.
- 9.5 Transporter shall deliver Gas at each Point of Delivery to, or for the account of, Shipper at the prevailing pressures on Transporter's system at each Point of Delivery, which pressures will vary from time to time.

10. DETERMINATION OF RECEIPTS AND DELIVERIES

- 10.1 If one Shipper or more than one Shipper delivers volumes to Transporter at the same point during the same Month under more than one Contract, Transporter shall use such Shipper's or Shippers' working interest, volumetric nominations, and/or any other information available to Transporter to allocate volumes received during that Month at such point. Shipper(s), and not Transporter, shall be responsible for and shall bear any liability for claims made, penalties imposed, or judgments obtained by or against Transporter, Shipper, upstream transporters, operators and/or interest owners for imbalances among interests in wells or for imbalances between Shippers at or upstream of Transporter's Point(s) of Receipt.

If Transporter delivers volumes of Gas to one Shipper or more than one Shipper, or for such Shipper's or Shippers' accounts, at the same point during the same Month under more than one Contract, Transporter shall use such Shipper's or Shippers' volumetric nominations and/or any other information available to Transporter to allocate volumes delivered during that Month at such point. Shipper(s), and not Transporter, shall be responsible for and shall bear any liability for claims made, penalties imposed, or judgments obtained by or against Transporter, Shipper, downstream transporters, operators

and/or interest owners for imbalances between Shippers at or downstream of Transporter's Point(s) of Delivery.

11. MISCELLANEOUS

- 11.1 To the extent Shipper builds facilities which connect with Transporter's System, such interconnecting facilities shall be constructed only with Transporter's approval and under the supervision of Transporter's personnel.
- 11.2 To the extent Transporter builds, acquires, or modifies any facilities in order to transport Shipper's Gas, any such facilities shall be and remain at all times the property of and under the operation of Transporter.
- 11.3 Transporter may waive any rights hereunder or any obligation of Shipper on a non-discriminatory basis, provided, however, that no waiver shall operate or be construed as a waiver of other or future rights or obligations, whether of a like or different character.
- 11.4 The provisions of the General Terms and Conditions, as such provisions may be amended from time to time, are hereby incorporated by reference and made a part hereof and as though stated herein, shall apply to service rendered hereunder.
- 11.5 Transporter reserves the right to add to, delete or modify any or all provisions of this Statement of Operating Conditions at any time. Any additions, deletions, modifications or other changes made by Transporter to this SOC, including the General Terms and Conditions, shall be filed with the FERC as required by and subject to the Applicable Regulations. Any such additions, deletions, modifications or other changes shall be effective no earlier than thirty (30) Days after filing the changes with the FERC.
- 11.6 Transporter is first and foremost an intrastate pipeline. Therefore, any Section 311 (a) (2) service which Transporter provides will be consistent with and shall not infringe upon its status as a non-jurisdictional intrastate pipeline and shall not subject Transporter to FERC's Natural Gas Act jurisdiction.
- 11.7 This Statement of Operating Conditions and the Transportation Service Request Form may be accessed electronically at Transporter's Internet Web Site.

ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC

EXHIBIT A

TO

Statement of Operating Conditions Applicable to Transportation Services

Fuel Trackers

For The Enable System in Oklahoma

East Zone and West Zone

Effective August 1, 2010

Fixed Fuel Percentages

Enable charges fixed zonal fuel percentages for Gas shipped on the East Zone and West Zone of the Enable System (hereinafter referred to as “the System”). The fuel percentages for each Zone are adjusted annually and are in effect from April 1 through March 31 (the “Fuel Year”). Enable files the fuel percentages and supporting workpapers with the Federal Energy Regulatory Commission (“FERC” or “Commission”) on or before February 28 of the year preceding the Fuel Year (or the next business day if February 28 is a weekend day or holiday) and implements the percentages on April 1 of the Fuel Year. The FERC notices the filing and establishes a deadline for comments or objections from shippers. Enable advises its shippers of the calculated percentages in sufficient time for such shippers to take the new fuel factors into account for their April nominations.

Annual Calculation of the Fuel Percentages

The fuel factors implemented as of April 1 of each Fuel Year reflect for each Zone, (1) the estimated fuel usage for the period April 1 to March 31 of the Fuel Year and (2) true-up adjustments for the prior two Fuel Years. Exhibit A-1, East Zone and Exhibit A-1, West Zone showing the methodology for calculation of the zonal fuel percentages are attached to this Exhibit A.

Enable calculates the fuel percentages for the Fuel Year based on actual experience in each Zone in the twelve Months, February to January, preceding the February 28 filing date. The annual calculations for each Fuel Year will also reflect expected changes for each Zone, if any, in fuel use

and deliveries, including changes attributable to changes in compressor capacity for such year, i.e., additions, retirements, upgrades or reconfigurations. See Exhibits A-1, line 40. To the extent that the estimates of usage and/or deliveries attributable to changes for each Zone prove to have been inaccurate, the following year's zonal true ups will correct for the overestimation or underestimation.

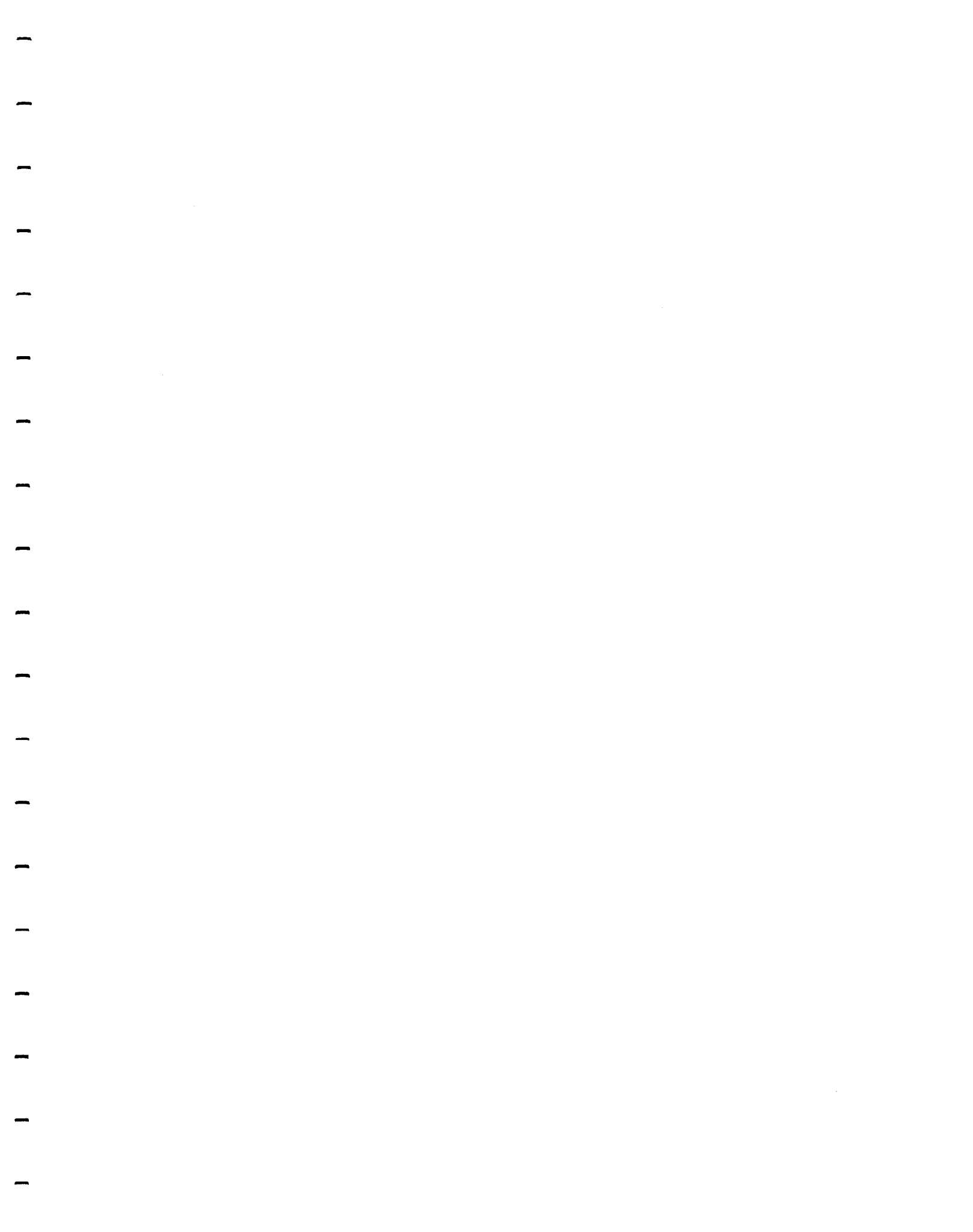
Dollar Valuation of the Fuel Volumes

The value of fuel retained, actual fuel used and the resulting over recovery or under recovery for each Zone will be determined by multiplying the difference between the monthly retained volumes and the monthly actual fuel for each Zone by the corresponding monthly average of "PRICES OF SPOT GAS DELIVERED TO PIPELINES," as published for the first Day of each Month in Platt's Inside FERC Gas Market Report for (1) NGPL, Texok and (2) CenterPoint, East index for the East Zone and for (1) ANR, Okla. and (2) Panhandle, Tx.-Okla. index for the West Zone.

True-Up of the Fuel Percentages

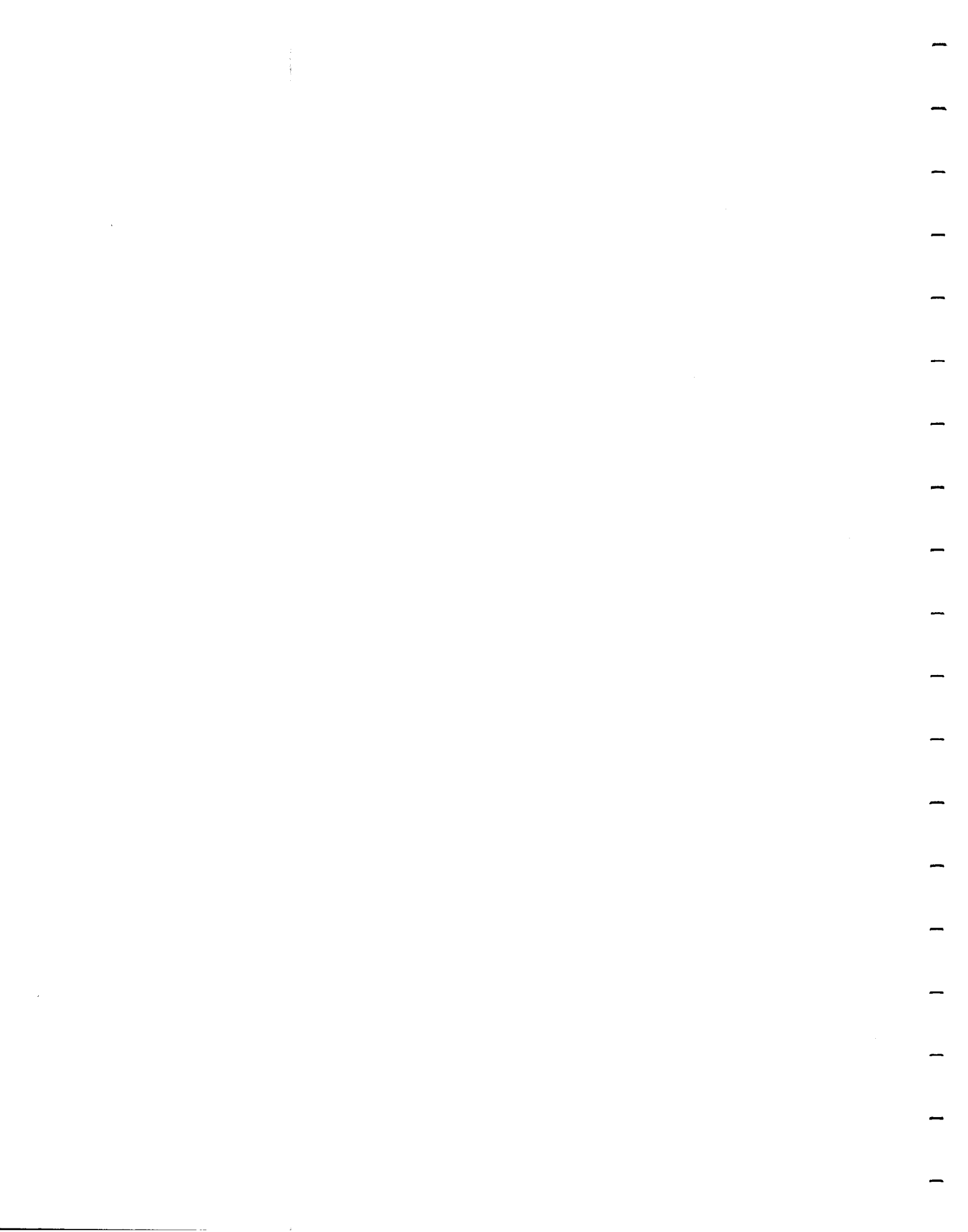
Enable has a very large number of receipt points and, accordingly, must plan for and accommodate a very large number of prior period adjustments. While the great majority of such prior period adjustments are made in the first six months after the Gas flows, experience has shown that these receipt points can generate additional prior period adjustments for up to two Fuel Years. For that reason, Enable reflects two Fuel Years of true-up adjustments in the calculation of the fuel percentages. See Exhibits A-1, lines 42 and 43 and lines 47 and 48. For purposes of the fuel tracker, Enable will ignore prior period adjustments after two years.

The true-up calculations also incorporate the dollar valuation of the fuel volumes.









ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC

EXHIBIT B

TO

Statement of Operating Conditions Applicable to Transportation Services

**RATE SUMMARY FOR SECTION 311
FIRM AND INTERRUPTIBLE TRANSPORTATION SERVICE**

In accordance with Section 284.123(b)(2) of the FERC’s regulations, as revised by Order No. 714, Transporter hereby provides the following rate summary:

Maximum Rates Per MMBtu

Firm Section 311 East Zone (Demand)	Firm Section 311 West Zone (Demand)	Interruptible Section 311 East Zone (Commodity)	Interruptible Section 311 West Zone (Commodity)
\$0.2155	\$0.1173	\$0.2320	\$0.1300

Minimum Rates Per MMBtu

Firm Section 311 East Zone (Demand)	Firm Section 311 West Zone (Demand)	Interruptible Section 311 East Zone (Commodity)	Interruptible Section 311 West Zone (Commodity)
\$0.00	\$0.00	\$0.00	\$0.00

Fuel Percentages for April 1, 2022 through March 31, 2023¹

East Zone	West Zone
1.06%	0.51%

Fuel Percentages for April 1, 2023 through March 31, 2024

East Zone	West Zone
0.90%	0.59%

¹ The tariff record reflecting the fuel percentages for the April 1, 2022 through March 31, 2023 Fuel Year was approved under the Commission’s optional notice procedure in Docket No. PR22-26-000 effective April 1, 2022.

**GENERAL TERMS AND CONDITIONS
FOR STATEMENT OF
OPERATING CONDITIONS**

of

ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC

**TERMS AND CONDITIONS FOR
STATEMENT OF
OPERATING CONDITIONS OF
ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC**

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GENERAL TERMS AND CONDITIONS

1. DEFINITIONS

In addition to the definitions of terms contained in Transporter's Statement of Operating Conditions Applicable to Transportation Services ("SOC"), which are incorporated by reference, and except in those certain instances where the context expressly states another meaning, the following terms, when used in these General Terms and Conditions or in the Statement of Operating Conditions, Contract or other agreement into which these General Terms and Conditions are incorporated, shall have the following meanings:

- A. "Btu" shall mean British Thermal Unit and, where appropriate, shall mean the plural thereof. One (1) Btu shall mean one British Thermal Unit and is defined as the quantity of heat required to raise the temperature of one (1) pound of pure water from fifty-eight & five-tenths (58.5) degrees Fahrenheit to fifty-nine and five-tenths (59.5) degrees Fahrenheit at a constant pressure of fourteen & seventy-three hundredths' pounds per square inch absolute (14.73 psia). The term "MMBtu" shall mean one million (1,000,000) Btu.
- B. "Cubic Foot or Standard Cubic Foot" shall have the meaning ascribed in Section 4.1. The term "Mcf" shall mean one thousand (1,000) standard Cubic Feet of Gas.
- C. "Day" shall mean a period of twenty-four (24) consecutive hours beginning at 9:00 a.m. Central Clock Time.
- D. "Delivery", "deliver", or "delivered" shall refer to the physical transfer of possession of Gas from Transporter to Shipper or Shipper's carrier.
- E. "Equivalent Quantities" shall mean the sum of the volumes of Gas measured in MMBtu received by Transporter for the account of Shipper during any given period of time, reduced by Shipper's share of fuel and adjusted for any variations in Btu content. It is the intent of the parties that the volumes of Gas delivered for the account of Shipper be the thermal equivalent of the volumes of Gas received by Transporter for transportation, as so adjusted.

- F. "Gas" and "Natural Gas" shall mean natural gas as produced in its natural state, whether or not stored or processed prior to receipt or delivery, and that meets the respective quality standards for receipt and delivery contained in Section 2 (Quality).
- G. "Heating Value" shall mean, the number of Btu's produced by the complete combustion, at a constant pressure, of the amount of Gas which would occupy a volume of one (1) Cubic Foot at a temperature of sixty (60) degrees Fahrenheit if saturated with water vapor and at a constant pressure of fourteen and seventy-three hundredths pounds per square inch absolute (14.73 psia) and under standard gravitational force (acceleration 980.655 centimeters per second, per second), with air of the same temperature and pressure as the Gas, when the products of combustion are cooled to the initial temperature of the Gas and air and when the water formed by combustion is condensed to the liquid state; provided, however, if the Gas as received or delivered contains seven (7) pounds of water vapor or less per one million (1,000,000) standard Cubic Feet, such Gas shall be assumed to be dry.
- H. "Month" shall mean a period of time beginning at 9:00 a.m. Central Clock Time on the first (1st) Day of a calendar Month and extending to 9:00 a.m. Central Clock Time on the first (1st) Day of the following calendar Month.
- I. "Normal Operating Range of an Orifice Meter Station" shall mean the flow range from the minimum flowrate of a single meter tube to the maximum combined flowrate of all meter tubes installed in the meter station which does not require an orifice plate change.
- J. "p.s.i.g." shall mean pounds per square inch gauge. "p.s.i.a." shall mean pounds per square inch absolute.
- K. "Receipt", "Receive", or "Received" shall refer to the physical transfer of possession of Gas from Shipper or Shipper's carrier to Transporter.

- L. "Secondary Measurement Equipment" shall mean pressure and temperature sensing and recording equipment.
- M. "Thermal Content" shall mean the aggregate number of Btu contained in that volume, when applied to any volume of Gas.
- O. "Transporter's Internet Web Site" shall mean Transporter's electronically accessible site.

2. QUALITY

- 2.1 Gas tendered to Transporter for transportation must meet the quality specification in this Section 2.1 or such more stringent standards as may be required at any Point(s) of Delivery. Gas received by Transporter and delivered to Shipper under a Contract, including the Statement of Operating Conditions, shall meet the minimum quality specifications below:
- A. The Gas shall in no event have in excess of seven (7) pounds of water vapor per million (1,000,000) standard Cubic Feet of Gas.
 - B. The Gas shall be free of objectionable liquids and solids and other impurities, including, but not limited to, methanol, and shall be commercially free from dust, gum, gum-forming constituents, free water and other liquids and solids.
 - C. The Gas shall not at any time have an oxygen content in excess of ten (10) parts per million by volume and the parties hereto shall make every reasonable effort to keep the Gas free of oxygen.
 - D. The Gas shall not contain more than one quarter (0.25) grain of hydrogen sulfide per one hundred (100) standard Cubic Feet (four (4) parts per million by volume).
 - E. The Gas shall not contain more than 5 grains of total sulfur (including the sulfur in any hydrogen sulfide and mercaptans) per one hundred (100) standard Cubic Feet.
 - F. The Gas shall not contain mercaptans in excess of one-quarter (.25) grain per one hundred standard Cubic Feet.

- G. The Gas shall not have a carbon dioxide content in excess of two (2) percent by volume.
- H. The Gas shall not contain more than three (3) percent nitrogen by volume.
- I. The Gas shall have a total heating value per Cubic Foot of not less than nine hundred seventy-five (975) Btu or more than one thousand eighty (1,080) Btu.
- J. The Gas shall not have a hydrocarbon dew point of more than forty (40) degrees Fahrenheit (the hydrocarbon dew point shall be calculated at 600 psig).
- K. The Gas shall be received at a temperature not in excess of one hundred twenty (120) degrees Fahrenheit and not less than forty (40) degrees Fahrenheit.
- L. The Gas must be interchangeable with the Gas in Transporter's system at the Point(s) of Receipt.

2.2 If, at any time, Gas tendered for receipt shall fail to conform to any of the quality specifications set forth above, Transporter may, at its Reasonable Discretion, refuse to accept receipt of such Gas. Transporter shall notify Shipper of the deficiency as soon as possible after its occurrence. Such notice may be by any reasonable means, including, but not limited to, electronic mail, facsimile transmission and/or telephone, including voice messages. Transporter may elect to bill Shipper for all further costs for related Gas testing to confirm that any such deficiency has been corrected.

2.3 Transporter has the right to charge Shipper for all costs and expenses, including but not limited to, costs related to clean up and/or remediation, associated with the receipt of Gas that does not conform with the quality specifications for Gas to be received by Transporter as set forth in this Section.

2.4 Transporter's acceptance of non-conforming Gas without invoking its rights set forth in Sections 2.2 or 2.3 shall not constitute any continuing waiver of Transporter's rights to require compliance or application of Transporter's rights as set forth herein.

3. MEASUREMENT AND TESTS

The measurement of Gas at the Point(s) of Receipt and Point(s) of Delivery shall be in accordance with the following provisions:

- 3.1 For all of the purposes of the SOC, a standard Cubic Foot of Gas shall be that quantity which occupies one Cubic Foot of space at a temperature of sixty (60) degrees Fahrenheit and at a pressure of fourteen and seventy-three hundredths (14.73) pounds per square inch absolute. The volumes of Gas received and delivered hereunder shall be measured and computed in accordance with methods prescribed by the American Gas Association. Installation of new measurement facilities, whether by Transporter or Shipper, shall be in accordance with the latest and approved version of the applicable American Gas Association's standards.
- 3.2 The total heating value of the Gas in Btu per Cubic Foot and the specific gravity received and delivered hereunder shall be determined from a sample of Gas taken by means of a composite sampler, a spot sample, a Gas chromatograph, or any other method in general use in the Gas industry. The recorded average specific gravity to the nearest one thousandth (0.001), obtained while Gas is being received and/or delivered, shall be the applicable specific gravity of Gas for the period under consideration.
- 3.3 Transporter shall make reasonable efforts to collect spot samples from a flowing Gas stream during normal business hours. In the event that Transporter's attempts to coordinate spot sampling are unsuccessful, Transporter shall use the most recently available Gas sample information.
- 3.4 Transporter, in its Reasonable Discretion, may elect to discontinue Gas sampling at Point(s) of Receipt or Point(s) of Delivery that have been continuously inactive for sixty (60) consecutive Days.
- 3.5 If, at any time during the term hereof, a new method or technique is developed with respect to Gas measurement or determination of factors used in such Gas measurement, such new method or technique may, in Transporter's Reasonable Discretion, be substituted for the Gas measurement method or technique set forth herein.

- 3.6 Transporter may, at its Reasonable Discretion, install computers, transducers and other associated sensing devices to accomplish the accurate measurement of Gas received and/or delivered.
- 3.7 It is recognized that all facilities necessary to measure Gas at Point(s) of Receipt and Point(s) of Delivery have been or will be installed and in operation as of the date of first delivery of Gas to Transporter hereunder. Unless otherwise agreed, Transporter shall install, maintain and operate all facilities and equipment for the accurate measurement of the Gas received, transported and delivered hereunder. Shipper shall have access to the measuring equipment at all reasonable times, but readings, calibrations and adjustments thereof, and changing of charts, shall be done by Transporter unless otherwise agreed.
- 3.8 Upon written permission from Transporter, Shipper may, at its option, install, maintain and operate such new, additional or revised equipment, including check measuring and signal sharing equipment, as it may desire, at its own expense, and provided that such equipment is installed so as not to interfere with the custody measurement equipment of Transporter. Equipment installed by Shipper and not authorized in writing by Transporter may be removed by Transporter, at Shipper's expense. Each party shall have the right of access, at all reasonable times when Gas is being received or delivered, to the measuring equipment installed by the other party. The calibrating and adjusting of Transporter's measuring equipment and changing of meter charts on Transporter's meters shall be done only by Transporter and the calibrating and adjusting of Shipper's measuring equipment and changing of meter charts on its check meters shall be performed only by Shipper. Transporter, upon written request by Shipper, or Shipper, upon request by Transporter, shall mail or deliver to the other all meter charts and/or records used in measurement of Gas received and delivered hereunder during any specified period for which charts and/or records are required to be retained as hereinafter provided, but such charts and/or records shall be mailed or returned to Transporter or Shipper, as the case may be, within thirty (30) Days after their receipt. Transporter's Check Measurement Agreement form shall be available upon request.

- 3.9 Each party shall have the right to be present at the time of any scheduled installation, testing, cleaning, changing, repairing, inspection, calibration or adjusting of measuring equipment of the other party used in measurement of Gas received and delivered hereunder.
- 3.10 All measuring equipment shall be installed in such a manner as to permit an accurate determination of the quantity of Gas received or delivered and ready verification of the accuracy of measurement. The parties shall exercise reasonable care in the installation, maintenance and operation of check measuring, pressure regulating equipment, Gas compressors or other related equipment so as to prevent inaccuracy in the determination of the quantity of Gas being measured. Shipper shall control flow rates such that measurement of the Gas quantity is within the Normal Operating Range of the Orifice Meter Station. Transporter shall size the orifice plate such that the flow-dependent average monthly flow rate falls within the Normal Operating Range of the Orifice Meter Station. In its Reasonable Discretion, Transporter may elect to not provide volumetric adjustments pursuant to Section 3.13 for flow exceeding the differential pressure instrument's range or for flows resulting in damage to orifice plates. When Transporter determines that pulsation problems or other measurement inaccuracies exist, in addition to any remedies otherwise available to it, Transporter shall have the right to require Shipper or other third parties to install and continuously operate and maintain pulsation dampening equipment and/or to regulate Gas flows in a manner which would prevent or eliminate such problems or inaccuracies within thirty (30) business Days of notification by Transporter. Following notice to the affected parties and pending the correction of the problem, measurement based on charts or meters at any such affected points for system operating purposes shall be made in a manner which reasonably adjusts or compensates for the inaccuracy identified.
- 3.11 The accuracy of the measuring equipment at each Point(s) of Receipt and each Point(s) of Delivery shall be verified at intervals not exceeding one (1) year and at such other times as may be requested by Shipper or Transporter, and if any such verification shall be requested by Shipper or Transporter and the measuring equipment is found to measure Gas quantities within two percent (2%) accuracy, the expense of such verification shall be borne by the party requesting verification.

3.12 Transporter may elect to discontinue regular verification of measurement equipment accuracy at Point(s) of Receipt or Point(s) of Delivery that have been continuously inactive for sixty (60) Days. Following the discontinuation of measurement equipment accuracy verification at a Point of Receipt or Point of Delivery, Shipper must provide three (3) business Days' notice prior to Transporter's subsequent receipt or delivery of Gas at such Point of Receipt or Point of Delivery.

3.13 If, upon test, the measuring equipment measures Gas quantities within two percent (2%) accuracy at any Point(s) of Receipt or Point(s) of Delivery, previous readings of such equipment after the last preceding test shall be considered correct, but the equipment shall be adjusted to record accurately. However, even if the inaccuracy is less than two percent (2%), if the volume discrepancy is quantifiable and exceeds 250 MMBtu, the volumes shall be adjusted appropriately. If, at the Point(s) of Receipt or Point(s) of Delivery, upon any test, the measuring equipment measures Gas quantities with an inaccuracy requiring adjustment, or if at any time the measuring equipment should be out of service or not registering, Gas received or delivered through the period during which the measuring equipment was registering inaccurately or was out of service or not registering shall be estimated and agreed upon by use of the first of the following methods which may be applicable:

- A. By using the registration of any check measuring equipment installed by either party if registering accurately; or
- B. By computing error if percentage of error is ascertainable by calibration, test or mathematical calculation; or
- C. By estimating the quantity received or delivered and/or its thermal content by reference to actual receipts or deliveries during preceding periods under similar conditions when the measuring equipment was registering accurately. If the period during which the measuring equipment at the Point(s) of Receipt or Point(s) of Delivery had been registering inaccurately or had been out of service or not registering is not definitely known or agreed upon, correction shall be made for the last half of the time elapsed since the measuring equipment was previously tested

and found to accurately measure Gas within two percent (2%). All corrections made as above provided shall be made to zero error.

- 3.14 The charts and/or records from the measuring equipment shall remain the property of the party owning the measuring equipment and shall be kept on file for a period of not less than two (2) years.

4. WARRANTY AND INDEMNIFICATION

- 4.1 Each party hereby warrants to the other that at the time of receipt or delivery of Gas hereunder, it will have the right to receive or deliver, as the case may be, such Gas, and that such Gas shall be free and clear of all liens and adverse claims; and each party agrees, with respect to the Gas received or delivered by it, to indemnify the other party against all suits, actions, debts, accounts, damages, costs (including reasonable attorney fees), losses and expenses arising from or out of any adverse claim of any and all persons to or against said Gas while that party has responsibility for the Gas.

5. FORCE MAJEURE

- 5.1 In the event of either party being rendered unable, wholly or in part, by reason of force majeure to carry out its obligations under the Contract (other than the obligation to make payment of amounts due hereunder), it is agreed that such party shall give notice and reasonably full particulars of such force majeure by electronic mail, facsimile transmission or in writing to the other party within a reasonable time after the occurrence of the cause relied on, and the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period, and such cause shall, so far as possible, be remedied with all reasonable dispatch.
- 5.2 The parties' obligations hereunder shall also be suspended during the continuance of any force majeure situation to the extent such force majeure conditions prevent delivery of Gas for Shipper's account.
- 5.3 The term, "force majeure", as employed herein shall mean acts of God; strikes, lockouts, or other industrial disturbances; conditions arising from a change in governmental laws,

orders, rules, or regulations; acts of public enemy; wars; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of governments and people; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; the necessity for making repairs, tests, alterations, or performing maintenance to machinery or lines of pipe; freezing of wells or lines of pipe; partial or entire failure of wells or treating facilities; and any other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension, and which by the exercise of due diligence, such party is unable to prevent or overcome. Such term shall likewise include: (a) those instances where either Transporter or Shipper is required to obtain servitudes, rights-of-way, grants, permits or licenses to enable such party to fulfill its obligations under the Contract; the inability of such party to acquire or the delays on the part of such party in acquiring, at reasonable costs, and after the exercise of reasonable diligence, such servitudes, rights-of-way, grants, permits, or licenses, and (b) those instances where either Transporter or Shipper is required to furnish materials and supplies for the purpose of constructing or maintaining facilities or is required to secure permits or permissions from any governmental agency to enable such party to fulfill its obligations under the Contract, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable costs, and after the exercise of reasonable diligence, such material and supplies, permits and permissions.

- 5.4 It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes or lockouts by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the party having the difficulty.
- 5.5 Notwithstanding the foregoing, it is specifically understood and agreed by the parties hereto that force majeure shall in no way terminate the parties' obligations to balance those volumes of Gas received and delivered hereunder.

6. GOVERNMENTAL RULES, REGULATIONS AND AUTHORIZATIONS

- 6.1 This Statement of Operating Conditions is subject to all valid orders, laws, rules and regulations of duly constituted governmental authorities having jurisdiction or control over the parties, their facilities or Gas supplies, this Statement of Operating Conditions or any provisions hereof. If at any time during the period of transportation of Gas hereunder, any such governmental authority shall take or threaten to take any action, directly or indirectly, whereby the receipt, transportation and delivery of Gas as contemplated hereunder shall be proscribed or possibly subjected to terms, conditions, restraints or regulations, including without limitation by enumeration, rate or price controls or ceilings that, in the sole judgment of the party affected, would be adverse or unduly burdensome to that party, such party may, upon written notice, cancel and terminate the Contract, including the Statement of Operating Conditions, without further liability hereunder except for payment for services provided hereunder prior to such cancellation and termination.
- 6.2 The parties agree to timely file and prosecute all applications, statements and notices with any governmental regulatory authority having appropriate and applicable jurisdiction.

7. BILLINGS AND PAYMENT

- 7.1 On or about the tenth (10th) Day of each Month after delivery of Gas has commenced hereunder, Transporter shall render to Shipper a statement for the preceding Month setting forth the total quantity of Gas, and the Btu content thereof, at the Point(s) of Receipt and Point(s) of Delivery which was received and delivered, respectively, the amount due Transporter by Shipper for the transportation or other applicable services performed hereunder and such other information sufficient to explain and support any adjustments made by Transporter in determining the amount billed.
- 7.2 Shipper shall pay Transporter the amount due on the later of the twenty-fifth (25th) Day of the Month following the Month of production or (i) fifteen (15) Days after the date of the invoice described in Section 8.1; or (ii) fifteen (15) Days after the date of any other invoice Transporter renders. In the event Shipper fails to timely pay Transporter according to this Section, Transporter will assess, and Shipper shall pay an interest charge equal to one and one-half percent (1.5%) per Month on the unpaid balance. Further, in the event Shipper

fails to timely pay Transporter according to this Section, Transporter may, in its Reasonable Discretion, suspend all transportation of Gas pursuant to Section 7.6.

7.3 Under Firm Contracts for which demand charges are applicable, Transporter will submit an invoice to Shipper for demand charges during the Month preceding the Month to which such demand charges apply. Payment of such invoices shall be due on the latter of (i) the 25th day of the Month in which such invoice is received or (ii) fifteen (15) Days after the receipt of the invoice (the "Demand Payment Date"). Shipper shall pay the full amount of the demand charges set forth on the invoice on or before the Demand Payment Date. In the event that Shipper does not make timely payment of demand charges on or before the Demand Payment Date as required by this Section 7.3, Transporter may exercise all of its rights available at law and pursuant to the Firm Contract. In the event Shipper fails to timely pay Transporter according to this Section, Transporter will assess, and Shipper shall pay an interest charge equal to one and one-half percent (1.5%) per Month on the unpaid balance.

7.4 All parties hereto shall have the right at any and all reasonable times to examine the books and records of the other party to the extent necessary to verify the accuracy of any statement, charge, computation or demand made under or pursuant to a Contract, including the Statement of Operating Conditions. The parties agree to schedule such audits in advance and at mutually agreeable times. Within thirty (30) Days following any such audit, the auditing party shall notify the audited party of the results of such audit and specifically, whether the accuracy of any statement, charge, computation or demand will be challenged. Such books and records shall be kept for not less than two (2) years following the month the charge was billed or the credit issued ("Exception Period"). All charges and credits shall be conclusively deemed to be correct and accurate unless written exception is taken to specific charges or credits within the Exception Period. All charges and credits beyond the Exception Period and not subject to written exception are considered final and not subject to review or adjustment with regard to any such statement, charge, computation or demand was made under or pursuant to a Contract, including the SOC. In the event the examination of either party's records requires disclosure of confidential third-party agreements, the auditing party shall use the services of an independent third-party auditor

who shall be required to keep the terms of such third-party agreements confidential and shall disclose confidential information only to the extent necessary to render the audit. Any requested disclosure of confidential information to the auditing party must be submitted to the audited party for approval. The cost of any independent third-party auditor shall be borne by the auditing party.

7.5 Shipper agrees to reimburse Transporter for all taxes that may be levied upon and/or paid by Transporter based on additional tax requirements imposed or implemented on or after the date the rates set forth in Exhibit B to this Statement of Operating Conditions became effective, with respect to the transportation services rendered hereunder.

7.6 If Shipper in good faith disputes any amount billed hereunder, Shipper shall not be required to pay interest in accordance with Sections 7.2 and 7.3 on any such amount that is ultimately determined to be in error; provided, however, interest shall be due if such amount billed is found not to be in error. Shipper shall pay when due the full amount of the invoice, including the amount in dispute, and Transporter shall refund with interest any disputed amount that ultimately is determined to be in error. If Shipper fails to pay any amount due hereunder, Transporter may, in addition to exercising any other rights it may have under the Contract, under the SOC, at law, or in equity, suspend service, including deliveries of Gas, subject to Transporter providing forty-eight (48) hours written notice of such intention to suspend. Transporter may, without waiving any other rights or remedies it may have, withhold further delivery until such payment or security is received or take whatever steps it deems necessary, in its sole judgment, to insure that non-payment of invoices by Shipper does not occur, including but not limited to, termination of Shipper's Contract. In the event Transporter pursues collection on late payment, Shipper shall be liable for any and all expenses and costs, including court costs and reasonable attorney fees, incurred as a result of such failure to timely pay.

7.7 Transporter may set off any amount owed by Transporter to Shipper under any Contract(s) against the amount owed by Transporter or any affiliate of Transporter under any Contract(s) and any other agreements.

8. CREDITWORTHINESS

8.1 To establish and maintain creditworthiness with Transporter, Shipper shall maintain an investment grade credit rating, and Shipper shall otherwise demonstrate to Transporter's satisfaction the ability to meet its financial obligations hereunder. An "investment grade credit rating" means a long-term senior unsecured non-credit enhanced debt rating of: at least BBB- from Standard & Poor's Rating Group (a division of McGraw-Hill Inc.) or its successor ("S&P") or "Baa3" from Moody's Investor Services, Inc. or its successor ("Moody's"), in either case with a short-term and long-term outlook or credit watch of stable or positive. If Shipper is rated by S&P and Moody's, the lower credit rating will apply.

8.2 Transporter shall not be required to commence service or to continue to provide service under a Contract with any Shipper that:

- A. Is or has become insolvent;
- B. Has voluntarily commenced a case or proceeding or the filing of any petition under any bankruptcy, insolvency or similar law seeking dissolution, liquidation or reorganization or the appointment of a receiver, trustee, custodian or liquidator for itself or a substantial portion of its property, assets or business; or to effect a plan or other arrangement with its creditors; or has filed an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition filed against it in any bankruptcy, insolvency or similar case or proceeding, has been adjudicated as bankrupt, has made a general assignment for the benefit of creditors or has consented to, or acquiesced in the appointment of, a receiver, trustee, custodian or liquidator for itself or a substantial portion of its property, assets or business or has taken corporate action for the purpose of effectuating any of the foregoing; or
- C. Has been the subject of the commencement of involuntary proceedings or the filing of an involuntary petition against Shipper under any bankruptcy, insolvency or similar law seeking the dissolution, liquidation, or reorganization of Shipper, or the appointment of a receiver, trustee, custodian or liquidator for Shipper, or of a

substantial part of the property, assets or business of Shipper, or the issuance or levy of any writ, judgment, warrant or attachment, execution or similar process against a substantial part of the property, assets, or business of Shipper; or

D. Fails to establish and maintain creditworthiness with Transporter; or

E. Fails to provide Adequate Assurances.

8.3 If Shipper fails to establish or maintain creditworthiness with Transporter, Shipper may be required by Transporter to provide adequate assurances. "Adequate Assurances" shall mean a cash prepayment, a guaranty or an irrevocable standby letter of credit, from a financial institution in a form acceptable to Transporter in its Reasonable Discretion, as may be requested by Transporter, in an amount equal to three (3) Months of service at the full Maximum Daily Quantity (or, for interruptible Shippers, an amount equal to three (3) Months of estimated service based on historical or projected usage, as determined by Transporter in its Reasonable Discretion), plus any other required monthly fees, plus an amount equal to the highest imbalance payment accrued in one (1) Month during the previous twelve (12) consecutive Months. Shipper must deliver to Transporter the Adequate Assurances within three (3) business Days of receipt of Transporter's written request, make payment in full within three (3) business Days of receipt of Transporter's written request for all amounts due from Shipper under any Contract(s) and any other agreements between Transporter and Shipper including netting arrangements, and maintain such Adequate Assurances until Shipper can establish creditworthiness with Transporter. If Shipper fails to provide Adequate Assurances upon request, Transporter may, in addition to exercising any other rights it may have under the Contract, under the SOC, at law, or in equity, immediately suspend service, including deliveries of Gas.

8.4 In the event that Transporter agrees to construct new facilities or to expand or extend its existing facilities and Shipper has agreed pursuant to Section 7.9 of this SOC to pay a facilities charge to defray the cost of such facilities, and regardless of whether Shipper is deemed "creditworthy" within the meaning of GT&C Section 8.1, Transporter may require additional Adequate Assurances in a form, amount, for a term and from an issuer all as reasonably acceptable to Transporter and as agreed to by the parties in a request for

service. Adequate Assurances for such new construction, expansion or extension may be in addition to, and shall not be limited to, amounts equal to three months of service at Shipper's full Maximum Daily Quantity or estimated service charges as described in GT&C Section 8.3 above.

9. CHOICE OF LAW

- 9.1 The interpretation and performance under Shipper's Contract, and the Statement of Operating Conditions and these General Terms and Conditions shall be in accordance with the laws of the State of Oklahoma, excluding any conflict of law principle that might refer such interpretation and performance to the laws of another jurisdiction. With respect to any cause of action associated directly or indirectly with the terms and conditions of a Contract and the Statement of Operating Conditions, the parties agree and consent to the exclusive jurisdiction of the federal or state courts sitting in the State of Oklahoma, and acknowledge proper venue to be in either state or federal court located in Oklahoma County, Oklahoma, and hereby waive any defenses or objections thereto; provided, however, that Transporter may agree to permit a court with jurisdiction to decide venue as to a specific matter or matters.

10. EEOC COMPLIANCE

- 10.1 To the extent applicable, each party hereby respectively warrants that it is in compliance with, and during the term hereof will remain in compliance with, all applicable laws, executive orders and acts concerning equal opportunity employment and wage and hours regulations.

11. MISCELLANEOUS

- 11.1 As between the parties hereto, Shipper shall be deemed to be in exclusive control and in possession of the Gas prior to such Gas being received hereunder by Transporter at the Point(s) of Receipt and responsible for any damages, losses or injuries caused thereby, except for injuries and damages which shall be occasioned solely and proximately by the negligent acts or omissions of Transporter. After Shipper delivers or causes Gas to be delivered to Transporter at the Point(s) of Receipt, Transporter shall be deemed to be in exclusive control and possession of such Gas, and responsible for any injuries or damages

caused thereby, until it is redelivered to Shipper or for the account of Shipper at the Point(s) of Delivery, except injuries and damages which shall be occasioned solely and proximately by the negligent acts or omissions of Shipper following such redelivery. At the Point(s) of Delivery, Shipper shall thereafter be deemed to be in exclusive control and possession of such Gas and responsible for any injuries or damages caused thereby, except injuries and damages which shall be occasioned solely and proximately by the negligent acts or omissions of Transporter.

12. DESCRIPTIVE HEADINGS

- 12.1 The descriptive headings of the provisions of Shipper's Contract and of this SOC, including these General Terms and Conditions are formulated and used for convenience only and shall not be deemed to affect the meaning or construction of any such provision.

EXHIBIT A-3

AMENDMENT

This Amendment is made and entered into as of June 1, 2016, by and between Enable Oklahoma Intrastate Transmission, LLC ("TRANSPORTER") and Grand River Dam Authority ("SHIPPER"). TRANSPORTER and SHIPPER may be referred to sometimes individually as a "Party" and collectively as "Parties."

WITNESSETH:

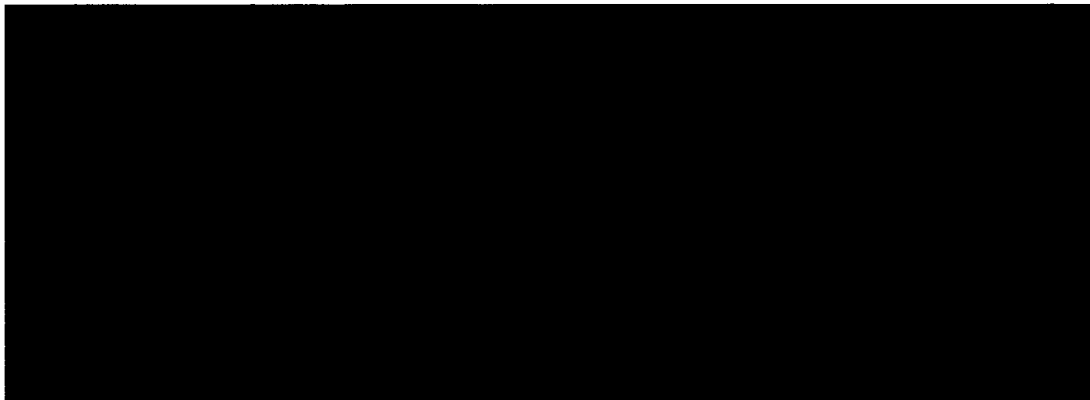
WHEREAS, TRANSPORTER and SHIPPER made and entered into that certain Intrastate Firm Transportation Service Agreement dated April 1, 2014, (Contract #1005539), hereinafter referred to as the "Agreement"; and

WHEREAS, TRANSPORTER and SHIPPER wish to amend the terms of the Agreement in the manner specified below;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein provided, the Parties hereby agree to amend the Agreement in the following respects only:

i.

Effective June 1, 2016, Section 4.a(i) shall be amended and restated as follows:




[The remainder of this page is intentionally left blank.]

This Amendment is effective June 1, 2016. Except as expressly amended hereby, all terms, conditions and provisions of the Agreement, shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment is executed by the Parties hereto on the date first above written.

ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC
("TRANSPORTER")

By: 
Name: Rodney J. Salto
Title: President and Chief Executive Officer

GRAND RIVER DAM AUTHORITY
("SHIPPER")

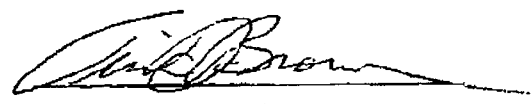
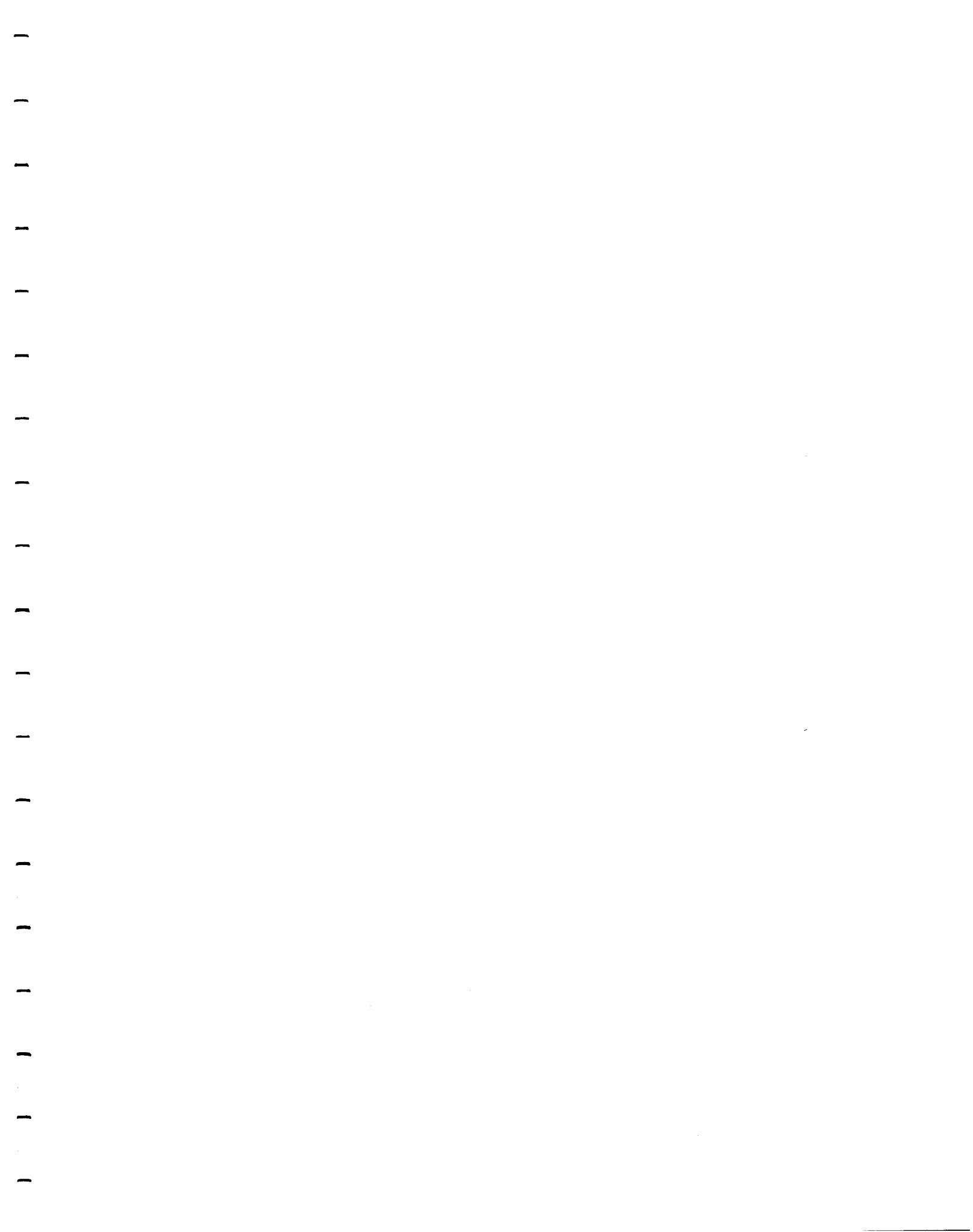
By: 
Name: Tim D. Brown
Title: COO

EXHIBIT A-4



III.

Effective February 1, 2017, Section 1. b shall be replaced in its entirety by the following:

1. Maximum Daily Quantity.

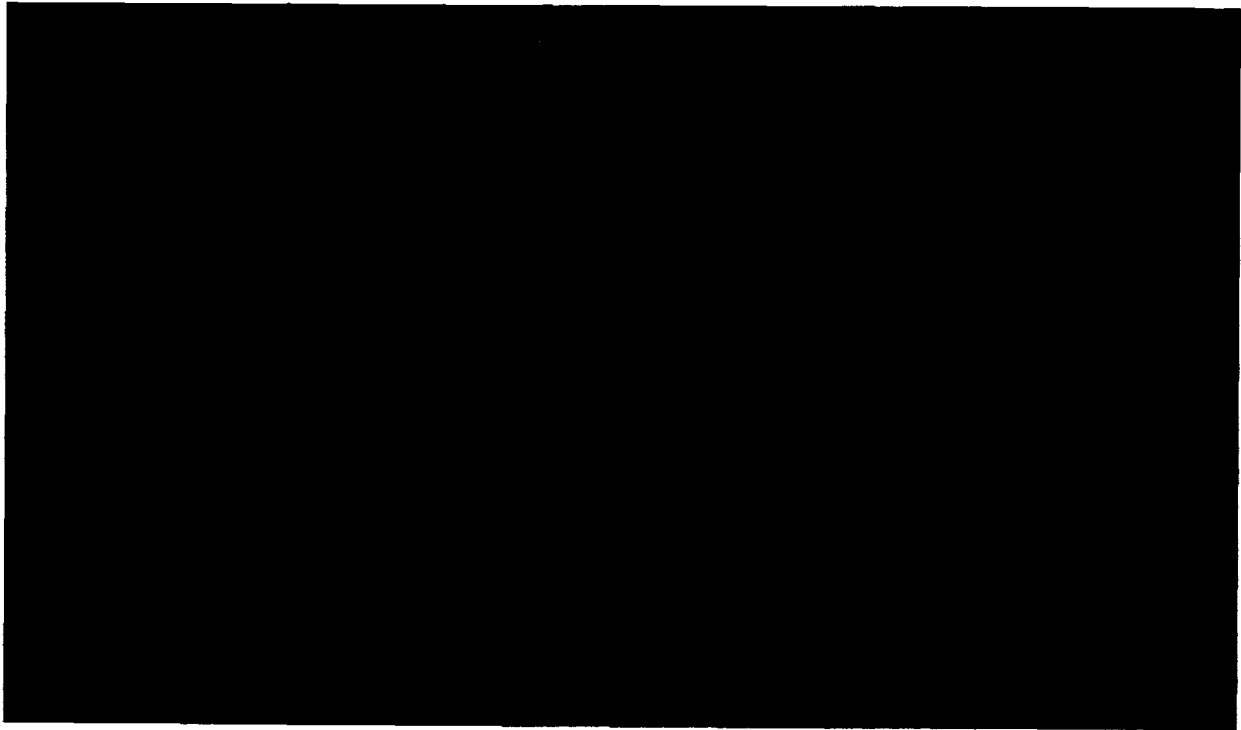
b. TRANSPORTER'S obligation to receive, compress, if applicable, and deliver the gas tendered by SHIPPER is subject to the physical capacity and operating constraints of the Transportation System; provided, however, TRANSPORTER warrants that it has and will maintain sufficient capacity to reliably transport SHIPPER's daily confirmed nominations, up to the "Maximum Daily Quantity" as defined herein, absent *force majeure*, subject to Sections 1.c and 1.d below. TRANSPORTER'S daily obligation to accept gas hereunder at all or any combination of Point(s) of Receipt described on Exhibit "A-1" shall not exceed [REDACTED] MMBtus per day (hereinafter referred to as "Maximum Daily Quantity" or "MDQ") exclusive of System Fuel; provided, however, [REDACTED]

[REDACTED] TRANSPORTER'S cumulative obligation to receive and transport gas from all or any combination of Point(s) of Receipt hereunder shall not exceed the Maximum Daily Quantity plus System Fuel.

IV.

Effective February 1, 2017, Sections 4.a (i) and 4.a (iii) shall be replaced in their entirety by the following:

4. Rates and Charges.



V.

Effective February 1, 2017, Section 4.c. (ii) shall be replaced in its entirety by the following:



VI.

Effective February 1, 2017, Sections 5 a. and 5. b. shall be replaced in their entirety by the following:

a. Term.

Except as provided in subsections b, c, and d of this Section 5, this Agreement shall remain in full force and effect from the Contract Effective Date (April 1, 2014) with service commencing on the Service Commencement Date (June 1, 2017), until May 31, [REDACTED] ("Primary Term") and shall remain in effect from month to month thereafter. Either Party may terminate this Agreement after the end of the Primary Term or any subsequent month thereafter by giving the other Party written notice of such termination date one hundred eighty (180) days prior thereto. TRANSPORTER shall have the right to terminate this Agreement upon 30-day written notice to SHIPPER in the event SHIPPER fails to make timely payment under the Aid in Construction Agreement.



VII.

Effective June 1, 2017, and remaining in effect until May 31, 2047, Exhibit "A" is hereby superceded in its entirety and replaced by the attached Exhibit "A-1". During the period from June 1, 2017 through May 31, 2047, all references in the Agreement to Exhibit "A" shall be amended to reference Exhibit "A-1".

Except as expressly amended hereby, all terms, conditions and provisions of the Agreement, shall remain in full force and effect.

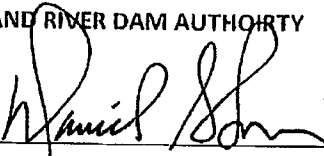
IN WITNESS WHEREOF, this Amendment is executed by the Parties hereto with effect from the Amendment Effective Date.

ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC

B

GRAND RIVER DAM AUTHORITY

BY

By: 

Name: DANIEL S. SULLIVAN

Title: CHIEF EXECUTIVE OFFICER

**EXHIBIT "A-1"
INTRASTATE POINT(S) OF RECEIPT**

This Exhibit "A-1" to the Intrastate Firm Transportation Service Agreement by and between ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC ("TRANSPORTER") and GRAND RIVER DAM AUTHORITY ("SHIPPER"), dated February 1, 2017, is for all purposes made a part of said Agreement.

INTRASTATE POINT(S) OF RECEIPT

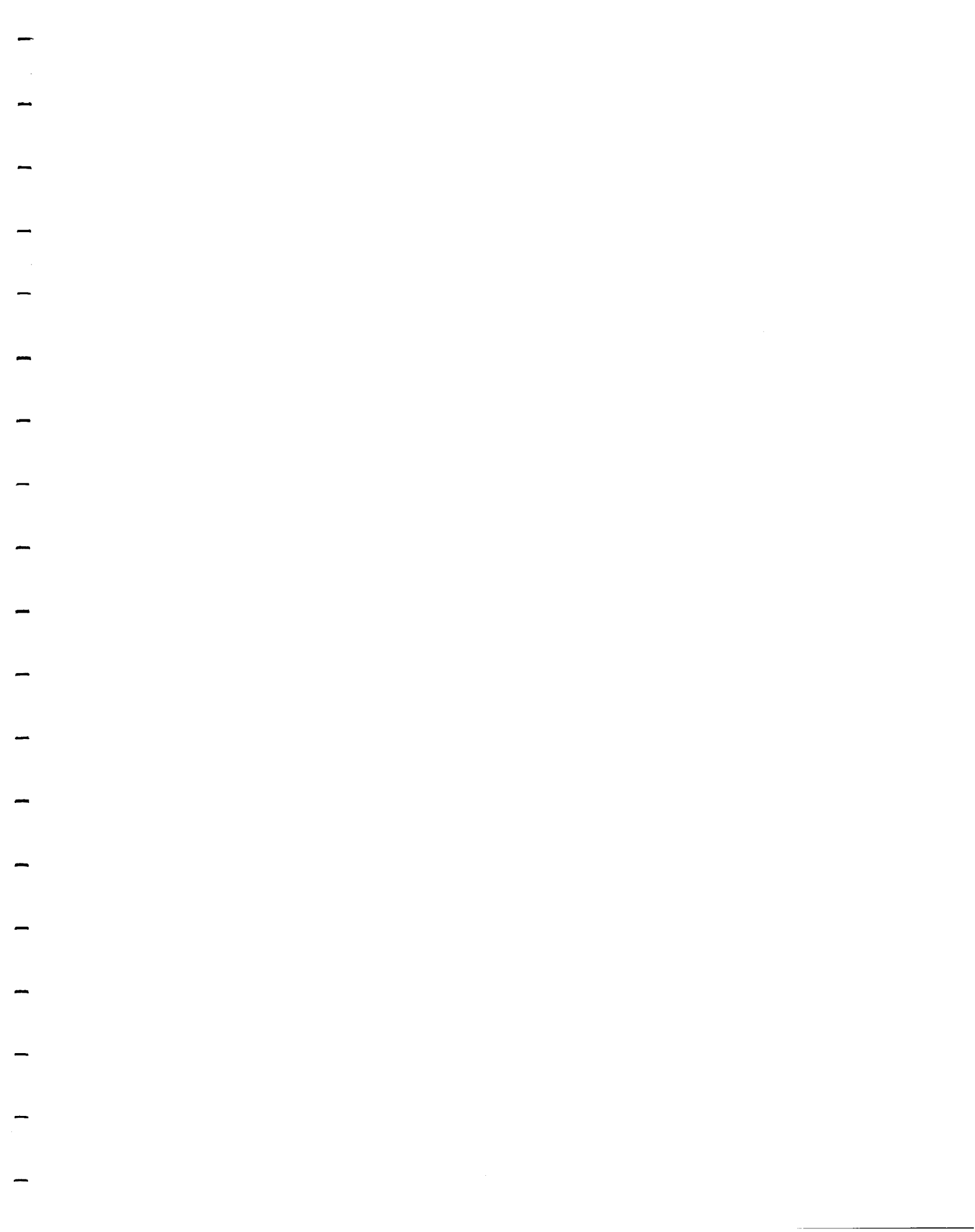
All active Major Interconnect Point(s) of Receipt for the Transportation System as listed, including potential gas sourced outside of the State of Oklahoma, and which may be viewed at www.enablemidstream.com. The Parties agree that TRANSPORTER may revise the Major Interconnect Point(s) of Receipt from time to time to add or delete interconnects, and such revisions shall be incorporated into this Agreement without amendment to this Agreement.

SHIPPER understands and agrees that it may not be able to obtain all of the MDQ from any single one of the Point(s) of Receipt but can obtain the MDQ from a combination of Point(s) of Receipt.

SHIPPER further understands that:

- (1) SHIPPER'S ability to obtain gas at any Point of Receipt is subject to any capacity limitation at that Point of Receipt and confirmation between TRANSPORTER and the operator of such Point of Receipt; and
- (2) TRANSPORTER will not, in any way, be liable to SHIPPER if capacity is not available at any particular Point of Receipt as long as capacity up to SHIPPER'S nominations, not to exceed the MDQ, is available at a combination of Point(s) of Receipt.

EXHIBIT A-5



This Amendment is effective April 1, 2017. Except as expressly amended hereby, all terms, conditions and provisions of the Agreement, shall remain in full force and effect.

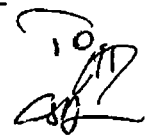
IN WITNESS WHEREOF, this Amendment is executed by the Parties hereto on the date first above written.

ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC
("TRAI")

By: _____

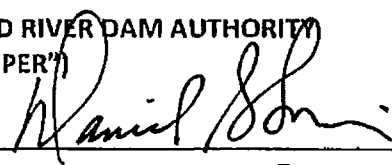
Name: _____

Title: _____

Handwritten signature and initials, possibly "10" and "S".

GRAND RIVER DAM AUTHORITY
("SHIPPER")

By: _____

Handwritten signature of Daniel S. Sullivan.

Name: _____

DANIEL S. SULLIVAN

Title: _____

CEO

EXHIBIT A-6

AMENDMENT

This Amendment is made and entered into as of September 1, 2021, by and between ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC, hereinafter referred to as "TRANSPORTER", and GRAND RIVER DAM AUTHORITY, hereinafter referred to as "SHIPPER".

WITNESSETH:

WHEREAS, TRANSPORTER and SHIPPER made and entered into that certain Intrastate Transportation Service Agreement dated April 1, 2014 (Contract #9005539), hereinafter referred to as the "Agreement"; and

WHEREAS, TRANSPORTER and SHIPPER wish to amend the Agreement in the manner specified below;

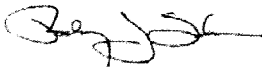
NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein provided, TRANSPORTER and SHIPPER hereby agree to amend the Agreement in the following respects only:

Exhibit "A-1" is hereby deleted in its entirety and the attached Exhibit "A-2" is substituted therefor to provide for the additions, removals, and/or changes. All references in the Agreement to Exhibit "A-1" shall be amended to reference Exhibit "A-2".

This Amendment is effective September 1, 2021. Except as expressly amended hereby, all terms, conditions and provisions of the Agreement, shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment is executed by the parties hereto on the date first above written.

ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC
("TRANSPORTER")



Name: Rodney J. Sailor
Title: President and Chief Executive Officer

TO CA SGT
TO CA SGT

GRAND RIVER DAM AUTHORITY
("SHIPPER")



Name: TIM BROWN
Title: COO

EXHIBIT "A-2"
POINT(S) OF RECEIPT

This Exhibit "A-2" to Firm Intrastate Gas Transportation Service Agreement by and between ENABLE OKLAHOMA INTRASTATE TRANSMISSION, LLC ("TRANSPORTER") and GRAND RIVER DAM AUTHORITY ("SHIPPER"), dated April 1, 2014, as amended on September 1, 2021, is for all purposes made a part of said Agreement.

POINT(S) OF RECEIPT

SHIPPER may utilize all active EOIT East IC Receipt Points and all active EOIT West IC Receipt Points on TRANSPORTER'S Transportation System as listed, including potential gas sourced outside of the State of Oklahoma, and which may be viewed at pipelines.enablemidstream.com, including TRANSPORTER'S East and West Pools. The Parties agree that TRANSPORTER may revise the EOIT East IC Receipt Points and EOIT West IC Receipt Points from time to time to add or delete interconnects, and such revisions shall be incorporated into this Agreement without amendment to this Agreement.

SHIPPER understands and agrees that it may not be able to obtain all of the MDQ from any single one of the Point(s) of Receipt but can obtain the MDQ from a combination of Point(s) of Receipt. [REDACTED]

[REDACTED] SHIPPER further understands that:

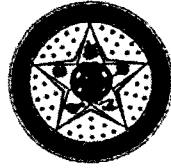
- (1) SHIPPER'S ability to obtain gas at any Point of Receipt is subject to any capacity limitation at that Point of Receipt and confirmation between TRANSPORTER and the operator of such Point of Receipt; and
- (2) TRANSPORTER will not, in any way, be liable to SHIPPER if capacity is not available at any particular Point of Receipt as long as capacity up to SHIPPER'S nominations, not to exceed the MDQ, is available at a combination of Point(s) of Receipt.

In addition to the points above the Parties agree that, by means of displacement only and subject to gas flow for intrastate service, the Point(s) of Receipt at which gas may be received under this Agreement will include the East Standard Delivery Points which are listed at pipelines.enablemidstream.com. The Parties agree that TRANSPORTER may revise the East Standard Delivery Points list from time to time to add or delete interconnects, and such revisions shall be incorporated into this Agreement without amendment to this Agreement.

The Parties agree that, with pre-approval from TRANSPORTER, SHIPPER may utilize the points listed below.

EGT Hughes CO Receipt – 302016
Waynoka Plant – 33430
Rose Valley Plant – 36638
Northridge Plant - 245835

EXHIBIT A-7



Filed

February 12, 2021
OKLAHOMA SECRETARY
OF STATE

J. Kevin Stitt
Office of the Governor
State of Oklahoma

**EXECUTIVE DEPARTMENT
EXECUTIVE ORDER 2021-06**

I, J. Kevin Stitt, Governor of the State of Oklahoma, pursuant to the power vested in me by Section 2 of Article VI of the Oklahoma Constitution, hereby declare the following:

1. Extreme freezing temperatures and severe winter weather including snow, freezing rain, and wind beginning February 7, 2021, and continuing, are expected to cause damage to public and private properties and utilities, including electric, gas and water systems, within the State of Oklahoma causing an undue hardship on the citizens of this State.
2. It may be necessary to provide for the rendering of mutual assistance among the State and political subdivisions of the State with respect to carrying out disaster emergency functions during the continuance of the State emergency pursuant to the provisions of the Oklahoma Emergency Management Act of 2003.
3. There is hereby declared a disaster emergency caused by severe winter weather in *all 77 Oklahoma counties* that threatens the public's peace, health, and safety.
4. The State Emergency Operations Plan has been activated and resources of all State departments and agencies available to meet this emergency are hereby committed to the reasonable extent necessary to protect lives and to prevent, minimize, and repair injury and damage. These efforts shall be coordinated by the Director of the Department of Emergency Management with comparable functions of the federal government and political subdivisions of the State.
5. State agencies, in responding to this disaster emergency, may make necessary emergency acquisitions to fulfill the purposes of this proclamation without regard to limitations or bidding requirements on such acquisitions.

Based on the foregoing, pursuant to the power vested in me by Sections 1 and 2 of Article VI of the Oklahoma Constitution and 63 O.S. §§ 683.1 *et seq.*, and pursuant to 49 C.F.R. Part 390.23, I hereby declare that there is a State of Emergency continuing in the State of Oklahoma.

50874

Due to winter weather conditions ongoing and anticipated in the immediate future, it is necessary to assist and expedite all efforts of relief. In order to accommodate this need and to provide assistance to the residents of the State of Oklahoma in this extraordinary situation, I hereby order the temporary suspension of the following as they apply to vehicles in the support efforts:

1. The requirements for size and weights permits of oversized vehicles under Title 47 of the Oklahoma Statutes whose purpose is transportation of materials and supplies used for emergency relief and utility restoration;
2. The cost and fees of overweight permits required of carriers whose purpose is the transportation of materials and supplies used for emergency relief and power restoration, which require an overweight permit under Title 47 of Oklahoma statutes;
3. The requirements under Parts 390 through 399 pursuant to part 390.23 of Title 49 of the Federal Motor Carrier Safety Administration Regulations;
4. The requirements for licensing/operating authority as required by the Oklahoma Corporation Commission; and
5. The requirements for licensing/registration authority as required by the Oklahoma Tax Commission.

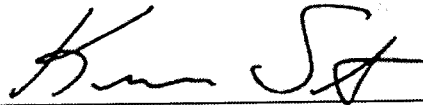
Nothing contained in this declaration shall be construed as an exemption from the Controlled Substance and Alcohol Use and Testing requirements (49 C.F.R. Part 382), the Commercial Driver License requirements (49 C.F.R. Part 383), the Financial Responsibility requirements (49 C.F.R. Part 387), or any other portion of the regulations not specifically identified herein. Motor carriers that have an Out-Of-Service Order in effect cannot take advantage of the relief from regulation that this declaration provides.

This Executive Order shall terminate at the end of thirty days.

Copies of this Executive Order shall be distributed to the Director of Emergency Management, Oklahoma Corporation Commission, Oklahoma Department of Transportation, Oklahoma Tax Commission, Oklahoma Adjutant General's Office, Office of Management and Enterprise Services, and the Oklahoma Department of Public Safety, who shall cause the provisions of this Order to be implemented by all appropriate agencies of State government.

IN WITNESS WHEREOF, I have set my hand and caused the Great Seal of the State of Oklahoma to be affixed at Oklahoma City, this 12th day of February, 2021.

BY THE GOVERNOR OF THE STATE OF OKLAHOMA



J. KEVIN STITT



ATTEST:



BRIAN BINGMAN, Secretary of State

EXHIBIT A-8

CDT

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF OKLAHOMA NATURAL)
GAS COMPANY, A DIVISION OF ONE GAS,)
INC., FOR A FINANCING ORDER)
APPROVING SECURITIZATION OF COSTS)
ARISING FROM THE FEBRUARY 2021)
WINTER WEATHER EVENT PURSUANT TO)
THE "FEBRUARY 2021 REGULATED)
UTILITY CONSUMER PROTECTION ACT")

CAUSE NO. PUD 202100079
ORDER NO. 723033

FINAL FINANCING ORDER

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BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF OKLAHOMA NATURAL)
GAS COMPANY, A DIVISION OF ONE GAS,)
INC., FOR A FINANCING ORDER)
APPROVING SECURITIZATION OF COSTS)
ARISING FROM THE FEBRUARY 2021)
WINTER WEATHER EVENT PURSUANT TO)
THE "FEBRUARY 2021 REGULATED)
UTILITY CONSUMER PROTECTION ACT")

CAUSE NO. PUD 202100079

ORDER NO. _____

FINAL FINANCING ORDER

HEARING: November 22, 2021, in Room 301 (some parties appearing by virtual teleconference)
2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105
Before Dustin R. Murer, Administrative Law Judge

APPEARANCES: Curtis M. Long, J. Dillon Curran, and Dustin R. Fredrick, Attorneys *representing* ONG Gas Company, a division of ONE Gas, Inc.
Jared B. Haines, Deputy Attorney General *representing* Office of Attorney General, State of Oklahoma
Rick D. Chamberlain, Attorney *representing* Walmart Inc.
Michael L. Velez, Deputy General Counsel, and Lauren D. Willingham, Assistant General Counsel, *representing* Public Utility Division, Oklahoma Corporation Commission

Pursuant to 74 OKLA. STAT. §§ 9070-9081, which includes the February 2021 Regulated Utility Consumer Protection Act (the "Act"), the Legislature of the State of Oklahoma recognized "the significant economic impact of the extreme weather event that occurred during the month of February 2021 (herein referred to as the "2021 Winter Weather Event") and the "unprecedented utility costs [that] will be passed through to Oklahoma customers of utilities from regulated utility entities." 74 OKLA. STAT. § 9071. To mitigate the effects on such Oklahoma customers, the Act authorized ONG Gas Company, a division of ONE Gas, Inc. ("ONG" or the "Company or "Utility"), and other utilities subject to the regulatory jurisdiction of the Oklahoma Corporation Commission (the "Commission"),¹ to request the recovery of these extreme purchase costs and extraordinary costs (collectively referred to herein and in the Act as "qualified costs") through securitization. This statutory process is designed to mitigate the impact of such costs on existing and future ratepayers taking natural gas distribution service within the sponsoring utility's service territory in effect as of the issuance date of this Order (collectively referred to herein as "customers"), allowing customers to pay their utility bills at a lower amount over a longer period of time. In addition, 74 OKLA. STAT. § 5062.8 was amended to expand the authority of the Oklahoma Development Finance Authority (the "Authority" or the "ODFA") under the

¹ The Act sets forth provisions, including requirements, to which the Commission must adhere in its processing of this Cause and in this Order.

Authority’s enabling act² (as amended, the “Authority Act”) to include authority to issue ratepayer-backed bonds authorized by the Act.

On April 29, 2021, ONG filed its Application with the Commission to seek a determination of prudently incurred costs associated with the 2021 Winter Weather Event eligible for recovery through securitization, and to demonstrate that a securitization would result in substantial revenue requirement savings as compared to conventional utility financing and otherwise satisfy the requirements of the Act.

Testimony in support of and against aspects of the Application was filed, with a hearing on the merits scheduled for November 22, 2021. Prior to the scheduled hearing, a Joint Stipulation and Settlement Agreement was filed on November 18, 2021 (the “Settlement Agreement”), by and among parties to this Cause, including ONG, the Public Utility Division of the Oklahoma Corporation Commission (“PUD”), and the Office of the Attorney General (“Attorney General”) (collectively, the “Stipulating Parties” or “Parties”). The only other party to this Cause was Walmart, Inc., who did not sign the Settlement Agreement, but did not oppose it or object to it.

A hearing was conducted on November 22, 2021, before an Administrative Law Judge (“ALJ”), with Commissioners present. Although the hearing was focused on the proposed Settlement Agreement, the entirety of the testimony and exhibits reflecting the positions of the parties, prior to the Settlement Agreement, was introduced and admitted into the record. Accordingly, the Commission, in reviewing this Cause and issuing this order, has reviewed and bases its decision on the entirety of the record. At the hearing, the Parties presented testimony and positions in favor of the Settlement Agreement. No party opposed the Settlement Agreement or objected to it and all parties acknowledged or otherwise agreed that securitization provides the most favorable savings to customers. In his Statement of Position, the Attorney General expressed support for securitization after a careful study of ONG’s workpapers, testimony, and the significant discovery issued in the Cause. Specifically the Attorney General stated that he “supports the use of securitization bonds under the [Act] to allow recovery of historic natural gas costs over a longer, more manageable period of time and at a lower interest rate than would otherwise be available.”³

Despite the newly enacted option for securitization, which simply offers utilities another mechanism to recover the costs it would otherwise be allowed to collect from its customers, the requirement by the Commission to determine the utility’s prudently incurred costs under securitization is far from new. Every year, the Commission reviews and monitors utilities’ fuel adjustment or purchase gas adjustment clauses (“FAC(s)”) ⁴ and the prudence of the utilities’ fuel procurement processes and costs for the corresponding calendar year.⁵

² 74 OKLA. STAT. § 5062.1 *et seq.*

³ Attorney General’s Statement of Position at 1.

⁴ 17 OKLA. STAT. §§ 251-257. The PUD conducts audits of the FAC to determine whether the application of the utility’s current FAC was arithmetically accurate for the calendar year. Such audit ensures the utility charged its customers only the cost of its fuel, purchased gas or purchased power without any additional expenses or return. Pursuant to 17 OKLA. STAT. § 251, regulated utilities cannot earn a return on fuel, purchased gas or purchased power.

⁵ OAC 165:50-5-3 requires the Commission to conduct an annual review of a public utility’s gas purchases. In connection with the annual review of ONG’s gas purchases, PUD also conducts an annual prudence review to examine whether the cost of fuel, purchased gas or purchased power incurred by the utility was prudent. The prudence review is a comprehensive review that examines the reasonableness of a regulated utility’s practices, policies, and decisions regarding fuel-related investments and expenses. While a prudence review may consider and incorporate the findings

In this Cause, PUD conducted a thorough audit and review of all gas supply costs arising from the 2021 Winter Weather Event, and ONG cooperated fully to facilitate the PUD's audit.⁶ PUD's review was no different than the annual FAC/prudence cases that PUD has conducted for years. The only distinction here is that the review is limited to the period of time of the 2021 Winter Weather Event.⁷

After thorough review of the entire record, the Commission determines that according to the Act, ONG is eligible to recover through securitization extreme purchase costs of \$1,284,101,405, extraordinary costs of \$33,429,793 and carrying costs estimated to be \$21,375,249 through the date of issuance of ratepayer-backed bonds calculated in the manner described herein, and bond issuance costs (collectively, the "Approved Qualified Costs"). This Final Financing Order ("Order") approves such recovery as more fully detailed herein. Ultimately this Order: (i) approves the issuance of ratepayer-backed bonds (the "Bonds") by the ODFA to finance the recovery of the Approved Qualified Costs; (2) approves the proposed financing structure and parameters for any final bond issuance; (3) authorizes the creation of securitization property in favor of the Utility, including the right to impose and collect an irrevocable and nonbypassable charge (herein, "winter event securitization charge" or "WESCR Charge(s)"); (4) authorizes the sale of such securitization property to the ODFA to secure repayment of the Bonds; (5) approves a nonbypassable mechanism to ensure that customers of the utility cannot evade paying the WESCR Charges as long as the Bonds are outstanding; (6) approves a true-up and reconciliation procedure to ensure that the WESCR Charges will be adjusted from time to time such that the amounts collected will be sufficient to pay the Bonds and associated financing costs; and (7) approves a tariff to implement the WESCR Charge, all as described in the Act. This Order is organized to include the following:

- Part I provides a statutory overview of the Act to give context to this Order;
- Part II discusses the determination and quantification of the 2021 Winter Weather Event related qualified costs eligible for recovery under the Act;
- Part III describes how the Utility has demonstrated a securitization will result in customer savings and otherwise satisfy the requirements of the Act;
- Part IV describes how the Utility proposes to structure the securitization and allocate, impose and collect the WESCR Charges in a manner which satisfies the requirements of the Act;
- Part V describes the Bond structure for the securitization designed to recover the Approved Qualified Costs in a manner which will be consistent with published rating agency criteria to ensure the highest possible ratings on the Bonds to best maximize savings to customers; and

of the fuel audit, it must go beyond the calculations to examine the prudence of a utility's overall fuel-related policies and decisions, based upon information available when those decisions were made, and whether the resulting charges are just and reasonable.

⁶ Tr. 68:18-23, 77:7-16, 97:4-17; Wreath Stipulation 4:1-11,10:6-14; Stroup Stipulation 4:16 – 5:3; Stroup Responsive 6:1-7; 8:10-15; McCoy Responsive 6:10-15.

⁷ 74 OKLA. STAT. §§ 9072(3) and (6).

- Part VI describes certain Bond issuance cost associated with the Bond issuance process and ongoing financing costs and their recovery from proceeds of the Bonds or WESCR Charges, as appropriate.

I. BACKGROUND AND STATUTORY OVERVIEW

In February 2021, the State of Oklahoma experienced an extreme weather event that brought nearly two weeks of record cold temperatures to the state. The extreme cold weather resulted in a shortage of natural gas supply, the failure of certain infrastructure, and enhanced demand for natural gas and electric power. The extreme weather conditions resulted in extraordinary costs for regulated utilities operating in the state. To mitigate such extraordinary costs the Oklahoma Legislature enacted, and the Governor of Oklahoma signed into law, the Act to provide financing options to lower the immediate economic impact on consumers.

The Act authorizes the Commission, in any case where a regulated utility is requesting recovery of extreme purchase costs or extraordinary costs or both related to the 2021 Winter Weather Event eligible for recovery under the Act, to approve the recovery of such costs through securitization in order to mitigate the impact of such recovery on customer bills.⁸ The Act provides that the Commission must consider certain factors (“Section 9073 factors”) when determining whether the costs mitigated by the recovery through ratepayer-backed bonds, including whether the existence of substantial revenue requirement savings through the issuance of the Bonds as compared to conventional financing methods, a longer amortization schedule to pay the Bonds than would ordinarily be practicable or feasible for the utility to implement such cost recovery and the ability to issue bonds at a cost which would not exhaust the potential savings.⁹ The Commission is also required to review the extreme purchase costs and extraordinary costs of the utility and determine whether the amounts incurred would otherwise be recoverable from customers as fair, just, and reasonable expenses and prudently incurred.¹⁰

Upon the determination that the costs are subject to recovery under the Act, and may be mitigated by the issuance of ratepayer-backed bonds, the Commission is authorized and required to make additional findings and conclusions in a financing order to support the issuance of ratepayer-backed bonds, as provided in 74 OKLA. STAT. § 9074(A). The Utility and intervening parties have submitted testimony addressing such findings and conclusions, which are further addressed in Part IV of this Order.

The Act authorizes the creation of a new property right, called securitization property, to secure payment of the ratepayer-backed bonds.¹¹ The securitization property consists of the right to receive revenues, in the form of the WESCR Charge, which must be imposed on and collected from customers through a nonbypassable mechanism to ensure that customers cannot avoid paying the WESCR Charge. The nonbypassable mechanism must provide that the WESCR Charge is payable by each utility customer within the service territory of the utility in effect as of the date of the applicable financing order and such charge cannot be modified or avoided by the customer

⁸ 74 OKLA. STAT. § 9073.

⁹ *Id.* at § 9073(C).

¹⁰ *Id.* at § 9073(E).

¹¹ *Id.* at § 9075(A).

through switching utility providers, switching fuel sources or materially changing usage, and must be paid by the customer for as long as the ratepayer-backed bonds are outstanding.¹² In addition, the nonbypassable mechanism requires a true-up and reconciliation process by which the WESCR Charge must be adjusted from time to time to ensure that expected revenues from the charge are sufficient to ensure the timely payment of the Bonds, together with all costs necessary to service and administer the Bonds.¹³ These servicing and administration costs, as well as other costs necessary to manage the structure, all as described more fully herein, are collectively referred to as “ongoing financing costs.”

Securitization property constitutes a present property right susceptible of ownership, sale, assignment, transfer, and security interest, and the property will continue to exist until the Bonds issued pursuant to this Order are paid in full and all ongoing financing costs of the Bonds have been recovered in full.¹⁴ In addition, the interests of a pledgee or secured party in securitization property (as well as the revenues and collections arising from the property) are not subject to setoff, counterclaim, surcharge or defense by the Utility or by any customer, or in connection with the bankruptcy of the Utility or any other entity.¹⁵

The Act authorizes the sale of the securitization property by the Utility to the Authority, which in turn and simultaneously, will issue the Bonds, and pledge the securitization property and any other collateral to the payment of the Bonds.

The Act further provides:

Upon the issuance of any financing order pursuant to this section, the periodic determination of factors for customer collection with true-up and reconciliation authorized by the financing order shall not be removed, adjusted or interrupted by any other regulatory determination of the Commission, except where adjustments are warranted as a result of an audit of amounts actually collected from customers and provided to the Authority or where insurance proceeds, government grants or other funding sources offset or reduce the amount of extreme purchase costs and extraordinary costs to be recovered from customers. No adjustments shall in any manner impair or prevent the collection of sufficient revenues to service and repay ratepayer-backed bonds.¹⁶

In this Order, the Commission determines that any insurance proceeds, government grants or other funding sources will not be applied to the payment of the Bonds, but will instead be credited to customers through another mechanism described in this Order.

The Act amends the Authority Act to authorize the ODFA to issue ratepayer-backed bonds authorized pursuant to the Act.¹⁷ In the Authority Act, the State of Oklahoma has pledged to and agreed with the owners of any Bonds issued by the ODFA under the Act that the State will not limit or alter the rights vested in the Authority, including the rights to be held by the Authority in

¹² *Id.* at § 9072(5).

¹³ *Id.* at § 9072(12).

¹⁴ *Id.* at § 9075(B).

¹⁵ *Id.* at § 9075(D).

¹⁶ *Id.* at § 9074(H).

¹⁷ *Id.* at § 5062.8(28).

this Order and the securitization property, to fulfill the terms of any agreements made with the owners thereof or in any way impair the rights and remedies of the owners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the owners, are fully met and discharged (the “State Pledge”).¹⁸ This Order requires the Bonds to include a recitation of the State Pledge.

The Commission may adopt a financing order providing for the retiring and refunding of the Bonds.¹⁹ The Utility has not requested, and this Order does not grant, any authority to refinance the Bonds authorized by this Order. However, this Order does not preclude the filing of a request for a financing order under 74 OKLA. STAT. § 9077(D) to retire or refund the Bonds approved in this Order, after proper notice and hearing, and upon a showing that the customers would benefit and that such a financing is consistent with the terms of the Bonds.

To facilitate compliance and consistency with applicable statutory provisions, this Order adopts the definitions in the Act.

II. DETERMINATION OF QUALIFIED COSTS

The Stipulating Parties proposed that, among other things, a total of \$1,284,101,405 of ONG’s extreme purchase cost should be deemed prudent and reasonable by the Commission. The Stipulating Parties also proposed that the total amount to be securitized, including ONG’s extreme purchase cost, extraordinary cost and other associated costs, including ONG carrying cost, financing cost and upfront securitization cost authorized for recovery, is estimated to be a total of \$1,357,300,000 and the Commission should issue a financing order for the securitization of approximately \$1,357,300,000 as the Approved Qualified Costs.

III. SATISFACTION OF SECTION 9073 FACTORS

The Act provides that the Commission must consider the Section 9073 factors when determining whether costs will be mitigated by the recovery through ratepayer-backed bonds, including whether substantial revenue requirement savings will be realized through: (i) the issuance of the Bonds as compared to conventional financing methods; (ii) a longer amortization schedule to pay the Bonds than would ordinarily be practicable or feasible for the Utility to implement such cost recovery; and (iii) the ability to issue Bonds at a cost which would not exhaust the potential savings.

In its testimony, ONG demonstrated that as a result of the issuance of the Bonds, customers will realize substantial revenue requirement savings when compared to traditional utility financing. Based on the amount to securitize per the Settlement Agreement, the Utility’s financial analysis indicates that the customers will realize savings in the aggregate amount of \$700 million (net present value) when comparing a 25-year securitized AAA bond at the expected weighted average interest rate of 2.35% to traditional utility financing at the Utility’s most recent approved 8.88% rate of return for the same time period.²⁰ For a typical Choice B (equal to or greater than 50

¹⁸ *Id.* at § 5062.15.

¹⁹ *Id.* at § 9077(D).

²⁰ Slaughter Rebuttal 12:11 – 13:5; Slaughter Stipulation 7:14-18; Corrected Rebuttal Exhibit CMS-3.

Dth/year) residential customer, this amounts to a monthly savings of approximately \$7.76 and a savings of \$4.59 for a typical Choice A (less than 50 Dth/year) residential customer. Accordingly, the Commission concludes that the substantial revenue requirement savings for customers set forth in the record are indicative of the savings that customers will realize from the approval of securitization approved herein. The Commission agrees that securitization should result in substantial revenue requirement savings.

The Settlement Agreement has also proposed that the Bonds be amortized over a 25-year period, which is a longer amortization schedule than would ordinarily be practicable or feasible for the Utility to finance its obligations. However, a shorter amortization period is permitted if a shorter term will provide for a lower monthly charge for customers.

The Utility has demonstrated that the costs of issuing the Bonds are not expected to exhaust or offset expected savings to customers.²¹ The Utility has estimated that even if projected costs of issuance were doubled, savings would still be significant.

Further, in the Issuance Advice Letter, the form of which is included as Appendix A (“Issuance Advice Letter”), the Utility will provide an updated savings analysis based upon the actual pricing and terms of the Bonds and the final costs of issuance.

Accordingly, in this Order, the Commission determines that the Utility has demonstrated that the issuance of the Bonds will satisfy the Section 9073 factors and should be approved.

IV. DISCUSSION OF CERTAIN FINANCING ORDER REQUIREMENTS

Pursuant to 74 OKLA. STAT. §9074(A), the Commission is required to include findings and conclusions with respect to certain matters. Certain of these matters, not otherwise discussed in this Order, are addressed below.

Bond Maturities: The Stipulating Parties have requested in the Settlement Agreement that the Commission authorize that the Bonds be amortized over a period not to exceed 25 years, using a relatively level annual debt service structure, or a shorter term to obtain the most favorable term for customers that will result in the lowest reasonable monthly charge for customers. In this Order, the Commission finds the Stipulating Parties’ proposal to be reasonable and approves the payment of the Bonds based upon relatively level annual debt service structure and with a scheduled final payment date not to exceed 25 years from the date of issuance and a legal final maturity, but which may not be longer than 30 years from the date of issuance; and further provided a shorter amortization period is permitted, as determined by ODFA with approval of the State Deputy Treasurer for Policy and Debt Management,²² if such a term will provide for a lower monthly charge for customers.

Irrevocable and Nonbypassable Mechanism to impose and adjust winter event WESCR charges: In order to generate sufficient cash flow to pay the Bonds and related ongoing financing

²¹ Slaughter Stipulation 8:1-8.

²² Referred to in the Act as Deputy Treasurer for Policy and Debt Management and given the title of Deputy Treasurer for Debt Management in 62 O.S. § 695.7(A).

costs, the Stipulating Parties have proposed²³ a mechanism to impose the WESCR Charge as a monthly per capita charge based on a customer class methodology, calculated based upon factors described in Appendix B to this Order (“WESCR Mechanism”). The WESCR Mechanism, as modified in this Order, will remain in effect until the complete repayment and retirement of the Bonds and ongoing financing costs authorized by this Order.

The WESCR Charge would be payable by all sales customers excluding those enrolled in the Utility’s Voluntary Fixed Price (“VFP”) Plan during the winter storm and excluding Low Income Heating Energy Assistance Program (“LIHEAP”) customers. Customers enrolling in the VFP Plan for future enrollment periods will pay the WESCR Charge. The VFP Plan allows for residential and small commercial customers to pay a fixed price per dekatherm for the plan year, which runs from each November 1 through October 31 of each year.²⁴ The Utility will calculate the WESCR Charge according to the WESCR Mechanism, including the allocation among tariff groups (each a “WESCR Customer Class”). The mechanism and, as described below, the allocation among WESCR Customer Classes, will, subject to the filing of a non-standard true-up adjustment described below, remain in effect until the complete repayment and retirement of the Bonds and ongoing financing costs authorized by this Order.

As required by 74 OKLA. STAT. § 9074(A)(3), the record also includes evidence that describes features demonstrating how the WESCR Charge will be nonbypassable to customers. Features that contribute to the irrevocable and nonbypassable character of the recovery mechanisms of the WESCR include: (1) the fixed monthly securitization charge which mitigates against material changes in usage; (2) provisions of this Order to mitigate against customer avoidance of the securitization charge by underpayment of a monthly bill by requiring allocation of any such underpayment between the securitization charge and the gas service bill; (3) the semi-annual true-up mechanism which provides for securitization charges to be adjusted based on changes in billing determinants among and within classes of customers; (4) the securitization fee is applicable to new customers, and ONG’s sales customer base has steadily grown by 13% over the past 20 years, which mitigates loss by attrition; (5) 11 O.S. § 14-107 (Oklahoma House Bill 3619) mitigates the risk of fuel switching by prohibiting local government from adopting ordinances, rules or codes that restrict connections to a natural gas utility; (6) the cost of conversion from gas to electricity in existing structures mitigates the risk of fuel switching; (7) securitization charges by electric utilities which could mitigate the risk of fuel switching from gas to electricity; and (8) the indication of market confidence in gas utilities reflected in their high credit ratings.²⁵ In this Order, the Commission finds that this nonbypassable mechanism satisfies the requirements of the Act and is consistent with the goal of obtaining the highest possible ratings on the Bonds.²⁶

²³ Settlement Agreement, ¶7.

²⁴ Slaughter Direct 18:8-11.

²⁵ See, WESCR Mechanism, Appendix B; Slaughter Rebuttal 8:3 – 11:8; Wreath Stipulation 5:8 – 7:21.

²⁶ Slaughter Direct 11:5-10; Stroup Responsive 13:1-14:2; Bartolotta Responsive 16:12-17:2, 48:11-49:4, 80:8-13; Slaughter Rebuttal 7:16-8:16; Wreath Stip. 6:5-7:15; Stroup Stip. 8:15-9:5; Slaughter Stip. 10:6-8, 14:2-20; Tr. 111:2-112:23, 192:2-194:2, 221:12-21.

Frequency of True-Ups and Reconciliation: The Stipulating Parties have agreed in the Settlement Agreement that the WESCR Charge will be adjusted (or true-up) semi-annually to ensure that the WESCR Charge collections are sufficient to ensure the timely payment of the Bonds. The Stipulating Parties have further recommended in the Settlement Agreement, by agreeing to the WESCR Mechanism, that the Utility should submit any such adjustments to PUD every six months after the initial WESCR Charge is determined at the time of issuance of the Bonds. The calculation for any adjustment should be submitted at least 30 days prior to the proposed effective date and the PUD review should be limited to review during the 30-day period for mathematical corrections with any associated adjustments going into effect on the proposed effective date.²⁷ Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment, will be made in future true-up adjustments.

Hilltop Securities, as financial advisor to the Authority and the Commission (the “Financial Advisor”) has testified that the true-up should be allowed more frequently if required to obtain the highest possible bond ratings. The Financial Advisor has also testified that the true-up should occur quarterly following the final scheduled payment date of the Bonds. In this Order, the Commission agrees with these recommendations by the Financial Advisor. The true-up will also be required quarterly commencing 12 months prior to the scheduled final payment date of the Bonds and at any time if the Servicer²⁸ forecasts that WESCR Charge collections will be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or to replenish any draws on the debt service reserve subaccount (“DSRS”) or as required to obtain the highest possible ratings on the Bonds by the rating agencies. The frequency and timing of true-ups shall be documented in the Issuance Advice Letter.

The Financial Advisor also testified that, to ensure the highest possible rating on the Bonds, the true-up adjustments requested by the Servicer should be automatic and subject to review by the Commission solely for the correction of mathematical error. The Commission approves this approach, with the clarification that PUD will be responsible for reviewing the true-up adjustments for this purpose. The Commission supports this process to make all reasonable efforts to achieve the highest possible rating on the Bonds.

Adjustment Methodology: Each True-Up Letter and Non-Standard True-Up Letter (as described below), the forms of which are included as Appendix D and Appendix E, respectively, to this Order, will calculate a revised WESCR Charge for the Bonds in accordance with the WESCR Mechanism. Generally, the WESCR Charge will be calculated by the Servicer as follows:

- First, the Servicer will calculate the Periodic Payment Requirement (as defined below) for the next six-month period, or if shorter the period from the adjustment date (or, in the case of the initial WESCR Charge calculation, the closing date of the Bonds) to and including the next bond payment date, as well as the Periodic Payment Requirement for the next succeeding six month period ending on the following bond payment date (each, a “Payment Period”). The “Periodic Payment Requirement” or “PPR” covers all scheduled (or legally due) payments of principal (including, if any, prior scheduled but

²⁷ See, WESCR Mechanism, Appendix B.

²⁸ As used in this Order, the term “Servicer” shall include any entity acting as successor, replacement or alternate servicer to the Utility, as provided herein.

unpaid principal payments), interest, and other ongoing financing costs to be paid with WESCR Charge revenues during such Payment Period. The Periodic Billing Requirement will then be calculated, using the most recent information of the Servicer regarding write off, average days sales outstanding data or other collection data, to determine the amount of WESCR Charge revenue that must be billed during each Payment Period to ensure that sufficient WESCR Charge revenues will be received to satisfy the Periodic Payment Requirement for such Payment Period. Such amount is referred to as the “Periodic Billing Requirement” or “PBR”;

- Second, the PBR for each Payment Period is allocated among each WESCR Customer Class using the Energy Allocation Factor (described within Paragraph “Allocation of Revenue Requirements Among Various WESCR Customer Classes” below);
- Third, the WESCR Charge for each WESCR Customer Class for each Payment Period is determined by dividing each WESCR Customer Class’s respective portion of the PBR for the Payment Period by their respective customer counts for the Payment Period; and
- Finally, after such calculations are made, the WESCR Charge for each Customer Class for the next Payment Period and the next succeeding Payment Period will be compared and the higher WESCR Charge will be the WESCR Charge effective for such Customer Class on the next adjustment date.

The Servicer will use its latest customer counts, as well as its latest write-off, days sales outstanding and other collection and delinquency experience to calculate the WESCR Charge.

All true-up adjustments to the WESCR Charges will ensure the billing of WESCR Charges necessary to satisfy the Periodic Payment Requirement for the Bonds for each Payment Period during such 12-month period (or shorter period) following the adjustment date of the WESCR Charge. True-up adjustments will be based upon the cumulative differences, regardless of the reason, between the Periodic Payment Requirement and the actual amount of WESCR Charge collections remitted to the bond trustee for the Bonds.

Allocation of Revenue Requirements Among Various WESCR Customer Classes: The Stipulating Parties have agreed and recommend that costs associated with the Bonds should be allocated among WESCR Customer Classes based on actual usage during the month of February 2021.²⁹ Because ONG customers are not metered in real time, it is not possible to tailor more closely the cost allocation based on the nine-day duration of the winter storm event.³⁰ The resulting allocation among WESCR Customer Classes is set out in Sections 2 and 5 of the WESCR Mechanism.³¹ Except as adjusted in a non-standard true-up adjustment, the Allocation Factors will be fixed for the life of the Bonds. In this Order, the Commission finds such allocation methodology reasonable and equitable to customers, and approves the methodology.

²⁹ See, WESCR Mechanism, Appendix B; Slaughter Direct 11:14-19.

³⁰ Slaughter Direct 12:3-5.

³¹ WESCR Mechanism, Appendix B.

Non-Standard True-Up Adjustments: In addition, the Servicer will be required to request a non-standard true-up adjustment to reallocate costs among the WESCR Customer Classes if there is a significant change in the number of customers within one or more WESCR Customer Class. The Stipulating Parties have proposed that the threshold requiring such a non-standard true-up would be a 10% or greater change in the number of customers in one or more WESCR Customer Classes, to be calculated coincident with a routine semi-annual true-up.³² In such instance, the allocation factors described in the paragraph above will be recalculated based on the most recent 12 months normalized volume for each WESCR Customer Class. The Commission finds this request reasonable and consistent with an equitable allocation of the costs of debt service and ongoing financing costs associated with the Bonds.

Frequency of Remittances: The Financial Advisor has testified that it is customary for a utility to remit securitization charges to the bond trustee on a daily basis, within two business days of receipt of such charges. The Utility has indicated that as Servicer it is capable of remitting, and will remit WESCR Charges daily within two business days of receipt. The Financial Advisor has further testified that if the daily remittances are made on an estimated basis, the estimated remittances should be reconciled with actual collections no less often than semi-annually, with any over-remittances being returned to the Utility, in its capacity as Servicer, including any successor to the Utility or any subsequent Servicer of the Bonds, through a reduction in the amount of future remittances equal to such over-remittance and any under-remittances being paid over to the bond trustee by the Utility, in its capacity as Servicer, including any successor to the Utility or any subsequent Servicer of the Bonds within five business days. The Commission adopts these recommendations of the Financial Advisor.

V. DESCRIPTION OF PROPOSED FINANCING STRUCTURE

Set forth below is a description of the proposed financing structure, including a proposed servicing arrangement. The Commission finds the proposed structure is reasonable, consistent with the Act, and is approved.

A. General Description

The proposed financing structure includes all of the following:

- Creation of securitization property solely in favor of the Utility, which includes the right to bill and collect the WESCR Charge;
- Sale of the securitization property to the ODFA pursuant to the sale agreement;
- Issuance of the Bonds by the ODFA, consistent with the provisions set forth in this Order;

³² *Id.*

- Transfer of the net proceeds of the Bonds by the ODFA to the Utility³³ in consideration for the sale of the securitization property pursuant to the sale agreement;
- Collection on behalf of the ODFA of WESCR Charges by the Utility or its successors, as collection agent and Servicer, who will be responsible for billing and collecting the WESCR Charges from customers;
- Pledge of the WESCR Charges and rights under the transaction documents (as more fully defined in the Act, the “securitization property”) by the ODFA to the bond trustee as security for repayment of the Bonds;
- Benefits for federal income tax purposes including (i) the exclusion of the WESCR Charges from the taxable income of the Utility (Smith Direct 31:16 – 32:9.); (ii) avoiding federal corporate income tax on the operations of ODFA; (iii) the Bonds constituting obligations of the ODFA; and
- Automatic true-up and reconciliation mechanism.

Pursuant to the Act, ODFA will be responsible for issuing the Bonds pursuant to an indenture administered by a bond trustee. The Bonds will be secured by and payable solely out of the securitization property created pursuant to this Order and the Act and other collateral, including ODFA’s rights under the servicing agreement with the Utility. That collateral will be assigned and pledged to the bond trustee by the ODFA for the benefit of the holders of the Bonds and to secure payment due with respect to the Bonds and related financing costs.

Concurrent with the issuance of the Bonds, the Utility will sell the securitization property to ODFA pursuant to a sale agreement between ODFA and the Utility. This transfer will be structured so that it will qualify as a true sale within the meaning of 74 OKLA. STAT. § 9075(F) and that such rights will become securitization property concurrently with the sale to ODFA as provided in 74 OKLA. STAT. § 9075(G).

Pursuant to a servicing agreement, the Utility will act as the initial Servicer of the securitization property, including billing and collecting the WESCR Charges for the Authority, and will undertake to collect WESCR Charges from the customers and remit these collections to the bond trustee on behalf of the Authority. The Utility, in its capacity as Servicer will perform routine billing, collection and reporting duties on behalf of the Authority and will not be permitted to resign as Servicer unless it is no longer legally capable of serving in such capacity and until a successor Servicer meeting the requirements set forth in the transaction documents is in place. The Servicer will be responsible for making any required or allowed true-up and reconciliation of the WESCR Charges. If the Servicer defaults on its obligations under the servicing agreement, the Authority, or the bond trustee, at the direction of a majority of the bondholders, may appoint a successor Servicer.

³³ Pursuant to 74 OKLA. STAT. § 9077(I), the proceeds of the Bonds will be deposited with the State Treasurer pending disposition at the direction of the Authority. The proceeds will be delivered to the Utility pursuant to instructions included in the sale agreement between the Authority and the Utility as further described in this Order.

WESCR Charges will be calculated and adjusted from time to time, pursuant to the WESCR Mechanism as approved in this Order, to be sufficient at all times to pay all scheduled debt service, any past due amounts and other related ongoing financing costs for the Bonds on a timely basis.

B. The Indenture and Flow of Funds

Pursuant to the Act, a bond trustee will be appointed by the State Treasurer and approved by the Authority. The bond trustee will act as a representative on behalf of bondholders, remit payments to bondholders, and ensure bondholders' rights are protected in accordance with the terms of the transaction. The indenture will include provisions for a collection account and related subaccounts, all held by the trustee, for the collection and administration of the WESCR Charges and payment or funding of the principal of and interest on the Bonds and ongoing financing costs. The collection account will include the general subaccount, the DSRS and the excess funds subaccount, and may include other subaccounts as required to accommodate other credit enhancement.³⁴

The bond trustee will deposit the WESCR Charge remittances that the Servicer remits to the credit of the general subaccount. The bond trustee will on a periodic basis apply moneys in the general subaccount to pay expenses of the ODFA and the Utility, in its capacity as Servicer, related to the Bonds, to pay principal of and interest on the Bonds and to pay all other ongoing financing costs. Pending such application, the funds in the general subaccount will be invested by the bond trustee as provided in the indenture, and earnings will be deposited into the general subaccount and applied by the bond trustee to pay principal of and interest on the Bonds and all ongoing financing costs in accordance with the terms of the indenture.

When the Bonds are issued, the bond issuance costs will include a deposit into a cost of issuance account (or subaccount) and a deposit estimated at the time of hearing at 0.50% of the original principal amount of the Bonds to the credit of the DSRS. The DSRS deposit could be higher if required by the rating agencies to obtain the highest possible rating, which benefits customers. The exact amount will be determined by the Authority based upon rating agency considerations and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt Management, and reflected in the Issuance Advice Letter. The DSRS will serve as collateral to ensure timely payment of scheduled principal of and interest on the Bonds and all ongoing financing costs. The funds in this subaccount will be invested by the bond trustee as provided in the indenture. Any amounts in the DSRS will be available to be used by the bond trustee to pay principal of and interest on the Bonds and certain ongoing financing costs, if necessary, due to a shortfall in WESCR Charge collections. Any funds drawn from the DSRS to pay these amounts due to a shortfall in the WESCR Charge collections will be replenished through future WESCR Charge remittances. Funds remaining in the DSRS will be applied to the final payment of principal of the Bonds.

The excess funds subaccount will hold any WESCR Charge remittances and investment earnings on the collection account in excess of the amounts needed to pay current principal of and interest on the Bonds and to pay the ongoing financing costs. Any balance in or allocated to the

³⁴ References to accounts and subaccounts herein are for purposes of clarity. The account names and structure will be set forth in the indenture.

excess funds subaccount on a true-up adjustment date will be used as credit in calculating the next true-up adjustment. The money in this subaccount will be invested by the bond trustee as provided in the indenture, and such money (including investment earnings thereon) will be used by the bond trustee to pay principal of and interest on the Bonds and ongoing financing costs.

Other credit enhancements in the form of subaccounts may be utilized for the financing if such enhancements are anticipated to provide greater revenue requirement savings to customers as determined by the Authority, based upon rating agency considerations and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt Management. Such credit enhancements will be described in the Issuance Advice Letter.

In addition to the collection account, there may be such additional accounts and subaccounts, such as a cost of issuance account, as are necessary to segregate amounts received from various sources, or to be used for specified purposes. Such accounts will be administered and utilized as set forth in the servicing agreement and the indenture.

Upon the maturity of the Bonds and the discharge of all obligations in respect thereof, remaining amounts in the collection account will be released by ODFA to the Utility, in its capacity as Servicer, for crediting to customers, solely on behalf of the Authority, as required by this Order.

C. Servicing Arrangements

The Financial Advisor has provided testimony concerning the purpose and provisions of the servicing agreement as well as compensation arrangements that reflect investor and rating agency expectations as well as minimize customer costs.

The servicing agreement is an agreement between the Utility, as the initial Servicer of the securitization property, and the Authority, as owner of the securitization property. It sets forth the responsibilities and obligations of the Servicer, including, among other things, billing and collection of winter event securitization charges, responding to customer inquiries, terminating service, filing for true-up adjustments, and remitting collections to the State Treasurer or bond trustee for distribution to bondholders. The servicing agreement prohibits the Utility from resigning as initial Servicer unless it is unlawful for the Utility to continue in such a capacity. The Utility's resignation as Servicer would not be effective until a successor Servicer assumes its obligations in order to continue servicing the securitization property without interruption. The Servicer may also be terminated from its responsibilities under certain instances, such as the failure to remit collections within a specified period of time, by the Authority or the bond trustee upon a majority vote of bondholders. Any merger or consolidation of the Servicer with another entity, any purchase of the operational assets of the Servicer, or any transfer of the Servicer's entity or operational assets in connection with a bankruptcy proceeding will require the merged entity, successor or purchaser to assume the Servicer's responsibility under the servicing agreement. The terms of the servicing agreement are critical to the rating agency analysis of the Bonds and the ability to achieve credit ratings in the highest categories.

As compensation for its role as initial Servicer, the Utility is entitled to earn a servicing fee payable out of WESCR Charge collections. As explained in the Financial Advisor's testimony, it is important to the rating agencies' analysis of the transaction that the Utility receives an arm's-length fee as Servicer of the securitization property. However, it is customary in other utility securitizations for utilities, in their capacity as Servicer, to be paid a fee based upon their incremental costs of providing servicing. It is also common for utilities to be required to include

the servicing fee, as well as servicing costs not in excess of the servicing fee, as part of their reported revenue requirements in the utility's base rate proceedings. This process ensures that utilities are not paid more than what is minimally required to service the Bonds and to ensure that any excess payments be credited back to customers. The Commission approves this compensation and reconciliation process, as further discussed herein.

As also explained by the Financial Advisor, utility securitizations to date have also permitted an increase in the servicing fee should a successor Servicer, which is not part of the utility's business and who decouples the securitization charge bill from other bill amounts, assume the obligations of the utility, as Servicer, because the successor Servicer would require additional inducement due to its lack of a pre-existing servicing relationship with the utility's customers. Financing orders in utility securitizations often approve a substantially higher fee for a successor Servicer. The majority of recent transactions have provided for successor Servicer annual fees of approximately 0.60% of the initial balance of the Bonds or greater. Recent transactions in Texas and Louisiana provided for annual successor servicer fees of up to 0.60% of the initial balance of the Bonds; however, recent transactions in California provided that the public utilities commission may approve a higher fee without stating any limit if such fee does not adversely affect the then-current ratings on the related Bonds. Further, the Financial Advisor stated that a defined successor servicer fee is helpful for rating agencies, who will use the capped fee in their various stress analyses. Similar to the transactions in other jurisdictions, the Financial Advisor has recommended that the proposed financing order allow a successor Servicer to collect a higher servicing fee at a rate approved by the Commission provided, however, that no such approval would be required if the annual fee does not exceed 0.60% of the initial balance of the Bonds.

In this Order, the Commission authorizes an annual successor servicing fee up to 0.60% of the initial balance of the Bonds conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. Moreover, should the successor Servicer seek a servicing fee higher than 0.60%, such fee is not approved. Any servicing fee higher than 0.60% requires Commission approval in a subsequent proceeding. The Commission approves these servicing arrangements as discussed herein.

D. Use of Proceeds

The proceeds of the Bonds, net of bond issuance costs payable by the Authority (including costs payable to the Utility and amounts required to be deposited to the DSRS), will be deposited with the State Treasury and immediately disbursed pursuant to the instructions of the Authority to the Utility to pay the cost of purchasing the securitization property. The Utility, in turn, will use the proceeds, to pay or reimburse itself for the Approved Qualified Costs pursuant to the terms of this Order.

E. Approval of Final Bond Terms; Issuance Advice Letter

The Commission recognizes that certain details of the final Bond structure, such as any overcollateralization requirements or credit enhancements to support payment of the Bonds, and the final terms of the Bonds will depend in part upon the rating criteria of the nationally recognized credit rating agencies which will rate the Bonds and/or, in part, upon the market conditions that exist at the time the Bonds are taken to the market. This Order establishes and approves a financing structure as well as parameters for the Bonds, including maximum final scheduled payment dates, a weighted average interest rate on the Bonds, the method by which the Bonds should be amortized,

as well as limits on certain costs to be incurred by the Utility, including Utility bond issuance costs and Utility servicing fees. As authorized by the Act, ODFA, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, will determine and approve the final terms of the Bonds consistent with the terms of this Order. Within three business days of the pricing of the Bonds, ODFA and the Utility will jointly submit to PUD, for information purposes (except with respect to the Utility certification), an Issuance Advice Letter evidencing the final terms of the Bonds, projected (or actual) costs of issuance and ongoing financing costs, projected customer savings, as well as the initial WESCR Charges. Failure or delay in submitting such report will not affect the validity of the Bonds or their security.

VI. BOND ISSUANCE AND ONGOING FINANCING COSTS

A. Bond Issuance Costs

Bond issuance costs will be incurred in connection with the issuance of the Bonds and will be recoverable from proceeds of the Bonds. See Appendix C (Estimated Issuance Costs and Ongoing Financing Costs). Bond issuance costs include, without limitation, the cost of funding the DSRS, underwriting costs (fees and expenses), rating agency fees, costs of obtaining additional credit enhancements (if any), the Commission (including PUD) expenses, fees and expenses of the Authority's and the Utility's accountants and legal advisors (including bond counsel, special counsel and disclosure counsel), fees and expenses of the Financial Advisor, original issue discount, external servicing costs, fees and expenses of bond trustee and its counsel (if any), servicer set up costs, printing and filing costs, non-legal financing proceeding costs and expenses of ODFA, the Utility, the Commission (including the PUD) and the State Treasurer or other State officials and miscellaneous administrative costs. ODFA has no control over issuance costs incurred pursuant to a financing under the Act, apart from ODFA related issuance costs. The only issuance costs to be incurred directly by the Utility are servicer set up costs, costs related to regulatory proceedings, miscellaneous administrative costs, external servicing costs and the costs of the Utility's financial and legal advisors and accountants (collectively, "Utility Issuance Costs"). The Utility has provided a detailed estimate of its Utility Issuance Costs in its testimony. The Commission will have control over Utility Issuance Costs through its jurisdictional control over the Utility. All other issuance costs (collectively, "Non-Utility Issuance Costs") will be outside the control of the Utility because the issuer of the Bonds, the Authority, is an instrumentality of the state.

The Commission is mindful of the fact that several of the components of bond issuance costs will vary depending upon the size of the final issuance of the Bonds. Specifically, the Commission realizes that some of the following costs may be proportional to the amount of Bonds actually issued, as described in the final Issuance Advice Letter: the DSRS, rating agency fees, special counsel fees, fees and expenses of the Council of Bond Oversight and Attorney General, and underwriters' fees are proportional to the amount of Bonds actually issued. Further, other issuance costs, such as ODFA and Utility legal and accounting fees and expenses, and printing expenses will not be known until the issuance of the Bonds or even thereafter, when final invoices are submitted. In this Order, the Commission approves the recovery by the Utility of the Utility Issuance Costs, subject to a cap of \$500,000 (the "Utility Issuance Cost Cap"). An estimate of the Non-Utility Issuance Costs was described in the testimony of the Financial Advisor. The actual or estimated (such estimate to be closer in time to the date of the issuance of the Bonds) Non-Utility Issuance Costs will be set out in the Issuance Advice Letter. All other Non-Utility Issuance

Costs are also approved for recovery, subject to the final approval of costs by the Authority and the State Deputy Treasurer for Policy and Debt Management.

B. Ongoing Financing Costs

Costs will be incurred by the Utility, in its role as Servicer, as well as by the Authority and other state agencies in connection with the servicing and administration of the Bonds. These costs should not be included in the principal amount of the Bonds, and are authorized to be recovered through the WESCR Charges, subject to the true-up of those charges as provided in this Order. The Financial Advisor estimates that these ongoing annual costs (exclusive of debt service on the Bonds and the servicing fee and external accounting costs of the Utility) will be approximately \$1,113,683 for the first year following the issuance of the Bonds (assuming the Utility is the initial Servicer), but many ongoing costs will not be known until they are incurred. The Utility has proposed an annual servicing fee for acting as initial Servicer following the issuance of the Bonds equal to 0.05% of the original principal amount of the Bonds for acting as initial Servicer. This fee will be fixed for the life of the Bonds and continuing thereafter until all WESCR Charges have been billed and collected or written off as uncollectible as long as the Utility continues to act as Servicer. In addition, the Utility, as initial Servicer, has requested that it should be entitled to receive reimbursement for its out-of-pocket costs for external accounting services to the extent external accounting services are required by the servicing agreement, as well as for other items of cost (excluding external information technology costs, bank wire fees and legal fees, which are part of the servicing fee) that will be incurred annually to support and service the Bonds after issuance. As later discussed, the Utility is directed to include the servicing fee, as well as servicing costs, as part of the Utility's subsequent general rate proceeding, as applicable, to ensure that the Utility does not collect more than its incremental costs.

In the event that the Servicer default occurs, the Authority, or the bond trustee acting at the direction of a majority of the bondholders, will be permitted to appoint a successor Servicer. The compensation of the successor Servicer will be what is required to obtain the services under the servicing agreement. As previously discussed, the Financial Advisor has recommended that the Commission approve a fee up to 0.60% of the initial principal balance of the Bonds in case a successor needs to be appointed, unless the ODFA can reasonably demonstrate to the Commission, in a subsequent proceeding, that the services cannot be obtained at that compensation level under the market conditions at that time. As stated in V(C), the Commission authorizes an annual successor servicing fee up to 0.60% of the initial balance of the Bonds conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. Moreover, should the successor Servicer seek a servicing fee higher than 0.60%, such fee is not approved. Any servicing fee higher than 0.60% requires Commission approval in a subsequent proceeding. The Commission approves these servicing arrangements.

As set forth herein, the ODFA, the Utility and the Commission should be and are permitted to recover from WESCR Charges their ongoing financing costs, as requested by the Utility and ODFA, subject to the cap on the annual servicing fee and conditions described above.

VII. FINDINGS OF FACT

The Commission makes the following findings of fact:

A. Identification and Procedure

Identification of Applicant and Background

1. ONG is a natural gas public utility providing local distribution service to approximately 895,000 residential, commercial, industrial and transportation customers throughout the State of Oklahoma. ONG is incorporated in the State of Oklahoma and is subject to the regulatory authority of the Commission with respect to its retail rates and charges for sales of natural gas made within the State of Oklahoma.

2. In February 2021, Oklahoma experienced an extreme weather event that brought nearly two weeks of record cold temperatures to the state. The extreme cold weather resulted in a shortage of natural gas supply, the failure of certain infrastructure, and enhanced demand for natural gas and electric power. The extreme weather conditions resulted in the Utility incurring extreme purchase costs, extraordinary costs or both that would be mitigated by issuing the Bonds.

Procedural History

3. On April 29, 2021, ONG initiated this Cause by filing the Application herein for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event Pursuant to the Act.

4. On May 7, 2021, Jared B. Haines and A. Chase Snodgrass filed an Entry of Appearance on behalf of the Attorney General.

5. On May 10, 2021, PUD filed its Motion to Engage a Financial Advisor(s) or Other Consultants and its Notice of Hearing for Motion to Engage a Financial Advisor(s) or Other Consultants.

6. On May 20, 2021, the Commission issued Order No. 718477 granting PUD's Motion to Engage a Financial Advisor(s) or Other Consultants.

7. On May 28, 2021, Rick D. Chamberlain filed his Entry of Appearance on behalf of Walmart Inc.

8. On July 30, 2021, ONG filed is Motion to Establish Procedural Schedule and its Notice of Hearing for Motion to Establish Procedural Schedule.

9. Also on July 30, 2021, ONG filed its Motion for Protective Order and its Notice of Hearing for Motion for Protective Order.

10. Also on July 30, 2021, ONG filed the direct testimony of Cathy Hibbard, Jim Jarrett, Bernadette M. Johnson, Cory Slaughter, and Mark W. Smith in support of the Application.

11. On August 4, 2021, ONG filed its Motion for Order Prescribing Notice of Hearing and its Notice of Hearing for Motion for Order Prescribing Notice of Hearing.

12. On August 24, 2021, the Commission issued Order No. 720198 granting ONG's Motion to Establish Procedural Schedule, Order No. 720199 granting ONG's Motion for Prescribing Notice of Hearing, and Order No. 720200 granting ONG's Motion for Protective Order.

13. On August 25, 2021, ONG filed the supplemental direct testimony of Mark W. Smith.
14. On August 26, 2021, ONG filed its Notice of Withdrawal of Appearance for Johanna Roberts.
15. On October 4, 2021, PUD filed the responsive testimony of the Financial Advisor, JoRay McCoy, and Isaac D. Stroup, respectively.
16. On October 5, 2021, PUD filed a Draft Financing Order.
17. On October 8, 2021, Walmart Inc. filed its Statement of Position.
18. On October 8, 2021, the Attorney General filed its Statement of Position.
19. On October 25, 2021, ONG filed the rebuttal testimony of Cory Slaughter and Kent Shortridge.
20. On November 2, 2021, ONG filed its Corrected Exhibit CMS-3.
21. On November 18, 2021, PUD filed the summaries of the responsive testimony of Isaac D. Stroup and JoRay McCoy.
22. Also on November 18, 2021, ONG filed its Exhibit List.
23. Also on November 18, 2021, the Attorney General filed its Exhibit List.
24. Also on November 18, 2021, the parties filed the Settlement Agreement.
25. Also on November 18, 2021, ONG filed Testimony in Support of the Settlement Agreement by Cory Slaughter.
26. On November 19, 2021, PUD filed Testimonies of Brandy L. Wreath and Isaac D. Stroup in Support of the Settlement Agreement.
27. Also on November 19, 2021, ONG filed Affidavit of Service certifying compliance with the Commission's Order No. 720199, Order Granting Motion for Order Prescribing Notice of Hearing.
28. On November 22, 2021, the Cause came on for hearing on the merits before the ALJ. After public comment was taken, the evidentiary hearing was commenced. ONG presented Kent Shortridge and Cory Slaughter in support of the Settlement Agreement. PUD presented Brandy L. Wreath, the Financial Advisor and Isaac D. Stroup in support of the Settlement Agreement.

B. Summary of the Record

Documents and written testimony filed in this Cause are contained in records kept by the Court Clerk of the Commission. Written and oral testimony was offered at the hearing conducted on November 22, 2021, and is contained in the transcripts of these proceedings. The written and oral testimony, testimony summaries and statements of position filed of record in this Cause, in addition to the admitted exhibits, are incorporated herein by reference. The full record of this Cause

includes without limitation all items within the definition of “record” as set forth in OAC 165:5-1-3.

C. The Settlement Agreement

The provisions of the Settlement Agreement, as proposed by the parties and recommended by the ALJ, include the following:

1. In paragraph 1 of the Settlement Agreement, the Stipulating Parties agree that the Commission should find that ONG has provided the requisite information specified in Section 9073(A) of the Act. Also, the Stipulating Parties agree that the Commission should find, pursuant to Section 9073(C) of the Act, that securitization would provide benefits to customers as compared to traditional utility financing.

2. In paragraph 2 of the Settlement Agreement (“*Extreme Purchase Costs*”), the Stipulating Parties agree that ONG has Extreme Purchase Costs estimated to be in the total amount of \$1,284,101,405. The Stipulating Parties further agree that this figure represents the Company’s Extreme Purchase Costs incurred beginning February 11, 2021, and ending February 19, 2021, and that these costs should be deemed prudent by the Commission and that the Commission should determine that these costs incurred would otherwise be recoverable from customers as fair, just and reasonable expenses and prudently incurred.

3. In paragraph 3 of the Settlement Agreement (“*Extraordinary Costs and Other Associated Costs*”), the Stipulating Parties agree that ONG and Oklahoma Development Finance Authority (“ODFA”) have Extraordinary Costs and other associated costs estimated to be in the total amount of \$73,198,595. These costs include ONG financing costs, ONG carrying costs until bond issuance, ONG legal and consulting costs, as well as ODFA upfront costs for the issuance of Bonds after an order in this Cause. The Stipulating Parties further agree that this figure includes the Company’s Extraordinary Costs incurred beginning February 7, 2021, and that these costs should be deemed prudent and reasonable by the Commission and that the Commission should determine that these costs incurred would otherwise be recoverable from customers as fair, just and reasonable expenses and prudently incurred.

4. In paragraph 4 of the Settlement Agreement (“*Financing Order Amount and Term*”), the Stipulating Parties agreed as follows:

(a) The total amount of ONG’s Extreme Purchase Costs and Extraordinary Costs, with financing costs and upfront securitization costs authorized for securitization is estimated to be \$1,357,300,000 subject to change based on final costs and carrying costs until securitization. The Stipulating Parties agree that the Commission should issue a financing order as proposed by ONG witness Cory Slaughter, subject to further refinement and details necessary to achieve the highest bond rating, for the securitization of that estimated amount of \$1,357,300,000 and authorize a 25-year scheduled amortization for cost recovery, or a shorter period if necessary, to obtain the most favorable securitization terms for customers resulting in the lowest monthly cost to customers, consistent with the terms of the Order as well as rating and market considerations. The financing order issued by the Commission should also incorporate the terms of this Joint Stipulation.

(b) The ODFA should issue Bonds and provide ONG with the resulting net

proceeds as soon as feasible in 2022 but no later than December 31, 2022.

(c) Pursuant to Section 9073(G) of the Act, after the issuance of ratepayer-backed bonds pursuant to a financing order issued in this cause, if ONG receives any funds to compensate it for Extreme Purchase Costs or Extraordinary Costs subject to the financing order, or if actual amounts are determined to be lower than estimated amounts securitized by the financing order, then as soon as practicable, these amounts shall be credited to customers by offsetting the monthly rolling Unrecovered Purchase Gas Cost “UPGC” balance within the Company’s gas cost recovery mechanism (i.e. Purchased Gas Adjustment Clause or “PGA”).” If the amount being credited impacts the current monthly PGA rate by more than \$0.25, the amount shall be deferred and amortized to the PGA over a period long enough so as to have an estimated impact of no more than \$0.25; provided that the period for deferral and amortization shall not extend longer than 5 years. All amounts returned to customers under this Subparagraph 4(b) shall bear carrying costs at the rate authorized in Paragraph 5 of this Joint Stipulation.

5. In paragraph 5 of the Settlement Agreement (“*Carrying Charge*”), the Stipulating Parties agree that the Carrying Charge on the Extreme Purchase Costs and the Extraordinary Costs authorized pursuant to Section 9073(F) of the Act shall be based on the actual costs of the credit facilities, loan agreements or other debt financing used to finance the deferred cost related to the event.

6. In paragraph 6 of the Settlement Agreement (“*Mitigation of Customer Costs*”), the Stipulating Parties agree that ONG should continue to evaluate and assess its use of natural gas storage services and physical and financial hedging related to natural gas procurement and shall consider possible revisions to its gas supply plan in place since February 2021, to further address price volatility in the future.

7. In paragraph 7 of the Settlement Agreement (“*Winter Event Securitized Cost Recovery Mechanism*”), the Stipulating Parties agree that the WESCR Mechanism Tariff (appended to this Order as Appendix B) should be approved by the Commission. The WESCR Mechanism incorporates the following principles, as recommended by PUD:

- (a) Use of a fixed rate for the securitization charge for each sales tariff;
- (b) A termination fee pertaining to the “Nonbypassable Mechanism” requirement of the Act;
- (c) Customers taking service under the VFP Plan during February 2021 will not be assigned the WESCR Charge or the termination fee; and
- (d) LIHEAP customers will not be assigned the WESCR Charge or the termination fee.

8. In paragraph 8 of the Settlement Agreement (“*Allocation Methodology*”), the Stipulating Parties agree to the allocation methodology set forth in Section 4 of the WESCR Mechanism.

D. Compliance with the Act and Benefits from Securitization

1. During the winter storm, ONG incurred the extreme purchase costs and extraordinary costs set out below, those costs have been deferred as a regulatory asset as required by Order No. 717136 issued by the Commission on March 2, 2021, in Cause No. PUD 202100034, and but for the Commission's action in issuing the order, those costs arising from the winter storm would have flowed through on customer bills, resulting in monthly residential customer bills in excess of \$1,000. Slaughter Stip. 9:9-16; Shortridge Rebuttal 13:4-10.

2. Pursuant to 74 OKLA. STAT. §9073(A), ONG's extreme purchase costs and its extraordinary costs presented in this Cause for recovery are subject to the Act and may be mitigated through securitization in order to reduce the utility bill impact on customers.

3. ONG has in this Cause provided the requisite information required by 74 OKLA. STAT. §9073(A)(1-2), to wit: (1) the known Extreme Purchase and Extraordinary Costs and estimates of such costs not yet finalized are being requested for recovery; and (2) a demonstration of utility bill impacts of securitization and the degree of savings under securitization compared with traditional utility financing. The information so provided by ONG is sufficient for the Commission to consider the factors set forth in 74 OKLA. STAT. §9073(C) and the cost of issuing the Bonds are not expected to exhaust or offset expected savings to customers. See, Slaughter Stip. 3:14-4:3, 5:4-7; 8:1-8.

4. ONG has demonstrated that with a 25-year recovery period for Bonds rated as AAA, securitization of the Company's Extreme Purchase and Extraordinary Costs will save customers approximately \$700 Million as compared to traditional long-term utility financing utilizing the company's weighted average cost of capital. Slaughter Rebuttal 12:18-13:5; Slaughter Stip. 7:16-18; Tr. 182:5-13.

5. As required by 74 OKLA. STAT. §9073(A)(3), ONG did facilitate a timely audit of all costs requested for securitization in this Cause and the PUD did conduct a timely and thorough audit and all such costs have been audited and recommended by PUD to be approved. Stroup Responsive Testimony 6:3-7; Slaughter Direct 9:8-10; Slaughter Stip. 5:1-7; Tr. 68:18-23, 77:7-16; 97:4-17.

E. Prudence of ONG's Expenditures

1. The extreme purchase costs ONG has incurred are estimated to be in the total amount of \$1,284,101,405. This figure represents the Company's extreme purchase costs incurred beginning February 11, 2021, and ending February 19, 2021, and these costs should be deemed prudent, and these costs would otherwise be recoverable from customers as fair, just and reasonable expenses and prudently incurred. Stroup Stip. 5:10-20; Tr. 182:14-24.

2. ONG and ODFA have incurred and will incur Extraordinary Costs and other associated costs estimated to be in the total amount of \$73,198,595. These costs include ONG's financing costs, carrying costs until bond issuance, legal and consulting costs, as well as ODFA upfront costs for the issuance of Bonds after an order in this Cause. This figure represents the Company's associated costs incurred beginning February 7, 2021, through the date on which Bonds are issued, and the Commission further finds that these costs are prudently incurred,

reasonable, and otherwise be recoverable from customers as fair, just and reasonable. Stroup Stip. 5:23-6:10; Tr. 185:2-25.

3. The total amount of the extreme purchase costs and extraordinary costs, with associated costs including carrying costs, financing costs and upfront securitization costs authorized for securitization are estimated to be \$1,357,300,000, subject to change based on final costs and carrying costs until securitization and that this amount is prudently incurred, audited and approved for securitization according to the terms of this Order. Stroup Stip. 6:15-28; Tr. 186:4-8.

Prudence standard

4. The prudence of ONG's action is based on whether the action was reasonable given the information the Company's management knew or should have known at the time the decision was made. Prudence inquiries involve a determination of whether the utility's management made a reasonable decision in light of the circumstances existing at the time of the decision and based on information management knew or should have known. OAC 165:35-35-1(a).

Planning for Extreme Weather and Diversity of Upstream Supply

5. Given the unforeseen, unprecedented, and extreme nature of that event, the Company was as prepared as could have reasonably been expected. The testimony presented in this Cause demonstrates thoughtful and effective planning for harsh winter weather. ONG maintains a written *Gas Supply Plan*, submitted annually to the Commission. Hibbard Direct 12:4-18 (Exhibit CLH-1). The *Gas Supply Plan* is developed from fundamental analysis of historical data, forecasting software, and qualified and reputable expert sources and government agencies. The result is a *Gas Supply Plan* that specifies a diverse supply portfolio mix including pipeline firm transportation service, firm storage service, and long-term plus seasonal natural gas supply purchases. Shortridge Rebuttal 4:11-21.

6. According to undisputed evidence in this Cause, ONG utilizes transportation services of thirteen upstream pipelines (including interstate and intrastate) and obtains a diverse sourced supply of the natural gas commodity. The Company achieves diversity in supply by relying on seventeen suppliers and 82 contracts of varying types, pricing, and lengths, all secured through competitive bid processes. The Company's supply portfolio includes a variety of long-term, seasonal, and short-term contracts. In 2020, 6.5% of the Company's annual purchase requirements came from long-term contracts (at least one year), 22.3% from short-term contracts (one month or less), and 71.2% from seasonal contracts (one month to one year). This diversity of supply was planned and used to mitigate against the Company's exposure to both price and supply. Shortridge Rebuttal 5:11-6:6; Hibbard Direct 5:15-6:6.

7. Also according to undisputed evidence in this Cause, ONG relies on wellhead, baseload, callable,³⁵ and storage gas supplies. This supply portfolio has diverse pricing with baseload gas priced against FOM index posting and daily callable priced against both FOM and the Gas Daily index posting. Based on the weather forecast at a particular time, the Company secures the volumes needed to meet the demand from its customers by exercising the daily callable (the callable exercised are based first on reliability and second on price). If the combination of

³⁵ Variable daily quantity contracted for over one month or more, called on daily in advance of the flow.

storage, baseload, and callable are not enough to meet the forecasted demand, the Company will purchase daily gas on the spot market. With the extreme weather associated with winter storm Uri, customer demand was above the system design day, so all these supplies had to be utilized. Shortridge Rebuttal 6:16-7:7; Hibbard Direct 28:14-29:5.

Hedging

8. According to undisputed evidence in this Cause, ONG utilizes both financial and physical hedging to manage the volatility of gas prices. The Company's financial hedge program was first approved by the Commission in Cause No. PUD 200700195 as a pilot program, beginning with the 2008 winter period and was approved for permanent use in the 2011 *Gas Supply Plan*, subject to review in the Commission's annual fuel audits. This Order permitted the Company to incur up to \$10 million annually on financial derivatives in the form of call options. In compliance with the Order, ONG utilizes call options that preserve the benefit of any downward price movement. Like an insurance policy, a premium is paid in advance (when the call option is purchased) to protect against the possibility of even greater expense later. At the maturity date, if the market price is higher than the purchase strike price, the holder will receive a financial settlement. If the market price is lower at maturity, the option expires, and the holder's loss is limited to the price of the contract (the premium cost). Shortridge Rebuttal 8:19-9:10; Hibbard Direct 13:1-18.

Storage

9. According to undisputed evidence in this Cause, ONG uses storage to manage the volatility in both gas supply and gas costs. The Company acquires this storage from three upstream providers for a total capacity of 25.3 Bcf. The Maximum Daily Withdrawal Quantity ("MDWQ") provided a combined daily deliverability (total ratchets) of 632,924 Dth/day with 585,000 Dth/day on ONEOK Storage (when storage capacity is above 50%). On February 14, 2021, ONG's capacity fell below the 50% threshold, lowering the MDWQ to a total of 447,424 Dth/day on ONEOK Storage. At the peak of the winter weather event, ONG's total customer demand exceeded the 585,000 Dth/day MDWQ on ONEOK Storage by more than 100,000 Dths. ONG has never pulled this much gas out of storage at one time. Shortridge Rebuttal 7:19-8:7; Hibbard Direct 29:9-18.

Price Escalation

10. According to undisputed evidence in this Cause, natural gas production in Oklahoma fell significantly below demand for nine days of the storm between February 11, 2021, and February 19, 2021, and many of ONG's suppliers declared *force majeure* under their contracts due to upstream supply constraints caused by the extreme weather. At the same time, demand on ONG's distribution system surged to record highs due to the extremely cold weather. ONG has a historical average day of 0.875 Bcf/day throughput in the month of February. The total during the eight-day period would have historically averaged 7.0 Bcf. In contrast, during the winter event dates when demand was at its peak, the total actual system throughput was nearly double at 13.5 Bcf of gas (an average of 1.5 Bcf/day). The Company's sources of contracted supply were not always able to maintain consistent deliveries because of weather-related constraints. Despite meticulous planning to mitigate supply and price volatility, the mismatch between reduced supply and high demand on the Company's distribution system (and that of other local utilities) caused the market price for gas to escalate wildly during the crisis. ONG's supply portfolio mitigated

against this volatility, but because of upstream gas supply constraints on ONG's suppliers, the Company was obliged to go to the spot market to make up difference, to preserve integrity of its distribution system and to maintain service to customers during the extremely cold weather. Shortridge Rebuttal 10:20-11:19; Hibbard Direct 17:17-18:9.

No Profit on Winter Storm

11. ONG paid unaffiliated suppliers for all the Extreme Purchase and Extraordinary Costs, with no markup and no profit component for the Company. All of ONG's gas supply, upstream gas transportation and storage service is obtained from entities unaffiliated with the Company. ONG receives no markup or profit on these costs. Shortridge Rebuttal 12:18-20; Hibbard Direct 31:16-18; Tr. 77:17-21, 182:25-183:5.

F. Performance during the Winter Storm

1. Had the Company not maintained continuous service and adequate gas supply for its customers during the winter storm, service could have been interrupted for weeks or even months during the winter heating season. Had gas service been lost to a large segment of the distribution system, ONG would have been required to take the following steps: (1) manually turn off all meters on the system; (2) purge all affected gas lines of air; (3) repressure the gas lines; (4) manually check all customer's lines for leaks; (5) if leaks are found, leave service off until a plumber can address the problem; and (6) if no leaks are found, manually turn meters back on. These required steps, required to keep customers safe, could have taken months and explains why the Company could not risk losing natural gas supply when it was available, even at a high cost. Shortridge Rebuttal 12:4-16.

2. ONG was able to successfully maintain service to more than 99.99% of its residential customers, despite the record temperatures over a sustained period. The Company's physical distribution system performed well, despite system "design day" demands and its operations team maintained consistent system integrity throughout the crisis. As a result of planning and actions ahead of and during the winter storm, ONG was able to minimize service interruptions to approximately 500 (less than 1/10th of a percent) of nearly 900,000 customers. The duration of these outages was from four hours to no more than twenty-four hours. Curtailments were limited to a small number of commercial and industrial customers and were implemented according to the terms of those customers' respective service agreements. The Company did not experience any customer outages caused by an overall lack of gas supply and did not curtail any residential, human needs, or sales customers. Shortridge Rebuttal 10:3-16; Hibbard Direct 26:1-7; Tr. 135:18-23.

3. ONG's storage mitigated pricing volatility during the winter storm. The Company pulled over 437,000 Dth/day from storage at a weighted average cost of \$3.49 per Dth, as opposed to buying those volumes on the spot market, which hit a high of nearly \$1,200 per Dth. Using the varying market prices from each day, the Company's use of storage saved customers an estimated \$1.4 Billion. Shortridge Rebuttal 8:9-15; Hibbard Direct 36:3-7; Tr. 141:15-142:1.

G. Financing Order Amount and Term

1. This Order is issued to provide for the aggregate estimated amount of \$1,357,300,000, with a 25-year scheduled amortization for cost recovery, or a shorter period if deemed necessary to obtain the most favorable securitization terms for customers. This represents

the securitization of the total amount of ONG's extreme purchase costs and extraordinary costs, and all associated costs, including financing costs and upfront securitization costs authorized for securitization in the aggregate estimated amount of \$1,357,300,000, subject to change based on final costs and carrying costs until securitization and to achieve the highest bond rating. Stroup Stip. 6:15-28; Slaughter Stip. 5:9 – 6:11; Tr. 271:23-272:2.

2. The Commission urges the ODFA to issue Bonds and provide ONG with the resulting funds as soon as feasible in 2022, and recommends such funds be provided no later than December 31, 2022. Stroup Stip. 6:30-32; Slaughter Stip. 7:3-5; Tr. 188:14-17, 272:3-6.

3. As indicated in the testimony of Michael Bartolotta, ONG will act as the initial Servicer of the Bonds, and as such is entitled to earn a servicing fee payable out of securitization charge collections, usually expressed as a percentage of the original principal amount of the Bonds. This Order sets out the servicing fee as so recommended. Bartolotta Responsive 62:4 – 63:13.

4. Pursuant to 74 OKLA. STAT. §9073(G) of the Act, after the issuance of ratepayer-backed bonds pursuant to this Order, if ONG receives any funds to compensate it for extreme purchase costs or extraordinary costs subject to this Order, or if actual amounts are determined to be lower than estimated amounts securitized by this Order, then as soon as practicable, these amounts shall be credited to customers by offsetting the monthly rolling UPGC balance within the Company's gas cost recovery mechanism (i.e. Purchased Gas Adjustment Clause or "PGA"). If the amount being credited impacts the current monthly PGA rate by more than \$0.25, the amount shall be deferred and amortized to the PGA over a period long enough so as to have an estimated impact of no more than \$0.25; provided that the period for deferral and amortization shall not extend longer than 5 years. All amounts returned to customers shall bear carrying costs at the rate authorized by this Order. Slaughter Stip. 8:12-9:7; Stroup Stip. 6:35 – 7:18; Tr. 272:7-15.

H. Carrying Charges

The Carrying Charge on the extreme purchase costs and the extraordinary costs authorized pursuant to 74 OKLA. STAT. §9073(F) shall be calculated based on ONG's actual costs of the credit facilities, loan agreements or other debt financing used to finance the deferred cost related to the event. Slaughter Stip. 7:8-12; Stroup Stip. 7:19 – 8:2; Tr. 272:18-21.

I. Future Cost Mitigation

In order to further address price volatility in the future ONG has agreed to evaluate and assess its use of natural gas storage services and physical and financial hedging related to natural gas procurement and shall consider possible revisions to its gas supply plan in place since February 2021. Stroup Stip. 8:5-13; Tr. 273:3-10.

J. Cost Allocation

Securitization costs shall be allocated to classes of sales customers according to the level of usage per class during February 2021. This allocation will align cost with the manner in which costs were incurred during the Winter Event. The allocation set forth in Section 2 of the WESCR Mechanism is based on this methodology and is approved as fair, just and reasonable. Slaughter Stip. 7:7-12, 12:5-9; Stroup Stip. 9:8-14; Slaughter Direct 11:14-19; Tr. 273:25-274:6.

K. Tariff Mechanism

The WESCR Mechanism consistent with the terms of this Order, and attached and incorporated as Appendix B, is hereby approved.

L. The Joint Stipulation and Settlement Agreement

Based on the Findings of Fact and Conclusions of law as set out in this Order, the Settlement Agreement, as modified herein, should be approved as being consistent with: the public interest; fair, just, and reasonable; and as compliant with the Commission’s findings in this Cause.

M. Amount to be Financed

Approval of Qualified Costs and Amount of Bonds

1. The Commission has determined that the Utility has incurred extreme purchase costs of \$1,284,101,405, and extraordinary costs of \$33,429,793, plus carrying costs (estimated to be \$21,375,249) based on the actual effective costs of credit facilities, loan agreements or other debt financing used to finance the deferred cost related to the event. These costs (collectively, “Weather-Related Qualified Costs”), together with all other bond issuance costs as described in Part VI of this Order comprise the Approved Qualified Costs. The Approved Qualified Costs in the aggregate estimated amount of \$1,357,300,000 are approved for recovery, and are eligible for recovery through the issuance of the Bonds under the Act. Slaughter Stip. 5:9 – 6:11; Settlement Agreement ¶¶2-5.

2. The Utility has proposed that when the Bonds are issued, the Utility shall account for the difference in carrying costs through December 31, 2022, and the actual date of issuance of the Bonds through the Issuance Advice Letter process. The Utility’s proposal is approved.

3. The ODFA is authorized to issue the Bonds in an amount equal to the sum of the Weather-Related Qualified Costs approved in this Order, including the carrying costs, plus bond issuance costs approved in this Order. Such sum, estimated at \$1,357,300,000, is herein referred in this Order as the “Authorized Amount.”

Bond Issuance Costs and Ongoing Financing Costs

4. Bond issuance costs (as more fully described in Part VI of this Order) are those that will be incurred in advance of, or in connection with, the issuance of the Bonds, and will be recovered or reimbursed from Bond proceeds (or, if necessary, from WESCR Charges as described herein).

5. ODFA has no control over bond issuance costs incurred pursuant to a financing order under the Act, apart from ODFA-related issuance costs. The only bond issuance costs to be incurred directly by the Utility are servicer set up costs, costs related to regulatory proceedings, miscellaneous administrative costs, external servicing costs and the costs of Utility’s accountants, and financial and legal advisors, which are referred to as Utility Issuance Costs. The Non-Utility Issuance Costs will be outside the control of the Utility because the issuer of the Bonds, the ODFA, is an instrumentality of the state. The Commission will have control over Utility Issuance Costs through its jurisdictional control over the Utility, but in a manner which does not affect the securitization property.

6. Ongoing financing costs (as more fully described in Part VI of this Order) are those costs, in addition to debt service on the Bonds, that will be incurred annually to manage, service and administer the Bonds.

7. Other than the servicing fee (which will cover external information technology costs, bank wire fees and the fees of the Utility's legal counsel), the ongoing financing costs that will be incurred in connection with a financing are outside the control of ODFA, since ODFA cannot control the administrative, legal, rating agency and other fees to be incurred by the Utility on an ongoing basis. However, the Commission will have control over some of these ongoing financing costs through its jurisdictional control over the Utility, but in a manner which does not affect the securitization property.

8. The actual bond issuance costs and certain ongoing financing costs will not be known until on or about the date the Bonds are issued; other bond issuance and ongoing financing costs may not be known until such costs are incurred.

9. The Utility has provided estimates of its Utility Issuance Costs which costs shall be capped in an amount not to exceed \$500,000. The Financial Advisor has provided an estimate of Non-Utility Issuance Costs were estimated at \$18,366,378. These costs will not be capped.

10. The Utility and PUD, through the testimony of the Financial Advisor, have also provided estimates of ongoing financing costs for the first year following the issuance of the Bonds to be approximately \$1,113,683 if the Utility is the initial Servicer.

11. The ODFA and the Utility shall report to the Commission through PUD, as set forth in the Issuance Advice Letter, the final estimates of bond issuance costs and ongoing financing costs for the first year following issuance.

12. The ODFA's and the Utility's actual or estimated issuance costs, each as specified in the Issuance Advice Letter, shall be paid as follows: the ODFA will pay its Non-Utility Issuance Costs from the proceeds of the Bonds, and the Utility will pay (or reimburse itself) for its Utility Issuance Costs from the net proceeds of the Bonds paid for the purchase price of the securitization property, all at or shortly after the delivery of the Bonds.

13. Within 90 days of the issuance of the Bonds, the ODFA and the Utility will submit to the Commission, by submitting to PUD, a final accounting of their respective issuance costs. If the Utility's actual issuance costs are less than the issuance costs included in the principal amount financed, the revenue requirement for the first semi-annual true-up adjustment shall be reduced by the amount of such unused funds (together with income earned thereon) and the Utility's unused funds (together with income earned thereon) shall be applied to the Utility's ongoing financing costs. If the ODFA's actual issuance costs are less than those estimated, the amount will be recognized as a credit in the true-up adjustment as part of the WESCR Mechanism. If ODFA's final issuance costs are more than the estimated issuance costs included in the principal amount financed, ODFA may recover the remaining issuance costs through a true-up adjustment. However, such recovery will be subordinate to the payment of debt service on the Bonds and related financing costs during the true-up period. The Utility's Issuance Costs are capped under this Order. A failure to provide such report will in no way affect the validity of or security for the Bonds.

Customer Benefits.

14. The Act requires the Commission to consider whether the recovery of 2021 Winter Weather Event Costs by the Utility through the issuance of the Bonds will result in substantial revenue requirement savings as compared to conventional financing methods, a longer amortization schedule to pay the Bonds than would ordinarily be practicable or feasible for the Utility for such recovery and the ability to issue Bonds at a cost which would not exhaust the potential savings.

15. As described in the Utility testimony of Mark W. Smith and Cory Slaughter, and in this Order, the Commission is satisfied the Utility has demonstrated that the proposed financing will satisfy each of these criteria.

N. Structure of the Proposed Financing

The Utility

1. The Utility will enter into a sale agreement with the ODFA, under which the ODFA will purchase from the Utility the securitization property in consideration of the net proceeds of the Bonds.

2. The Utility shall not seek to recover the Approved Qualified Costs covered by this Order, except through the transfer of securitization property as provided in the Act in exchange for proceeds of a bond issuance, which shall offset and complete the recovery of these costs for the Utility.

3. The Utility will service the securitization property pursuant to a servicing agreement with the Authority.

ODFA/Authority

4. ODFA is a public trust created by a Declaration of Trust, dated November 1, 1974, as amended, for the furtherance of public purposes and the benefit of the State of Oklahoma pursuant to the provisions of the Authority Act, as amended by the Act, and is authorized to issue ratepayer-backed bonds under the Act. The Authority is an instrumentality of the State of Oklahoma and operates to perform the essential government function of financing utility qualified costs with low-cost capital. The Authority is not an agent of State and has a legal existence separate and distinct from the State of Oklahoma.

5. ODFA may issue the Bonds as described in this Order in an aggregate amount not to exceed the Authorized Amount, and ODFA will assign and pledge to the bond trustee, as collateral for payment of the Bonds, the securitization property, including ODFA's right to receive the WESCR Charges as and when collected, and any other collateral under the indenture.

Structure, Security and Documents

6. The Bonds should be issued in one or more series, and in one or more tranches for each series, in an aggregate amount not to exceed the Authorized Amount.

7. Pursuant to the Act, as security to pay the principal of and interest on the Bonds and other ongoing financing costs—the ODFA will pledge its interest in the securitization property created by this Order, the Act and by certain other collateral, including its rights under the servicing agreement. The securitization property and other bond collateral will be sufficient to ensure the payment of the principal of and interest on the Bonds, together with ongoing financing costs on a timely basis.

8. Pursuant to the Act, the Bonds will be issued pursuant to the indenture administered by the bond trustee, as described in Part V of this Order. The provisions of the indenture, pursuant to which a collection account and its subaccounts, and such additional accounts as may be required in connection with any additional collateral, will be created in the manner described in Part V of this Order, are reasonable. The Commission is persuaded by the evidence in the record that the provisions of the indenture as further set forth in this Order will provide for lower risks to be associated with the financing and thus lower the costs to customers, and should, therefore, be approved.

9. Pursuant to the Act, the Authority will direct the State Treasurer to deposit all revenue received with respect to securitization property and required to be deposited by the State Treasurer into the Regulated Utility Consumer Protection Fund (the “Consumer Protection Fund”) with the bond trustee and applied as provided in the indenture, in a manner consistent with obtaining the highest possible ratings on the Bonds.

10. Pursuant to the Act, ODFA will prepare, or cause to be prepared, a proposed form of an Indenture, an Administration Agreement (if requested by the Authority), a Sale Agreement and a Servicing Agreement (collectively, the “Transaction Documents”), which set out in substantial detail certain terms and conditions relating to the financing and security structure. Each of the Transaction Documents will be reviewed and approved by the Utility, the ODFA and the State Deputy Treasurer for Policy and Debt Management. The forms of the Transaction Documents will also be submitted to PUD for its review and comment.

11. Pursuant to the Act, ODFA will also prepare, or cause to be prepared, a preliminary official statement, substantially in the form of an official statement to be delivered on the date of pricing of the Bonds, omitting only such information as permitted by federal securities laws, rules and regulations, to be used by the Utility and the ODFA in connection with the offering and sale of the Bonds. The official statement will be reviewed and approved for use by the Utility, the ODFA and the State Deputy Treasurer for Policy and Debt Management. The Utility will cooperate with ODFA in the preparation of the official statement and provide all information to the ODFA required to comply with applicable federal securities laws and make representations with respect to the information provided to ODFA for inclusion in the preliminary official statement and final official statement.

Credit Enhancement and Arrangements to Enhance Marketability

12. The Utility has not requested approval of floating rate bonds or any hedges or swaps which might be used in connection therewith.

13. The Financial Advisor has testified that in current market conditions, it is uncertain whether the benefits of an interest rate swap related to the Bonds will outweigh the costs and risks in this particular case of researching and preparing the swap that could result in lower WESCR

Charges.

14. An interest rate swap related to the Bonds could expose customers to greater risks in relation to the WESCR Charges and the ability of the swap counterparty to meet its obligations.

15. The Commission agrees with the Financial Advisor that the use of floating rate debt and swaps or hedges is not advantageous or cost effective for customers.

16. The Utility has not requested that additional forms of credit enhancement (including letters of credit, overcollateralization accounts, surety bonds, or guarantees) and other mechanisms designed to promote the credit quality and marketability of the Bonds be used. The Financial Advisor has testified that the Authority should have the flexibility to utilize such additional credit enhancements if such arrangements are reasonably expected to result in net benefits to customers. The Financial Advisor has recommended that the costs of any credit enhancements as well as the costs of arrangements to enhance marketability be included in the amount of issuance costs to be financed.

17. ODFA should be permitted to use, and to recover the Bond issuance costs and ongoing financing costs associated with, credit enhancements and arrangements to enhance marketability, if it determines, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, that such enhancements and arrangements provide benefits greater than their tangible and intangible costs. The use of such credit enhancement shall be described in the Issuance Advice Letter.

Servicer and the Servicing Agreement

18. The Utility will execute a servicing agreement with ODFA, as described in Part V of this Order. The servicing agreement may be amended, renewed or replaced by another servicing agreement, provided that any such amendment, renewal or replacement will not cause any of then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded. The Utility will be the initial Servicer but may be succeeded as Servicer by another entity under certain circumstances detailed in the servicing agreement. Pursuant to the servicing agreement, the Servicer is required, among other things, to collect the applicable WESCR Charges for the benefit and account of the ODFA or its pledgees, to make the true-up adjustments of WESCR Charges required or allowed by this Order, and to account for and remit the applicable WESCR Charges to or for the account of the ODFA or its pledgees in accordance with the remittance procedures contained in the servicing agreement without any charge, deduction or surcharge of any kind (other than the servicing fee specified in the servicing agreement). Under the terms of the servicing agreement, if any Servicer fails to perform its servicing obligations in any material respect, the ODFA, or, the bond trustee upon the instruction of the requisite percentage of holders of the outstanding amount of the Bonds, shall be authorized to appoint an alternate party to replace the defaulting Servicer, in which case the replacement Servicer will perform the obligations of the Servicer under the servicing agreement. The obligations of the Servicer under the servicing agreement and the circumstances under which an alternate Servicer may be appointed are more fully described in the servicing agreement. The rights of ODFA under the servicing agreement will be included in the collateral assigned and pledged to the bond trustee under the indenture for the benefit of holders of the Bonds.

19. The Servicer shall remit actual or estimated WESCR Charges received to the bond trustee within two servicer business days of receipt according to the methodology described in the servicing agreement. If estimated charges are remitted, the Utility as Servicer will reconcile actual and estimated charges no less often than every six months, as described in this Order.

20. The Utility, as initial Servicer will be entitled to an annual servicing fee fixed at 0.05% of the initial principal amount of the Bonds. In addition, the Utility, as initial Servicer, shall be entitled to receive reimbursement for its out-of-pocket costs for external accounting services to the extent external accounting services are required by the servicing agreement, as well as for other items of cost (excluding external information technology costs, bank wire fees and legal fees, which are part of the servicing fee) that will be incurred annually to support and service the Bonds after issuance. The servicing fees collected by the Utility, or by any affiliate of the Utility acting as the Servicer, under the servicing agreement shall be included as an identified revenue credit and reduce revenue requirements for the benefit of the customers in its next rate case following collection of said fees. The expenses of acting as the Servicer shall likewise be included as a cost of service in any such utility rate case. In this Order, the Commission approves the servicing fee as described herein. The Commission further approves, in the event of a default by the initial Servicer resulting in the appointment of a successor Servicer, a higher annual servicing fee of up to 0.60% of the initial principal balance of the Bonds conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. The ODFA may request to pay a servicing fee higher than 0.60% if it can reasonably demonstrate to the Commission, in a subsequent proceeding, that the services cannot be obtained at a compensation level lower than 0.60% under the market conditions at that time. The obligations to continue to collect and account for WESCR Charges will be binding upon the Utility, its assigns and successors and any other entity that provides natural gas services or, in the event that the distribution of natural gas service is not provided by a single entity, any other entity providing retail natural gas distribution service to the customers. The Commission will enforce the obligations imposed by this Order, its applicable substantive rules, and statutory provisions to ensure the nonbypassability of the WESCR Charge.

21. No provision of this Order shall prohibit the Utility from selling, assigning or otherwise divesting any of its natural gas transportation or distribution system or any facilities providing service to the customers, by any method whatsoever pursuant to law, including those specified herein, pursuant to which an entity becomes a successor, so long as each entity acquiring such system or portion thereof agrees to continue operating the facilities to provide service to the customers and collect the WESCR Charges under the existing servicing agreement, subject to ODFA approval.

22. The servicing arrangements described herein are reasonable, will contribute to the reduction of risk associated with the proposed financing and, based on the testimony of the Financing Advisor, should, therefore, result in lower WESCR Charges and greater benefits to the customers and should be approved.

Ratepayer-Backed Bonds

23. Pursuant to the Act, ODFA may issue and sell the Bonds in one or more series, and each series may be issued in one or more tranches in an aggregate principal amount not exceeding the Authorized Amount. ODFA, with the advice of the Financial Advisor and with the

approval of the State Deputy Treasurer for Policy and Debt Management, will determine and approve the final terms of the Bonds consistent with the terms of this Order.

24. The scheduled final payment date of any series of the Bonds is not expected to exceed 25 years from the date of issuance of such Bonds. The legal final maturity date of any series of the Bonds shall not exceed 30 years from the date of issuances. The scheduled final payment date and legal final maturity date of each series and tranche within a series and amounts in each series will be finally determined by the ODFA, consistent with market conditions and indications of the rating agencies and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt Management, at the time the Bonds are priced.

25. The Bonds will be amortized using a substantially level annual debt service, mortgage-style structure.

26. The weighted average interest rate on the Bonds will not exceed 6.0% per annum.

27. The Utility may file a new request for a subsequent financing order under the Act for the Utility to retire or refund the Bonds approved in this Order, after proper notice and hearing, and upon a showing that the Customers would benefit and that such a financing is consistent with the terms of the outstanding Bonds as permitted by 74 OKLA. STAT. § 9077(D).

28. The Commission finds that the foregoing parameters for the Bonds will aid in the best efforts to allow customers to enjoy substantial revenue requirement savings and rate mitigation benefits as required by the Act.

WESCR Charges—Imposition and Collection and Nonbypassability

29. The Stipulating Parties seek to impose on and to collect from all customers, WESCR Charges in an amount sufficient to provide for the timely recovery of its costs approved in this Order (including payment of scheduled principal of and interest on the Bonds and ongoing financing costs related to the Bonds on a timely basis). The Utility will seek to bill and collect the WESCR Charges, as Servicer on behalf of ODFA, until the Bonds issued pursuant to this Order are paid in full and all ongoing financing costs of the Bonds have been recovered in full.

30. WESCR Charges collected pursuant to the WESCR Rider shall be a separate line-item on the monthly bill of the customer.

31. If any customer does not pay the full amount of any bill, the amount paid by the customer to the Utility will be applied pro-rata by the Utility based upon the total amount of the bill and the total amount of the WESCR Charge. The foregoing allocation will facilitate a proper balance between the competing claims to this source of revenue in an equitable manner.

32. The Utility, acting as Servicer, and any subsequent Servicer, will collect WESCR Charges from all current and future sales customers, with the exception of low income residential customers on Tariffs 102 and 102-V³⁶ and residential and small commercial and industrial

³⁶ Slaughter Rebuttal 13:7-10.

customers who were enrolled in the VFP Plan at the time of the winter storm,³⁷ in the manner as described in the testimony of Cory Slaughter, the Financial Advisor, and Isaac Stroup, except for their inclusion of a termination fee. The Commission finds that a termination fee is not preferable and is not required to ensure that the amount necessary to service, repay and administer the ratepayer-backed bonds is collected from customers through the irrevocable and nonbypassable mechanism adopted herein.³⁸

33. As stated above and required by 74 OKLA. STAT. § 9074(A)(3), the WESCR Mechanism is irrevocable and nonbypassable and includes the following characteristics: (1) a fixed monthly securitization charge which mitigates against material changes in customer usage; (2) allocation of payments between the gas service bill and securitization charge to ensure securitization charges are paid; (3) a semi-annual true-up mechanism which provides for WESCR Charges to be adjusted based on changes in billing determinants among and within classes of customers; (4) the WESCR Charge is applicable to new customers, and ONG's sales customer base has steadily grown by 13% over the past 20 years. Additionally, the following facts support the approval and adoption of the WESCR Mechanism: (5) 11 OKLA. STAT. § 14-107 (Oklahoma House Bill 3619) prohibits local government(s) from adopting ordinances, rules or codes that restrict connections to a natural gas utility; (6) the cost of conversion from gas to electricity in existing structures further reduces the risk of fuel switching; (7) securitization charges imposed by electric utilities reduce the risk of customers switching from gas to electricity; and (8) market confidence in gas utilities is reflected in the utilities' high credit ratings.³⁹ Accordingly the Commission further finds that the WESCR Mechanism satisfies the requirements of the Act and is consistent with the goal of obtaining the highest possible ratings on the Bonds.⁴⁰

34. In the event that there is a fundamental change in the manner of regulation of public utilities, which allows third parties other than the Servicer to bill and collect WESCR Charges, the Commission shall to the utmost of its ability ensure that WESCR Charges shall be billed, collected and remitted to the Servicer in a manner that will not cause any of then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded.

35. The Utility's proposal related to the collection of WESCR Charges, as Servicer on behalf of the ODFA, is reasonable and consistent with the nonbypassability mechanism contemplated by the Act, and should be approved.

36. The WESCR Mechanism consistent with the terms of this Order is hereby approved. Such tariff provisions shall be filed before any Bonds are issued pursuant to this Order.

Periodic Payment Requirements and Allocation of Cost

37. The PPR is the required periodic payment for a given period due under the Bonds. As to be more fully specified in the bond documents, each PPR includes: (a) the principal amortization of the Bonds in accordance with the expected amortization schedule (including

³⁷ *Id.* at 11:13-12:9.

³⁸ *Id.* at 8:18-20; 9:6-7.

³⁹ *See*, fn 25, *supra*.

⁴⁰ *See*, fn 26, *supra*.

deficiencies of previously scheduled principal for any reason); (b) periodic interest on the Bonds (including any accrued and unpaid interest); (c) ongoing financing costs as described herein and (d) any deficiency in the DSRS. The initial PPR for the Bonds issued pursuant to this Order will be updated in the Issuance Advice Letter.

38. The Periodic Billing Requirement represents the aggregate dollar amount of WESCR Charges that must be billed during a given period so that the WESCR Charge collections will be timely and sufficient to meet the PPR for that period, based upon: (i) customer count data and base rate revenues for the period; (ii) forecast uncollectibles for the period; (iii) forecast lags in collection of billed WESCR Charges for the period; and (iv) projected collections of WESCR Charges pending the implementation of the true-up adjustment.

39. The Utility's proposed allocation of the PBR among WESCR Customer Classes, as described in the testimony of Cory Slaughter, is reasonable and should be approved, subject to the filing of a non-standard true-up adjustment to permit a reallocation among WESCR Customer Classes.

True-up of WESCR Charges

40. The Stipulating Parties have proposed a true-up mechanism which is reasonable, consistent with the Act and is designed to obtain the highest possible ratings on the Bonds, and is approved as set forth in this Order

41. The Servicer of the Bonds will be required to make mandatory semi-annual adjustments (*i.e.*, every six months, except for the first true-up adjustment period, which may be longer or shorter than six months, but in any event no more than nine months, and must be completed thirty (30) days prior to a date on which the PPR is determined) to the WESCR Charges to:

(a) Correct any under collections or over collections (both actual and projected), for any reason, during the period preceding the next true-up adjustment date and

(b) Ensure the projected recovery of amounts sufficient to provide timely payment of the scheduled principal of and interest on the Bonds and all ongoing financing costs (including any necessary replenishment of the DSRS) during the subsequent 12-month period (or in the case of quarterly true-up adjustments described below, the period ending the next Bond payment date). During the last 12 months prior to the scheduled final maturity, true-ups are required to be implemented quarterly. In addition, to the extent any Bonds remain outstanding after the scheduled maturity date of the last tranche of a series of Bonds, mandatory true-up adjustments shall be made quarterly until all Bonds and associated costs are paid in full.

42. The form of true-up letters attached as Appendix D and Appendix E to this Order are approved.

43. True-up submissions will take into account the cumulative differences, regardless of the reason, between the PPR (including scheduled principal and interest payments on the Bonds and ongoing financing costs) and the amount of WESCR Charge remittances to the bond trustee. True-up procedures are necessary to ensure full recovery of amounts sufficient to meet on a timely basis the PPR over the scheduled life of the Bonds. In order to assure adequate WESCR Charge revenues to fund the PPR and to avoid large over collections and under collections over time, the

Servicer will reconcile the WESCR Charges using Servicer's most recent forecast of customer counts and the Authority's estimates of financing costs. The calculation of the WESCR Charges will also reflect both a projection of uncollectible WESCR Charges and a projection of payment lags between the billing and collection of WESCR Charges based upon the Servicer's most recent experience regarding collection of WESCR Charges.

44. The Servicer will set the initial WESCR Charges and make true-up adjustments to WESCR Charges based upon the WESCR Mechanism approved in this Order.

45. The Servicer may also make interim true-up adjustments more frequently at any time during the term of the Bonds: (i) if the Servicer projects that WESCR Charge collections will be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or (ii) to replenish any draws on the DSRS. Each such interim true-up shall use the methodology set forth in the WESCR Mechanism applicable to the semi-annual true-up. The DSRS requirement may be adjusted above 0.50% of the original principal amount of the Bonds (or such higher level identified at the time of the initial issuance of the Bonds that benefits customers), as permitted in this Order.

46. Semi-annual and quarterly true-up adjustments, if necessary, shall be submitted not less than 30 days prior to the first billing cycle of the month in which the revised WESCR Charges will be in effect.

Additional True-up Provisions

47. The true-up adjustment submission will set forth the Servicer's calculation of the true-up adjustment to the WESCR Charges. The PUD will have 30 days after the date of a true-up adjustment submission in which to confirm the mathematical accuracy of the Servicer's adjustment. Any true-up adjustment submitted to the PUD should be effective on its proposed effective date, which shall be not less than 30 days after submission. Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment, will be made in future true-up adjustment submissions. Any interim true-up may take into account the PPR for the next succeeding 6 months if required by the servicing agreement.

48. The true-up mechanism described in this Order and contained in the WESCR Mechanism is reasonable and designed to reduce risks related to the Bonds, and is believed to result in lower WESCR Charges and greater benefits to customers and should be approved.

49. The Servicer shall request a non-standard true-up adjustment to address any material changes in customer count and to allow for a change in the Allocation Factors to address a 10% or greater change in the number of customers in one or more WESCR Customer Classes from the threshold, as and when provided in the WESCR Mechanism. The Commission's scope of review, conducted by the PUD, of a non-standard true-up is limited to the correction of mathematical errors.

Use of Proceeds

50. Pursuant to the Act, the Authority will direct the State Treasurer to transfer all bond proceeds received from the sale of the Bonds, net of amounts required to pay Non-Utility Issuance Costs, including amounts deposited to the DSRS, to the Utility to pay the purchase price

of the securitization property, on behalf of and as agent of ODFA. The Utility will apply these net proceeds to reduce its Approved Qualified Costs as described in the testimony of Mark W. Smith.

51. In accordance with 74 OKLA. STAT. § 9074(G), upon issuance of this Order, ONG will not seek to recover the Approved Qualified Costs from customers except through the transfer of securitization property in exchange for the proceeds of a bond issuance, which shall offset and complete the recovery of qualified costs for the regulated Utility. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify or amend this Order and shall not affect the validity, finality and irrevocability of this Order, the securitization property irrevocably created hereby or the Bonds.

O. Customer Credits for Post Financing Order Insurance Proceeds or Government Grants and Alternative Funds

To the extent the Utility receives insurance proceeds from private insurers, receives insurance proceeds or grants from the State of Oklahoma or the government of the United States of America, or any similar source of permanent reimbursement after the date of this Order, the purpose of which funds is to provide for recovery of 2021 Winter Weather Event related qualified costs approved for recovery by this Order, the Commission finds that such amounts, as soon as practicable, shall be credited to customers by offsetting the monthly rolling UPGC balance within the Utility's gas cost recovery mechanism (i.e. Purchased Gas *Adjustment* Clause or "PGA"). If the amount being credited impacts the current monthly PGA rate by more than \$0.25, the amount shall be deferred and amortized to the PGA over a period longer enough so as to have an estimated impact of no more than \$0.25; provided that the period for deferral and amortization shall not extend longer than 5 years. All amounts returned to customers shall bear carrying costs at the rate authorized by this Order.

VIII. CONCLUSIONS OF LAW

1. The Commission is vested with jurisdiction in the present Cause pursuant to Article IX, section 18, 17 OKLA. STAT. §§ 151-152, *et seq.*, 74 OKLA. STAT. §§ 9070, *et seq.*, and Commission rules.

2. Notice in this Cause was properly provided in accordance with Commission Order No. 720199.

3. ONG is a regulated utility as defined in 74 OKLA. STAT. § 9072(9). The Utility is subject to the regulatory jurisdiction of the Commission with respect to its rates, charges and terms and conditions of service.

4. The Utility is entitled to file the Application, which constitutes, an application for a financing order pursuant to 74 OKLA. STAT. § 9073.

5. The Commission has jurisdiction and authority over the Application pursuant to 74 OKLA. STAT. § 9073 and other applicable law.

6. The Commission has authority to approve this Order under 74 OKLA. STAT. §9073(A) and the Commission's regulatory jurisdiction over the Utility.

7. The instant order complies with and satisfies the requirements of the Act, including the provisions of 74 OKLA. STAT. § 9074 pertaining to the irrevocable and nonbypassable WESCR Mechanism adopted herein.

8. The Bonds, including the rights embedded in the securitization property, pledged revenues, other Bond collateral and the State Pledge, must follow the process for validation by the Supreme Court of Oklahoma in compliance with 74 OKLA. STAT. § 9079.

9. The Bonds must be approved by the Council of Bond Oversight as provided in the Oklahoma Bond Oversight and Reform Act, 62 OKLA. STAT. § 695.8.

10. The final structure and terms of the Bonds, consistent with the provisions of this Order, will be approved by the Authority and the pricing of the Bonds will be approved by the State Deputy Treasurer for Policy and Debt Management pursuant to 62 OKLA. STAT. §695.7(C).

11. Pursuant to 74 OKLA. STAT. § 9077(I), the proceeds of the sale of the Bonds and revenues received with respect to the securitization property shall be deposited by the State Treasurer in the Consumer Protection Fund maintained with the bond trustee. The State Treasurer shall apply such moneys as provided in the Findings of Fact of this Order.

12. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify or amend this Order and shall not affect the validity, finality and irrevocability of this Order until the indefeasible payment in full of the Bonds and all financing costs related thereto.

13. The Commission may adopt a financing order providing for the retiring and refunding of the Bonds under 74 OKLA. STAT. § 9077(D).

14. The Commission may, under 74 OKLA. STAT. § 9078, require an audit of all amounts received from customers under the WESCR Charge and paid to the Utility as Servicer, and the amounts paid by the Utility as Servicer to the ODFa. The audit shall be part of any general rate case filed by the Utility affected by a financing order with outstanding Bonds. The Utility shall provide a copy of any audit to the Governor, the Pro Tempore of the Senate, the Speaker of the House of Representatives and the Authority; provided, however, any part or parts of the audit deemed confidential pursuant to federal or state law or as determined by the Commission, shall be redacted and, provided, further, that the findings of any audit shall not affect the validity, finality and irrevocability of this Order until the indefeasible payment in full of the Bonds and all financing costs related thereto and shall not impact, or be included as part of, the true-up and reconciliation process approved in this Order.

15. The securitization approved in this Order satisfies the requirements of 74 OKLA. STAT. § 9073(C)(1) of the Act directing that the total amount of revenues to be collected under this Order result in substantial revenue requirement savings compared to conventional financing methods.

16. The securitization approved in this Order satisfies the requirement of 74 OKLA. STAT. § 9073(C)(2) of the Act mandating that the securitization would mitigate the customer utility

bill impact by mandating a longer amortization period for recovery than would otherwise be practicable or feasible.

17. The issuance of the Bonds approved in this Order in compliance with the provisions of this Order satisfies the requirement of 74 OKLA. STAT. § 9073(C)(3) that the issuance of Bonds be completed at a sufficiently low cost such that customer savings are not exhausted or offset.

18. The Commission has determined that the extreme purchase costs and the extraordinary costs incurred by the Utility during the 2021 Winter Weather Event to be mitigated through securitization, as set out in this Order, would otherwise be recoverable from customers as fair, just and reasonable expenses and were prudently incurred. *See* 74 OKLA. STAT. § 9073(E).

19. Recovery of the carrying costs, including the approved rate of return, approved for recovery in this Order complies with 74 OKLA. STAT. § 9073(F). The carrying costs shall begin accruing at the time of the issuance of the Order and continue until the date that the Bonds are issued.

20. The credits to be provided to customers pursuant to the Findings of Fact herein and the WESCR Mechanism by which to return these amounts to customers is permitted by and satisfies the requirements of 74 OKLA. STAT. § 9073(G).

21. Pursuant to 74 OKLA. STAT. § 9075(D), this Order will remain in effect and unabated notwithstanding the reorganization, bankruptcy or other insolvency proceedings, or merger or sale of the Utility, its successors, or assignees.

22. This Order adequately details the amount to be recovered and the period over which the Utility will be permitted to recover nonbypassable WESCR Charges in accordance with the requirements of 74 OKLA. STAT. §§ 9074(A)(1)-(2).

23. The method approved in this Order for collecting and allocating the WESCR Charges is reasonable and satisfies the requirements of 74 OKLA. STAT. § 9073.

24. As provided in 74 OKLA. STAT. § 9075(B), this Order, together with the WESCR Charges authorized by this Order, is irrevocable and not subject to reduction, impairment, or adjustment by further act of the Commission, except for the true-up procedures approved in this Order, as required by 74 OKLA. STAT. § 9074(H).

25. As provided in 74 OKLA. STAT. § 9075(A), the rights and interests of the Utility or its successor under this Order, including the right to impose, collect and receive the WESCR Charges authorized in this Order, are assignable and must become securitization property at the time the Bonds are issued by ODFA.

26. The rights, interests and property conveyed to ODFA in the sale agreement and the related bill of sale, including the irrevocable right to impose, collect and receive WESCR Charges and the revenues and collections from WESCR Charges are securitization property within the meaning of 74 OKLA. STAT. § 9075.

27. Securitization property will constitute a present property right for purposes of contracts concerning the sale or pledge of property, even though the imposition and collection of

the WESCR Charges depend on further acts by the Utility, ODFA, the Commission or others that have not yet occurred, as provided by 74 OKLA. STAT. § 9075(B).

28. All revenues and collections resulting from the WESCR Charges shall be the further property and right of the owner of the securitization property as provided by 74 OKLA. STAT. § 9075(C).

29. Upon the transfer by the Utility of securitization property to ODFA, ODFA will have all of the rights, title and interest of the Utility with respect to such securitization property including the right to impose, collect and receive the WESCR Charges authorized by this Order as provided by 74 OKLA. STAT. § 9075(F).

30. The Bonds issued under this Order will be ratepayer-backed bonds within the meaning of 74 OKLA. STAT. § 9072(8) and § 9077(A) and the Bonds and holders thereof are entitled to all of the protections provided under 74 OKLA. STAT. § 9077(B).

31. The procedure by which WESCR Charges are required to be imposed and adjusted on customers and be paid to the Servicer under this Order or the tariffs approved hereby constitute a nonbypassable mechanism as defined in 74 OKLA. STAT. § 9072(5), and the amounts collected from customers with respect to such WESCR Charges are securitization property as defined in 74 OKLA. STAT. § 9072(11).

32. As provided in 74 OKLA. STAT. § 9075(D), the interests of an assignee, the holders of Bonds, and the bond trustee in securitization property and in the revenues and collections arising from that property are not subject to setoff, counterclaim, surcharge, or defense by the Utility or any other person or in connection with the bankruptcy of the Utility or any other entity.

33. The methodology approved in this Order to true-up and adjust the WESCR Charges constitutes a true-up and reconciliation process which satisfies the requirements of the Act.

34. If and when the Utility transfers to the ODFA the right to impose, collect, and receive the WESCR Charges and to issue the Bonds, the Servicer will be able to impose and collect the WESCR Charges associated with such securitization property only for the benefit of the ODFA and the holders of the Bonds in accordance with the servicing agreement.

35. If and when the Utility transfers its rights under this Order to the ODFA under an agreement that expressly states that the transfer is a sale or other absolute transfer in accordance with the true-sale provisions of 74 OKLA. STAT. § 9075(F), then, in accordance with that statutory provision, that transfer will be a true sale of an interest in securitization property and not a secured transaction or other financing arrangement and title, legal and equitable, to the securitization property will pass to the ODFA. This true sale must apply regardless of whether the purchaser has any recourse against the seller, or any other term of the parties' agreement, including the Utility's role as the Servicer of WESCR Charges relating to the securitization property, and including the bond trustee's obligation to remit any amounts remaining in the collection account after the Bonds and all financing costs have been paid in full to the Servicer acting solely on behalf of the ODFA, for payment to the Utility's customers, or the treatment of the transfer as a financing for tax, financial reporting, or other purposes.

36. As provided in 74 OKLA. STAT. § 9075(E), a valid and enforceable lien and security interest in the securitization property in favor of the holders of the Bonds or a trustee on their behalf will be created by this Order and the execution and delivery of a security agreement with the holders of the Bonds or a trustee on their behalf in connection with the issuance of the Bonds. The lien and security interest will attach automatically from the time that value is received by the Authority for the Bonds and, on perfection through the filing of notice with the Oklahoma Secretary of State, will be a continuously perfected lien and security interest in the securitization property and all proceeds of the securitization property will have priority in the order of filing and will take precedence over any subsequent judicial or other lien creditor.

37. As provided in 74 OKLA. STAT. § 9075(G), the transfer of an interest in securitization property to an assignee will be perfected against all third parties, including subsequent judicial or other lien creditors, when this Order becomes effective, transfer documents have been delivered to that assignee, and a notice of that transfer has been filed with the Oklahoma Secretary of State.

38. As provided in 74 OKLA. STAT. § 9075(H), the priority of a lien and security interest perfected in accordance with this section will not be impaired by any later modification of this Order or by the commingling of funds with other revenues paid by customers to the Utility, by utilities to the Authority or otherwise paid.

39. As provided in 74 OKLA. STAT. § 9075(H), if securitization property is transferred to an assignee, any proceeds of the securitization property will be treated as held in trust for the assignee. As provided in 74 OKLA. STAT. § 9075(D), the interests of an assignee, the holders of Bonds, and the bond trustee in securitization property and in the revenues and collections arising from that property are not subject to setoff, counterclaim, surcharge, or defense by the Utility or any other person or in connection with the bankruptcy of the Utility or any other entity.

40. As provided in 74 OKLA. STAT. § 9075(I), if a default or termination occurs under the Bonds, the holders of the Bonds or their representatives, including the bond trustee, may foreclose on or otherwise enforce their lien and security interest in the relevant securitization property, and the Commission may require any revenues received under the irrevocable and nonbypassable mechanism created by this Order be paid to a new holder of the securitization property.

41. As authorized by 74 OKLA. STAT. § 9075(I), revenues received from the WESCR Charges and the securitization property authorized this Order are to be paid to a new holder of the securitization property.

42. As provided by 74 OKLA. STAT. § 9077(F), the Bonds authorized by this Order are not an indebtedness of the State or of the Authority, but shall be special obligations of the Authority payable solely from revenues received from the securitization property and other pledged collateral. The Bonds authorized by this Order are not an indebtedness of the Utility.

43. As provided in the Authority Act, the State of Oklahoma has pledged to and agreed with the owners of any Bonds issued by the ODFA under the Authority Act, including any Bonds issued by the ODFA pursuant to this Order, that the State will not limit or alter the rights vested in the Authority to fulfill the terms of the Bonds, the terms of the Authority's resolution or resolutions authorizing the issuance of such Bonds, including the terms of the indenture, the servicing agreement, the sale agreement and any other agreements authorized by those resolutions, and any

to provide for the timely payment of the scheduled principal of and interest on the Bonds, together with all ongoing financing costs.

7. **Provision of Information.** The Utility shall take all necessary steps to ensure that the Commission, through the PUD, is provided sufficient and timely information relating to the proposed transaction as reasonably requested after the date of this Order.

8. **Approval of Tariffs.** The WESCR Mechanism, as modified herein, is approved. Before the issuance of any Bonds under this Order, the Utility must file a tariff that conforms to the form of the WESCR Mechanism tariff provisions attached to this Order, provided that the terms and conditions of the WESCR Mechanism shall comply in all respects with, and be subject to, the terms and conditions of this Order, and if there is a conflict between the terms and conditions of the WESCR Mechanism and those of this Order, the terms and conditions of this Order shall control.

B. WESCR Charges

1. **Imposition and Collection.** The Utility, as Servicer, and any successor Servicer is authorized to impose on, and the Servicer is authorized to collect from, all existing and future customers located at an address within this state and within the Utility's service area as it existed on the date this Order is issued WESCR Charges in an amount sufficient to provide for the timely recovery of the scheduled principal of and interest on the Bonds, together with all ongoing financing costs, as approved in this Order.

2. **ODFA's Rights and Remedies.** Pursuant to the Act, upon the transfer by the Utility of the securitization property to ODFA, ODFA must have all of the rights, title and interest of the Utility with respect to such securitization property, including, without limitation, the right to exercise any and all rights and remedies with respect thereto, including the right to assess and collect any amounts payable by any customer in respect of the securitization property and to authorize the Utility (or its successor) to disconnect service pursuant to the provisions of the Servicing Agreement.

3. **Collector of WESCR Charges.** The Utility as Servicer, including any successor to the Utility, or any subsequent Servicer of the Bonds, or other entity which, under the terms of this Order or the tariffs approved hereby, is required to bill the WESCR Charges, must bill and collect WESCR Charges from customers.

4. **Collection Period.** The WESCR Charges shall be imposed and collected until all Bonds and all ongoing financing costs are paid in full.

5. **Allocation.** The Utility, as Servicer, and any successor Servicer, must allocate the WESCR Charges among customer classes in the manner described in this Order.

6. **Nonbypassability.** The Utility and any other entity providing natural gas distribution services to any customer located at an address within this state and within the Utility's service area as it existed on the date this Order is issued are entitled to collect and must remit, in accordance with this Order, the WESCR Charges from such customers, and such customers are required to pay such WESCR Charges. The Commission will do its utmost to ensure that such obligations are undertaken and performed by the Utility and any other entity providing natural gas

51. This Order meets the requirements for a financing order under the Act.

52. The true-up and reconciliation mechanism, and all other obligations of the State of Oklahoma and the Commission set forth in this Order, are direct, explicit, irrevocable and unconditional upon issuance of the Bonds and are legally enforceable against the State and the Commission in accordance with Oklahoma law.

IX. ORDERING PARAGRAPHS

Based upon the record, the Findings of Fact and Conclusions of Law set forth herein, and for the reasons stated above, this Commission orders:

A. Approval

1. **Approval of Application and Settlement Agreement.** The Application is approved as provided in this Order. Also, the Settlement Agreement, except as otherwise modified herein, is approved and the Findings of Fact related to the Settlement Agreement are adopted.

2. **Authority to Recover Qualified Costs through Securitization.** The Utility's request is granted to recover extreme purchase costs of \$1,284,101,405, extraordinary costs of \$33,429,793, and carrying costs estimated to be \$21,375,249 through the date of issuance of ratepayer-backed bonds its 2021 Winter Weather Event related costs, carrying costs and bond issuance costs authorized for recovery, subject to change based on final costs and carrying costs until securitization. The final amount of carrying costs shall be calculated by the Authority (with the assistance of PUD staff) as set forth in the Issuance Advice Letter.

3. **Authorization for Issuance.** ODFA is authorized to issue the Bonds in the amount equal to the Authorized Amount and with such other terms as are consistent with the terms of this Order approved by the Authority and the State Deputy Treasurer for Policy and Debt Management.

4. **Proceeds of the Bonds.** The proceeds of the Bonds shall be applied as provided in this Order.

5. **Effect of Securitization.** Upon the issuance of this Order, the Utility will not seek to recover the qualified costs identified and quantified in this Order from customers except through the transfer of securitization property in exchange for the net proceeds of a bond issuance, which shall offset and complete the recovery of the qualified costs for the Utility. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify or amend this Order and shall not affect the validity, finality and irrevocability of this Order, the securitization property irrevocably created hereby or the Bonds.

6. **Recovery of WESCR Charges.** The Utility, as Servicer, and any successor Servicer, must impose on and collect from all existing and future customers located at an address within the state and within the Utility's service area as it existed on the date of this Order and other entities which, under the terms of this Order or the tariff approved hereby, are required to bill, pay or collect WESCR Charges, as provided in this Order, WESCR Charges in an amount sufficient

to provide for the timely payment of the scheduled principal of and interest on the Bonds, together with all ongoing financing costs.

7. **Provision of Information.** The Utility shall take all necessary steps to ensure that the Commission, through the PUD, is provided sufficient and timely information relating to the proposed transaction as reasonably requested after the date of this Order.

8. **Approval of Tariffs.** The WESCR Mechanism, as modified herein, is approved. Before the issuance of any Bonds under this Order, the Utility must file a tariff that conforms to the form of the WESCR Mechanism tariff provisions attached to this Order, provided that the terms and conditions of the WESCR Mechanism shall comply in all respects with, and be subject to, the terms and conditions of this Order, and if there is a conflict between the terms and conditions of the WESCR Mechanism and those of this Order, the terms and conditions of this Order shall control.

B. WESCR Charges

1. **Imposition and Collection.** The Utility, as Servicer, and any successor Servicer is authorized to impose on, and the Servicer is authorized to collect from, all existing and future customers located at an address within this state and within the Utility's service area as it existed on the date this Order is issued WESCR Charges in an amount sufficient to provide for the timely recovery of the scheduled principal of and interest on the Bonds, together with all ongoing financing costs, as approved in this Order.

2. **ODFA's Rights and Remedies.** Pursuant to the Act, upon the transfer by the Utility of the securitization property to ODFA, ODFA must have all of the rights, title and interest of the Utility with respect to such securitization property, including, without limitation, the right to exercise any and all rights and remedies with respect thereto, including the right to assess and collect any amounts payable by any customer in respect of the securitization property and to authorize the Utility (or its successor) to disconnect service pursuant to the provisions of the Servicing Agreement.

3. **Collector of WESCR Charges.** The Utility as Servicer, including any successor to the Utility, or any subsequent Servicer of the Bonds, or other entity which, under the terms of this Order or the tariffs approved hereby, is required to bill the WESCR Charges, must bill and collect WESCR Charges from customers.

4. **Collection Period.** The WESCR Charges shall be imposed and collected until all Bonds and all ongoing financing costs are paid in full.

5. **Allocation.** The Utility, as Servicer, and any successor Servicer, must allocate the WESCR Charges among customer classes in the manner described in this Order.

6. **Nonbypassability.** The Utility and any other entity providing natural gas distribution services to any customer located at an address within this state and within the Utility's service area as it existed on the date this Order is issued are entitled to collect and must remit, in accordance with this Order, the WESCR Charges from such customers, and such customers are required to pay such WESCR Charges. The Commission will do its utmost to ensure that such obligations are undertaken and performed by the Utility and any other entity providing natural gas

transportation or distribution services within the Utility's service area as it exists on the date this Order is issued.

7. **True-Ups.** True-ups of the WESCR Charges, including non-standard true-ups, must be undertaken and conducted as described in the WESCR Mechanism and this Order, including forms of True-Up and Non-Standard True-up Letters set forth in Appendix D and Appendix E. Any necessary corrections to a true-up, due to mathematical errors in the calculation of such adjustment, will be made in future true-up adjustment filings. True-up adjustments will be posted on the Commission website after the PUD completes its review.

8. **Ownership Notification; Line Item.** The Utility as Servicer or any other entity that bills WESCR Charges to customers must, at least annually, provide written notification to each customer for which the entity bills WESCR Charges that the WESCR Charges are the property of ODFA and not of the entity issuing such bill. The Utility as Servicer shall impose the WESCR Charge as a separate line item on customer bills.

C. **Ratepayer-Backed Bonds**

1. **Terms.** The final terms of the Bonds, including any credit enhancement, shall be consistent with this Order, and approved by the Authority and the State Deputy Treasurer for Policy and Debt Management.

2. **Bond Issuance Costs.** Bond issuance costs described will be recovered from the proceeds of the Bonds in accordance with this Order. The Utility Issuance Costs may not be paid or reimbursed in an amount exceeding \$500,000.

3. **Ongoing Financing Costs.** All ongoing financing costs shall be recovered through the WESCR Charges. The estimated ongoing financing costs as described in the testimony of Michael Bartolotta are approved for recovery. As provided in this Order, a Servicer, other than the Utility, may collect a servicing fee higher than that set forth herein, if such higher fee is subsequently approved by the Commission.

4. **Informational Issuance Advice Letter Filing.** Within three business days of the sale of the Bonds, ODFA and the Utility will jointly submit to PUD, for informational purposes only (with the exception of the Utility Certification included as Attachment 4 to Appendix A hereto), an Issuance Advice Letter, substantially in the form attached to this Order, evidencing the final terms of the Bonds, projected (or actual) costs of issuance and ongoing financing costs for the first year following issuance, projected customer savings, as well the initial WESCR Charge. The final amount of carrying costs shall be calculated by the Authority (with the assistance of PUD) and set forth in the Issuance Advice Letter.

5. **Refinancing.** This Order does not preclude ODFA and the Utility from filing a request for a "financing order" to retire or refund the Bonds approved in this Order upon a showing that the customers would benefit and that such a financing is consistent with the terms of the outstanding Bonds, as permitted by 74 OKLA. STAT. § 9077(D).

6. **Collateral.** All securitization property and other collateral must be held and administered by the bond trustee under the indenture as described in this Order.

7. **Distribution Following Repayment.** Following repayment of the Bonds authorized in this Order and release of the funds held by the trustee, the Servicer, solely on behalf of ODFA, must distribute to current customers the final balance of the general, excess funds, and all other subaccounts, whether such balance is attributable to principal amounts deposited in such subaccounts or to interest thereon, remaining after all other qualified costs have been paid. The amounts must be distributed to each WESCR Customer Class that paid the WESCR Charges during the last 12 months that the WESCR Mechanism was in effect. The amount paid to each customer must be determined by multiplying the total amount available for distribution by a fraction, the numerator of which is the total WESCR Charges paid by the WESCR Customer Class during the last 12 months the WESCR Charges were in effect and the denominator of which is the total WESCR Charges paid by all WESCR Customer Classes during the last 12 months the WESCR Mechanism was in effect. The amount allocated by each WESCR Customer Class shall be divided by the forecasted billing units for the month in which the refund will take place in order to arrive at a per customer refund amount.

8. **Annual Weighted-Average Interest Rate of Bonds.** The effective weighted-average interest rate of the Bonds must not exceed 6.0%.

9. **Life of Bonds.** The scheduled final payment date of the Bonds authorized by this Order must not exceed 25 years. The legal final maturity must not exceed 30 years from the date of issuance.

10. **Amortization Schedule.** The Commission approves, and the Bonds must be structured, to provide a WESCR Charge that is designed to produce substantially level annual debt service over the expected life of the Bonds.

D. Servicing

1. **Servicing Agreement.** The Commission authorizes the Utility to enter into the servicing agreement with ODFA and to perform the servicing duties approved in this Order. The Servicer must be entitled to collect servicing fees in accordance with the provisions of the servicing agreement, provided that the annual servicing fee payable to the Utility while it is serving as Servicer (or to any other Servicer affiliated with the Utility) must not at any time exceed 0.05% of the initial aggregate principal amount of the Bonds, plus out-of-pocket costs as described herein. The annual servicing fee payable to any other Servicer not affiliated with the Utility shall be subject to approval by the Commission, if required, pursuant to this Order.

2. **Servicing Revenues and Expenses.** The revenues collected by the Utility, or by any affiliate of the Utility acting as the Servicer shall be included as an identified revenue credit and reduce revenue requirements for the customers' benefit in the Utility's applicable general rate case. The expenses of acting as the Servicer shall likewise be included as a cost of service in such general rate case, subject to the actual servicer fee.

3. **Replacement of the Utility as Servicer.** Upon the occurrence of an event of default under the servicing agreement relating to Servicer's performance of its servicing functions with respect to the WESCR Charges, the ODFA, or bond trustee acting at the direction of a majority of the bondholders, may replace the Utility as the Servicer in accordance with the terms of the servicing agreement. In the event the successor Servicer seeks a fee up to 0.60% of the initial balance of the Bonds, such request is conditioned upon the ODFA having justification for

agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. If the servicing fee of the replacement Servicer seeks a fee that exceeds 0.60% of the initial aggregate principal amount of the Bonds, the replacement Servicer may not begin providing service until or unless the Commission approves the higher fee in a subsequent proceeding in which the ODFA reasonably demonstrates that the services cannot be obtained at a compensation level lower than 0.60% under the market conditions at that time. No entity may replace the Utility as the Servicer in any of its servicing functions with respect to the WESCR Charges and the securitization property authorized by this Order if the replacement would cause any of the then current credit ratings of the Bonds to be suspended, withdrawn, or downgraded.

4. **Collection Terms.** The Servicer must remit collections of the WESCR Charges to the State Treasurer's Consumer Protection Fund, which shall be maintained by the bond trustee, for ODFA's account in accordance with the terms of the servicing agreement.

5. **Contract to Provide Service.** The Utility shall agree in the sale agreement and in the servicing agreement to continue to operate its transportation and distribution system (or, if by law, the Utility or its successor is no longer required to own and/or operate both the transportation and distribution systems, then the Utility's distribution system) in order to provide gas services to the Utility's customers; provided, however, that this provision must not prohibit the Utility from selling, assigning, or otherwise divesting its transportation and distribution systems or any part thereof, pursuant to applicable law, so long as the entities acquiring such system agree to continue operating the facilities to provide gas service to the Utility's customers.

6. **Securities Reporting Requirements.** The Utility shall cooperate with ODFA and supply such information to ODFA as is reasonably consistent with information that would be required to comply with any federal securities law reporting obligations with respect to the Bonds and any other information required to comply with federal or state securities law reporting obligations.

7. **Service Termination.** In the event that the Servicer is billing customers for WESCR Charges, the Servicer must have the right to terminate transportation and distribution service to the end-use customer for non-payment by end-use customers under applicable Commission rules.

E. Use of Proceeds

The proceeds of the Bonds will be applied as described herein.

F. Miscellaneous Provisions

1. **Continuing Issuance Right.** The Utility has the continuing irrevocable right to cause the issuance of, and ODFA has the continuing right to issue, the Bonds in one or more series in accordance with this Order for a period commencing with the date of this Order and extending 24 months following the date on which this Order becomes final.

2. **Binding on Successors.** This Order, together with the WESCR Charges authorized in it, must be binding on the Utility and any successor to the Utility that provides transportation and distribution service directly to customers located at an address within this state and within the

Utility's service area, any other entity that provides transportation or distribution services to customers within that service area (or if there are separate transportation and distribution service providers, distribution services), and any successor to such other entity, provided that if by law, the Utility or its successor is no longer required to own and/or operate both the transportation and distribution systems, then any entity that provides distribution service to customers in the service territory shall be bound by this Order.

3. **Flexibility.** Subject to compliance with the requirements of this Order, the Utility and ODFA must be afforded flexibility in establishing the terms and conditions of the Bonds, including repayment schedules, term, payment dates, collateral, credit enhancement, required debt service, reserves, interest rates, use of original issue discount, and other financing costs and the ability of the Utility, at its option, to cause one or more series of Bonds to be issued by the ODFA.

4. **Effectiveness of Order.** This Order is effective upon issuance and is not subject to rehearing by the Commission after 30 days from the issuance of the Order. The Order is subject to appeal pursuant to Section 20 of Article IX of the Oklahoma Constitution. Notwithstanding the foregoing, no securitization property must be created hereunder, and the Utility must not be authorized to impose, collect, and receive WESCR Charges, until concurrently with the transfer of the Utility's rights hereunder to the ODFA in conjunction with the issuance of the Bonds.

5. **Regulatory Approvals.** All regulatory approvals within the jurisdiction of the Commission that are necessary for the securitization of the WESCR Charges associated with the costs that are the subject of the Application, and all related transactions contemplated in the application, are granted.

6. **Payment of Commission's Costs for Professional Services.** In accordance with 74 OKLA. STAT. § 9073(D), the ODFA must pay the costs to the Commission (including PUD) of acquiring professional services for the purpose of evaluating the Utility's proposed transaction, including, but not limited to, the Commission's outside attorneys' fees and financial advisor fees, in the amounts specified in the Issuance Advice Letter no later than 30 days after the issuance of any Bonds. Such Commission costs shall be non-Utility bond issuance costs and paid from Bond proceeds, or as otherwise provided in this Order.

7. **Compliance with 74 OKLA. STAT. § 9073(G).** To the extent the Utility receives insurance proceeds from private insurers, receives insurance proceeds or grants from the State of Oklahoma or the government of the United States of America, or any similar source of permanent reimbursement after the date of this Order the purpose of which is to provide for recovery of 2021 Winter Weather Event related qualified costs approved for recovery by this Order, such amounts, as soon as practicable, shall be credited to customers by offsetting the monthly UPGC balance within the Company's gas cost recovery mechanism (i.e. Purchased Gas Adjustment Clause or "PGA"). If the amount being credited impacts the current monthly PGA rate by more than \$0.25, the amount shall be deferred and amortized to the PGA over a period long enough so as to have an estimated impact of no more than \$0.25; provided that the period for deferral and amortization shall not extend longer than 5 years. All amounts returned to customers shall bear carrying costs at the rate authorized by this Order.

8. **Effect.** This Order constitutes a legal financing order for the Utility under the Act. The Commission finds this Order complies with the provisions of 74 OKLA. STAT. §§ 9073-74. An Order gives rise to rights, interests, obligations and duties as expressed in 74 OKLA. STAT. §9075 and § 9077. It is the Commission's express intent to give rise to those rights, interests, obligations and duties by issuing this Order. The Utility and the Servicer are directed to take all actions as are required to effectuate the transactions approved in this Order, subject to compliance with the criteria established in this Order.

9. **Severability.** Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

10. **Further Commission Action.** The Commission will act under this Order as expressly authorized by the Act, and other applicable law, to do its utmost to ensure that expected WESCR Charge revenues are sufficient to pay on a timely basis scheduled principal of and interest on the Bonds issued under this Order and other costs, including fees and expenses, in connection with the Bonds.

11. **All Other Motions, etc., Denied.** The Commission denies all other motions and any other request.

12. **Delivery of Financing Order.** On the date hereof, the Commission, through its Chairman, will deliver a copy of this Order to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives and the Authority in accordance with 74 OKLA. STAT. § 9074(D).

[Signatures to follow on subsequent page 50]

CORPORATION COMMISSION OF OKLAHOMA


DANA L. MURPHY, CHAIRMAN

DISSENTING OPINION ATTACHED

BOB ANTHONY, VICE CHAIRMAN


J. TODD HIATT, COMMISSIONER

CERTIFICATION

DONE AND PERFORMED by the Commissioners participating in the making of this Order, as shown by their signatures above, this 25th day of January, 2022.

BY ORDER OF THE COMMISSION:




PEGGY MITCHELL, Commission Secretary

FORM OF ISSUANCE ADVICE LETTER**[SUBMITTED FOR INFORMATION ONLY PURPOSES]**

____ DAY, _____, 202_

THE OKLAHOMA CORPORATION COMMISSION

Attn: Chairman

Jim Thorpe Office Building, 2101 N. Lincoln Blvd.

Oklahoma City, Oklahoma 73105

SUBJECT: ISSUANCE ADVICE LETTER FOR RATEPAYER-BACKED BONDS

Pursuant to the Final Financing Order issued on the ____ day of _____, 202_ in Cause No. PUD 202100079 before the Oklahoma Corporation Commission, *Application of ONG Gas Company, a Division of One Gas, Inc. for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event Pursuant to the "February 2021 Regulated Utility Consumer Protection Act"* (the "Financing Order"), OKLAHOMA NATURAL GAS COMPANY (the "Utility" or the "Applicant") and OKLAHOMA DEVELOPMENT FINANCE AUTHORITY ("ODFA" or the "Authority") jointly submit, this Issuance Advice Letter to report certain terms and information related to the ratepayer-backed bonds Series _____, Tranches _____. Any capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081 (the "Act").

PURPOSE

This filing includes the following information:

- (1) Calculation of total principal amount of Bonds issued;
- (2) The final terms and structure of the ratepayer-backed bonds, including a description of any credit enhancement, the final estimated bond issuance costs and the final estimates of ongoing financing costs for the first year following issuance;
- (3) A calculation of projected customer savings relative to conventional methods of financing resulting from the issuance of the Bonds; and
- (4) The initial WESCR Charges.

1. PRINCIPAL AMOUNT OF BONDS ISSUED (AUTHORIZED AMOUNT)

The total amount of qualified costs, carrying costs and issuance costs being financed (the "Authorized Amount") is presented in Attachment 1.

2. DESCRIPTION OF FINAL TERMS OF BONDS

Set forth below is a summary of the final terms of the Bond Issuance.

Ratepayer-Backed Bond Title and Series: _____

Trustee: _____

Closing Date: _____, 202__

Bond Ratings: [S&P ___; Moody's ___; Fitch ___]

Amount Issued (Authorized Amount): \$ _____

Ratepayer-Backed Bond Issuance Costs: See Attachment 1, Schedule B.

Ratepayer-Backed Bond Ongoing Financing Costs: See Attachment 2, Schedule B.

Tranche	Coupon Rate	Scheduled Final Maturity	Legal Final Maturity
	____%	___/___/___	___/___/___
	____%	___/___/___	___/___/___
	____%	___/___/___	___/___/___

Effective Annual Weighted Average Interest Rate of the Ratepayer-Backed Bonds:	____%
Weighted Average Life of Series:	___ years
Call provisions (including premium, if any):	
Expected Sinking Fund Schedule:	Attachment 2, Schedule A
Payments to Bondholders:	Semiannually Beginning _____, _____

3. CALCULATION OF PROJECTED SAVINGS

The weighted average interest rate of the ratepayer-backed bonds (excluding costs of issuance and ongoing financing costs) is less than [_____]%, accordingly, the proposed structuring, expected pricing, and financing costs of the ratepayer-backed bonds are reasonably expected to result in substantial revenue requirement savings as compared to conventional methods of financing. The net present value of the savings, which will avoid or mitigate rate impacts as compared to conventional methods of financing the qualified costs, is estimated to be \$_____ (see Attachment 2, Schedule C), based on an effective annual weighted average interest rate of ___% for the ratepayer-backed bonds.

4. INITIAL WESCR CHARGE

Table I below shows the current assumptions for each of the variables used in the calculation of the initial WESCR Charges.

TABLE I
Input Values For Initial WESCR Charges
Applicable period: from _____, ____ to _____, ____

Forecasted customer counts for each WESCR Customer Class for the applicable period:	
Ratepayer-backed bond debt service for the applicable period:	\$ _____
Charge-off rate for each WESCR Customer Class:	
Forecasted annual ongoing financing costs (See Attachment 2, Schedule B):	\$ _____
Current ratepayer-backed bond outstanding balance:	\$ _____
Target ratepayer-backed bond outstanding balance as of ___/___/___:	\$ _____
Total Periodic Billing Requirement for applicable period:	\$ _____

Based on the foregoing, the initial WESCR Charges calculated for each WESCR Customer Class are detailed in Attachment 3.

EFFECTIVE DATE

[In accordance with the Financing Order, the WESCR Charges shall become effective beginning on the first day of the first billing cycle of the next revenue month following the date of issuance of the ratepayer-backed bonds.]

AUTHORIZED OFFICER

The undersigned are officers of Applicant and Authority, respectively, and authorized to deliver this Issuance Advice Letter on behalf of Applicant and Authority.

Respectfully submitted,

OKLAHOMA NATURAL GAS COMPANY

By: _____
Name: _____
Title: _____

OKLAHOMA DEVELOPMENT FINANCE
AUTHORITY

By: _____
Name: _____
Title: _____

cc: Director of the Public Utility Division, Oklahoma Corporation Commission

ATTACHMENT 1
SCHEDULE A
CALCULATION OF AUTHORIZED AMOUNT

A.	Qualified costs authorized in Cause No. PUD 202100079 (including any adjustment to carrying costs)	\$
B.	Estimated bond issuance costs (Attachment 1, Schedule B)	
TOTAL AUTHORIZED AMOUNT		\$

ATTACHMENT 1
SCHEDULE B
ESTIMATED ISSUANCE COSTS

	Issuance Costs
Underwriters' Fees & Expenses	\$ -
Underwriters' Counsel Legal Fees & Expenses	\$ -
ODFA Legal & Advisory Fees and Expenses	\$ -
[ODFA Financing Acceptance Fee]	\$ -
State Treasurer Fees and Expenses	\$ -
Bond Counsel Fees	\$ -
Rating Agency Fees and Related Expenses	\$ -
Printing	\$ -
Trustee's/Trustee Counsel's Fees & Expenses	\$ -
ODFA Legal and Advisory Fees	\$ -
Original Issuance Discount	\$ -
Commission Fees and Expenses	\$ -
	\$ -
Other Credit Enhancements (Overcollateralization Subaccount)	\$ -
Rounding/Contingency	\$ -
Debt Service Reserve Subaccount (DSRS)	\$ -
Commission Fees and Expenses	\$ -
Total Non-Utility External Issuance Costs	\$ -
Utility's Financial Advisor Fees & Expenses	\$ -
Utility's Counsel Legal Fees & Expenses	\$ -
Utility's Non-legal Securitization Proceeding Costs & Expenses	\$ -
Utility's Miscellaneous Administrative Costs	\$ -
Servicer's Set-Up Costs	\$ -
External Servicing Costs (Accountant's)	\$ -
Total Utility Issuance Costs	\$ -
Total Estimated Issuance Costs	\$ -
Rounded Amount	\$ -

Note: Any difference between the Estimated Issuance Costs financed for, and the actual Issuance Costs incurred by, the ODFA and (except as capped) the Utility will be resolved, if estimates are more or less than actual, through the WESCR Mechanism or pursuant to the Financing Order issued in this proceeding, as applicable.

ATTACHMENT 2
SCHEDULE B
ESTIMATED ONGOING FINANCING COSTS

	Itemized Annual Ongoing Financing Costs
True-Up Administration Fees ^	\$ -
ODFA Administration Fees ^	\$ -
^	\$ -
ODFA Administration Fees^	\$ -
ODFA Legal Fees & Expenses^	\$ -
ODFA Accounting Fees^	\$ -
Trustee's/Trustee's Counsel Fees & Expenses ^	\$ -
Rating Agency Fees and Related Expenses^	\$ -
Miscellaneous ^	\$ -
Cost of Swaps & Hedges^	\$ -
Other Credit Enhancements^	\$ -
Total Non-Utility External Annual Ongoing Financing Costs	\$ -
Ongoing Servicer Fees (Utility as Servicer)	\$ -
Accounting Costs (External)^	\$ -
Total (Utility as Servicer) Estimated Annual Ongoing Financing Costs	\$ -
Ongoing Servicer Fees as % of original principal amount	%
Ongoing Servicer Fees (Third-Party as Servicer - []% of principal)	\$ -
Other External Ongoing Fees (total of lines marked with a ^ mark above)	\$ -
Total (Third-Party as Servicer) Estimated Ongoing Financing Costs	\$ -

Note: The amounts shown for each category of ongoing financing costs on this attachment are the expected costs for the first year of the ratepayer-backed bonds. WESCR Charges will be adjusted at least semi-annually to reflect the actual ongoing financing costs through the true-up process described in the Financing Order, except that the servicing fee is fixed as long as the Utility (or any affiliate) is Servicer.

ATTACHMENT 2
SCHEDULE C
BENEFITS VERSUS CONVENTIONAL FINANCING

	Conventional Financing	Ratepayer-Backed Bond Financing	Savings/(Cost) of Ratepayer-Backed Bond Financing
Present Value	\$	\$	\$

The present value discount factor shall be the rate needed to discount future debt service payments on the Bonds to the net proceeds of Bonds, including accrued interest, DSRS and any contingency retained by the trustee.

ATTACHMENT 3

INITIAL ALLOCATION OF COSTS TO WESCR CUSTOMER CLASSES

(1) WESCR Customer Classes	(2) WESCR Charge ¹ (% of base rate revenues)
	%
	%
	%
	%
	%
Total	100.0000%

(1) WESCR Customer Classes	(2) Threshold Customer Numbers

¹ Determined in accordance with the methodology in Appendix B to the Financing Order.

ATTACHMENT 4

UTILITY CERTIFICATION

THE OKLAHOMA CORPORATION COMMISSION

ATTN: Chairman

Jim Thorpe Office Building, 2101 N. Lincoln Blvd.

Oklahoma City, Oklahoma 73105

Pursuant to the Final Financing Order issued on the ____ day of ____, 202_ in Cause No. PUD 202100079 before the Oklahoma Corporation Commission, *Application of ONG Gas Company, a Division of One Gas, Inc. for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event Pursuant to the "February 2021 Regulated Utility Consumer Protection Act"* (the "Financing Order"), OKLAHOMA NATURAL GAS COMPANY (the "Utility" or the "Applicant") certifies that the calculation of the WESCR Charges included in the Issuance Advice Letter were calculated in accordance with Financing Order. If the Commission determines that the calculation of the WESCR Charges contained any mathematical error, such error will be corrected upon the next implementation of the true-up and reconciliation process.

Any capitalized terms not defined in this certification shall have the meanings ascribed to them in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081.

Respectfully submitted,

OKLAHOMA NATURAL GAS COMPANY

By: _____
Name: _____
Title: _____

cc: Director of the Public Utility Division, Oklahoma Corporation Commission

WINTER EVENT SECURITIZED COST RECOVERY "WESCR" MECHANISM

Section 1 - Applicability

The WESCR mechanism shall be applicable to all gas sales customer tariffs listed in Section 2 of this tariff beginning with the first billing cycle following a final financing order in Cause No. PUD 202100079 and the issuance of securitized bonds and the Company's receipt of such bond proceeds pursuant to the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081.

Section 2 - Allocation

The WESCR mechanism shall be allocated to gas sales customer tariffs as shown below. This allocation, approved in Cause No. PUD 202100079, shall only be subject to the true-up and reconciliation methodology set forth in the Final Financing Order and the final Issuance Advice Letter.

Tariff	% Allocation
Tariff 101 & 101-V Rate Choice A	13.89%
Tariff 101 & 101-V Rate Choice B	64.82%
Tariff 102 & 102-V Low Income	0%
Tariff 200SCI & 200 SCI-V	6.30%
Tariffs 200LCI	14.61%
Tariff 291S	0.37%
Tariff 601S	0.01%
Tariff 705	0.05%
Total	100%

Section 3 – Billing Rates

The WESCR mechanism billing rates below shall show as a separate line item on the customer bills.

Tariff	*Fixed Monthly Fee
Tariff 101 & 101-V Rate Choice A	
Tariff 101 & 101-V Rate Choice B	
Tariff 102 & 102-V Low Income	
Tariff 200SCI & 200 SCI-V	
Tariffs 200LCI	
Tariff 291-S	
Tariff 601-S	
Tariff 705	
Total	

Section 4 – Recovery Period

The recovery period for securitized bonds shall be a for the time period approved by the securitized bond Financing Order in Cause No. PUD 202100079.

Section 5 – True Up

The WESCR mechanism shall be trued up and reconciled semi-annually through a submission to the Public Utility Division (“PUD”) of the Oklahoma Corporation Commission. Oklahoma Natural Gas shall receive periodic information from the Oklahoma Development Finance Authority (“ODFA”) in order to perform this true-up and reconciliation. Oklahoma Natural Gas will provide the updated rates as well as supporting calculations within 30 days of receipt of this information with rates to be effective the first billing cycle the month following the true-up. PUD shall have 30 days to complete its review before updated rates begin billing. Submission dates and timing of applicable rates may vary subject to the timing of information from the ODFA. A final True-up will occur at the end of the recovery period to ensure that only the amount of bond proceeds the Company received, as well as related interest and ongoing financing costs, have been collected from those customers identified in Section 2. This final true-up, resulting in either a

customer over or under collection may occur through the Company's Purchased Gas Adjustment Mechanism (PGA) or as a line item on the customer bills.

If the current customer count for any tariff shown in Section 2 declines by more than 10% from the customer count used to determine the current allocation in Section 2, then the allocation in Section 2 will be re-calculated using the most recent 12 months normalized volume.

ESTIMATED ISSUANCE COSTS AND ONGOING FINANCING COSTS

ESTIMATED ISSUANCE COSTS

	ITEMIZED ISSUANCE COSTS
Bond Counsel:	\$ 125,000
Special Counsel:	\$ 685,000
Disclosure Counsel	\$ 260,000
Financial Advisor Counsel to Financial Advisor:	\$ 410,000
Counsel to Commission:	\$ 50,000
ODFA Fee	\$ 150,000
ODFA Counsel:	\$ 50,000
Bondlink:	\$ 23,000
Counsel of Bond Oversight Fee:	\$ 8,145,500
State of Oklahoma Attorney General:	\$ 145,500
Underwriters:	\$ 6,268,878
Trustee:	\$ 5,000
Trustee Counsel:	\$ 20,000
Printer:	\$ 5,000
Net Roadshow (marketing):	\$ 7,500
Rating Agencies:	\$ 2,000,000
Rule 17g-5:	\$ 16,000
Utility Issuance Costs	\$ 500,000
Total Estimated Issuance Cost	\$ 18,866,378

Note: Any difference between the estimated Issuance Costs financed for, and the actual Issuance Costs incurred by, the Authority, the Commission and (except as capped) the Utility will be resolved, if estimates are more or less than actual, through the WESCR Mechanism or as otherwise authorized by the Financing Order.

ESTIMATED ISSUANCE COSTS AND ONGOING FINANCING COSTS

ESTIMATED ONGOING FINANCING COSTS

	Itemized Annual Ongoing Financing Costs
True-Up Administration Fees ^	
ODFA Administration Fees ^	\$125,000
ODFA Legal Fees ^	\$75,000
Trustee's/Trustee's Counsel Fees & Expenses ^	\$5,000
Rating Agency Fees and Related Expenses^	\$76,500
Miscellaneous ^	\$54,000
Servicing Fee^	\$678,183
Accounting Fees	\$100,000
Total Non-Utility External Annual Ongoing Financing Costs	\$1,113,683
Ongoing Servicer Fees (Utility as Servicer) ^	\$678,183
Accounting Costs (External) ^	\$100,000
Total (Utility as Servicer) Estimated Ongoing Financing Costs	\$778,183
Ongoing Servicer Fees (Third-Party as Servicer - 0.60% of principal)	\$0
Other External Ongoing Fees (total of lines marked with a ^ mark above)	\$1,013,683
Total (Third Party as Servicer) Estimated Ongoing Financing Costs	\$1,013,683
Total	\$1,113,683

Note: The amounts shown for each category of ongoing financing costs on this attachment are the expected costs for the first year of the ratepayer-backed bonds. WESCR Charges will be adjusted at least semi-annually to reflect the actual ongoing financing costs through the true-up process described in the Financing Order, except that the servicing fee is fixed as long as the Utility (or its affiliate) is Servicer.

TRUE-UP LETTER

[ODFA Letterhead]

Date: _____, 202_

Oklahoma Corporation Commission
ATTN: Chairman
Jim Thorpe Office Building, 2101 N. Lincoln Blvd.
Oklahoma City, OK 73105

Re: Application of ONG Gas Company, a Division of One Gas, Inc. for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event Pursuant to the "February 2021 Regulated Utility Consumer Protection Act", Cause No. PUD 202100079

Dear _____:

Pursuant to the Final Financing Order issued on the _____ day of _____, 202_ in Cause No. PUD 202100079 before the Oklahoma Corporation Commission, *Application of ONG Gas Company, a Division of One Gas, Inc. for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event Pursuant to the "February 2021 Regulated Utility Consumer Protection Act"* (the "Financing Order"), ONG Gas Company (the "Utility"), as Servicer of the ratepayer-backed bonds, or any successor Servicer on behalf of bond trustee as assignee of the ODFA shall apply [semi-annually] for a mandatory periodic adjustment to the WESCR Charge. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081 (the "Act").

Each semi-annual true-up adjustment shall be filed with the Commission not less than [xx] days prior to the first billing cycle of the month in which the revised WESCR Charges will be in effect. The Commission staff will have [xx] days after the date of the true-up adjustment filing in which to confirm the mathematical accuracy of the Servicer's adjustment. However, any mathematical correction not made prior to the effective date of the WESCR Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WESCR Charge.

Using the formula approved by the Commission in the Financing Order, this filing modifies the variables used in the WESCR Charge calculation and provides the resulting modified WESCR Charge. Attachments 1, 2 and 3 show the resulting values of the WESCR Charge for each WESCR Customer Class, as calculated in accordance with the Financing Order. The assumptions underlying the current WESCR Charge were filed by the Utility and the ODFA in an [Issuance Advice]/True-up Letter dated _____.

Respectfully submitted,

[Utility]

By: _____

Name: _____

Title: _____

Attachments

cc: Director of the Public Utility Division, Oklahoma Corporation Commission

ATTACHMENT 1
CALCULATION OF WESCR CHARGES

Estimated Ongoing Financing Costs	
True-Up Administration Fees ^	
ODFA Administration Fees ^	
ODFA Legal Fees ^	
Trustee's/Trustee's Counsel Fees & Expenses ^	
Rating Agency Fees and Related Expenses^	
Miscellaneous ^	
^	
Other Credit Enhancements ^	
Total Non-Utility External Annual Ongoing Financing Costs	
Ongoing Servicer Fees (Utility as Servicer) *	
Accounting Costs (External) ^	
Total Utility Annual Ongoing Financing Costs	
Total (Utility as Servicer) Estimated Ongoing Financing Costs	
Ongoing Servicer Fees (Third-Party as Servicer - 0.60% of principal)	
Other External Ongoing Fees (total of lines marked with a ^ mark above)	
Total (Third Party as Servicer) Estimated Ongoing Financing Costs	

Input Values for WESCR Charges	
Projected revenues for payment period (See Attachment 3)	
Forecast uncollectables for payment period	
Average Days Sales Outstanding	
Balance of Collection Account (Net of Capital Subaccount) (As of xx/xx, which is the Calculation Cut-off Date)	
Projected WESCR Charges Between Calculation Cut-off Date and Proposed Effective Date of True-Up Adjustment	
A. Ratepayer-Backed Bond Principal	
B. Ratepayer-Backed Bond Interest	
C. Ongoing Financing Costs for the applicable payment period (See Table 1 above)	
Periodic Payment Requirement (Sum of A, B and C)	
Periodic Billing Requirement (See Attachment 2)	

ATTACHMENT 2

WESCR CHARGE CALCULATIONS

[Calculation Workpapers to be included.]

ATTACHMENT 3

WESCR CHARGE FOR PAYMENT PERIOD

WESCR Customer Class

WESCR Charge

FORM OF NON-STANDARD TRUE-UP LETTER

TRUE-UP LETTER

[ODFA Letterhead]

Date: _____, 202_

Oklahoma Corporation Commission
 ATTN: Chairman
 Jim Thorpe Office Building, 2101 N. Lincoln Blvd.
 Oklahoma City, OK 73105

Re: Application of ONG Gas Company, a Division of One Gas, Inc. for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event Pursuant to the "February 2021 Regulated Utility Consumer Protection Act", Cause No. PUD 202100079

Dear _____:

Pursuant to the Final Financing Order issued on the _____ day of _____, 202_ in Cause No. PUD 202100079 before the Oklahoma Corporation Commission, *Application of ONG Gas Company, a Division of One Gas, Inc. for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event Pursuant to the "February 2021 Regulated Utility Consumer Protection Act"* (the "Financing Order"), ONG Gas Company (the "Utility"), as Servicer of the ratepayer-backed bonds, or any successor Servicer on behalf of bond trustee as assignee of the ODFA, may apply for a Non Standard True-Up to change the Allocation Factors to address a 10% or greater change in the number of customers in one or more WESCR Customer Classes. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081 (the "Act").

Each non-standard true-up shall be filed with the Oklahoma Corporation Commission not less than [xx] days prior to the first billing cycle of the month in which the revised methodology for calculating WESCR Charges will be in effect. [The Commission staff will have [xx] days after the date of the true-up adjustment filing in which to confirm the mathematical accuracy of the Servicer's adjustment. However, any mathematical correction not made prior to the effective date of the WESCR Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WESCR Charge.]

Attachments [_____] show the revised methodology for calculating the WESCR Charges.

Respectfully submitted,

[Utility]

By: _____

Name: _____

Title: _____

Attachments

cc: Director of the Public Utility Division, Oklahoma Corporation Commission

[ATTACHMENTS TO COME]

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF OKLAHOMA)
NATURAL GAS COMPANY, A DIVISION)
OF ONE GAS, INC., FOR A FINANCING)
ORDER APPROVING SECURITIZATION)
OF COSTS ARISING FROM THE)
FEBRUARY 2021 WINTER WEATHER)
EVENT PURSUANT TO THE "FEBRUARY)
2021 REGULATED UTILITY CONSUMER)
PROTECTION ACT")

CAUSE NO. PUD 202100079

Filed 25 January 2022.

DISSENTING OPINION OF COMMISSIONER BOB ANTHONY

Once again Commissioners are being asked to vote on a Winter Storm 2021 debt package worth well over \$1 BILLION to Oklahoma ratepayers. Artificial 180-day deadlines imposed by the legislature are no excuse for rushing through bad policy, and the more I study and consider the details of these deals, the more devils I find. AARP has expressed legitimate concerns about so-called "securitization" and has called for more transparency. Especially if utility company management is found to have acted imprudently, utility shareholders should share in a portion of the extraordinary costs, instead of automatically being "made whole."

In my opinion, these stipulated Ratepayer-Backed Bond proposals are ill-conceived, unconstitutional, and bad for residential ratepayers. Worse, they also appear to be an attempt to prevent thorough and open examination of questionable, possibly negligent utility management decisions and imprudent fuel/service purchases made during the storm, as well as an excuse to line the pockets of special interests on Wall Street and their local counterparts.

For those under the false impression there are no other or better options, note that the Oklahoma Municipal Power Authority (OMPA) adopted a Winter Storm 2021 plan without using "securitization." OMPA will amortize new debt over 7 years and did not increase wholesale rates for 2021 or 2022. Similarly, Cotton Electric Coop, without using "securitization" or Ratepayer-Backed Bonds, has adopted a 5-year plan with an average \$4.50 monthly increase. Furthermore, without "securitization" or Ratepayer-Backed Bonds, this OCC unanimously ordered a 5-year plan for Panhandle Natural Gas, Inc. Even more noteworthy, for several different utilities seeking to charge ratepayers Winter Storm 2021 expenses, the Minnesota Public Utility Commission ordered, "Recovery of any financing costs is denied."

Some essential questions regarding the constitutionality of today's Order and the February 2021 Regulated Utility Consumer Protection Act ("Act"), 74 O.S. Sections 9070 – 9081, have been raised by the protests to the OG&E Winter Storm Bond package now pending before the Supreme Court. Indeed, there are many reasons to question the constitutionality of these black-box settlement based Ratepayer-Backed Bonds.

- They appear to be retroactive ratemaking prohibited by Okla. Const. Art. II, Section 23, because, by imposing a new debt burden on ratepayers without compensation and consent, the orders retroactively change the Purchase Gas Adjustment or Fuel Adjustment Clause (PGA/FAC) tariff in effect when the utilities' storm-related purchases were made. This retroactive ratemaking also likely violates customers' constitutionally-protected contractual rights under their Commission-approved Service Agreement with the utility.
- The above-mentioned retroactive ratemaking also likely violates the "fixed rate doctrine" (Okla. Const. Art. IX, Sections 18 and 24) whereby a gas distribution utility is prohibited from charging more than the Commission-approved tariff amount. Again, forcing customers to take on untold hundreds of millions of dollars in opened-ended interest obligations, financing charges and fees *more than is owed* under the PGA/FAC in effect changes the Commission-approved tariff after the fact. If the Commission is going to allow retroactive changes in gas costs, then it must do so by offering the customers the option of paying their bills in full without interest.
- With limited exceptions, today's Order provides that it is irrevocable and not subject to amendment, modification, or termination by the Commission. But according to *State ex rel. Wright v. Oklahoma Corp. Com'n*, 2007 OK 73, ¶27, "[i]t is a well-known principle of statutory and constitutional construction that one Legislature cannot bind another". It is my understanding that no two Commissioners can issue an order that binds all future OCC Commissioners, yet that appears to be what is attempted here. What if conditions change? Is the Order not subject to modification?
- Today's Order delegates decisions impacting ratepayers to the Oklahoma Development Finance Authority (ODFA), such as the interest rate on the bonds, the term of the bonds, and possible credit enhancements. While today's Order sets upper limits on the interest rate and term, there are no limits regarding possible credit enhancements. Article IX, Section 18a, of the Oklahoma Constitution provides that, "A majority of said Commission shall constitute a quorum, and the concurrence of the majority of said Commission shall be necessary to decide any question." In light of this requirement, how can the Commission delegate to the Oklahoma Development Finance Authority key decisions related to the Ratepayer Backed Bonds that are the Commission's responsibility?
- Compelling arguments have been made that these Ratepayer-Backed Bonds do not qualify as "self-liquidating" (since a future Commission could cut off their funding) and yet also try very hard for the sake of obtaining a low interest rate not to be unenforceable "appropriation-risk or moral obligation bonds," since Section 9079 of the Act states explicitly: "... the bonds so approved and the revenues pledged to their payment shall be incontestable in any court in this state." This appears to leave them instead "debts

contracted by ... this State” (Art. 10, § 25) and “constitutional debt [subject to] the budget balancing amendments of Okla. Const. Art. 10, §§ 23, 24 and 25” (*Fent v. OCIA*, 984 P.2d 200). If this is the case, they are obviously unconstitutional because the provisions of Okla. Const. Art. 10, §§ 23, 24 and 25 clearly have not been followed.

- Citizens will likely be outraged when they realize the “February 2021 Regulated Utility Consumer Protection Act” attempts to overcome these violations of the Oklahoma Constitution by simply bypassing the Constitution and amending it without a vote of the people! Section 9081 of the Act states,

“If this act, or any provision hereof is, or may be deemed to be, in conflict or inconsistent with any of the provisions of Section 18 through Section 34, inclusive, of Article IX of the Constitution of the State of Oklahoma, then, to the extent of any conflicts or inconsistencies, it is hereby expressly declared this entire act and this section are amendments to and alterations of such sections of the Constitution of the State of Oklahoma, as authorized by Section 35 of Article IX of the Constitution of the State of Oklahoma.”

As Justice Opala made clear in his concurring opinion in *Southwestern Bell Telephone Company v. Oklahoma Corp. Com’n*, 1994 OK 142 (Opala, J., concurring), “Unlike a statute, the Constitution *cannot be amended or repealed by implication.*” (*Id.* at ¶3). When considering similar language to that in Section 9081, Justice Opala stated that the language would be “ineffective” to amend or repeal the Constitution. (*Id.* at ¶4). Justice Opala further stated, “...*nothing* in the Constitution can *safely* be cast aside by implication. Legislative amendment or repeal *must explicitly and narrowly* target the changes intended, leaving nothing to speculation or conjecture.” (*Id.* at ¶5.)

In *Oklahoma Gas & Electric Co. v. Corporation Com’n*, 1975 OK 15, ¶25, the Oklahoma Supreme Court stated “... if additional powers are conferred upon the Corporation Commission which are inconsistent with the Commission’s constitutional powers, compliance with the provisions of Art. IX, § 35, of the Oklahoma Constitution is mandatory.” The Court further stated, “... without compliance with Article IX, § 35, of the Constitution, the Legislature may not vest in the Corporation Commission, duties which are inconsistent with its constitutional duties.” (*Id.* at ¶29). In my view, binding future Commissions and delegating decisions to the Oklahoma Development Finance Authority would be inconsistent with the Commission’s constitutional duties absent an effective amendment to the constitution. To declare “this entire act” an amendment to the Constitution, per Section 9081, is either lazy lawmaking or clandestine chicanery. One way or another, the Supreme Court is unlikely to allow the Oklahoma Constitution to be circumvented in this way, nor should it.

Constitutionality aside, these bonds are quite simply bad for residential ratepayers.

- It is irresponsible and a dereliction of duty for this Commission to allow public utilities to bypass our mechanisms for consumer protection against abuses by monopoly utilities by

adopting a Settlement Agreement that simply declares the Winter Storm 2021 costs in question to have been “reasonable and prudently incurred” without a formal, open and transparent prudence review. **“Extraordinary” costs deserve extraordinary scrutiny!** The ratepayers have a right to know why and how these costs were incurred and who is getting rich as a result of them.

- The ongoing failure of parties involved with these settlements to disclose corporate relationships and conflicts of interest, including the extent to which the costs in question were incurred through transactions with the utilities’ own *unregulated* affiliates and subsidiaries, or the fees the parties and their associates stand to make from the evaluation, issuance, underwriting, servicing, holding or trading of such bonds, is an affront to the honesty, integrity, due process, ethics and total transparency ratepayers deserve from a transaction of this size – indeed from *any* transaction that involves ratepayer monies.
- The 17 O.S. Section 250, et seq. statutory scheme for the PGA/FAC contemplates that a customer pays for what he consumes. But this securitization plan arbitrarily and capriciously changes that to require the customer pay a share of what his *customer class* purportedly owes, according to the allocations agreed upon in the Joint Stipulation and Settlement Agreement. It also makes future new customers, some of whom may not even be alive yet, pay for consumption by their predecessors. In other words, present and future customers both may ultimately have to pay for gas they did not consume. How is that “reasonable,” let alone equitable?
- In today’s Order, ONG very generously exempts the “Low Income” customer class from paying any portion of the Winter Storm 2021 costs or any Termination Fee related to the February 2021 Winter Weather Event. BUT, instead of assuming those costs itself at the expense of its own shareholders, the company instead reallocates the Low Income share to be paid by its other classes of customers. Oklahomans are generous people, but is it “reasonable” to allow a public utility to pick the pockets of one group of customers without their knowledge or consent in order to give a free ride to another? Once again, customers are being required to pay for gas they did not consume through yet another abusive misuse of the PGA/FAC mechanism.
- Beyond the unreasonableness and imprudence of these costs, the idea that ratepayers will somehow be “saving” money by paying untold millions more than the principal in interest and fees is increasingly indefensible. Because the interest rate at which these bonds will be issued is unknown, so too are the hundreds of millions in ongoing financing costs and servicing fees over the projected 25-year term of the bonds. And yet, today’s Order finds “savings” in the difference between the unknown interest rate plus costs and fees and the 8.88% rate of ONG’s “traditional utility financing.” This ignores that in the absence of this securitization plan, those interest costs could instead be zero. Even many modern Buy-Now-Pay-Later providers (like Afterpay, Affirm, Klarna and Paypal) offer zero-interest installment payment options to retail customers to enable larger-than-usual retail purchases. Zero-interest installment payment plans are a market reality and have been adopted both by other states and by other (coop or consumer-owned) energy providers here

in Oklahoma, yet they are not even considered here. As a result, this self-described “\$1.35 billion” Financing Order could end up costing ratepayers upwards of \$2 billion.

A case in point is the August 30, 2021 Order of the Minnesota Public Utility Commission (PUC) (Docket Numbers CI-21-135, M-21-138 and M-21-235). In it, the Minnesota PUC addresses February 2021 Winter Storm costs of over \$500 million for several Minnesota public utilities. Instead of “securitization” or ratepayer-backed bonds, Minnesota ordered:

- “The burden to prove a rate is just and reasonable is on the utility ... and any doubt as to reasonableness will be resolved in favor of the customer.” Further, it “will refer issues of prudence to the Office of Administrative Hearings for contested-case proceedings.” Specifically, “In incurring costs necessary to provide service, utilities are expected to act prudently to protect ratepayers from unreasonable risks. Utilities that fail to do so will not be allowed to recover the costs of those failures.”
- The Minnesota PUC decided it “will authorize impacted utilities to recover extraordinary costs over a 27-month period ... pending prudence review ...” and “will deny recovery of financing costs and require the impacted utilities to exempt certain customer groups from extraordinary-cost surcharges.”
- The Minnesota PUC found “... a need for further investigation ...” because, among other things, utilities “... acted unreasonably in not fully deploying available storage gas ...”, “... utilities should have diversified their natural gas purchasing ...” and “... utilities imprudently failed to fully deploy mitigation measures ...”.

Oklahoma’s residential ratepayers are entitled to those same protections under Oklahoma law and deserve no less than their Minnesota counterparts.

- According to Appendix “C,” today’s Order will require ONG’s customers to pay an estimated \$18,866,378 in issuance costs, including fees of: \$8,145,500 to the State’s own Council of Bond Oversight; \$6,268,878 to unnamed “Underwriters,” and \$2,000,000 to rating agencies. But once again, these are only “Estimated Issuance Costs” – the real numbers could be substantially higher and will be passed through to ratepayers regardless. There are no incentives to control costs anywhere in this Order. Once again, the attitude appears to be, “Just put it on the ratepayers’ tab.”

Further, these bonds, formulated under a black-box settlement, are fundamentally ill-conceived.

- According to the prefiled testimony of ONG witness Cory Slaughter, the estimated impact to Option A residential customers using less than 50 Dth of natural gas per year approaches \$5 per month, and the estimated impact to Option B residential customers using more than 50 Dth per year approaches \$8 per month. These charges must be paid every month for the next 25 years.

- The 25-year duration of these bonds assumes that there will be enough customers to pay off the bonds throughout that 25-year period. However, the future economics of carbon-based fuels are not so easily foreseeable. In the United States most natural gas is now consumed by electricity generation. Yet ever increasing climate concerns could easily lead to new environmental legislation like a federal carbon tax or tightened drilling and air quality restrictions that could make gas-fired generation prohibitively expensive. Demand could also fall as appliances and machinery become more efficient, building methods improve, and competing renewable energy sources like rooftop solar become less expensive. As demand falls, the burden of these long, drawn-out Winter Storm 2021 costs on the company's remaining customers will only increase. If gas-fired generation were to end, ONG customers could be stuck with substantial stranded costs for under-depreciated facilities. Since the company was unable to accurately predict demand in preparation for the 2021 Winter Storm, knowing the size of its customer base and the forecasted temperatures some two weeks in advance, I have a hard time trusting any projection that might be made a decade or two into the future.
- Today's Order "finds that a termination fee is not preferable" (p. 34), but in effect it assigns to ongoing customers the allocation amount departing customers are bypassing. Therefore, it is again worth noting that new allocations, fees and costs, including interest charges, imposed through the PGA/FAC mechanism likely constitute further retroactive ratemaking and violate customers' constitutionally-protected contractual rights under their Commission-approved Service Agreement with the utility existing in February 2021.
- Financially, on top of a \$1.357 billion principal amount of ratepayer-backed bonds, ONG itself calculates at least \$415 million in interest for a 25-year period if the interest rate is 2.35%. But today's Order potentially allows up to 6.0% for the "interest rate of the Bonds" (p. 46) which would result in more than \$1 BILLION in interest obligation for ONG ratepayers. **Thus, astonishingly the principal amount plus interest could even total a staggering \$2.4 BILLION.**

Once again, this Winter Storm 2021 debt package leaves fundamental questions unanswered and commits Oklahoma ratepayers to pay unlimited, uncapped financing costs for the privilege of being able to extend the payment of essentially uninvestigated, potentially imprudent costs out over an absurdly long 25-year term, at the end of which ONG may no longer be providing natural gas service, but its former customers will still be paying off their nonconsensual bonded indebtedness from the 2021 Winter Storm. Since the bonds themselves likely run afoul of the Oklahoma Constitution in multiple respects, and the "savings" to ratepayers are completely illusory, I am left to conclude these securitization plans built on murky Settlement Agreements are actually efforts (1) to prevent a comprehensive and transparent examination of utility management decisions and fuel/service purchases made before and during the storm, (2) to protect utility company shareholders from bearing any of the costs that might be associated with possible poor, negligent or even imprudent decisions by their company's management which exacerbated the Winter Storm costs, and/or (3) to line the pockets of special interests and anyone else enterprising enough to wrangle a fat financing fee at the expense of Oklahoma ratepayers.

Oklahomans face \$1.4 billion bill after historic arctic blast

By: Paul Monies Oklahoma Watch January 19, 2022

Editor's note: What follows is a condensed article representing a collaboration between Oklahoma Watch and Floodlight, an environmental news collaborative, co-published with The Guardian.

When Neil Crittenden heard that an extreme winter storm was about to hit Oklahoma last winter, he did what officials advised him to do and kept his heat on and water running so that his pipes wouldn't freeze. The 40-year-old Oklahoma City resident even used hair dryers to keep them thawed.

What Crittenden didn't know at the time was that the energy he used was going to cost him significantly. As winter storm Uri swept across the south-central U.S. last February, utilities that weren't prepared scrambled. The storm caused blackouts in several states and resulted in the deaths of at least 223 people.

Oklahoma's gas supply was in dire straits, with demand surging and the cold freezing critical equipment. To keep the heat on, the state's biggest gas company, Oklahoma Natural Gas, made a last-minute decision: It purchased fuel from the wildly expensive spot market at nearly 600 times the usual price.

Now, nearly a year later, officials say residents like Crittenden have to foot the entire \$1.37 billion bill. The state's utility regulator, the Oklahoma Corporation Commission, is expected to approve the plan later this month.

"Imagine if you went to the gas station and filled up \$50 of gas for your car based on the prices the sign says. And then two months later, you get told you actually have to engage in a payment plan to pay off 1,000 times that price," Crittenden said.

Instead of challenging the prices the utility and its customers were charged, Oklahoma is readying a plan to use securitization – which works similar to a credit card – to cover the debt. It will pay off the \$1.4 billion, plus interest, by charging customers as much as \$7.80 a month over the next 25 years.

Many states have used securitization to cover climate-related costs, like repairing downed power lines after a hurricane. But it has rarely been used for fuel costs. Energy and economics experts say it can be misused to prop up unprepared energy systems that are being tested by worsening extreme weather.

"It sets the precedent that there can be basically no upper limits to the cost of gas that would be passed on to a consumer," said Kylah McNabb, an energy consultant and a former policy adviser to Oklahoma's secretary of energy and environment under former Republican Gov. Mary Fallin. "That's scary to me as a consumer."

Consumer watchdogs are wondering why ONG wasn't better prepared – with emergency fuel contracts or weatherized power plants. And they want to know who is profiting off the \$1.4 billion – a matter state regulators have agreed to keep secret.

They say state leaders haven't adequately questioned the charges and have instead rushed to make a plan to pay the debt – in part because the oil and gas industry is so powerful in Oklahoma.

"The state agencies see this as a continuation of business as usual rather than the unusual event that it was, should open their minds to new solutions," said Steven Goldman, a member of VOICE, an Oklahoma community group organized through the First Unitarian Church in Oklahoma City. "Once the securitization bill

was rushed through the Legislature then the train started down the tracks and there was no looking for an off-ramp.”

Critics say Oklahoma’s story is part of a national trend of regulators failing to challenge industries they oversee, as climate change worsens and extreme weather becomes more common.



**Oklahoma
Watch**

“Regulators wield tremendous power over energy policy in the United States, but too often defer to the very utilities they are supposed to regulate. Weak regulation means higher rates for consumers and more carbon pollution,” said Charlie Spatz, a researcher at the Energy and Policy Institute.

Oklahoma leaders counter that they are getting customers a good deal, ensuring a lower interest rate from banks by charging a flat fee on monthly power bills, regardless of how much energy a customer used during the storm.

ONG says it was prepared for the storm, in part because it had purchased gas at lower costs in the summer and put it in storage for the winter.

The OCC said regulators could not comment on pending cases. But one commissioner, Republican Bob Anthony, has signaled his discontent with the way the governing body has voted on recent securitization cases. He recently voted against allowing an Oklahoma electric utility to pursue securitization. The other two Republican commissioners approved the request.

“I’m disappointed when people want to ‘go along and get along’ because we are here to provide justice,” Anthony said. “I don’t think my job as a commissioner is to impose extensive interest obligations on ratepayers.”

State officials warned Oklahomans about higher prices in the lead-up to the winter storm, but no one expected they could surge from \$2 to \$3 per thousand cubic feet to almost \$1,200. Oklahoma’s price increases were among the highest in the region, three times higher than spot prices at neighboring fuel trading locations in Houston, according to the Energy Information Administration.

Who is profiting?

Consumer advocates have charged that regulators are too close with the industry they oversee. Recent reports point out that the Corporation Commission’s three elected officials have each received more than \$200,000 in campaign donations from employees, subsidiaries or political action committees tied to the companies they regulate, according to campaign finance reports.

Two commissioners, Todd Heitt and Dana Murphy, did not respond to a request for comment about their campaign donations. Anthony said his votes were independent and that his voting record had shown that.

Two days after the historic February storm, ONG submitted a “protective order” to keep private the names of gas companies that benefited from the price spike. The Corporation Commission agreed within 48 hours. Oklahoma Natural Gas said its request for a confidentiality provision with its suppliers was “industry standard.”

But the huge price surge – more than 600 times the normal prices – has led to calls for greater transparency.

Oklahoma Watch is a nonprofit, nonpartisan news organization that produces in-depth and investigative content on a wide range of issues facing the state. For more Oklahoma Watch content, go to oklahomawatch.org.

EXHIBIT A-9

CDT

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF PUBLIC SERVICE)
COMPANY OF OKLAHOMA ("PSO") FOR)
APPROVAL OF A FINANCING ORDER FOR)
THE COLLECTION OF INCREASED COSTS,)
CAUSED BY THE EXTREME WINTER)
WEATHER AND CONTAINED IN THE)
REGULATORY ASSET AUTHORIZED BY)
ORDER 717625, INCLUDING AN)
APPROPRIATE CARRYING COST, AND SUCH)
OTHER RELIEF AS THE COMMISSION DEEMS)
PSO IS ENTITLED)

CAUSE NO. PUD 202100076

ORDER NO. 723434

FINAL FINANCING ORDER

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FINAL FINANCING ORDER

HEARING: January 5, 2022, Room 301
2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105
Before Dustin R. Murer, Administrative Law Judge

APPEARANCES: Jack P. Fite and Joann S. Worthington, Attorneys *representing* Public Service Company of Oklahoma
Jared B. Haines and A. Chase Snodgrass, Assistant Attorneys General *representing* Office of Attorney General, State of Oklahoma
Thomas P. Schroedter and D. Kenyon Williams, Attorneys *representing* Oklahoma Industrial Energy Consumers
Rick D. Chamberlain, Attorney *representing* Walmart Inc.
Deborah R. Thompson, Attorney *representing* AARP
Michael L. Velez, Deputy General Counsel and Lauren D. Willingham, Assistant General Counsel, *representing* Public Utility Division, Oklahoma Corporation Commission

Pursuant to 74 Okla. Stat. §§ 9070-9081, which includes the February 2021 Regulated Utility Consumer Protection Act (the “Act”), the Legislature of the State of Oklahoma recognized “the significant economic impact of the extreme weather event that occurred during the month of February 2021 (herein referred to as the “2021 Winter Weather Event”) and the “unprecedented utility costs [that] will be passed through to Oklahoma customers of utilities from regulated utility entities.” 74 Okla. Stat. § 9071. To mitigate the effects on such Oklahoma customers, the Act authorized Public Service Company of Oklahoma (“PSO” or the “Utility”), and other utilities subject to the regulatory jurisdiction of the Commission¹, to request the recovery of these extreme purchase costs and extraordinary costs (collectively referred to herein and in the Act as “qualified costs”) through securitization to mitigate the impact of such costs on existing and future ratepayers taking electric service within the sponsoring utility’s service territory in effect as of the issuance date of this Order (collectively referred to herein as “customers”), allowing customers to pay their utility bills at a lower amount over a longer period of time. In addition, 74 Okla. Stat. § 5062.8 was amended to expand the authority of the Oklahoma Development Finance Authority (the “Authority” or the “ODFA”) under the Authority’s enabling act² (as amended, the “Authority Act”) to include authority to issue ratepayer-backed bonds authorized by the Act.

On April 28, 2021, PSO filed its Application with the Corporation Commission (“Commission”) of the State of Oklahoma to seek a determination of prudently incurred costs associated with the 2021 Winter Weather Event eligible for recovery through securitization, and to demonstrate that a securitization would result in substantial revenue requirement savings as compared to conventional utility financing and otherwise satisfy the requirements of the Act.

Testimony in support of and against the Application was filed, with a hearing on the merits initially scheduled for December 9, 2021. Prior to the scheduled hearing, which through successive continuations had been scheduled for January 5, 2022, a Joint Stipulation and

¹ The Act sets forth provisions, including requirements, to which the Commission must adhere in its processing of this Cause and in this Order.

² 74 Okla. Stat. § 5062.1 *et seq.*

Settlement Agreement and a Joint Stipulation and Exhibit [*sic*] HMW-1 was filed on January 4, 2022, and an Amended Joint Stipulation and Settlement Agreement correcting typographical errors and clarifying language was filed on January 6, 2022 (the “Settlement Agreement”), by and among PSO, the Public Utility Division of the Oklahoma Corporation Commission (“PUD”), the Office of the Attorney General, State of Oklahoma (“Attorney General”) Oklahoma Industrial Energy Consumers (“OIEC”), and Walmart Inc. (“Walmart”) (the “Stipulating Parties”). AARP opposed the Settlement Agreement.

A hearing was conducted on January 5, 2022, before an Administrative Law Judge (“ALJ”), with Commissioners present. Although the hearing was focused on the proposed Settlement Agreement, the entirety of the testimony and exhibits reflecting the positions of the parties, prior to the Settlement Agreement, was introduced and admitted into the record. Accordingly, the Commission, in reviewing this Cause and issuing this order, has reviewed and bases its decision on the entirety of the record. At the hearing, the Parties presented positions for and against the Settlement Agreement. Despite differing positions, all parties, with the exception of AARP, acknowledged or otherwise agreed that securitization provides the most favorable savings to customers.

Despite the newly enacted option for securitization, which simply offers utilities another mechanism to recover the costs it would otherwise be allowed to collect from its customers, the requirement by the Commission to determine the utility’s prudently incurred costs under securitization is far from new. Every year, the Commission reviews and monitors utilities’ fuel adjustment/purchase gas adjustment clauses (“FAC(s)”) ³ and the prudence of the utilities’ fuel procurement processes and costs for the corresponding calendar year. ⁴

Similarly, PSO’s requested relief in its Application that the Commission determine PSO’s prudently incurred costs associated with the 2021 Winter Weather Event is no different than the reviews by PUD and intervening parties, and the Commission’s ultimate determination, in the annual FAC/prudence cases that have been conducted for years. ⁵ The only distinction here is that

³ 17 O.S. §§ 251-257. The PUD conducts audits of the FAC to determine whether the application of the utility’s current FAC was arithmetically accurate for the calendar year. Such audit ensures the utility charged its customers only the cost of its fuel, purchased gas or purchased power without any additional expenses or return. Pursuant to 17 O.S. § 251, regulated utilities cannot earn a return on fuel, purchased gas or purchased power.

⁴ OAC 165:35-35-1(a) requires that the prudence of a public utility’s purchases be regularly reviewed. The Commission has defined a “prudency review” as a “comprehensive review that examines ... a utility’s practices and policies and judgment regarding an investment or expense at the time the investment was made or expense was incurred.” OAC 165:35-1-2. PUD conducts an annual prudence review to examine whether the cost of fuel, purchased gas or purchased power incurred by the utility was prudent. The prudency review is a comprehensive review that examines the reasonableness of a regulated utility’s practices, policies, and decisions regarding fuel-related investments and expenses. While a prudence review may consider and incorporate the findings of the fuel audit, it must go beyond the calculations to examine the prudence of a utility’s overall fuel-related policies and decisions, based upon information available when those decisions were made, and whether the resulting charges are just and reasonable.

⁵ As set forth in PUD witness McCoy’s testimony, “PUD reviewed the Application, direct testimony, schedules, workpapers, and sponsored exhibits filed by the Company. The review process included a review of applicable statutes and regulations. Various reviews with the Company officials were conducted and data requests were issued by PUD.” McCoy Responsive Testimony P. 6 ls. 14-17. Further, the Company “facilitated an internal audit of the winter event in accordance with the Institute of Financial Auditors.... Gas purchasing processes and practices was the focus of the audit.” *Id.* at P. 14 ls. 13-18. See also Stroup Responsive Testimony P. 5 ls. 9-14 (explaining PUD’s review process).

the review is limited to the period of time of the 2021 Winter Weather Event.⁶

After thorough review of the record, the Commission determines that PSO is eligible to recover \$688 million of 2021 Winter Weather Event related costs as qualified costs, together with adjustment for carrying costs through the date of issuance of any ratepayer-backed bonds calculated in the manner described herein, and bond issuance costs (collectively, the “Approved Qualified Costs”), through securitization. This Final Financing Order (“Order”) approves such recovery as more fully detailed herein. Ultimately this Order: (i) approves the issuance of ratepayer-backed bonds (the “Bonds”) by the ODFA to finance the recovery of the Approved Qualified Costs; (2) approves the proposed financing structure and parameters for any final bond issuance; (3) authorizes the creation of securitization property in favor of the Utility, including the right to impose and collect irrevocable and nonbypassable charges (herein, “Winter Storm Cost Charge” or “WSC Charge(s)”); (4) authorizes the sale of such securitization property to the ODFA to secure repayment of the Bonds; (5) approves a nonbypassable mechanism to ensure that customers of the utility cannot evade paying the WSC Charge as long as the Bonds are outstanding; (6) approves a true-up and reconciliation procedure to ensure that the WSC Charges will be adjusted from time to time such that the amounts collected will be sufficient to pay the Bonds and associated financing costs; and (7) approves a tariff to implement the WSC Charge, all as described in the Act and more fully detailed as follows:

- Part I provides a statutory overview of the Act to give context to this Order;
- Part II discusses the determination and quantification of the 2021 Winter Weather Event related qualified costs eligible for recovery under the Act;
- Part III describes how the Utility has demonstrated a securitization will result in customer savings and otherwise satisfy the requirements of the Act;
- Part IV describes how the Utility proposes to structure the securitization and allocate, impose and collect the WSC Charges in a manner which satisfies the requirements of the Act;
- Part V describes the Bond structure for the securitization designed to recover the Approved Qualified Costs in a manner which will be consistent with published rating agency criteria to ensure the highest possible ratings on the Bonds to best maximize savings to customers; and
- Part VI describes certain Bond issuance cost associated with the Bond issuance process and ongoing financing costs and their recovery from proceeds of the Bonds or WSC Charges, as appropriate.

I. BACKGROUND AND STATUTORY OVERVIEW

In February 2021, the State of Oklahoma experienced an extreme weather event that brought nearly two weeks of record cold temperatures to the state. The extreme cold weather

⁶ 74 O.S. §§ 9072(3) and (6).

resulted in a shortage of natural gas supply, the failure of certain infrastructure, and increased demand for natural gas and electric power. The extreme weather conditions resulted in extraordinary costs for regulated utilities operating in the state. To mitigate such extraordinary costs the Oklahoma Legislature enacted, and the Governor of Oklahoma signed into law, the Act to provide financing options to lower the immediate economic impact on consumers.

The Act authorizes the Commission, in any case where a regulated utility is requesting recovery of extreme purchase costs, or extraordinary costs or both related to the 2021 Winter Weather Event eligible for recovery under the Act, to approve the recovery of such costs through securitization in order to mitigate the impact of such recovery on customer bills.⁷ The Act provides that the Commission must consider certain factors (“Section 9073 factors”) when determining whether the costs should be mitigated by the recovery through ratepayer-backed bonds, including the existence of substantial revenue requirement savings through the issuance of the bonds as compared to conventional financing methods, a longer amortization schedule to pay the bonds than would ordinarily be practicable or feasible for the utility to implement such cost recovery and the ability to issue bonds at a cost which would not exhaust the potential savings.⁸ The Commission is also required to review the qualified costs of the Utility and determine whether the amounts incurred would otherwise be recoverable from customers as fair, just, and reasonable expenses and prudently incurred.⁹

Upon the determination that the costs are subject to recovery under the Act, and may be mitigated by the issuance of ratepayer-backed bonds, the Commission is authorized and required to make additional findings and conclusions in a financing order to support the issuance of ratepayer-backed bonds, as provided in 74 Okla. Stat. § 9074(A). The Utility and intervening parties have submitted testimony addressing such findings and conclusions, which are further addressed in Part IV of this Order.

The Act authorizes the creation of a new property right, called securitization property, to secure payment of the ratepayer-backed bonds.¹⁰ The securitization property consists of the right to receive revenues, in the form of the WSC Charge, which must be imposed on and collected from customers through a nonbypassable mechanism to ensure that customers cannot avoid paying the WSC Charge. The nonbypassable mechanism must provide that the WSC Charge is payable by each utility customer within the service territory of the utility in effect as of the date of the applicable financing order and such charge cannot be modified or avoided by the customer through switching utility providers, switching fuel sources or materially changing usage, and must be paid by the customer for as long as the ratepayer-backed bonds are outstanding.¹¹ In addition, the nonbypassable mechanism requires a true-up and reconciliation process by which the WSC Charge must be adjusted from time to time to ensure that expected revenues from the charge are sufficient to ensure the timely payment of the bonds, together with all costs necessary to service and administer the bonds.¹² These servicing and administration costs, as well as other costs necessary

⁷ *Id.* at § 9073.

⁸ *Id.* at § 9073(C).

⁹ *Id.* at § 9073(E).

¹⁰ *Id.* at § 9075(A).

¹¹ *Id.* at § 9072(5).

¹² *Id.* at § 9072(12).

to manage the structure; all as described more fully herein, are collectively referred to as “ongoing financing costs”.

Securitization property constitutes a present property right susceptible of ownership, sale, assignment, transfer, and security interest, and the property will continue to exist until the Bonds issued pursuant to this Order are paid in full and all ongoing financing costs of the Bonds have been recovered in full.¹³ In addition, the interests of a pledgee or secured party in securitization property (as well as the revenues and collections arising from the property) are not subject to setoff, counterclaim, surcharge or defense by the Utility or by any customer, or in connection with the bankruptcy of the Utility or any other entity.¹⁴

The Act authorizes the sale of the securitization property by the Utility to the Authority, which in turn and simultaneously, will issue the Bonds, and pledge the securitization property and any other collateral to the payment of the Bonds.

The Act further provides:

Upon the issuance of any financing order pursuant to this section, the periodic determination of factors for customer collection with true-up and reconciliation authorized by the financing order shall not be removed, adjusted or interrupted by any other regulatory determination of the Commission, except where adjustments are warranted as a result of an audit of amounts actually collected from customers and provided to the Authority or where insurance proceeds, government grants or other funding sources offset or reduce the amount of extreme purchase costs and extraordinary costs to be recovered from customers. No adjustments shall in any manner impair or prevent the collection of sufficient revenues to service and repay ratepayer-backed bonds.¹⁵

In this Order, the Commission determines that any insurance proceeds, government grants or other funding sources will not be applied to the payment of the Bonds, but will instead be credited to customers through another mechanism described in this Order.

The Act amends the Authority Act to authorize the ODFA to issue ratepayer-backed bonds authorized pursuant to the Act.¹⁶ In the Authority Act, the State of Oklahoma has pledged to and agreed with the owners of any Bonds issued by the ODFA under the Act that the State will not limit or alter the rights vested in the Authority, including the rights to be held by the Authority in this Order and the securitization property, to fulfill the terms of any agreements made with the owners thereof or in any way impair the rights and remedies of the owners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the owners, are fully met and discharged (the “State Pledge”)¹⁷. This Order requires the Bonds to include a recitation of the State Pledge.

¹³ *Id.* at § 9075(B).

¹⁴ *Id.* at § 9075(D).

¹⁵ *Id.* at § 9074(H).

¹⁶ *Id.* at § 5062.8.

¹⁷ *Id.* at § 5062.15.

The Commission may adopt a financing order providing for the retiring and refunding of the Bonds.¹⁸ The Utility has not requested, and this Order does not grant, any authority to refinance the Bonds authorized by this Order. However, this Order does not preclude the filing of a request for a financing order under 74 Okla. Stat. § 9077(D) to retire or refund the Bonds approved in this Order, after proper notice and hearing, and upon a showing that the customers would benefit and that such a financing is consistent with the terms of the Bonds.

To facilitate compliance and consistency with applicable statutory provisions, this Order adopts the definitions in the Act.

II. DETERMINATION OF QUALIFIED COSTS

The Stipulating Parties proposed that, among other things, \$675.2 million of PSO's total 2021 Winter Weather Event related costs be deemed prudent and found reasonable by the Commission. Additionally, the Stipulating Parties agreed that the total amount of PSO's extreme purchase cost recovery, including carrying costs and bond issuance costs authorized for recovery, is estimated to be \$688 million and requested that the Commission issue a financing order for the securitization of approximately \$688 million as the Approved Qualified Costs.

III. SATISFACTION OF SECTION 9073 FACTORS

The Act provides that the Commission must consider the Section 9073 factors when determining whether costs will be mitigated by the recovery through ratepayer-backed bonds, including whether substantial revenue requirement savings will be realized through: (i) the issuance of the Bonds as compared to conventional financing methods, (ii) a longer amortization schedule to pay the Bonds than would ordinarily be practicable or feasible for the utility to implement such cost recovery and (iii) the ability to issue Bonds at a cost which would not exhaust or offset the potential savings.

In its testimony, PSO demonstrated that as a result of the issuance of the Bonds, customers will realize substantial revenue requirement savings when compared to conventional financing methods. PSO has demonstrated the utility bill impacts of securitization and shown that there would be significant customer savings from issuing ratepayer-backed bonds in comparison with traditional utility financing. Based on the amount to securitize per the Settlement Agreement, the Utility's financial analysis indicates that the customers, on an annual basis, will realize savings in the amount of \$26.55 million when comparing a 20-year securitized bond at the expected weighted average interest rate of 2.37 % to traditional utility financing at the Utility's most recent approved 8.55% rate of return for the same time period. For a residential customer, this amounts to a monthly savings of approximately \$2.39. In total for the entire 20 years, customers would save \$517.81 million when compared to the amount that would have been collected under traditional utility financing. Accordingly, the Commission concludes that the substantial revenue requirement savings for customers set forth in the record are indicative of the savings that customers will realize from the approval of securitization approved herein. By requiring that the weighted average interest rate of the Bonds not exceed 6.0% per annum, the Commission agrees that securitization should result in substantial revenue requirement savings.

¹⁸ *Id.* at § 9077(D).

The Settlement Agreement has also proposed that the Bonds be amortized over a 20-year period, which is a longer amortization schedule than would ordinarily be practicable or feasible for the Utility to finance its obligations. However, a shorter or longer amortization period is permitted if a shorter or longer term will provide for a lower monthly charge for customers.

The Utility has demonstrated that the cost of issuing the Bonds will not materially impact potential savings to customers. The Utility has estimated that even if projected costs of issuance were doubled, savings would still be significant.

Further, in the Issuance Advice Letter, the form of which is included as Appendix A (“Issuance Advice Letter”), the Utility will provide an updated savings analysis based upon the actual pricing and terms of the Bonds and the final costs of issuance.

Accordingly, in this Order, the Commission determines that the Utility has demonstrated that the issuance of the Bonds will satisfy the Section 9073 factors and should be approved.

IV. DISCUSSION OF CERTAIN FINANCING ORDER REQUIREMENTS

Pursuant to 74 Okla. Stat. §9074(A), the Commission is required to include findings and conclusions with respect to certain matters. Certain of these matters, not otherwise discussed in this Order, are addressed below.

Bond Maturities: The Stipulating Parties have requested in the Settlement Agreement that the Commission authorize that the Bonds be amortized over a period not to exceed 20 years, using a relatively level annual debt service structure, or a longer or shorter term to obtain the most favorable term for customers that will result in the lowest reasonable monthly charge for customers. In this Order, the Commission finds the Stipulating Parties’ proposal to be reasonable and approves the payment of the Bonds based upon relatively level annual debt service structure and with a scheduled final payment date not to exceed 20 years from the date of issuance and a legal final maturity not later than two years after the scheduled final payment date, provided a shorter or longer amortization period is permitted, as determined by ODFA, with approval of the State Deputy Treasurer for Policy and Debt Management¹⁹, if such a term will provide for a lower monthly charge for customers.

Irrevocable and Nonbypassable Mechanism to Impose and Adjust Winter Event Securitization Charges: The Stipulating Parties have proposed a mechanism, as more fully described in Exhibit A to the Settlement Agreement, to impose a monthly, consumption-based charge on its customers in order to generate sufficient cash flow to pay the Bonds and related ongoing financing costs. The Utility will calculate the charge based upon factors described in Exhibit A to the Settlement Agreement, which is appended hereto as Appendix B to this Order (“WSC Rider”). The WSC Rider will remain in effect until the complete repayment and retirement of the Bonds and ongoing financing costs authorized by this Order.

The WSC Rider also describes features demonstrating how the WSC Charge will be nonbypassable to customers, even if such customers switch providers, change fuel sources or

¹⁹ Referred to in the Act as Deputy Treasurer for Policy and Debt Management and given the title of Deputy Treasurer for Debt Management in 62 O.S. § 695.7(A).

materially change usage. Customers who self-generate under the Utility's Net Energy Billing Option ("NEBO") tariff will be assessed the WSC Charge based upon their gross usage. In addition, the WSC Charge will be payable by all current and future customers of the Utility and any successor or assign of the Utility will be obligated to bill the WSC Charge to customers located at an address within this state and within the service area of the Utility as of the date of this Order. In this Order, the Commission finds that this nonbypassable mechanism satisfies the requirements of the Act and is consistent with obtaining the highest possible ratings on the Bonds.

Frequency of True-Ups and Reconciliation: The Stipulating Parties have agreed in the Settlement Agreement that the WSC Charge will be adjusted (or trued-up) semi-annually to ensure that the WSC Charge collections are sufficient to ensure the timely payment of the Bonds. The Stipulating Parties have further recommended in the Settlement Agreement, by agreeing to the WSC Rider, that the Utility should file for any such adjustments with PUD every six months after the initial WSC Charge is determined at the time of issuance of the Bonds. The calculation for any adjustment should be submitted at least 30 days prior to the proposed effective date and the PUD review should be limited to review during the 30-day period for mathematical corrections with any associated adjustments going into effect on the proposed effective date. Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment, will be made in future true-up adjustments.

Hilltop Securities, as financial advisor to the Authority and the Commission (the "Financial Advisor") has testified that the true-up should be allowed more frequently if required to obtain the highest possible bond ratings. The Financial Advisor has also testified that the true-up should occur quarterly following the final scheduled payment date of the Bonds. In this Order, the Commission agrees with these recommendations by the Financial Advisor. The true-up will be required semi-annually, quarterly commencing 12 months prior to the scheduled final payment date of the Bonds and at any time if the servicer forecasts that WSC Charge collections will be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or to replenish any draws on the debt service reserve subaccount ("DSRS") or as required to obtain the highest possible ratings on the Bonds by the rating agencies. The frequency and timing of true-ups shall be documented in the Issuance Advice Letter.

The Financial Advisor also testified that, to ensure the highest possible rating on the Bonds, the true-up adjustments requested by the servicer should be automatic and subject to review by the Commission solely for the correction of mathematical error. The Commission approves this approach, with the clarification that PUD will be responsible for reviewing the true-up adjustments for this purpose. The Commission supports this process to make all reasonable efforts to achieve the highest possible rating on the Bonds.

Adjustment Methodology: Each True-Up Letter and Non-Standard True-Up Letter (as described below), the forms of which are included as Appendix D and Appendix E, respectively, to this Order, will calculate a revised WSC Charge for the Bonds in accordance with the WSC Rider. Generally, the WSC Charge will be calculated by the servicer as follows:

- First, the servicer will calculate the Periodic Payment Requirement (as defined below) for the next six-month period, or if shorter the period from the adjustment date (or, in

the case of the initial WSC Charge calculation, the closing date of the Bonds) to and including the next bond payment date, as well as the Periodic Payment Requirement for the next succeeding six month period ending on the following bond payment date (each, a "Payment Period"). The "Periodic Payment Requirement" or "PPR" covers all scheduled (or legally due) payments of principal (including, if any, prior scheduled but unpaid principal payments), interest, and other ongoing financing costs to be paid with WSC Charge revenues during such Payment Period. The Periodic Billing Requirement will then be calculated, using the most recent information of the servicer regarding write off, average days sales outstanding data or other collection data, to determine the amount of WSC Charge revenue that must be billed during each Payment Period to ensure that sufficient WSC Charge revenues will be received to satisfy the Periodic Payment Requirement for such Payment Period. Such amount is referred to as the "Periodic Billing Requirement" or "PBR";

- Second, the PBR for each Payment Period is allocated among each Service Level using the Energy Allocation Factor (described below);
- Third, the WSC Charge for each Service Level for each Payment Period is determined by dividing each Service Level's respective portion of the PBR for the Payment Period by their respective forecasted sales for the Payment Period; and
- Finally, after such calculations are made, the WSC Charge for each Service Level for the next Payment Period and the next succeeding Payment Period will be compared and the higher WSC Charge will be the WSC Charge effective for such Service Level on the next adjustment date.

The servicer will use its latest forecast of sales, as well as its latest write-off, days sales outstanding and other collection and delinquency experience to calculate the WSC Charge.

All true-up adjustments to the WSC Charges will ensure the billing of WSC Charges necessary to satisfy the Periodic Payment Requirement for the Bonds for each Payment Period during such 12-month period (or shorter period) following the adjustment date of the WSC Charge. True-up adjustments will be based upon the cumulative differences, regardless of the reason, between the Periodic Payment Requirement and the actual amount of WSC Charge collections remitted to the bond trustee for the Bonds.

Allocation of Revenue Requirements Among Various Service Levels: The Stipulating Parties have agreed and recommended that debt service and ongoing financing costs associated with the Bonds should be allocated among its five rate classes or six service levels (each, a "Service Level") based on the methodology set forth in the responsive testimony of OIEC witness Brian C. Collins, which is based on the actual daily kWh usage for each Service Level. The cost allocations established in accordance with the methodology set forth above were utilized to establish the energy allocation factor (the "Energy Allocation Factor(s)") for each Service Level set forth in the WSC Rider. The Energy Allocation Factors would remain fixed, except as adjusted by a non-standard true-up adjustment (as defined below), for the life of the Bonds. In this Order, the Commission finds such allocation methodology reasonable and equitable to customers and approves the methodology.

Non-Standard True-Up Adjustments: The WSC Rider provides that the Utility, in its capacity as servicer, shall submit a true-up adjustment to change the Energy Allocation Factors in the event of a material change in usage (each, a “non-standard true-up adjustment”). The servicer will submit a non-standard true-up adjustment if projected energy sales or blocks, as applicable, will be 10% lower than the threshold billing units. The process for a non-standard true-up adjustment is set forth in greater detail in the WSC Rider and a form of Non-Standard True-Up Letter is appended as Appendix E. The Financial Advisor has testified that a non-standard true-up adjustment is consistent with achieving the highest possible ratings on the Bonds. The Commission accepts that this method of changing the cost allocation among Service Levels is equitable and consistent with achieving savings to customers and approves the WSC Rider.

Frequency of Remittances: The Financial Advisor has testified that it is customary for a utility to remit securitization charges to the bond trustee on a daily basis, within two business days of receipt of such charges. The Financial Advisor has further testified that if the daily remittances are made on an estimated basis, the estimated remittances should be reconciled with actual collections no less often than semi-annually, with any over-remittances being returned to the Utility, in its capacity as servicer, including any successor to the Utility or any subsequent servicer of the Bonds through a reduction in the amount of future remittances equal to such over-remittance and any under-remittances being paid over to the bond trustee by the Utility, in its capacity as servicer, including any successor to the Utility or any subsequent servicer of the Bonds within five business days. The Commission adopts these recommendations of the Financial Advisor.

V. DESCRIPTION OF PROPOSED FINANCING STRUCTURE

Set forth below is a description of the proposed financing structure, including a proposed servicing arrangement. The Commission finds the proposed structure is reasonable, consistent with the Act, and is approved.

A. General Description

The proposed financing structure includes all of the following:

- Creation of securitization property solely in favor of the Utility, which includes the right to bill and collect the WSC Charge;
- Sale of the securitization property to the ODFA pursuant to the sale agreement;
- Issuance of the Bonds by the ODFA, consistent with the provisions set forth in this Order;
- Transfer of the net proceeds of the Bonds by the ODFA to the Utility²⁰ in consideration for the sale of the securitization property pursuant to the sale agreement;

²⁰ Pursuant to 74 Okla. Stat. § 9077(I), the proceeds of the Bonds will be deposited with the State Treasurer pending disposition at the direction of the Authority. The proceeds will be delivered to the Utility pursuant to instructions included in the sale agreement between the Authority and the Utility as further described in this Order.

- Collection on behalf of the ODFA of WSC Charges by the Utility or its successors, as collection agent and servicer, who will be responsible for billing and collecting the WSC Charges from customers;
- Pledge of the WSC Charges and rights under the transaction documents (as more fully defined in the Act, the “securitization property”) by the ODFA to the bond trustee as security for repayment of the Bonds; and
- Automatic true-up and reconciliation mechanism.

Pursuant to the Act, ODFA will be responsible for issuing the Bonds pursuant to an indenture administered by a bond trustee. The Bonds will be secured by and payable solely out of the securitization property created pursuant to this Order and the Act and other collateral, including ODFA’s rights under the servicing agreement with the Utility. That collateral will be assigned and pledged to the bond trustee by the ODFA for the benefit of the holders of the Bonds and to secure payment due with respect to the Bonds and related financing costs.

Concurrent with the issuance of the Bonds, the Utility will sell the securitization property to ODFA pursuant to a sale agreement between ODFA and the Utility. This transfer will be structured so that it will qualify as a true sale within the meaning of 74 Okla. Stat. § 9075(F) and that such rights will become securitization property concurrently with the sale to ODFA as provided in 74 Okla. Stat. § 9075(G).

Pursuant to a servicing agreement, the Utility will act as the initial servicer of the securitization property, including billing and collecting the WSC Charges for the Authority, and will undertake to collect such WSC Charges from the customers and remit these collections to the bond trustee on behalf of the Authority. The Utility, in its capacity as servicer, will perform routine billing, collection and reporting duties on behalf of the Authority and will not be permitted to resign as servicer unless it is no longer legally capable of serving in such capacity and until a successor servicer meeting the requirements set forth in the transaction documents is in place. The servicer will be responsible for making any required or allowed true-up and reconciliation of the WSC Charges. If the servicer defaults on its obligations under the servicing agreement, the Authority, or the bond trustee, at the direction of a majority of the bondholders, may appoint a successor servicer.

WSC Charges will be calculated and adjusted from time to time, pursuant to the WSC Rider as approved in this Order, to be sufficient at all times to pay all scheduled debt service, any past due amounts and other related ongoing financing costs for the Bonds on a timely basis.

B. The Indenture and Flow of Funds

Pursuant to the Act, a bond trustee will be appointed by the State Treasurer and approved by the Authority. The bond trustee will act as a representative on behalf of bondholders, remit payments to bondholders, and ensure bondholders’ rights are protected in accordance with the terms of the transaction. The indenture will include provisions for a collection account and related subaccounts, all held by the trustee, for the collection and administration of the WSC Charges and

payment or funding of the principal of and interest on the Bonds and ongoing financing costs. The collection account will include the general subaccount, the DSRS and the excess funds subaccount, and may include other subaccounts as required to accommodate other credit enhancement.²¹

The bond trustee will deposit the WSC Charge remittances that the servicer remits to the credit of the general subaccount. The bond trustee will on a periodic basis apply moneys in the general subaccount to pay expenses of the ODFA and the Utility, in its capacity as servicer, to pay principal of and interest on the Bonds and to pay all other ongoing financing costs. Pending such application, the funds in the general subaccount will be invested by the bond trustee as provided in the indenture, and earnings will be deposited into the general subaccount and applied by the bond trustee to pay principal of and interest on the Bonds and all ongoing financing costs in accordance with the terms of the indenture.

When the Bonds are issued, the bond issuance costs will include a deposit into a cost of issuance account (or subaccount) and a deposit estimated at the time of hearing at 0.50% of the original principal amount of the Bonds to the credit of the DSRS. The DSRS deposit could be higher if required by the rating agencies to obtain the highest possible rating, which benefits customers. The exact amount will be determined by the Authority based upon rating agency considerations and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt Management, and reflected in the Issuance Advice Letter. The DSRS will serve as collateral to ensure timely payment of scheduled principal of and interest on the Bonds and all ongoing financing costs. The funds in this subaccount will be invested by the bond trustee as provided in the indenture. Any amounts in the DSRS will be available to be used by the bond trustee to pay principal of and interest on the Bonds and certain ongoing financing costs, if necessary, due to a shortfall in WSC Charge collections. Any funds drawn from the DSRS to pay these amounts due to a shortfall in the WSC Charge collections will be replenished through future WSC Charge remittances. Funds remaining in the DSRS will be applied to the final payment of principal of the Bonds.

The excess funds subaccount will hold any WSC Charge remittances and investment earnings on the collection account in excess of the amounts needed to pay current principal of and interest on the Bonds and to pay the ongoing financing costs. Any balance in or allocated to the excess funds subaccount on a true-up adjustment date will be used as credit in calculating the next true-up adjustment. The money in this subaccount will be invested by the bond trustee as provided in the indenture, and such money (including investment earnings thereon) will be used by the bond trustee to pay principal of and interest on the Bonds and ongoing financing costs.

Other credit enhancements in the form of subaccounts may be utilized for the financing if such enhancements are anticipated to provide greater revenue requirement savings to customers as determined by the Authority, based upon rating agency considerations and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt Management. Such credit enhancements will be described in the Issuance Advice Letter.

In addition to the collection account, there may be such additional accounts and subaccounts, such as a cost of issuance account, as are necessary to segregate amounts received

²¹ References to accounts and subaccounts herein are for purposes of clarity. The account names and structure will be set forth in the indenture.

from various sources, or to be used for specified purposes. Such accounts will be administered and utilized as set forth in the servicing agreement and the indenture.

Upon the maturity of the Bonds and the discharge of all obligations in respect thereof, remaining amounts in the collection account will be released by ODFa to the Utility, in its capacity as servicer, for crediting to customers, solely on behalf of the Authority, as required by Ordering Paragraph 23.

C. Servicing Arrangements

The Financial Advisor has provided testimony concerning the purpose and provisions of the servicing agreement as well as compensation arrangements that reflect investor and rating agency expectations as well as minimize customer costs.

The servicing agreement is an agreement between the Utility, as the initial servicer of the securitization property, and the Authority, as owner of the securitization property. It sets forth the responsibilities and obligations of the servicer, including, among other things, billing and collection of winter event securitization charges, responding to customer inquiries, terminating service, filing for true-up adjustments, and remitting collections to the State Treasurer or bond trustee for distribution to bondholders. The servicing agreement prohibits the Utility from resigning as initial servicer unless it is unlawful for the Utility to continue in such a capacity. The Utility's resignation will not be effective until a successor servicer assumes its obligations in order to continue servicing the securitization property without interruption. The servicer may also be terminated from its responsibilities under certain instances, such as the failure to remit collections within a specified period of time, by the Authority or the bond trustee upon a majority vote of bondholders. Any merger or consolidation of the servicer with another entity, any purchase of the operation assets of the servicer, or any transfer of the servicer's entity or operational assets in connection with a bankruptcy proceeding will require the merged entity, successor or purchaser to assume the servicer's responsibility under the servicing agreement. The terms of the servicing agreement are critical to the rating agency analysis of the Bonds and the ability to achieve credit ratings in the highest categories.

As compensation for its role as initial servicer, the Utility is entitled to earn a servicing fee payable out of WSC Charge collections. As explained in the Financial Advisor's testimony, it is important to the rating agencies' analysis of the transaction that the Utility receives an arm's-length fee as servicer of the securitization property. However, it is customary in other utility securitizations for utilities, in their capacity as servicer, to be paid a fee based upon their incremental costs of providing servicing. It is also common for utilities to be required to include the servicing fee, as well as servicing costs not in excess of the servicing fee, as part of their reported revenue requirements in the utility's base rate proceedings. This process ensures that utilities are not paid more than what is minimally required to service the Bonds and to ensure that any excess payments be credited back to customers. The Commission approves this compensation and reconciliation process, as further discussed herein.

As also explained by the Financial Advisor, utility securitizations to date have also permitted an increase in the servicing fee should a successor servicer, which is not part of the utility's business and who decouples the securitization charge bill from other bill amounts, assume the obligations of the utility, as servicer, because the successor servicer would require additional

inducement due to its lack of a pre-existing servicing relationship with the utility's customers. Financing orders in utility securitizations often approve a substantially higher fee for a successor servicer. The majority of recent transactions have provided for successor servicer annual fees of approximately 0.60% of the initial balance of the bonds or greater. Recent transactions in Texas and Louisiana provided for annual successor servicer fees of up to 0.60% of the initial balance of the bonds; however, recent transactions in California provided that the public utilities commission may approve a higher fee without stating any limit if such fee does not adversely affect the then-current ratings on the related bonds. Further, the Financial Advisor stated that a defined successor servicer fee is helpful for rating agencies, who will use the capped fee in their various stress analyses. Similar to the transactions in other jurisdictions, the Financial Advisor has recommended that the proposed financing order allow a successor servicer to collect a higher servicing fee at a rate approved by the Commission provided, however, that no such approval would be required if the annual fee does not exceed 0.60% of the initial balance of the Bonds.

In this Order, the Commission authorizes an annual successor servicing fee up to 0.60% of the initial balance of the Bonds conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. Moreover, should the successor servicer seek a servicing fee higher than 0.60%, such fee is not approved. Any servicing fee higher than 0.60% requires Commission approval in a subsequent proceeding. The Commission approves these servicing arrangements as discussed herein.

D. Use of Proceeds

The proceeds of the Bonds, net of bond issuance costs payable by the Authority (including costs payable to the Utility and amounts required to be deposited to the DSRS), will be deposited with the State Treasury and immediately disbursed pursuant to the instructions of the Authority to the Utility to pay the cost of purchasing the securitization property. The Utility, in turn, will use the proceeds, to pay or reimburse itself for the Approved Qualified Costs pursuant to the terms of this Order.

E. Approval of Final Bond Terms; Issuance Advice Letter

The Commission recognizes that certain details of the final Bond structure, such as any overcollateralization requirements or credit enhancements to support payment of the Bonds, and the final terms of the Bonds will depend in part upon the rating criteria of the nationally recognized credit rating agencies which will rate the Bonds and/or, in part, upon the market conditions that exist at the time the Bonds are taken to the market. This Order establishes and approves a financing structure as well as parameters for the Bonds, including maximum final scheduled payment dates, a weighted average interest rate on the Bonds, the method by which the Bonds should be amortized, as well as limits on certain costs to be incurred by the Utility, including Utility bond issuance costs and Utility servicing fees. As authorized by the Act, ODFA, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, will determine and approve the final terms of the Bonds consistent with the terms of this Order. Within three business days of the pricing of the Bonds, ODFA and the Utility will jointly submit to PUD, for information purposes (except with respect to the Utility certification), an Issuance Advice Letter evidencing the final terms of the Bonds, projected (or actual) costs of issuance and

ongoing financing costs, projected customer savings, as well as the initial WSC Charge. Failure or delay in submitting such report will not affect the validity of the Bonds or their security.

VI. BOND ISSUANCE AND ONGOING FINANCING COSTS

A. Bond Issuance Costs

Bond issuance costs will be incurred in connection with the issuance of the Bonds and will be recoverable from proceeds of the Bonds. Bond issuance costs include, without limitation, the cost of funding the DSRS, underwriting costs (fees and expenses), rating agency fees, costs of obtaining additional credit enhancements (if any), the Commission (including PUD) expenses, fees and expenses of the Authority's and the Utility's accountants and legal advisors (including bond counsel, special counsel and disclosure counsel), fees and expenses of the Financial Advisor, original issue discount, external servicing costs, fees and expenses of bond trustee and its counsel (if any), servicer set up costs, printing and filing costs, non-legal financing proceeding costs and expenses of ODFA, the Utility, the Commission (including PUD) and the State Treasurer or other State officials and miscellaneous administrative costs. ODFA has no control over issuance costs incurred pursuant to a financing under the Act, apart from ODFA related issuance costs. The only issuance costs to be incurred directly by the Utility are servicer set up costs, costs related to regulatory proceedings, miscellaneous administrative costs, external servicing costs and the costs of the Utility's financial and legal advisors (collectively, "Utility Issuance Costs"). The Utility has provided a detailed estimate of its Utility Issuance Costs in its testimony. The Commission will have control over Utility Issuance Costs through its jurisdictional control over the Utility. All other issuance costs (collectively, "Non-Utility Issuance Costs") will be outside the control of the Utility because the issuer of the Bonds, the Authority, is an instrumentality of the state.

The Commission is mindful of the fact that several of the components of bond issuance costs will vary depending upon the size of the final issuance of the Bonds. Specifically, the Commission realizes that some of the following costs may be proportional to the amount of Bonds actually issued, as described in the final Issuance Advice Letter: the DSRS, rating agency fees, special counsel fees, fees and expenses of the Council of Bond Oversight and Attorney General, and underwriters' fees are proportional to the amount of Bonds actually issued. Further, other issuance costs, such as ODFA and Utility legal and accounting fees and expenses, and printing expenses will not be known until the issuance of the Bonds or even thereafter, when final invoices are submitted. In this Order, the Commission approves the recovery by the Utility of the Utility Issuance Costs, subject to a cap of \$700,000 (the "Utility Issuance Cost Cap"). An estimate of the Non-Utility Issuance Costs was described in the testimony of the Financial Advisor. All other Non-Utility Issuance Costs are also approved for recovery, subject to the final approval of costs by the Authority and the State Deputy Treasurer for Policy and Debt Management.

B. Ongoing Financing Costs

Costs will be incurred by the Utility, in its role as servicer, as well as by the Authority and other state agencies in connection with the servicing and administration of the Bonds. These costs should not be included in the principal amount of the Bonds, and are authorized to be recovered through the WSC Charges, subject to the true-up of those charges as provided in this Order. The Financial Advisor estimates that these ongoing annual costs (exclusive of debt service on the Bonds and the servicing fee and external accounting costs of the Utility) will be approximately

\$750,000 for the first year following the issuance of the Bonds (assuming the Utility is the initial servicer), but many ongoing costs will not be known until they are incurred. The Utility has proposed an annual servicing fee equal to 0.05% of the original principal amount of the Bonds for acting as initial servicer. This fee will be fixed for the life of the Bonds and continuing thereafter until all WSC Charges have been billed and collected or written off as uncollectible as long as the Utility continues to act as servicer. In addition, the Utility, as initial servicer, has requested that it should be entitled to receive reimbursement for its out-of-pocket costs for external accounting services to the extent external accounting services are required by the servicing agreement, as well as for other items of cost (excluding external information technology costs, bank wire fees and legal fees, which are part of the servicing fee) that will be incurred annually to support and service the Bonds after issuance. As later discussed, the Utility is directed to include the servicing fee, as well as servicing costs, as part of the Utility's subsequent general rate proceeding, as applicable, to ensure that the Utility does not collect more than its incremental costs.

In the event that a servicer default occurs, the Authority, or the bond trustee acting at the direction of a majority of the bondholders, will be permitted to appoint a successor servicer. The compensation of the successor servicer will be what is required to obtain the services under the servicing agreement. As previously discussed, the Financial Advisor has recommended that the Commission approve a fee up to 0.60% of the initial principal balance of the Bonds in case a successor needs to be appointed, unless the ODFA can reasonably demonstrate to the Commission, in a subsequent proceeding, that the services cannot be obtained at that compensation level under the market conditions at that time. As stated in Part V(C), the Commission authorizes an annual successor servicing fee up to 0.60% of the initial balance of the Bonds conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. Moreover, should the successor servicer seek a servicing fee higher than 0.60%, such fee is not approved. Any servicing fee higher than 0.60% requires Commission approval in a subsequent proceeding. The Commission approves these servicing arrangements.

As set forth herein, the ODFA, the Utility and the Commission should be and are permitted to recover from WSC Charges their ongoing financing costs, as requested by the Utility and ODFA, subject to the cap on the annual servicing fee and conditions described above.

VII. FINDINGS OF FACT

Based on a review of the entire record in this Cause, including a thorough review of all the evidence, exceptions, response(s) to the exceptions, and all arguments of counsel, the Commission makes the following findings of fact.

A. Identification and Procedure

Identification of Applicant and Background

1. PSO is an investor-owned electric public utility that owns and operates plant, property, and other assets used for the generation, production, transmission, distribution, and sale of electric power and energy in the states of Oklahoma. PSO is incorporated in the State of Oklahoma and is subject to the regulatory authority of the Commission with respect to its retail

rates and charges for sales of electricity made within the State of Oklahoma.

2. In February 2021, Oklahoma experienced an extreme weather event that brought nearly two weeks of record cold temperatures to the state. The extreme cold weather resulted in a shortage of natural gas supply, the failure of certain infrastructure, and enhanced demand for natural gas and electric power. The extreme weather conditions resulted in the Utility incurring extreme purchase costs, extraordinary costs or both that would be mitigated by issuing the Bonds.

Procedural History

3. On April 28, 2021, PSO filed its Application in this Cause, for approval of a Financing Order for the Collection of Increased Costs, caused by the extreme winter weather and contained in the Regulatory Asset Authorized by Order 717652, including an appropriate carrying cost, and such other relief as the Commission deems PSO is entitled.

4. Also on April 28, 2021, the Attorney General filed an Entry of Appearance on behalf of Jared B. Haines and A. Chase Snodgrass.

5. On April 29, 2021, PUD filed a Motion to Engage a Financial Advisor(s) or Other Consultants, along with a Notice of Hearing setting the Motion to Engage a Financial Advisor(s) or Other Consultants for hearing on May 6, 2021.

6. On May 4, 2021, OIEC filed an Entry of Appearance on behalf of Thomas P. Schroedter.

7. On May 6, 2021, the Motion to Engage a Financial Advisor(s) Or Other Consultants was heard and recommended.

8. On May 7, 2021, Walmart filed an Entry of Appearance on behalf of Rick D. Chamberlain.

9. On May 11, 2021, Order No. 718291, Order Granting PUD's Motion to Engage a Financial Advisor(s) or Consultants was issued.

10. On May 12, 2021, AARP filed an Entry of Appearance on behalf of Deborah R. Thompson.

11. Also on May 12, 2021, PSO filed a Motion to Determine Carrying Costs, along with a Notice of Hearing setting the Motion to Determine Carrying Costs for hearing on May 20, 2021.

12. Also on May 12, 2021, the Affidavit of Matthew A. Horeled in Support of Motion to Establish Regulatory Asset was filed.

13. On May 19, 2021, the Attorney General's Response to PSO's Motion to Determine Carrying Costs and the OIEC's Response to PSO's Motion to Determine Carrying Costs were filed.

14. On May 20, 2021, the Motion to Determine Carrying Costs was heard before the ALJ, in which the ALJ recommended denial of the request.

15. On June 9, 2021, Order No. 718800, Order Denying Motion to Determine Carrying Costs was issued.

16. On June 10, 2021, the Motion to Engage a Financial Advisor(s) or Other Consultants was heard and recommended by the ALJ.

17. On August 16, 2021, PSO filed a Motion for Procedural Order and a Motion for Protective Order, along with Notices of Hearing setting the Motion for Procedural Order and the Motion for Protective Order for hearing on August 26, 2021.

18. On August 16, 2021, the following witnesses filed direct testimony on behalf of PSO: Darryl Jackson; Keith Helwig; Clinton M. Stutler; Heather M. Whitney; Jason M. Stegall; David A Hodgson; Shawna G. Jones; Matthew A. Horeled; and William H. Thompson.

19. On August 17, 2021, Public Comment was filed.

20. On August 18, 2021, PSO filed a Motion to Determine Notice, along with a Notice of Hearing setting the Motion to Determine Notice for hearing on August 26, 2021.

21. On August 26, 2021, the Motion for Protective Order and the Motion to Determine Notice were heard and recommended by the ALJ, and the Motion for Procedural Order was continued by agreement of the parties to September 2, 2021.

22. On September 2, 2021, the Motion for Procedural Order was heard and recommended by the ALJ.

23. On September 9, 2021, Order No. 720475, Order Granting Motion for Protective Order, was issued.

24. On September 16, 2021, Order No. 720639, Order Granting Motion for Procedural Order, and Order No. 720640, Order Granting Motion to Determine Notice, were issued.

25. On October 21, 2021, the following responsive testimonies were filed by: Todd F. Bohrmann on behalf of the Attorney General; Isaac D. Stroup, JoRay McCoy, and Michael Bartolotta on behalf of PUD; and James P. Mosher, Mark E. Garrett, and Brian C. Collins on behalf of OIEC.

26. On October 28, 2021, the Supplemental Responsive Testimony of Michael Bartolotta on behalf of PUD was filed.

27. On November 3, 2021, AARP filed a Motion to Late-File Statement of Position, along with a Notice of Hearing setting the Motion for hearing on November 11, 2021.

28. On November 5, 2021, AARP filed an Amended Notice of Hearing setting the

Motion to Late-File Statement of Position for hearing on November 9, 2021.

29. On November 9, 2021, the Motion to Late-File Statement of Position was heard and recommended by the ALJ.

30. On November 12, 2021, the Rebuttal Testimonies of Matthew A. Horeled, Daryll Jackson, Shawna G. Jones, Clinton M. Stutler, and William H. Thompson on behalf of PSO were filed.

31. On November 16, 2021, Order No. 721658, Order Granting Leave was issued.

32. On November 17, 2021, Public Comment was filed. Also on November 17, 2021, AARP filed its Statement of Position.

33. On December 7, 2021, the following documents were filed:

a) On behalf of PSO, the testimony summaries of Jason M. Stegall; William H. Thompson; Keith Helwig; Matthew A. Horeled; Shawna G. Jones; Clinton M. Stutler; Heather M. Whitney; David A. Hodgson; Daryll Jackson; Shawna G. Jones; and Clinton M. Stutler.

b) On behalf of PUD, the testimony summaries of Michael Bartolotta, JoRay McCoy, and Isaac D. Stroup.

c) Summary of the Responsive Testimony and Exhibits of Lisa V. Perry on behalf of Walmart.

d) On behalf of OIEC, testimony summaries of Brian C. Collins, Mark E. Garrett, and James P. Mosher.

e) Summary of Responsive Testimony of Todd F. Bohrmann on behalf of the Attorney General.

f) Summary of AARP Statement of Position.

34. Also on December 9, 2021, the Pre-Hearing Conference was stricken, and the Hearing on the Merits was continued by agreement of the parties to December 14, 2021.

35. On December 10, 2021, OIEC filed an Entry of Appearance on behalf of Kenyon D. Williams, Jr. Also on December 10, 2021, a Notice of Hearing was filed setting a Pre-Hearing Conference for hearing on December 16, 2021.

36. On December 14, 2021, the Hearing on the Merits was continued by agreement of the parties to December 17, 2021.

37. On December 16, 2021, a Pre-Hearing Conference conducted by the ALJ.

38. On December 17, 2021, the Hearing on the Merits was continued by agreement of

the parties to January 3, 2022.

39. On January 3, 2022, the Hearing on the Merits was continued by agreement of the parties to January 5, 2022.

40. Also on January 3, 2022, Public Comment was filed.

41. On January 4, 2022, a Joint Stipulation and Settlement Agreement was filed.

42. Also on January 4, 2022, the Testimony in Support of Joint Stipulation and Settlement Agreement of Matthew A. Horeled on behalf of PSO, the Settlement Testimony of Brian C. Collins on behalf of OIEC, Testimony in Support of Joint Stipulation and Settlement Agreement of JoRay McCoy on behalf of PUD, and the Joint Stipulation Exhibit HMW-1 were filed.

43. Also on January 4, 2022, AARP's Statement on Joint Stipulation and Settlement Agreement was filed.

44. On January 5, 2022, this Cause came on for hearing and was heard by the ALJ. The ALJ recommended approval of the Settlement Agreement.

45. On January 6, 2022, PSO filed a Comparison Exhibit.

46. Also on January 6, 2022, the Attorney General filed a Withdrawal of Counsel on behalf of A. Chase Snodgrass.

47. On January 7, 2022, an Amended Joint Stipulation and Settlement Agreement ("Settlement Agreement") and Signatory Pages for the Settlement Agreement were filed.

48. On January 28, 2022, the Proposed Order and Recommendation of the ALJ was filed, as amended on February 1, 2022.

49. On February 2, 2022, AARP filed its Exceptions to the Proposed Order ("Exceptions").

50. On February 4, 2022, PSO and OIEC filed responses to the Exceptions.

B. Summary of Evidence

Documents filed in this Cause are contained in records kept by the Court Clerk of the Commission. Testimony was offered at the hearing conducted on January 5, 2022. The entirety of the testimony offered is contained in the transcripts of these proceedings. The testimony in support of the Settlement Agreement and testimony summaries contained in Attachment "A" and the Statements of Position contained in Attachment "B" of the Amended Proposed Order and Recommendation of the ALJ are incorporated herein by reference. The full record of this Cause includes all items within the definition of "record" as set forth in OAC 165:5-1-3.

C. Approval of the Settlement Agreement

51. The Settlement Agreement represents a resolution of issues in this Cause between and among the Stipulating Parties (PSO, PUD, OIEC, Attorney General, and Walmart), which includes the WSC Rider.

52. Testimony in support of the Settlement Agreement was filed by PSO, PUD and OIEC through witnesses Matthew Horeled, JoRay McCoy and Brian C. Collins, respectively. In addition, the Financial Advisor testified at the hearing as an expert witness without taking a position on the Settlement Agreement. In the hearing held January 5, 2022, witnesses provided testimony in support of the Settlement Agreement and all parties, including AARP who was not a Stipulating Party, were provided the opportunity to conduct cross-examination. At the conclusion of this hearing, all pre-filed testimony was admitted into the record without objection.

53. In Paragraph 1(B) of the Settlement Agreement, the Stipulating Parties recommended that PSO should recover \$675.2 million of the estimated total extreme purchase costs. The Stipulating Parties further agreed that the \$675.2 million in extreme purchase costs related to natural gas and wholesale energy procurement should be deemed prudent and recoverable. Witnesses Horeled and Stutler described, at the hearing and in pre-filed testimony, the operational challenges presented by the 2021 Winter Weather Event and the procurement practices PSO followed during that event. Witness McCoy testified regarding PUD's prudence review pursuant to the Commission's rules and the extreme and unique nature of the 2021 Winter Weather Event. He testified that PSO acted in accordance with its Fuel Supply Portfolio and Risk Management Plan during the 2021 Winter Weather Event. After considering the testimony provided at the hearing and the evidentiary record, the Commission finds the extreme purchase costs in the amount of \$675.2 million would otherwise be recoverable from customers as fair, just and reasonable expenses, were prudently incurred, and those costs should be securitized.

54. The February 2021 Winter Weather Event swept in fast, causing unprecedented low temperatures.

55. The Utility's \$675.2 million extreme purchase costs were prudently incurred by PSO during the February 2021 Winter Weather Event. The prudence of a utility's action is based on whether the action was reasonable given the information the Utility's management knew or should have known at the time the decision was made. Prudence inquiries involve a determination of whether the utility's management made a reasonable decision in light of the circumstances existing at the time of the decision and the knowledge of such circumstances management had or should have had. Horeled Rebuttal Testimony P. 7 ls. 1 – 2. The actions taken by PSO personnel in league with the SPP were important factors in the provision of safe, reliable service to PSO customers. Fuel and purchased power were prudently procured at reasonable cost based on the mechanisms available at the time. Horeled Rebuttal Testimony P. 10 ls. 4 – 5.

56. In Paragraph 1(A) of the Settlement Agreement, the Stipulating Parties requested that the Commission find that PSO has provided the requisite information specified in Section 4(A) of the Act (74 Okla. Stat. § 9073(A)) and that, pursuant to Section 4(C) of the Act (74 Okla. Stat. § 9073(C)), that securitization would provide benefits to customers as compared to traditional utility financing. In pre-filed and oral testimony, witnesses Horeled and McCoy testified that customers benefitted from the lower costs of securitization as compared to traditional utility financing. In his pre-filed testimony, PSO witness Thompson includes Exhibit WHT-2 that compares the costs of a 20-year term for securitization as compared to traditional utility financing

and demonstrates that securitization provides a significant savings for customers. Both PSO and PUD witnesses testified that PSO had complied with the requirements of the Act regarding the provision of necessary information. Based on a review of the record, the Commission concludes there is substantial evidence to support findings that PSO provided the information required within the Act and that securitization is beneficial to customers and, thus, in the public interest.

57. In Paragraph 1(B) of the Settlement Agreement, the Stipulating Parties requested that the Commission issue a financing order for the securitization of approximately \$675.2 million and authorizing a 20-year amortization for cost recovery or longer or shorter term to obtain the most favorable terms for customers that will result in the lowest reasonable monthly charge for customers. The Stipulating Parties agreed that \$675.2 million recommended for securitization is an estimate and may fluctuate depending on final costs and carrying costs incurred until securitization. Both PSO and PUD witnesses provided testimony in support of a securitization amount of approximately \$675.2 million. The Financial Advisor provided information concerning the use of securitization generally, the proposed bond structure and associated transaction documents used to issue the bonds, the provisions of the proposed financing order, related bond costs, and the servicing arrangements associated with the bond issuance. While the Stipulating Parties recommended a term for the bonds of 20 years, the provisions of the Settlement Agreement allow the ODFA to adopt a longer or shorter financing period if that is found to be advantageous to customers and will result in the lowest reasonable monthly charge. The Financial Advisor further testified that the final decision regarding the term of the bonds will be made by the ODFA after the issuance of this Order. The Commission finds there is substantial evidence to support issuing this Order as requested by the Stipulating Parties, except as otherwise modified herein.

58. In Paragraph 1(G) of the Settlement Agreement, the Stipulating Parties agreed that PSO will use its best efforts to pursue the Southwest Power Pool (“SPP”) make-whole payments and resettlement amounts. Witness Horeled stated PSO will make best efforts to comply with 74 Okla. Stat. § 9073(G) regarding SPP payments and any insurance proceeds received. Pursuant to Paragraph 1 (G), any funds related to the event that are received by PSO or if any actual amounts are lower than estimated, such amounts shall be credited to customers. The Commission finds the provisions of Paragraph 1 (G) of the Settlement Agreement to be in the public interest, as further detailed in Finding of Fact No. 133.

59. In Paragraph 1(D) of the Settlement Agreement, the Stipulating Parties recommended that the Commission find the carrying charge on the regulatory asset balance containing the extreme purchase costs shall be based on the 0.75% interim rate authorized by the Commission and may be adjusted to reflect actual costs of credit facilities, loan agreements, or other debt financing related to the deferred costs of the 2021 Winter Weather Event. Witness Horeled provided pre-filed and oral testimonies affirming the Utility’s agreement to the 0.75% carrying charge. The Commission finds this provision to be in the public interest.

60. In Paragraph 1(H) of the Settlement Agreement, the Stipulating Parties agreed that PSO will engage in discussions with stakeholders regarding methods to mitigate the costs of future cold weather events. Specifically, PSO agrees to discuss mitigation of natural gas price volatility and future cold weather events and to evaluate the use of natural gas storage services as well as physical and financial hedging. Also, PSO agrees to revise its next fuel supply portfolio and risk management plan to address natural gas storage practices and procurement practices not based solely on daily index pricing. In his pre-filed and oral testimonies, witness Horeled affirmed PSO’s

agreement to engage in these stakeholder activities regarding evaluation of natural gas storage and procurement practices. The Commission finds this provision to be in the public interest.

61. Additionally, considering a history of plentiful gas supplies with no indication of the severity of the 2021 Winter Weather Event that was about to occur, PSO proceeded to use its monthly and daily contracting methods. PSO followed its fuel policies and procedures during the event. McCoy Responsive at P. 13 ls. 1-3.

62. PSO did not see the need to physically hedge natural gas supply in early 2021 based upon several factors including historical gas consumption during the winter months, low natural gas spot prices entering 2021, as well as mild January temperatures with expectations for the same in February and March. PSO relying on spot natural gas purchases during the months of January, February and March is consistent with prior practices. The Utility's focus during the February 2021 Winter Weather Event was to keep the power flowing to ensure reliability for the benefit of the public.

63. In Paragraph 1(E) of the Settlement Agreement, the Stipulating Parties recommended an allocation and rate design methodology to allocate costs to the individual Service Levels. AARP took issue with the allocation methodology adopted by the Settlement Agreement in that the use of a day-by-day allocation of costs (as opposed to all costs and all kWhs consumed during the event) results in a shift of approximately \$30 million in additional costs to the residential class (or approximately \$0.29 per month). The methodology adopted under the Stipulation Agreement is based on the pre-filed testimony of OIEC witness Collins.

64. PSO Witness Jones agreed the application of the energy allocation methodology to each day of the 2021 Winter Weather Event, as opposed to over the full term of the event in aggregate, was a legitimate allocation method as this methodology provided a more granular and, hence, a more exact method to assign costs of the 2021 Winter Weather Event. She also testified that PSO's initial request to allocate costs incurred during the event on a kWh basis was consistent with how PSO normally allocates its costs in its fuel clause and that the day-by-day allocation is a departure from standard treatment.

65. PSO Witness Jones also testified regarding the estimated customer impact of the Settlement Agreement. In reducing the securitized amount to \$688 million, reducing the carrying charge, and incorporating the cost allocation changes of OIEC Witness Collins, the estimated customer impact on the average residential customer is approximately \$4.06 per month.

66. In Paragraph 1(F) of the Settlement Agreement, the Stipulating Parties requested that the WSC Rider be approved by this Commission. PSO Witness Jones detailed the various provisions of the WSC Rider. Both PUD and PSO provided testimony in support of this mechanism. The Commission agrees that the WSC Rider is just and reasonable and should be approved. The Commission finds that the terms and conditions of the WSC Rider shall comply in all respects with, and be subject to, the terms and conditions of this Order, and if there is a conflict between the terms and conditions of the WSC Rider and those of this Order, the terms and conditions of this Order shall control.

67. Section II of the Settlement Agreement contains the typical language found in stipulations and settlement agreements filed at the Commission, and the Commission finds the provisions of Section II to be reasonable.

D. Amount to be Financed

Approval of Qualified Costs and Amount of Bonds

68. The Commission has determined that the Utility has incurred 2021 Winter Weather Event related qualified costs in the aggregate amount of \$675.2 million, plus carrying costs based on the actual costs of credit facilities, loan agreements or other debt financing used to finance the deferred cost related to the event, and that these qualified costs (collectively, “Weather-Related Qualified Costs”), together with bond issuance costs as described in Part VI of this Order comprise the Approved Qualified Costs. The Approved Qualified Costs are approved for recovery, and are eligible for recovery through the issuance of the Bonds under the Act.

69. The ODFA is authorized to issue the Bonds in an amount equal to the sum of the Weather-Related Qualified Costs approved in this Order plus the carrying costs and bond issuance costs approved in this Order. Such sum, estimated at \$688 million, is hereinafter referred to in this Order as the “Authorized Amount”.

Bond Issuance Costs and Ongoing Financing Costs

70. Bond issuance costs (as more fully described in Part VI of this Order) are those that will be incurred in advance of, or in connection with, the issuance of the Bonds, and will be recovered or reimbursed from proceeds of the Bonds (or, if necessary, from WSC Charges as described in Finding of Fact No. 79 below).

71. ODFA has no control over bond issuance costs incurred pursuant to a financing order under the Act, apart from ODFA-related issuance costs. The only bond issuance costs to be incurred directly by the Utility are servicer set up costs, costs related to regulatory proceedings, miscellaneous administrative costs, external servicing costs and the costs of Utility’s accountants, and financial and legal advisors, which are referred to as Utility Issuance Costs. The Non-Utility Issuance Costs will be outside the control of the Utility because the issuer of the Bonds, the ODFA, is an instrumentality of the state. The Commission will have control over Utility Issuance Costs through its jurisdictional control over the Utility, but in a manner which does not affect the securitization property.

72. Ongoing financing costs (as more fully described in Part VI of this Order) are those costs, in addition to debt service on the Bonds, that will be incurred annually to manage, service and administer the Bonds.

73. Other than the servicing fee (which will cover external information technology costs, bank wire fees and the fees of the Utility’s legal counsel), the ongoing financing costs that will be incurred in connection with a financing are outside the control of ODFA, since ODFA cannot control the administrative, legal, rating agency and other fees to be incurred by the Utility on an ongoing basis. However, the Commission will have control over some of these ongoing financing costs through its jurisdictional control over the Utility, but in a manner which does not affect the securitization property.

74. The actual bond issuance costs and certain ongoing financing costs will not be

known until on or about the date the Bonds are issued; other bond issuance and ongoing financing costs may not be known until such costs are incurred.

75. The Utility has provided estimates of its Utility Issuance Costs which costs shall be capped in an amount not to exceed \$700,000. The Financial Advisor has provided an estimate of Non-Utility Issuance Costs were estimated at \$6,320,000. These costs will not be capped.

76. The Utility and PUD, through the testimony of the Financial Advisor, have also provided estimates of ongoing financing costs for the first year following the issuance of the Bonds to be approximately \$750,000 if the Utility is the initial servicer.

77. The ODFA and the Utility shall report to the Commission through PUD, as set forth in the Issuance Advice Letter, the final estimates of bond issuance costs and ongoing financing costs for the first year following issuance.

78. The ODFA's and the Utility's actual or estimated issuance costs, each as specified in the Issuance Advice Letter, shall be paid as follows: the ODFA will pay its Non-Utility Issuance Costs from the proceeds of the Bonds, and the Utility will pay (or reimburse itself) for its Utility Issuance Costs from the net proceeds of the Bonds paid for the purchase price of the securitization property, all at or shortly after the delivery of the Bonds.

79. Within 90 days of the issuance of the Bonds, the ODFA and the Utility will submit to the Commission, by submitting to PUD, a final accounting of their respective issuance costs. If the Utility's actual issuance costs are less than the issuance costs included in the principal amount financed, the revenue requirement for the first semi-annual true-up adjustment shall be reduced by the amount of such unused funds (together with income earned thereon) and the Utility's unused funds (together with income earned thereon) shall be applied to the Utility's ongoing financing costs. If the ODFA's actual issuance costs are less than those estimated, the amount will be recognized as a credit in the true-up adjustment as part of the WSC Rider. If ODFA's final issuance costs are more than the estimated issuance costs included in the principal amount financed, ODFA may recover the remaining issuance costs through a true-up adjustment. However, such recovery will be subordinate to the payment of debt service on the Bonds and related financing costs during the true-up period. The Utility's Issuance Costs are capped under this Order. A failure to provide such report will in no way affect the validity of or security for the Bonds.

E. Customer Benefits

80. The Act requires the Commission to consider whether the recovery of 2021 Winter Weather Event Costs by the Utility through the issuance of the Bonds will result in substantial revenue requirement savings as compared to conventional financing methods, a longer amortization schedule to pay the Bonds than would ordinarily be practicable or feasible for the Utility for such recovery and the ability to issue Bonds at a cost which would not exhaust the potential savings.

81. As described in the testimonies of PSO Witness Thompson and the Financial Advisor, and in this Order, the Commission is satisfied the Utility has demonstrated that the proposed financing will satisfy each of these criteria.

F. Structure of the Proposed Financing

The Utility

82. PSO is an investor-owned electric public utility that owns and operates plant, property, and other assets used for the generation, production, transmission, distribution, and sale of electric power and energy in Oklahoma. PSO is incorporated in the State of Oklahoma and is subject to the regulatory authority of the Commission with respect to its retail rates and charges for sales of electricity made within the State of Oklahoma.

83. The Utility will enter into a sale agreement with the ODFA, under which the ODFA will purchase from the Utility the securitization property in consideration of the net proceeds of the Bonds.

84. The Utility shall not seek to recover the Approved Qualified Costs covered by this Order, except through the transfer of securitization property as provided in the Act in exchange for proceeds of a bond issuance, which shall offset and complete the recovery of these costs for the Utility.

85. The Utility will service the securitization property pursuant to a servicing agreement with the Authority.

ODFA/AUTHORITY

86. ODFA is a public trust created by a Declaration of Trust, dated November 1, 1974, as amended, for the furtherance of public purposes and the benefit of the State of Oklahoma pursuant to the provisions of the Authority Act, as amended by the Act, and is authorized to issue ratepayer-backed bonds under the Act. The Authority is an instrumentality of the State of Oklahoma and operates to perform the essential government function of financing utility qualified costs with low-cost capital. The Authority is not an agent of the State and has a legal existence separate and distinct from the State of Oklahoma.

87. ODFA may issue the Bonds as described in this Order in an aggregate amount not to exceed the Authorized Amount, and ODFA will assign and pledge to the bond trustee, as collateral for payment of the Bonds, the securitization property, including ODFA's right to receive the WSC Charges as and when collected, and any other collateral under the indenture.

Structure, Security, and Documents

88. The Bonds should be issued in one or more series, and in one or more tranches for each series, in an aggregate amount not to exceed the Authorized Amount.

89. Pursuant to the Act, as security to pay the principal of and interest on the Bonds and other ongoing financing costs—the ODFA will pledge its interest in the securitization property created by this Order, the Act and by certain other collateral, including its rights under the servicing agreement. The securitization property and other bond collateral will be sufficient to ensure the payment of the principal of and interest on the Bonds, together with ongoing financing costs on a

timely basis.

90. Pursuant to the Act, the Bonds will be issued pursuant to the indenture administered by the bond trustee, as described in Part V of this Order. The provisions of the indenture, pursuant to which a collection account and its subaccounts, and such additional accounts as may be required in connection with any additional collateral, will be created in the manner described in Part V of this Order, are reasonable. The Commission is persuaded by the evidence in the record that the provisions of the indenture as further set forth in this Order will provide for lower risks to be associated with the financing and thus lower the costs to customers, and should, therefore, be approved.

91. Pursuant to the Act, the Authority will direct the State Treasurer to deposit all revenue received with respect to securitization property and required to be deposited by the State Treasurer into the Regulated Utility Consumer Protection Fund (the "Consumer Protection Fund") with the bond trustee and applied as provided in the indenture, in a manner consistent with obtaining the highest possible ratings on the Bonds.

92. Pursuant to the Act, ODFA will prepare, or cause to be prepared, a proposed form of an Indenture, an Administration Agreement (if requested by the Authority), a Sale Agreement and a Servicing Agreement (collectively, the "Transaction Documents"), which set out in substantial detail certain terms and conditions relating to the financing and security structure. Each of the Transaction Documents will be reviewed and approved by the Utility, the ODFA and the State Deputy Treasurer for Policy and Debt Management. The forms of the Transaction Documents will also be submitted to PUD for its review and comment.

93. Pursuant to the Act, ODFA will also prepare, or cause to be prepared, a preliminary official statement, substantially in the form of an official statement to be delivered on the date of pricing of the Bonds, omitting only such information as permitted by federal securities laws, rules and regulations, to be used by the Utility and the ODFA in connection with the offering and sale of the Bonds. The official statement will be reviewed and approved for use by the Utility, the ODFA and the State Deputy Treasurer for Policy and Debt Management. The Utility will cooperate with ODFA in the preparation of the official statement and provide all information to the ODFA required to comply with applicable federal securities laws and make representations with respect to the information provided to ODFA for inclusion in the preliminary official statement and final official statement.

Credit Enhancement and Arrangements to Enhance Marketability

94. The Utility has not requested approval of floating rate bonds or any hedges or swaps which might be used in connection therewith.

95. The Financial Advisor has testified that in current market conditions, it is uncertain whether the benefits of an interest rate swap related to the Bonds will outweigh the costs and risks in this particular case of researching and preparing the swap that could result in lower WSC Charges.

96. An interest rate swap related to the Bonds could expose customers to greater risks in relation to the WSC Charges and the ability of the swap counterparty to meet its obligations.

97. The Commission agrees with the Financial Advisor that the use of floating rate debt and swaps or hedges is not advantageous or cost effective for customers.

98. The Utility has not requested that additional forms of credit enhancement (including letters of credit, overcollateralization accounts, surety bonds, or guarantees) and other mechanisms designed to promote the credit quality and marketability of the Bonds be used. The Financial Advisor has testified that the Authority should have the flexibility to utilize such additional credit enhancements if such arrangements are reasonably expected to result in net benefits to customers. The Financial Advisor has recommended that the costs of any credit enhancements as well as the costs of arrangements to enhance marketability be included in the amount of issuance costs to be financed.

99. ODFA should be permitted to use, and to recover the Bond issuance costs and ongoing financing costs associated with, credit enhancements and arrangements to enhance marketability, if it determines, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, that such enhancements and arrangements provide benefits greater than their tangible and intangible costs. The use of such credit enhancement shall be described in the Issuance Advice Letter.

Servicer and the Servicing Agreement

100. The Utility will execute a servicing agreement with ODFA, as described in Part V of this Order. The servicing agreement may be amended, renewed or replaced by another servicing agreement, provided that any such amendment, renewal or replacement will not cause any of the then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded. The Utility will be the initial servicer but may be succeeded as servicer by another entity under certain circumstances detailed in the servicing agreement. Pursuant to the servicing agreement, the servicer is required, among other things, to collect the applicable WSC Charges for the benefit and account of the ODFA or its pledgees, to make the true-up adjustments of WSC Charges required or allowed by this Order, and to account for and remit the applicable WSC Charges to or for the account of the ODFA or its pledgees in accordance with the remittance procedures contained in the servicing agreement without any charge, deduction or surcharge of any kind (other than the servicing fee specified in the servicing agreement). Under the terms of the servicing agreement, if any servicer fails to perform its servicing obligations in any material respect, the ODFA, or, the bond trustee upon the instruction of the requisite percentage of holders of the outstanding amount of the Bonds (“requisite bondholders”), shall be authorized to appoint an alternate party to replace the defaulting servicer, in which case the replacement servicer will perform the obligations of the servicer under the servicing agreement. The obligations of the servicer under the servicing agreement and the circumstances under which an alternate servicer may be appointed are more fully described in the servicing agreement. The rights of ODFA under the servicing agreement will be included in the collateral assigned and pledged to the bond trustee under the indenture for the benefit of holders of the Bonds.

101. The servicer shall remit actual WSC Charges received to the bond trustee within two servicer business days of receipt according to the methodology described in the servicing agreement.

102. The Utility, as initial servicer, will be entitled to an annual servicing fee fixed at 0.05% of the initial principal amount of the Bonds. In addition, the Utility, as initial servicer, shall be entitled to receive reimbursement for its out-of-pocket costs for external accounting services to the extent external accounting services are required by the servicing agreement, as well as for other items of cost (excluding external information technology costs, bank wire fees and legal fees, which are part of the servicing fee) that will be incurred annually to support and service the Bonds after issuance. The servicing fees collected by the Utility, or by any affiliate of the Utility acting as the servicer, under the servicing agreement shall be included as an identified revenue credit and reduce revenue requirements for the benefit of the customers in its next rate case following collection of said fees. The expenses of acting as the servicer shall likewise be included as a cost of service in any such utility rate case. In this Order, the Commission approves the servicing fee as described herein. The Commission further approves, in the event of a default by the initial servicer resulting in the appointment of a successor servicer, a higher annual servicing fee of up to 0.60% of the initial principal balance of the Bonds conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. The ODFA may request to pay a servicing fee higher than 0.60% if it can reasonably demonstrate to the Commission, in a subsequent proceeding, that the services cannot be obtained at a compensation level lower than 0.60% under the market conditions at that time. The obligations to continue to collect and account for WSC Charges will be binding upon the Utility, its assigns and successors and any other entity that provides transmission and distribution electric services or, in the event that transmission and distribution electric services are not provided by a single entity, any other entity providing electric distribution services to the customers. The Commission will enforce the obligations imposed by this Order, its applicable substantive rules, and statutory provisions to ensure the nonbypassability of the WSC Charge.

103. No provision of this Order shall prohibit the Utility from selling, assigning or otherwise divesting any of its transmission or distribution system or any facilities providing service to the customers, by any method whatsoever pursuant to law, including those specified in Ordering Paragraph 31 pursuant to which an entity becomes a successor, so long as each entity acquiring such system or portion thereof agrees to continue operating the facilities to provide service to the customers and collect the WSC Charges under the existing servicing agreement, subject to ODFA approval.

104. The servicing arrangements described in Findings of Fact Nos. 100 through 103 are reasonable, will contribute to the reduction of risk associated with the proposed financing and, based on the testimony of the Financing Advisor, should, therefore, result in lower WSC Charges and greater benefits to the customers and should be approved.

Ratepayer-Backed Bonds

105. Pursuant to the Act, ODFA may issue and sell the Bonds in one or more series, and each series may be issued in one or more tranches in an aggregate principal amount not exceeding the Authorized Amount. ODFA, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, will determine and approve the final terms of the Bonds consistent with the terms of this Order.

106. The scheduled final payment date of any series of the Bonds is not expected to

exceed 20 years from the date of issuance of such Bonds. The legal final maturity date of any series of the Bonds will not be more than two years after the scheduled final payment date. The scheduled final payment date and legal final maturity date of each series and tranche within a series and amounts in each series will be finally determined by the ODFA, consistent with market conditions and indications of the rating agencies and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt Management, at the time the Bonds are priced.

107. The Bonds will be amortized using a substantially level annual debt service, mortgage-style structure.

108. The weighted average interest rate on the Bonds will not exceed 6.0% per annum.

109. The Utility may file a new request for a subsequent financing order under the Act for the Utility to retire or refund the Bonds approved in this Order, after proper notice and hearing, and upon a showing that the Customers would benefit and that such a financing is consistent with the terms of the outstanding Bonds as permitted by 74 Okla. Stat. § 9077(D).

110. The Commission finds that the foregoing parameters for the Bonds will aid in the best efforts to allow customers to enjoy substantial revenue requirement savings and rate mitigation benefits as required by the Act.

WSC Charges—Imposition and Collection and Nonbypassability

111. The Stipulating Parties seek to impose on and to collect from all customers, WSC Charges in an amount sufficient to provide for the timely recovery of its costs approved in this Order (including payment of scheduled principal of and interest on the Bonds and ongoing financing costs related to the Bonds on a timely basis). The Utility will seek to bill and collect the WSC Charges, as servicer on behalf of ODFA, until the Bonds issued pursuant to this Order are paid in full and all ongoing financing costs of the Bonds have been recovered in full.

112. WSC Charges collected pursuant to the WSC Rider shall be a separate line-item on the monthly bill of the customer.

113. If any customer does not pay the full amount of any bill, the amount paid by the customer to the Utility will be applied pro-rata by the Utility based upon the total amount of the bill and the total amount of the WSC Charge. The foregoing allocation will facilitate a proper balance between the competing claims to this source of revenue in an equitable manner.

114. The Utility, acting as servicer, and any subsequent servicer, will collect WSC Charges from all current and future customers of the Utility and any successor or assign of the Utility will be obligated to bill the WSC Charge to customers located at an address within this state and within the service area of the Utility as of the date of this Order in order to ensure its nonbypassability. The WSC Rider also describes features demonstrating how the WSC Charge will be nonbypassable to customers, even if such customers switch providers, change fuel sources or materially change usage. Customers who self-generate under the Utility's NEBO tariff will be assessed the WSC Charge based upon their gross usage. The Commission finds that such nonbypassability provisions are appropriate to result in an equitable allocation of qualified costs among customers and to make all reasonable efforts to secure the highest possible ratings for the

Bonds.

115. In the event that there is a fundamental change in the manner of regulation of public utilities, which allows third parties other than the servicer to bill and collect WSC Charges, the Commission shall to the utmost of its ability ensure that WSC Charges shall be billed, collected and remitted to the servicer in a manner that will not cause any of the then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded.

116. The Utility's proposal related to the collection of WSC Charges, as servicer on behalf of the ODFA, is reasonable and consistent with the nonbypassability mechanism contemplated by the Act and should be approved.

117. The WSC Rider is consistent with the terms of this Order and is hereby approved. Such tariff provisions shall be filed before any Bonds are issued pursuant to this Order.

Periodic Payment Requirements and Allocation of Cost

118. The PPR is the required periodic payment for a given period due under the Bonds. As to be more fully specified in the bond documents, each PPR includes: (a) the principal amortization of the Bonds in accordance with the expected amortization schedule (including deficiencies of previously scheduled principal for any reason); (b) periodic interest on the Bonds (including any accrued and unpaid interest); (c) ongoing financing costs as described herein and (d) any deficiency in the DSRS. The initial PPR for the Bonds issued pursuant to this Order will be updated in the Issuance Advice Letter.

119. The PBR represents the aggregate dollar amount of WSC Charges that must be billed during a given period so that the WSC Charge collections will be timely and sufficient to meet the PPR for that period, based upon: (i) forecast usage data and base rate revenues for the period; (ii) forecast uncollectibles for the period; (iii) forecast lags in collection of billed WSC Charges for the period; and (iv) projected collections of WSC Charges pending the implementation of the true-up adjustment.

120. The Stipulating Parties' proposed allocation of the PBR between Service Levels as set forth in the WSC Rider is reasonable and should be approved

True-up of WSC Charges

121. The Stipulating Parties have proposed a true-up mechanism which is reasonable, consistent with the Act and is designed to obtain the highest possible ratings on the Bonds, and is approved as set forth in this Order.

122. The servicer of the Bonds will be required to make mandatory semi-annual adjustments (*i.e.*, every six months, except for the first true-up adjustment period, which may be longer or shorter than six months, but in any event no more than nine months, and must be completed thirty (30) days prior to a date on which the PPR is determined) to the WSC Charges to:

- (a) Correct any under collections or over collections (both actual and projected), for any reason, during the period preceding the next true-up adjustment date

and

(b) Ensure the projected recovery of amounts sufficient to provide timely payment of the scheduled principal of and interest on the Bonds and all ongoing financing costs (including any necessary replenishment of the DSRS) during the subsequent 12-month period (or in the case of quarterly true-up adjustments described below, the period ending the next Bond payment date). To the extent any Bonds remain outstanding after the scheduled maturity date of the last tranche of a series of Bonds, mandatory true-up adjustments shall be made quarterly until all Bonds and associated costs are paid in full.

123. The form of true-up letters attached as Appendix D and Appendix E to this Order are approved.

124. True-up submissions will take into account the cumulative differences, regardless of the reason, between the PPR (including scheduled principal and interest payments on the Bonds and ongoing financing costs) and the amount of WSC Charge remittances to the bond trustee. True-up procedures are necessary to ensure full recovery of amounts sufficient to meet on a timely basis the PPR over the scheduled life of the Bonds. In order to assure adequate WSC Charge revenues to fund the PPR and to avoid large over collections and under collections over time, the servicer will reconcile the WSC Charges using its most recent forecast of usage and demand and the Authority's estimates of financing costs. The calculation of the WSC Charges will also reflect both a projection of uncollectible WSC Charges and a projection of payment lags between the billing and collection of WSC Charges based upon the servicer's most recent experience regarding collection of WSC Charges.

125. The servicer will set the initial WSC Charges and make true-up adjustments to the WSC Charges based upon the WSC Rider.

126. The servicer may also make interim true-up adjustments more frequently at any time during the term of the Bonds: (i) if the servicer forecasts that WSC Charge collections will be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or (ii) to replenish any draws on the DSRS. Each such interim true-up shall use the methodology set forth in the WSC Rider applicable to the semi-annual true-up. The DSRS requirement may be adjusted above 0.50% of the original principal amount of the Bonds (or such higher level identified at the time of the initial issuance of the Bonds that benefits customers), as permitted in this Order.

127. Semi-annual and quarterly true-up adjustments, if necessary, shall be submitted not less than 30 days prior to the first billing cycle of the month in which the revised WSC Charges will be in effect.

Additional True-up Provisions

128. The true-up adjustment submission will set forth the servicer's calculation of the true-up adjustment to the WSC Charges. The PUD will have 30 days after the date of a true-up adjustment submission in which to confirm the mathematical accuracy of the servicer's adjustment. Any true-up adjustment submitted to the PUD should be effective on its proposed effective date, which shall be not less than 30 days after submission. Any necessary corrections

to the true-up adjustment, due to mathematical errors in the calculation of such adjustment, will be made in future true-up adjustment submissions. Any interim true-up may take into account the PPR for the next succeeding 6 months if required by the servicing agreement.

129. The true-up mechanism described in this Order and contained in the WSC Rider is reasonable and designed to reduce risks related to the Bonds, and is believed to result in lower WSC Charges and greater benefits to customers and should be approved.

130. The servicer shall request a non-standard true-up adjustment to address any material changes in usage and to allow for a change in the Energy Allocation Factors, as and when provided in the WSC Rider. The Commission's scope of review, conducted by the PUD, of a Non-Standard True-Up is limited to the correction of mathematical errors.

Use of Proceeds

131. Pursuant to the Act, the Authority will direct the State Treasurer to transfer all bond proceeds received from the sale of the Bonds, net of amounts required issuance costs, including amounts deposited to the DSRs, to the Utility to pay the purchase price of the securitization property, on behalf of and as agent of ODFA. The Utility will apply these net proceeds to reduce its Approved Qualified Costs as described in the testimony of PSO witness Horeled.

132. In accordance with 74 Okla. Stat. § 9074(G) of the Act, upon issuance of this Order, PSO will not seek to recover the Approved Qualified Costs from customers except through the transfer of securitization property in exchange for the proceeds of a bond issuance, which shall offset and complete the recovery of qualified costs for the regulated Utility. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify or amend this Order and shall not affect the validity, finality and irrevocability of this Order, the securitization property irrevocably created hereby or the Bonds.

G. Customer Credits for Post Financing Order Insurance Proceeds or Government Grants and Alternative Funds

133. To the extent the Utility receives insurance proceeds from private insurers, receives insurance proceeds or grants from the State of Oklahoma or the government of the United States of America, or any similar source of permanent reimbursement after the date of this Order the purpose of which is to provide for recovery of 2021 Winter Weather Event related qualified costs approved for recovery by this Order, the Commission finds that such amounts, as soon as practicable, shall be credited to customers through its fuel cost adjustment mechanism, Rider for Fuel Cost Adjustment, with an amortization period, if any, to be determined at that time. All amounts returned to customers shall bear carrying charges at the rate authorized in Paragraph 1(D) of the Settlement Agreement. Provided; however, consistent with the daily allocation methodology set forth and approved in Paragraph 1(E) of the Settlement Agreement, any and all related funds received by PSO are directed to be allocated using the daily allocation methodology.

VIII. CONCLUSIONS OF LAW

1. The Commission is vested with jurisdiction in the present Cause pursuant to Article IX, section 18, 17 Okla. Stat. §§ 151-152, *et seq.*, 74 Okla. Stat. §§ 9070, *et seq.*, and Commission rules.

2. Notice in this Cause was properly provided in accordance with Commission Order No. 720640.

3. PSO is a regulated utility as defined in 74 Okla. Stat. § 9072(9). The Utility is subject to the regulatory jurisdiction of the Commission with respect to its rates, charges and terms and conditions of service.

4. The Utility is entitled to file the Application, which constitutes, an application for a financing order pursuant to 74 Okla. Stat. § 9073.

5. The Commission has jurisdiction and authority over the Application pursuant to 74 Okla. Stat. § 9073 and other applicable law.

6. The Commission has authority to approve this Order under 74 Okla. Stat. § 9074(A) of the Act and the Commission's regulatory jurisdiction over the Utility.

7. The Bonds, including the rights embedded in the securitization property, pledged revenues, other Bond collateral and the State Pledge, must follow the process for validation by the Supreme Court of Oklahoma in compliance with 74 Okla. Stat. § 9079.

8. The Bonds must be approved by the Council of Bond Oversight as provided in the Oklahoma Bond Oversight and Reform Act, 62 Okla. Stat. § 695.8.

9. The final structure and terms of the Bonds, consistent with the provisions of this Order, will be approved by the Authority and the pricing of the Bonds will be approved by the State Deputy Treasurer for Policy and Debt Management²² pursuant to 62 Okla. Stat. § 695.7(C).

10. Pursuant to 74 Okla. Stat. § 9077(I), the proceeds of the sale of the Bonds and revenues received with respect to the securitization property shall be deposited by the State Treasurer in the Consumer Protection Fund maintained with the bond trustee. The State Treasurer shall apply such moneys as provided in Findings of Fact 132 and 133 of this Order.

11. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify or amend this Order and shall not affect the validity, finality and irrevocability of this Order until the indefeasible payment in full of the Bonds and all financing costs related thereto.

12. The Commission may adopt a financing order providing for the retiring and refunding of the Bonds under 74 Okla. Stat. § 9077(D).

²² See fn 21, *supra*.

13. The Commission may, under 74 Okla. Stat. § 9078, require an audit of all amounts received from customers under the WSC Charge and paid to the Utility, and the amounts paid by the Utility to the ODFA. The audit shall be part of any general rate case of PSO; provided it is affected by a financing order with outstanding Bonds. The Utility shall provide a copy of any audit to the Governor, the Pro Tempore of the Senate, the Speaker of the House of Representatives and the Authority; provided, however, any part or parts of the audit deemed confidential pursuant to federal or state law or as determined by the Commission, shall be redacted and, provided, further, that the findings of any audit shall not affect the validity, finality and irrevocability of this Order until the indefeasible payment in full of the Bonds and all financing costs related thereto and shall not impact, or be included as part of, the true-up and reconciliation process approved in this Order.

14. The securitization approved in this Order satisfies the requirements of 74 Okla. Stat. § 9073(C)(1) of the Act directing that the total amount of revenues to be collected under this Order result in substantial revenue requirement savings compared to conventional financing methods.

15. The securitization approved in this Order satisfies the requirement of 74 Okla. Stat. § 9073(C)(2) of the Act mandating that the securitization would mitigate the customer utility bill impact by mandating a longer amortization period for recovery than would otherwise be practicable or feasible.

16. The issuance of the Bonds approved in this Order in compliance with the provisions of this Order satisfies the requirement of 74 Okla. Stat. § 9073(C)(3) that the issuance of Bonds be completed at a sufficiently low cost such that customer savings are not exhausted or offset.

17. The Commission has determined that the \$675.2 million of costs incurred by the Utility during the 2021 Winter Weather Event to be mitigated through securitization would otherwise be recoverable from customers as fair, just, and reasonable expenses and were prudently incurred. *See* 74 Okla. Stat. § 9073(E).

18. Recovery of the carrying costs, including the approved rate of return, approved for recovery in this Order complies with 74 Okla. Stat. § 9073(F) of the Act. The carrying costs shall begin accruing at the time of the issuance of the Order and continue until the date that the Bonds are issued.

19. The credits to be provided to customers pursuant to Findings of Fact Nos. 58 and 133 and the specified mechanism by which to return these amounts to customers is permitted by and satisfies the requirements of 74 Okla. Stat. § 9073(G).

20. Pursuant to 74 Okla. Stat. § 9075(D) of the Act, this Order will remain in effect and unabated notwithstanding the reorganization, bankruptcy or other insolvency proceedings, or merger or sale of the Utility, its successors, or assignees.

21. This Order adequately details the amount to be recovered and the period over which the Utility will be permitted to recover nonbypassable WSC Charges in accordance with the requirements of 74 Okla. Stat. §§ 9074(A)(1) and (2).

22. The method approved in this Order for collecting and allocating the WSC Charges is reasonable and satisfies the requirements of 74 Okla. Stat. § 9073.

23. As provided in 74 Okla. Stat. § 9075(B), this Order, together with the WSC Charges authorized by this Order, is irrevocable and not subject to reduction, impairment, or adjustment by further act of the Commission, except for the true-up procedures approved in this Order, as required by 74 Okla. Stat. § 9074(H).

24. As provided in 74 Okla. Stat. § 9075(A), the rights and interests of the Utility or its successor under this Order, including the right to impose, collect and receive the WSC Charges authorized in this Order, are assignable and must become securitization property at the time the Bonds are issued by ODFA.

25. The rights, interests and property conveyed to ODFA in the sale agreement and the related bill of sale, including the irrevocable right to impose, collect and receive WSC Charges and the revenues and collections from WSC Charges are securitization property within the meaning of 74 Okla. Stat. § 9075.

26. Securitization property will constitute a present property right for purposes of contracts concerning the sale or pledge of property, even though the imposition and collection of the WSC Charges depend on further acts by the Utility, ODFA, the Commission or others that have not yet occurred, as provided by 74 Okla. Stat. § 9075(B).

27. All revenues and collections resulting from the WSC Charges shall be the further property and right of the owner of the securitization property as provided by 74 Okla. Stat. § 9075 (C).

28. Upon the transfer by the Utility of securitization property to ODFA, ODFA will have all of the rights, title and interest of the Utility with respect to such securitization property including the right to impose, collect and receive the WSC Charges authorized by this Order as provided by 74 Okla. Stat. § 9075(F).

29. The Bonds issued under this Order will be ratepayer-backed bonds within the meaning of 74 Okla. Stat. § 9072 (8) and § 9077(A) and the Bonds and holders thereof are entitled to all of the protections provided under 74 Okla. Stat. § 9077(B).

30. The procedure by which WSC Charges are required to be imposed and adjusted on customers and be paid to the servicer under this Order or the tariffs approved hereby constitute a nonbypassable mechanism as defined in 74 Okla. Stat. § 9072(5), and the amounts collected from customers with respect to such WSC Charges are securitization property as defined in 74 Okla. Stat. § 9072(11).

31. As provided in 74 Okla. Stat. § 9075(D), the interests of an assignee, the holders of Bonds, and the bond trustee in securitization property and in the revenues and collections arising from that property are not subject to setoff, counterclaim, surcharge, or defense by the Utility or any other person or in connection with the bankruptcy of the Utility or any other entity.

32. The methodology approved in this Order to true-up and adjust the WSC Charges constitutes a true-up and reconciliation process which satisfies the requirements of the Act.

33. If and when the Utility transfers to the ODFA the right to impose, collect, and receive the WSC Charges and to issue the Bonds, the servicer, and any successor servicer, will be able to impose and collect the WSC Charges associated with such securitization property only for the benefit of the ODFA and the holders of the Bonds in accordance with the servicing agreement.

34. If and when the Utility transfers its rights under this Order to the ODFA under an agreement that expressly states that the transfer is a sale or other absolute transfer in accordance with the true-sale provisions of 74 Okla. Stat. § 9075(F), then, in accordance with that statutory provision, that transfer will be a true sale of an interest in securitization property and not a secured transaction or other financing arrangement and title, legal and equitable, to the securitization property will pass to the ODFA. This true sale must apply regardless of whether the purchaser has any recourse against the seller, or any other term of the parties' agreement, including the Utility's role as the servicer of WSC Charges relating to the securitization property, and including the bond trustee's obligation to remit any amounts remaining in the collection account after the Bonds and all financing costs have been paid in full to the Servicer acting solely on behalf of the ODFA, for payment to the Utility's customers, or the treatment of the transfer as a financing for tax, financial reporting, or other purposes.

35. As provided in 74 Okla. Stat. § 9075(E), a valid and enforceable lien and security interest in the securitization property in favor of the holders of the Bonds or a trustee on their behalf will be created by this Order and the execution and delivery of a security agreement with the holders of the Bonds or a trustee on their behalf in connection with the issuance of the Bonds. The lien and security interest will attach automatically from the time that value is received by the Authority for the Bonds and, on perfection through the filing of notice with the Oklahoma Secretary of State, will be a continuously perfected lien and security interest in the securitization property and all proceeds of the securitization property will have priority in the order of filing and will take precedence over any subsequent judicial or other lien creditor.

36. As provided in 74 Okla. Stat. § 9075(G), the transfer of an interest in securitization property to an assignee will be perfected against all third parties, including subsequent judicial or other lien creditors, when this Order becomes effective, transfer documents have been delivered to that assignee, and a notice of that transfer has been filed with the Oklahoma Secretary of State.

37. As provided in 74 Okla. Stat. § 9075(H), the priority of a lien and security interest perfected in accordance with this section will not be impaired by any later modification of this Order or by the commingling of funds with other revenues paid by customers to the Utility, by utilities to the Authority or otherwise paid.

38. As provided in 74 Okla. Stat. § 9075(H), if securitization property is transferred to an assignee, any proceeds of the securitization property will be treated as held in trust for the assignee.

39. As provided in 74 Okla. Stat. § 9075(I) of the Act, if a default or termination occurs under the Bonds, the holders of the Bonds or their representatives, including the bond trustee, may foreclose on or otherwise enforce their lien and security interest in the relevant securitization property, and the Commission may require any revenues received under the irrevocable and nonbypassable mechanism created by this Order be paid to a new holder of the securitization

property.

40. As authorized by 74 Okla. Stat. § 9075(I), revenues received under the irrevocable and nonbypassable mechanism created by this Order are to be paid to a new holder of the securitization property.

41. As provided by 74 Okla. Stat. § 9077(F) of the Act, the Bonds authorized by this Order are not an indebtedness of the State or of the Authority, but shall be special obligations of the Authority payable solely from revenues received from the securitization property and other pledged collateral. The Bonds authorized by this Order are not an indebtedness of the Utility.

42. As provided in the Authority Act, the State of Oklahoma has pledged to and agreed with the owners of any bonds issued by the ODFA under the Authority Act, including any Bonds issued by the ODFA pursuant to this Order, that the State will not limit or alter the rights vested in the Authority to fulfill the terms of the Bonds, the terms of the Authority's resolution or resolutions authorizing the issuance of such Bonds, including the terms of the indenture, the servicing agreement, the sale agreement and any other agreements authorized by those resolutions, and any other agreements made with the owners of such Bonds, or in any way impair the rights and remedies of the owners of the Bonds until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the owners, are fully met and discharged. For these purposes, "the rights hereby vested in the Authority" stated above include rights embedded in the securitization property and vested in the Authority, rights vested in owners of the Bonds or in the Commission under the Act and this Financing Order to impose, adjust, collect and remit WSC Charges to or for the benefit of the Authority and owners of the Bonds. Upon the ODFA's issuance of Bonds pursuant to this Financing Order, the State Pledge will give rise to a contract between owners of the Bonds and the State of Oklahoma for purposes of State of Oklahoma law, including the Contract Clause of the Oklahoma Constitution.²³ This Order requires, as authorized by the Authority Act, that the Authority include in the Bonds a recitation of the State Pledge.

43. After the issuance of the Bonds authorized by this Order, this Order is irrevocable until the payment in full of the Bonds and the related ongoing financing costs. Except in connection with a retirement or refunding or implementing the true-up mechanism adopted by the Commission, the Commission may not amend, modify, or terminate this Order by any subsequent action or reduce, impair, postpone, terminate, or otherwise adjust WSC Charges approved in this Order.

44. As provided in 74 Okla. Stat. § 9077(B), the Bonds and the interest earned on the Bonds shall not be subject to taxation by the State of Oklahoma, or by any county, municipality or political subdivision therein.

45. The Authority is required, pursuant to 74 Okla. Stat. § 9076(B)(1), to notify the Governor, President Pro Tempore of the Senate, the Speaker of the House of Representatives and the Commission upon issuance of a ratepayer-backed bond. The notification shall be in writing and include the amount and terms of the Bonds.

²³ Okla. Const. Art. II, § 15.

46. The Authority is required, pursuant to 74 Okla. Stat. § 9076(B)(2), to submit an annual report regarding the ratepayer-backed bonds issued pursuant to the Act to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Attorney General and the Commission as of December 1 each year until the ratepayer-backed bonds, including the Bonds authorized by this Order, are retired.

47. As provided by 74 Okla. Stat. § 9075(D) of the Act, this Order will remain in full force and effect and unabated notwithstanding the bankruptcy or sale of the Utility, its successors, or assignees.

48. The Utility retains sole discretion regarding whether or when to assign, sell or otherwise transfer the rights and interests created by this Order or any interest therein, or to cause the issuance of any Bonds authorized by this Order.

49. This Order is final, is not subject to rehearing by this Commission and is not subject to review or appeal except as expressly provided in 74 Okla. Stat. § 9074(F).

50. This Order meets the requirements for a financing order under the Act.

51. The true-up and reconciliation mechanism, and all other obligations of the State of Oklahoma and the Commission set forth in this Order, are direct, explicit, irrevocable and unconditional upon issuance of the Bonds and are legally enforceable against the State and the Commission in accordance with Oklahoma law.

IX. ORDERING PARAGRAPHS

Based upon the record, the Findings of Fact and Conclusions of Law set forth herein, and for the reasons stated above, this Commission orders:

A. Approval

1. **Approval of Application and Settlement Agreement.** The Application is approved as provided in this Order. Also, the Settlement Agreement, except as otherwise modified herein, is approved and Findings of Fact Nos. 51-67 related to the Settlement Agreement are adopted.

2. **Authority to Recover Qualified Costs through Securitization.** The Utility's request is granted to recover \$675.2 million of its 2021 Winter Weather Event related costs and an estimated \$5 million of carrying costs and \$7.8 Million bond issuance costs authorized for recovery, subject to change based on final costs and carrying costs until securitization. The final amount of carrying costs shall be calculated by the Authority (with the assistance of PUD staff) as set forth in the Issuance Advice Letter.

3. **Authorization for Issuance.** ODFA is authorized to issue the Bonds in the amount equal to the Authorized Amount and with such other terms as are consistent with the terms of this Order approved by the Authority and the State Deputy Treasurer for Policy and Debt Management.

4. **Proceeds of the Bonds.** The proceeds of the Bonds shall be applied as provided in this Order.

5. **Effect of Securitization.** Upon the issuance of this Order, the Utility will not seek to recover the qualified costs identified and quantified in this Order from customers except through the transfer of securitization property in exchange for the proceeds of a bond issuance, which shall offset and complete the recovery of the qualified costs for the Utility. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify or amend this Order and shall not affect the validity, finality and irrevocability of this Order, the securitization property irrevocably created hereby or the Bonds.

6. **Recovery of WSC Charges.** The Utility, as servicer, and any successor servicer must impose on and collect from all existing and future customers located at an address within the state and within the Utility's service area as it existed on the date of this Order and other entities which, under the terms of this Order or the tariff approved hereby, are required to bill, pay or collect WSC Charges, as provided in this Order, WSC Charges in an amount sufficient to provide for the timely payment of the scheduled principal of and interest on the Bonds, together with all ongoing financing costs.

7. **Provision of Information.** The Utility shall take all necessary steps to ensure that the Commission, through PUD, is provided sufficient and timely information relating to the proposed transaction as reasonably requested after the date of this Order.

8. **Approval of Tariffs.** The Winter Storm Cost ("WSC") Rider is approved. Before the issuance of any Bonds under this Order, the Utility must file a tariff that conforms to the form of the WSC Rider tariff provisions attached to this Order, provided that the terms and conditions of the WSC Rider shall comply in all respects with, and be subject to, the terms and conditions of this Order, and if there is a conflict between the terms and conditions of the WSC Rider and those of this Order, the terms and conditions of this Order shall control.

B. WSC Charges

9. **Imposition and Collection.** The Utility, as servicer, and any successor servicer is authorized to impose on, and the servicer is authorized to collect from, all existing and future customers located at an address within this state and within the Utility's service area as it existed on the date this Order is issued WSC Charges in an amount sufficient to provide for the timely recovery of the scheduled principal of and interest on the Bonds, together with all ongoing financing costs, as approved in this Order.

10. **ODFA's Rights and Remedies.** Pursuant to the Act, upon the transfer by the Utility of the securitization property to ODFA, ODFA must have all of the rights, title and interest of the Utility with respect to such securitization property, including, without limitation, the right to exercise any and all rights and remedies with respect thereto, including the right to assess and collect any amounts payable by any customer in respect of the securitization property and to authorize the Utility (or its successor) to disconnect service pursuant to the provisions of the Servicing Agreement.

11. **Collector of WSC Charges.** The Utility, as servicer, including any successor to the Utility, or any subsequent servicer of the Bonds, or other entity which, under the terms of this Order or the tariffs approved hereby, is required to bill the WSC Charges, must bill and collect WSC Charges from customers.

12. **Collection Period.** The WSC Charges shall be imposed and collected until all Bonds and all ongoing financing costs are paid in full.

13. **Allocation.** The Utility, as servicer, and any successor servicer, must allocate the WSC Charges among Service Levels in the manner described in this Order.

14. **Nonbypassability.** The Utility and any other entity providing electric distribution services to any customer located at an address within this state and within the Utility's service area as it existed on the date this Order is issued are entitled to collect and must remit, in accordance with this Order, the WSC Charges from such customers, and such customers are required to pay such WSC Charges. The Commission will do its utmost to ensure that such obligations are undertaken and performed by the Utility and any other entity providing electric transmission or distribution services within the Utility's service area as it exists on the date this Order is issued.

15. **True-Ups.** True-ups of the WSC Charges, including non-standard true-ups, must be undertaken and conducted as described in this the WSC Rider and Order, including forms of True-Up and Non-Standard True-up Letters set forth in Appendix D and Appendix E. Any necessary corrections to a true-up, due to mathematical errors in the calculation of such adjustment, will be made in future true-up adjustment filings. True-up adjustments will be posted on the Commission website after the PUD completes its review.

16. **Ownership Notification; Line Item.** The Utility or any other entity that bills WSC Charges to customers must, at least annually, provide written notification to each customer for which the entity bills WSC Charges that the WSC Charges are the property of ODFA and not of the entity issuing such bill. The Utility, as servicer, shall impose the WSC Charge as a separate line item on customer bills.

C. Ratepayer-backed Bonds

17. **Terms.** The final terms of the Bonds, including any credit enhancement, shall be consistent with this Order, and approved by the Authority and the State Deputy Treasurer for Policy and Debt Management.

18. **Bond Issuance Costs.** Bond issuance costs described will be recovered from the proceeds of the Bonds in accordance with this Order. The Utility Issuance Costs may not be paid or reimbursed in an amount exceeding \$700,000.

19. **Ongoing Financing Costs.** All ongoing financing costs shall be recovered through the WSC Charges. The estimated ongoing financing costs as described in the testimony of Michael Bartolotta are approved for recovery. As provided in Ordering Paragraph 29, a servicer, other than the Utility, may collect a servicing fee higher than that set forth in Finding of Fact No. 102, if such higher fee is subsequently approved by the Commission.

20. **Informational Issuance Advice Letter Filing.** Within three business days of the sale of the Bonds, ODFA and the Utility will jointly submit to PUD, for informational purposes only (with the exception of the Utility Certification included as Attachment 4 to Appendix A hereto), an Issuance Advice Letter, substantially in the form attached to this Order, evidencing the final terms of the Bonds, projected (or actual) costs of issuance and ongoing financing costs for the first year following issuance, projected customer savings, as well the initial WSC Charge. The final amount of carrying costs shall be calculated by the Authority (with the assistance of PUD) and set forth in the Issuance Advice Letter.

21. **Refinancing.** This Financing Order does not preclude ODFA and the Utility from filing a request for a "financing order" to retire or refund the Bonds approved in this Financing Order upon a showing that the customers would benefit and that such a financing is consistent with the terms of the outstanding Bonds, as permitted by 74 Okla. Stat. § 9077(D).

22. **Collateral.** All securitization property and other collateral must be held and administered by the bond trustee under the indenture as described in this Order.

23. **Distribution Following Repayment.** Following repayment of the Bonds authorized in this Order and release of the funds held by the trustee, the servicer, solely on behalf of ODFA, must distribute to current customers the final balance of the general, excess funds, and all other subaccounts, whether such balance is attributable to principal amounts deposited in such subaccounts or to interest thereon, remaining after all other qualified costs have been paid. The amounts must be distributed to each Service Level that paid the WSC Charges during the last 12 months that the WSC Rider was in effect. The amount paid to each customer must be determined by multiplying the total amount available for distribution by a fraction, the numerator of which is the total WSC Charges paid by the Service Level during the last 12 months the WSC Rider charges were in effect and the denominator of which is the total WSC Charges paid by all Service Levels during the last 12 months the WSC Rider was in effect. The amount allocated by each Service Level shall be divided by the forecasted billing units, units or kWh, for the month in which the refund will take place in order to arrive at a per customer refund amount per unit or kWh, as applicable.

24. **Annual Weighted-Average Interest Rate of Bonds.** The effective weighted-average interest rate of the Bonds must not exceed 6.0%.

25. **Life of Bonds.** The scheduled final payment date of the Bonds authorized by this Financing Order must not exceed 20 years.

26. **Amortization Schedule.** The Commission approves, and the Bonds must be structured, to provide a WSC Charge that is designed to produce substantially level annual debt service over the expected life of the Bonds.

D. Servicing

27. **Servicing Agreement.** The Commission authorizes the Utility to enter into the servicing agreement with ODFA and to perform the servicing duties approved in this Order. The servicer must be entitled to collect servicing fees in accordance with the provisions of the servicing agreement, provided that the annual servicing fee payable to the Utility while it is serving as servicer (or to any other servicer affiliated with the Utility) must not at any time exceed 0.05% of the initial aggregate principal amount of the Bonds, plus out-of-pocket costs as described herein.

The annual servicing fee payable to any other servicer not affiliated with the Utility shall be subject to approval by the Commission, if required, pursuant to Ordering Paragraph No. 29.

28. **Servicing Revenues and Expenses.** The revenues collected by the Utility, or by any affiliate of the Utility acting as the servicer shall be included as an identified revenue credit and reduce revenue requirements for the customers' benefit in the Utility's applicable general rate case. The expenses of acting as the servicer shall likewise be included as a cost of service in such general rate case, subject to the actual servicer fee.

29. **Replacement of the Utility as Servicer.** Upon the occurrence of an event of default under the servicing agreement relating to servicer's performance of its servicing functions with respect to the WSC Charges, the ODFA, or bond trustee acting at the direction of a majority of the bondholders, may replace the Utility as the servicer in accordance with the terms of the servicing agreement. In the event the successor servicer seeks a fee up to 0.60% of the initial balance of the Bonds, such request is conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. If the servicing fee of the replacement servicer seeks a fee that exceeds 0.60% of the initial aggregate principal amount of the Bonds, the replacement servicer may not begin providing service until or unless the Commission approves the higher fee in a subsequent proceeding in which the ODFA reasonably demonstrates that the services cannot be obtained at a compensation level lower than 0.60% under the market conditions at that time. No entity may replace the Utility as the servicer in any of its servicing functions with respect to the WSC Charges and the securitization property authorized by this Order if the replacement would cause any of the then current credit ratings of the Bonds to be suspended, withdrawn, or downgraded.

30. **Collection Terms.** The servicer must remit collections of the WSC Charges to the State Treasurer's Consumer Protection Fund, which shall be maintained by the bond trustee, for ODFA's account in accordance with the terms of the servicing agreement.

31. **Contract to Provide Service.** The Utility shall agree in the sale agreement and in the servicing agreement to continue to operate its transmission and distribution system (or, if by law, the Utility or its successor is no longer required to own and/or operate both the transmission and distribution systems, then the Utility's distribution system) in order to provide electric services to the Utility's customers; provided, however, that this provision must not prohibit the Utility from selling, assigning, or otherwise divesting its transmission and distribution systems or any part thereof, pursuant to applicable law, so long as the entities acquiring such system agree to continue operating the facilities to provide electric service to the Utility's customers.

32. **Securities Reporting Requirements.** The Utility shall cooperate with ODFA and supply such information to ODFA as is reasonably consistent with information that would be required to comply with any federal securities law reporting obligations with respect to the Bonds and any other information required to comply with federal or state securities law reporting obligations.

33. **Service Termination.** In the event that the servicer is billing customers for WSC Charges, the servicer must have the right to terminate transmission and distribution service to the end-use customer for non-payment by end-use customers under applicable Commission rules.

E. Use of Proceeds

34. **Use of Proceeds.** The proceeds of the Bonds will be applied as described in this Order.

F. Miscellaneous Provisions

35. **Continuing Issuance Right.** The Utility has the continuing irrevocable right to cause the issuance of, and ODFA has the continuing right to issue, the Bonds in one or more series in accordance with this Order for a period commencing with the date of this Order and extending 24 months following the date on which this Order becomes final.

36. **Binding on Successors.** This Order, together with the WSC Charges authorized in it, must be binding on the Utility and any successor to the Utility that provides transmission and distribution service directly to customers located at an address within this state and within the Utility's service area, any other entity that provides transmission or distribution services to customers within that service area (or if there are separate transmission and distribution service providers, distribution services), and any successor to such other entity, provided that if by law, the Utility or its successor is no longer required to own and/or operate both the transmission and distribution systems, then any entity that provides distribution service to customers in the service territory shall be bound by this Order.

37. **Flexibility.** Subject to compliance with the requirements of this Order, the Utility and ODFA must be afforded flexibility in establishing the terms and conditions of the Bonds, including repayment schedules, term, payment dates, collateral, credit enhancement, required debt service, reserves, interest rates, use of original issue discount, and other financing costs and the ability of the Utility, at its option, to cause one or more series of Bonds to be issued by the ODFA.

38. **Effectiveness of Order.** This Order is effective upon issuance and is not subject to rehearing by the Commission after 30 days from the issuance of the Order. The Order is subject to appeal pursuant to Section 20 of Article IX of the Oklahoma Constitution. Notwithstanding the foregoing, no securitization property must be created hereunder, and the Utility must not be authorized to impose, collect, and receive WSC Charges, until concurrently with the transfer of the Utility's rights hereunder to the ODFA in conjunction with the issuance of the Bonds.

39. **Regulatory Approvals.** All regulatory approvals within the jurisdiction of the Commission that are necessary for the securitization of the WSC Charges associated with the costs that are the subject of the Application, and all related transactions contemplated in the application, are granted.

40. **Payment of Commission's Costs for Professional Services.** In accordance with 74 Okla. Stat. § 9073(D), the ODFA must pay the costs to the Commission (including PUD) of acquiring professional services for the purpose of evaluating the Utility's proposed transaction, including, but not limited to, the Commission's outside attorneys' fees and financial advisor fees, in the amounts specified in the Issuance Advice Letter no later than 30 days after the issuance of any Bonds. Such Commission costs shall be non-Utility bond issuance costs and paid from Bond proceeds, or as otherwise provided in this Order.

41. **Compliance with 74 Okla. Stat. § 9073(G).** To the extent the Utility receives insurance proceeds from private insurers, receives insurance proceeds or grants from the State of

Oklahoma or the government of the United States of America, or any similar source of permanent reimbursement after the date of this Financing Order the purpose of which is to provide for recovery of 2021 Winter Weather Event related qualified costs approved for recovery by this Order, such amounts, as soon as practicable, shall be credited to customers through its fuel cost adjustment mechanism, *Fuel Cost Adjustment Rider*, with an amortization period, if any, to be determined at that time. All amounts returned to customers shall bear carrying charges at the rate authorized in Paragraph 1(D) of the Settlement Agreement. Provided; however, consistent with the daily allocation methodology set forth and approved in Paragraph 1(E) of the Settlement Agreement, any and all related funds received by PSO from SPP are directed to be allocated using the daily allocation methodology.

42. **Effect.** This Order constitutes a legal financing order for the Utility under the Act. The Commission finds this Order complies with the provisions of 74 Okla. Stat. §§ 9073-74. An Order gives rise to rights, interests, obligations and duties as expressed in 74 Okla. Stat. § 9075 and § 9077. It is the Commission's express intent to give rise to those rights, interests, obligations and duties by issuing this Order. The Utility and the servicer are directed to take all actions as are required to effectuate the transactions approved in this Order, subject to compliance with the criteria established in this Order.


43. **Severability.** Any term or provision of this Order that is invalid or enforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

44. **Further Commission Action.** The Commission will act under this Order as expressly authorized by the Act, and other applicable law, to do its utmost to ensure that expected WSC Charge revenues are sufficient to pay on a timely basis scheduled principal of and interest on the Bonds issued under this Order and other costs, including fees and expenses, in connection with the Bonds.

45. **All Other Motions, etc., Denied.** The Commission denies all other motions and any other request.

46. **Delivery of Financing Order.** On the date hereof, the Commission, through its Chairman, will deliver a copy of this Order to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives and the Authority in accordance with 74 Okla. Stat. § 9074(D).

OKLAHOMA CORPORATION COMMISSION


DANA L. MURPHY, Chairman

DISSENTING OPINION ATTACHED

BOB ANTHONY, Vice Chairman


J. TODD HIETT, Commissioner

CERTIFICATION

DONE AND PERFORMED by the Commissioners participating in the making of this Order, as shown by their signatures above, this 10th day of February 2022.

[SEAL]





PEGGY MITCHELL, Secretary

FORM OF ISSUANCE ADVICE LETTER

[SUBMITTED FOR INFORMATION ONLY PURPOSES]

_____ DAY, _____, 202_

THE OKLAHOMA CORPORATION COMMISSION
ATTN: Chairman
Jim Thorpe Building, 2101 N. Lincoln Blvd.
Oklahoma City, Oklahoma 73105

SUBJECT: ISSUANCE ADVICE LETTER FOR RATEPAYER-BACKED BONDS

Pursuant to the Final Financing Order issued on the _____ day of _____, 202_ in Cause No. PUD 202100076 before the Oklahoma Corporation Commission, *Application of Public Service Company of Oklahoma for A Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs Arising from the Extreme Winter Weather Event of February 2021* (the "Financing Order"), PUBLIC SERVICE COMPANY OF OKLAHOMA (the "Utility" or the "Applicant") and OKLAHOMA DEVELOPMENT FINANCE AUTHORITY ("ODFA" or the "Authority") jointly submit this Issuance Advice Letter to report certain terms and information related to the Ratepayer-Backed Bonds Series _____, Tranches _____. Any capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081 (the "Act").

PURPOSE

This filing includes the following information:

- (1) Calculation of total principal amount of Bonds issued;
- (2) The final terms and structure of the ratepayer-backed bonds, including a description of any credit enhancement, the final estimated bond issuance costs and the final estimates of ongoing financing costs for the first year following issuance;
- (3) A calculation of projected customer savings relative to conventional methods of financing resulting from the issuance of the Bonds; and
- (4) The initial WSC Charges.

1. PRINCIPAL AMOUNT OF BONDS ISSUED (AUTHORIZED AMOUNT)

The total amount of qualified costs, carrying costs and issuance costs being financed (the "Authorized Amount") is presented in Attachment 1.

2. DESCRIPTION OF FINAL TERMS OF BONDS

Set forth below is a summary of the final terms of the Bond Issuance.

Ratepayer-Backed Bond Title and Series: _____
 Trustee: _____
 Closing Date: _____, 202__
 Bond Ratings: [S&P ___; Moody's ___; Fitch ___]
 Amount Issued (Authorized Amount): \$ _____
 Ratepayer-Backed Bond Issuance Costs: See Attachment 1, Schedule B.
 Ratepayer-Backed Bond Ongoing Financing Costs: See Attachment 2, Schedule B.

Tranche	Coupon Rate	Scheduled Final Maturity	Legal Final Maturity
	%	/ /	/ /
	%	/ /	/ /
	%	/ /	/ /

Effective Annual Weighted Average Interest Rate of the Ratepayer-Backed Bonds:	_____ %
Weighted Average Life of Series:	_____ years
Call provisions (including premium, if any):	
Expected Sinking Fund Schedule:	Attachment 2, Schedule A
Payments to Bondholders:	Semiannually Beginning _____,

3. CALCULATION OF PROJECTED SAVINGS

The weighted average interest rate of the ratepayer-backed bonds (excluding costs of issuance and ongoing financing costs) is less than [_____]%, accordingly, the proposed structuring, expected pricing, and financing costs of the ratepayer-backed bonds are reasonably expected to result in substantial revenue requirement savings as compared to conventional methods of financing. The net present value of the savings, which will avoid or mitigate rate impacts as compared to conventional methods of financing the qualified costs, is estimated to be \$_____ (see Attachment 2, Schedule C), based on an effective annual weighted average interest rate of ___% for the ratepayer-backed bonds.

4. INITIAL WSC CHARGE

Table I below shows the current assumptions for each of the variables used in the calculation of the initial WSC Charges.

TABLE I

Input Values For Initial WSC Charges

Applicable period: from _____, ____ to _____, ____

Forecasted base rate revenue sales for each Service Level for the applicable period:	
Bond debt service for the applicable period:	\$ _____
Charge-off rate for each Service Level:	
Forecasted annual ongoing financing costs (See Attachment 2, Schedule B):	\$ _____
Current Ratepayer-Backed Bond outstanding balance:	\$ _____
Target Ratepayer-Backed Bond outstanding balance as of / / _____:	\$ _____
Total Periodic Billing Requirement for applicable period:	\$ _____

Based on the foregoing, the initial WSC Charges calculated for each Service Level are detailed in Attachment 3.

EFFECTIVE DATE

[In accordance with the Financing Order, the WSC Charge shall be billed beginning on the first day of the first billing cycle of the next revenue month following the date of issuance of the ratepayer-backed bonds.]

AUTHORIZED OFFICER

The undersigned are officers of Applicant and Authority, respectively, and authorized to deliver this Issuance Advice Letter on behalf of Applicant and Authority.

Respectfully submitted,

PUBLIC SERVICE COMPANY OF
OKLAHOMA

By: _____
Name: _____
Title: _____

OKLAHOMA DEVELOPMENT FINANCE
AUTHORITY

By: _____
Name: _____
Title: _____

cc: Director of the Public Utility Division, Oklahoma Corporation Commission

ATTACHMENT 1

SCHEDULE A

CALCULATION OF AUTHORIZED AMOUNT

A.	Qualified costs authorized in Docket No. _____ (including any adjustment to carrying costs)	\$
B.	Estimated bond issuance costs (Attachment 1, Schedule B)	
TOTAL AUTHORIZED AMOUNT		\$

ATTACHMENT 1

SCHEDULE B

ESTIMATED ISSUANCE COSTS

	Issuance Costs
Underwriters' Fees and Expenses	\$ -
Underwriters' Counsel Legal Fees and Expenses	\$ -
ODFA Legal and Advisory Fees and Expenses	\$ -
[ODFA Financing Acceptance Fee]	\$ -
State Treasurer Fees and Expenses	\$ -
Bond Counsel Fees	\$ -
Rating Agency Fees and Related Expenses	\$ -
Printing	\$ -
Trustee's/Trustee Counsel's Fees and Expenses	\$ -
ODFA Legal and Advisory Fees	\$ -
Original Issuance Discount	\$ -
Commission Fees/Expenses	\$ -
	\$ -
Other Credit Enhancements (Overcollateralization Subaccount)	\$ -
Rounding/Contingency	\$ -
Debt Service Reserve Subaccount (DSRS)	\$ -
Commission Fees/Expenses	\$ -
Total Non-Utility External Issuance Costs	\$ -
Utility's Financial Advisor Fees and Expenses	\$ -
Utility's Counsel Legal Fees and Expenses	\$ -
Utility's Non-legal Securitization Proceeding Costs and Expenses	\$ -
Utility's Miscellaneous Administrative Costs	\$ -
Servicer's Set-Up Costs	\$ -
External Servicing Costs (Accountant's)	\$ -
Total ODFA Issuance Costs	\$ -
Total Estimated Issuance Costs	\$ -
Rounded Amount	\$ -

Note: Any difference between the Estimated Issuance Costs financed for, and the actual Issuance Costs incurred by, the ODFA and (except as capped) the Utility will be resolved, if estimates are more or less than actual, through the WSC Rider or pursuant to the Financing Order, as applicable.

ATTACHMENT 2

SCHEDULE B

ESTIMATED ONGOING FINANCING COSTS

	Itemized Annual Ongoing Financing Costs
True-Up Administration Fees ^	\$ -
ODFA Administration Fees ^	\$ -
^	\$ -
ODFA Administration Fees^	\$ -
ODFA Legal Fees and Expenses^	\$ -
ODFA Accounting Fees^	\$ -
Trustee's/Trustee's Counsel Fees and Expenses ^	\$ -
Rating Agency Fees and Related Expenses^	\$ -
Miscellaneous ^	\$ -
Cost of Swaps and Hedges^	\$ -
Other Credit Enhancements^	\$ -
Total Non-Utility External Annual Ongoing Financing Costs	\$ -
Ongoing Servicer Fees (Utility as Servicer)	\$ -
Accounting Costs (External)^	\$ -
Total (Utility as Servicer) Estimated Annual Ongoing Financing Costs	\$ -
Ongoing Servicer Fees as % of original principal amount	%
Ongoing Servicer Fees (Third-Party as Servicer - []% of principal)	\$ -
Other External Ongoing Fees (total of lines marked with a ^ mark above)	\$ -
Total (Third-Party as Servicer) Estimated Ongoing Financing Costs	\$ -

Note: The amounts shown for each category of ongoing financing costs on this attachment are the expected costs for the first year of the ratepayer-backed bonds. WSC Charges will be adjusted at least semi-annually to reflect the actual ongoing financing costs through the true-up process described in the Financing Order, except that the servicing fee is fixed as long as the Utility (or any affiliate) is servicer.

ATTACHMENT 2

SCHEDULE C

BENEFITS VERSUS CONVENTIONAL FINANCING

	Conventional Financing	Ratepayer-Backed Bond Financing	Savings/(Cost) of Ratepayer-Backed Bond Financing
Present Value	\$	\$	\$

The present value discount factor shall be the rate needed to discount future debt service payments on the Bonds to the net proceeds of Bonds, including accrued interest, DSRS and any contingency retained by the trustee.

ATTACHMENT 3

INITIAL ALLOCATION OF COSTS TO SERVICE LEVELS

(1) Service Level	(2) WSC Charge ¹
1	%
2	%
3	%
4,5	%
6	%
Total	100.0000%

¹ Determined in accordance with the WSC Rider in Appendix B to the Financing Order.

ATTACHMENT 4

UTILITY CERTIFICATION

THE OKLAHOMA CORPORATION COMMISSION
ATTN: Chairman
Jim Thorpe Office Building
2101 N. Lincoln Blvd.
Oklahoma City, Oklahoma 73105

Pursuant to the Final Financing Order issued on the ____ day of ____, 202_ in Cause No. PUD 202100076 before the Oklahoma Corporation Commission, *Application of Public Service Company of Oklahoma For A Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs Arising from the Extreme Winter Weather Event of February 2021* (the "Financing Order"), PUBLIC SERVICE COMPANY OF OKLAHOMA (the "Utility" or the "Applicant") certifies that the calculation of the WSC Charges included in the Issuance Advice Letter were calculated in accordance with the Financing Order. If the Public Utility Division of the Oklahoma Corporation Commission determines that the calculation of the WSC Charges contained any mathematical error, such error will be corrected upon the next implementation of the true-up and reconciliation process.

Any capitalized terms not defined in this certification shall have the meanings ascribed to them in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081.

Respectfully submitted,

PUBLIC SERVICE COMPANY OF
OKLAHOMA

By: _____
Name: _____
Title: _____

cc: Director of the Public Utility Division, Oklahoma Corporation Commission

WSC RIDER

PURPOSE

This Winter Storm Cost (WSC) Rider is designed to recover from customers the amounts necessary to service, repay, and administer customer-backed bonds associated with the February 2021 Winter Storm Event (Winter Event) pursuant to the terms of the financing order as approved by the Oklahoma Corporation Commission in Cause No. PUD 202100076. WSC Rider is applicable to customers taking service under the Company's standard rate schedules. All other provisions of the standard pricing schedules shall apply. This rider is applicable to billed energy consumption of retail customers taking service from the Company during the term that this rider is in effect, and to the facilities, premises, and loads of all other retail customers obligated to pay WSC Rider charges. This WSC Rider is to become a part of each Oklahoma retail rate schedule and shall be applicable to the energy (kWh) usage for service level ("SL") 3, 4, 5 and 6 customers and to blocks of energy (defined below in the STANDARD FACTOR DETERMINATION section) for SL 1 and 2 customers of each respective Oklahoma retail rate schedule. For service locations that received SL 1 or SL 2 service during the Weather Event, the WSC mechanism shall continue to be applied to these service locations at those respective SL WSC rates. For customers who take service under the Company's Net Energy Billing Option (NEBO), the WSC should apply to the gross kWh of energy the Company delivers to the customers.

TERM

This rider shall remain in effect until the complete repayment and retirement of any customer-backed bonds, or refunding bonds, associated with the Winter Event. This schedule is irrevocable and nonby-passable for the full term during which it applies.

WINTER STORM COST RIDER TRUE-UP

The initial WSC rates will be submitted on the day following the pricing of the bonds and shall become effective the first billing cycle following the closing of the bonds. All succeeding factor redetermination submissions and effective dates will be semi-annual (every six months) thereafter, provided, commencing 12 months prior to the scheduled final payment date of the Bonds, the succeeding factor redeterminations and effective dates shall be quarterly. WSC rates will be submitted at least 30 days prior to the proposed effective date. The Company will submit to the Public Utility Division (PUD) of the Oklahoma Corporation Commission the redetermined WSC rates for each service level, with information supporting the calculation. Interim redeterminations may be made outside of the standard semi-annual, or quarterly, timeframe in order to correct for over- or under-collection, to be submitted no later than 15 days before the rate is to be effective. In the event that the forecasted billing units for one or more of the WSC customer classes for an upcoming period decreases by more than 10% of the threshold billing units, the Company shall submit a non-standard, semi-annual true-up at least 90 days prior to the first billing cycle for the Company's corresponding billing month on which the new WSC shall become effective.

DETERMINATION OF WINTER STORM COST (WSC) RATES

WSC Rates will be submitted to the Director of the PUD, and all other parties of record in Oklahoma Corporation Commission (OCC) Case No. PUD 202100076, and adjusted no less frequently than semi-annually in order to ensure that the expected collection of WSCs is adequate to pay when due, pursuant to the expected amortization schedule, principal and interest on the Winter Storm Bonds and pay on a timely basis other Qualified Costs. The WSC Rates shall be computed by multiplying the Periodic Billing Requirement Allocation Factor (PBRAF) times the Periodic Billing Requirement (PBR) for the projected period in which the adjusted WSC Rates are expected to be in effect (WSC Period), and dividing such amount by the billing units of the WSC customer class, as shown in the following formula:

$$WSC = [(PBR * PBRAF) + P] / FBU$$

where,

- WSC WSC Rate applicable to a WSC rate class during the WSC Period;
- PBR Periodic Billing Requirement is the amount to be amortized for the WSC Period;
- PBRAAF Periodic Billing Requirement Allocation Factor as approved in Cause No. PUD 202100076.

<u>WSC Rate Class</u>	<u>Allocation</u>
Residential - Secondary	53.091%
Commercial -Secondary *	25.222%
SL 3 - Primary	7.272%
SL 2 – Primary Sub	11.811%
SL 1 - Transmission	2.604%
*Includes Lighting	

- P = Prior period over-/under-recovery for such class;
- FBU Forecasted Billing Units (i.e., class-specific energy billing units) currently forecast for a class for the WSC period.

STANDARD FACTOR DETERMINATION

WSC rates will be computed and submitted to the Public Utility Division of the Oklahoma Corporation Commission (“PUD”) and all other parties of record in Oklahoma Corporation Commission (OCC) Case No. PUD 202100076 on a semi-annual basis. In each semi-annual

submission the Company will provide to PUD and the parties of record the redetermined WSC rate, for each SL class, and information and workpapers supporting such re-determined factors for informational purposes. The initial WSC rates will be submitted on the day following the pricing of the bonds and shall become effective the first billing cycle following the closing of the bonds. All succeeding factor redetermination submissions and effective dates will be semi-annual (every six months), provided that such factor redetermination submissions and effective dates will be quarterly commencing 12 months prior to the scheduled final payment date of the Bonds. WSC rates will be submitted at least 30 days' prior to the proposed effective date. The Public Utility Division shall endeavor to complete its review, which shall be limited to a review for mathematical corrections or manifest error, within 30 days. Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment, which are not provided to the Company prior to five days prior to the effective date will be made in the next succeeding true-up adjustment.

A WSC rate will be calculated for each SL class for the next two six-month recovery periods. The WSC rate to implement for each SL class shall be the higher of these two calculations.

CLASS REVENUE REQUIREMENT:

$$WSC\ Revenue\ Requirement_{SL\ Class} = (A * B_{SL\ Class}) + C_{SL\ Class}$$

Where:

- A = Oklahoma Jurisdictional Winter Event revenue requirement (i.e. debt service and ongoing costs) for the applicable six-month recovery period;*
- B = SL class Energy Allocator*
- C = SL class true-up balance and SL class uncollectible balance*

TRANSMISSION (SL 1) and DISTRIBUTION SUBSTATION (SL 2) BILLING: The WSC mechanism shall be applied to service locations based on the Service level under which the service location took service during the Winter Event. Each service location shall be billed a monthly fixed charge for the mechanism. The monthly fixed charge shall be calculated as:

$$MBR_i \times \text{Number of Blocks}$$

Where

$$MBR_i = \text{Monthly Block Rate for SL class} \\ = \frac{\text{WSC Revenue Requirement}_{SL\ Class}}{\text{Blocks}_{SL\ Class}}$$

The number of Blocks each service location shall be billed is calculated as:

$$\frac{\text{Event kWh}}{100,000\ \text{kWh per Block}}$$

Where

Winter Event period kWh usage shall be actual kWh usage for SL 1 and 2 customers.

Service locations whose Winter Event kWh is less than 100,000 kWh, including customers who had no usage or zero Winter Event kWh usage, and including any service locations new to PSO after the Winter Event, shall be deemed to have one (1) block for WSC billing purposes.

DISTRIBUTION (SL 3, 4, 5 and 6) BILLING: The billing factors for the SL 3, 4, 5 and 6 customer classes shall be computed as follows:

$$\text{WSC Rate}_{SL\ Class} = \frac{\text{WSC Revenue Requirement}_{SL\ Class}}{\text{SL Class kWh}}$$

Where, *SL Class kWh* are the projected sales for the applicable 6-month recovery period.

PRICE: The WSC rate for each SL shall be applied as shown in the table below.

TRANSMISSION (SL 1) and DISTRIBUTION SUBSTATION (SL 2):

Service Level	Monthly Block Rate (\$/Block)
1	\$XXX.XX
2	\$XXX.XX

DISTRIBUTION PRIMARY (SL 3), COMMERCIAL SECONDARY (SL 4 & 5) and RESIDENTIAL (SL 6):

Service Level	WSC KWH Rate (\$/kWh)
3	\$0.XXXXXX
4,5	\$0.XXXXXX
6	\$0.XXXXXX

ESTIMATED ISSUANCE COSTS

	Issuance Costs
Underwriters' Fees and Expenses	
Underwriters' Counsel Legal Fees and Expenses	
ODFA Legal and Advisory Fees and Expenses	
ODFA Financing Acceptance Fee	
State Treasurer Fees and Expenses	
Bond Counsel Fees	
Rating Agency Fees and Expenses	
Commission Fees/Expenses	
Printing	
Trustee's/Trustee Counsel's Fees and Expenses	
Original Issuance Discount	
Cost of Swaps and Hedges	
Other Credit Enhancements (Overcollateralization Subaccount)	
Rounding/Contingency	
Debt Service Reserve Subaccount (DSRS)	
Total Non-Utility External Issuance Costs	
Utility's Financial Advisor Fees and Expenses	
Utility's Counsel Legal Fees and Expenses	
Utility's Non-legal Securitization Proceeding Costs and Expenses	
Utility's Miscellaneous Administrative Costs	
Servicer's Set-Up Costs	
External Servicing Costs (Accountant's)	
Total ODFA Issuance Costs	
Total Estimated Issuance Costs	

Note: Any difference between the Estimated Issuance Costs financed for, and the actual Issuance Costs incurred by, the Authority, the Commission (including the Public Utility Division) and (except as capped) the Utility will be resolved, if estimates are more or less than actual, through the WSC Rider or as otherwise authorized by the Financing Order.

ESTIMATED ONGOING FINANCING COSTS

	Itemized Annual Ongoing Financing Costs
True-Up Administration Fees ^	
ODFA Administration Fees ^	
ODFA Legal Fees ^	
Trustee's/Trustee's Counsel Fees and Expenses ^	
Rating Agency Fees and Related Expenses^	
Miscellaneous ^	
^	
Other Credit Enhancements ^	
Total Non-Utility External Annual Ongoing Financing Costs	
Ongoing Servicer Fees (Utility as Servicer) *	
Accounting Costs (External) ^	
Total Utility Annual Ongoing Financing Costs	
Total (Utility as Servicer) Estimated Ongoing Financing Costs	
Ongoing Servicer Fees (Third-Party as Servicer – []% of principal)	
Other External Ongoing Fees (total of lines marked with a ^ mark above)	
Total (Third Party as Servicer) Estimated Ongoing Financing Costs	

Note: The amounts shown for each category of ongoing financing costs on this attachment are the expected costs for the first year of the ratepayer-backed bonds. WSC Charges will be adjusted at least semi-annually to reflect the actual ofinancing costs through the true-up process described in the Financing Order, except that the servicing fee is fixed as long as the Utility (or its affiliate) is servicer.

TRUE-UP LETTER

[ODFA Letterhead]

Date: _____, 202_

Oklahoma Corporation Commission
ATTN: Chairman
Jim Thorpe Office Building, 2101 N Lincoln Blvd
Oklahoma City, OK 73105

Re: Application of Public Service Company of Oklahoma for a Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs arising from the Extreme Winter Weather Event of February 2021, and Related Relief, Cause No. PUD 202100076 (Financing Application)

Dear _____:

Pursuant to the Final Financing Order adopted on the ____ day of _____, 202_ in Cause No. PUD 202100076 before the Oklahoma Corporation Commission, *Application of Public Service Company of Oklahoma for a Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs arising from the Extreme Winter Weather Event of February 2021, and Related Relief*(the “Financing Order”), Public Service Company of Oklahoma (the “Utility”), as Servicer of the Ratepayer-Backed Bonds, or any successor Servicer on behalf of bond trustee as assignee of the ODFA shall apply [semi-annually][quarterly] for a mandatory periodic adjustment to the WSC Charge. The Utility may apply for more frequent periodic adjustments in accordance with the Financing Order. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081 (the “Act”).

Each true-up adjustment shall be submitted to the PUD not less than 30 days prior to the first billing cycle of the month in which the revised WSC Charges will be in effect. The PUD will have 30 days after the date of the true-up adjustment filing in which to confirm the mathematical accuracy of the servicer’s adjustment. However, any mathematical correction not made prior to the effective date of the WSC Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WSC Charge.

Using the formula approved by the Commission in the Financing Order, this filing modifies the variables used in the WSC Charge calculation and provides the resulting modified WSC Charge. Attachments 1, 2 and 3 show the resulting values of the WSC Charge for each Customer class, as calculated in accordance with the Financing Order. The assumptions underlying the current WSC Charge were filed by the Utility and the ODFA in an [Issuance Advice]/True-up Letter dated _____.

Respectfully submitted,

[Utility]
By: _____
Name: _____
Title: _____

Attachments

cc: Director of the Public Utility Division, Oklahoma Corporation Commission

ATTACHMENT 1

CALCULATION OF WSC CHARGES

Estimated Ongoing Financing Costs	
True-Up Administration Fees ^	
ODFA Administration Fees ^	
ODFA Legal Fees ^	
Trustee's/Trustee's Counsel Fees and Expenses ^	
Rating Agency Fees and Related Expenses^	
Miscellaneous ^	
^	
Other Credit Enhancements ^	
Total Non-Utility External Annual Ongoing Financing Costs	
Ongoing Servicer Fees (Utility as Servicer) *	
Accounting Costs (External) ^	
Total Utility Annual Ongoing Financing Costs	
Total (Utility as Servicer) Estimated Ongoing Financing Costs	
Ongoing Servicer Fees (Third-Party as Servicer – []% of principal)	
Other External Ongoing Fees (total of lines marked with a ^ mark above)	
Total (Third Party as Servicer) Estimated Ongoing Financing Costs	

Input Values For WSC Charges	
Projected usage for payment period (See Attachment 3)	
Forecast uncollectables for payment period	
Average Days Sales Outstanding	
Balance of Collection Account (Net of Capital Subaccount) (As of xx/xx, which is the Calculation Cut-off Date)	
Projected WSC Charges Between Calculation Cut-off Date and Proposed Effective Date of True-Up Adjustment	
A. Ratepayer-Backed Bond Principal	
B. Ratepayer-Backed Recovery Bond Interest	
C. Ongoing Financing Costs for the applicable payment period (See Table 1 above)	
Periodic Payment Requirement(Sum of A, B and C)	
Periodic Billing Requirement (See Attachment 2)	

ATTACHMENT 2

WSC CHARGE CALCULATIONS

[Calculation Workpapers to be included]

ATTACHMENT 3

WSC CHARGE FOR PAYMENT PERIOD

Customer classes (Service Level)	WSC Charge
1	
2	
3	
4,5	
6	

FORM OF NON- STANDARD TRUE-UP LETTER

[ODFA Letterhead]

Date: _____, 202_

Oklahoma Corporation Commission
ATTN: Chairman
Jim Thorpe Office Building, 2101 N Lincoln Blvd
Oklahoma City, OK 73105

Re: Application of Public Service Company of Oklahoma for a Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs arising from the Extreme Winter Weather Event of February 2021, and Related Relief, Cause No. PUD 202100076

Dear _____:

Pursuant to the Final Financing Order adopted on the ____ day of _____, 202_ in Cause No. PUD 202100076 before the Oklahoma Corporation Commission, *Application of Public Service Company of Oklahoma for a Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs arising from the Extreme Winter Weather Event of February 2021, and Related Relief*, (the “Financing Order”), Public Service Company of Oklahoma (the “Utility”), as Servicer of the Ratepayer-Backed Bonds, or any successor servicer on behalf of bond trustee as assignee of the ODFA, shall apply for a Non-Standard True-Up to the WSC Charge as it deems necessary to address any material deviations in usage and to change the Energy Allocation Factors. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081 (the “Act”).

Each Non-Standard True-up shall be submitted to the PUD not less than 90 days prior to the first billing cycle of the month in which the revised methodology for calculating WSC Charges will be in effect. The PUD will have 90 days after the date of the true-up adjustment filing in which to confirm the mathematical accuracy of the servicer’s adjustment. However, any mathematical correction not made prior to the effective date of the WSC Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WSC Charge.

Attachments [_____] show the revised methodology for calculating the WSC Charges.

Respectfully submitted,

[Utility]

By: _____

Name: _____

Title: _____

Attachments

cc: Director of the Public Utility Division, Oklahoma Corporation Commission

[ATTACHMENTS AND WORKPAPERS TO BE INCLUDED]

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF PUBLIC SERVICE)
COMPANY OF OKLAHOMA (“PSO”) FOR)
APPROVAL OF A FINANCING ORDER FOR)
THE COLLECTION OF INCREASED COSTS,)
CAUSED BY THE EXTREME WINTER)
WEATHER AND CONTAINED IN THE)
REGULATORY ASSET AUTHORIZED BY)
ORDER 717625, INCLUDING AN)
APPROPRIATE CARRYING COST, AND SUCH)
OTHER RELIEF AS THE COMMISSION)
DEEMS PSO IS ENTITLED)

CAUSE NO. PUD 202100076

Filed February 10, 2022
Re: Order No. 723434

DISSENTING OPINION OF COMMISSIONER BOB ANTHONY

WARNING: Unlawful, unwise, unjust and financially catastrophic potential consequences of the Corporation Commission majority’s fundamentally flawed financing orders imposing onerous, overpriced, nonconsensual debt on Oklahoma’s residential ratepayers are foretold by the following:

- Violating Article X, § 25 of the Oklahoma Constitution by contracting non-“self-liquidating” public debt without a vote of the people.
- Amending by implication Article IX of the Oklahoma Constitution (74 O.S. § 9081) without a vote of the people, adding potentially hundreds of as-of-yet unspecified words in an attempt to resolve the constitutional conflicts and inconsistencies created by the ratepayer-backed bond orders.
- Declaring hundreds of millions of dollars in extreme, extraordinary and excessive gas and purchased power costs to be “fair, just and reasonable expenses and prudently incurred” based on black-box settlement agreements instead of completing the thorough investigations required by law (17 O.S. § 263).
- Tacking additional hundreds of millions of dollars in interest, fees, commissions and financing obligations onto the bills of public utility customers by forcing them to pay for nonconsensual ratepayer-backed bonds over 20, 25 or 28 years!!!

- Retroactively violating the Filed Rate doctrine (Art. IX, §§ 18 and 24) and ratepayers' constitutional contract rights (Art. II, §§ 7 and 23) under their tariff agreements with utilities by, among other things, requiring customers to pay for gas and electricity they did not consume in addition to bond-financing costs not part of the “actual cost of fuel or gas purchased” allowed by law (OAC 165:50-3-1).
- Writing blank checks on the accounts of ratepayers by authorizing unquantifiable, apparently unlimited millions of dollars *more* in uncapped issuance costs for so-called “Credit Enhancement and Arrangements to Enhance Marketability” (including letters of credit, overcollateralization accounts, surety bonds, and other financial guarantees) ostensibly to “enhance marketability” of the ratepayer-backed bonds, but in reality, opening the door to *untold millions more* in self-dealing, cronyism, brother-in-law benevolence, and other political patronage from which neither the Corporation Commission nor “any court in this state” will have the ability to protect ratepayers.
- Abrogating the legal right of any person to file a “complaint” under Commission Rules (OAC 165:50-5-3) objecting to the operation of a utility’s fuel or purchased gas adjustment clause, and circumventing the “general public hearing” related thereto.
- Retroactively bilking consumers by allowing a much higher interest rate range of 2.37% to 6.0% through ratepayer-backed bonds than the near 1% one-year U.S. Treasury Securities interest rate specified by the OCC’s existing tariffs and rules (OAC 165:35-19-10) as a Carrying Charge Rate in the Fuel Cost Adjustment calculation.
- Bogusly claiming “substantial” “customer savings” and outrageously misrepresenting the actually-some-40%-or-more higher costs of ratepayer-backed bonds to the detriment of ratepayers and in violation of the stated legislative intent of the *February 2021 Regulated Utility Consumer Protection Act*.
- Misleadingly insisting utilities are “not profiting” from securitization or operation of the fuel cost adjustment when the utility companies benefit financially both from transferring the winter storm debt off their balance sheets and onto ratepayers, and by getting paid millions of dollars to service the debt created by the bonds.
- Precedent-setting pancaking multiple layers of ratepayer-backed debt on future generations of gas and electric customers who can only pray there are no more “winter storm events” in the next thirty years while they are still paying off this one.

Today’s PSO final Financing Order (2-1 vote) does not comply with the plain text of the so-called “Consumer Protection” Act. 74 O.S. Supp. 2022 Section 9073 required the Commission to show that the securitization of February 2021 winter storm costs provides “substantial” savings to ratepayers compared with traditional public utility financing. In that regard, how can you find that there are “substantial” savings, when you do not know how much the ratepayer-backed bonds will actually cost? The Financing Order shifts to ODFA the Commission’s

constitutional duty to address repayment of the storm related debt as well as set related fair, just and reasonable rates and charges. Under the Financing Order, ODFA can set the interest for ratepayer-backed bonds between 2.37% and 6.0%. Over the twenty-year life of the bonds, the difference in total interest accrued could vary between 180 million dollars at 2.37% and over 450 million dollars at 6.0% interest.

“Traditional utility financing” might legitimately be used to finance a new electric generating plant, but it is unjustifiable to pay for unconstitutional, nonconsensual debt retroactively forced on residential ratepayers. These bonds are like the salesman who sold you a car calling you up years later and saying you actually owe 40% more – BUT, he says, he’s “saving” you money because he’s not charging you the price of a new luxury car.

Having been repeatedly warned of these potential consequences, for Corporation Commissioners to persist in writing blank checks on the accounts of Oklahoma ratepayers is nothing short of malfeasance.

EXHIBIT A-10

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION)
OF OKLAHOMA GAS AND ELECTRIC)
COMPANY FOR A FINANCING ORDER) Cause No. PUD 202100072
PURSUANT TO THE FEBRUARY 2021)
REGULATED UTILITY CONSUMER) ORDER NO. 722254
PROTECTION ACT APPROVING)
SECURITIZATION OF COSTS ARISING)
FROM THE WINTER WEATHER EVENT)
OF FEBRUARY 2021)

FINAL FINANCING ORDER

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FINAL FINANCING ORDER

HEARING: October 13-14, 2021, Room 301
2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105
Before Linda S. Foreman, Administrative Law Judge

Hearing on Exceptions: November 30, 2021, Room 301
2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105
Before the Commission *en banc*

APPEARANCES: William L. Humes, Kimber L. Shoop and Jack P. Fite, Attorneys
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Shareholders Association
Thomas P. Schroedter and D. Kenyon Williams, Attorneys *representing*
Oklahoma Industrial Energy Consumers
Rick D. Chamberlain, Attorney *representing* Walmart Inc.
Deborah R. Thompson, Attorney *representing* AARP
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Assistant General Counsel, *representing* Public Utility Division,
Oklahoma Corporation Commission

Pursuant to 74 Okla. Stat. §§ 9070-9081, which includes the February 2021 Regulated Utility Consumer Protection Act (the “Act”), the Legislature of the State of Oklahoma recognized “the significant economic impact of the extreme weather event that occurred during the month of February 2021 (herein referred to as the “2021 Winter Weather Event”) and the “unprecedented utility costs [that] will be passed through to Oklahoma customers of utilities from regulated utility entities.” 74 Okla. Stat. § 9071. To mitigate the effects on such Oklahoma customers, the Act authorized Oklahoma Gas and Electric Company (“OG&E” or the “Utility”), and other utilities subject to the regulatory jurisdiction of the Commission¹, to request the recovery of these extreme purchase costs and extraordinary costs (collectively referred to herein and in the Act as “qualified costs”) through securitization to mitigate the impact of such costs on existing and future ratepayers taking electric service within the sponsoring utility’s service territory in effect as of the issuance date of this Order (collectively referred to herein as “customers”), allowing customers to pay their utility bills at a lower amount over a longer period of time. In addition, 74 Okla. Stat. § 5062.8 was amended to expand the authority of the Oklahoma Development Finance Authority (the “Authority” or the “ODFA”) under the Authority’s enabling act² (as amended, the “Authority Act”) to include authority to issue ratepayer-backed bonds authorized by the Act.

¹ The Act sets forth provisions, including requirements, to which the Commission must adhere in its processing of this Cause and in this Order.

² 74 Okla. Stat. § 5062.1 *et seq.*

On April 26, 2021, OG&E filed its Application with the Corporation Commission (“Commission”) of the State of Oklahoma to seek a determination of prudently incurred costs associated with the 2021 Winter Weather Event eligible for recovery through securitization, and to demonstrate that a securitization would result in substantial revenue requirement savings as compared to conventional utility financing and otherwise satisfy the requirements of the Act.

Testimony in support of and against the Application was filed, with a hearing on the merits initially scheduled for October 11, 2021. Prior to the scheduled hearing, a Joint Stipulation and Settlement Agreement was filed on October 8, 2021 (the “Settlement Agreement”), by and among OG&E, the Public Utility Division of the Oklahoma Corporation Commission (“PUD”), Oklahoma Industrial Energy Consumers (“OIEC”), OG&E Shareholders Association, and Walmart, Inc. (the “Stipulating Parties”). AARP opposed the Settlement Agreement, mainly the amount of recovery from ratepayers and the allocation methodology adopted by the Settlement Agreement. The Oklahoma Office of the Attorney General (“Attorney General”) did not object to the Settlement Agreement.

A hearing was conducted on October 13-14, 2021 before an Administrative Law Judge (“ALJ”), with Commissioners present. Parties presented positions for and against the Settlement Agreement. Despite differing positions, all parties acknowledged or otherwise agreed that securitization provides the most favorable savings to customers. In his Statement of Position, the Attorney General expressed support for securitization after a careful study of OG&E’s workpapers, testimony, and the significant discovery issued in the Cause.³ Specifically the Attorney General stated that he “supports the use of securitization bonds under the [Act] to allow recovery of historic natural gas costs over a longer, manageable period of time and at a lower interest rate than would otherwise be available.”⁴ At the hearing on exceptions, AARP agreed with the Attorney General that the interest rate that can be provided through securitization is a significant benefit to customers, regardless of what the amount is. Further, counsel for AARP stated it has not opposed securitization.

Despite the newly enacted option for securitization, which simply offers utilities another mechanism to recover the costs it would otherwise be allowed to collect from its customers, the requirement by the Commission to determine the utility’s prudently incurred costs under securitization is far from new. Every year, the Commission reviews and monitors utilities’ fuel adjustment/purchase gas adjustment clauses (“FAC(s)”) and the prudence of the utilities’ fuel procurement processes and costs for the corresponding calendar year.⁶

³ Attorney General’s Statement of Position P. 3

⁴ *Id.* at P. 1

⁵ 17 O.S. §§ 251-257. The PUD conducts audits of the FAC to determine whether the application of the utility’s current FAC was arithmetically accurate for the calendar year. Such audit ensures the utility charged its customers only the cost of its fuel, purchased gas or purchased power without any additional expenses or return. Pursuant to 17 O.S. § 251, regulated utilities cannot earn a return on fuel, purchased gas or purchased power.

⁶ OAC 165:35-35-1(a) requires that the prudence of a public utility’s purchases be regularly reviewed. The Commission has defined a “prudence review” as a “comprehensive review that examines ... a utility’s practices and policies and judgment regarding an investment or expense at the time the investment was made or expense was incurred.” OAC 165:35-1-2. PUD conducts an annual prudence review to examine whether the cost of fuel, purchased gas or purchased power incurred by the utility was prudent. The prudence review is a comprehensive review that examines the reasonableness of a regulated utility’s practices, policies, and decisions regarding fuel-related

Similarly, OG&E's requested relief in its Application that the Commission determine OG&E's prudently incurred costs associated with the 2021 Winter Weather Event is no different than the reviews by PUD and intervening parties, and the Commission's ultimate determination, in the annual FAC/prudence cases that have been conducted for years.⁷ The only distinction here is that the review is limited to the period of time of the 2021 Winter Weather Event.⁸

After thorough review of the record, the Commission determines that OG&E is eligible to recover \$739 million of 2021 Winter Weather Event related costs as qualified costs, together with adjustment for carrying costs through the date of issuance of any ratepayer-backed bonds calculated in the manner described herein, and bond issuance costs (collectively, the "Approved Qualified Costs"), through securitization. This Final Financing Order ("Order") approves such recovery as more fully detailed herein. Ultimately this Order: (i) approves the issuance of ratepayer-backed bonds (the "Bonds") by the ODFA to finance the recovery of the Approved Qualified Costs, (2) approves the proposed financing structure and parameters for any final bond issuance; (3) authorizes the creation of securitization property in favor of the Utility, including the right to impose and collect irrevocable and nonbypassable charges (herein, "winter event securitization charge" or "WES Charge(s)"), (4) authorizes the sale of such securitization property to the ODFA to secure repayment of the Bonds; (5) approves a nonbypassable mechanism to ensure that customers of the utility cannot evade paying the WES Charge as long as the Bonds are outstanding; (6) approves a true-up and reconciliation procedure to ensure that the WES Charges will be adjusted from time to time such that the amounts collected will be sufficient to pay the Bonds and associated financing costs; and (7) approves a tariff to implement the WES Charge, all as described in the Act and more fully detailed as follows:

- Part I provides a statutory overview of the Act to give context to this Order;
- Part II discusses the determination and quantification of the 2021 Winter Weather Event related qualified costs eligible for recovery under the Act;
- Part III describes how the Utility has demonstrated a securitization will result in customer savings and otherwise satisfy the requirements of the Act;
- Part IV describes how the Utility proposes to structure the securitization and allocate, impose and collect the WES Charges in a manner which satisfies the requirements of the Act;

investments and expenses. While a prudence review may consider and incorporate the findings of the fuel audit, it must go beyond the calculations to examine the prudence of a utility's overall fuel-related policies and decisions, based upon information available when those decisions were made, and whether the resulting charges are just and reasonable.

⁷ As set forth in PUD witness McCoy's testimony, "PUD reviewed the Application, direct testimony, schedules, workpapers, and sponsored exhibits filed by the Company. The review process included a review of applicable statutes and regulations. Various reviews with the Company officials were conducted and data requests were issued by PUD." McCoy Responsive Testimony P. 6 ls. 17-20. Further, the Company "facilitated an internal audit of the winter event in accordance with the Institute of Financial Auditors.... Gas purchasing processes and practices was the focus of the audit." *Id.* at P. 14 ls. 13-18. See also Stroup Responsive Testimony P. 5 ls. 7-12 (explaining PUD's review process).

⁸ 74 O.S. §§ 9072(3) and (6).

- Part V describes the Bond structure for the securitization designed to recover the Approved Qualified Costs in a manner which will be consistent with published rating agency criteria to ensure the highest possible ratings on the Bonds to best maximize savings to customers; and
- Part VI describes certain Bond issuance cost associated with the Bond issuance process and ongoing financing costs and their recovery from proceeds of the Bonds or WES Charges, as appropriate.

I. BACKGROUND AND STATUTORY OVERVIEW

In February 2021, the State of Oklahoma experienced an extreme weather event that brought nearly two weeks of record cold temperatures to the state. The extreme cold weather resulted in a shortage of natural gas supply, the failure of certain infrastructure, and enhanced demand for natural gas and electric power. The extreme weather conditions resulted in extraordinary costs for regulated utilities operating in the state. To mitigate such extraordinary costs the Oklahoma Legislature enacted, and the Governor of Oklahoma signed into law, the Act to provide financing options to lower the immediate economic impact on consumers.

The Act authorizes the Commission, in any case where a regulated utility is requesting recovery of extreme purchase costs or extraordinary costs or both related to the 2021 Winter Weather Event eligible for recovery under the Act, to approve the recovery of such costs through securitization in order to mitigate the impact of such recovery on customer bills.⁹ The Act provides that the Commission must consider certain factors (“Section 9073 factors”) when determining whether the costs should be mitigated by the recovery through ratepayer-backed bonds, including the existence of substantial revenue requirement savings through the issuance of the bonds as compared to conventional financing methods, a longer amortization schedule to pay the bonds than would ordinarily be practicable or feasible for the utility to implement such cost recovery and the ability to issue bonds at a cost which would not exhaust the potential savings.¹⁰ The Commission is also required to review the qualified costs of the Utility and determine whether the amounts incurred would otherwise be recoverable from customers as fair, just, and reasonable expenses and prudently incurred.¹¹

Upon the determination that the costs are subject to recovery under the Act, and may be mitigated by the issuance of ratepayer-backed bonds, the Commission is authorized and required to make additional findings and conclusions in a financing order to support the issuance of ratepayer-backed bonds, as provided in 74 Okla. Stat. § 9074(A). The Utility and intervening parties have submitted testimony addressing such findings and conclusions, which are further addressed in Part IV of this Order.

The Act authorizes the creation of a new property right, called securitization property, to secure payment of the ratepayer-backed bonds.¹² The securitization property consists of the right to receive revenues, in the form of the WES Charge, which must be imposed on and collected from

⁹ *Id.* at § 9073.

¹⁰ *Id.* at § 9073(C).

¹¹ *Id.* at § 9073(E).

¹² *Id.* at § 9075(A).

customers through a nonbypassable mechanism to ensure that customers cannot avoid paying the WES Charge. The nonbypassable mechanism must provide that the WES Charge is payable by each utility customer within the service territory of the utility in effect as of the date of the applicable financing order and such charge cannot be modified or avoided by the customer through switching utility providers, switching fuel sources or materially changing usage, and must be paid by the customer for as long as the ratepayer-backed bonds are outstanding.¹³ In addition, the nonbypassable mechanism requires a true-up and reconciliation process by which the WES Charge must be adjusted from time to time to ensure that expected revenues from the charge are sufficient to ensure the timely payment of the bonds, together with all costs necessary to service and administer the bonds.¹⁴ These servicing and administration costs, as well as other costs necessary to manage the structure, all as described more fully herein, are collectively referred to as “ongoing financing costs”.

Securitization property constitutes a present property right susceptible of ownership, sale, assignment, transfer, and security interest, and the property will continue to exist until the Bonds issued pursuant to this Order are paid in full and all ongoing financing costs of the Bonds have been recovered in full.¹⁵ In addition, the interests of a pledgee or secured party in securitization property (as well as the revenues and collections arising from the property) are not subject to setoff, counterclaim, surcharge or defense by the Utility or by any customer, or in connection with the bankruptcy of the Utility or any other entity.¹⁶

The Act authorizes the sale of the securitization property by the Utility to the Authority, which in turn and simultaneously, will issue the Bonds, and pledge the securitization property and any other collateral to the payment of the Bonds.

The Act further provides:

Upon the issuance of any financing order pursuant to this section, the periodic determination of factors for customer collection with true-up and reconciliation authorized by the financing order shall not be removed, adjusted or interrupted by any other regulatory determination of the Commission, except where adjustments are warranted as a result of an audit of amounts actually collected from customers and provided to the Authority or where insurance proceeds, government grants or other funding sources offset or reduce the amount of extreme purchase costs and extraordinary costs to be recovered from customers. No adjustments shall in any manner impair or prevent the collection of sufficient revenues to service and repay ratepayer-backed bonds.¹⁷

In this Order, the Commission determines that any insurance proceeds, government grants or other funding sources will not be applied to the payment of the Bonds, but will instead be credited to customers through another mechanism described in this Order.

¹³ *Id.* at § 9072(5).

¹⁴ *Id.* at § 9072(12).

¹⁵ *Id.* at § 9075(B).

¹⁶ *Id.* at § 9075(D).

¹⁷ *Id.* at § 9074(H).

The Act amends the Authority Act to authorize the ODFA to issue ratepayer-backed bonds authorized pursuant to the Act.¹⁸ In the Authority Act, the State of Oklahoma has pledged to and agreed with the owners of any Bonds issued by the ODFA under the Act that the State will not limit or alter the rights vested in the Authority, including the rights to be held by the Authority in this Order and the securitization property, to fulfill the terms of any agreements made with the owners thereof or in any way impair the rights and remedies of the owners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the owners, are fully met and discharged (the "State Pledge")¹⁹. This Order requires the Bonds to include a recitation of the State Pledge.

The Commission may adopt a financing order providing for the retiring and refunding of the Bonds.²⁰ The Utility has not requested, and this Order does not grant, any authority to refinance the Bonds authorized by this Order. However, this Order does not preclude the filing of a request for a financing order under 74 Okla. Stat. § 9077(D) to retire or refund the Bonds approved in this Order, after proper notice and hearing, and upon a showing that the customers would benefit and that such a financing is consistent with the terms of the Bonds.

To facilitate compliance and consistency with applicable statutory provisions, this Order adopts the definitions in the Act.

II. DETERMINATION OF QUALIFIED COSTS

The Stipulating Parties proposed that, among other things, \$739 million of OG&E's total 2021 Winter Weather Event related costs be deemed prudent and found reasonable by the Commission. Additionally, the Stipulating Parties agreed that the total amount of OG&E's extreme purchase cost recovery, including carrying costs and bond issuance costs authorized for recovery, is estimated to be \$760 million and requested that the Commission issue a financing order for the securitization of approximately \$760 million as the Approved Qualified Costs.

III. SATISFACTION OF SECTION 9073 FACTORS

The Act provides that the Commission must consider the Section 9073 factors when determining whether costs will be mitigated by the recovery through ratepayer-backed bonds, including whether substantial revenue requirement savings will be realized through: (i) the issuance of the Bonds as compared to conventional financing methods, (ii) a longer amortization schedule to pay the Bonds than would ordinarily be practicable or feasible for the utility to implement such cost recovery and (iii) the ability to issue Bonds at a cost which would not exhaust the potential savings.

In its testimony, OG&E demonstrated that as a result of the issuance of the Bonds, customers will realize substantial revenue requirement savings when compared to conventional

¹⁸ *Id.* at § 5062.8.

¹⁹ *Id.* at § 5062.15.

²⁰ *Id.* at § 9077(D).

financing methods. OG&E has demonstrated the utility bill impacts of securitization and shown that there would be significant customer savings from issuing ratepayer-backed bonds in comparison with traditional utility financing. Based on the amount to securitize per the Settlement Agreement, the Utility's financial analysis indicates that the customers, on an annual basis, will realize savings in the amount of \$34 million when comparing a 28 year securitized bond at the expected weighted average interest rate of 2.58% to traditional utility financing at the Utility's most recent approved 9.07% rate of return for the same time period. For a residential customer, this amounts to a monthly savings of approximately \$1.83. In total for the entire 28 years, customers would save \$959 million when compared to the amount that would have been collected under traditional utility financing. Accordingly, the Commission concludes that the substantial revenue requirement savings for customers set forth in the record are indicative of the savings that customers will realize from the approval of securitization approved herein. By requiring that the weighted average interest rate of the Bonds not exceed 6.0% per annum, the Commission agrees that securitization should result in substantial revenue requirement savings.

The Settlement Agreement has also proposed that the Bonds be amortized over a 28 year period, which is a longer amortization schedule than would ordinarily be practicable or feasible for the Utility to finance its obligations. However, a shorter amortization period is permitted if a shorter term will provide for a lower monthly charge for customers.

The Utility has demonstrated that the cost of issuing the Bonds will not materially impact potential savings to customers. The Utility has estimated that even if projected costs of issuance were doubled, savings would still be significant.

Further, in the Issuance Advice Letter, the form of which is included as Appendix A ("Issuance Advice Letter"), the Utility will provide an updated savings analysis based upon the actual pricing and terms of the Bonds and the final costs of issuance.

Accordingly, in this Order, the Commission determines that the Utility has demonstrated that the issuance of the Bonds will satisfy the Section 9073 factors and should be approved.

IV. DISCUSSION OF CERTAIN FINANCING ORDER REQUIREMENTS

Pursuant to 74 Okla. Stat. §9074(A), the Commission is required to include findings and conclusions with respect to certain matters. Certain of these matters, not otherwise discussed in this Order, are addressed below.

Bond Maturities: The Stipulating Parties have requested in the Settlement Agreement that the Commission authorize that the Bonds be amortized over a period not to exceed 28 years, using a relatively level annual debt service structure, or a shorter term to obtain the most favorable term for customers that will result in the lowest reasonable monthly charge for customers. In this Order, the Commission finds the Stipulating Parties' proposal to be reasonable and approves the payment of the Bonds based upon relatively level annual debt service structure and with a scheduled final payment date not to exceed 28 years from the date of issuance and a legal final maturity not later than two years after the scheduled final payment date, provided a shorter amortization period is

permitted, as determined by ODFA, with approval of the State Deputy Treasurer for Policy and Debt Management²¹, if such a term will provide for a lower monthly charge for customers.

Irrevocable and Nonbypassable Mechanism to Impose and Adjust Winter Event Securitization Charges: The Stipulating Parties have proposed a mechanism, as more fully described in Exhibit A to the Settlement Agreement, to impose a monthly, consumption-based charge on its customers in order to generate sufficient cash flow to pay the Bonds and related ongoing financing costs. The Utility will calculate the charge based upon factors described in Exhibit A to the Settlement Agreement, which is appended hereto as Appendix B to this Order (“WES Mechanism”). The WES Mechanism will remain in effect until the complete repayment and retirement of the Bonds and ongoing financing costs authorized by this Order.

The WES Mechanism also describes features demonstrating how the WES Charge will be nonbypassable to customers, even if such customers switch providers, change fuel sources or materially change usage. Customers who self-generate under the Utility’s Net Energy Billing Option (“NEBO”) and Qualified Facilities (“QF”) tariffs will be assessed the WES Charge based upon their gross usage and customers under the Day-Ahead Pricing and Flex Pricing tariffs will be billed based on their baseline usage. In addition, the WES Charge will be payable by all current and future customers of the Utility and any successor or assign of the Utility will be obligated to bill the WES Charge to customers located at an address within this state and within the service area of the Utility as of the date of this Order. In this Order, the Commission finds that this nonbypassable mechanism satisfies the requirements of the Act and is consistent with obtaining the highest possible ratings on the Bonds.

Frequency of True-Ups and Reconciliation: The Stipulating Parties have agreed in the Settlement Agreement that the WES Charge will be adjusted (or true-up) semi-annually to ensure that the WES Charge collections are sufficient to ensure the timely payment of the Bonds. The Stipulating Parties have further recommended in the Settlement Agreement, by agreeing to the WES Mechanism, that the Utility should file for any such adjustments with PUD every six months after the initial WES Charge is determined at the time of issuance of the Bonds. The calculation for any adjustment should be submitted at least 30 days prior to the proposed effective date and the PUD review should be limited to review during the 30-day period for mathematical corrections with any associated adjustments going into effect on the proposed effective date. Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment, will be made in future true-up adjustments.

Hilltop Securities, as financial advisor to the Authority and the Commission (the “Financial Advisor”) has testified that the true-up should be allowed more frequently if required to obtain the highest possible bond ratings. The Financial Advisor has also testified that the true-up should occur quarterly following the final scheduled payment date of the Bonds. In this Order, the Commission agrees with these recommendations by the Financial Advisor. The true-up will be required semi-annually, quarterly commencing 12 months prior to the scheduled final payment date of the Bonds and at any time if the servicer forecasts that WES Charge collections will be

²¹ Referred to in the Act as Deputy Treasurer for Policy and Debt Management and given the title of Deputy Treasurer for Debt Management in 62 O.S. § 695.7(A).

insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or to replenish any draws on the debt service reserve subaccount (“DSRS”) or as required to obtain the highest possible ratings on the Bonds by the rating agencies. The frequency and timing of true-ups shall be documented in the Issuance Advice Letter.

The Financial Advisor also testified that, to ensure the highest possible rating on the Bonds, the true-up adjustments requested by the servicer should be automatic and subject to review by the Commission solely for the correction of mathematical error. The Commission approves this approach, with the clarification that PUD will be responsible for reviewing the true-up adjustments for this purpose. The Commission supports this process to make all reasonable efforts to achieve the highest possible rating on the Bonds.

Adjustment Methodology: Each True-Up Letter and Non-Standard True-Up Letter (as described below), the forms of which are included as Appendix D and Appendix E, respectively, to this Order, will calculate a revised WES Charge for the Bonds in accordance with the WES Mechanism. Generally, the WES Charge will be calculated by the servicer as follows:

- First, the servicer will calculate the Periodic Payment Requirement (as defined below) for the next six-month period, or if shorter the period from the adjustment date (or, in the case of the initial WES Charge calculation, the closing date of the Bonds) to and including the next bond payment date, as well as the Periodic Payment Requirement for the next succeeding six month period ending on the following bond payment date (each, a “Payment Period”). The “Periodic Payment Requirement” or “PPR” covers all scheduled (or legally due) payments of principal (including, if any, prior scheduled but unpaid principal payments), interest, and other ongoing financing costs to be paid with WES Charge revenues during such Payment Period. The Periodic Billing Requirement will then be calculated, using the most recent information of the servicer regarding write off, average days sales outstanding data or other collection data, to determine the amount of WES Charge revenue that must be billed during each Payment Period to ensure that sufficient WES Charge revenues will be received to satisfy the Periodic Payment Requirement for such Payment Period. Such amount is referred to as the “Periodic Billing Requirement” or “PBR”;
- Second, the PBR for each Payment Period is allocated among each Service Level using the Energy Allocation Factor (described below);
- Third, the WES Charge for each Service Level for each Payment Period is determined by dividing each Service Level’s respective portion of the PBR for the Payment Period by their respective forecasted sales for the Payment Period; and
- Finally, after such calculations are made, the WES Charge for each Service Level for the next Payment Period and the next succeeding Payment Period will be compared and the higher WES Charge will be the WES Charge effective for such Service Level on the next adjustment date.

The servicer will use its latest forecast of sales, as well as its latest write-off, days sales outstanding and other collection and delinquency experience to calculate the WES Charge.

All true-up adjustments to the WES Charges will ensure the billing of WES Charges necessary to satisfy the Periodic Payment Requirement for the Bonds for each Payment Period during such 12-month period (or shorter period) following the adjustment date of the WES Charge. True-up adjustments will be based upon the cumulative differences, regardless of the reason, between the Periodic Payment Requirement and the actual amount of WES Charge collections remitted to the bond trustee for the Bonds.

Allocation of Revenue Requirements Among Various Service Levels: The Stipulating Parties have agreed and recommended that debt service and ongoing financing costs associated with the Bonds should be allocated among its five service levels (each, a "Service Level") based on the methodology set forth in the responsive testimony of OIEC witness Brian C. Collins, which is based on the actual daily kWh usage for each Service Level. For Day-Ahead Pricing and Flex Pricing customers, usage will be based on Customer Base Line ("CBL") kWh amounts in lieu of actual usage. The cost allocations established in accordance with the methodology set forth above were utilized to establish the energy allocation factor (the "Energy Allocation Factor(s)") for each Service Level set forth in the WES Mechanism. The Energy Allocation Factors would remain fixed, except as adjusted by a non-standard true-up adjustment (as defined below), for the life of the Bonds. In this Order, the Commission finds such allocation methodology reasonable and equitable to customers, and approves the methodology.

Non-Standard True-Up Adjustments: The WES Mechanism provides that the Utility, in its capacity as servicer, shall submit a true-up adjustment to change the Energy Allocation Factors in the event of a material change in usage (each, a "non-standard true-up adjustment"). The servicer will submit a non-standard true-up adjustment if projected energy sales or blocks, as applicable, will be 10% lower than that forecast in connection with the most recent semi-annual true-up adjustment. The process for a non-standard true-up adjustment is set forth in greater detail in the WES Mechanism and a form of Non-Standard True-Up Letter is appended as Appendix E. The Financial Advisor has testified that a non-standard true-up adjustment is consistent with achieving the highest possible ratings on the Bonds. The Commission accepts that this method of changing the cost allocation among Service Levels is equitable and consistent with achieving savings to customers, and approves the WES Mechanism.

Frequency of Remittances: The Financial Advisor has testified that it is customary for a utility to remit securitization charges to the bond trustee on a daily basis, within two business days of receipt of such charges. The Financial Advisor has further testified that if the daily remittances are made on an estimated basis, the estimated remittances should be reconciled with actual collections no less often than semi-annually, with any over-remittances being returned to the Utility, in its capacity as servicer, including any successor to the Utility or any subsequent servicer of the Bonds through a reduction in the amount of future remittances equal to such over-remittance and any under-remittances being paid over to the bond trustee by the Utility, in its capacity as servicer, including any successor to the Utility or any subsequent servicer of the Bonds within five business days. The Commission adopts these recommendations of the Financial Advisor.

V. DESCRIPTION OF PROPOSED FINANCING STRUCTURE

Set forth below is a description of the proposed financing structure, including a proposed servicing arrangement. The Commission finds the proposed structure is reasonable, consistent with the Act, and is approved.

A. General Description

The proposed financing structure includes all of the following:

- Creation of securitization property solely in favor of the Utility, which includes the right to bill and collect the WES Charge;
- Sale of the securitization property to the ODFA pursuant to the sale agreement;
- Issuance of the Bonds by the ODFA, consistent with the provisions set forth in this Order;
- Transfer of the net proceeds of the Bonds by the ODFA to the Utility²² in consideration for the sale of the securitization property pursuant to the sale agreement;
- Collection on behalf of the ODFA of WES Charges by the Utility or its successors, as collection agent and servicer, who will be responsible for billing and collecting the WES Charges from customers;
- Pledge of the WES Charges and rights under the transaction documents (as more fully defined in the Act, the “securitization property”) by the ODFA to the bond trustee as security for repayment of the Bonds; and
- Automatic true-up and reconciliation mechanism.

Pursuant to the Act, ODFA will be responsible for issuing the Bonds pursuant to an indenture administered by a bond trustee. The Bonds will be secured by and payable solely out of the securitization property created pursuant to this Order and the Act and other collateral, including ODFA’s rights under the servicing agreement with the Utility. That collateral will be assigned and pledged to the bond trustee by the ODFA for the benefit of the holders of the Bonds and to secure payment due with respect to the Bonds and related financing costs.

Concurrent with the issuance of the Bonds, the Utility will sell the securitization property to ODFA pursuant to a sale agreement between ODFA and the Utility. This transfer will be structured so that it will qualify as a true sale within the meaning of 74 Okla. Stat. § 9075(F) and

²² Pursuant to 74 Okla. Stat. § 9077(I), the proceeds of the Bonds will be deposited with the State Treasurer pending disposition at the direction of the Authority. The proceeds will be delivered to the Utility pursuant to instructions included in the sale agreement between the Authority and the Utility as further described in this Order.

that such rights will become securitization property concurrently with the sale to ODFA as provided in 74 Okla. Stat. § 9075(G).

Pursuant to a servicing agreement, the Utility will act as the initial servicer of the securitization property, including billing and collecting the WES Charges for the Authority, and will undertake to collect such WES Charges from the customers and remit these collections to the bond trustee on behalf of the Authority. The Utility, in its capacity as servicer, will perform routine billing, collection and reporting duties on behalf of the Authority and will not be permitted to resign as servicer unless it is no longer legally capable of serving in such capacity and until a successor servicer meeting the requirements set forth in the transaction documents is in place. The servicer will be responsible for making any required or allowed true-up and reconciliation of the WES Charges. If the servicer defaults on its obligations under the servicing agreement, the Authority, or the bond trustee, at the direction of a majority of the bondholders, may appoint a successor servicer.

WES Charges will be calculated and adjusted from time to time, pursuant to the WES Mechanism as approved in this Order, to be sufficient at all times to pay all scheduled debt service, any past due amounts and other related ongoing financing costs for the Bonds on a timely basis.

B. The Indenture and Flow of Funds

Pursuant to the Act, a bond trustee will be appointed by the State Treasurer and approved by the Authority. The bond trustee will act as a representative on behalf of bondholders, remit payments to bondholders, and ensure bondholders' rights are protected in accordance with the terms of the transaction. The indenture will include provisions for a collection account and related subaccounts, all held by the trustee, for the collection and administration of the WES Charges and payment or funding of the principal of and interest on the Bonds and ongoing financing costs. The collection account will include the general subaccount, the DSRS and the excess funds subaccount, and may include other subaccounts as required to accommodate other credit enhancement.²³

The bond trustee will deposit the WES Charge remittances that the servicer remits to the credit of the general subaccount. The bond trustee will on a periodic basis apply moneys in the general subaccount to pay expenses of the ODFA and the Utility, in its capacity as servicer, to pay principal of and interest on the Bonds and to pay all other ongoing financing costs. Pending such application, the funds in the general subaccount will be invested by the bond trustee as provided in the indenture, and earnings will be deposited into the general subaccount and applied by the bond trustee to pay principal of and interest on the Bonds and all ongoing financing costs in accordance with the terms of the indenture.

When the Bonds are issued, the bond issuance costs will include a deposit into a cost of issuance account (or subaccount) and a deposit estimated at the time of hearing at 0.50% of the original principal amount of the Bonds to the credit of the DSRS. The DSRS deposit could be higher if required by the rating agencies to obtain the highest possible rating, which benefits customers. The exact amount will be determined by the Authority based upon rating agency considerations and with the advice of the Financial Advisor and the State Deputy Treasurer for

²³ References to accounts and subaccounts herein are for purposes of clarity. The account names and structure will be set forth in the indenture.

Policy and Debt Management, and reflected in the Issuance Advice Letter. The DSRS will serve as collateral to ensure timely payment of scheduled principal of and interest on the Bonds and all ongoing financing costs. The funds in this subaccount will be invested by the bond trustee as provided in the indenture. Any amounts in the DSRS will be available to be used by the bond trustee to pay principal of and interest on the Bonds and certain ongoing financing costs, if necessary, due to a shortfall in WES Charge collections. Any funds drawn from the DSRS to pay these amounts due to a shortfall in the WES Charge collections will be replenished through future WES Charge remittances. Funds remaining in the DSRS will be applied to the final payment of principal of the Bonds.

The excess funds subaccount will hold any WES Charge remittances and investment earnings on the collection account in excess of the amounts needed to pay current principal of and interest on the Bonds and to pay the ongoing financing costs. Any balance in or allocated to the excess funds subaccount on a true-up adjustment date will be used as credit in calculating the next true-up adjustment. The money in this subaccount will be invested by the bond trustee as provided in the indenture, and such money (including investment earnings thereon) will be used by the bond trustee to pay principal of and interest on the Bonds and ongoing financing costs.

Other credit enhancements in the form of subaccounts may be utilized for the financing if such enhancements are anticipated to provide greater revenue requirement savings to customers as determined by the Authority, based upon rating agency considerations and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt Management. Such credit enhancements will be described in the Issuance Advice Letter.

In addition to the collection account, there may be such additional accounts and subaccounts, such as a cost of issuance account, as are necessary to segregate amounts received from various sources, or to be used for specified purposes. Such accounts will be administered and utilized as set forth in the servicing agreement and the indenture.

Upon the maturity of the Bonds and the discharge of all obligations in respect thereof, remaining amounts in the collection account will be released by ODFA to the Utility, in its capacity as servicer, for crediting to customers, solely on behalf of the Authority, as required by Ordering Paragraph 23.

C. Servicing Arrangements

The Financial Advisor has provided testimony concerning the purpose and provisions of the servicing agreement as well as compensation arrangements that reflect investor and rating agency expectations as well as minimize customer costs.

The servicing agreement is an agreement between the Utility, as the initial servicer of the securitization property, and the Authority, as owner of the securitization property. It sets forth the responsibilities and obligations of the servicer, including, among other things, billing and collection of winter event securitization charges, responding to customer inquiries, terminating service, filing for true-up adjustments, and remitting collections to the State Treasurer or bond trustee for distribution to bondholders. The servicing agreement prohibits the Utility from resigning as initial servicer unless it is unlawful for the Utility to continue in such a capacity. The Utility's resignation will not be effective until a successor servicer assumes its obligations in order

to continue servicing the securitization property without interruption. The servicer may also be terminated from its responsibilities under certain instances, such as the failure to remit collections within a specified period of time, by the Authority or the bond trustee upon a majority vote of bondholders. Any merger or consolidation of the servicer with another entity, any purchase of the operation assets of the servicer, or any transfer of the servicer's entity or operational assets in connection with a bankruptcy proceeding will require the merged entity, successor or purchaser to assume the servicer's responsibility under the servicing agreement. The terms of the servicing agreement are critical to the rating agency analysis of the Bonds and the ability to achieve credit ratings in the highest categories.

As compensation for its role as initial servicer, the Utility is entitled to earn a servicing fee payable out of WES Charge collections. As explained in the Financial Advisor's testimony, it is important to the rating agencies' analysis of the transaction that the Utility receives an arm's-length fee as servicer of the securitization property. However, it is customary in other utility securitizations for utilities, in their capacity as servicer, to be paid a fee based upon their incremental costs of providing servicing. It is also common for utilities to be required to include the servicing fee, as well as servicing costs not in excess of the servicing fee, as part of their reported revenue requirements in the utility's base rate proceedings. This process ensures that utilities are not paid more than what is minimally required to service the Bonds and to ensure that any excess payments be credited back to customers. The Commission approves this compensation and reconciliation process, as further discussed herein.

As also explained by the Financial Advisor, utility securitizations to date have also permitted an increase in the servicing fee should a successor servicer, which is not part of the utility's business and who decouples the securitization charge bill from other bill amounts, assume the obligations of the utility, as servicer, because the successor servicer would require additional inducement due to its lack of a pre-existing servicing relationship with the utility's customers. Financing orders in utility securitizations often approve a substantially higher fee for a successor servicer. The majority of recent transactions have provided for successor servicer annual fees of approximately 0.60% of the initial balance of the bonds or greater. Recent transactions in Texas and Louisiana provided for annual successor servicer fees of up to 0.60% of the initial balance of the bonds; however, recent transactions in California provided that the public utilities commission may approve a higher fee without stating any limit if such fee does not adversely affect the then-current ratings on the related bonds. Further, the Financial Advisor stated that a defined successor servicer fee is helpful for rating agencies, who will use the capped fee in their various stress analyses. Similar to the transactions in other jurisdictions, the Financial Advisor has recommended that the proposed financing order allow a successor servicer to collect a higher servicing fee at a rate approved by the Commission provided, however, that no such approval would be required if the annual fee does not exceed 0.60% of the initial balance of the Bonds.

In this Order, the Commission authorizes an annual successor servicing fee up to 0.60% of the initial balance of the Bonds conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. Moreover, should the successor servicer seek a servicing fee higher than 0.60%, such fee is not approved. Any servicing fee higher than 0.60% requires Commission approval in a subsequent proceeding. The Commission approves these servicing arrangements as discussed herein.

D. Use of Proceeds

The proceeds of the Bonds, net of bond issuance costs payable by the Authority (including costs payable to the Utility and amounts required to be deposited to the DSRS), will be deposited with the State Treasury and immediately disbursed pursuant to the instructions of the Authority to the Utility to pay the cost of purchasing the securitization property. The Utility, in turn, will use the proceeds, to pay or reimburse itself for the Approved Qualified Costs pursuant to the terms of this Order.

E. Approval of Final Bond Terms; Issuance Advice Letter

The Commission recognizes that certain details of the final Bond structure, such as any overcollateralization requirements or credit enhancements to support payment of the Bonds, and the final terms of the Bonds will depend in part upon the rating criteria of the nationally recognized credit rating agencies which will rate the Bonds and/or, in part, upon the market conditions that exist at the time the Bonds are taken to the market. This Order establishes and approves a financing structure as well as parameters for the Bonds, including maximum final scheduled payment dates, a weighted average interest rate on the Bonds, the method by which the Bonds should be amortized, as well as limits on certain costs to be incurred by the Utility, including Utility bond issuance costs and Utility servicing fees. As authorized by the Act, ODFA, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, will determine and approve the final terms of the Bonds consistent with the terms of this Order. Within three business days of the pricing of the Bonds, ODFA and the Utility will jointly submit to PUD, for information purposes (except with respect to the Utility certification), an Issuance Advice Letter evidencing the final terms of the Bonds, projected (or actual) costs of issuance and ongoing financing costs, projected customer savings, as well the initial WES Charge. Failure or delay in submitting such report will not affect the validity of the Bonds or their security.

VI. BOND ISSUANCE AND ONGOING FINANCING COSTS**A. Bond Issuance Costs**

Bond issuance costs will be incurred in connection with the issuance of the Bonds and will be recoverable from proceeds of the Bonds. Bond issuance costs include, without limitation, the cost of funding the DSRS, underwriting costs (fees and expenses), rating agency fees, costs of obtaining additional credit enhancements (if any), the Commission (including PUD) expenses, fees and expenses of the Authority's and the Utility's accountants and legal advisors (including bond counsel, special counsel and disclosure counsel), fees and expenses of the Financial Advisor, original issue discount, external servicing costs, fees and expenses of bond trustee and its counsel (if any), servicer set up costs, printing and filing costs, non-legal financing proceeding costs and expenses of ODFA, the Utility, the Commission (including the PUD) and the State Treasurer or other State officials and miscellaneous administrative costs. ODFA has no control over issuance costs incurred pursuant to a financing under the Act, apart from ODFA related issuance costs. The only issuance costs to be incurred directly by the Utility are servicer set up costs, costs related to regulatory proceedings, miscellaneous administrative costs, external servicing costs and the costs of the Utility's financial and legal advisors (collectively, "Utility Issuance Costs"). The Utility has provided a detailed estimate of its Utility Issuance Costs in its testimony. The Commission

will have control over Utility Issuance Costs through its jurisdictional control over the Utility. All other issuance costs (collectively, "Non-Utility Issuance Costs") will be outside the control of the Utility because the issuer of the Bonds, the Authority, is an instrumentality of the state.

The Commission is mindful of the fact that several of the components of bond issuance costs will vary depending upon the size of the final issuance of the Bonds. Specifically, the Commission realizes that some of the following costs may be proportional to the amount of Bonds actually issued, as described in the final Issuance Advice Letter: the DSRS, rating agency fees, special counsel fees, fees and expenses of the Council of Bond Oversight and Attorney General, and underwriters' fees are proportional to the amount of Bonds actually issued. Further, other issuance costs, such as ODFA and Utility legal and accounting fees and expenses, and printing expenses will not be known until the issuance of the Bonds or even thereafter, when final invoices are submitted. In this Order, the Commission approves the recovery by the Utility of the Utility Issuance Costs, subject to a cap of \$500,000 (the "Utility Issuance Cost Cap"). An estimate of the Non-Utility Issuance Costs was described in the testimony of the Financial Advisor. All other Non-Utility Issuance Costs are also approved for recovery, subject to the final approval of costs by the Authority and the State Deputy Treasurer for Policy and Debt Management.

B. Ongoing Financing Costs

Costs will be incurred by the Utility, in its role as servicer, as well as by the Authority and other state agencies in connection with the servicing and administration of the Bonds. These costs should not be included in the principal amount of the Bonds, and are authorized to be recovered through the WES Charges, subject to the true-up of those charges as provided in this Order. The Financial Advisor estimates that these ongoing annual costs (exclusive of debt service on the Bonds and the servicing fee and external accounting costs of the Utility) will be approximately \$750,000 for the first year following the issuance of the Bonds (assuming the Utility is the initial servicer), but many ongoing costs will not be known until they are incurred. The Utility has proposed an annual servicing fee equal to 0.05% of the original principal amount of the Bonds for acting as initial servicer. This fee will be fixed for the life of the Bonds and continuing thereafter until all WES Charges have been billed and collected or written off as uncollectible as long as the Utility continues to act as servicer. In addition, the Utility, as initial servicer, has requested that it should be entitled to receive reimbursement for its out-of-pocket costs for external accounting services to the extent external accounting services are required by the servicing agreement, as well as for other items of cost (excluding external information technology costs, bank wire fees and legal fees, which are part of the servicing fee) that will be incurred annually to support and service the Bonds after issuance. As later discussed, the Utility is directed to include the servicing fee, as well as servicing costs, as part of the Utility's subsequent general rate proceeding, as applicable, to ensure that the Utility does not collect more than its incremental costs.

In the event that a servicer default occurs, the Authority, or the bond trustee acting at the direction of a majority of the bondholders, will be permitted to appoint a successor servicer. The compensation of the successor servicer will be what is required to obtain the services under the servicing agreement. As previously discussed, the Financial Advisor has recommended that the Commission approve a fee up to 0.60% of the initial principal balance of the Bonds in case a successor needs to be appointed, unless the ODFA can reasonably demonstrate to the Commission, in a subsequent proceeding, that the services cannot be obtained at that compensation level under the market conditions at that time. As stated in IV(C), the Commission authorizes an annual

successor servicing fee up to 0.60% of the initial balance of the Bonds conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. Moreover, should the successor servicer seek a servicing fee higher than 0.60%, such fee is not approved. Any servicing fee higher than 0.60% requires Commission approval in a subsequent proceeding. The Commission approves these servicing arrangements.

As set forth herein, the ODFA, the Utility and the Commission should be and are permitted to recover from WES Charges their ongoing financing costs, as requested by the Utility and ODFA, subject to the cap on the annual servicing fee and conditions described above.

VII. FINDINGS OF FACT

Based on a review of the entire record in this Cause, including a thorough review of all the evidence, exceptions, response(s) to the exceptions, and all arguments of counsel, the Commission makes the following findings of fact.

A. Identification and Procedure

Identification of Applicant and Background

1. OG&E is an investor-owned electric public utility that owns and operates plant, property, and other assets used for the generation, production, transmission, distribution, and sale of electric power and energy in the states of Oklahoma and Arkansas. OG&E is incorporated in the State of Oklahoma and is subject to the regulatory authority of the Commission with respect to its retail rates and charges for sales of electricity made within the State of Oklahoma.

2. In February 2021, Oklahoma experienced an extreme weather event that brought nearly two weeks of record cold temperatures to the state. The extreme cold weather resulted in a shortage of natural gas supply, the failure of certain infrastructure, and enhanced demand for natural gas and electric power. The extreme weather conditions resulted in the Utility incurring extreme purchase costs, extraordinary costs or both that would be mitigated by issuing the Bonds.

Procedural History

3. On April 26, 2021, the Utility filed its Application. Also on this date, Jared B. Haines and A. Chase Snodgrass entered an appearance on behalf of the Attorney General in this Cause.

4. On April 29, 2021, the PUD filed a Motion to Engage a Financial Advisor(s) or other Consultants.

5. On May 4, 2021, Jack G. Clark Jr. and Ronald E. Stakem entered appearances on behalf of the OG&E Shareholders Association.

6. On May 5, 2021, Thomas P. Schroedter entered his appearance on behalf of OIEC.

7. On May 11, 2021, Rick D. Chamberlain entered his appearance on behalf of Walmart Inc. Also on this date, the Commission issued Order No. 718290, Order Granting the Public Utility Division's Motion to Engage a Financial Advisor(s) or other Consultants.

8. On May 12, 2021, Deborah R. Thompson entered her appearance on behalf of AARP.

9. On May 18, 2021, OG&E filed a Motion for Protective Order and on May 19, 2021 filed a Motion to Establish Procedural Schedule.

10. On June 9, 2021, the Commission issued Order No. 718799, Order Granting [OG&E's] Motion for Protective Order.

11. On June 18, 2021, OG&E filed Direct Testimonies of Charles B. Walworth, Donald R. Rowlett, Richard G. Smead, Robert Doupe and Shawn McBroom and supplied detailed information about the extreme purchase costs and the customer bill impacts as required by the Act.

12. On July 7, 2021, the Commission issued Order No. 719312, Order Granting Motion to Establish Procedural Schedule.

13. On July 8, 2021, OG&E filed a Motion to Establish Notice Requirements and Approve Form of Notice.

14. On August 12, 2021, the Commission issued Order No. 720025, Order granting Motion to Determine Notice Requirements and Approve Form of Notice.

15. On August 23, 2021, D. Kenyon Williams, Jr. entered his appearance on behalf of OIEC. Also on August 23, 2001, Responsive Testimony and Exhibits of Lisa V. Perry was filed on behalf of Walmart Inc., Responsive Testimonies of Mark E. Garrett, Scott Norwood, Brian C. Collins and James P. Mosher were filed on behalf of OIEC and Responsive Testimonies of Isaac D. Stroup, JoRay McCoy and Michael Bartolotta were filed on behalf of PUD.

16. On August 27, 2021 the Attorney General, OG&E Shareholders Association and AARP filed its Statements of Position.

17. On September 13, 2021, OG&E filed Rebuttal Testimonies of Shawn McBroom, Robert Doupe, Richard G. Smead, William H. Wai, Donald R. Rowlett, Gwin Cash and Charles B. Walworth.

18. On October 4, 2021, Jack P. Fite entered his appearance on behalf of OG&E.

19. On October 7, 2021, Exhibit Lists were filed by OIEC, AARP, the OG&E Shareholders Association, Walmart Inc., PUD, OG&E and the Attorney General. Also on this date, OG&E also filed the Affidavit of Amanda Reyes regarding compliance with notice requirements and PUD filed Supplemental Responsive Testimony of Michael Bartolotta.

20. Also on October 7, 2021, Testimony Summaries of Isaac D. Stroup, JoRay McCoy and Michael Bartolotta were filed by PUD, a Testimony Summary of Lisa V. Perry was filed by Walmart Inc., and Testimony Summaries of Gwin Cash, Shawn McBroom, Charles B. Walworth, Donald R. Rowlett, Robert Doupe, William Wai, Richard G. Smead were filed by OG&E.

21. On October 8, 2021, Responsive Testimony Summaries of James P. Mosher, Mark E. Garrett, Brian C. Collins and Scott Norwood were filed on behalf of OIEC. On this date the Settlement Agreement was filed, in addition to the testimonies in support of the Settlement Agreement by Gwin Cash and Donald R. Rowlett were filed by OG&E.

22. On October 11, 2021, Testimony in Support of the Settlement Agreement of JoRay McCoy was filed by PUD.

23. Public comment was received at the hearing on the merits that commenced on October 11, 2021. The hearing on the merits was then continued until October 13, 2021 and was conducted on October 13 and 14, 2021. At the conclusion of the hearing on the merits, the ALJ took the matter under advisement.

24. On November 12, 2021, the ALJ issued her Report and Recommendation of the [ALJ] ("ALJ Report"), recommending the Commission approve the Settlement Agreement.

25. On November 17, 2021, PUD filed its Exceptions to the ALJ Report. Also on this date, AARP filed its Exceptions to the ALJ Report (corrected to November 18, 2021) and Motion for Oral Argument, along with a Notice of Hearing.

26. On November 22, 2022, OG&E and OIEC each filed Responses to AARP's Exceptions to the ALJ Report.

27. On November 30, 2021, the Commission took up AARP's Motions for Oral Argument which was granted, and the Commission heard oral argument on the Exceptions and took the matter under advisement.

28. Prior to issuing this Order, the Commission, through the Financial Advisor, has consulted with the Deputy Treasurer for Policy and Debt Management regarding the marketability and efficiency of any proposed financing authorized by a financing order in accordance with 74 Okla. Stat. § 9074(B).

B. Summary of Evidence

Documents filed in this Cause are contained in records kept by the Court Clerk of the Commission. Testimony was offered at the hearing conducted on October 13-14. The entirety of the testimony offered is contained in the transcripts of these proceedings. The testimony in support of the Settlement Agreement, testimony summaries and statements of position contained in Attachment B of the ALJ Report are incorporated herein by reference. The full record of this Cause includes all items within the definition of "record" as set forth in OAC 165:5-1-3.

C. Approval of the Settlement Agreement

29. The Settlement Agreement represents a resolution of issues in this Cause between and among the Stipulating Parties, which includes the WES Mechanism.

30. Testimony in support of the Settlement Agreement was filed by OG&E and PUD through witnesses Donald Rowlett, Gwin Cash, and JoRay McCoy. In addition, the Financial Advisor testified at the hearing as an expert witness without taking a position on the Settlement Agreement. In a hearing held October 13 and 14, 2021, witnesses provided testimony in support of the Settlement Agreement and all parties, including AARP and the Attorney General, were provided the opportunity to conduct cross-examination. At the conclusion of this hearing, all pre-filed testimony was admitted into the record without objection.

31. In Paragraph 1 of the Settlement Agreement, the Stipulating Parties recommended that OG&E should recover \$739 million of the estimated \$748.9 million total extreme purchase costs. The Stipulating Parties further agreed that the \$739 million in extreme purchase costs related to natural gas and wholesale energy procurement should be deemed prudent and recoverable. Witness Rowlett described, at the hearing and in pre-filed testimony, the operational challenges presented by the 2021 Winter Weather Event and the procurement practices OG&E followed during that event. Witness McCoy testified regarding PUD's prudence review pursuant to the Commission's rules and the extreme and unique nature of the 2021 Winter Weather Event. He testified that OG&E acted in accordance with its Fuel Supply Portfolio and Risk Management Plan during the 2021 Winter Weather Event. After considering the testimony provided at the hearing and the evidentiary record, the Commission finds the extreme purchase costs in the amount of \$739 million would otherwise be recoverable from customers as fair, just and reasonable expenses, were prudently incurred, and those costs should be securitized.

32. The February 2021 Winter Weather Event swept in fast, causing unprecedented low temperatures and extensive ice storms that brought about very rapid well and pipeline freeze-offs to an extent not seen before. This shortage of gas supply deprived the entire natural gas market of large quantities of Southwest production, leading to widespread power curtailments and blackouts in Texas as well as market prices never before experienced in the Southwest region. Supply restrictions caused by wellhead and pipeline freeze-offs during the 2021 Winter Weather Event caused prices of all relevant supplies to skyrocket for a few days. Smead Direct P. 5 l. 29 - P. 6 l. 2. The requested recovery amount is less than the originally requested \$838.6 million, and therefore reduces the costs borne by ratepayers by roughly \$100 million compared to the original request. McCoy Settlement Testimony P. 5 ls. 11-14.

33. The Utility's \$739 million extreme purchase costs were prudently incurred by OG&E during the February 2021 Winter Weather Event. The prudence of a utility's action is based on whether the action was reasonable given the information the Utility's management knew or should have known at the time the decision was made. Prudence inquiries involve a determination of whether the utility's management made a reasonable decision in light of the circumstances existing at the time of the decision and the knowledge of such circumstances management had or should have had. Rowlett Rebuttal Testimony P. 3 ls. 11 - 35. The actions taken by OG&E personnel in league with the SPP were important factors in the provision of safe, reliable service to OG&E customers. Fuel and purchased power were prudently procured at

reasonable cost based on the mechanisms available at the time. Rowlett Settlement Testimony P. 4 ls. 14 – 23.

34. In Paragraph 2 of the Settlement Agreement, the Stipulating Parties requested that the Commission find that OG&E has provided the requisite information specified in Section 4(A) of the Act (74 Okla. Stat. § 9073(A)) and that, pursuant to Section 4(C) of the Act (74 Okla. Stat. § 9073(C)), that securitization would provide benefits to customers as compared to traditional utility financing. In pre-filed and oral testimony, witnesses Rowlett and McCoy testified that customers benefitted from the lower costs of securitization as compared to traditional utility financing. In his pre-filed testimony, witness Rowlett includes Table 1 that compares the costs of a 28 year term for securitization as compared to traditional utility financing and demonstrates that securitization provides a significant savings for customers. Both OG&E and PUD witnesses testified that OG&E had complied with the requirements of the Act regarding the provision of necessary information. Based on a review of the record, the Commission concludes there is substantial evidence to support findings that OG&E provided the information required within the Act and that securitization is beneficial to customers and, thus, in the public interest.

35. In Paragraph 3 of the Settlement Agreement, the Stipulating Parties requested that the Commission issue a financing order as proposed by the Financial Advisor, with revisions as provided by OG&E witness Walworth for the securitization of approximately \$760 million and authorizing a 28 year amortization for cost recovery or shorter term to obtain the most favorable terms for customers that will result in the lowest reasonable monthly charge for customers. The Stipulating Parties agreed that \$760 million recommended for securitization is an estimate and may fluctuate depending on final costs and carrying costs incurred until securitization. Both OG&E and PUD witnesses provided testimony in support of a securitization amount of approximately \$760 million. The Financial Advisor provided information concerning the use of securitization generally, the proposed bond structure and associated transaction documents used to issue the bonds, the provisions of the proposed financing order, related bond costs, and the servicing arrangements associated with the bond issuance. While the Stipulating Parties recommended a term for the bonds of 28 years, the provisions of the Settlement Agreement allow the ODFA to adopt a shorter financing period if that is found to be advantageous to customers and will result in the lowest reasonable monthly charge. The Financial Advisor further testified that the final decision regarding the term of the bonds will be made by the ODFA after the issuance of this Order. The Commission finds there is substantial evidence to support issuing this Order as requested by the Stipulating Parties, except as otherwise modified herein.

36. In Paragraph 4 of the Settlement Agreement, the Stipulating Parties agreed that OG&E will use its best efforts to pursue the Southwest Power Pool (“SPP”) make-whole payments and resettlement amounts. In his pre-filed and oral testimonies, witness Rowlett provided information concerning the resettlements and make-whole payments that are still outstanding from SPP. Witness Rowlett affirmed that OG&E will make best efforts to comply with 74 Okla. Stat. § 9073(G) regarding SPP payments and any insurance proceeds received. The Commission finds the provisions of Paragraph 4 of the Settlement Agreement to be in the public interest, as further detailed in Finding of Fact No. 112.

37. In Paragraph 5 of the Settlement Agreement, the Stipulating Parties recommended that the Commission find the carrying charge on the regulatory asset balance containing the extreme purchase costs shall be based on the actual costs of credit facilities, loan agreements, or

other debt financing related to the deferred costs of the 2021 Winter Weather Event. Witness Rowlett provided pre-filed and oral testimonies affirming the Utility's agreement to base the charge on the actual cost of financing. The Commission finds this provision to be in the public interest.

38. In Paragraph 6 of the Settlement Agreement, the Stipulating Parties agreed that OG&E will engage in discussions with stakeholders regarding methods to mitigate the costs of future cold weather events. Specifically, OG&E agrees to discuss mitigation of natural gas price volatility and future cold weather events and to evaluate the use of natural gas storage services as well as physical and financial hedging. Also, OG&E agrees to revise its next fuel supply portfolio and risk management plan to address natural gas storage practices and procurement practices not based solely on daily index pricing. In his pre-filed and oral testimonies, witness Rowlett affirmed OG&E's agreement to engage in these stakeholder activities regarding evaluation of natural gas storage and procurement practices. The Commission finds this provision to be in the public interest.

39. The very large run-up in prices this February was the result of an anomalous event and, based on the 10 year and five year histories of natural gas prices, insulating from such an anomalous market movement by incurring costs to pay for price stabilization mechanisms for that magnitude would not have been justified at the time. Smead Direct P. 9 ls. 6-31. Additionally, considering a history of plentiful gas supplies with no indication of the severity of the 2021 Winter Weather Event that was about to occur, OG&E proceeded to use its monthly and daily contracting methods. OG&E had not procured multi-day gas since the advent of the modern natural gas markets brought about after FERC Order 636 in 1992. OG&E followed its fuel policies and procedures during the event. McCoy Responsive at P. 13 ls. 1-3.

40. OG&E did not see the need to engage in hedging activity in early 2021 based upon past practices and considering the transaction costs, and the implied lack of flexibility when hedges are secured by fixed-price or formula contracts, or by transacting in the futures market. There is also the possibility under normal conditions that hedging can create real and substantial costs when unneeded gas must be disposed. OG&E explained that its portfolio approach to keeping multiple supply sources available provides price protection without the cost or risk of price-stabilization mechanisms such as hedges. Smead Direct at P. 8 ls. 14 – 24. If OG&E would have procured multi-day or weekly natural gas, since supply cuts hit every type of gas, there would have been no guarantee that gas would have flowed. McCoy Responsive P. 11 ls. 11 -17.

41. The Utility's focus during the February 2021 Winter Weather Event was to keep the power flowing to ensure reliability for the benefit of the public. OG&E's use of gas in storage and purchase of gas for storage during the 2021 Winter Weather Event was meant to ensure it had an adequate gas supply so that its gas-fired generating facilities could continue providing critical power to the grid. The Company built up gas supply on February 17th and 18th so that it could restore Redbud to full output. It would not have been prudent for OG&E to exhaust its gas storage reserve when supply disruptions were happening and the ability to obtain gas was so uncertain. These steps were critical to ensuring gas supply would be maintained and Redbud could return to full output. Rowlett Rebuttal P. 9 ls. 17 – 31. Any argument that OG&E should have used storage gas to mitigate overall costs during this event is hindsight without a full understanding of the context of the seriousness of OG&E's efforts to maintain reliability. Throughout the event, OG&E used gas in storage to assure reliability. On February 17th and 18th in particular, OG&E took

steps to “pack the pipe” and build gas supply on the pipeline so that gas supply would be ensured for reliability going forward. Rowlett Rebuttal P. 9 l. 27 – P. 10 l. 3.

42. The unavailability of generating units (Horseshoe Lake 6, 7, 8 and 10, Muskogee 4 and 5 and River Valley Unit 1) were due to planned outages for repair work approved by SPP. These outages are performed in off peak periods, such as February to prepare for the summer peak demands which is the normal procedure and require advanced planning. Rowlett Rebuttal P. 7 ls. 2 – 15. The noted outages represented 53% of the Company’s reported gas fired units megawatt capacity. In addition, during a majority of the 2021 Winter Weather Event, a third of the wind turbines were faulted due to ice accumulations. The combination of the planned outages and the faulted, iced wind turbines accounted for 28% of OG&E’s megawatt capacity being unavailable. Despite the 2021 Winter Weather Event occurring late in the season when extended extreme cold periods are rare and at a time when outages had been approved, there were minimal service interruptions. McCoy Responsive P. 10 ls. 2 – 15.

43. In Paragraph 7 of the Settlement Agreement, the Stipulating Parties recommended an allocation and rate design methodology to allocate costs to the individual Service Levels. The methodology adopted under the Stipulation Agreement is based to a great extent on the pre-filed testimony of OIEC witness Collins and supported in the pre-filed and oral testimonies of OG&E witness Cash. OG&E witnesses Rowlett and Cash described the benefits of the application of the energy allocation methodology to each day of the 2021 Winter Weather Event as opposed to over the full term of the event in aggregate. Witnesses Rowlett and Cash stated this methodology provided a more granular and, hence, more exact and fair method to assign costs of the 2021 Winter Weather Event. Witness Cash stated that the update to the allocation eliminates a cost subsidy being born by Service Levels 1 through 4 customers and assigns those costs to the Service Level 5 class based on more exact usage during the 2021 Winter Weather Event. Witness Cash also testified about two exceptions to the cost allocation methodology, which were detailed in Paragraphs 7.a and 7.b of the Settlement Agreement and why those exceptions were just and reasonable. Witnesses Rowlett and Cash also described the benefits of the rate design proposal that charges customers in the Service Levels 1 and 2 classes based on blocks of 100,000 kWh of usage during the event. These witnesses explained that this proposal charges customers in a manner that fairly recognizes those commercial and industrial customers who were not able to be up and running during the 2021 Winter Weather Event and therefore did not incur any 2021 Winter Weather Event related costs. The Commission concludes that a review of the record supports a finding that the allocation and rate design methodology proposed in the Settlement Agreement is fair, just, and reasonable and in the public interest.

44. OG&E Witnesses Rowlett and Cash also testified regarding the estimated customer impact of the Settlement Agreement. In reducing the securitized amount to \$760 million and incorporating the cost allocation changes of OIEC Witness Collins, the estimated customer impact on the average residential customer is approximately \$2.12 per month rather than \$3.95 utilizing traditional utility financing. Witnesses Rowlett and Cash testified that, although a transfer of approximately \$23 million to Service Level 5 customers resulted from the Settlement Agreement, the impact to the average residential customer is only a 10 cents per month increase from the previous impact calculation.

45. In Paragraph 8 of the Settlement Agreement, the Stipulating Parties requested that the WES Mechanism be approved by this Commission. During the hearing on the merits, OG&E

witness Cash detailed the various provisions of the WES Mechanism. Both PUD and OG&E provided testimony in support of this mechanism. The Commission agrees that the WES Mechanism is just and reasonable and should be approved. The Commission finds that the terms and conditions of the WES Mechanism shall comply in all respects with, and be subject to, the terms and conditions of this Order, and if there is a conflict between the terms and conditions of the WES Mechanism and those of this Order, the terms and conditions of this Order shall control.

46. Section II of the Settlement Agreement contains the typical language found in stipulations and settlement agreements filed at the Commission, and the Commission finds the provisions of Section II to be reasonable.

D. Amount to be Financed

Approval of Qualified Costs and Amount of Bonds

47. The Commission has determined that the Utility has incurred 2021 Winter Weather Event related qualified costs in the aggregate amount of \$739 million, plus carrying costs based on the actual costs of credit facilities, loan agreements or other debt financing used to finance the deferred cost related to the event, and that these qualified costs (collectively, "Weather-Related Qualified Costs"), together with bond issuance costs as described in Part VI of this Order comprise the Approved Qualified Costs. The Approved Qualified Costs are approved for recovery, and are eligible for recovery through the issuance of the Bonds under the Act.

48. The ODFA is authorized to issue the Bonds in an amount equal to the sum of the Weather-Related Qualified Costs approved in this Order plus the carrying costs and bond issuance costs approved in this Order. Such sum, estimated at \$760 million is hereinafter referred to in this Order as the "Authorized Amount".

Bond Issuance Costs and Ongoing Financing Costs

49. Bond issuance costs (as more fully described in Part VI of this Order) are those that will be incurred in advance of, or in connection with, the issuance of the Bonds, and will be recovered or reimbursed from proceeds of the Bonds (or, if necessary, from WES Charges as described in Finding of Fact No. 58 below).

50. ODFA has no control over bond issuance costs incurred pursuant to a financing order under the Act, apart from ODFA-related issuance costs. The only bond issuance costs to be incurred directly by the Utility are servicer set up costs, costs related to regulatory proceedings, miscellaneous administrative costs, external servicing costs and the costs of Utility's accountants, and financial and legal advisors, which are referred to as Utility Issuance Costs. The Non-Utility Issuance Costs will be outside the control of the Utility because the issuer of the Bonds, the ODFA, is an instrumentality of the state. The Commission will have control over Utility Issuance Costs through its jurisdictional control over the Utility, but in a manner which does not affect the securitization property.

51. Ongoing financing costs (as more fully described in Part VI of this Order) are those costs, in addition to debt service on the Bonds, that will be incurred annually to manage, service and administer the Bonds.

52. Other than the servicing fee (which will cover external information technology costs, bank wire fees and the fees of the Utility's legal counsel), the ongoing financing costs that will be incurred in connection with a financing are outside the control of ODFA, since ODFA cannot control the administrative, legal, rating agency and other fees to be incurred by the Utility on an ongoing basis. However, the Commission will have control over some of these ongoing financing costs through its jurisdictional control over the Utility, but in a manner which does not affect the securitization property.

53. The actual bond issuance costs and certain ongoing financing costs will not be known until on or about the date the Bonds are issued; other bond issuance and ongoing financing costs may not be known until such costs are incurred.

54. The Utility has provided estimates of its Utility Issuance Costs which costs shall be capped in an amount not to exceed \$500,000. The Financial Advisor has provided an estimate of Non-Utility Issuance Costs were estimated at \$6,320,000. These costs will not be capped.

55. The Utility and PUD, through the testimony of the Financial Advisor, have also provided estimates of ongoing financing costs for the first year following the issuance of the Bonds to be approximately \$750,000 if the Utility is the initial servicer.

56. The ODFA and the Utility shall report to the Commission through PUD, as set forth in the Issuance Advice Letter, the final estimates of bond issuance costs and ongoing financing costs for the first year following issuance.

57. The ODFA's and the Utility's actual or estimated issuance costs, each as specified in the Issuance Advice Letter, shall be paid as follows: the ODFA will pay its Non-Utility Issuance Costs from the proceeds of the Bonds, and the Utility will pay (or reimburse itself) for its Utility Issuance Costs from the net proceeds of the Bonds paid for the purchase price of the securitization property, all at or shortly after the delivery of the Bonds.

58. Within 90 days of the issuance of the Bonds, the ODFA and the Utility will submit to the Commission, by submitting to PUD, a final accounting of their respective issuance costs. If the Utility's actual issuance costs are less than the issuance costs included in the principal amount financed, the revenue requirement for the first semi-annual true-up adjustment shall be reduced by the amount of such unused funds (together with income earned thereon) and the Utility's unused funds (together with income earned thereon) shall be applied to the Utility's ongoing financing costs. If the ODFA's actual issuance costs are less than those estimated, the amount will be recognized as a credit in the true-up adjustment as part of the WES Mechanism. If ODFA's final issuance costs are more than the estimated issuance costs included in the principal amount financed, ODFA may recover the remaining issuance costs through a true-up adjustment. However, such recovery will be subordinate to the payment of debt service on the Bonds and related financing costs during the true-up period. The Utility's Issuance Costs are capped under this Order. A failure to provide such report will in no way affect the validity of or security for the Bonds.

E. Customer Benefits

59. The Act requires the Commission to consider whether the recovery of 2021 Winter Weather Event Costs by the Utility through the issuance of the Bonds will result in substantial revenue requirement savings as compared to conventional financing methods, a longer amortization schedule to pay the Bonds than would ordinarily be practicable or feasible for the Utility for such recovery and the ability to issue Bonds at a cost which would not exhaust the potential savings.

60. As described in the testimonies of OG&E Witness Walworth and the Financial Advisor, and in this Order, the Commission is satisfied the Utility has demonstrated that the proposed financing will satisfy each of these criteria.

F. Structure of the Proposed Financing

The Utility

61. OG&E is an investor-owned electric public utility that owns and operates plant, property, and other assets used for the generation, production, transmission, distribution, and sale of electric power and energy in the states of Oklahoma and Arkansas. OG&E is incorporated in the State of Oklahoma and is subject to the regulatory authority of the Commission with respect to its retail rates and charges for sales of electricity made within the State of Oklahoma.

62. The Utility will enter into a sale agreement with the ODFA, under which the ODFA will purchase from the Utility the securitization property in consideration of the net proceeds of the Bonds.

63. The Utility shall not seek to recover the Approved Qualified Costs covered by this Order, except through the transfer of securitization property as provided in the Act in exchange for proceeds of a bond issuance, which shall offset and complete the recovery of these costs for the Utility.

64. The Utility will service the securitization property pursuant to a servicing agreement with the Authority.

ODFA/AUTHORITY

65. ODFA is a public trust created by a Declaration of Trust, dated November 1, 1974, as amended, for the furtherance of public purposes and the benefit of the State of Oklahoma pursuant to the provisions of the Authority Act, as amended by the Act, and is authorized to issue ratepayer-backed bonds under the Act. The Authority is an instrumentality of the State of Oklahoma and operates to perform the essential government function of financing utility qualified costs with low-cost capital. The Authority is not an agent of State and has a legal existence separate and distinct from the State of Oklahoma.

66. ODFA may issue the Bonds as described in this Order in an aggregate amount not to exceed the Authorized Amount, and ODFA will assign and pledge to the bond trustee, as collateral for payment of the Bonds, the securitization property, including ODFA's right to

receive the WES Charges as and when collected, and any other collateral under the indenture.

Structure, Security and Documents

67. The Bonds should be issued in one or more series, and in one or more tranches for each series, in an aggregate amount not to exceed the Authorized Amount.

68. Pursuant to the Act, as security to pay the principal of and interest on the Bonds and other ongoing financing costs—the ODFA will pledge its interest in the securitization property created by this Order, the Act and by certain other collateral, including its rights under the servicing agreement. The securitization property and other bond collateral will be sufficient to ensure the payment of the principal of and interest on the Bonds, together with ongoing financing costs on a timely basis.

69. Pursuant to the Act, the Bonds will be issued pursuant to the indenture administered by the bond trustee, as described in Part V of this Order. The provisions of the indenture, pursuant to which a collection account and its subaccounts, and such additional accounts as may be required in connection with any additional collateral, will be created in the manner described in Part V of this Order, are reasonable. The Commission is persuaded by the evidence in the record that the provisions of the indenture as further set forth in this Order will provide for lower risks to be associated with the financing and thus lower the costs to customers, and should, therefore, be approved.

70. Pursuant to the Act, the Authority will direct the State Treasurer to deposit all revenue received with respect to securitization property and required to be deposited by the State Treasurer into the Regulated Utility Consumer Protection Fund (the “Consumer Protection Fund”) with the bond trustee and applied as provided in the indenture, in a manner consistent with obtaining the highest possible ratings on the Bonds.

71. Pursuant to the Act, ODFA will prepare, or cause to be prepared, a proposed form of an Indenture, an Administration Agreement (if requested by the Authority), a Sale Agreement and a Servicing Agreement (collectively, the “Transaction Documents”), which set out in substantial detail certain terms and conditions relating to the financing and security structure. Each of the Transaction Documents will be reviewed and approved by the Utility, the ODFA and the State Deputy Treasurer for Policy and Debt Management. The forms of the Transaction Documents will also be submitted to PUD for its review and comment.

72. Pursuant to the Act, ODFA will also prepare, or cause to be prepared, a preliminary official statement, substantially in the form of an official statement to be delivered on the date of pricing of the Bonds, omitting only such information as permitted by federal securities laws, rules and regulations, to be used by the Utility and the ODFA in connection with the offering and sale of the Bonds. The official statement will be reviewed and approved for use by the Utility, the ODFA and the State Deputy Treasurer for Policy and Debt Management. The Utility will cooperate with ODFA in the preparation of the official statement and provide all information to the ODFA required to comply with applicable federal securities laws and make representations with respect to the information provided to ODFA for inclusion in the preliminary official statement and final official statement.

Credit Enhancement and Arrangements to Enhance Marketability

73. The Utility has not requested approval of floating rate bonds or any hedges or swaps which might be used in connection therewith.

74. The Financial Advisor has testified that in current market conditions, it is uncertain whether the benefits of an interest rate swap related to the Bonds will outweigh the costs and risks in this particular case of researching and preparing the swap that could result in lower WES Charges.

75. An interest rate swap related to the Bonds could expose customers to greater risks in relation to the WES Charges and the ability of the swap counterparty to meet its obligations.

76. The Commission agrees with the Financial Advisor that the use of floating rate debt and swaps or hedges is not advantageous or cost effective for customers.

77. The Utility has not requested that additional forms of credit enhancement (including letters of credit, overcollateralization accounts, surety bonds, or guarantees) and other mechanisms designed to promote the credit quality and marketability of the Bonds be used. The Financial Advisor has testified that the Authority should have the flexibility to utilize such additional credit enhancements if such arrangements are reasonably expected to result in net benefits to customers. The Financial Advisor has recommended that the costs of any credit enhancements as well as the costs of arrangements to enhance marketability be included in the amount of issuance costs to be financed.

78. ODFA should be permitted to use, and to recover the Bond issuance costs and ongoing financing costs associated with, credit enhancements and arrangements to enhance marketability, if it determines, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, that such enhancements and arrangements provide benefits greater than their tangible and intangible costs. The use of such credit enhancement shall be described in the Issuance Advice Letter.

Servicer and the Servicing Agreement

79. The Utility will execute a servicing agreement with ODFA, as described in Part V of this Order. The servicing agreement may be amended, renewed or replaced by another servicing agreement, provided that any such amendment, renewal or replacement will not cause any of then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded. The Utility will be the initial servicer but may be succeeded as servicer by another entity under certain circumstances detailed in the servicing agreement. Pursuant to the servicing agreement, the servicer is required, among other things, to collect the applicable WES Charges for the benefit and account of the ODFA or its pledgees, to make the true-up adjustments of WES Charges required or allowed by this Order, and to account for and remit the applicable WES Charges to or for the account of the ODFA or its pledgees in accordance with the remittance procedures contained in the servicing agreement without any charge, deduction or surcharge of any kind (other than the servicing fee specified in the servicing agreement). Under the terms of the servicing agreement, if any servicer fails to perform its servicing obligations in any material respect, the ODFA, or, the bond trustee upon the instruction of the requisite percentage of holders

of the outstanding amount of the Bonds (“requisite bondholders”), shall be authorized to appoint an alternate party to replace the defaulting servicer, in which case the replacement servicer will perform the obligations of the servicer under the servicing agreement. The obligations of the servicer under the servicing agreement and the circumstances under which an alternate servicer may be appointed are more fully described in the servicing agreement. The rights of ODFA under the servicing agreement will be included in the collateral assigned and pledged to the bond trustee under the indenture for the benefit of holders of the Bonds.

80. The servicer shall remit actual WES Charges received to the bond trustee within two servicer business days of receipt according to the methodology described in the servicing agreement.

81. The Utility, as initial servicer, will be entitled to an annual servicing fee fixed at 0.05% of the initial principal amount of the Bonds. In addition, the Utility, as initial servicer, shall be entitled to receive reimbursement for its out-of-pocket costs for external accounting services to the extent external accounting services are required by the servicing agreement, as well as for other items of cost (excluding external information technology costs, bank wire fees and legal fees, which are part of the servicing fee) that will be incurred annually to support and service the Bonds after issuance. The servicing fees collected by the Utility, or by any affiliate of the Utility acting as the servicer, under the servicing agreement shall be included as an identified revenue credit and reduce revenue requirements for the benefit of the customers in its next rate case following collection of said fees. The expenses of acting as the servicer shall likewise be included as a cost of service in any such utility rate case. In this Order, the Commission approves the servicing fee as described herein. The Commission further approves, in the event of a default by the initial servicer resulting in the appointment of a successor servicer, a higher annual servicing fee of up to 0.60% of the initial principal balance of the Bonds conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. The ODFA may request to pay a servicing fee higher than 0.60% if it can reasonably demonstrate to the Commission, in a subsequent proceeding, that the services cannot be obtained at a compensation level lower than 0.60% under the market conditions at that time. The obligations to continue to collect and account for WES Charges will be binding upon the Utility, its assigns and successors and any other entity that provides transmission and distribution electric services or, in the event that transmission and distribution electric services are not provided by a single entity, any other entity providing electric distribution services to the customers. The Commission will enforce the obligations imposed by this Order, its applicable substantive rules, and statutory provisions to ensure the nonbypassability of the WES Charge.

82. No provision of this Order shall prohibit the Utility from selling, assigning or otherwise divesting any of its transmission or distribution system or any facilities providing service to the customers, by any method whatsoever pursuant to law, including those specified in Ordering Paragraph 31 pursuant to which an entity becomes a successor, so long as each entity acquiring such system or portion thereof agrees to continue operating the facilities to provide service to the customers and collect the WES Charges under the existing servicing agreement, subject to ODFA approval.

83. The servicing arrangements described in Findings of Fact Nos. 79 through 82 are reasonable, will contribute to the reduction of risk associated with the proposed financing and,

based on the testimony of the Financing Advisor, should, therefore, result in lower WES Charges and greater benefits to the customers and should be approved.

Ratepayer-Backed Bonds

84. Pursuant to the Act, ODFA may issue and sell the Bonds in one or more series, and each series may be issued in one or more tranches in an aggregate principal amount not exceeding the Authorized Amount. ODFA, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, will determine and approve the final terms of the Bonds consistent with the terms of this Order.

85. The scheduled final payment date of any series of the Bonds is not expected to exceed 28 years from the date of issuance of such Bonds. The legal final maturity date of any series of the Bonds will not be more than two years after the scheduled final payment date. The scheduled final payment date and legal final maturity date of each series and tranche within a series and amounts in each series will be finally determined by the ODFA, consistent with market conditions and indications of the rating agencies and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt Management, at the time the Bonds are priced.

86. The Bonds will be amortized using a substantially level annual debt service, mortgage-style structure.

87. The weighted average interest rate on the Bonds will not exceed 6.0% per annum.

88. The Utility may file a new request for a subsequent financing order under the Act for the Utility to retire or refund the Bonds approved in this Order, after proper notice and hearing, and upon a showing that the Customers would benefit and that such a financing is consistent with the terms of the outstanding Bonds as permitted by 74 Okla. Stat. § 9077(D).

89. The Commission finds that the foregoing parameters for the Bonds will aid in the best efforts to allow customers to enjoy substantial revenue requirement savings and rate mitigation benefits as required by the Act.

WES Charges—Imposition and Collection and Nonbypassability

90. The Stipulating Parties seek to impose on and to collect from all customers, WES Charges in an amount sufficient to provide for the timely recovery of its costs approved in this Order (including payment of scheduled principal of and interest on the Bonds and ongoing financing costs related to the Bonds on a timely basis). The Utility will seek to bill and collect the WES Charges, as servicer on behalf of ODFA, until the Bonds issued pursuant to this Order are paid in full and all ongoing financing costs of the Bonds have been recovered in full.

91. WES Charges collected pursuant to the WES Mechanism shall be a separate line-item on the monthly bill of the customer.

92. If any customer does not pay the full amount of any bill, the amount paid by the customer to the Utility will be applied pro-rata by the Utility based upon the total amount of the bill and the total amount of the WES Charge. The foregoing allocation will facilitate a proper

balance between the competing claims to this source of revenue in an equitable manner.

93. The Utility, acting as servicer, and any subsequent servicer, will collect WES Charges from all current and future customers of the Utility and any successor or assign of the Utility will be obligated to bill the WES Charge to customers located at an address within this state and within the service area of the Utility as of the date of this Order in order to ensure its nonbypassability. The WES Mechanism also describes features demonstrating how the WES Charge will be nonbypassable to customers, even if such customers switch providers, change fuel sources or materially change usage. Customers who self-generate under the Utility's NEBO and QF tariffs will be assessed the WES Charge based upon their gross usage and customers under the Day-Ahead Pricing and Flex Pricing tariffs will be billed based on their baseline usage. The Commission finds that such nonbypassability provisions are appropriate to result in an equitable allocation of qualified costs among customers and to make all reasonable efforts to secure the highest possible ratings for the Bonds.

94. In the event that there is a fundamental change in the manner of regulation of public utilities, which allows third parties other than the servicer to bill and collect WES Charges, the Commission shall to the utmost of its ability ensure that WES Charges shall be billed, collected and remitted to the servicer in a manner that will not cause any of then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded.

95. The Utility's proposal related to the collection of WES Charges, as servicer on behalf of the ODFA, is reasonable and consistent with the nonbypassability mechanism contemplated by the Act, and should be approved.

96. The WES Mechanism consistent with the terms of this Order is hereby approved. Such tariff provisions shall be filed before any Bonds are issued pursuant to this Order.

Periodic Payment Requirements and Allocation of Cost

97. The PPR is the required periodic payment for a given period due under the Bonds. As to be more fully specified in the bond documents, each PPR includes: (a) the principal amortization of the Bonds in accordance with the expected amortization schedule (including deficiencies of previously scheduled principal for any reason); (b) periodic interest on the Bonds (including any accrued and unpaid interest); (c) ongoing financing costs as described herein and (d) any deficiency in the DSRS. The initial PPR for the Bonds issued pursuant to this Order will be updated in the Issuance Advice Letter.

98. The PBR represents the aggregate dollar amount of WES Charges that must be billed during a given period so that the WES Charge collections will be timely and sufficient to meet the PPR for that period, based upon: (i) forecast usage data and base rate revenues for the period; (ii) forecast uncollectibles for the period; (iii) forecast lags in collection of billed WES Charges for the period; and (iv) projected collections of WES Charges pending the implementation of the true-up adjustment.

99. The Stipulating Parties' proposed allocation of the PBR between Service Levels as set forth in the WES Mechanism is reasonable and should be approved.

True-up of WES Charges

100. The Stipulating Parties have proposed a true-up mechanism which is reasonable, consistent with the Act and is designed to obtain the highest possible ratings on the Bonds, and is approved as set forth in this Order.

101. The servicer of the Bonds will be required to make mandatory semi-annual adjustments (*i.e.*, every six months, except for the first true-up adjustment period, which may be longer or shorter than six months, but in any event no more than nine months, and must be completed thirty (30) days prior to a date on which the PPR is determined) to the WES Charges to:

- (a) Correct any under collections or over collections (both actual and projected), for any reason, during the period preceding the next true-up adjustment date and
- (b) Ensure the projected recovery of amounts sufficient to provide timely payment of the scheduled principal of and interest on the Bonds and all ongoing financing costs (including any necessary replenishment of the DSRS) during the subsequent 12-month period (or in the case of quarterly true-up adjustments described below, the period ending the next Bond payment date). To the extent any Bonds remain outstanding after the scheduled maturity date of the last tranche of a series of Bonds, mandatory true-up adjustments shall be made quarterly until all Bonds and associated costs are paid in full.

102. The form of true-up letters attached as Appendix D and Appendix E to this Order are approved.

103. True-up submissions will take into account the cumulative differences, regardless of the reason, between the PPR (including scheduled principal and interest payments on the Bonds and ongoing financing costs) and the amount of WES Charge remittances to the bond trustee. True-up procedures are necessary to ensure full recovery of amounts sufficient to meet on a timely basis the PPR over the scheduled life of the Bonds. In order to assure adequate WES Charge revenues to fund the PPR and to avoid large over collections and under collections over time, the servicer will reconcile the WES Charges using its most recent forecast of usage and demand and the Authority's estimates of financing costs. The calculation of the WES Charges will also reflect both a projection of uncollectible WES Charges and a projection of payment lags between the billing and collection of WES Charges based upon the servicer's most recent experience regarding collection of WES Charges.

104. The servicer will set the initial WES Charges and make true-up adjustments to the WES Charges based upon the WES Mechanism.

105. The servicer may also make interim true-up adjustments more frequently at any time during the term of the Bonds: (i) if the servicer forecasts that WES Charge collections will be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or (ii) to replenish any draws on the DSRS. Each such interim true-up shall use the methodology set forth in the WES Mechanism applicable to the semi-annual true-up. The DSRS requirement may be adjusted above 0.50% of the original principal amount of the Bonds (or such higher level identified at the time

of the initial issuance of the Bonds that benefits customers), as permitted in this Order.

106. Semi-annual and quarterly true-up adjustments, if necessary, shall be submitted not less than 30 days prior to the first billing cycle of the month in which the revised WES Charges will be in effect.

Additional True-up Provisions

107. The true-up adjustment submission will set forth the servicer's calculation of the true-up adjustment to the WES Charges. The PUD will have 30 days after the date of a true-up adjustment submission in which to confirm the mathematical accuracy of the servicer's adjustment. Any true-up adjustment submitted to the PUD should be effective on its proposed effective date, which shall be not less than 30 days after submission. Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment, will be made in future true-up adjustment submissions. Any interim true-up may take into account the PPR for the next succeeding 6 months if required by the servicing agreement.

108. The true-up mechanism described in this Order and contained in the WES Mechanism is reasonable and designed to reduce risks related to the Bonds, and is believed to result in lower WES Charges and greater benefits to customers and should be approved.

109. The servicer shall request a non-standard true-up adjustment to address any material changes in usage and to allow for a change in the Energy Allocation Factors, as and when provided in the WES Mechanism. The Commission's scope of review, conducted by the PUD, of a Non-Standard True-Up is limited to the correction of mathematical errors.

Use of Proceeds

110. Pursuant to the Act, the Authority will direct the State Treasurer to transfer all bond proceeds received from the sale of the Bonds, net of amounts required issuance costs, including amounts deposited to the DSRS, to the Utility to pay the purchase price of the securitization property, on behalf of and as agent of ODFA. The Utility will apply these net proceeds to reduce its Approved Qualified Costs as described in the testimony of OG&E witness Rowlett.

111. In accordance with 74 Okla. Stat. § 9074(G) of the Act, upon issuance of this Order, OG&E will not seek to recover the Approved Qualified Costs from customers except through the transfer of securitization property in exchange for the proceeds of a bond issuance, which shall offset and complete the recovery of qualified costs for the regulated Utility. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify or amend this Order and shall not affect the validity, finality and irrevocability of this Order, the securitization property irrevocably created hereby or the Bonds.

G. Customer Credits for Post Financing Order Insurance Proceeds or Government Grants and Alternative Funds

112. To the extent the Utility receives insurance proceeds from private insurers, receives insurance proceeds or grants from the State of Oklahoma or the government of the United States of America, or any similar source of permanent reimbursement after the date of this Order the purpose of which is to provide for recovery of 2021 Winter Weather Event related qualified costs approved for recovery by this Order, the Commission finds that such amounts, as soon as practicable, shall be credited to customers through its fuel cost adjustment mechanism, *Rider for Fuel Cost Adjustment*, with an amortization period, if any, to be determined at that time. All amounts returned to customers shall bear carrying charges at the rate authorized in Paragraph 5 of the Settlement Agreement. Provided; however, consistent with the daily allocation methodology set forth and approved in Paragraph 7 of the Settlement Agreement, any and all related funds received by OG&E from SPP are directed to be allocated using the daily allocation methodology.

VIII. CONCLUSIONS OF LAW

1. The Commission is vested with jurisdiction in the present Cause pursuant to Article IX, section 18, 17 Okla. Stat. §§ 151-152, *et seq.*, 74 Okla. Stat. §§ 9070, *et seq.*, and Commission rules.

2. Notice in this Cause was properly provided in accordance with Commission Order No. 720025.

3. OG&E is a regulated utility as defined in 74 Okla. Stat. § 9072(9). The Utility is subject to the regulatory jurisdiction of the Commission with respect to its rates, charges and terms and conditions of service.

4. The Utility is entitled to file the Application, which constitutes, an application for a financing order pursuant to 74 Okla. Stat. § 9073.

5. The Commission has jurisdiction and authority over the Application pursuant to 74 Okla. Stat. § 9073 and other applicable law.

6. The Commission has authority to approve this Order under 74 Okla. Stat. § 9074(A) of the Act and the Commission's regulatory jurisdiction over the Utility.

7. The Bonds, including the rights embedded in the securitization property, pledged revenues, other Bond collateral and the State Pledge, must follow the process for validation by the Supreme Court of Oklahoma in compliance with 74 Okla. Stat. § 9079.

8. The Bonds must be approved by the Council of Bond Oversight as provided in the Oklahoma Bond Oversight and Reform Act, 62 Okla. Stat. § 695.8.

9. The final structure and terms of the Bonds, consistent with the provisions of this Order, will be approved by the Authority and the pricing of the Bonds will be approved by the

State Deputy Treasurer for Policy and Debt Management²⁴ pursuant to 62 Okla. Stat. § 695.7(C).

10. Pursuant to 74 Okla. Stat. § 9077(I), the proceeds of the sale of the Bonds and revenues received with respect to the securitization property shall be deposited by the State Treasurer in the Consumer Protection Fund maintained with the bond trustee. The State Treasurer shall apply such moneys as provided in Findings of Fact 111 and 112 of this Order.

11. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify or amend this Order and shall not affect the validity, finality and irrevocability of this Order until the indefeasible payment in full of the Bonds and all financing costs related thereto.

12. The Commission may adopt a financing order providing for the retiring and refunding of the Bonds under 74 Okla. Stat. § 9077(D).

13. The Commission may, under 74 Okla. Stat. § 9078, require an audit of all amounts received from customers under the WES Charge and paid to the Utility, and the amounts paid by the Utility to the ODFA. The audit shall be part of any general rate case of OG&E; provided it is affected by a financing order with outstanding Bonds. The Utility shall provide a copy of any audit to the Governor, the Pro Tempore of the Senate, the Speaker of the House of Representatives and the Authority; provided, however, any part or parts of the audit deemed confidential pursuant to federal or state law or as determined by the Commission, shall be redacted and, provided, further, that the findings of any audit shall not affect the validity, finality and irrevocability of this Order until the indefeasible payment in full of the Bonds and all financing costs related thereto and shall not impact, or be included as part of, the true-up and reconciliation process approved in this Order.

14. The securitization approved in this Order satisfies the requirements of 74 Okla. Stat. § 9073(C)(1) of the Act directing that the total amount of revenues to be collected under this Order result in substantial revenue requirement savings compared to conventional financing methods.

15. The securitization approved in this Order satisfies the requirement of 74 Okla. Stat. § 9073(C)(2) of the Act mandating that the securitization would mitigate the customer utility bill impact by mandating a longer amortization period for recovery than would otherwise be practicable or feasible.

16. The issuance of the Bonds approved in this Order in compliance with the provisions of this Order satisfies the requirement of 74 Okla. Stat. § 9073(C)(3) that the issuance of Bonds be completed at a sufficiently low cost such that customer savings are not exhausted or offset.

²⁴ See fn 21, *supra*.

17. The Commission has determined that the \$739 million of costs incurred by the Utility during the 2021 Winter Weather Event to be mitigated through securitization would otherwise be recoverable from customers as fair, just and reasonable expenses and were prudently incurred. *See* 74 Okla. Stat. § 9073(E).

18. Recovery of the carrying costs, including the approved rate of return, approved for recovery in this Order complies with 74 Okla. Stat. § 9073(F) of the Act. The carrying costs shall begin accruing at the time of the issuance of the Order and continue until the date that the Bonds are issued.

19. The credits to be provided to customers pursuant to Findings of Fact Nos. 36 and 112 and the specified mechanism by which to return these amounts to customers is permitted by and satisfies the requirements of 74 Okla. Stat. § 9073(G).

20. Pursuant to 74 Okla. Stat. § 9075(D) of the Act, this Order will remain in effect and unabated notwithstanding the reorganization, bankruptcy or other insolvency proceedings, or merger or sale of the Utility, its successors, or assignees.

21. This Order adequately details the amount to be recovered and the period over which the Utility will be permitted to recover nonbypassable WES Charges in accordance with the requirements of 74 Okla. Stat. §§ 9074(A)(1) and (2).

22. The method approved in this Order for collecting and allocating the WES Charges is reasonable and satisfies the requirements of 74 Okla. Stat. § 9073.

23. As provided in 74 Okla. Stat. § 9075(B), this Order, together with the WES Charges authorized by this Order, is irrevocable and not subject to reduction, impairment, or adjustment by further act of the Commission, except for the true-up procedures approved in this Order, as required by 74 Okla. Stat. § 9074(H).

24. As provided in 74 Okla. Stat. § 9075(A), the rights and interests of the Utility or its successor under this Order, including the right to impose, collect and receive the WES Charges authorized in this Order, are assignable and must become securitization property at the time the Bonds are issued by ODFA.

25. The rights, interests and property conveyed to ODFA in the sale agreement and the related bill of sale, including the irrevocable right to impose, collect and receive WES Charges and the revenues and collections from WES Charges are securitization property within the meaning of 74 Okla. Stat. § 9075.

26. Securitization property will constitute a present property right for purposes of contracts concerning the sale or pledge of property, even though the imposition and collection of the WES Charges depend on further acts by the Utility, ODFA, the Commission or others that have not yet occurred, as provided by 74 Okla. Stat. § 9075(B).

27. All revenues and collections resulting from the WES Charges shall be the further property and right of the owner of the securitization property as provided by 74 Okla. Stat. § 9075 (C).

28. Upon the transfer by the Utility of securitization property to ODFA, ODFA will have all of the rights, title and interest of the Utility with respect to such securitization property including the right to impose, collect and receive the WES Charges authorized by this Order as provided by 74 Okla. Stat. § 9075(F).

29. The Bonds issued under this Order will be ratepayer-backed bonds within the meaning of 74 Okla. Stat. § 9072 (8) and § 9077(A) and the Bonds and holders thereof are entitled to all of the protections provided under 74 Okla. Stat. § 9077(B).

30. The procedure by which WES Charges are required to be imposed and adjusted on customers and be paid to the servicer under this Order or the tariffs approved hereby constitute a nonbypassable mechanism as defined in 74 Okla. Stat. § 9072(5), and the amounts collected from customers with respect to such WES Charges are securitization property as defined in 74 Okla. Stat. § 9072(11).

31. As provided in 74 Okla. Stat. § 9075(D), the interests of an assignee, the holders of Bonds, and the bond trustee in securitization property and in the revenues and collections arising from that property are not subject to setoff, counterclaim, surcharge, or defense by the Utility or any other person or in connection with the bankruptcy of the Utility or any other entity.

32. The methodology approved in this Order to true-up and adjust the WES Charges constitutes a true-up and reconciliation process which satisfies the requirements of the Act.

33. If and when the Utility transfers to the ODFA the right to impose, collect, and receive the WES Charges and to issue the Bonds, the servicer, and any successor servicer, will be able to impose and collect the WES Charges associated with such securitization property only for the benefit of the ODFA and the holders of the Bonds in accordance with the servicing agreement.

34. If and when the Utility transfers its rights under this Order to the ODFA under an agreement that expressly states that the transfer is a sale or other absolute transfer in accordance with the true-sale provisions of 74 Okla. Stat. § 9075(F), then, in accordance with that statutory provision, that transfer will be a true sale of an interest in securitization property and not a secured transaction or other financing arrangement and title, legal and equitable, to the securitization property will pass to the ODFA. This true sale must apply regardless of whether the purchaser has any recourse against the seller, or any other term of the parties' agreement, including the Utility's role as the servicer of WES Charges relating to the securitization property, and including the bond trustee's obligation to remit any amounts remaining in the collection account after the Bonds and all financing costs have been paid in full to the Servicer acting solely on behalf of the ODFA, for payment to the Utility's customers, or the treatment of the transfer as a financing for tax, financial reporting, or other purposes.

35. As provided in 74 Okla. Stat. § 9075(E), a valid and enforceable lien and security interest in the securitization property in favor of the holders of the Bonds or a trustee on their behalf will be created by this Order and the execution and delivery of a security agreement with the holders of the Bonds or a trustee on their behalf in connection with the issuance of the Bonds. The lien and security interest will attach automatically from the time that value is received by the Authority for the Bonds and, on perfection through the filing of notice with the Oklahoma Secretary of State, will be a continuously perfected lien and security interest in the securitization

property and all proceeds of the securitization property will have priority in the order of filing and will take precedence over any subsequent judicial or other lien creditor.

36. As provided in 74 Okla. Stat. § 9075(G), the transfer of an interest in securitization property to an assignee will be perfected against all third parties, including subsequent judicial or other lien creditors, when this Order becomes effective, transfer documents have been delivered to that assignee, and a notice of that transfer has been filed with the Oklahoma Secretary of State.

37. As provided in 74 Okla. Stat. § 9075(H), the priority of a lien and security interest perfected in accordance with this section will not be impaired by any later modification of this Order or by the commingling of funds with other revenues paid by customers to the Utility, by utilities to the Authority or otherwise paid.

38. As provided in 74 Okla. Stat. § 9075(H), if securitization property is transferred to an assignee, any proceeds of the securitization property will be treated as held in trust for the assignee.

39. As provided in 74 Okla. Stat. § 9075(I) of the Act, if a default or termination occurs under the Bonds, the holders of the Bonds or their representatives, including the bond trustee, may foreclose on or otherwise enforce their lien and security interest in the relevant securitization property, and the Commission may require any revenues received under the irrevocable and nonbypassable mechanism created by this Order be paid to a new holder of the securitization property.

40. As authorized by 74 Okla. Stat. § 9075(I), revenues received under the irrevocable and nonbypassable mechanism created by this Order are to be paid to a new holder of the securitization property.

41. As provided by 74 Okla. Stat. § 9077(F) of the Act, the Bonds authorized by this Order are not an indebtedness of the State or of the Authority, but shall be special obligations of the Authority payable solely from revenues received from the securitization property and other pledged collateral. The Bonds authorized by this Order are not an indebtedness of the Utility[

42. As provided in the Authority Act, the State of Oklahoma has pledged to and agreed with the owners of any bonds issued by the ODFA under the Authority Act, including any Bonds issued by the ODFA pursuant to this Order, that the State will not limit or alter the rights vested in the Authority to fulfill the terms of the Bonds, the terms of the Authority's resolution or resolutions authorizing the issuance of such Bonds, including the terms of the indenture, the servicing agreement, the sale agreement and any other agreements authorized by those resolutions, and any other agreements any agreements made with the owners of such Bonds, or in any way impair the rights and remedies of the owners of the Bonds until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the owners, are fully met and discharged. For these purposes, "the rights hereby vested in the Authority" stated above include rights embedded in the securitization property and vested in the Authority, rights vested in owners of the Bonds or in the Commission under the Act and this Financing Order to impose, adjust, collect and remit WES Charges to or for the benefit of the Authority and owners of the Bonds. Upon the ODFA's issuance of Bonds pursuant to this Financing Order, the State Pledge

will give rise to a contract between owners of the Bonds and the State of Oklahoma for purposes of State of Oklahoma law, including the Contract Clause of the Oklahoma Constitution.²⁵ This Order requires, as authorized by the Authority Act, that the Authority include in the Bonds a recitation of the State Pledge.

43. After the issuance of the Bonds authorized by this Order, this Order is irrevocable until the payment in full of the Bonds and the related ongoing financing costs. Except in connection with a retirement or refunding or implementing the true-up mechanism adopted by the Commission, the Commission may not amend, modify, or terminate this Order by any subsequent action or reduce, impair, postpone, terminate, or otherwise adjust WES Charges approved in this Order.

44. As provided in 74 Okla. Stat. § 9077(B), the Bonds and the interest earned on the Bonds shall not be subject to taxation by the State of Oklahoma, or by any county, municipality or political subdivision therein.

45. The Authority is required, pursuant to 74 Okla. Stat. § 9076(B)(1), to notify the Governor, President Pro Tempore of the Senate, the Speaker of the House of Representatives and the Commission upon issuance of a ratepayer-backed bond. The notification shall be in writing and include the amount and terms of the Bonds.

46. The Authority is required, pursuant to 74 Okla. Stat. § 9076(B)(2), to submit an annual report regarding the ratepayer-backed bonds issued pursuant to the Act to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Attorney General and the Commission as of December 1 each year until the ratepayer-backed bonds, including the Bonds authorized by this Order, are retired.

47. As provided by 74 Okla. Stat. § 9075(D) of the Act, this Order will remain in full force and effect and unabated notwithstanding the bankruptcy or sale of the Utility, its successors, or assignees.

48. The Utility retains sole discretion regarding whether or when to assign, sell or otherwise transfer the rights and interests created by this Order or any interest therein, or to cause the issuance of any Bonds authorized by this Order.

49. This Order is final, is not subject to rehearing by this Commission and is not subject to review or appeal except as expressly provided in 74 Okla. Stat. § 9074(F).

50. This Order meets the requirements for a financing order under the Act.

51. The true-up and reconciliation mechanism, and all other obligations of the State of Oklahoma and the Commission set forth in this Order, are direct, explicit, irrevocable and unconditional upon issuance of the Bonds and are legally enforceable against the State and the Commission in accordance with Oklahoma law.

²⁵ Okla. Const. Art. II, § 15.

IX. ORDERING PARAGRAPHS

Based upon the record, the Findings of Fact and Conclusions of Law set forth herein, and for the reasons stated above, this Commission orders:

A. Approval

1. **Approval of Application and Settlement Agreement.** The Application is approved as provided in this Order. Also, the Settlement Agreement, except as otherwise modified herein, is approved and Findings of Fact Nos. 29-46 related to the Settlement Agreement are adopted.

2. **Authority to Recover Qualified Costs through Securitization.** The Utility's request is granted to recover \$739 million of its 2021 Winter Weather Event related costs and an estimated \$21 million of carrying costs and bond issuance costs authorized for recovery, subject to change based on final costs and carrying costs until securitization. The final amount of carrying costs shall be calculated by the Authority (with the assistance of PUD staff) as set forth in the Issuance Advice Letter.

3. **Authorization for Issuance.** ODFA is authorized to issue the Bonds in the amount equal to the Authorized Amount and with such other terms as are consistent with the terms of this Order approved by the Authority and the State Deputy Treasurer for Policy and Debt Management.

4. **Proceeds of the Bonds.** The proceeds of the Bonds shall be applied as provided in this Order.

5. **Effect of Securitization.** Upon the issuance of this Order, the Utility will not seek to recover the qualified costs identified and quantified in this Order from customers except through the transfer of securitization property in exchange for the proceeds of a bond issuance, which shall offset and complete the recovery of the qualified costs for the Utility. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify or amend this Order and shall not affect the validity, finality and irrevocability of this Order, the securitization property irrevocably created hereby or the Bonds.

6. **Recovery of WES Charges.** The Utility, as servicer, and any successor servicer must impose on and collect from all existing and future customers located at an address within the state and within the Utility's service area as it existed on the date of this Order and other entities which, under the terms of this Order or the tariff approved hereby, are required to bill, pay or collect WES Charges, as provided in this Order, WES Charges in an amount sufficient to provide for the timely payment of the scheduled principal of and interest on the Bonds, together with all ongoing financing costs.

7. **Provision of Information.** The Utility shall take all necessary steps to ensure that the Commission, through the PUD, is provided sufficient and timely information relating to the proposed transaction as reasonably requested after the date of this Order.

8. **Approval of Tariffs.** The WES Mechanism is approved. Before the issuance of any Bonds under this Order, the Utility must file a tariff that conforms to the form of the WES Mechanism tariff provisions attached to this Order, provided that the terms and conditions of the WES Mechanism shall comply in all respects with, and be subject to, the terms and conditions of this Order, and if there is a conflict between the terms and conditions of the WES Mechanism and those of this Order, the terms and conditions of this Order shall control.

B. WES Charges

9. **Imposition and Collection.** The Utility, as servicer, and any successor servicer is authorized to impose on, and the servicer is authorized to collect from, all existing and future customers located at an address within this state and within the Utility's service area as it existed on the date this Order is issued WES Charges in an amount sufficient to provide for the timely recovery of the scheduled principal of and interest on the Bonds, together with all ongoing financing costs, as approved in this Order.

10. **ODFA's Rights and Remedies.** Pursuant to the Act, upon the transfer by the Utility of the securitization property to ODFA, ODFA must have all of the rights, title and interest of the Utility with respect to such securitization property, including, without limitation, the right to exercise any and all rights and remedies with respect thereto, including the right to assess and collect any amounts payable by any customer in respect of the securitization property and to authorize the Utility (or its successor) to disconnect service pursuant to the provisions of the Servicing Agreement.

11. **Collector of WES Charges.** The Utility, as servicer, including any successor to the Utility, or any subsequent servicer of the Bonds, or other entity which, under the terms of this Order or the tariffs approved hereby, is required to bill the WES Charges, must bill and collect WES Charges from customers.

12. **Collection Period.** The WES Charges shall be imposed and collected until all Bonds and all ongoing financing costs are paid in full.

13. **Allocation.** The Utility, as servicer, and any successor servicer, must allocate the WES Charges among Service Levels in the manner described in this Order.

14. **Nonbypassability.** The Utility and any other entity providing electric distribution services to any customer located at an address within this state and within the Utility's service area as it existed on the date this Order is issued are entitled to collect and must remit, in accordance with this Order, the WES Charges from such customers, and such customers are required to pay such WES Charges. The Commission will do its utmost to ensure that such obligations are undertaken and performed by the Utility and any other entity providing electric transmission or distribution services within the Utility's service area as it exists on the date this Order is issued.

15. **True-Ups.** True-ups of the WES Charges, including non-standard true-ups, must be undertaken and conducted as described in this the WES Mechanism and Order, including forms of True-Up and Non-Standard True-up Letters set forth in Appendix D and Appendix E. Any necessary corrections to a true-up, due to mathematical errors in the calculation of such adjustment,

will be made in future true-up adjustment filings. True-up adjustments will be posted on the Commission website after the PUD completes its review.

16. **Ownership Notification; Line Item.** The Utility or any other entity that bills WES Charges to customers must, at least annually, provide written notification to each customer for which the entity bills WES Charges that the WES Charges are the property of ODFA and not of the entity issuing such bill. The Utility, as servicer, shall impose the WES Charge as a separate line item on customer bills.

C. Ratepayer-backed Bonds

17. **Terms.** The final terms of the Bonds, including any credit enhancement, shall be consistent with this Order, and approved by the Authority and the State Deputy Treasurer for Policy and Debt Management.

18. **Bond Issuance Costs.** Bond issuance costs described will be recovered from the proceeds of the Bonds in accordance with this Order. The Utility Issuance Costs may not be paid or reimbursed in an amount exceeding \$500,000.

19. **Ongoing Financing Costs.** All ongoing financing costs shall be recovered through the WES Charges. The estimated ongoing financing costs as described in the testimony of Michael Bartolotta are approved for recovery. As provided in Ordering Paragraph 29, a servicer, other than the Utility, may collect a servicing fee higher than that set forth in Finding of Fact No. 81, if such higher fee is subsequently approved by the Commission.

20. **Informational Issuance Advice Letter Filing.** Within three business days of the sale of the Bonds, ODFA and the Utility will jointly submit to PUD, for informational purposes only (with the exception of the Utility Certification included as Attachment 4 to Appendix A hereto), an Issuance Advice Letter, substantially in the form attached to this Order, evidencing the final terms of the Bonds, projected (or actual) costs of issuance and ongoing financing costs for the first year following issuance, projected customer savings, as well the initial WES Charge. The final amount of carrying costs shall be calculated by the Authority (with the assistance of PUD) and set forth in the Issuance Advice Letter.

21. **Refinancing.** This Financing Order does not preclude ODFA and the Utility from filing a request for a "financing order" to retire or refund the Bonds approved in this Financing Order upon a showing that the customers would benefit and that such a financing is consistent with the terms of the outstanding Bonds, as permitted by 74 Okla. Stat. § 9077(D).

22. **Collateral.** All securitization property and other collateral must be held and administered by the bond trustee under the indenture as described in this Order.

23. **Distribution Following Repayment.** Following repayment of the Bonds authorized in this Order and release of the funds held by the trustee, the servicer, solely on behalf of ODFA, must distribute to current customers the final balance of the general, excess funds, and all other subaccounts, whether such balance is attributable to principal amounts deposited in such subaccounts or to interest thereon, remaining after all other qualified costs have been paid. The amounts must be distributed to each Service Level that paid the WES Charges during the last 12

months that the WES Mechanism was in effect. The amount paid to each customer must be determined by multiplying the total amount available for distribution by a fraction, the numerator of which is the total WES Charges paid by the Service Level during the last 12 months the WES Mechanism charges were in effect and the denominator of which is the total WES Charges paid by all Service Levels during the last 12 months the WES Mechanism was in effect. The amount allocated by each Service Level shall be divided by the forecasted billing units, units or kWh, for the month in which the refund will take place in order to arrive at a per customer refund amount per unit or kWh, as applicable.

24. **Annual Weighted-Average Interest Rate of Bonds.** The effective weighted-average interest rate of the Bonds must not exceed 6.0%.

25. **Life of Bonds.** The scheduled final payment date of the Bonds authorized by this Financing Order must not exceed 28 years.

26. **Amortization Schedule.** The Commission approves, and the Bonds must be structured, to provide a WES Charge that is designed to produce substantially level annual debt service over the expected life of the Bonds.

D. Servicing

27. **Servicing Agreement.** The Commission authorizes the Utility to enter into the servicing agreement with ODFA and to perform the servicing duties approved in this Order. The servicer must be entitled to collect servicing fees in accordance with the provisions of the servicing agreement, provided that the annual servicing fee payable to the Utility while it is serving as servicer (or to any other servicer affiliated with the Utility) must not at any time exceed 0.05% of the initial aggregate principal amount of the Bonds, plus out-of-pocket costs as described herein. The annual servicing fee payable to any other servicer not affiliated with the Utility shall be subject to approval by the Commission, if required, pursuant to Ordering Paragraph No. 29.

28. **Servicing Revenues and Expenses.** The revenues collected by the Utility, or by any affiliate of the Utility acting as the servicer shall be included as an identified revenue credit and reduce revenue requirements for the customers' benefit in the Utility's applicable general rate case. The expenses of acting as the servicer shall likewise be included as a cost of service in such general rate case, subject to the actual servicer fee.

29. **Replacement of the Utility as Servicer.** Upon the occurrence of an event of default under the servicing agreement relating to servicer's performance of its servicing functions with respect to the WES Charges, the ODFA, or bond trustee acting at the direction of a majority of the bondholders, may replace the Utility as the servicer in accordance with the terms of the servicing agreement. In the event the successor servicer seeks a fee up to 0.60% of the initial balance of the Bonds, such request is conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. If the servicing fee of the replacement servicer seeks a fee that exceeds 0.60% of the initial aggregate principal amount of the Bonds, the replacement servicer may not begin providing service until or unless the Commission approves the higher fee in a subsequent proceeding in which the ODFA reasonably demonstrates that the services cannot be obtained at a compensation level lower than 0.60% under the market conditions at that time.

No entity may replace the Utility as the servicer in any of its servicing functions with respect to the WES Charges and the securitization property authorized by this Order if the replacement would cause any of the then current credit ratings of the Bonds to be suspended, withdrawn, or downgraded.

30. **Collection Terms.** The servicer must remit collections of the WES Charges to the State Treasurer's Consumer Protection Fund, which shall be maintained by the bond trustee, for ODFA's account in accordance with the terms of the servicing agreement.

31. **Contract to Provide Service.** The Utility shall agree in the sale agreement and in the servicing agreement to continue to operate its transmission and distribution system (or, if by law, the Utility or its successor is no longer required to own and/or operate both the transmission and distribution systems, then the Utility's distribution system) in order to provide electric services to the Utility's customers; provided, however, that this provision must not prohibit the Utility from selling, assigning, or otherwise divesting its transmission and distribution systems or any part thereof, pursuant to applicable law, so long as the entities acquiring such system agree to continue operating the facilities to provide electric service to the Utility's customers.

32. **Securities Reporting Requirements.** The Utility shall cooperate with ODFA and supply such information to ODFA as is reasonably consistent with information that would be required to comply with any federal securities law reporting obligations with respect to the Bonds and any other information required to comply with federal or state securities law reporting obligations.

33. **Service Termination.** In the event that the servicer is billing customers for WES Charges, the servicer must have the right to terminate transmission and distribution service to the end-use customer for non-payment by end-use customers under applicable Commission rules.

E. Use of Proceeds

34. **Use of Proceeds.** The proceeds of the Bonds will be applied as described in Findings of Fact Nos. 110 and 111.

F. Miscellaneous Provisions

35. **Continuing Issuance Right.** The Utility has the continuing irrevocable right to cause the issuance of, and ODFA has the continuing right to issue, the Bonds in one or more series in accordance with this Order for a period commencing with the date of this Order and extending 24 months following the date on which this Order becomes final.

36. **Binding on Successors.** This Order, together with the WES Charges authorized in it, must be binding on the Utility and any successor to the Utility that provides transmission and distribution service directly to customers located at an address within this state and within the Utility's service area, any other entity that provides transmission or distribution services to customers within that service area (or if there are separate transmission and distribution service providers, distribution services), and any successor to such other entity, provided that if by law, the Utility or its successor is no longer required to own and/or operate both the transmission and

distribution systems, then any entity that provides distribution service to customers in the service territory shall be bound by this Order.

37. **Flexibility.** Subject to compliance with the requirements of this Order, the Utility and ODFA must be afforded flexibility in establishing the terms and conditions of the Bonds, including repayment schedules, term, payment dates, collateral, credit enhancement, required debt service, reserves, interest rates, use of original issue discount, and other financing costs and the ability of the Utility, at its option, to cause one or more series of Bonds to be issued by the ODFA.

38. **Effectiveness of Order.** This Order is effective upon issuance and is not subject to rehearing by the Commission after 30 days from the issuance of the Order. The Order is subject to appeal pursuant to Section 20 of Article IX of the Oklahoma Constitution. Notwithstanding the foregoing, no securitization property must be created hereunder, and the Utility must not be authorized to impose, collect, and receive WES Charges, until concurrently with the transfer of the Utility's rights hereunder to the ODFA in conjunction with the issuance of the Bonds.

39. **Regulatory Approvals.** All regulatory approvals within the jurisdiction of the Commission that are necessary for the securitization of the WES Charges associated with the costs that are the subject of the Application, and all related transactions contemplated in the application, are granted.

40. **Payment of Commission's Costs for Professional Services.** In accordance with 74 Okla. Stat. § 9073(D), the ODFA must pay the costs to the Commission (including PUD) of acquiring professional services for the purpose of evaluating the Utility's proposed transaction, including, but not limited to, the Commission's outside attorneys' fees and financial advisor fees, in the amounts specified in the Issuance Advice Letter no later than 30 days after the issuance of any Bonds. Such Commission costs shall be non-Utility bond issuance costs and paid from Bond proceeds, or as otherwise provided in this Order.

41. **Compliance with 74 Okla. Stat. § 9073(G).** To the extent the Utility receives insurance proceeds from private insurers, receives insurance proceeds or grants from the State of Oklahoma or the government of the United States of America, or any similar source of permanent reimbursement after the date of this Financing Order the purpose of which is to provide for recovery of 2021 Winter Weather Event related qualified costs approved for recovery by this Order, such amounts, as soon as practicable, shall be credited to customers through its fuel cost adjustment mechanism, *Rider for Fuel Cost Adjustment*, with an amortization period, if any, to be determined at that time. All amounts returned to customers shall bear carrying charges at the rate authorized in Paragraph 5 of the Settlement Agreement. Provided; however, consistent with the daily allocation methodology set forth and approved in Paragraph 7 of the Settlement Agreement, any and all related funds received by OG&E from SPP are directed to be allocated using the daily allocation methodology.

42. **Effect.** This Order constitutes a legal financing order for the Utility under the Act. The Commission finds this Order complies with the provisions of 74 Okla. Stat. §§ 9073-74. An Order gives rise to rights, interests, obligations and duties as expressed in 74 Okla. Stat. § 9075 and § 9077. It is the Commission’s express intent to give rise to those rights, interests, obligations and duties by issuing this Order. The Utility and the servicer are directed to take all actions as are required to effectuate the transactions approved in this Order, subject to compliance with the criteria established in this Order.

43. **Further Commission Action.** The Commission will act under this Order as expressly authorized by the Act, and other applicable law, to do its utmost to ensure that expected WES Charge revenues are sufficient to pay on a timely basis scheduled principal of and interest on the Bonds issued under this Order and other costs, including fees and expenses, in connection with the Bonds.

44. **All Other Motions, etc., Denied.** The Commission denies all other motions and any other request.

45. **Delivery of Financing Order.** On the date hereof, the Commission, through its Chairman, will deliver a copy of this Order to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives and the Authority in accordance with 74 Okla. Stat. § 9074(D).

CORPORATION COMMISSION OF OKLAHOMA

Dana L. Murphy
DANA L. MURPHY, CHAIRMAN

Dissenting Opinion Attached

BOB ANTHONY, VICE CHAIRMAN

J. Todd Hiatt
J. TODD HIATT, COMMISSIONER

Statement Attached

CERTIFICATION

DONE AND PERFORMED by the Commissioners participating in the making of this Order, as shown by their signatures above, this 16th day of December, 2021.

BY ORDER OF THE COMMISSION:



Peggy Mitchell
PEGGY MITCHELL, Commission Secretary

FORM OF ISSUANCE ADVICE LETTER

[SUBMITTED FOR INFORMATION ONLY PURPOSES]

_____ DAY, _____, 202_

THE OKLAHOMA CORPORATION COMMISSION

[insert address]

SUBJECT: ISSUANCE ADVICE LETTER FOR RATEPAYER-BACKED BONDS

Pursuant to the Final Financing Order issued on the _____ day of _____, 202_ in Cause No. PUD 202100072 before the Oklahoma Corporation Commission, *Application of Oklahoma Gas and Electric Company for A Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs Arising from the Extreme Winter Weather Event of February 2021* (the "Financing Order"), OKLAHOMA GAS AND ELECTRIC COMPANY (the "Utility" or the "Applicant") and OKLAHOMA DEVELOPMENT FINANCE AUTHORITY ("ODFA" or the "Authority") jointly submit this Issuance Advice Letter to report certain terms and information related to the Ratepayer-Backed Bonds Series _____, Tranches _____. Any capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081 (the "Act").

PURPOSE

This filing includes the following information:

- (1) Calculation of total principal amount of Bonds issued;
- (2) The final terms and structure of the ratepayer-backed bonds, including a description of any credit enhancement, the final estimated bond issuance costs and the final estimates of ongoing financing costs for the first year following issuance;
- (3) A calculation of projected customer savings relative to conventional methods of financing resulting from the issuance of the Bonds; and
- (4) The initial WES Charges.

1. PRINCIPAL AMOUNT OF BONDS ISSUED (AUTHORIZED AMOUNT)

The total amount of qualified costs, carrying costs and issuance costs being financed (the "Authorized Amount") is presented in Attachment 1.

2. DESCRIPTION OF FINAL TERMS OF BONDS

Set forth below is a summary of the final terms of the Bond Issuance.

Ratepayer-Backed Bond Title and Series: _____

Trustee: _____

Closing Date: _____, 202_

Bond Ratings: [S&P ___; Moody's ___; Fitch ___]

Amount Issued (Authorized Amount): \$ _____

Ratepayer-Backed Bond Issuance Costs: See Attachment 1, Schedule B.

Ratepayer-Backed Bond Ongoing Financing Costs: See Attachment 2, Schedule B.

Tranche	Coupon Rate	Scheduled Final Maturity	Legal Final Maturity
	%	/ /	/ /
	%	/ /	/ /
	%	/ /	/ /

Effective Annual Weighted Average Interest Rate of the Ratepayer-Backed Bonds:	_____ %
Weighted Average Life of Series:	_____ years
Call provisions (including premium, if any):	
Expected Sinking Fund Schedule:	Attachment 2, Schedule A
Payments to Bondholders:	Semiannually Beginning _____, _____

3. CALCULATION OF PROJECTED SAVINGS

The weighted average interest rate of the ratepayer-backed bonds (excluding costs of issuance and ongoing financing costs) is less than [_____]%, accordingly, the proposed structuring, expected pricing, and financing costs of the ratepayer-backed bonds are reasonably expected to result in substantial revenue requirement savings as compared to conventional methods of financing. The net present value of the savings, which will avoid or mitigate rate impacts as compared to conventional methods of financing the qualified costs, is estimated to be \$_____ (see Attachment 2, Schedule C), based on an effective annual weighted average interest rate of ___% for the ratepayer-backed bonds.

4. INITIAL WES CHARGE

Table I below shows the current assumptions for each of the variables used in the calculation of the initial WES Charges.

TABLE I
Input Values For Initial WES Charges
Applicable period: from _____, ____ to _____, ____

Forecasted base rate revenue sales for each Service Level for the applicable period:	
Bond debt service for the applicable period:	\$ _____
Charge-off rate for each Service Level:	
Forecasted annual ongoing financing costs (See Attachment 2, Schedule B):	\$ _____
Current Ratepayer-Backed Bond outstanding balance:	\$ _____
Target Ratepayer-Backed Bond outstanding balance as of ____ / ____ / ____:	\$ _____
Total Periodic Billing Requirement for applicable period:	\$ _____

Based on the foregoing, the initial WES Charges calculated for each Service Level are detailed in Attachment 3.

EFFECTIVE DATE

[In accordance with the Financing Order, the WES Charge shall be billed beginning on the first day of the first billing cycle of the next revenue month following the date of issuance of the ratepayer-backed bonds.]

AUTHORIZED OFFICER

The undersigned are officers of Applicant and Authority, respectively, and authorized to deliver this Issuance Advice Letter on behalf of Applicant and Authority.

Respectfully submitted,

OKLAHOMA GAS AND ELECTRIC
COMPANY

By: _____
Name: _____
Title: _____

OKLAHOMA DEVELOPMENT FINANCE
AUTHORITY

By: _____
Name: _____
Title: _____

ATTACHMENT 1
SCHEDULE A
CALCULATION OF AUTHORIZED AMOUNT

A.	Qualified costs authorized in Docket No. _____ (including any adjustment to carrying costs)	\$
B.	Estimated bond issuance costs (Attachment 1, Schedule B)	
TOTAL AUTHORIZED AMOUNT		\$

ATTACHMENT 1
SCHEDULE B
ESTIMATED ISSUANCE COSTS

	Issuance Costs
Underwriters' Fees and Expenses	\$ -
Underwriters' Counsel Legal Fees and Expenses	\$ -
ODFA Legal and Advisory Fees and Expenses	\$ -
[ODFA Financing Acceptance Fee]	\$ -
State Treasurer Fees and Expenses	\$ -
Bond Counsel Fees	\$ -
Rating Agency Fees and Related Expenses	\$ -
Printing	\$ -
Trustee's/Trustee Counsel's Fees and Expenses	\$ -
ODFA Legal and Advisory Fees	\$ -
Original Issuance Discount	\$ -
Commission Fees/Expenses	\$ -
	\$ -
Other Credit Enhancements (Overcollateralization Subaccount)	\$ -
Rounding/Contingency	\$ -
Debt Service Reserve Subaccount (DSRS)	\$ -
Commission Fees/Expenses	\$ -
Total Non-Utility External Issuance Costs	\$ -
Utility's Financial Advisor Fees and Expenses	\$ -
Utility's Counsel Legal Fees and Expenses	\$500,000 -
Utility's Non-legal Securitization Proceeding Costs and Expenses	\$ -
Utility's Miscellaneous Administrative Costs	\$ -
Servicer's Set-Up Costs	\$ -
External Servicing Costs (Accountant's)	\$ -
Total ODFA Issuance Costs	\$ -
Total Estimated Issuance Costs	\$ -
Rounded Amount	\$ -

Note: Any difference between the Estimated Issuance Costs financed for, and the actual Issuance Costs incurred by, the ODFA and (except as capped) the Utility will be resolved, if estimates are more or less than actual, through the WES Mechanism or pursuant to the Financing Order, as applicable.

ATTACHMENT 2
SCHEDULE B
ESTIMATED ONGOING FINANCING COSTS

	Itemized Annual Ongoing Financing Costs
True-Up Administration Fees ^	\$ -
ODFA Administration Fees ^	\$ -
^	\$ -
ODFA Administration Fees^	\$ -
ODFA Legal Fees and Expenses^	\$ -
ODFA Accounting Fees^	\$ -
Trustee's/Trustee's Counsel Fees and Expenses ^	\$ -
Rating Agency Fees and Related Expenses^	\$ -
Miscellaneous ^	\$ -
Cost of Swaps and Hedges^	\$ -
Other Credit Enhancements^	\$ -
Total Non-Utility External Annual Ongoing Financing Costs	\$ -
Ongoing Servicer Fees (Utility as Servicer)	\$ -
Accounting Costs (External)^	\$ -
Total (Utility as Servicer) Estimated Annual Ongoing Financing Costs	\$ -
Ongoing Servicer Fees as % of original principal amount	%
Ongoing Servicer Fees (Third-Party as Servicer - []% of principal)	\$ -
Other External Ongoing Fees (total of lines marked with a ^ mark above)	\$ -
Total (Third-Party as Servicer) Estimated Ongoing Financing Costs	<u>\$ -</u>

Note: The amounts shown for each category of ongoing financing costs on this attachment are the expected costs for the first year of the Ratepayer-Backed Bonds. WES Charges will be adjusted at least semi-annually to reflect the actual Ongoing Financing Costs through the true-up process described in the Financing Order, except that the servicing fee is fixed as long as the Utility (or any affiliate) is servicer.

ATTACHMENT 2
SCHEDULE C
BENEFITS VERSUS CONVENTIONAL FINANCING

	Conventional Financing	Ratepayer-Backed Bond Financing	Savings/(Cost) of Ratepayer-Backed Bond Financing
Present Value	\$	\$	\$

The present value discount factor shall be the rate needed to discount future debt service payments on the Bonds to the net proceeds of Bonds, including accrued interest, DSRS and any contingency retained by the trustee.

ATTACHMENT 3

INITIAL ALLOCATION OF COSTS TO SERVICE LEVELS

(1) Service Level	(2) WES Charge ¹
1	%
2	%
3	%
4	%
5	%
Total	100.0000%

¹ Determined in accordance with the WES Mechanism in Appendix B to the Financing Order.

ATTACHMENT 4

UTILITY CERTIFICATION

THE OKLAHOMA CORPORATION COMMISSION
Attn: Chairman
Jim Thorpe Office Building, 2101 N. Lincoln Blvd.
Oklahoma City, Oklahoma 73105

Pursuant to the Final Financing Order issued on the ____ day of ____, 202_ in Cause No. PUD 202100072 before the Oklahoma Corporation Commission, *Application of Oklahoma Gas and Electric Company For A Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs Arising from the Extreme Winter Weather Event of February 2021* (the "Financing Order"), OKLAHOMA GAS AND ELECTRIC COMPANY (the "Utility" or the "Applicant") certifies that the calculation of the WES Charges included in the Issuance Advice Letter were calculated in accordance with the Financing Order. If the Public Utility Division of the Oklahoma Corporation Commission determines that the calculation of the WES Charges contained any mathematical error, such error will be corrected upon the next implementation of the true-up and reconciliation process.

Any capitalized terms not defined in this certification shall have the meanings ascribed to them in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081.

Respectfully submitted,

OKLAHOMA GAS AND ELECTRIC
COMPANY

By: _____
Name: _____
Title: _____

cc: Director of the Public Utility Division, Oklahoma Corporation Commission

APPENDIX B TO FINANCING ORDER

Exhibit A WES Mechanism

OKLAHOMA GAS AND ELECTRIC COMPANY
P. O. Box 321
Oklahoma City, Oklahoma 73101

Original Sheet No. XX.X0

Date Issued XXXX XX, XXXX

STANDARD PRICING SCHEDULE: WES
WINTER EVENT SECURITIZATION (“WES”) MECHANISM

STATE OF OKLAHOMA

EFFECTIVE IN: All territory served.

APPLICABILITY: This WES mechanism is applicable to and becomes a part of each Oklahoma retail rate schedule and shall be applicable to the energy (kWh) usage for service level (“SL”) 3, 4, and 5 customers and to blocks of energy (defined below in the STANDARD FACTOR DETERMINATION section) for SL 1 and 2 customers of each respective Oklahoma retail rate schedule. For service locations that received SL 1 or SL 2 service during the Weather Event, the WES mechanism shall continue to be applied to these service locations at those respective SL WES rates.

This WES mechanism is irrevocable and non-by-passable.

PURPOSE: To recover from customers the amounts necessary to service, repay, and administer customer backed bonds associated with the February 2021 Winter Event (“Winter Event”) issued by the Oklahoma Development Finance Authority pursuant to the February 2021 Regulated Utility Consumer Protection Act.

TERM: The WES mechanism shall become effective after the closing of the customer backed bonds and shall remain in effect until the complete repayment and retirement of the customer backed bonds, or refunding bonds, associated with the Winter Event. The WES mechanism will terminate once the complete repayment and retirement of any customer backed bonds, or refunding bonds, associated with the Winter Event occurs.

ALLOCATION: Costs associated with repaying the securitization bonds shall be allocated to customer SL classes based on the daily allocation of Winter Event cost and is shown in the table below. The Allocation Percentages below are based on the actual daily kWh usage for each retail SL class for the period of February 7, 2021 to February 21, 2021. For OG&E’s Flex Pricing (“FP”) and Day Ahead Pricing (“DAP”) customers, the customer baseline (“CBL”) kWh amounts are utilized for calculating the allocation percentages.

Service Level	Energy Allocation Percentage
1	2.01%
2	9.06%
3	4.07%
4	1.18%
5	83.68%

STANDARD FACTOR DETERMINATION: WES rates will be computed and submitted to the Public Utility Division of the Oklahoma Corporation Commission (“PUD”) and all other parties of record in Oklahoma Corporation Commission (OCC) Cause No. PUD 202100072 on a

Rates Authorized by the Oklahoma Corporation Commission:

Public Utilities Division Stamp

(Effective) (Order No.) (Cause/Docket No.)
XXXX XX, XXXX PUD 202100072

OKLAHOMA GAS AND ELECTRIC COMPANY
P. O. Box 321
Oklahoma City, Oklahoma 73101

Original Sheet No. XX.X1

Date Issued XXXX XX, XXXX

STANDARD PRICING SCHEDULE: WES

STATE OF OKLAHOMA

WINTER EVENT SECURITIZATION ("WES") MECHANISM

semi-annual basis. In each semi-annual submission the Company will provide to PUD and the parties of record the redetermined WES rate, for each SL class, and information and workpapers supporting such re-determined factors. The initial WES rates will be submitted on the day following the pricing of the bonds and shall become effective the first billing cycle following the closing of the bonds. All succeeding factor redetermination submissions and effective dates will be semi-annual (every six months). WES rates will be submitted at least 30 days' prior to the proposed effective date. The Public Utility Division shall endeavor to complete its review, which shall be limited to a review for mathematical corrections or manifest error, within 30 days and make any necessary corrections within such time in order to allow the WES charge to go into effect.

A WES rate will be calculated for each SL class for the next two six-month recovery periods. The WES rate to be implemented for each SL class shall be the higher of these two calculations.

CLASS REVENUE REQUIREMENT:

$$WES \text{ Revenue Requirement}_{SL \text{ class}} = (A * B_{SL \text{ class}}) + C_{SL \text{ class}}$$

Where:

A = Oklahoma Jurisdictional Winter Event revenue requirement (i.e., debt service and ongoing costs) for the applicable six-month recovery period;

B = SL class Energy Allocator

C = SL class true-up balance and SL class uncollectible balance

TRANSMISSION (SL 1) and DISTRIBUTION SUBSTATION (SL 2) BILLING: The WES mechanism shall be applied to service locations based on the Service Level under which the service location took service during the Weather Event. Each service location shall be billed a monthly fixed charge for the mechanism. The monthly fixed charge shall be calculated as:

$$MBR_i \times \text{Number of Blocks}$$

Where

MBR_i = Monthly Block Rate for SL class

$$= \frac{WES \text{ Revenue Requirement}_{SL \text{ Class}}}{\text{Blocks}_{SL \text{ Class}}}$$

The Number of Blocks each service location shall be billed is calculated as:

$$\frac{\text{Event kWh}}{100,000 \text{ kWh per Block}}$$

Where

Rates Authorized by the Oklahoma Corporation Commission:

Public Utilities Division Stamp

(Effective) (Order No.) (Cause/Docket No.)

XXXX XX, XXXX

PUD 202100072

OKLAHOMA GAS AND ELECTRIC COMPANY
P. O. Box 321
Oklahoma City, Oklahoma 73101

Original Sheet No. XX.X2

Date Issued XXXX XX, XXXX

STANDARD PRICING SCHEDULE: WES
WINTER EVENT SECURITIZATION (“WES”) MECHANISM

STATE OF OKLAHOMA

Winter Event period kWh usage shall be CBL kWh for DAP and Flex Pricing customers and actual kWh usage for all other SL 1 and 2 customers.

Service locations whose Event kWh is less than 100,000 kWh, including customers who had no usage or zero Event kWh usage, and including any service locations new to OG&E after the Event, shall be deemed to have one (1) block for WES billing purposes.

DISTRIBUTION (SL 3, 4, 5) BILLING: The billing factors for the SL 3, 4, and 5 customer classes shall be computed as follows:

$$WES\ Rate_{SL\ class} = \frac{WES\ Revenue\ Requirement_{SL\ class}}{SL\ Class\ kWh}$$

Where, *SL Class kWh* are the projected sales for the applicable 6-month recovery period.

For customers who take service under the Company’s Net Energy Billing Option (NEBO) and Qualified Facilities (“QF”) schedules, the WES shall apply to the gross kWh of energy the Company delivers to the customers. For the DAP and FP customers, the WES rate will be calculated using the customer’s kWh energy specified in the CBL or Seasonal CBL defined in the DAP or FP tariffs. All DAP and FP kWh sales above or below the CBL will be excluded from the WES calculation. For all other rate schedules, the WES rate shall apply to the total billed kWh.

CLASS REVENUE REQUIREMENT:

The Revenue Requirement for the WES mechanism shall include the bond payment, associated financing fees (i.e., debt service and ongoing costs), the prior period over/under collected balance by class, and any uncollectible balances by class. The class over/under balances and class uncollectible balances are not exempt from reallocation to other classes as part of the reallocation treatment provided in the NON-STANDARD FACTOR DETERMINATION.

NON-STANDARD FACTOR DETERMINATION: A non-standard factor determination is triggered when any SL class whose projected energy sales (SLs 3, 4, or 5) or blocks (SLs 1 or 2) will be 10% lower than the SL class’ projected energy sales or blocks of the same six-month period underlying the most recent Standard Factor Determination (a “Trigger Event”). If a Trigger Event occurs, then any SL class for which there is a forecasted decline in energy sales or blocks for the next period is referred to as an “affected SL class”. The non-standard factor determination of the WES rates shall be computed as follows.

1. For each affected SL class, the Company will calculate (a) a new WES rate using the higher kWh sales or blocks from the most recent Standard Factor Determination and (b) a new WES rate using the new lower forecasted sales or blocks.
2. Calculate the price difference between (a) and (b) in step 1.

Rates Authorized by the Oklahoma Corporation Commission:

Public Utilities Division Stamp

(Effective) (Order No.) (Cause/Docket No.)
XXXX XX, XXXX PUD 202100072

OKLAHOMA GAS AND ELECTRIC COMPANY
P. O. Box 321
Oklahoma City, Oklahoma 73101

Original Sheet No. XX.X3

Date Issued XXXX XX, XXXX

STANDARD PRICING SCHEDULE: WES STATE OF OKLAHOMA
WINTER EVENT SECURITIZATION ("WES") MECHANISM

3. Multiply the price differences from step 2 by the projected energy sales or blocks for the six-month recovery period for each affected SL class to determine reduced revenues and sum these amounts.
4. Allocate the sums from step 3 to all SL classes using the WES allocators.
5. For each SL class which is not an affected SL class, calculate its WES rate using the Standard Factor Determination calculation, but increasing the SL class revenue requirement by the amounts calculated in step 4.
6. For each affected SL class, divide the amount in step 4 allocated to the affected SL class by the applicable projected energy sales or blocks.
7. For each affected SL class add step 6 to step 1(a) to determine the WES rate for the affected SL class.

TRUE UP: The WES mechanism will true up and reconcile semiannually. OG&E shall periodically receive accounting information (i.e., debt service and other ongoing financing costs) from Oklahoma Development Finance Authority and utilize that updated accounting information to true-up and reconcile its semiannual adjustment of the factors. Any uncollectible WES Mechanism amounts incurred shall be recorded for each SL class and included for recovery in that SL class true-up calculation for the next factor redetermination.

INTERIM TRUE-UP: The Company shall have the authority to submit interim factors outside of the standard semi-annual timeframe if, at any time, the Company projects an under-recovery of WES cost that would result in a draw on the Debt Service Reserve subaccount. The Company shall submit these re-determined interim billing factors and WES rate to the PUD and parties of record in OCC Cause No. PUD 202100072 by the 15th of the month to be implemented the first billing cycle of the month following submission.

PRICE: The WES rate for each SL shall be applied as shown in the table below.

TRANSMISSION (SL 1) and DISTRIBUTION SUBSTATION (SL 2):

Service Level	Monthly Block Rate (\$/Block)
1	\$XXX.XX
2	\$XXX.XX

DISTRIBUTION PRIMARY (SL 3 & 4) and SECONDARY (SL 5):

Service Level	WESKWH Rate (\$/kWh)
3	\$0.XXXXXX
4	\$0.XXXXXX
5	\$0.XXXXXX

Rates Authorized by the Oklahoma Corporation Commission:
(Effective) _____ (Order No.) _____ (Cause/Docket No.) _____
XXXX XX, XXXX PUD 202100072

Public Utilities Division Stamp

OKLAHOMA GAS AND ELECTRIC COMPANY
P. O. Box 321
Oklahoma City, Oklahoma 73101

Original Sheet No. XX.X4

Date Issued XXXX XX, XXXX

STANDARD PRICING SCHEDULE: WES
WINTER EVENT SECURITIZATION ("WES") MECHANISM

STATE OF OKLAHOMA

Rates Authorized by the Oklahoma Corporation Commission:

Public Utilities Division Stamp

(Effective) (Order No.) (Cause/Docket No.)

XXXX XX, XXXX

PUD 202100072

ESTIMATED ISSUANCE COSTS

	Issuance Costs
Underwriters' Fees and Expenses	
Underwriters' Counsel Legal Fees and Expenses	
ODFA Legal and Advisory Fees and Expenses	
ODFA Financing Acceptance Fee	
State Treasurer Fees and Expenses	
Bond Counsel Fees	
Rating Agency Fees and Expenses	
Commission Fees/Expenses	
Printing	
Trustee's/Trustee Counsel's Fees and Expenses	
Original Issuance Discount	
Cost of Swaps and Hedges	
Other Credit Enhancements (Overcollateralization Subaccount)	
Rounding/Contingency	
Debt Service Reserve Subaccount (DSRS)	
Total Non-Utility External Issuance Costs	
Utility's Financial Advisor Fees and Expenses	
Utility's Counsel Legal Fees and Expenses	
Utility's Non-legal Securitization Proceeding Costs and Expenses	
Utility's Miscellaneous Administrative Costs	
Servicer's Set-Up Costs	
External Servicing Costs (Accountant's)	
Total ODFA Issuance Costs	
Total Estimated Issuance Costs	

Note: Any difference between the Estimated Issuance Costs financed for, and the actual Issuance Costs incurred by, the Authority, the Commission (including the Public Utility Division) and (except as capped) the Utility will be resolved, if estimates are more or less than actual, through the WES Mechanism or as otherwise authorized by the Financing Order.

ESTIMATED ONGOING FINANCING COSTS

	Itemized Annual Ongoing Financing Costs
True-Up Administration Fees ^	
ODFA Administration Fees ^	
ODFA Legal Fees ^	
Trustee's/Trustee's Counsel Fees and Expenses ^	
Rating Agency Fees and Related Expenses^	
Miscellaneous ^	
^	
Other Credit Enhancements ^	
Total Non-Utility External Annual Ongoing Financing Costs	
Ongoing Servicer Fees (Utility as Servicer) *	
Accounting Costs (External) ^	
Total Utility Annual Ongoing Financing Costs	
Total (Utility as Servicer) Estimated Ongoing Financing Costs	
Ongoing Servicer Fees (Third-Party as Servicer – []% of principal)	
Other External Ongoing Fees (total of lines marked with a ^ mark above)	
Total (Third Party as Servicer) Estimated Ongoing Financing Costs	

Note: The amounts shown for each category of ongoing financing costs on this attachment are the expected costs for the first year of the ratepayer-backed bonds. WES Charges will be adjusted at least semi-annually to reflect the actual Ongoing Financing Costs through the true-up process described in the Financing Order, except that the servicing fee is fixed as long as the Utility (or its affiliate) is servicer.

TRUE-UP LETTER

[ODFA Letterhead]

Date: _____, 202_

Oklahoma Corporation Commission
ATTN: Public Utility Division
Jim Thorpe Office Building
2101 N Lincoln Blvd #129
Oklahoma City, OK 73105

Re: Application of Oklahoma Gas and Electric Company for a Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs arising from the Extreme Winter Weather Event of February 2021, and Related Relief, Cause No. PUD 202100072 (Financing Application)

Dear _____:

Pursuant to the Final Financing Order adopted on the _____ day of _____, 202_ in Cause No. PUD 202100072 before the Oklahoma Corporation Commission, *Application of Oklahoma Gas and Electric Company for a Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs arising from the Extreme Winter Weather Event of February 2021, and Related Relief*(the "Financing Order"), Oklahoma Gas and Electric Company (the "Utility"), as Servicer of the Ratepayer-Backed Bonds, or any successor Servicer on behalf of bond trustee as assignee of the ODFA shall apply [semi-annually][quarterly] for a mandatory periodic adjustment to the WES Charge. The Utility may apply for more frequent periodic adjustments in accordance with the Financing Order. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081 (the "Act").

Each true-up adjustment shall be submitted to the PUD not less than 30 days prior to the first billing cycle of the month in which the revised WES Charges will be in effect. The PUD will have 30 days after the date of the true-up adjustment filing in which to confirm the mathematical accuracy of the servicer's adjustment. However, any mathematical correction not made prior to the effective date of the WES Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WES Charge.

Using the formula approved by the Commission in the Financing Order, this filing modifies the variables used in the WES Charge calculation and provides the resulting modified WES Charge. Attachments 1, 2 and 3 show the resulting values of the WES Charge for each Customer class, as calculated in accordance with the Financing Order. The assumptions underlying the current WES Charge were filed by the Utility and the ODFA in an [Issuance Advice]/True-up Letter dated _____.

Respectfully submitted,

[Utility]

By: _____
Name: _____
Title: _____

Attachments

ATTACHMENT 1
CALCULATION OF WES CHARGES

Estimated Ongoing Financing Costs	
True-Up Administration Fees ^	
ODFA Administration Fees ^	
ODFA Legal Fees ^	
Trustee's/Trustee's Counsel Fees and Expenses ^	
Rating Agency Fees and Related Expenses^	
Miscellaneous ^	
^	
Other Credit Enhancements ^	
Total Non-Utility External Annual Ongoing Financing Costs	
Ongoing Servicer Fees (Utility as Servicer) *	
Accounting Costs (External) ^	
Total Utility Annual Ongoing Financing Costs	
Total (Utility as Servicer) Estimated Ongoing Financing Costs	
Ongoing Servicer Fees (Third-Party as Servicer – []% of principal)	
Other External Ongoing Fees (total of lines marked with a ^ mark above)	
Total (Third Party as Servicer) Estimated Ongoing Financing Costs	

Input Values For WES Charges	
Projected usage for payment period (See Attachment 3)	
Forecast uncollectables for payment period	
Average Days Sales Outstanding	
Balance of Collection Account (Net of Capital Subaccount) (As of xx/xx, which is the Calculation Cut-off Date)	

Projected WES Charges Between Calculation Cut-off Date and Proposed Effective Date of True-Up Adjustment	
A. Ratepayer-Backed Bond Principal	
B. Ratepayer-Backed Recovery Bond Interest	
C. Ongoing Financing Costs for the applicable payment period (See Table 1 above)	
Periodic Payment Requirement(Sum of A, B and C)	
Periodic Billing Requirement (See Attachment 2)	

ATTACHMENT 2
WES CHARGE CALCULATIONS

[Calculation Workpapers to be included]

ATTACHMENT 3

WES CHARGE FOR PAYMENT PERIOD

Customer classes (Service Level)	WES Charge
1	
2	
3	
4	
5	

FORM OF NON- STANDARD TRUE-UP LETTER

[ODFA Letterhead]

Date: _____, 202_

Oklahoma Corporation Commission
ATTN: Public Utility Division
Jim Thorpe Office Building
2101 N Lincoln Blvd #129
Oklahoma City, OK 73105

Re: Application of Oklahoma Gas and Electric Company for a Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs arising from the Extreme Winter Weather Event of February 2021, and Related Relief, Cause No. PUD 202100072

Dear _____:

Pursuant to the Final Financing Order adopted on the _____ day of _____, 202_ in Cause No. PUD 202100072 before the Oklahoma Corporation Commission, *Application of Oklahoma Gas and Electric Company for a Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs arising from the Extreme Winter Weather Event of February 2021, and Related Relief*, (the "Financing Order"), Oklahoma Gas and Electric Company (the "Utility"), as Servicer of the Ratepayer-Backed Bonds, or any successor servicer on behalf of bond trustee as assignee of the ODFA, shall apply for a Non-Standard True-Up to the WES Charge as it deems necessary to address any material deviations in usage and to change the Energy Allocation Factors. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081 (the "Act").

Each Non-Standard True-up shall be submitted to the PUD not less than 30 days prior to the first billing cycle of the month in which the revised methodology for calculating WES Charges will be in effect. The PUD will have 30 days after the date of the true-up adjustment filing in which to confirm the mathematical accuracy of the servicer's adjustment. However, any mathematical correction not made prior to the effective date of the WES Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WES Charge.

Attachments [_____] show the revised methodology for calculating the WES Charges.

Respectfully submitted,

[Utility]

By: _____
Name: _____
Title: _____

Attachments

[ATTACHMENTS AND WORKPAPERS TO BE INCLUDED]

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION)
OF OKLAHOMA GAS AND ELECTRIC)
COMPANY FOR A FINANCING ORDER)
PURSUANT TO THE FEBRUARY 2021)
REGULATED UTILITY CONSUMER)
PROTECTION ACT APPROVING)
SECURITIZATION OF COSTS ARISING)
FROM THE WINTER WEATHER EVENT)
OF FEBRUARY 2021)

Cause No. PUD 202100072

STATEMENT OF COMMISSIONER J. TODD HIETT

At the Commissioner's Regular Meeting held on Monday, December 13, 2021, the Commissioners discussed a proposed Final Financing Order in this Cause. During the discussion, Commissioner Anthony raised concerns with the order and indicated he had a prepared dissenting statement (in the event a vote would be taken on the proposed order), and announced he would file it as a deliberations statement—then highlighted some of its content.

Subsequently, Commissioner Anthony filed his *Deliberations Statement regarding OG&E Securitization*. However, unrelated material and comments that have no bearing on this Cause were included in his filing. Specific allegations and materials attacking my role as a Commissioner and my character appeared to be the theme—with comments concerning the merits of this Cause hidden within the defamation.¹

In considering today's Final Financing Order, Commissioner Anthony indicated he would attach a dissenting opinion. This statement includes the same documents contained in his Deliberations Statement, with additional materials attempting to impugn my character. True to his fashion, Commissioner Anthony fails to include "the rest of the story". The entirety of Case No. 119,686, in which Commissioner Anthony's allegations against me were addressed and dismissed, may be found [here](#).

As poignantly noted by my predecessor Commissioner J.C. Watts, Jr.:

Bless his heart. At this point, Bob Anthony's obsession with this twenty year old matter causes me to believe that he has now crossed over into mental illness He is a mean spirited evil man and I will continue to hope and pray that therapy and counseling will be helpful and constructive. (See attached Comments).

Once elected to the Commission in 2014, I received advice from many whom worked with Bob Anthony, and the sentiments expressed by former Commissioner Watts represented the consensus of concerns expressed to me. While the Commissioners have changed, Anthony's game has not. Commissioner Anthony remains fixated on a 30-year-old case hoping for a new result.

¹ Commissioner Anthony did not have the courtesy to raise any of these concerns on Monday and did not provide me with a copy of his filing.

I have now sat on the bench with Commissioner Anthony for 7 years and have sadly come to learn he claims to protect the most vulnerable of those paying utility bills, yet his actions reveal otherwise. The February storm was a travesty to our state and Oklahomans. While none of us like the reality, the costs borne by the utilities must be addressed and ultimately recovered. This situation is hard, and the costs are real. The answers are not easy, and the decisions are not fun. However, rather than address the hard, true facts—Commissioner Anthony prefers to prey upon others and mislead them into believing improper behavior and deceit lies behind every corner.

On Monday, Commissioner Anthony stated:

I would share with you that over the weekend I've talked separately to the Governor, to his Chief of Staff and then to the General Counsel to the Governor about this and related matters and I heard a reluctance regarding securitization. That's all I'm going to say on that right now.

I have been advised by the Governor's office the topic of securitization was never discussed.

In this very case, Commissioner Anthony rejected a proposal costing consumers an estimated \$2.00/month. The only other proposal offered was traditional fuel cost payment that could result in more than \$400 in a single month for the average residential customer. I believe most Oklahomans raising families and living on fixed incomes would take issue with how (or whether) Commissioner Anthony is best representing them.

Unfortunately, the reality of the February storm will impact every Oklahoman. The legislature took swift action, and the Governor signed into law an option to minimize the impact to Oklahomans they would otherwise face. Natural gas had to be purchased to maintain electric generation and protect life and property, and now the cost must be paid. While any increase is hard, the reality of this situation is that the outcome of today's order results in the best outcome from a unique situation. And while I would prefer not to have to make this tough decision, I know that the decision—hard or not—must be made, and I am prepared to do just that to fulfill my constitutional oath of office.

Today's "yes" vote will save OG&E's customers hundreds of millions of dollars. A "no" vote would have cost the ratepayers hundreds of millions of dollars. Accordingly, I support Order No. 722254.



J. TODD HIETT, Commissioner

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF A RULEMAKING)
OF THE OKLAHOMA CORPORATION)
COMMISSION TO ADOPT OAC 165:81)
TO ESTABLISH A STATEWIDE)
TOLL FREE CALLING PLAN)

CAUSE NO. RM 201000002 ✓

IN RE: INQUIRY OF THE OKLAHOMA)
CORPORATION COMMISSION TO EVALUATE)
PUBLIC SUPPORT MECHANISMS, INCLUDING)
THE HIGH COST FUND, TO EXAMINE)
INTERCARRIER COMPENSATION AND TO)
CONSIDER RELATED ISSUES ASSOCIATED)
WITH TELECOMMUNICATIONS)

CAUSE NO. PUD 201000021

**COMMENTS SUBMITTED BY FORMER CORPORATION COMMISSIONER
J.C. WATTS, JR.**

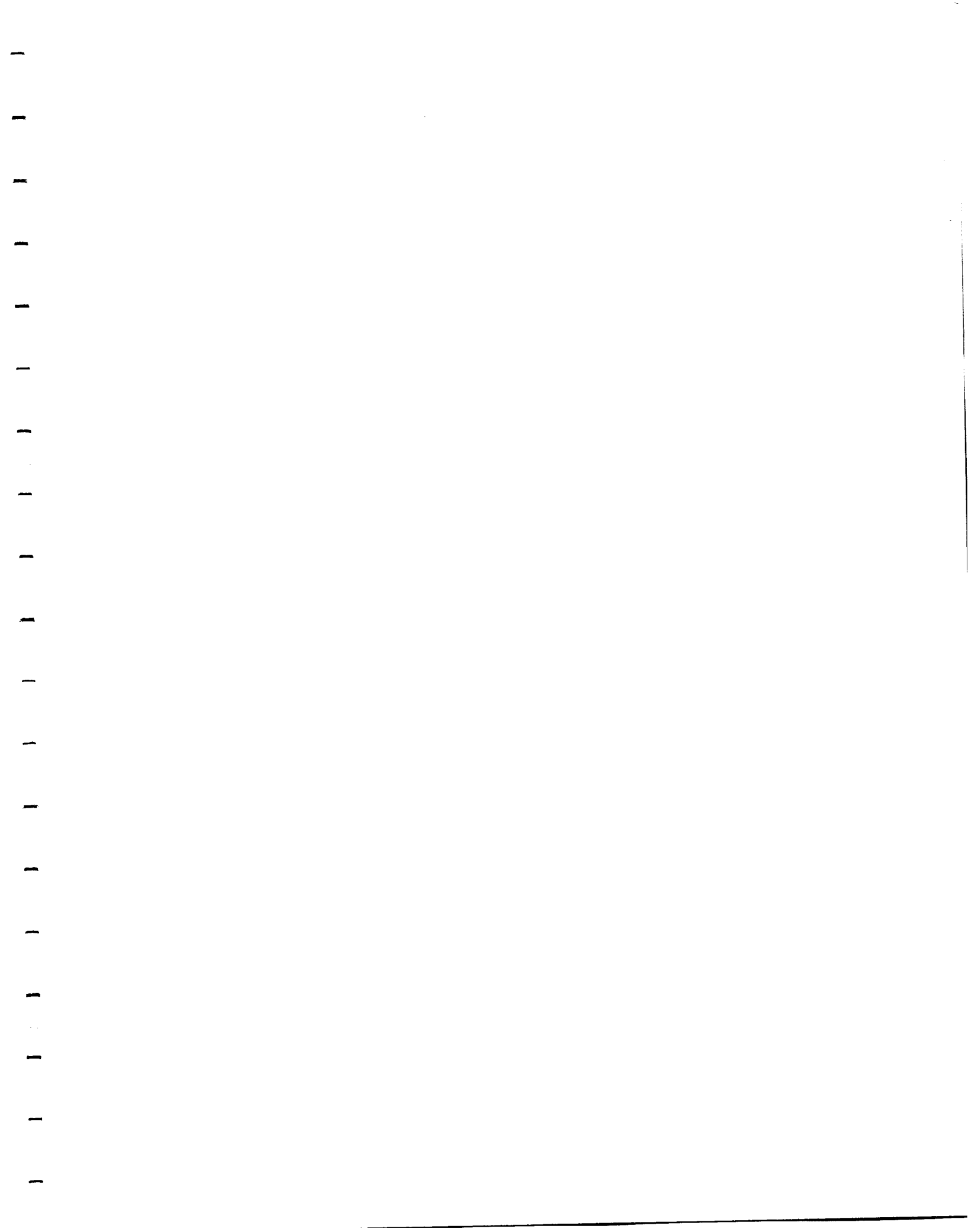
Bless his heart. At this point, Bob Anthony's obsession with this twenty year old matter causes me to believe that he has now crossed over into mental illness. I honestly do think that he is ill, warped and really should seek professional help if he hasn't already. Anthony is in his 22nd year at the Corporation Commission and he, apparently, wants to relive his self-perceived glory days where, in 1990, he went undercover and wore a wire for the Federal Bureau of Investigation.

For the subsequent twenty years, Anthony has been obsessed with trying to resuscitate a closed case. The FBI and the Justice Department did not agree with Anthony's allegations. Obviously, I was never accused of any wrongdoing nor was I the target of any branch of law enforcement. It appears that Anthony believes that both the FBI and the Justice Department are either incompetent compared to his investigative and legal skills or that the FBI and the Justice Department obstructed justice. Again, this story is 20 old. Unfortunately, the only way Anthony can get his name mentioned in the media is to use mine. He is a mean spirited evil man and I will continue to hope and pray that therapy and counseling will be helpful and constructive.

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OF OKLAHOMA





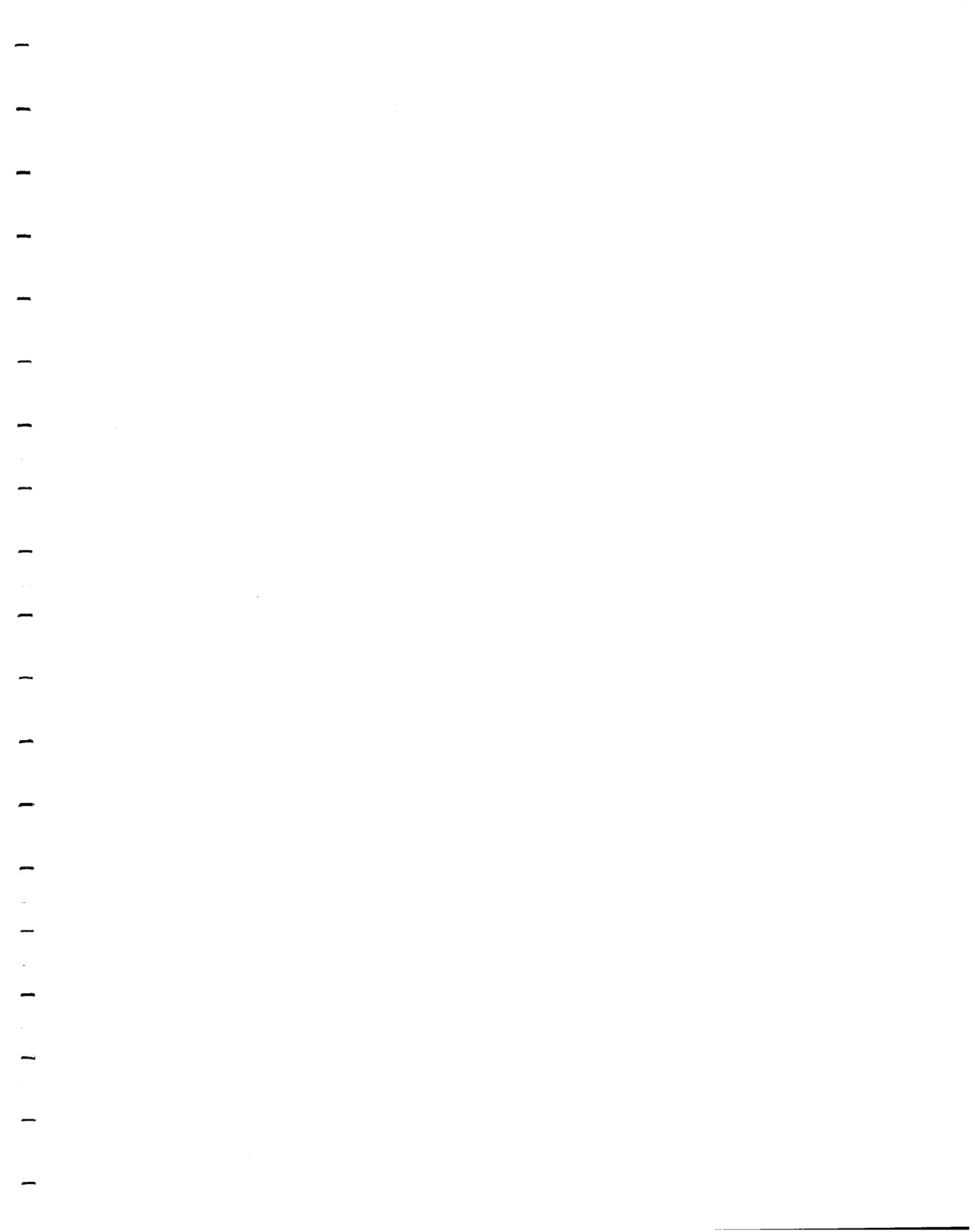
















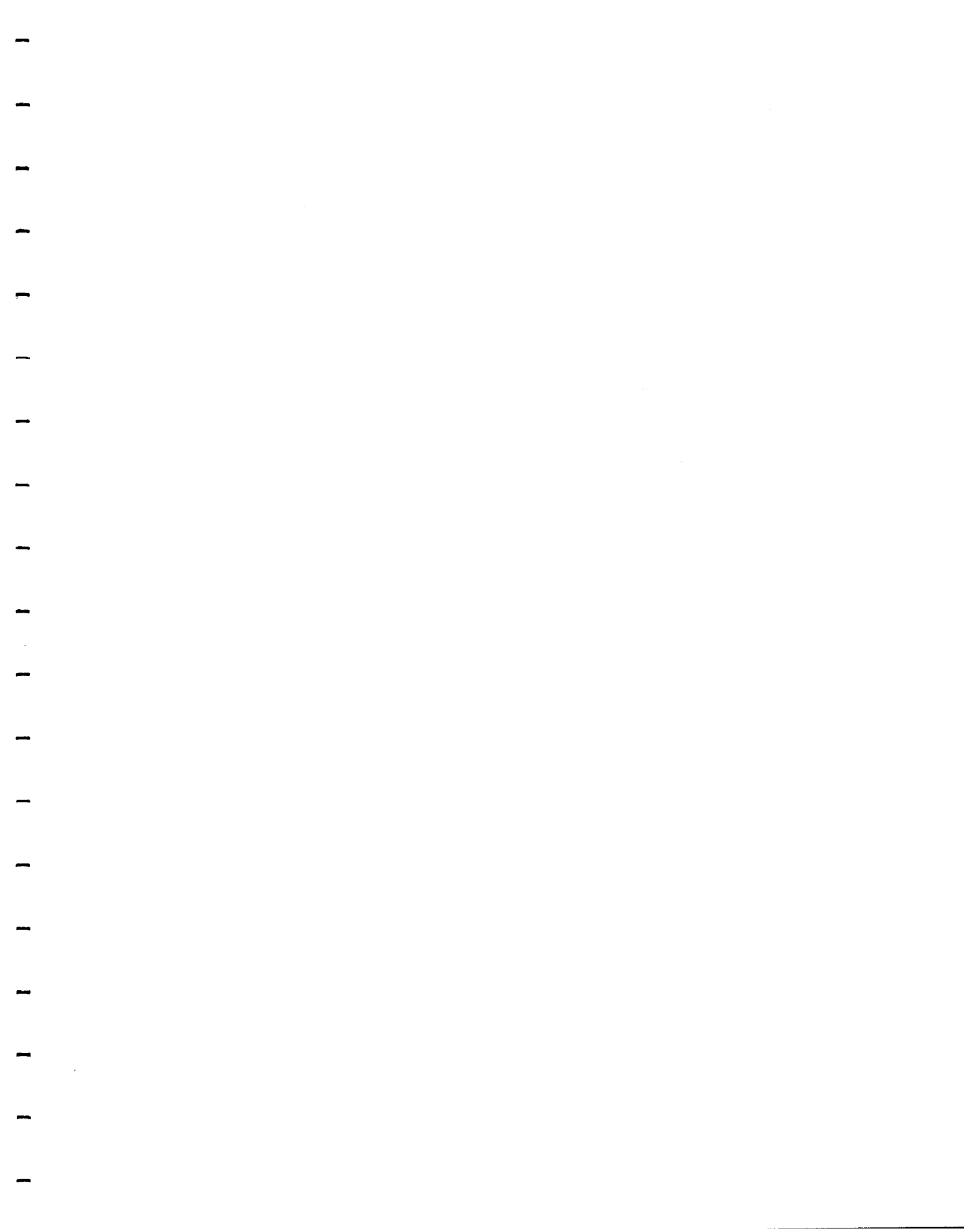


EXHIBIT A-11

CDT

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF CENTERPOINT)	
ENERGY RESOURCES CORP. D/B/A)	CAUSE NO. PUD 202100087
CENTERPOINT ENERGY OKLAHOMA)	
GAS FOR A FINANCING ORDER)	ORDER NO. <u>723435</u>
APPROVING SECURITIZATION OF COSTS)	
ARISING FROM THE FEBRUARY 2021)	
WINTER WEATHER EVENT PURSUANT)	
TO THE FEBRUARY 2021 REGULATED)	
UTILITY CONSUMER PROTECTION ACT)	

FINAL FINANCING ORDER

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FINAL FINANCING ORDER

HEARING: December 1 and 2, 2021, in Courtroom 301 (some parties appearing by virtual teleconference)
2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105
Before Mary Candler, Administrative Law Judge

APPEARANCES: Curtis M. Long, Stephanie Hammonds and J. Dillon Curran, Attorneys
representing CenterPoint Energy Resources Corp., d/b/a
CenterPoint Energy Oklahoma Gas
Jared B. Haines and A. Chase Snodgrass, Assistant Attorneys General
representing Office of Attorney General, State of Oklahoma
Michael L. Velez, Deputy General Counsel, and Lauren D. Willingham,
Assistant General Counsel, *representing* Public Utility Division,
Oklahoma Corporation Commission

Pursuant to 74 OKLA. STAT. §§ 9070-9081, which includes the February 2021 Regulated Utility Consumer Protection Act (the “Act”), the Legislature of the State of Oklahoma recognized “the significant economic impact of the extreme weather event that occurred during the month of February 2021 (herein referred to as the “2021 Winter Weather Event”) and the “unprecedented utility costs [that] will be passed through to Oklahoma customers of utilities from regulated utility entities.” 74 OKLA. STAT. § 9071. To mitigate the effects on such Oklahoma customers, the Act authorized CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Oklahoma Gas¹ (“CERC” or the “Company” or the “Utility”), and other utilities subject to the regulatory jurisdiction of the Oklahoma Corporation Commission (“Commission”),² to request the recovery of these extreme purchase costs and extraordinary costs (collectively referred to herein and in the Act as “qualified costs”) through securitization. This statutory process is designed to mitigate the impact of such costs on existing and future ratepayers taking natural gas distribution service within the sponsoring utility’s service territory in effect as of the issuance date of this Order (collectively referred to herein as “customers”), allowing customers to pay their utility bills at a lower amount over a longer period of time. In addition, 74 OKLA. STAT. § 5062.8 was amended to expand the authority of the Oklahoma Development Finance Authority (the “Authority” or the “ODFA”) under the Authority’s enabling act³ (as amended, the “Authority Act”) to include authority to issue ratepayer-backed bonds authorized by the Act.

¹ Pursuant to that certain Asset Purchase Agreement, dated as of April 29, 2021, by and between CenterPoint Energy Resources Corp. (“CERC”) and Southern Col Midco, LLC (“Buyer”), an affiliate of Summit Utilities, Inc. (together with Buyer, “Summit”), CERC has agreed to sell and Summit has agreed to purchase substantially all of the assets of the Utility. Pursuant to that Asset Purchase Agreement, CERC will transfer at closing all of its Oklahoma utility assets to Summit Utilities Oklahoma, Inc. (“SUO”), an affiliate of Summit. This transaction is expected to be completed prior to the issuance of the bonds authorized by this Cause, and upon closing, SUO will be the proper recipient of the net proceeds of the bond offering and will also act as the initial servicer of the securitization property, including the billing and collection of the WESCRM Charges under this Financing Order. References to CERC, the “Company” and the “Utility” in this Financing Order and its Appendices shall thus all include SUO as the successor-in-interest to CERC, and as the initial servicer of the securitization property. Communications otherwise matching the forms of the Appendices to this Financing Order which substitute SUO for CERC would be consistent with this Financing Order.

² The Act sets forth provisions, including requirements, to which the Commission must adhere in its processing of this Cause and in this Order.

³ 74 OKLA. STAT. § 5062.1 *et seq.*

On May 17, 2021, CERC filed its Application with the Commission to seek a determination of prudently incurred costs associated with the 2021 Winter Weather Event eligible for recovery through securitization, and to demonstrate that a securitization would result in substantial revenue requirement savings as compared to conventional utility financing and otherwise satisfy the requirements of the Act.

Testimony in support of and against aspects of the Application was filed, with a hearing on the merits scheduled to begin December 1, 2021. Prior to the scheduled hearing, a Joint Stipulation and Settlement Agreement was filed on November 24, 2021 (the “Settlement Agreement”), by and among all parties to this Cause, including CERC, the Public Utility Division of the Oklahoma Corporation Commission (“PUD”), and the Attorney General (collectively, the “Stipulating Parties”).

A hearing was conducted on December 1 and 2, 2021, before an Administrative Law Judge (“ALJ”), with Commissioners present. Although the hearing was focused on the proposed Settlement Agreement, the entirety of the testimony and exhibits reflecting the positions of the parties, prior to the Settlement Agreement, was introduced and admitted into the record. Accordingly, the Commission, in reviewing this Cause and issuing this order, has reviewed and bases its decision on the entirety of the record. At the hearing, all parties presented testimony or positions in support of the Settlement Agreement. No party opposed the Settlement Agreement or objected to it and all parties acknowledged or otherwise agreed that securitization provides the most favorable savings to customers. In his Statement of Position, the Attorney General expressed support for securitization after a careful study of CERC’s workpapers, testimony, and the significant discovery issued in the Cause. Specifically, the Attorney General stated that he “supports the use of securitization bonds under the [Act] to allow recovery of historic natural gas costs over a longer, more manageable period of time and at a lower interest rate than would otherwise be available.”⁴

Despite the newly enacted option for securitization, which simply offers utilities another mechanism to recover the costs it would otherwise be allowed to collect from its customers, the requirement by the Commission to determine the utility’s prudently incurred costs under securitization is far from new. Every year, the Commission reviews and monitors utilities’ Fuel Adjustment Clauses (“FAC’s”) or Purchase Gas Adjustments (“PGA’s”) ⁵ and the prudence of the utilities’ fuel procurement processes and costs for the corresponding calendar year.⁶

⁴ Attorney General’s Statement of Position at 1.

⁵ 17 OKLA. STAT. §§ 251-257. The PUD conducts audits of the FACs to determine whether the application of a utility’s current FAC was arithmetically accurate for the calendar year. Such audit ensures the utility charged its customers only the cost of its fuel, purchased gas or purchased power without any additional expenses or return. Pursuant to 17 OKLA. STAT. § 251, regulated utilities cannot earn a return on fuel, purchased gas or purchased power.

⁶ OAC 165:50-5-3 requires the Commission to conduct an annual review of a public utility’s gas purchases. In connection with the annual review of CERC’s gas purchases, PUD also conducts an annual prudence review to examine whether the cost of fuel, purchased gas or purchased power incurred by the Utility was prudent. The prudence review is a comprehensive review that examines the reasonableness of a regulated utility’s practices, policies, and decisions regarding fuel-related investments and expenses. While a prudence review may consider and incorporate the findings of the fuel audit, it must go beyond the calculations to examine the prudence of a utility’s overall fuel-related policies and decisions, based upon information available when those decisions were made, and whether the resulting charges are just and reasonable.

In this Cause, PUD conducted a thorough audit and review of all CERC's gas supply costs arising from the 2021 Winter Weather Event, and CERC cooperated fully to facilitate PUD's audit.⁷ PUD's review was no different than the annual FAC/prudence cases that PUD has conducted for years. The only distinction here is that the review is limited to the period of time of the 2021 Winter Weather Event.⁸

After thorough review of the record, the Commission determines that CERC is eligible to recover through securitization Extreme Purchase Costs of \$75,678,535, Extraordinary Costs of \$411,781, and carrying costs through the date of issuance of ratepayer-backed bonds calculated in the manner described herein, and certain bond issuance costs (collectively, the "Approved Qualified Costs"). This Final Financing Order ("Order") approves such recovery as more fully detailed herein. Ultimately, this Order: (1) approves the issuance of ratepayer-backed bonds (the "Bonds") by the ODFA to finance the recovery of the Approved Qualified Costs, (2) approves the proposed financing structure and parameters for any final bond issuance; (3) authorizes the creation of securitization property in favor of the Utility, including the right to impose and collect an irrevocable and nonbypassable charge (herein, "winter event securitization charge(s)" or "WESCRM Charge(s)"), (4) authorizes the sale of such securitization property to the ODFA to secure repayment of the Bonds; (5) approves a nonbypassable mechanism to ensure that customers of the utility cannot evade paying the WESCRM Charges as long as the Bonds are outstanding; (6) approves a true-up and reconciliation procedure to ensure that the WESCRM Charges will be adjusted from time to time such that the amounts collected will be sufficient to pay the Bonds and associated financing costs; and (7) approves a tariff to implement the WESCRM Charge, all as described in the Act. This Order is organized to include the following:

- Part I provides a statutory overview of the Act to give context to this Order;
- Part II discusses the determination and quantification of the 2021 Winter Weather Event related qualified costs eligible for recovery under the Act;
- Part III describes how the Utility has demonstrated a securitization will result in customer savings and otherwise satisfy the requirements of the Act;
- Part IV describes how the Utility proposes to structure the securitization and allocate, impose and collect the WESCRM Charges in a manner which satisfies the requirements of the Act;
- Part V describes the Bond structure for the securitization designed to recover the Approved Qualified Costs in a manner which will be consistent with published rating agency criteria to ensure the highest possible ratings on the Bonds to best maximize savings to customers; and
- Part VI describes certain Bond issuance cost associated with the Bond issuance process and ongoing financing costs and their recovery from proceeds of the Bonds or WESCRM Charges, as appropriate.

⁷ 1Tr. 16:9-24; 2Tr. 64:17-65:4, 70:24-71:10.

⁸ 74 OKLA. STAT. §§ 9072(3) and (6).

I. BACKGROUND AND STATUTORY OVERVIEW

In February 2021, Oklahoma experienced an extreme weather event that brought nearly two weeks of record cold temperatures to the state. The extreme cold weather resulted in a shortage of natural gas supply, the failure of certain infrastructure, and increased demand for natural gas and electric power. The extreme weather conditions resulted in extraordinary costs for regulated utilities operating in the state. To mitigate such extraordinary costs, the Oklahoma Legislature enacted, and the Governor of Oklahoma signed into law, the Act to provide financing options to lower the immediate economic impact on consumers.

The Act authorizes the Commission, in any case where a regulated utility is requesting recovery of extreme purchase costs, or extraordinary costs or both related to the 2021 Winter Weather Event eligible for recovery under the Act, to approve the recovery of such costs through securitization in order to mitigate the impact of such recovery on customer bills.⁹ The Act provides that the Commission must consider certain factors (“Section 9073 factors”) when determining whether the costs should be mitigated by the recovery through ratepayer-backed bonds, including whether the existence of substantial revenue requirement savings through the issuance of the bonds as compared to conventional financing methods, a longer amortization schedule to pay the bonds than would ordinarily be practicable or feasible for the utility to implement such cost recovery and the ability to issue bonds at a cost which would not exhaust the potential savings.¹⁰ The Commission is also required to review the extreme purchase costs and extraordinary costs of the utility and determine whether the amounts incurred would otherwise be recoverable from customers as fair, just, and reasonable expenses and prudently incurred.¹¹

Upon the determination that the costs are subject to recovery under the Act, and may be mitigated by the issuance of ratepayer-backed bonds, the Commission is authorized and required to make additional findings and conclusions in a financing order to support the issuance of ratepayer-backed bonds, as provided in 74 OKLA. STAT. § 9074(A). The Utility and intervening parties have submitted testimony addressing such findings and conclusions, which are further addressed in Part IV of this Order.

The Act authorizes the creation of a new property right, called securitization property, to secure payment of the ratepayer-backed bonds.¹² The securitization property consists of the right to receive revenues, in the form of the WESCRM Charge, which must be imposed on and collected from customers through a nonbypassable mechanism to ensure that customers cannot avoid paying the WESCRM Charge. The nonbypassable mechanism must provide that the WESCRM Charge cannot be modified or avoided by the customer within the service territory of the utility in effect as of the date of the applicable financing order through switching utility providers, switching fuel sources or materially changing usage, and must be paid by the customer for as long as the

⁹ 74 OKLA. STAT. § 9073.

¹⁰ *Id.* at § 9073(C).

¹¹ *Id.* at § 9073(E).

¹² *Id.* at § 9075(A).

ratepayer-backed bonds are outstanding.¹³ In addition, the nonbypassable mechanism requires a true-up and reconciliation process by which the WESCRM Charge must be adjusted from time to time to ensure that expected revenues from the charge are sufficient to ensure the timely payment of the bonds, together with all costs necessary to service and administer the bonds.¹⁴ These servicing and administration costs, as well as other costs necessary to manage the structure, all as described more fully herein, are collectively referred to as “ongoing financing costs.”

Securitization property constitutes a present property right susceptible of ownership, sale, assignment, transfer, and security interest, and the property will continue to exist until the Bonds issued pursuant to this Order are paid in full and all ongoing financing costs of the Bonds have been recovered in full.¹⁵ In addition, the interests of a pledgee or secured party in securitization property (as well as the revenues and collections arising from the property) are not subject to setoff, counterclaim, surcharge or defense by the Utility or by any customer, or in connection with the bankruptcy of the Utility or any other entity.¹⁶

The Act authorizes the sale of the securitization property by the Utility to the Authority, which in turn and simultaneously, will issue the Bonds, and pledge the securitization property and any other collateral to the payment of the Bonds.

The Act further provides:

Upon the issuance of any financing order pursuant to this section, the periodic determination of factors for customer collection with true-up and reconciliation authorized by the financing order shall not be removed, adjusted or interrupted by any other regulatory determination of the Commission, except where adjustments are warranted as a result of an audit of amounts actually collected from customers and provided to the Authority or where insurance proceeds, government grants or other funding sources offset or reduce the amount of extreme purchase costs and extraordinary costs to be recovered from customers. No adjustments shall in any manner impair or prevent the collection of sufficient revenues to service and repay ratepayer-backed bonds.¹⁷

In this Order, the Commission determines that any insurance proceeds, government grants or other funding sources will not be applied to the payment of the Bonds, but will instead be credited to customers through another mechanism described in this Order.

The Act amends the Authority Act to authorize the ODFA to issue ratepayer-backed bonds authorized pursuant to the Act.¹⁸ In the Authority Act, the State of Oklahoma has pledged to and agreed with the owners of any Bonds issued by the ODFA under the Act that the State will not limit or alter the rights vested in the Authority, including the rights to be held by the Authority in this Order and the securitization property, to fulfill the terms of any agreements made with the

¹³ *Id.* at § 9072(5).

¹⁴ *Id.* at § 9072(12).

¹⁵ *Id.* at § 9075(B).

¹⁶ *Id.* at § 9075(D).

¹⁷ *Id.* at § 9074(H).

¹⁸ *Id.* at § 5062.8(28).

owners thereof or in any way impair the rights and remedies of the owners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the owners, are fully met and discharged (the “State Pledge”).¹⁹ This Order requires the Bonds to include a recitation of the State Pledge.

The Commission may adopt a financing order providing for the retiring and refunding of the Bonds.²⁰ The Utility has not requested, and this Order does not grant, any authority to refinance the Bonds authorized by this Order. However, this Order does not preclude the filing of a request for a financing order under 74 OKLA. STAT. § 9077(D) to retire or refund the Bonds approved in this Order, after proper notice and hearing, and upon a showing that the customers would benefit and that such a financing is consistent with the terms of the Bonds.

To facilitate compliance and consistency with applicable statutory provisions, this Order adopts the definitions in the Act.

II. DETERMINATION OF QUALIFIED COSTS

The Stipulating Parties proposed that, among other things, a total of \$75,678,535 of CERC’s extreme purchase cost and extraordinary costs of \$411,781, should be deemed prudent and reasonable by the Commission. The Stipulating Parties also proposed that the total amount to be securitized, including CERC’s extreme purchase cost, extraordinary cost and other associated costs, including CERC carrying costs and upfront securitization costs authorized for recovery, is estimated to be a total of \$87,678,270 and the Commission should issue a financing order for the securitization of approximately \$87,678,270 as the Approved Qualified Costs.

III. SATISFACTION OF SECTION 9073 FACTORS

The Act provides that the Commission must consider the Section 9073 factors when determining whether costs will be mitigated by the recovery through ratepayer-backed bonds, including whether substantial revenue requirement savings will be realized through (i) the issuance of the Bonds as compared to conventional financing methods; (ii) a longer amortization schedule to pay the Bonds than would ordinarily be practicable or feasible for the utility to implement such cost recovery; and (iii) the ability to issue Bonds at a cost which would not exhaust or offset the potential savings.

In its testimony, CERC demonstrated that as a result of the issuance of the Bonds, customers will realize substantial revenue requirement savings when compared to traditional utility financing. Based on the amount to securitize per the Settlement Agreement, the Utility’s financial analysis indicates that the customers will realize savings in the aggregate amount of approximately \$47 million when comparing a 15-year securitized AAA bond at the expected weighted average interest rate of 2.08% to traditional utility financing at the Utility’s most recent approved 9.75% rate of return for the same time period.²¹ For a typical residential customer, this amounts to a

¹⁹ *Id.* at § 5062.15.

²⁰ *Id.* at § 9077(D).

²¹ Morris Stip. 7:6-15; 2Tr. 12:7 – 14:6; 72:22 – 73:17; Jerasa Rebuttal 5:3-6:9 (present value of customer savings is \$40 million, per Table 2).

monthly savings of approximately \$2.00.²² Accordingly, the Commission concludes that the substantial revenue requirement savings for customers set forth in the record are indicative of the savings that customers will realize from the approval of securitization approved herein. The Commission agrees that securitization should result in substantial revenue requirement savings.

The Settlement Agreement has also proposed that the Bonds be amortized over a 15-year period, which is a longer amortization schedule than would ordinarily be practicable or feasible for the Utility to finance obligations such as these. However, a shorter amortization period is permitted if a shorter term will provide for a lower monthly charge for customers.

The Utility has demonstrated that the cost of issuing the Bonds will not materially impact potential savings to customers. The total estimated issuance costs of \$10.5 million do not exhaust or offset the net savings of \$47 million expected to accrue to customers from the securitization.²³

Further, in the Issuance Advice Letter, the form of which is included as Appendix A (“Issuance Advice Letter”), the Utility will provide an updated savings analysis based upon the actual pricing and terms of the Bonds and the final costs of issuance.

Accordingly, in this Order, the Commission determines that the Utility has demonstrated that the issuance of the Bonds will satisfy the Section 9073 factors and should be approved.

IV. DISCUSSION OF CERTAIN FINANCING ORDER REQUIREMENTS

Pursuant to 74 OKLA. STAT. §9074(A), the Commission is required to include findings and conclusions with respect to certain matters. Certain of these matters, not otherwise discussed in this Order, are addressed below.

Bond Maturities: The Stipulating Parties have requested in the Settlement Agreement that the Commission authorize that the Bonds be amortized over a period not to exceed 15 years, using a relatively level annual debt service structure, or a shorter term to obtain the most favorable term for customers that will result in the lowest reasonable monthly charge for customers. In this Order, the Commission finds the Stipulating Parties’ proposal to be reasonable and approves the payment of the Bonds based upon relatively level annual debt service structure and with a scheduled final payment date not to exceed 15 years from the date of issuance and a legal final maturity not later than five years after the scheduled final payment date, provided a shorter amortization period is permitted, as determined by ODFA, with approval of the State Deputy Treasurer for Policy and Debt Management,²⁴ if such a term will provide for a lower monthly charge for customers.

Irrevocable and Nonbypassable Mechanism to Impose and Adjust Winter Event WESCRM charges: In order to generate sufficient cash flow to pay the Bonds and related ongoing financing costs, the Stipulating Parties have proposed²⁵ a mechanism to impose the WESCRM Charge as a monthly per capita charge based on a customer class methodology, calculated based upon factors

²² *Id.*

²³ Jerasa Rebuttal 5:3 – 6:9; Jerasa Rebuttal Exhibit BAJ-3.

²⁴ Referred to in the Act as Deputy Treasurer for Policy and Debt Management and given the title of Deputy Treasurer for Debt Management in 62 O.S. § 695.7(A).

²⁵ Settlement Agreement, ¶6.

described in Appendix B to this Order (the “WESCRM Mechanism”). The WESCRM Mechanism will remain in effect until the complete repayment and retirement of the Bonds and ongoing financing costs authorized by this Order.

The WESCRM Charge would be payable by all sales customers excluding those who were enrolled in the Utility’s Voluntary Fixed Price Option (“VFPO”) ²⁶ tariff during February 2021, and excluding Low Income Heating Energy Assistance Program (“LIHEAP”) customers.²⁷ Customers enrolling in the VFPO for future enrollment periods will pay the WESCRM Charge. The Utility (as Servicer) will calculate the WESCRM Charge according to the WESCRM Mechanism, including the allocation among tariff rate categories (each a “Customer Class”). The mechanism and, as described below, the allocation among Customer Classes, will, subject to the filing of a non-standard true-up adjustment described below, remain in effect until the complete repayment and retirement of the Bonds and ongoing financing costs authorized by this Order.

As required by 74 OKLA. STAT. § 9074(A)(3), the record also includes evidence that describes features demonstrating how the WESCRM Charge will be nonbypassable to customers. Features that contribute to the irrevocable and nonbypassable character of the recovery mechanisms of the WESCRM include: (1) the fixed monthly securitization charge mitigates against material changes in usage; (2) provisions of this Order mitigate against customer avoidance of the securitization charge by underpayment of a monthly bill by requiring allocation of any such underpayment between the securitization charge and the gas service bill; (3) the semi-annual true-up mechanism will adjust securitization charges based on changes in billing determinants among and within classes of customers; (4) the 15-year term for securitization mitigates against the long-term effects of customer attrition; (5) further mitigating the effects of customer attrition, new customers to the system will be subject to the securitization charge; (6) Oklahoma House Bill 3619 mitigates risk of fuel switching by prohibiting local government from adopting ordinances, rules or codes that restrict connections to a natural gas utility; (7) the cost of conversion from gas to electricity in existing structures mitigates the risk of fuel switching; (8) securitization charges imposed by electric utilities mitigate the risk of fuel switching from gas to electricity; and (9) the indication of market confidence in gas utilities reflected in their high credit ratings. In this Order, the Commission finds that this nonbypassable mechanism satisfies the requirements of the Act and is consistent with obtaining the highest possible ratings on the Bonds.

Frequency of True-Ups and Reconciliation: The Stipulating Parties have agreed in the Settlement Agreement that the WESCRM Charge will be adjusted (or trued-up) semi-annually to ensure that the WESCRM Charge collections are sufficient to ensure the timely payment of the Bonds. The Stipulating Parties have further recommended in the Settlement Agreement, by agreeing to the WESCRM Mechanism, that the Utility should submit to PUD any such adjustments of WESCRM Charges by March 31 and September 30 of each year, with the rates to become effective the first billing cycle of May and November, respectively.²⁸ The timing of the true-up process will allow for a Commission review period of at least 30 days prior to the proposed true-up effective date to allow the Commission to review the proposed true-up.²⁹ Submission dates and

²⁶ The VFPO allows for residential and small commercial customers to pay a fixed price per dekatherm for the plan year, which runs from each November 1 through October 31 of each year. 2Tr. 24:11-22.

²⁷ 2Tr. 23:25-24:10.

²⁸ WESCRM Mechanism, Appendix B, §7; Morris Supplemental Testimony Exhibit ALM-1.

²⁹ See, WESCRM Mechanism, Appendix B, §7.

timing of applicable rates may change subject to the timing of information from the ODFA. The proposed WESCRM Mechanism further provides that interim true-ups may occur at any time if the servicer forecasts that WESCRM charge collections will be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period, or to replenish any draws on the debt service reserve subaccount (“DSRS”).³⁰

A final true-up will occur at the end of the Term to ensure that only the amount of bond proceeds the Company received, as well as related interest and ongoing financing costs, have been collected from those customers identified in Section 4 of the WESCRM Mechanism. This final true-up may occur through the Company’s Gas Supply Rate (“GSR”) or as a line item on the customers’ bills.³¹

Hilltop Securities, as financial advisor to the Authority and the Commission (the “Financial Advisor”) has testified that the true-up should be allowed more frequently if required to obtain the highest possible bond ratings. The Financial Advisor has also testified that the true-up should occur quarterly following the final scheduled payment date of the Bonds. In this Order, the Commission agrees with these recommendations by the Financial Advisor. The true-up will be required semi-annually commencing 12 months prior to the scheduled final payment date of the Bonds and at any time if the Servicer forecasts that WESCRM Charge collections will be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or to replenish any draws on the DSRS or as required to obtain the highest possible ratings on the Bonds by the rating agencies. The frequency and timing of true-ups shall be documented in the Issuance Advice Letter.

The Financial Advisor also testified that, to ensure the highest possible rating on the Bonds, the true-up adjustments requested by the Servicer should be automatic and subject to review by the Commission solely for the correction of mathematical error. The Commission approves this approach, with the clarification that PUD will be responsible for reviewing the true-up adjustments for this purpose. The Commission supports this process to make all reasonable efforts to achieve the highest possible rating on the Bonds.

Adjustment Methodology: Each True-Up Letter and Non-Standard True-Up Letter (as described below), the forms of which are included as Appendix D and Appendix E, respectively, to this Order, will calculate a revised WESCRM Charge for the Bonds in accordance with the WESCRM Mechanism. Generally, the WESCRM Charge will be calculated by the Servicer as follows:

- First, the Servicer will calculate the Periodic Payment Requirement (as defined below) for the next six-month period, or if shorter the period from the adjustment date (or, in the case of the initial WESCRM Charge calculation, the closing date of the Bonds) to and including the next bond payment date, as well as the Periodic Payment Requirement for the next succeeding six month period ending on the following bond payment date (each, a “Payment Period”). The “Periodic Payment Requirement” or “PPR” covers all scheduled (or legally due) payments of principal (including, if any,

³⁰ WESCRM Mechanism, Appendix B, §7; Morris Direct 15:18-19, 17:1-4.

³¹ WESCRM Mechanism, Appendix B, §7.

prior scheduled but unpaid principal payments), interest, and other ongoing financing costs to be paid with WESCRM Charge revenues during such Payment Period. The Periodic Billing Requirement will then be calculated, using the most recent information of the Servicer regarding write off, average days sales outstanding data or other collection data, to determine the amount of WESCRM Charge revenue that must be billed during each Payment Period to ensure that sufficient WESCRM Charge revenues will be received to satisfy the Periodic Payment Requirement for such Payment Period. Such amount is referred to as the “Periodic Billing Requirement” or “PBR”;

- Second, the PBR for each Payment Period is allocated among each WESCRM Customer Class using the Energy Allocation Factor (described below);
- Third, the WESCRM Charge for each Customer Class for each Payment Period is determined by dividing each Customer Class’s respective portion of the PBR for the Payment Period by their respective customer count for the Payment Period; and
- Finally, after such calculations are made, the WESCRM Charge for each Customer Class for the next Payment Period and the next succeeding Payment Period will be compared and the higher WESCRM Charge will be the WESCRM Charge effective for such Customer Class on the next adjustment date.

The Servicer will use its latest customer count, as well as its latest write-off, days sales outstanding and other collection and delinquency experience to calculate the WESCRM Charge.

All true-up adjustments to the WESCRM Charges will ensure the billing of WESCRM Charges necessary to satisfy the Periodic Payment Requirement for the Bonds for each Payment Period during such 12-month period (or shorter period) following the adjustment date of the WESCRM Charge. True-up adjustments will be based upon the cumulative differences, regardless of the reason, between the Periodic Payment Requirement and the actual amount of WESCRM Charge collections remitted to the bond trustee for the Bonds.

Allocation of Revenue Requirements Among Various Customer Classes: The Stipulating Parties have agreed and recommend that costs associated with the Bonds should be allocated among Customer Classes based on actual usage during the month of February 2021.³² The resulting allocation among Customer Classes is set out in Sections 4 and 7 of the WESCRM Mechanism (the “Energy Allocation Factors”).³³ Except as adjusted in a non-standard true-up adjustment, the Energy Allocation Factors will be fixed for the life of the Bonds. In this Order, the Commission finds such allocation methodology reasonable and equitable to customers, and approves the methodology.

Non-Standard True-Up Adjustments: In addition, the Servicer will be required to request a non-standard true-up adjustment to reallocate costs among the Customer Classes if there is a significant change in the number of customers within one or more Customer Class. The Stipulating Parties have proposed that if the current customer count for any customer class changes by 10% or more from the customer count most recently used to determine the billing rates as shown in

³² See, WESCRM Mechanism, Appendix B, §§4,7; Settlement Agreement, ¶ 7.

³³ WESCRM Mechanism, Appendix B §7.

Section 5 of the WESCRM Mechanism, then the allocation of both the Energy Allocation Factors and fixed billing rate will be re-determined using twelve months of projected usage.³⁴ The Commission finds this request reasonable and consistent with an equitable allocation of the costs of debt service and ongoing financing costs associated with the Bonds.

Frequency of Remittances: The Financial Advisor has testified that it is customary for a utility to remit securitization charges to the bond trustee on a daily basis, within two business days of receipt of such charges. The Utility has indicated that as Servicer it is capable of remitting, and will remit WESCRM Charges daily within two business days of receipt. The Financial Advisor has further testified that if the daily remittances are made on an estimated basis, the estimated remittances should be reconciled with actual collections no less often than semi-annually, with any over-remittances being returned to the Utility, in its capacity as Servicer, including any successor to the Utility or any subsequent Servicer of the Bonds, through a reduction in the amount of future remittances equal to such over-remittance and any under-remittances being paid over to the bond trustee by the Utility, in its capacity as Servicer, including any successor to the Utility or any subsequent servicer of the Bonds within five business days. The Commission adopts these recommendations of the Financial Advisor.

V. DESCRIPTION OF PROPOSED FINANCING STRUCTURE

Set forth below is a description of the proposed financing structure, including a proposed servicing arrangement. The Commission finds the proposed structure is reasonable, consistent with the Act, and is approved.

A. General Description.

The proposed financing structure includes all of the following:

- Creation of securitization property solely in favor of the Utility, which includes the right to bill and collect the WESCRM Charge;
- Sale of the securitization property to the ODFA pursuant to the sale agreement;
- Issuance of the Bonds by the ODFA, consistent with the provisions set forth in this Order;
- Transfer of the net proceeds of the Bonds by the ODFA to the Utility³⁵ in consideration for the sale of the securitization property pursuant to the sale agreement;
- Collection on behalf of the ODFA of WESCRM Charges by the Utility or its successors, as collection agent and Servicer, who will be responsible for billing and collecting the WESCRM Charges from customers;

³⁴ *Id.*

³⁵ Pursuant to 74 OKLA. STAT. § 9077(I), the proceeds of the Bonds will be deposited with the State Treasurer pending disposition at the direction of the Authority. The proceeds will be delivered to the Utility pursuant to instructions included in the sale agreement between the Authority and the Utility as further described in this Order.

- Pledge of the WESCRM Charges and rights under the transaction documents (as more fully defined in the Act, the “securitization property”) by the ODFA to the bond trustee as security for repayment of the Bonds;
- Benefits for federal income tax purposes including (i) the exclusion of the WESCRM Charges from the taxable income of the Utility; (ii) avoiding federal corporate income tax on the operations of ODFA; (iii) the Bonds constituting obligations of the ODFA; and
- Automatic true-up and reconciliation mechanism.

Pursuant to the Act, ODFA will be responsible for issuing the Bonds pursuant to an indenture administered by a bond trustee. The Bonds will be secured by and payable solely out of the securitization property created pursuant to this Order and the Act and other collateral, including ODFA’s rights under the servicing agreement with the Utility. That collateral will be assigned and pledged to the bond trustee by the ODFA for the benefit of the holders of the Bonds and to secure payment due with respect to the Bonds and related financing costs.

Concurrent with the issuance of the Bonds, the Utility will sell the securitization property to ODFA pursuant to a sale agreement between ODFA and the Utility. This transfer will be structured so that it will qualify as a true sale within the meaning of 74 OKLA. STAT. § 9075(F) and that such rights will become securitization property concurrently with the sale to ODFA as provided in 74 OKLA. STAT. § 9075(G).

Pursuant to a servicing agreement, the Utility will act as the initial Servicer of the securitization property, including billing and collecting the WESCRM Charges for the Authority, and will undertake to collect WESCRM Charges from the customers and remit these collections to the bond trustee on behalf of the Authority. The Utility, in its capacity as Servicer will perform routine billing, collection and reporting duties on behalf of the Authority and will not be permitted to resign as Servicer unless it is no longer legally capable of serving in such capacity and until a successor servicer meeting the requirements set forth in the transaction documents is in place. The Servicer will be responsible for making any required or allowed true-up and reconciliation of the WESCRM Charges. If the Servicer defaults on its obligations under the servicing agreement, the Authority, or the bond trustee, at the direction of a majority of the bondholders, may appoint a successor servicer.

WESCRM Charges will be calculated and adjusted from time to time, pursuant to the WESCRM Mechanism as approved in this Order, to be sufficient at all times to pay all scheduled debt service, any past due amounts and other related ongoing financing costs for the Bonds on a timely basis.

B. The Indenture and Flow of Funds.

Pursuant to the Act, a bond trustee will be appointed by the State Treasurer and approved by the Authority. The bond trustee will act as a representative on behalf of bondholders, remit payments to bondholders, and ensure bondholders’ rights are protected in accordance with the terms of the transaction. The indenture will include provisions for a collection account and related subaccounts, all held by the trustee, for the collection and administration of the WESCRM Charges

and payment or funding of the principal of and interest on the Bonds and ongoing financing costs. The collection account will include the general subaccount, the DSRS and the excess funds subaccount, and may include other subaccounts as required to accommodate other credit enhancement.³⁶

The bond trustee will deposit the WESCRM Charge remittances that the Servicer remits to the credit of the general subaccount. The bond trustee will on a periodic basis apply moneys in the general subaccount to pay expenses of the ODFA and the Utility, in its capacity as Servicer, related to the Bonds, to pay principal of and interest on the Bonds and to pay all other ongoing financing costs. Pending such application, the funds in the general subaccount will be invested by the bond trustee as provided in the indenture, and earnings will be deposited into the general subaccount and applied by the bond trustee to pay principal of and interest on the Bonds and all ongoing financing costs in accordance with the terms of the indenture.

When the Bonds are issued, the bond issuance costs will include a deposit into a cost of issuance account (or subaccount) and a deposit estimated at the time of hearing at 0.50% of the original principal amount of the Bonds to the credit of the DSRS. The DSRS deposit could be higher if required by the rating agencies to obtain the highest possible rating, which benefits customers. The exact amount will be determined by the Authority based upon rating agency considerations and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt Management, and reflected in the Issuance Advice Letter. The DSRS will serve as collateral to ensure timely payment of scheduled principal of and interest on the Bonds and all ongoing financing costs. The funds in this subaccount will be invested by the bond trustee as provided in the indenture. Any amounts in the DSRS will be available to be used by the bond trustee to pay principal of and interest on the Bonds and certain ongoing financing costs, if necessary, due to a shortfall in WESCRM Charge collections. Any funds drawn from the DSRS to pay these amounts due to a shortfall in the WESCRM Charge collections will be replenished through future WESCRM Charge remittances. Funds remaining in the DSRS will be applied to the final payment of principal of the Bonds.

The excess funds subaccount will hold any WESCRM Charge remittances and investment earnings on the collection account in excess of the amounts needed to pay current principal of and interest on the Bonds and to pay the ongoing financing costs. Any balance in or allocated to the excess funds subaccount on a true-up adjustment date will be used as credit in calculating the next true-up adjustment. The money in this subaccount will be invested by the bond trustee as provided in the indenture, and such money (including investment earnings thereon) will be used by the bond trustee to pay principal of and interest on the Bonds and ongoing financing costs.

Other credit enhancements in the form of subaccounts may be utilized for the financing if such enhancements are anticipated to provide greater revenue requirement savings to customers as determined by the Authority, based upon rating agency considerations and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt Management. Such credit enhancements will be described in the Issuance Advice Letter.

³⁶ References to accounts and subaccounts herein are for purposes of clarity. The account names and structure will be set forth in the indenture.

In addition to the collection account, there may be such additional accounts and subaccounts, such as a cost of issuance account, as are necessary to segregate amounts received from various sources, or to be used for specified purposes. Such accounts will be administered and utilized as set forth in the servicing agreement and the indenture.

Upon the maturity of the Bonds and the discharge of all obligations in respect thereof, remaining amounts in the collection account will be released by ODFA to the Utility, in its capacity as servicer, for crediting to customers, solely on behalf of the Authority, as required by this Order.

C. Servicing Arrangements.

The Financial Advisor has provided testimony concerning the purpose and provisions of the servicing agreement as well as compensation arrangements that reflect investor and rating agency expectations as well as minimize customer costs.

The servicing agreement is an agreement between the Utility, as the initial Servicer of the securitization property, and the Authority, as owner of the securitization property. It sets forth the responsibilities and obligations of the Servicer, including, among other things, billing and collection of winter event securitization charges, responding to customer inquiries, terminating service, filing for true-up adjustments, and remitting collections to the State Treasurer or bond trustee for distribution to bondholders. The servicing agreement prohibits the Utility from resigning as initial Servicer unless it is unlawful for the Utility to continue in such a capacity. The Utility's resignation as Servicer would not be effective until a successor servicer assumes its obligations in order to continue servicing the securitization property without interruption. The Servicer may also be terminated from its responsibilities under certain instances, such as the failure to remit collections within a specified period of time, by the Authority or the bond trustee upon a majority vote of bondholders. Any merger or consolidation of the Servicer with another entity, any purchase of the operation assets of the Servicer, or any transfer of the Servicer's entity or operational assets in connection with a bankruptcy proceeding will require the merged entity, successor or purchaser to assume the Servicer's responsibility under the servicing agreement. The terms of the servicing agreement are critical to the rating agency analysis of the Bonds and the ability to achieve credit ratings in the highest categories.

As compensation for its role as initial Servicer, the Utility is entitled to earn a servicing fee payable out of WESCRM Charge collections. As explained in the Financial Advisor's testimony, it is important to the rating agencies' analysis of the transaction that the Utility receives an arm's-length fee as Servicer of the securitization property. However, it is customary in other utility securitizations for utilities, in their capacity as servicer, to be paid a fee based upon their incremental costs of providing servicing. It is also common for utilities to be required to include the servicing fee, as well as servicing costs not in excess of the servicing fee, as part of their reported revenue requirements in the utility's base rate proceedings. This process ensures that utilities are not paid more than what is minimally required to service the Bonds and to ensure that any excess payments be credited back to customers. The Commission approves this compensation and reconciliation process, as further discussed herein.

As also explained by the Financial Advisor, utility securitizations to date have also permitted an increase in the servicing fee should a successor servicer, which is not part of the utility's business and who decouples the securitization charge bill from other bill amounts, assume the obligations of the utility, as servicer, because the successor servicer would require additional

inducement due to its lack of a pre-existing servicing relationship with the utility's customers. Financing orders in utility securitizations often approve a substantially higher fee for a successor servicer. The majority of recent transactions have provided for successor servicer annual fees of approximately 0.60% of the initial balance of the bonds or greater. Recent transactions in Texas and Louisiana provided for annual successor servicer fees of up to 0.60% of the initial balance of the bonds; however, recent transactions in California provided that the public utilities commission may approve a higher fee without stating any limit if such fee does not adversely affect the then-current ratings on the related bonds. Further, the Financial Advisor stated that a defined successor servicer fee is helpful for rating agencies, who will use the capped fee in their various stress analyses. Similar to the transactions in other jurisdictions, the Financial Advisor has recommended that the proposed financing order allow a successor servicer to collect a higher servicing fee at a rate approved by the Commission provided, however, that no such approval would be required if the annual fee does not exceed 0.60% of the initial balance of the Bonds.

In this Order, the Commission authorizes an annual successor servicing fee up to 0.60% of the initial balance of the Bonds conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. Moreover, should the successor servicer seek a servicing fee higher than 0.60%, such fee is not approved. Any servicing fee higher than 0.60% requires Commission approval in a subsequent proceeding. The Commission approves these servicing arrangements as discussed herein.

D. Use of Proceeds.

The proceeds of the Bonds, net of bond issuance costs payable by the Authority (including costs payable to the Utility and amounts required to be deposited to the DSRS) will be deposited with the State Treasury and immediately disbursed pursuant to the instructions of the Authority to the Utility to pay the cost of purchasing the securitization property. The Utility, in turn, will use the proceeds, to pay or reimburse itself for the Approved Qualified Costs pursuant to the terms of this Order.

E. Approval of Final Bond Terms; Issuance Advice Letter.

The Commission recognizes that certain details of the final Bond structure, such as any overcollateralization requirements or credit enhancements to support payment of the Bonds, and the final terms of the Bonds will depend in part upon the rating criteria of the nationally recognized credit rating agencies which will rate the Bonds and/or, in part, upon the market conditions that exist at the time the Bonds are taken to the market. This Order establishes and approves a financing structure as well as parameters for the Bonds, including maximum final scheduled payment dates, a weighted average interest rate on the Bonds, the method by which the Bonds should be amortized, as well as limits on certain costs to be incurred by the Utility, including Utility bond issuance costs and Utility servicing fees. As authorized by the Act, ODFA, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, will determine and approve the final terms of the Bonds consistent with the terms of this Order. Within three business days of the pricing of the Bonds, ODFA and the Utility will jointly submit to PUD, for information purposes (except with respect to the Utility certification), an Issuance Advice Letter evidencing the final terms of the Bonds, projected (or actual) costs of issuance and ongoing financing costs, projected customer savings, as well as the initial WESCRM Charges. Failure or delay in submitting such report will not affect the validity of the Bonds or their security.

VI. BOND ISSUANCE AND ONGOING FINANCING COSTS

A. Bond Issuance Costs.

Bond issuance costs will be incurred in connection with the issuance of the Bonds and will be recoverable from proceeds of the Bonds. Bond issuance costs include, without limitation, the cost of funding the DSRS, underwriting costs (fees and expenses), rating agency fees, costs of obtaining additional credit enhancements (if any), the Commission (including PUD) expenses, fees and expenses of the Authority's and the Utility's accountants and legal advisors (including bond counsel, special counsel and disclosure counsel), fees and expenses of the Financial Advisor, original issue discount, external servicing costs, fees and expenses of bond trustee and its counsel (if any), servicer set up costs, printing and filing costs, non-legal financing proceeding costs and expenses of ODFA, the Utility, the Commission (including PUD) and the State Treasurer or other State officials and miscellaneous administrative costs. ODFA has no control over issuance costs incurred pursuant to a financing under the Act, apart from ODFA related issuance costs. The only issuance costs to be incurred directly by the Utility are servicer set up costs, costs related to regulatory proceedings, miscellaneous administrative costs, external servicing costs and the costs of the Utility's financial and legal advisors (collectively, "Utility Issuance Costs"). The Utility has provided a detailed estimate of its Utility Issuance Costs in its testimony. The Commission will have control over Utility Issuance Costs through its jurisdictional control over the Utility. All other issuance costs (collectively, "Non-Utility Issuance Costs") will be outside the control of the Utility because the issuer of the Bonds, the Authority, is an instrumentality of the state.

The Commission is mindful of the fact that several of the components of bond issuance costs will vary depending upon the size of the final issuance of the Bonds. Specifically, the Commission realizes that some of the following costs may be proportional to the amount of Bonds actually issued, as described in the final Issuance Advice Letter: the DSRS, rating agency fees, special counsel fees, fees and expenses of the Council of Bond Oversight and Attorney General, and underwriters' fees are proportional to the amount of Bonds actually issued. Further, other issuance costs, such as ODFA and Utility legal and accounting fees and expenses, and printing expenses will not be known until the issuance of the Bonds or even thereafter, when final invoices are submitted. In this Order, the Commission approves the recovery by the Utility of the Utility Issuance Costs, subject to a cap of \$500,000 (the "Utility Issuance Cost Cap"). An estimate of the Non-Utility Issuance Costs was described in the testimony of the Financial Advisor and the actual or estimated, such estimate to be closer in time to the date of the issuance of the Bonds, Non-Utility Issuance Costs will be set out in the Issuance Advice Letter. All other Non-Utility Issuance Costs are also approved for recovery, subject to the final approval of costs by the Authority and the State Deputy Treasurer for Policy and Debt Management.

B. Ongoing Financing Costs.

Costs will be incurred by the Utility, in its role as servicer, as well as by the Authority and other state agencies in connection with the servicing and administration of the Bonds. These costs should not be included in the principal amount of the Bonds, and are authorized to be recovered through the WESCRM Charges, subject to the true-up of those charges as provided in this Order. The Financial Advisor estimates that these ongoing annual costs (exclusive of debt service on the Bonds and the servicing fee and external accounting costs of the Utility) will be approximately \$436,500 for the first year following the issuance of the Bonds (assuming the Utility is the initial

Servicer), but many ongoing costs will not be known until they are incurred. The Utility has proposed an annual servicing fee for acting as initial Servicer following the issuance of the Bonds equal to 0.05% of the original principal amount of the Bonds for acting as initial servicer. This fee will be fixed for the life of the Bonds and continuing thereafter until all WESCRM Charges have been billed and collected or written off as uncollectible as long as the Utility continues to act as Servicer. As later discussed, the Utility is directed to include the servicing fee, as well as servicing costs, as part of the Utility's future rate proceeding, as applicable, to ensure that the Utility does not collect more than its incremental costs.

In the event that the Servicer default occurs, the Authority, or the bond trustee acting at the direction of a majority of the bondholders, will be permitted to appoint a successor servicer. The compensation of the successor servicer will be what is required to obtain the services under the servicing agreement. As previously discussed, the Financial Advisor has recommended that the Commission approve a fee up to 0.60% of the initial principal balance of the Bonds in case a successor needs to be appointed, unless the ODFA can reasonably demonstrate to the Commission, in a subsequent proceeding, that the services cannot be obtained at that compensation level under the market conditions at that time. As stated in V(C), the Commission authorizes an annual successor servicing fee up to 0.60% of the initial balance of the Bonds conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. Moreover, should the successor servicer seek a servicing fee higher than 0.60%, such fee is not approved. Any servicing fee higher than 0.60% requires Commission approval in a subsequent proceeding. The Commission approves these servicing arrangements.

As set forth herein, the ODFA, the Utility and the Commission should be and are permitted to recover from WESCRM Charges their ongoing financing costs, as requested by the Utility and ODFA, subject to the cap on the annual servicing fee and conditions described above.

VII. FINDINGS OF FACT

The Commission makes the following findings of fact:

A. Identification and Procedure

Identification of Applicant and Background

1. CERC is a natural gas public utility providing local distribution service to approximately 100,000 residential, commercial, industrial and transportation customers throughout the State of Oklahoma. CERC is subject to the regulatory authority of the Commission with respect to its retail rates and charges for sales of natural gas made within the State of Oklahoma.

2. In February 2021, Oklahoma experienced an extreme weather event that brought nearly two weeks of record cold temperatures to the state. The extreme cold weather resulted in a shortage of natural gas supply, the failure of certain infrastructure, and increased demand for natural gas and electric power. The extreme weather conditions resulted in the Utility incurring extreme purchase costs, extraordinary costs or both that would be mitigated by issuing the Bonds.

Procedural History

On May 17, 2021, CenterPoint Oklahoma filed its Application in this Cause, for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event Pursuant to the February 2021 Regulated Utility Consumer Protection Act.

On May 18, 2021, the Attorney General of the State of Oklahoma (“Attorney General”) filed an Entry of Appearance on behalf of Jared B. Haines and A. Chase Snodgrass.

On June 3, 2021, the Commission’s Public Utility Division (“PUD”) filed a Motion to Engage a Financial Advisor(s) or Other Consultants, along with a Notice of Hearing setting the Motion to Engage a Financial Advisor(s) or Other Consultants for hearing on June 10, 2021.

On June 10, 2021, the Motion to Engage a Financial Advisor(s) or Other Consultants was heard and recommended.

On June 24, 2021, Order No. 719117, Order Granting Motion of the Public Utility Division to Engage a Financial Advisor(s) or Other Consultants was issued.

On July 28, 2021, the Direct Testimony and Exhibits of Amy L. Morris on Behalf of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Oklahoma Gas, the Direct Testimony and Exhibits of Brett A. Jerasa on Behalf of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Oklahoma Gas and the Direct Testimony and Exhibits of Brian S. Wagaman on Behalf of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Oklahoma Gas were filed.

Also on July 28, 2021, CenterPoint Oklahoma filed a Motion for Order Prescribing Notice of Hearing, a Motion for Protective Order and a Motion to Establish Procedural Schedule, along with Notices of Hearing setting the Motion for Order Prescribing Notice of Hearing, the Motion for Protective Order and the Motion to Establish Procedural Schedule for hearing on August 12, 2021.

On July 29, 2021, CenterPoint Oklahoma filed a Notice of Hearing setting the Motion for Order Prescribing Notice of Hearing for hearing on August 12, 2021.

On August 12, 2021, the Motion for Protective Order and the Motion for Order Prescribing Notice of Hearing were heard and recommended, and the Motion to Establish Procedural Schedule was continued by agreement of the parties to August 19, 2021.

On August 17, 2021, Public Comment was filed.

On August 19, 2021, the Supplemental Testimony and Exhibit of Amy L. Morris on Behalf of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Oklahoma Gas was filed.

Also on August 19, 2021, the Motion to Establish Procedural Schedule was continued by agreement of the parties to August 26, 2021.

On August 24, 2021, Order No. 720201, Order Granting for Protective Order was issued.

On August 26, 2021, the Notice of Withdrawal of Appearance of Johanna Roberts was filed.

Also on August 26, 2021, the Motion to Establish Procedural Schedule was heard and recommended.

On September 9, 2021, Order No. 720478, Order Granting Motion to Establish Procedural Schedule, and Order No. 720479, Order Granting Motion for Order Prescribing Notice of Hearing, were issued.

On September 27, 2021, Order No. 720809, Order Nunc Pro Tunc Correcting Order No. 720478, was issued.

On October 18, 2021, the Responsive Testimony of Isaac D. Stroup, the Responsive Testimony of JoRay McCoy, CFE, MAFF, SMIA, CPO, and the Responsive Testimony of Michael Bartolotta on Behalf of the Public Utility Division were filed.

On October 22, 2021, the Attorney General's Statement of Position was filed.

On November 15, 2021, PUD filed the Summary of Testimony of Isaac D. Stroup, the Summary of Responsive Testimony of JoRay McCoy, CFE, MAFF, SMIA, CPO and the Summary of Responsive Testimony of Michael Bartolotta.

Also on November 15, 2021, CenterPoint Oklahoma filed the Rebuttal Testimony and Exhibits of Amy L. Morris on Behalf of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Oklahoma Gas and the Rebuttal Testimony and Exhibits of Brett A. Jerasa on Behalf of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Oklahoma Gas..

On November 18, 2021, PUD filed its Exhibit List.

On November 22, 2021, the Attorney General filed his Exhibit List.

On November 24, 2021, CenterPoint Oklahoma filed its Exhibit List.

Also on November 24, 2021, the parties filed a Joint Stipulation and Settlement Agreement.

On November 29, 2021, CenterPoint Oklahoma filed the Settlement Testimony and Exhibit of Amy L. Morris on behalf of CenterPoint Energy Resources Corp. D/B/A CenterPoint Oklahoma Gas.

Also on November 29, 2021, CenterPoint Oklahoma filed an Affidavit of Service certifying compliance with the Commission's Order No. 720479, Order Granting Motion for Order Prescribing Notice of Hearing.

Also on November 29, 2021, PUD filed Testimony of Isaac Stroup in Support of Joint Stipulation and Settlement Agreement.

On November 30, 2021, the Prehearing Conference was heard and recommended.

On December 1, 2021, the Cause came on for hearing on the merits before the ALJ. CenterPoint Oklahoma presented its first witness, Mr. Brian Wagaman, who presented the facts and circumstances relating to the Company’s gas procurement plan, its implementation of the plan, and the results of those efforts during the 2021 winter weather event, and the prudence of the extreme purchase and the extraordinary costs incurred by the Company during the storm. The evidentiary hearing was then continued to December 2, 2021.

Opportunity for public comment was offered on the record on December 1, 2021, at 1:30 p.m. as prescribed by Order No. 720479. No members of the public appeared for public comment, either in Courtroom 301 or on the virtual link provided by the Commission in the Notice of Hearing prescribed by Order No. 720479.

On December 2, 2021, CenterPoint Oklahoma filed the Affidavit of Brett Jerasa, verifying his Direct Testimony and Exhibits filed July 28, 2021, and his Rebuttal Testimony and Exhibits filed November 15, 2021.

Also on December 2, 2021, the continued evidentiary hearing was reconvened and CenterPoint Oklahoma presented Amy L. Morris in support of the Joint Stipulation. PUD presented Isaac Stroup and Michael S. Bartolotta in support of the Joint Stipulation. The ALJ also accepted into the record all verified pre-filed testimony in the Cause. All parties joined in the Joint Stipulation and no party opposed it. At the end of the hearing, the ALJ recommended that the Commission adopt the Joint Stipulation in its entirety.

Also on December 2, 2021, Exhibit #1, US Utility Tariff/Stranded Cost Bonds Rating, and Exhibit #2, Utility Cost Recovery Charge Securitizations Methodology, were filed.

On December 3, 2021, PUD filed the Witness Identification Form of Michael Bartolotta.

On December 8, 2021, a Notice of Transcript Completion for a Transcript of the Proceedings had on the 1st Day of December, 2021, before Commissioner Dana Murphy, Commissioner Todd Hiatt, Commissioner Bob Anthony and Administrative Law Judge Mary Candler was filed.

On December 20, 2021, a Notice of Transcript Completion for a Transcript of Courtroom Proceedings had on December 2, 2021, before Commissioner Dana Murphy, Commissioner Todd Hiatt and the Honorable Judge Mary Candler was filed.

On January 6, 2022, the Attorney General filed a Notice of Withdrawal for A. Chase Snodgrass.

B. Summary of the Record

Documents and written testimony filed in this Cause are contained in records kept by the Court Clerk of the Commission. Written and oral testimony was offered at the hearing conducted on December 1 and 2, 2021, and is contained in the transcripts of these proceedings. The written and oral testimony, testimony summaries and statements of position filed of record in this Cause are incorporated herein by reference. The full record of this Cause includes without limitation all items within the definition of “record” as set forth in OAC 165:5-1-3.

C. The Settlement Agreement

The provisions of the Settlement Agreement include the following:

1. In paragraph 1 of the Settlement Agreement, the Stipulating Parties agree that the Commission should find that CERC has provided the requisite information specified in Section 9073(A) of the Act. Also, the Stipulating Parties agree that the Commission should find, pursuant to Section 9073(C) of the Act, that securitization would provide benefits to customers as compared to traditional utility financing.

2. In paragraph 2 of the Settlement Agreement (“*Extreme Purchase Costs*”), the Stipulating Parties agree that CERC has Extreme Purchase Costs estimated to be in the total amount of \$75,678,535. The Stipulating Parties further agree that this figure represents the Company’s Extreme Purchase Costs incurred beginning February 7, 2021, and ending February 21, 2021, and that these costs should be deemed prudent by the Commission and that the Commission should determine that these costs incurred would otherwise be recoverable from customers as fair, just and reasonable expenses and prudently incurred.

3. In paragraph 3 of the Settlement Agreement (“*Extraordinary Costs*”), the Stipulating Parties agree that CERC has Extraordinary Costs estimated to be in the total amount of \$411,781. The Stipulating Parties further agree that this figure includes the Company’s Extraordinary Costs incurred beginning February 7, 2021, and ending February 21, 2021, and that these costs should be deemed prudent and reasonable by the Commission and that the Commission should determine that these costs incurred would otherwise be recoverable from customers as fair, just and reasonable expenses and prudently incurred.

4. In paragraph 4 of the Settlement Agreement (“*Financing Order Amount and Term*”), the Stipulating Parties agreed as follows:

(a) The total amount of CERC’s Extreme Purchase Costs and Extraordinary Costs, with financing costs and upfront securitization costs authorized for securitization is estimated to be \$87,678,270, subject to change based on final costs and carrying costs until securitization. The Stipulating Parties agree that the Commission should issue a financing order as proposed as Rebuttal Exhibit BAJ-4 in the Rebuttal Testimony of CERC’s witness Brett Jerasa, filed November 15, 2021, in this Cause, and subject to further refinement and details necessary to achieve the highest bond rating, for the securitization of that estimated amount of \$87,678,270. The Stipulating Parties further agree that the financing order should authorize a 15-year amortization for cost recovery, or a shorter period if necessary, to obtain the most favorable securitization terms for customers resulting in the lowest monthly cost to customers. The financing order issued by the Commission should also incorporate the terms of this Joint Stipulation.

(b) The ODFA should issue bonds and provide CERC with the resulting net proceeds as soon as feasible in 2022 but no later than December 31, 2022.

5. In paragraph 5 of the Settlement Agreement (“*Carrying Charge*”), the Stipulating Parties agree that the Carrying Charge on the Extreme Purchase Costs and the Extraordinary Costs authorized pursuant to Section 9073(F) of the Act shall be based on the actual costs of the credit facilities, loan agreements, loan commitments, or other debt financing used to finance the Extreme

Purchase Costs and/or Extraordinary Costs.

6. In paragraph 6 of the Settlement Agreement (“*Winter Event Securitized Cost Recovery Mechanism*”), the Stipulating Parties agree that the WESCRM Mechanism (appended to this Order as Appendix B) should be approved by the Commission. The WESCRM Mechanism incorporates the following principles, as recommended by PUD:

- (a) Use of a fixed rate for the securitization charge for each sales tariff;
- (b) A disconnect fee pertaining to the “Nonbypassable Mechanism” requirement of the Act;
- (c) The WESCRM Charge shall not apply to customers taking service under the VFPO during February 2021;
- (d) The disconnect fee referenced in Paragraph 6(b) of the Settlement Agreement shall be subject to a cap, as set out in Section 6 of the WESCRM Mechanism; and
- (e) LIHEAP customers listed as eligible with the company for the LIHEAP assistance are exempt from and will not be assigned the WESCRM Charge or the disconnect fee referenced in Paragraph 6(b) of the Settlement Agreement.

7. In paragraph 7 of the Settlement Agreement (“*Allocation Methodology*”), the Stipulating Parties agree to the allocation methodology set forth in Sections 4 and 7 of the WESCRM Mechanism.

8. In paragraph 8 of the Settlement Agreement (“*Future Recoveries*”), the Stipulating Parties agree that pursuant to Section 9073(G) of the Act, after the issuance of ratepayer-backed bonds pursuant to a financing order issued in this Cause, if CERC receives any funds to compensate it for Extreme Purchase Costs or Extraordinary Costs subject to the financing order, or if actual amounts are determined to be lower than estimated amounts securitized by the financing order, then as soon as practicable, these amounts shall be credited to customers through the Company’s purchased gas cost recovery mechanism, Rider Schedule No. 1 *Gas Supply Rate* (“GSR”), with an amortization period, if any, to be determined at that time. All amounts returned to customers under Paragraph 8 shall bear carrying charges at the rate authorized in Paragraph 5 of this Joint Stipulation.

9. In paragraph 9 of the Settlement Agreement (“*Summit Transaction*”), the Stipulating Parties agree that pursuant to Order No. 721657 issued on November 16, 2021, in Cause No. PUD 202100114, the Commission has approved a transaction by which CERC will transfer all of its Oklahoma Utility assets to Summit Utilities Oklahoma, Inc. (“SUO”). This transaction is expected to be completed prior to the issuance of Bonds authorized by this Cause and upon such closing, SUO will be the recipient of the net proceeds of the bond offering and will also act as the initial servicer of the securitization property, including the billing and collection of the WESCRM Charges under this Order. References to CERC in the financing order issued in this Cause should be considered to include SUO as the successor-in-interest to CERC and the initial servicer of the securitization property.

D. Compliance with the Act and Benefits from Securitization

1. During the winter storm, CERC incurred the Extreme Purchase Costs and Extraordinary Costs set out below, that those costs have been deferred as a regulatory asset as required by Order No. 719248 issued by the Commission on July 1, 2021, in Cause No. PUD 202100042. But for the Commission's action in issuing the order, those extreme and extraordinary costs would have flowed through on customer bills under the Gas Supply Rate ("GSR") Tariff Rider, resulting in charges in monthly residential customer bills in the additional amounts of \$44.61 per month for twelve months. This would have been an increase in typical residential customer bills of 96.56 percent, or almost double the typical bill over a twelve-month period. Morris Direct 11:9-15; Morris Stip. 7:16 – 8:5.

2. Instead of allowing those winter storm costs to pass immediately through to customers, the Commission's Order No. 719248 issued in Cause No. PUD 202100042, provided that CERC should create a deferred account for those costs while an alternative mechanism for recovery was considered. Soon thereafter, the Oklahoma Legislature passed the Act providing for securitization of the costs to "allow customers to pay their utility bills at a lower amount and over a longer period."

3. In compliance with Section 9073(A)(1) of the Act, CERC has presented costs from the winter storm incurred beginning February 7, 2021, and ending February 21, 2021. Those costs are Extreme Purchase Costs, estimated in the total amount of \$75,678,535, and Extraordinary Costs, estimated in the total amount of \$411,781. The Company has presented these amounts for recovery by securitization in this Cause. Morris Stip. 3:11 – 4:4, 5:1-6, 5:13-20.

4. In compliance with Section 9073(A)(2), CERC has demonstrated that with a 15-year recovery period for securitization bonds, the estimated monthly customer impact for a residential customer will be \$4.36. This impact is much less than the estimated customer impact associated with traditional utility financing, estimated as \$6.37 per month (utilizing the Company's weighted average cost of capital and 15-year recovery period). Morris Stip. 7:6-15; 2Tr. 12:7 – 14:6; 72:22 – 73:17.

5. In compliance with Section 9073(A)(2), that securitization as prescribed by the Act with a 15-year recovery period will save customers approximately \$47 million in total as compared to traditional utility financing. Morris Stip. 7:6-15; Jerasa Rebuttal 5:3 – 6:9; 2Tr. 12:7 – 14:6; 72:22 – 73:17.

6. As required by Section 9073(A)(3), CERC did facilitate a timely audit of all costs presented for securitization in this Cause and that the PUD did conduct a timely and thorough audit and that all such costs have been audited and approved by PUD. 1Tr. 16:9-24; 2Tr. 64:17-65:4, 70:24-71:10.

7. The information so provided by CERC is sufficient for the Commission to consider each of the factors set forth in Section 9073(C) of the Act. The total estimated issuance costs of \$10.5 million will not exhaust or offset the net savings of \$47 million expected to accrue to customers from the securitization. Jerasa Rebuttal 5:3 – 6:9; Jerasa Rebuttal Exhibit BAJ-3.

8. The Extreme Purchase Costs and Extraordinary Costs presented by CERC and audited by the PUD are subject to the Act and may be mitigated through securitization in order to reduce the utility bill impact on customers, all as required by Section 9073(A) of the Act.

E. Prudence of CERC's Expenditures

1. CERC's estimated Extreme Purchase Costs in the total amount of \$75,678,535, were prudently incurred and that these costs would otherwise be recoverable from customers as fair, just and reasonable expenses, as required by Section 4(E) of the Act. Morris Stip. 5:1-6; Wagaman Direct 14:8 – 19:8.

2. CERC's estimated Extraordinary Costs in the total amount of \$411,781 were prudently incurred and that these costs would otherwise be recoverable from customers as fair, just and reasonable expenses, as required by Section 4(E) of the Act. Morris Stip. 5:13-20; Wagaman Direct 19:9 – 25:2.

3. CERC and the ODFA have incurred and will incur issuance costs of securitization and carrying costs estimated to be in the total amount of \$11,587,953. The issuance costs are estimated to be \$10,504,012, and CERC's estimated carrying costs until bond issuance are estimated to be in the amount of \$1,083,941. CERC's carrying costs are the actual effective cost of credit facilities, loan agreements, loan commitments, and other debt financing used to finance the gas supply costs incurred by the winter storm, accrued and accruing, without markup or profit. The Commission further finds that these costs are prudently incurred, reasonable, and otherwise are recoverable from customers as fair, just and reasonable. Morris Stip. 5:21 – 6:5; Jerasa Rebuttal Exhibit BAJ-3.

4. The total amount of CERC's Extreme Purchase Costs and Extraordinary Costs, with all associated costs, including carrying costs authorized for securitization, are estimated to be \$87,678,270, subject to change based on final costs and carrying costs until securitization. This amount is prudently incurred, audited and approved for securitization according to the terms of this Order. Morris Stip. 5:21 – 6:5; 2Tr. 18:14-19:20.

Prudence standard

5. The prudence of CERC's action is based on whether the action was reasonable, given the information the Company's management knew or should have known at the time the decision was made. Prudence inquiries involve a determination of whether the utility's management made a reasonable decision in light of the circumstances existing at the time of the decision and based on information management knew or should have known at the time. *See*, Order No. 516261, Cause No. PUD 200500151 at 106, (December 12, 2005).

Planning for Extreme Weather and Diversity of Upstream Supply

6. Given the unforeseen, unprecedented, and extreme nature of the winter storm, the Company was as prepared as could have reasonably been expected. The testimony presented in this Cause demonstrates thoughtful and effective planning for harsh winter weather. Each spring, the Company prepares and provides to PUD a detailed *Gas Procurement Plan*. Wagaman Direct 2:9-10 (Exhibit BSW-1), 4:8-13. The key considerations of CERC's gas supply portfolio are reliability (secure firm natural gas, storage service and peaking supplies that will be available when

its customers demand them and under a wide variety of operating and market conditions), reduced price volatility (mixture of supply at market price and storage withdrawal price that will protect CERC's customers from fly-ups in gas prices as well as stabilize its gas supply cost), and reasonable price (cost of gas supply will be based on market conditions, customers' requirements, and CERC's service obligation). Wagaman Direct 3:5 – 14:6 (*passim*).

7. Pursuant to its *Gas Procurement Plan*, CERC acquired gas supply from multiple suppliers under a variety of contracts of varying types, pricing, and lengths, all secured through competitive bid processes. The Company's supply portfolio includes a variety of baseload contracts, both long-term and seasonal, storage, call-options, as well as gas from the spot or daily market. Wagaman Direct 5:13 – 12:3; 1Tr. 20:19-21:23.

8. This diverse gas supply portfolio benefits customers by establishing multiple suppliers selling gas to the Company at competitive prices under various price mechanisms. This diversity of supply source and pricing inherently mitigates supply and price volatility. Monthly baseload is designed to provide stability of supply every day of the winter season. Gas can be withdrawn from storage at the average injection price, providing stability of both supply and price for the winter season. In colder weather, call options and daily priced gas are also used interchangeably and serve that portion of gas requirements that fluctuate daily depending upon customer demand. This supply portfolio has diverse pricing mechanisms, with baseload contract gas priced against monthly index posting and daily call option contracts priced against both monthly index and the Gas Daily index posting, depending on the contract terms. Wagaman Direct 8:1 – 10:3; 1Tr. 18:8-24, 23:25-24:20.

Storage

9. CERC uses storage to manage the volatility in both gas supply and gas costs and as a physical hedge. During summer months when demand is lower, the Company buys gas stored in third-party storage facilities to be withdrawn and utilized in higher demand winter months. This stored gas becomes a fixed cost in the winter months during the withdrawal season, based on summer prices. This practice helps stabilize the gas price for sales customers. Wagaman Direct 5:19-23, 13:2-21; 1Tr. 28:21-29:21.

Price Escalation

10. Beginning Friday, February 12, 2021, natural gas spot prices across the United States skyrocketed to unprecedented levels, with increases of as much as 100 times the typical purchase price, or more. This spike in natural gas prices resulted, at least in part, from the sharp rise in demand for natural gas for heating due to the extreme, arctic cold temperatures across much of the country. At the same time demand was rising to record levels, the multi-day stretch of extreme cold weather also led to supply issues. Some suppliers to CERC declared *force majeure* under their respective contracts and failed to fulfill their contracted supply of gas to the Company. Natural gas supply was greatly diminished at this time of unusually high demand, resulting in extraordinarily high prices. The precarious situation limited the availability of both where and when CERC could purchase gas supply. Wagaman Direct 14:11-15, 16:1-3, 17 (Chart 3); 1Tr. 67:11-14.

11. CERC's supply portfolio mitigated against this volatility, but because of upstream gas supply constraints on CERC's suppliers, the Company was obliged to go to the spot market to

make up the difference, to preserve integrity of its distribution system and to maintain service to customers during the extremely cold weather. 1Tr. 32:2-33:24, 36:10-21.

No Profit on Winter Storm

12. CERC paid unaffiliated suppliers for all the Extreme Purchase Costs, with no markup and no profit component for the Company. All of CERC's gas supply is obtained from entities unaffiliated with CERC. The Company is not a speculative trader in natural gas, nor is it a producer. The task of the Company's Gas Supply Department is to prudently obtain gas from the markets to reliably meet the sales customers' needs. CERC's request in this case did include \$342,953 for imbalance charges from an affiliated upstream transportation provider, which represents the use of gas as a result of an imbalance between CERC's gas supply and the amount removed from upstream transportation facilities. Nevertheless, all upstream costs of the Company are passed through to customers without mark-up. CERC's upstream transportation and storage services are based on competitive prices that are reviewed, audited, and approved by the Commission. Wagaman 4:1-5; Order No. 698418, Cause No. PUD 201900002 (June 26, 2019).

F. Performance during the Winter Storm

1. The Company's *Gas Procurement Plan* worked well during the winter storm to mitigate volatility of both gas supply and price. During the winter storm, the Company did not curtail any sales customers and experienced no interruptions of service to any sales customers. Some large commercial transport customers were curtailed pursuant to contractual provisions and directives from the upstream pipeline. Gas supply to CERC's Oklahoma system was sufficient to serve to all sales customers. Because of supply constraints by some of the Company's suppliers on February 15 and 16, CERC did not receive all the call option gas supply under contract but was able to make up the difference with storage withdrawals and spot market purchases. Wagaman Direct 18:5-12 (Figure 4); 1Tr. 32:20-33:17, 39:6-24.

2. During the winter storm, CERC was able to cover approximately 85% of its customer demand with gas under contract, and storage withdrawals accounted for about 51% of that. The remaining 15% of demand was covered by purchases in the spot market. Baseload and some call option gas was priced against first-of-month index pricing at approximately \$2.50. Storage gas withdrawn was priced at between \$1.50 and \$1.70. Spot market gas was escalating excessively, and notwithstanding that 85% of the gas volumes were under contract at under \$2.50, the weighted average cost of gas for CERC customers during the storm was \$44. The relative volumes of these gas supply sources are depicted on Figure 4 of Mr. Wagaman's Direct Testimony, p. 18. In total, the Company's baseload, storage, and call options were approximately \$241 million less expensive for its customers than purchasing gas on the spot market. Wagaman 19:1-8; 1Tr. 36:10-37:8; 2Tr. 33:12-24.

3. Had the Company not maintained continuous service and adequate gas supply for its customers during the winter storm, service could have been interrupted for weeks during the worst of the winter heating season. Had gas service been lost to a large segment of the distribution system, to restore service, CERC would have been required to manually turn off all meters on the system, purge and repressure the gas lines, check individual homes one-by-one and if safe to do so, manually turn meters back on. These steps, required to keep customers safe, explain why the Company could not risk losing natural gas supply when it was available, even at a high cost. 1Tr. 41:24-42:23.

G. Financing Order Amount and Term

1. Pursuant to Section 9074(A) of the Act, this Order provides for the securitization of the total amount of CERC's Extreme Purchase Costs and Extraordinary Costs, and all associated costs, including carrying costs authorized for securitization in the aggregate estimated amount of \$87,678,270, subject to change based on final costs and carrying costs until securitization. The Commission issues this Order subject to further refinement and details necessary to achieve the highest bond rating, with a 15-year scheduled amortization for cost recovery, or a shorter period if deemed necessary to obtain the most favorable securitization terms for customers resulting in the lowest monthly cost to customers. 2Tr. 18:14-19:20, 21:1-23.

2. The ODFA is requested to issue bonds and provide CERC with the net proceeds as soon as feasible in 2022, but no later than December 31, 2022, provided that, in accordance with Section 9074 (I) of the Act, the Bonds may be issued within twenty-four (24) months after the issuance of this Order. Morris Stip. 6:11-16; 2Tr. 21:24-22:2, 67:14-17.

3. As indicated in the testimony of Michael Bartolotta, CERC (or its potential direct successor in interest, SUO) will act as the initial servicer of the Bonds, and as such is entitled to earn a servicing fee payable out of securitization charge collections, usually expressed as a percentage of the original principal amount of the Bonds, as provided herein. Bartolotta Responsive Testimony 59:6 – 61:13, 63:4-13.

4. Pursuant to Order No. 721657 issued on November 16, 2021, in Cause No. PUD 202100114, the Commission has approved a transaction by which CERC will transfer its Oklahoma utility assets to SUO. This transaction is expected to be completed prior to the issuance of Bonds authorized by this Cause and upon such closing, SUO will be the recipient of the net proceeds of the bond offering and will also act as the initial servicer of the securitization property, including the billing and collection of the WESCRM Charges under this Order. References to CERC in this Order should be considered to include SUO as the successor-in-interest to CERC and the initial servicer of the securitization property. Morris Stip. 11: 13-23.

5. Pursuant to Section 9073(G) of the Act, after the issuance of the ratepayer-backed bonds pursuant to this Order issued in this Cause, if CERC receives any funds to compensate it for Extreme Purchase Costs or Extraordinary Costs subject to this Order, or if actual amounts are determined to be lower than estimated amounts securitized by this Order, then as soon as practicable, these amounts shall be credited to customers through the Company's purchased gas cost recovery mechanism, Rider Schedule No. 1 *Gas Supply Rate* ("GSR"), with an amortization period, if any, to be determined at that time. All amounts so returned to customers shall bear carrying charges at the rate authorized by the next paragraph below. Morris Stip. 8:6-16; 2Tr. 69:2-9.

H. Carrying Charges

Pursuant to Section 9073(F) of the Act, the Carrying Charge on the Extreme Purchase Costs and the Extraordinary Costs authorized shall be CERC's actual effective cost of the credit facilities, loan agreements, loan commitments, or other debt financing used to finance the deferred cost related to the winter storm. Morris Stip. 6:17 – 7:5; 2Tr. 67:18-23.

I. Cost Allocation

Pursuant to Section 9074(A)(5) of the Act, securitization costs shall be allocated to classes of sales customers according to the level of usage per class during February 2021. This allocation will align cost with the manner in which costs were incurred during the winter storm. This allocation is approved as fair, just and reasonable. Morris Stip. 11:6-12; 2Tr. 68:17-69:1.

J. Tariff Mechanism

The WESCRM Mechanism Tariff, consistent with the terms of this order and appended and incorporated as Appendix B, is hereby approved.

K. The Joint Stipulation and Settlement Agreement

1. The Settlement Agreement represents a resolution of all disputed issues in this Cause between and among all parties to this Cause.

2. No party to this Cause has objected to the Settlement Agreement, and that PUD, the Attorney General, and CERC have all signed it.

3. Based on the record in this Cause, and the Findings of Fact and Conclusions of Law set out in this Order, the Settlement Agreement, as modified herein, should be approved. The Commission finds that the Settlement Agreement, as modified herein, is in the public interest and that its provisions are fair, just, and reasonable.

L. Amount to be Financed.

Approval of Qualified Costs and Amount of Bonds

1. The Commission has determined that the Utility has incurred Extreme Purchase Costs of \$75,678,535 and Extraordinary Costs of \$411,781, plus carrying costs as the actual effective costs of credit facilities, loan agreements, loan commitments, or other debt financing used to finance the deferred cost related to the event. These costs (collectively, “Weather-Related Qualified Costs”), together with bond issuance costs as described in Part VI of this Order, comprise the Approved Qualified Costs. The Approved Qualified Costs are approved for recovery and are eligible for recovery through the issuance of the Bonds under the Act.

2. The Utility has proposed that when the Bonds are issued, the Utility shall account for the difference in estimated carrying costs through December 31, 2022, and the actual date of issuance of the Bonds through the Issuance Advice Letter process. The Utility’s proposal is approved.

3. The ODA is authorized to issue the Bonds in an amount equal to the sum of the Weather-Related Qualified Costs approved in this Order, including the carrying costs, plus bond issuance costs approved in this Order. Such sum, estimated at \$87,678,270, is herein referred to in this Order as the “Authorized Amount.”

Bond Issuance Costs and Ongoing Financing Costs

4. Bond issuance costs (as more fully described in Part VI of this Order) are those that will be incurred in advance of, or in connection with, the issuance of the Bonds, and will be recovered or reimbursed from Bond proceeds (or, if necessary, from WESCRM Charges as described herein).

5. ODFA has no control over bond issuance costs incurred pursuant to a financing order under the Act, apart from ODFA-related issuance costs. The only bond issuance costs to be incurred directly by the Utility are servicer set up costs, costs related to regulatory proceedings, miscellaneous administrative costs, external servicing costs and the costs of Utility's accountants, and financial and legal advisors, which are referred to as Utility Issuance Costs. The Non-Utility Issuance Costs will be outside the control of the Utility because the issuer of the Bonds, the ODFA, is an instrumentality of the state. The Commission will have control over Utility Issuance Costs through its jurisdictional control over the Utility, but in a manner which does not affect the securitization property.

6. Ongoing financing costs (as more fully described in Part VI of this Order) are those costs, in addition to debt service on the Bonds, that will be incurred annually to manage, service and administer the Bonds.

7. Other than the servicing fee (which will cover external information technology costs, bank wire fees and the fees of the Utility's legal counsel), the ongoing financing costs that will be incurred in connection with financing are outside the control of ODFA, since ODFA cannot control the administrative, legal, rating agency and other fees to be incurred by the Utility on an ongoing basis. However, the Commission will have control over some of these ongoing financing costs through its jurisdictional control over the Utility, but in a manner which does not affect the securitization property.

8. The actual bond issuance costs and certain ongoing financing costs will not be known until on or about the date the Bonds are issued; other bond issuance and ongoing financing costs may not be known until such costs are incurred.

9. The Utility has provided estimates of its Utility Issuance Costs which costs shall be capped in an amount not to exceed \$500,000. The Financial Advisor has provided an estimate of Non-Utility Issuance Costs which were estimated at \$2,809,090. These costs will not be capped.

10. The Utility and PUD, through the testimony of the Financial Advisor, have also provided estimates of ongoing financing costs for the first year following the issuance of the Bonds to be approximately \$436,500, if the Utility is the initial Servicer.

11. The ODFA and the Utility shall report to the Commission through PUD, as set forth in the Issuance Advice Letter, the final estimates of bond issuance costs and ongoing financing costs for the first year following issuance.

12. The ODFA's and the Utility's actual or estimated issuance costs, each as specified in the Issuance Advice Letter, shall be paid as follows: the ODFA will pay its Non-Utility Issuance Costs from the proceeds of the Bonds, and the Utility will pay (or reimburse itself) for its Utility

Issuance Costs from the net proceeds of the Bonds paid for the purchase price of the securitization property, all at or shortly after the delivery of the Bonds.

13. Within 90 days of the issuance of the Bonds, the ODFA and the Utility will submit to the Commission, by submitting to PUD, a final accounting of their respective issuance costs. If the Utility's actual issuance costs are less than the issuance costs included in the principal amount financed, the revenue requirement for the first semi-annual true-up adjustment shall be reduced by the amount of such unused funds (together with income earned thereon) and the Utility's unused funds (together with income earned thereon) shall be applied to the Utility's ongoing financing costs. If the ODFA's actual issuance costs are less than those estimated, the amount will be recognized as a credit in the true-up adjustment as part of the WESCRM Mechanism. If ODFA's final issuance costs are more than the estimated issuance costs included in the principal amount financed, ODFA may recover the remaining issuance costs through a true-up adjustment. However, such recovery will be subordinate to the payment of debt service on the Bonds and related financing costs during the true-up period. The Utility's Issuance Costs are capped under this Order. A failure to provide such report will in no way affect the validity of or security for the Bonds.

Customer Benefits

14. The Act requires the Commission to consider whether the recovery of 2021 Winter Weather Event Costs by the Utility through the issuance of the Bonds will result in substantial revenue requirement savings as compared to conventional financing methods, a longer amortization schedule to pay the Bonds than would ordinarily be practicable or feasible for the Utility for such recovery, and the ability to issue Bonds at a cost which would not exhaust the potential savings.

15. As described in the Utility testimony of Brett Jerasa and Amy Morris, and in this Order, the Commission is satisfied the Utility has demonstrated that the proposed financing will satisfy each of these criteria.

M. Structure of the Proposed Financing.

The Utility

1. The Utility will enter into a sale agreement with the ODFA, under which the ODFA will purchase from the Utility the securitization property in consideration of the net proceeds of the Bonds.

2. The Utility shall not seek to recover the Approved Qualified Costs covered by this Order, except through the transfer of securitization property as provided in the Act in exchange for proceeds of a bond issuance, which shall offset and complete the recovery of these costs for the Utility.

3. The Utility will service the securitization property pursuant to a servicing agreement with the Authority.

ODFA/Authority

4. ODFA is a public trust created by a Declaration of Trust, dated November 1, 1974, as amended, for the furtherance of public purposes and the benefit of the State of Oklahoma pursuant to the provisions of the Authority Act, as amended by the Act, and is authorized to issue ratepayer-backed bonds under the Act. The Authority is an instrumentality of the State of Oklahoma and operates to perform the essential government function of financing utility qualified costs with low-cost capital. The Authority is not an agent of the State and has a legal existence separate and distinct from the State of Oklahoma.

5. ODFA will issue the Bonds as described in this Order in an aggregate amount not to exceed the Authorized Amount, and ODFA will assign and pledge to the bond trustee, as collateral for payment of the Bonds, the securitization property, including ODFA's right to receive the WESCRM Charges as and when collected, and any other collateral under the indenture.

Structure, Security and Documents

6. The Bonds should be issued in one or more series, and in one or more tranches for each series, in an aggregate amount not to exceed the Authorized Amount.

7. Pursuant to the Act, as security to pay the principal of and interest on the Bonds and other ongoing financing costs – the ODFA will pledge its interest in the securitization property created by this Order, the Act and by certain other collateral, including its rights under the servicing agreement. The securitization property and other bond collateral will be sufficient to ensure the payment of the principal of and interest on the Bonds, together with ongoing financing costs on a timely basis.

8. Pursuant to the Act, the Bonds will be issued pursuant to the indenture administered by the bond trustee, as described in Part V of this Order. The provisions of the indenture, pursuant to which a collection account and its subaccounts, and such additional accounts as may be required in connection with any additional collateral, will be created in the manner described in Part V of this Order, are reasonable. The Commission is persuaded by the evidence in the record that the provisions of the indenture as further set forth in this Order will provide for lower risks to be associated with the financing and thus lower the costs to customers, and should, therefore, be approved.

9. Pursuant to the Act, the Authority will direct the State Treasurer to deposit all revenue received with respect to securitization property and required to be deposited by the State Treasurer into the Regulated Utility Consumer Protection Fund (the "Consumer Protection Fund") with the bond trustee and applied as provided in the indenture, in a manner consistent with obtaining the highest possible ratings on the Bonds.

10. Pursuant to the Act, ODFA will prepare, or cause to be prepared, a proposed form of an Indenture, an Administration Agreement (if requested by the Authority), a Sale Agreement and a Servicing Agreement (collectively, the "Transaction Documents"), which set out in substantial detail certain terms and conditions relating to the financing and security structure. Each of the Transaction Documents will be reviewed and approved by the Utility, the ODFA and the State Deputy Treasurer for Policy and Debt Management. The forms of the Transaction Documents will also be submitted to PUD for its review and comment.

11. Pursuant to the Act, ODFA will also prepare, or cause to be prepared, a preliminary official statement, substantially in the form of an official statement to be delivered on the date of pricing of the Bonds, omitting only such information as permitted by federal securities laws, rules and regulations, to be used by the Utility and the ODFA in connection with the offering and sale of the Bonds. The official statement will be reviewed and approved for use by the Utility, the ODFA and the State Deputy Treasurer for Policy and Debt Management. The Utility will cooperate with ODFA in the preparation of the official statement and provide all information to the ODFA required to comply with applicable federal securities laws and make representations with respect to the information provided to ODFA for inclusion in the preliminary official statement and final official statement.

Credit Enhancement and Arrangements to Enhance Marketability

12. The Utility has not requested approval of floating rate bonds or any hedges or swaps which might be used in connection therewith.

13. The Financial Advisor has testified that in current market conditions, it is uncertain whether the benefits of an interest rate swap related to the Bonds will outweigh the costs and risks in this particular case of researching and preparing the swap that could result in lower WESCRM Charges.

14. An interest rate swap related to the Bonds could expose customers to greater risks in relation to the WESCRM Charges and the ability of the swap counterparty to meet its obligations.

15. The Commission agrees with the Financial Advisor that the use of floating rate debt and swaps or hedges is not advantageous or cost effective for customers.

16. The Utility has not requested that additional forms of credit enhancement (including letters of credit, overcollateralization accounts, surety bonds, or guarantees) and other mechanisms designed to promote the credit quality and marketability of the Bonds be used. The Financial Advisor has testified that the Authority should have the flexibility to utilize such additional credit enhancements if such arrangements are reasonably expected to result in net benefits to customers. The Financial Advisor has recommended that the costs of any credit enhancements as well as the costs of arrangements to enhance marketability be included in the amount of issuance costs to be financed.

17. ODFA should be permitted to use, and to recover the Bond issuance costs and ongoing financing costs associated with, credit enhancements and arrangements to enhance marketability, if it determines, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, that such enhancements and arrangements provide benefits greater than their tangible and intangible costs. The use of such credit enhancement shall be described in the Issuance Advice Letter.

Servicer and the Servicing Agreement

18. The Utility will execute a servicing agreement with ODFA, as described in Part V of this Order. The servicing agreement may be amended, renewed or replaced by another servicing agreement, provided that any such amendment, renewal or replacement will not cause any of the

then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded. The Utility will be the initial servicer but may be succeeded as servicer by another entity under certain circumstances detailed in the servicing agreement. Pursuant to the servicing agreement, the servicer is required, among other things, to collect the applicable WESCRM Charges for the benefit and account of the ODFA or its pledgees, to make the true-up adjustments of WESCRM Charges required or allowed by this Order, and to account for and remit the applicable WESCRM Charges to or for the account of the ODFA or its pledgees in accordance with the remittance procedures contained in the servicing agreement without any charge, deduction or surcharge of any kind (other than the servicing fee specified in the servicing agreement). Under the terms of the servicing agreement, if any servicer fails to perform its servicing obligations in any material respect, the ODFA, or, the bond trustee upon the instruction of the requisite percentage of holders of the outstanding amount of the Bonds (“requisite bondholders”), shall be authorized to appoint an alternate party to replace the defaulting servicer, in which case the replacement servicer will perform the obligations of the Servicer under the servicing agreement. The obligations of the Servicer under the servicing agreement and the circumstances under which an alternate servicer may be appointed are more fully described in the servicing agreement. The rights of ODFA under the servicing agreement will be included in the collateral assigned and pledged to the bond trustee under the indenture for the benefit of holders of the Bonds.

19. The Servicer shall remit actual or estimated WESCRM Charges received to the bond trustee within two servicer business days of receipt according to the methodology described in the servicing agreement. If estimated charges are remitted, the Utility as Servicer will reconcile actual and estimated charges no less often than every six months, as described in this Order.

20. The Utility, as initial Servicer will be entitled to an annual servicing fee fixed at 0.05% of the initial principal amount of the Bonds. In addition, the Utility, as initial Servicer, shall be entitled to receive reimbursement for its out-of-pocket costs for external accounting services to the extent external accounting services are required by the servicing agreement, as well as for other items of cost (excluding external information technology costs, bank wire fees and legal fees, which are part of the servicing fee) that will be incurred annually to support and service the Bonds after issuance. The servicing fees collected by the Utility, or by any affiliate of the Utility acting as the Servicer, under the servicing agreement shall be included as an identified revenue credit and reduce revenue requirements for the benefit of the customers in its next rate proceeding following collection of said fees. The expenses of acting as the servicer shall likewise be included as a cost of service in any such utility rate proceeding. In this Order, the Commission approves the servicing fee as described herein. The Commission further approves, in the event of a default by the initial servicer resulting in the appointment of a successor servicer, a higher annual servicing fee of up to 0.60% of the initial principal balance of the Bonds conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. The ODFA may request to pay a servicing fee higher than 0.60% if it can reasonably demonstrate to the Commission, in a subsequent proceeding, that the services cannot be obtained at a compensation level lower than 0.60% under the market conditions at that time. The obligations to continue to collect and account for WESCRM Charges will be binding upon the Utility, its assigns and successors and any other entity that provides natural gas services or, in the event that the distribution of natural gas service is not provided by a single entity, any other entity providing retail natural gas distribution service to the customers. The Commission will enforce the obligations imposed by this Order, its applicable substantive rules, and statutory provisions to ensure the nonbypassability of the WESCRM Charge.

21. No provision of this Order shall prohibit the Utility from selling, assigning or otherwise divesting any of its natural gas transportation or distribution system or any facilities providing service to the customers, by any method whatsoever pursuant to law, including those specified herein, pursuant to which an entity becomes a successor, so long as each entity acquiring such system or portion thereof agrees to continue operating the facilities to provide service to the customers and collect the WESCRM Charges under the existing servicing agreement, subject to ODFA approval.

22. The servicing arrangements described herein are reasonable, will contribute to the reduction of risk associated with the proposed financing and, based on the testimony of the Financing Advisor, should, therefore, result in lower WESCRM Charges and greater benefits to the customers and should be approved.

Ratepayer-Backed Bonds

23. Pursuant to the Act, ODFA may issue and sell the Bonds in one or more series, and each series may be issued in one or more tranches in an aggregate principal amount not exceeding the Authorized Amount. ODFA, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, will determine and approve the final terms of the Bonds consistent with the terms of this Order.

24. The scheduled final payment date of any series of the Bonds is not expected to exceed 15 years from the date of issuance of such Bonds. The scheduled final payment date and legal final maturity date of each series and tranche within a series and amounts in each series will be finally determined by the ODFA, consistent with market conditions and indications of the rating agencies and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt Management, at the time the Bonds are priced.

25. The Bonds will be amortized using a substantially level annual debt service, mortgage-style structure.

26. The weighted average interest rate on the Bonds will not exceed 6.0% per annum.

27. The Utility may file a new request for a subsequent financing order under the Act for the Utility to retire or refund the Bonds approved in this Order, after proper notice and hearing, and upon a showing that the Customers would benefit and that such a financing is consistent with the terms of the outstanding Bonds as permitted by 74 OKLA. STAT. § 9077(D).

28. The Commission finds that the foregoing parameters for the Bonds will aid in the best efforts to allow customers to enjoy substantial revenue requirement savings and rate mitigation benefits as required by the Act.

WESCRM Charges – Imposition and Collection and Nonbypassability

29. The Stipulating Parties seek to impose on and to collect from all customers, WESCRM Charges in an amount sufficient to provide for the timely recovery of its costs approved in this Order (including payment of scheduled principal of and interest on the Bonds and ongoing financing costs related to the Bonds on a timely basis). The Utility will seek to bill and collect the WESCRM Charges, as Servicer on behalf of ODFA, until the Bonds issued pursuant to this Order

are paid in full and all ongoing financing costs of the Bonds have been recovered in full.

30. WESCRM Charges collected pursuant to the WESCRM Rider shall be a separate line-item on the monthly bill of the customer.

31. If any customer does not pay the full amount of any bill, the amount paid by the customer to the Utility will be applied pro-rata by the Utility based upon the total amount of the bill and the total amount of the WESCRM Charge. The foregoing allocation will facilitate a proper balance between the competing claims to this source of revenue in an equitable manner.

32. The Utility, acting as Servicer, and any subsequent servicer, will collect WESCRM Charges from all current and future sales customers, with the exception of low income residential customers listed as eligible with the Company for the Low Income Energy Assistance Program (“LIHEAP”)³⁷ and customers taking service under the Voluntary Fixed Price Option or VFPO during February 2021 in the manner as described in the testimony of Amy Morris,³⁸ except for the termination fee. The Commission finds that a termination fee is not preferable and is not required to ensure that the amount necessary to service, repay, and administer the ratepayer-backed bonds is collected from customers through the irrevocable and nonbypassable mechanism adopted herein.

33. As required by 74 OKLA. STAT. §9074(A)(3), the record also includes evidence that describes features demonstrating how the WESCRM Charge will be nonbypassable to customers. Features that contribute to the irrevocable and nonbypassable character of the recovery mechanisms of the WESCRM include: (1) the fixed monthly securitization charge mitigates against material changes in usage; (2) provisions of this Order mitigate against customer avoidance of the securitization charge by underpayment of a monthly bill by requiring allocation of any such underpayment between the securitization charge and the gas service bill; (3) the semi-annual true-up mechanism will adjust securitization charges based on changes in billing determinants among and within classes of customers; (4) the 15-year term for securitization mitigates against the long-term effects of customer attrition; (5) further mitigating the effects of customer attrition, new customers to the system will be subject to the securitization charge; (6) Oklahoma House Bill 3619 mitigates risk of fuel switching by prohibiting local government from adopting ordinances, rules or codes that restrict connections to a natural gas utility; (7) the cost of conversion from gas to electricity in existing structures mitigates the risk of fuel switching; (8) securitization charges imposed by electric utilities mitigate the risk of fuel switching from gas to electricity; and (9) market confidence in gas utilities is reflected in their high credit ratings. WESCRM Mechanism, Appendix B; Jerasa Rebuttal 8:1-14; Morris Stip. 8:22 – 10:15; 2Tr. 23:8-14, 28:9-18, 28:25-30:21. In this Order, the Commission finds that this nonbypassable mechanism satisfies the requirements of the Act and is consistent with obtaining the highest possible ratings on the Bonds.

34. In the event that there is a fundamental change in the manner of regulation of public utilities, which allows third parties other than the servicer to bill and collect WESCRM Charges, the Commission shall to the utmost of its ability ensure that WESCRM Charges shall be billed, collected and remitted to the Servicer in a manner that will not cause any of the then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded.

³⁷ 2Tr. 23:25-24:10.

³⁸ 2Tr. 24:11-18.

35. The Utility's proposal related to the collection of WESCRM Charges, as Servicer on behalf of the ODFA, is reasonable and consistent with the nonbypassability mechanism contemplated by the Act, and should be approved.

36. The WESCRM Mechanism consistent with the terms of this Order is hereby approved. Such tariff provisions shall be filed before any Bonds are issued pursuant to this Order.

Periodic Payment Requirements ("PPR") and Allocation of Cost

37. The PPR is the required periodic payment for a given period due under the Bonds. As to be more fully specified in the bond documents, each PPR includes: (a) the principal amortization of the Bonds in accordance with the expected amortization schedule (including deficiencies of previously scheduled principal for any reason); (b) periodic interest on the Bonds (including any accrued and unpaid interest); (c) ongoing financing costs as described herein and (d) any deficiency in the DSRS. The initial PPR for the Bonds issued pursuant to this Order will be updated in the Issuance Advice Letter.

38. The Periodic Billing Requirement ("PBR") represents the aggregate dollar amount of WESCRM Charges that must be billed during a given period so that the WESCRM Charge collections will be timely and sufficient to meet the PPR for that period, based upon: (i) customer count; (ii) forecast uncollectibles for the period; (iii) forecast lags in collection of billed WESCRM Charges for the period; and (iv) projected collections of WESCRM Charges pending the implementation of the true-up adjustment.

39. The proposed allocation³⁹ of the PBR among Customer Classes, and proposed method for re-allocation if the current customer count for any customer class changes by 10% from the customer count used to determine the billing rate is reasonable and should be approved, subject to the filing of a non-standard true-up adjustment to permit a reallocation among Customer Classes.

True-up of WESCRM Charges.

40. The Stipulating Parties have proposed a true-up mechanism which is reasonable, consistent with the Act and is designed to obtain the highest possible ratings on the Bonds, and is approved as set forth in this Order.

41. The Servicer of the Bonds will be required to make mandatory semi-annual adjustments (*i.e.*, every six months, except for the first true-up adjustment period, which may be longer or shorter than six months, but in any event no more than nine months, and must be completed thirty (30) days prior to a date on which the PPR is determined) to the WESCRM Charges to:

- (a) Correct any under collections or over collections (both actual and projected), for any reason, during the period preceding the next true-up adjustment date and

³⁹ WESCRM Mechanism, §§ 4, 7.

(b) Ensure the projected recovery of amounts sufficient to provide timely payment of the scheduled principal of and interest on the Bonds and all ongoing financing costs (including any necessary replenishment of the DSRS) during the subsequent 12-month period (or in the case of quarterly true-up adjustments described below, the period ending the next Bond payment date). To the extent any Bonds remain outstanding after the scheduled maturity date of the last tranche of a series of Bonds, mandatory true-up adjustments shall be made quarterly until all Bonds and associated costs are paid in full.

42. The form of true-up letters attached as Appendix D and Appendix E to this Order are approved.

43. True-up submissions will take into account the cumulative differences, regardless of the reason, between the PPR (including scheduled principal and interest payments on the Bonds and ongoing financing costs) and the amount of WESCRM Charge remittances to the bond trustee. True-up procedures are necessary to ensure full recovery of amounts sufficient to meet on a timely basis the PPR over the scheduled life of the Bonds. In order to assure adequate WESCRM Charge revenues to fund the PPR and to avoid large over collections and under collections over time, the Servicer will reconcile the WESCRM Charges using Servicer's most recent customer count and the Authority's estimates of financing costs. The calculation of the WESCRM Charges will also reflect both a projection of uncollectible WESCRM Charges and a projection of payment lags between the billing and collection of WESCRM Charges based upon the Servicer's most recent experience regarding collection of WESCRM Charges.

44. The Servicer will set the initial WESCRM Charges and make true-up adjustments in WESCRM Charges based upon the methodology set out in the proposed WESCRM Mechanism.⁴⁰

45. The Servicer may also make interim true-up adjustments more frequently at any time during the term of the Bonds: (i) if the Servicer projects that WESCRM Charge collections will be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or (ii) to replenish any draws on the DSRS. Each such interim true-up shall use the methodology set forth in the WESCRM Mechanism applicable to the semi-annual true-up. The DSRS requirement may be adjusted above 0.50% of the original principal amount of the Bonds (or such higher level identified at the time of the initial issuance of the Bonds that benefits customers), as permitted in this Order

46. Semi-annual and quarterly true-up adjustments, if necessary, shall be submitted not less than 30 days prior to the first billing cycle of the month in which the revised WESCRM Charges will be in effect.

Additional True-up Provisions.

47. The true-up adjustment submission will set forth the Servicer's calculation of the

⁴⁰ WESCRM Mechanism, Appendix B; Settlement Agreement ¶6.

true-up adjustment to the WESCRM Charges. Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment, will be made in future true-up adjustment submissions. Any interim true-up may take into account the PPR for the next succeeding 6 months if required by the servicing agreement.

48. The true-up mechanism described in this Order and contained in the WESCRM Mechanism is reasonable and designed to reduce risks related to the Bonds, and is believed to result in lower WESCRM Charges and greater benefits to customers and should be approved.

49. The Servicer shall request a non-standard true-up adjustment to address any material changes in customer count and to allow for a change in the Allocation Factors to address a 10% or greater change in the number of customers in one or more Customer Classes from the threshold, as and when provided in the WESCRM Mechanism. The Commission's scope of review, conducted by the PUD, of a Non-Standard True-Up is limited to the correction of mathematical errors.

Use of Proceeds

50. Pursuant to the Act, the Authority will direct the State Treasurer to transfer all bond proceeds received from the sale of the Bonds, net of amounts required issuance costs, including amounts deposited to the DSRS, to the Utility to pay the purchase price of the securitization property, on behalf of and as agent of ODFA. The Utility will apply these net proceeds to reduce its Approved Qualified Costs as described in the testimony of Amy Morris.

51. In accordance with 74 OKLA. STAT. § 9074(G) of the Act, upon issuance of this Order, CERC will not seek to recover the Approved Qualified Costs from customers except through the transfer of securitization property in exchange for the proceeds of a bond issuance, which shall offset and complete the recovery of qualified costs for the regulated Utility. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify, or amend this Order and shall not affect the validity, finality and irrevocability of this Order, the securitization property irrevocably created hereby or the Bonds.

N. Customer Credits for Post Financing Order Insurance Proceeds or Government Grants and Alternative Funds

Pursuant to 74 OKLA. STAT. § 9073(G), and as proposed by the Stipulating Parties in the Settlement Agreement,⁴¹ after the issuance of ratepayer-backed bonds pursuant to this Order, if CERC receives any funds to compensate it for Extreme Purchase Costs or Extraordinary Costs subject to this Order, or if actual amounts are determined to be lower than estimated amounts securitized by this Order, then as soon as practicable, these amounts shall be credited to customers through the Company's purchased gas cost recovery mechanism, Rider Schedule No. 1 *Gas Supply Rate* ("GSR"), with an amortization period, if any, to be determined at that time.

⁴¹ Settlement Agreement ¶18.

VIII. CONCLUSIONS OF LAW

1. The Commission is vested with jurisdiction in the present Cause pursuant to Article IX, section 18, 17 OKLA. STAT. §§ 151-152, *et seq.*, 74 OKLA. STAT. §§ 9070, *et seq.*, and Commission rules.

2. Notice in this Cause was properly provided in accordance with Commission Order No. 720479.

3. CERC is a regulated utility as defined in 74 OKLA. STAT. § 9072(9). The Utility is subject to the regulatory jurisdiction of the Commission with respect to its rates, charges and terms and conditions of service.

4. The Utility is entitled to file the Application, which constitutes, an application for a financing order, pursuant to 74 OKLA. STAT. § 9073.

5. The Commission has jurisdiction and authority over the Application pursuant to 74 OKLA. STAT. § 9073 and other applicable law.

6. The Commission has authority to approve this Order under 74 OKLA. STAT. § 9073(A) of the Act and the Commission's regulatory jurisdiction over the Utility.

7. The instant order complies with and satisfies the requirements of the Act, including the provisions of 74 OKLA. STAT. § 9074 pertaining to the irrevocable and nonbypassable WESRM Mechanism adopted herein.

8. The Bonds, including the rights embedded in the securitization property, pledged revenues, other Bond collateral and the State Pledge, must follow the process for validation by the Supreme Court of Oklahoma in compliance with 74 OKLA. STAT. § 9079.

9. The Bonds must be approved by the Council of Bond Oversight as provided in the Oklahoma Bond Oversight and Reform Act, 62 OKLA. STAT. § 695.8.

10. The final structure and terms of the Bonds, consistent with the provisions of this Order, will be approved by the Authority and the pricing of the Bonds will be approved by the State Deputy Treasurer for Policy and Debt Management⁴² pursuant to 62 OKLA. STAT. §695.7(C).

11. Pursuant to 74 OKLA. STAT. § 9077(I), the proceeds of the sale of the Bonds and revenues received with respect to the securitization property shall be deposited by the State Treasurer in the Consumer Protection Fund maintained with the bond trustee. The State Treasurer shall apply such moneys as provided in the Findings of Fact of this Order.

12. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify, or amend this

⁴² Referred to in the Act as Deputy Treasurer for Policy and Debt Management and given the title of Deputy Treasurer for Debt Management in 62 O.S. § 695.7(A).

Order and shall not affect the validity, finality, and irrevocability of this Order until the indefeasible payment in full of the Bonds and all financing costs related thereto.

13. The Commission may adopt a financing order providing for the retiring and refunding of the Bonds under 74 OKLA. STAT. § 9077(D).

14. The Commission may, under 74 OKLA. STAT. § 9078, require an audit of all amounts received from customers under the WESCRM Charge and paid to the Utility, and the amounts paid by the Utility to the ODFA. The audit shall be part of any general rate proceeding filed by the Utility, provided it is affected by a financing order with outstanding Bonds. The Utility shall provide a copy of any audit to the Governor, the Pro Tempore of the Senate, the Speaker of the House of Representatives and the Authority; provided, however, any part or parts of the audit deemed confidential pursuant to federal or state law or as determined by the Commission, shall be redacted and, provided, further, that the findings of any audit shall not affect the validity, finality and irrevocability of this Order until the indefeasible payment in full of the Bonds and all financing costs related thereto and shall not impact, or be included as part of, the true-up and reconciliation process approved in this Order.

15. The securitization approved in this Order satisfies the requirements of 74 OKLA. STAT. § 9073(C)(1) of the Act directing that the total amount of revenues to be collected under this Order result in substantial revenue requirement savings compared to conventional financing methods.

16. The securitization approved in this Order satisfies the requirement of 74 OKLA. STAT. § 9073(C)(2) of the Act mandating that the securitization would mitigate the customer utility bill impact by mandating a longer amortization period for recovery than would otherwise be practicable or feasible.

17. The issuance of the Bonds approved in this Order in compliance with the provisions of this Order satisfies the requirement of 74 OKLA. STAT. § 9073(C)(3) that the issuance of Bonds be completed at a sufficiently low cost such that customer savings are not exhausted or offset.

18. The Commission has determined that the \$75,678,535 of qualified costs incurred by the Utility during the 2021 Winter Weather Event to be mitigated through securitization would otherwise be recoverable from customers as fair, just, and reasonable expenses and were prudently incurred. *See* 74 OKLA. STAT. § 9073(E).

19. Recovery of the carrying costs, including the approved rate of return, approved for recovery in this Order complies with 74 OKLA. STAT. § 9073(F) of the Act. The carrying costs shall begin accruing at the time of the issuance of the Order and continue until the date that the Bonds are issued.

20. The credits to be provided to customers pursuant to the Findings of Fact herein and the WESCRM Mechanism by which to return these amounts to customers is permitted by and satisfies the requirements of 74 OKLA. STAT. § 9073(G).

21. Pursuant to 74 OKLA. STAT. § 9075(D) of the Act, this Order will remain in effect and unabated notwithstanding the reorganization, bankruptcy or other insolvency proceedings, or merger or sale of the Utility, its successors, or assignees.

22. This Order adequately details the amount to be recovered and the period over which the Utility will be permitted to recover nonbypassable WESCRM Charges in accordance with the requirements of 74 OKLA. STAT. §§ 9074(A)(1) and (2).

23. The method approved in this Order for collecting and allocating the WESCRM Charges is reasonable and satisfies the requirements of 74 OKLA. STAT. § 9073.

24. As provided in 74 OKLA. STAT. § 9075(B), this Order, together with the WESCRM Charges authorized by this Order, is irrevocable and not subject to reduction, impairment, or adjustment by further act of the Commission, except for the true-up procedures approved in this Order, as required by 74 OKLA. STAT. § 9074(H).

25. As provided in 74 OKLA. STAT. § 9075(A), the rights and interests of the Utility or its successor under this Order, including the right to impose, collect and receive the WESCRM Charges authorized in this Order, are assignable and must become securitization property at the time the Bonds are issued by ODFA.

26. The rights, interests and property conveyed to ODFA in the sale agreement and the related bill of sale, including the irrevocable right to impose, collect and receive WESCRM Charges and the revenues and collections from WESCRM Charges are securitization property within the meaning of 74 OKLA. STAT. § 9075.

27. Securitization property will constitute a present property right for purposes of contracts concerning the sale or pledge of property, even though the imposition and collection of the WESCRM Charges depend on further acts by the Utility, ODFA, the Commission or others that have not yet occurred, as provided by 74 OKLA. STAT. § 9075(B).

28. All revenues and collections resulting from the WESCRM Charges shall be the further property and right of the owner of the securitization property as provided by 74 OKLA. STAT. § 9075 (C).

29. Upon the transfer by the Utility of securitization property to ODFA, ODFA will have all of the rights, title and interest of the Utility with respect to such securitization property including the right to impose, collect and receive the WESCRM Charges authorized by this Order as provided by 74 OKLA. STAT. § 9075(F).

30. The Bonds issued under this Order will be ratepayer-backed bonds within the meaning of 74 OKLA. STAT. § 9072(8) and § 9077(A) and the Bonds and holders thereof are entitled to all of the protections provided under 74 OKLA. STAT. § 9077(B).

31. The procedure by which WESCRM Charges are required to be imposed and adjusted on customers and be paid to the Servicer under this Order or the tariffs approved hereby constitute a nonbypassable mechanism as defined in 74 OKLA. STAT. § 9072(5), and the amounts collected from customers with respect to such WESCRM Charges are securitization property as defined in 74 OKLA. STAT. § 9072(11).

32. As provided in 74 OKLA. STAT. § 9075(D), the interests of an assignee, the holders of Bonds, and the bond trustee in securitization property and in the revenues and collections arising from that property are not subject to setoff, counterclaim, surcharge, or defense by the Utility or any other person or in connection with the bankruptcy of the Utility or any other entity.

33. The methodology approved in this Order to true-up and adjust the WESCRM Charges constitutes a true-up and reconciliation process which satisfies the requirements of the Act.

34. If and when the Utility transfers to the ODFA the right to impose, collect, and receive the WESCRM Charges and ODFA issues the Bonds, the Servicer will be able to impose and collect the WESCRM Charges associated with such securitization property only for the benefit of the ODFA and the holders of the Bonds in accordance with the servicing agreement.

35. If and when the Utility transfers its rights under this Order to the ODFA under an agreement that expressly states that the transfer is a sale or other absolute transfer in accordance with the true-sale provisions of 74 OKLA. STAT. § 9075(F), then, in accordance with that statutory provision, that transfer will be a true sale of an interest in securitization property and not a secured transaction or other financing arrangement and title, legal and equitable, to the securitization property will pass to the ODFA. This true sale must apply regardless of whether the purchaser has any recourse against the seller, or any other term of the parties' agreement, including the Utility's role as the Servicer of WESCRM Charges relating to the securitization property, and including the bond trustee's obligation to remit any amounts remaining in the collection account after the Bonds and all financing costs have been paid in full to the Servicer acting solely on behalf of the ODFA, for payment to the Utility's customers, or the treatment of the transfer as a financing for tax, financial reporting, or other purposes.

36. As provided in 74 OKLA. STAT. § 9075(E), a valid and enforceable lien and security interest in the securitization property in favor of the holders of the Bonds or a trustee on their behalf will be created by this Order and the execution and delivery of a security agreement with the holders of the Bonds or a trustee on their behalf in connection with the issuance of the Bonds. The lien and security interest will attach automatically from the time that value is received by the Authority for the Bonds and, on perfection through the filing of notice with the Oklahoma Secretary of State, will be a continuously perfected lien and security interest in the securitization property and all proceeds of the securitization property will have priority in the order of filing and will take precedence over any subsequent judicial or other lien creditor.

37. As provided in 74 OKLA. STAT. § 9075(G), the transfer of an interest in securitization property to an assignee will be perfected against all third parties, including subsequent judicial or other lien creditors, when this Order becomes effective, transfer documents have been delivered to that assignee, and a notice of that transfer has been filed with the Oklahoma Secretary of State.

38. As provided in 74 OKLA. STAT. § 9075(H), the priority of a lien and security interest perfected in accordance with this section will not be impaired by any later modification of this Order or by the commingling of funds with other revenues paid by customers to the Utility, by utilities to the Authority or otherwise paid.

39. As provided in 74 OKLA. STAT. § 9075(H), if securitization property is transferred to an assignee, any proceeds of the securitization property will be treated as held in trust for the assignee.

40. As provided in 74 OKLA. STAT. § 9075(I) of the Act, if a default or termination occurs under the Bonds, the holders of the Bonds or their representatives, including the bond trustee, may foreclose on or otherwise enforce their lien and security interest in the relevant securitization property, and the Commission may require any revenues received under the irrevocable and nonbypassable mechanism created by this Order be paid to a new holder of the securitization property.

41. As authorized by 74 OKLA. STAT. § 9075(I), revenues received under the irrevocable and nonbypassable mechanism created by this Order are to be paid to a new holder of the securitization property.

42. As provided by 74 OKLA. STAT. § 9077(F) of the Act, the Bonds authorized by this Order are not an indebtedness of the State or of the Authority, but shall be special obligations of the Authority payable solely from revenues received from the securitization property and other pledged collateral. The Bonds authorized by this Order are not an indebtedness of the Utility.

43. As provided in the Authority Act, the State of Oklahoma has pledged to and agreed with the owners of any bonds issued by the ODFA under the Authority Act, including any Bonds issued by the ODFA pursuant to this Order, that the State will not limit or alter the rights vested in the Authority to fulfill the terms of the Bonds, the terms of the Authority’s resolution or resolutions authorizing the issuance of such Bonds, including the terms of the indenture, the servicing agreement, the sale agreement and any other agreements authorized by those resolutions, and any other agreements any agreements made with the owners of such Bonds, or in any way impair the rights and remedies of the owners of the Bonds until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the owners, are fully met and discharged. For these purposes, “the rights hereby vested in the Authority” stated above include rights embedded in the securitization property and vested in the Authority, rights vested in owners of the Bonds or in the Commission under the Act and this Order to impose, adjust, collect and remit WESCRM Charges to or for the benefit of the Authority and owners of the Bonds. Upon the ODFA’s issuance of Bonds pursuant to this Order, the State Pledge will give rise to a contract between owners of the Bonds and the State of Oklahoma for purposes of State of Oklahoma law, including the Contract Clause of the Oklahoma Constitution.⁴³ This Order requires, as authorized by the Authority Act, that the Authority include in the Bonds a recitation of the State Pledge.

44. After the issuance of the Bonds authorized by this Order, this Order is irrevocable until the payment in full of the Bonds and the related ongoing financing costs. Except in connection with a retirement or refunding or implementing the true-up mechanism adopted by the Commission, the Commission may not amend, modify, or terminate this Order by any subsequent action or reduce, impair, postpone, terminate, or otherwise adjust WESCRM Charges approved in this Order.

⁴³ Okla. Const. Art. II, § 15.

45. As provided in 74 OKLA. STAT. § 9077(B), the Bonds and the interest earned on the Bonds shall not be subject to taxation by the State of Oklahoma, or by any county, municipality, or political subdivision therein.

46. The Authority is required, pursuant to 74 OKLA. STAT. § 9076(B)(1), to notify the Governor, President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Commission upon issuance of a ratepayer-backed bond. The notification shall be in writing and include the amount and terms of the Bonds.

47. The Authority is required, pursuant to 74 OKLA. STAT. § 9076(B)(2), to submit an annual report regarding the ratepayer-backed bonds issued pursuant to the Act to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Attorney General, and the Commission as of December 1 each year until the ratepayer-backed bonds, including the Bonds authorized by this Order, are retired.

48. As provided by 74 OKLA. STAT. § 9075(D) of the Act, this Order will remain in full force and effect and unabated notwithstanding the bankruptcy or sale of the Utility, its successors, or assignees.

49. The Utility retains sole discretion regarding whether or when to assign, sell or otherwise transfer the rights and interests created by this Order or any interest therein, or to cause the issuance of any Bonds authorized by this Order.

50. This Order is final, is not subject to rehearing by this Commission and is not subject to review or appeal except as expressly provided in 74 OKLA. STAT. § 9074(F).

51. This Order meets the requirements for a financing order under the Act.

52. The true-up and reconciliation mechanism, and all other obligations of the State of Oklahoma and the Commission set forth in this Order, are direct, explicit, irrevocable and unconditional upon issuance of the Bonds and are legally enforceable against the State and the Commission in accordance with Oklahoma law.

IX. ORDERING PARAGRAPHS

Based upon the record, the Findings of Fact and Conclusions of Law set forth herein, and for the reasons stated above, this Commission orders:

A. Approval.

1. **Approval of Application and Settlement Agreement.** The Application is approved as provided in this Order. Also, the Settlement Agreement, except as otherwise modified herein, is approved and the Findings of Fact related to the Settlement Agreement are adopted.

2. **Authority to Recover Qualified Costs through Securitization.** The Utility's request is granted to recover Extreme Purchase Costs of \$75,678,535, Extraordinary Costs of \$411,781 and carrying costs estimated to be \$1,083,941 through the date of issuance of ratepayer-backed bonds, together with bond issuance costs authorized for recovery, subject to change based

on final issuance and carrying costs. The final amount of carrying costs shall be calculated by the Authority (with the assistance of PUD staff) as set forth in the Issuance Advice Letter.

3. **Authorization for Issuance.** ODFA is authorized to issue the Bonds in the amount equal to the Authorized Amount and with such other terms as are consistent with the terms of this Order approved by the Authority and the State Deputy Treasurer for Policy and Debt Management.

4. **Proceeds of the Bonds.** The proceeds of the Bonds shall be applied as provided in this Order.

5. **Effect of Securitization.** Upon the issuance of this Order, the Utility will not seek to recover the qualified costs identified and quantified in this Order from customers except through the transfer of securitization property in exchange for the proceeds of a bond issuance, which shall offset and complete the recovery of the qualified costs for the Utility. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify, or amend this Order and shall not affect the validity, finality and irrevocability of this Order, the securitization property irrevocably created hereby or the Bonds.

6. **Recovery of WESCRM Charges.** The Utility, as Servicer, and any successor servicer, must impose on and collect from all existing and future customers located at an address within the state and within the Utility's service area as it existed on the date of this Order and other entities which, under the terms of this Order or the tariff approved hereby, are required to bill, pay or collect WESCRM Charges, as provided in this Order, WESCRM Charges in an amount sufficient to provide for the timely payment of the scheduled principal of and interest on the Bonds, together with all ongoing financing costs.

7. **Provision of Information.** The Utility shall take all necessary steps to ensure that the Commission, through PUD, is provided sufficient and timely information relating to the proposed transaction as reasonably requested after the date of this Order.

8. **Approval of Tariffs.** The WESCRM Mechanism, as modified herein, is approved. Before the issuance of any Bonds under this Order, the Utility must file a tariff that conforms to the form of the WESCRM Mechanism tariff provisions attached to this Order, provided that the terms and conditions of the WESCRM Mechanism shall comply in all respects with, and be subject to, the terms and conditions of this Order, and if there is a conflict between the terms and conditions of the WESCRM Mechanism and those of this Order, the terms and conditions of this Order shall control.

B. WESCRM Charges.

1. **Imposition and Collection.** The Utility, as Servicer, and any successor servicer is authorized to impose on, and the Servicer is authorized to collect from, all existing and future customers located at an address within this state and within the Utility's service area as it existed on the date this Order is issued WESCRM Charges in an amount sufficient to provide for the timely recovery of the scheduled principal of and interest on the Bonds, together with all ongoing financing costs, as approved in this Order.

2. **ODFA's Rights and Remedies.** Pursuant to the Act, upon the transfer by the Utility of the securitization property to ODFA, ODFA must have all of the rights, title and interest of the Utility with respect to such securitization property, including, without limitation, the right to exercise any and all rights and remedies with respect thereto, including the right to assess and collect any amounts payable by any customer in respect of the securitization property and to authorize the Utility (or its successor) to disconnect service pursuant to the provisions of the Servicing Agreement.

3. **Collector of WESCRM Charges.** The Utility as Servicer, including any successor to the Utility, or any subsequent servicer of the Bonds, or other entity which, under the terms of this Order or the tariffs approved hereby, is required to bill the WESCRM Charges, must bill and collect WESCRM Charges from customers.

4. **Collection Period.** The WESCRM Charges shall be imposed and collected until all Bonds and all ongoing financing costs are paid in full.

5. **Allocation.** The Utility, as Servicer, and any successor servicer, must allocate the WESCRM Charges among customer classes in the manner described in this Order.

6. **Nonbypassability.** The Utility and any other entity providing natural gas distribution services to any customer located at an address within this state and within the Utility's service area as it existed on the date this Order is issued are entitled to collect and must remit, in accordance with this Order, the applicable WESCRM Charges from such customers, and such customers are required to pay such WESCRM Charges. The Commission will do its utmost to ensure that such obligations are undertaken and performed by the Utility and any other entity providing natural gas transportation or distribution services within the Utility's service area as it exists on the date this Order is issued.

7. **True-Ups.** True-ups of the WESCRM Charges, including non-standard true-ups, must be undertaken and conducted as described in the WESCRM Mechanism and this Order, including forms of True-Up and Non-Standard True-up Letters set forth in Appendix D and Appendix E. Any necessary corrections to a true-up, due to mathematical errors in the calculation of such adjustment, will be made in future true-up adjustment filings. True-up adjustments will be posted on the Commission website after the PUD completes its review.

8. **Ownership Notification; Line Item.** The Utility, as Servicer, or any other entity that bills WESCRM Charges to customers must, at least annually, provide written notification to each customer for which the entity bills WESCRM Charges that the WESCRM Charges are the property of ODFA and not of the entity issuing such bill. The Utility, as Servicer, shall impose the WESCRM Charge as a separate line item on customer bills.

C. Ratepayer-backed Bonds.

1. **Terms.** The final terms of the Bonds, including any credit enhancement, shall be consistent with this Order, and approved by the Authority and the State Deputy Treasurer for Policy and Debt Management.

2. **Bond Issuance Costs.** Bond issuance costs described will be recovered from the proceeds of the Bonds in accordance with this Order. The Utility Issuance Costs may not be paid or reimbursed in an amount exceeding \$500,000.

3. **Ongoing Financing Costs.** All ongoing financing costs shall be recovered through the WESCRM Charges. The estimated ongoing financing costs as described in the testimony of Michael Bartolotta are approved for recovery. As provided in this Order, a servicer, other than the Utility, may collect a servicing fee higher than that set forth herein, if such higher fee is subsequently approved by the Commission.

4. **Informational Issuance Advice Letter Filing.** Within three business days of the sale of the Bonds, ODFA and the Utility will jointly submit to PUD, for informational purposes only (with the exception of the Utility Certification included as Attachment 4 to Appendix A hereto), an Issuance Advice Letter, substantially in the form attached to this Order, evidencing the final terms of the Bonds, projected (or actual) costs of issuance and ongoing financing costs for the first year following issuance, projected customer savings, as well the initial WESCRM Charge. The final amount of carrying costs shall be calculated by the Authority (with the assistance of PUD) and set forth in the Issuance Advice Letter.

5. **Refinancing.** This Order does not preclude ODFA and the Utility from filing a request for a “financing order” to retire or refund the Bonds approved in this Order upon a showing that the customers would benefit and that such a financing is consistent with the terms of the outstanding Bonds, as permitted by 74 OKLA. STAT. § 9077(D).

6. **Collateral.** All securitization property and other collateral must be held and administered by the bond trustee under the indenture as described in this Order.

7. **Distribution Following Repayment.** Following repayment of the Bonds authorized in this Order and release of the funds held by the trustee, the Servicer, solely on behalf of ODFA, must distribute to current customers the final balance of the general, excess funds, and all other subaccounts, whether such balance is attributable to principal amounts deposited in such subaccounts or to interest thereon, remaining after all other qualified costs have been paid. The amounts must be distributed to each Customer Class that paid the WESCRM Charges during the last 12 months that the WESCRM Mechanism was in effect. The amount paid to each customer must be determined by multiplying the total amount available for distribution by a fraction, the numerator of which is the total WESCRM Charges paid by the WESCRM Customer Class during the last 12 months the WESCRM Charges were in effect and the denominator of which is the total WESCRM Charges paid by all WESCRM Customer Classes during the last 12 months the WESCRM Mechanism was in effect. The amount allocated by each Customer Class shall be divided by the forecasted billing units for the month in which the refund will take place in order to arrive at a per customer refund amount.

8. **Annual Weighted-Average Interest Rate of Bonds.** The effective weighted-average interest rate of the Bonds must not exceed 6.0%.

9. **Life of Bonds.** The scheduled final payment date of the Bonds authorized by this Order must not exceed 15 years and a legal final maturity no later than five years after the scheduled final payment date.

10. **Amortization Schedule.** The Commission approves, and the Bonds must be structured, to provide a WESCRM Charge that is designed to produce substantially level annual debt service over the expected life of the Bonds.

D. Servicing.

1. **Servicing Agreement.** The Commission authorizes the Utility to enter into the servicing agreement with ODFA and to perform the servicing duties approved in this Order. The Servicer must be entitled to collect servicing fees in accordance with the provisions of the servicing agreement, provided that the annual servicing fee payable to the Utility while it is serving as Servicer (or to any other servicer affiliated with the Utility) must not at any time exceed 0.05% of the initial aggregate principal amount of the Bonds, plus out-of-pocket costs as described herein. The annual servicing fee payable to any other servicer not affiliated with the Utility shall be subject to approval by the Commission, if required, pursuant to this Order.

2. **Servicing Revenues and Expenses.** The revenues collected by the Utility, or by any affiliate of the Utility acting as the Servicer shall be included as an identified revenue credit and reduce revenue requirements for the customers' benefit in the Utility's applicable general rate case. The expenses of acting as the servicer shall likewise be included as a cost of service in such general rate case, subject to the actual servicer fee.

3. **Replacement of the Utility as Servicer.** Upon the occurrence of an event of default under the servicing agreement relating to servicer's performance of its servicing functions with respect to the WESCRM Charges, the ODFA, or bond trustee acting at the direction of a majority of the bondholders, may replace the Utility as the servicer or as the successor servicer in accordance with the terms of the servicing agreement. In the event the successor servicer seeks a fee up to 0.60% of the initial balance of the Bonds, such request is conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. If the servicing fee of the replacement servicer seeks a fee that exceeds 0.60% of the initial aggregate principal amount of the Bonds, the replacement servicer may not begin providing service until or unless the Commission approves the higher fee in a subsequent proceeding in which the ODFA reasonably demonstrates that the services cannot be obtained at a compensation level lower than 0.60% under the market conditions at that time. No entity may replace the Utility as the servicer or as the successor servicer in any of its servicing functions with respect to the WESCRM Charges and the securitization property authorized by this Order if the replacement would cause any of the then current credit ratings of the Bonds to be suspended, withdrawn, or downgraded.

4. **Collection Terms.** The Servicer must remit collections of the WESCRM Charges to the State Treasurer's Consumer Protection Fund, which shall be maintained by the bond trustee, for ODFA's account in accordance with the terms of the servicing agreement.

5. **Contract to Provide Service.** The Utility shall agree in the sale agreement and in the servicing agreement to continue to operate its transportation and distribution system (or, if by law, the Utility or its successor is no longer required to own and/or operate both the transportation and distribution systems, then the Utility's distribution system) in order to provide gas services to the Utility's customers; provided, however, that this provision must not prohibit the Utility from selling, assigning, or otherwise divesting its transportation and distribution systems or any part

thereof, pursuant to applicable law, so long as the entities acquiring such system agree to continue operating the facilities to provide gas service to the Utility's customers.

6. **Securities Reporting Requirements.** The Utility shall cooperate with ODFA and supply such information to ODFA as is reasonably consistent with information that would be required to comply with any federal securities law reporting obligations with respect to the Bonds and any other information required to comply with federal or state securities law reporting obligations.

7. **Service Termination.** In the event that the Servicer is billing customers for WESCRM Charges, the Servicer must have the right to terminate transportation and distribution service to the end-use customer for non-payment by end-use customers under applicable Commission rules.

E. Use of Proceeds.

The proceeds of the Bonds will be applied as described herein.

F. Miscellaneous Provisions

1. **Continuing Issuance Right.** The Utility has the continuing irrevocable right to cause the issuance of, and ODFA has the continuing right to issue, the Bonds in one or more series in accordance with this Order for a period commencing with the date of this Order and extending 24 months following the date on which this Order becomes final.

2. **Binding on Successors.** This Order, together with the WESCRM Charges authorized in it, must be binding on the Utility and any successor to the Utility that provides transportation and distribution service of natural gas directly to customers in the Utility's service area, and any other entity that provides transportation and distribution services of natural gas to customers within that service area. If, by law, the Utility or its successor is no longer required to own or operate both the transportation and distribution systems, then any entity that provides distribution service to customers in the service territory shall be bound by this Order.

3. **Flexibility.** Subject to compliance with the requirements of this Order, the Utility and ODFA must be afforded flexibility in establishing the terms and conditions of the Bonds, including repayment schedules, term, payment dates, collateral, credit enhancement, required debt service, reserves, interest rates, use of original issue discount, and other financing costs and the ability of the Utility, at its option, to cause one or more series of Bonds to be issued by the ODFA.

4. **Effectiveness of Order.** This Order is effective upon issuance and is not subject to rehearing by the Commission after 30 days from the issuance of the Order. The Order is subject to appeal pursuant to Section 20 of Article IX of the Oklahoma Constitution. Notwithstanding the foregoing, no securitization property must be created hereunder, and the Utility must not be authorized to impose, collect, and receive WESCRM Charges, until concurrently with the transfer of the Utility's rights hereunder to the ODFA in conjunction with the issuance of the Bonds.

5. **Regulatory Approvals.** All regulatory approvals within the jurisdiction of the Commission that are necessary for the securitization of the WESCRM Charges associated with the

costs that are the subject of the Application, and all related transactions contemplated in the application, are granted.

6. **Payment of Commission’s Costs for Professional Services.** In accordance with 74 OKLA. STAT. § 9073(D), the ODFA must pay the costs to the Commission (including PUD) of acquiring professional services for the purpose of evaluating the Utility’s proposed transaction, including, but not limited to, the Commission’s outside attorneys’ fees and financial advisor fees, in the amounts specified in the Issuance Advice Letter no later than 30 days after the issuance of any Bonds. Such Commission costs shall be non-Utility bond issuance costs and paid from Bond proceeds, or as otherwise provided in this Order.

7. **Compliance with 74 OKLA. STAT. § 9073(G).** To the extent the Utility receives insurance proceeds from private insurers, receives insurance proceeds or grants from the State of Oklahoma or the government of the United States of America, or any similar source of funding to compensate it for the Extreme Purchase Costs or Extraordinary Costs subject to the Financing Order, or if actual amounts are determined to be lower than estimated amounts securitized by the financing order, then as soon as practicable, these amounts shall be credited to customers through the Company’s purchased gas cost recovery mechanism, Rider Schedule No. 1 *Gas Supply Rate* (“GSR”), with an amortization period, if any, to be determined at that time.

8. **Effect.** This Order constitutes a legal financing order for the Utility under the Act. The Commission finds this Order complies with the provisions of 74 OKLA. STAT. §§ 9073-74. An Order gives rise to rights, interests, obligations and duties as expressed in 74 OKLA. STAT. § 9075 and § 9077. It is the Commission’s express intent to give rise to those rights, interests, obligations and duties by issuing this Order. The Utility and the Servicer are directed to take all actions as are required to effectuate the transactions approved in this Order, subject to compliance with the criteria established in this Order.

9. **Severability.** Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

10. **Further Commission Action.** The Commission will act under this Order as expressly authorized by the Act, and other applicable law, to do its utmost to ensure that expected WESCRM Charge revenues are sufficient to pay on a timely basis scheduled principal of and interest on the Bonds issued under this Order and other costs, including fees and expenses, in connection with the Bonds.

11. **All Other Motions, etc., Denied.** The Commission denies all other motions and any other request.

12. **Delivery of Financing Order.** On the date hereof, the Commission, through its Chairman, will deliver a copy of this Order to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Authority in accordance with 74 OKLA. STAT. § 9074(D).

[Signatures to follow on subsequent page]

CORPORATION COMMISSION OF OKLAHOMA

Dana L. Murphy
DANA L. MURPHY, CHAIRMAN

BOB ANTHONY, VICE CHAIRMAN

J. Todd Hiatt
J. TODD HIATT, COMMISSIONER

CERTIFICATION

DONE AND PERFORMED by the Commissioners participating in the making of this Order, as shown by their signatures above, this 10th day of February, 2022.

BY ORDER OF THE COMMISSION:



Peggy Mitchell
PEGGY MITCHELL, Commission Secretary

FORM OF ISSUANCE ADVICE LETTER

[SUBMITTED FOR INFORMATION ONLY PURPOSES]

_____ DAY, _____, 202_

THE OKLAHOMA CORPORATION COMMISSION

ATTN: Chairman
Jim Thorpe Building
2101 N. Lincoln Blvd.
Oklahoma City, Oklahoma 73105

SUBJECT: ISSUANCE ADVICE LETTER FOR RATEPAYER-BACKED BONDS

Pursuant to the Financing Order adopted on the _____ day of _____, 202_ in *Application of CenterPoint Energy Resources Corp. D/B/A/ CenterPoint Energy Oklahoma Gas for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event pursuant to the February 2021 Regulated Utility Consumer Protection Act*, Cause No. PUD 202100087 (the "Financing Order"), CENTERPOINT ENERGY RESOURCES CORP. (the "Utility" or the "Applicant") and OKLAHOMA DEVELOPMENT FINANCE AUTHORITY ("ODFA" or the "Authority") jointly submit, this Issuance Advice Letter to report certain terms and information related to the Ratepayer-Backed Bonds Series _____, Tranches _____. Any capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 OKLA. STAT. §§ 9071-9081 (the "Act").

PURPOSE

This filing includes the following information:

- (1) Calculation of total principal amount of Bonds issued;
- (2) The final terms and structure of the Ratepayer-Backed Bonds, including a description of any credit enhancement, the final estimated bond issuance costs and the final estimates of ongoing financing costs for the first year following issuance;
- (3) A calculation of projected customer savings relative to conventional methods of financing resulting from the issuance of the Bonds
- (4) the initial WESCRM Charges.

1. PRINCIPAL AMOUNT OF BONDS ISSUED (AUTHORIZED AMOUNT)

The total amount of qualified costs, carrying costs, and issuance costs being financed (the "Authorized Amount") is presented in Attachment 1.

2. DESCRIPTION OF FINAL TERMS OF BONDS

Set forth below is a summary of the final terms of the Bond Issuance.

Ratepayer-Backed Bond Title and Series: _____

Trustee: _____

Closing Date: _____, 202_

Bond Ratings: [S&P ___; Moody's ___; Fitch ___]

Amount Issued (Authorized Amount): \$ _____

Ratepayer-Backed Bond Issuance Costs: See Attachment 1, Schedule B.

Ratepayer-Backed Bond Ongoing Financing Costs: See Attachment 2, Schedule B.

Tranche	Coupon Rate	Scheduled Final Maturity	Legal Final Maturity
	%	/ /	/ /
	%	/ /	/ /
	%	/ /	/ /

Effective Annual Weighted Average Interest Rate of the Ratepayer-Backed Bonds:	%
Weighted Average Life of Series:	years
Call provisions (including premium, if any):	
Expected Sinking Fund Schedule:	Attachment 2, Schedule A
Payments to Bondholders:	Semiannually Beginning _____,

3. CALCULATION OF PROJECTED SAVINGS

The weighted average interest rate of the Ratepayer-Backed Bonds (excluding costs of issuance and ongoing financing costs) is less than [_____]%, accordingly, the proposed structuring, expected pricing, and financing costs of the Ratepayer-Backed Bonds are reasonably expected to result in substantial revenue requirement savings as compared to conventional methods of financing. The net present value of the savings, which will avoid or mitigate rate impacts as compared to conventional methods of financing the qualified costs, is estimated to be \$_____ (see Attachment 2, Schedule C), based on an effective annual weighted average interest rate of ___% for the Ratepayer-Backed Bonds.

4. INITIAL WESCRM CHARGE

Table I below shows the current assumptions for each of the variables used in the calculation of the initial WESCRM Charges.

TABLE I
Input Values For Initial WESCRM Charges
Applicable period: from _____, ____ to _____, ____

Customer count for each Customer Class for the applicable period:	
Ratepayer-Backed Bond debt service for the applicable period:	\$ _____
Charge-off rate for each Customer classes:	
Forecasted annual ongoing financing costs (See Attachment 2, Schedule B):	\$ _____
Current Ratepayer-Backed Bond outstanding balance:	\$ _____
Target Ratepayer-Backed Bond outstanding balance as of / / :	\$ _____
Total Periodic Billing Requirement for applicable period:	\$ _____

Based on the foregoing, the initial WESCRM Charges calculated for each Customer classes are detailed in Attachment 3.

EFFECTIVE DATE

[In accordance with the Financing Order, the WESCRM Charge shall be billed beginning on the first day of the first billing cycle of the next revenue month following the date of issuance of the ratepayer-backed bonds.]

AUTHORIZED OFFICER

The undersigned are officers of Applicant and Authority, respectively, and authorized to deliver this Issuance Advice Letter on behalf of Applicant and Authority.

Respectfully submitted,

CENTERPOINT ENERGY RESOURCES
CORP.

By: _____
Name: _____
Title: _____

OKLAHOMA DEVELOPMENT FINANCE
AUTHORITY

By: _____
Name: _____
Title: _____

cc: Director of the Public Utility Division, Oklahoma Corporation Commission

ATTACHMENT 1

SCHEDULE A
CALCULATION OF AUTHORIZED AMOUNT

A.	Qualified costs authorized in Cause No. PUD 202100087 (including any adjustment to carrying costs)	\$
B.	Estimated bond issuance costs (Attachment 1, Schedule B)	
TOTAL AUTHORIZED AMOUNT		\$

ATTACHMENT 1

SCHEDULE B

ESTIMATED ISSUANCE COSTS

	Issuance Costs
Underwriters' Fees & Expenses	\$ -
Underwriters' Counsel Legal Fees & Expenses	\$ -
ODFA Legal & Advisory Fees and Expenses	\$ -
[ODFA Financing Acceptance Fee]	\$ -
State Treasurer Fees and Expenses	\$ -
Bond Counsel Fees	\$ -
Rating Agency Fees and Related Expenses	\$ -
Printing	\$ -
Trustee's/Trustee Counsel's Fees & Expenses	\$ -
ODFA Legal and Advisory Fees	\$ -
Original Issuance Discount	\$ -
Commission Fees and Expenses	\$ -
	\$ -
Other Credit Enhancements (Overcollateralization Subaccount)	\$ -
Rounding/Contingency	\$ -
Debt Service Reserve Subaccount (DSRS)	\$ -
Commission Fees and Expenses	\$ -
Total Non-Utility External Issuance Costs	\$ -
Utility's Financial Advisor Fees & Expenses	\$ -
Utility's Counsel Legal Fees & Expenses	\$ -
Utility's Non-legal Securitization Proceeding Costs & Expenses	\$ -
Utility's Miscellaneous Administrative Costs	\$ -
Servicer's Set-Up Costs	\$ -
External Servicing Costs (Accountant's)	\$ -
Total Utility Issuance Costs	\$ -
Total Estimated Issuance Costs	\$ -
Rounded Amount	\$ -

Note: Any difference between the Estimated Issuance Costs financed for, and the actual Issuance Costs incurred by, the ODFA and (except as capped) the Utility will be resolved, if estimates are more or less than actual, through The WESCRM Rider or pursuant to the Commission Order issued in this proceeding, as applicable.

ATTACHMENT 2

SCHEDULE B

ESTIMATED ONGOING FINANCING COSTS

	Itemized Annual Ongoing Financing Costs
True-Up Administration Fees ^	\$ -
ODFA Administration Fees ^	\$ -
^	\$ -
ODFA Administration Fees^	\$ -
ODFA Legal Fees & Expenses^	\$ -
ODFA Accounting Fees^	\$ -
Trustee's/Trustee's Counsel Fees & Expenses ^	\$ -
Rating Agency Fees and Related Expenses^	\$ -
Miscellaneous ^	\$ -
Cost of Swaps & Hedges^	\$ -
Other Credit Enhancements^	\$ -
Total Non-Utility External Annual Ongoing Financing Costs	\$ -
Ongoing Servicer Fees (Utility as Servicer)	\$ -
Accounting Costs (External)^	\$ -
Total (Utility as Servicer) Estimated Annual Ongoing Financing Costs	\$ -
Ongoing Servicer Fees as % of original principal amount	%
Ongoing Servicer Fees (Third-Party as Servicer - []% of principal)	\$ -
Other External Ongoing Fees (total of lines marked with a ^ mark above)	\$ -
Total (Third-Party as Servicer) Estimated Ongoing Financing Costs	\$ -

Note: The amounts shown for each category of ongoing financing costs on this attachment are the expected costs for the first year of the Ratepayer-Backed Bonds. Winter event securitization charges will be adjusted at least semi-annually to reflect the actual Ongoing Financing Costs through the true-up process described in the Financing Order, except that the servicing fee is fixed as long as the Utility (or any affiliate) is servicer.

ATTACHMENT 2

SCHEDULE C

BENEFITS VERSUS CONVENTIONAL FINANCING

	Conventional Financing	Ratepayer-Backed Bond Financing	Savings/(Cost) of Ratepayer-Backed Bond Financing
Present Value	\$	\$	\$

The present value discount factor shall be the rate needed to discount future debt service payments on the Bonds to the net proceeds of Bonds, including accrued interest, DSRS and any contingency retained by the trustee.

ATTACHMENT 3

INITIAL ALLOCATION OF COSTS TO CUSTOMER CLASSES

(1) Customer Class	(2) Energy Allocation Factor ¹
Residential	%
GS1	%
CS1	%
LCS	%
	%
Total	100.0000%

¹ Determined in accordance with the methodology in Appendix B to the Financing Order.

ATTACHMENT 4

UTILITY CERTIFICATION

THE OKLAHOMA CORPORATION COMMISSION
ATTN: Chairman
Jim Thorpe Building
2101 N. Lincoln Blvd.
Oklahoma City, Oklahoma 73105

Pursuant to the Financing Order adopted on the _____ day of _____, 202_ in *Application of CenterPoint Energy Resources Corp. D/B/A/ CenterPoint Energy Oklahoma Gas for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event pursuant to the February 2021 Regulated Utility Consumer Protection Act*, Cause No. PUD 202100087, CENTERPOINT ENERGY RESOURCES CORP. (the "Utility" or the "Applicant") certifies that the calculation of the WESCRM Charges included in the Issuance Advice Letter were calculated in accordance with the Financing Order. If the Commission determines that the calculation of the WESCRM Charges contained any mathematical error, such error will be corrected upon the next implementation of the true-up and reconciliation process.

Any capitalized terms not defined in this certification shall have the meanings ascribed to them in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 OKLA. STAT. §§ 9071-9081.

Respectfully submitted,

CENTERPOINT ENERGY RESOURCES
CORP.

By: _____
Name: _____
Title: _____

cc: Director of the Public Utility Division, Oklahoma Corporation Commission

WINTER EVENT SECURITIZED COST RECOVERY MECHANISM (“WESCRM”)

1. APPLICABILITY

The WESCRM is applicable to and becomes a part of each Oklahoma retail rate schedule listed in Section 5 of this tariff and shall be applicable to the usage of each respective Oklahoma retail rate schedule. The WESCRM is irrevocable and nonbypassable.

2. PURPOSE

To recover from customers the amounts necessary to service, repay, and administer customer-backed bonds associated with the February 2021 Winter Weather Event and issued by the Oklahoma Development Finance Authority pursuant to Senate Bill No. 1050.

3. TERM

The WESCRM shall become effective the first billing cycle of the month following a final financing order in Cause No. PUD 202100087 and the issuance of ratepayer-backed bonds (“bonds”) and the Company’s receipt of the net bond proceeds pursuant to Senate Bill 1050. The WESCRM shall remain in effect until the complete repayment and retirement of the bonds.

4. ALLOCATION

The WESCRM shall be allocated to gas sales customer tariffs as shown below. The allocation percentages below are based on the actual usage for each retail class excluding the Voluntary Fixed Price Option (“VFPO”) and Low-Income Energy Assistance Program (“LIHEAP”) customers during February 2021. This allocation, as approved in Cause No. PUD 202100087, shall only change subject to the true up set forth in Section 6 or a change in rate structure ordered in a general rate case. Active VFPO and eligible LIHEAP customers during the February 2021 Winter Weather Event are excluded from this tariff.

Rate Category	% Allocation
Residential	65.51%
GS1	15.67%
CS1	18.08%
LCS	0.74%
Total	100.00%

5. BILLING RATES

The WESCRM billing rates below shall show as a separate line item on the customer's bill. Active VFPO customers and residential customers listed with the Company as eligible for the LIHEAP during the February 2021 Winter Weather Event are exempt from this charge.

Rate Category	Fixed Monthly Rate
Residential	
GS1	
CS1	
LCS	

6. TRUE-UP

The WESCRM shall be trued-up and reconciled at least semi-annually, through a submission to the Public Utility Division (PUD) of the Oklahoma Corporation Commission. The Company shall receive periodic information from the Oklahoma Development Finance Authority (ODFA) in order to perform this true-up and reconciliation. The Company will provide the updated rates as well as supporting calculations by March 31 and September 30 of each year, with rates to be effective the first billing cycle in May and November, respectively. Submission dates and timing of applicable rates may change subject to the timing of information from the ODFA. If the current customer count for any customer class changes by 10% from the customer count used to determine the billing rates as shown in Section 5, then the allocation of both the WESCRM allocation and fixed billing rate will be redetermined using twelve months of projected usage. The WESCRM can also be trued-up and reconciled at any time if the servicer forecasts that WESCRM charge collections will be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or (ii) to replenish any draws on the debt service reserve subaccount.

A final true-up will occur at the end of the Term to ensure that only the amount of bond proceeds the Company received, as well as related interest and ongoing financing costs, have been collected from those customers identified in Section 4. This final true-up may occur through the Company's Gas Supply Rate (GSR) or as a line item on the customers' bills.

ESTIMATED ISSUANCE COSTS

	Issuance Costs
Underwriters' Fees & Expenses	
Underwriters' Counsel Legal Fees & Expenses	
ODFA Legal & Advisory Fees and Expenses	
ODFA Financing Acceptance Fee	
State Treasurer Fees and Expenses	
Bond Counsel Fees	
Rating Agency Fees and Expenses	
Commission Fees and Expenses	
Printing	
Trustee's/Trustee Counsel's Fees & Expenses	
Original Issuance Discount	
Cost of Swaps & Hedges	
Other Credit Enhancements (Overcollateralization Subaccount)	
Rounding/Contingency	
Debt Service Reserve Subaccount (DSRS)	
Total Non-Utility External Issuance Costs	
Utility's Financial Advisor Fees & Expenses	
Utility's Counsel Legal Fees & Expenses	
Utility's Non-legal Securitization Proceeding Costs & Expenses	
Utility's Miscellaneous Administrative Costs	
Servicer's Set-Up Costs	
External Servicing Costs (Accountant's)	
Total Utility Issuance Costs	
Total Estimated Issuance Costs	

Note: Any difference between the Estimated Issuance Costs financed for, and the actual Issuance Costs incurred by, the Authority, the Commission and (except as capped) the Utility will be resolved, if estimates are more or less than actual, through the WESCRM Rider or as otherwise authorized by the Financing Order.

ESTIMATED ONGOING FINANCING COSTS

	Itemized Annual Ongoing Financing Costs
True-Up Administration Fees ^	
ODFA Administration Fees ^	
ODFA Legal Fees ^	
Trustee's/Trustee's Counsel Fees & Expenses ^	
Rating Agency Fees and Related Expenses^	
Miscellaneous ^	
^	
Other Credit Enhancements ^	
Total Non-Utility External Annual Ongoing Financing Costs	
Ongoing Servicer Fees (Utility as Servicer) *	
Accounting Costs (External) ^	
Total Utility Annual Ongoing Financing Costs	
Total (Utility as Servicer) Estimated Ongoing Financing Costs	
Ongoing Servicer Fees (Third-Party as Servicer - 0.60% of principal)	
Other External Ongoing Fees (total of lines marked with a ^ mark above)	
Total (Third Party as Servicer) Estimated Ongoing Financing Costs	

Note: The amounts shown for each category of ongoing financing costs on this attachment are the expected costs for the first year of the Ratepayer-Backed Bonds. Winter event securitization charges will be adjusted at least semi-annually to reflect the actual Ongoing Financing Costs through the true-up process described in the Financing Order, except that the servicing fee is fixed as long as the Utility (or its affiliate) is servicer.

TRUE-UP LETTER

Date: _____, 202_

Oklahoma Corporation Commission
ATTN: Chairman
Jim Thorpe Office Building
2101 N Lincoln Blvd #129
Oklahoma City, OK 73105

Re: Application of CenterPoint Energy Resources Corp. D/B/A/ CenterPoint Energy Oklahoma Gas for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event pursuant to the February 2021 Regulated Utility Consumer Protection Act, Cause No. PUD 202100087

Dear _____:

Pursuant to the Financing Order adopted on the _____ day of _____, 202_ in *Application of CenterPoint Energy Resources Corp. D/B/A/ CenterPoint Energy Oklahoma Gas for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event pursuant to the February 2021 Regulated Utility Consumer Protection Act*, Cause No. PUD 202100087 (the "Financing Order"), CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Oklahoma Gas (the "Utility"), as Servicer of the Ratepayer-Backed Bonds, or any successor Servicer on behalf of bond trustee as assignee of the ODFA shall apply [semi-annually] for a mandatory periodic adjustment to the WESCRM Charge. The Utility may apply for more frequent periodic adjustments in accordance with the Financing Order. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 OKLA. STAT. §§ 9071-9081 (the "Act").

Each true-up adjustment shall be filed with the Commission not later than [March 31 or September 30, as applicable, with the WESCRM Charge to be effective the first billing cycle of May or November, as applicable][not less than 30 days prior to the first billing cycle of the month in which the revised WESCRM Charges will be in effect]. The Commission staff will have 30 days after the date of the true-up adjustment filing in which to confirm the mathematical accuracy of the servicer's adjustment. However, any mathematical correction not made prior to the effective date of the WESCRM Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WESCRM Charge.

Using the formula approved by the Commission in the Financing Order, this filing modifies the variables used in the WESCRM Charge calculation and provides the resulting modified WESCRM Charge. Attachments 1, 2 and 3 show the resulting values of the WESCRM Charge for each Customer class, as calculated in accordance with the Financing Order. The assumptions underlying the current WESCRM Charge were filed by the Utility and the ODFA in an [Issuance Advice]/True-up Letter dated _____.

Respectfully submitted,

[Utility]

By: _____
Name: _____
Title: _____

Attachments

cc: Director of the Public Utility Division, Oklahoma Corporation Commission

ATTACHMENT 1

CALCULATION OF WESCRM CHARGES

Estimated Ongoing Financing Costs	
True-Up Administration Fees ^	
ODFA Administration Fees ^	
ODFA Legal Fees ^	
Trustee's/Trustee's Counsel Fees & Expenses ^	
Rating Agency Fees and Related Expenses^	
Miscellaneous ^	
^	
Other Credit Enhancements ^	
Total Non-Utility External Annual Ongoing Financing Costs	
Ongoing Servicer Fees (Utility as Servicer) *	
Accounting Costs (External) ^	
Total Utility Annual Ongoing Financing Costs	
Total (Utility as Servicer) Estimated Ongoing Financing Costs	
Ongoing Servicer Fees (Third-Party as Servicer - 0.60% of principal)	
Other External Ongoing Fees (total of lines marked with a ^ mark above)	
Total (Third Party as Servicer) Estimated Ongoing Financing Costs	

Input Values for WESCRM Charges	
Projected revenues for payment period (See Attachment 3)	
Forecast uncollectibles for payment period	
Average Days Sales Outstanding	
Balance of Collection Account (Net of Capital Subaccount) (As of xx/xx, which is the Calculation Cut-off Date)	
Projected WESCRM Charges Between Calculation Cut-off Date and Proposed Effective Date of True-Up Adjustment	
A. Ratepayer-Backed Bond Principal	
B. Ratepayer-Backed Recovery Bond Interest	
C. Ongoing Financing Costs for the applicable payment period (See Table 1 above)	
Periodic Payment Requirement (Sum of A, B and C)	
Periodic Billing Requirement (See Attachment 2)	

ATTACHMENT 2

WESCRM CHARGE CALCULATIONS

[Calculation Workpapers to be included.]

ATTACHMENT 3

WESCRM CHARGE FOR PAYMENT PERIOD

Customer Class	WESCRM Charge
Residential	
GS1	
CS1	
LCS	

FORM OF NON-STANDARD TRUE-UP LETTER

[ODFA Letterhead]

Date: _____, 202_

Oklahoma Corporation Commission
ATTN: Chairman
Jim Thorpe Office Building
2101 N Lincoln Blvd #129
Oklahoma City, OK 73105

Re: Application of CenterPoint Energy Resources Corp. D/B/A/ CenterPoint Energy Oklahoma Gas for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event pursuant to the February 2021 Regulated Utility Consumer Protection Act, Cause No. PUD 202100087

Dear _____:

Pursuant to the Financing Order adopted on the _____ day of _____, 202_ in *Application of CenterPoint Energy Resources Corp. D/B/A/ CenterPoint Energy Oklahoma Gas for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event pursuant to the February 2021 Regulated Utility Consumer Protection Act*, Cause No. PUD 202100087 (the "Financing Order"), CenterPoint Energy Resources Corp., d/b/b CenterPoint Energy Oklahoma Gas (the "Utility"), as Servicer of the Ratepayer-Backed Bonds, or any successor Servicer on behalf of bond trustee as assignee of the ODFA, shall apply for a Non-Standard True-Up to the WESCRM Charge to reallocate costs among the Customer Classes if there is a significant change in the number of customers within one or more Customer Class. If the current customer count for any customer class changes by 10% or more from the customer count most recently used to determine the billing rates as shown in Section 5 of the WESCRM Mechanism, then the allocation of both the Energy Allocation Factors and fixed billing rate will be re-determined using twelve months of projected usage. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 OKLA. STAT. §§ 9071-9081 (the "Act").

Each Non-Standard True-up shall be filed with the Oklahoma Corporation Commission not less than [xx] days prior to the first billing cycle of the month in which the revised methodology for calculating WESCRM Charges will be in effect. [The Commission staff will have [xx] days after the date of the true-up adjustment filing in which to confirm the mathematical accuracy of the servicer's adjustment. [[However, any mathematical correction not made prior to the effective date of the WESCRM Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WESCRM Charge.]

Attachments [_____] show the revised methodology for calculating the WESCRM Charges.

Respectfully submitted,

[Utility]

By: _____
Name: _____
Title: _____

Attachments

cc: Director of the Public Utility Division, Oklahoma Corporation Commission

[ATTACHMENTS TO COME]

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 3rd day of June, 2024, a true and correct copy of the above and foregoing instrument was emailed and mailed, with postage fully prepaid thereon, to:

Gentner Drummond,
Attorney General of Oklahoma
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Oklahoma Office of the Attorney General
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Oklahoma City, OK 73105
chase.snodgrass@oag.ok.gov

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