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BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

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| APPLICATION OF OKLAHOMA NATURAL) | |
| GAS COMPANY, A DIVISION OF ONE GAS,) | |
| INC., FOR A FINANCING ORDER) | CAUSE NO. PUD 202100079 |
| APPROVING SECURITIZATION OF COSTS) | |
| ARISING FROM THE FEBRUARY 2021) | ORDER NO. <u>723033</u> |
| WINTER WEATHER EVENT PURSUANT TO) | |
| THE "FEBRUARY 2021 REGULATED) | |
| UTILITY CONSUMER PROTECTION ACT") | |

FINAL FINANCING ORDER

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THE “FEBRUARY 2021 REGULATED)
UTILITY CONSUMER PROTECTION ACT”)

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 ODF&A 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 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 its 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 ODFB. 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

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 WESCR 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.⁴¹ 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 WESCR Charges approved in this Order.

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).

⁴¹ Okla. Const. Art. II, § 15.

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 trueed 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 imprudency 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.