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BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF CENTERPOINT)	
ENERGY RESOURCES CORP. D/B/A)	CAUSE NO. PUD 202100087
CENTERPOINT ENERGY OKLAHOMA)	
GAS FOR A FINANCING ORDER)	ORDER NO. <u>723435</u>
APPROVING SECURITIZATION OF COSTS)	
ARISING FROM THE FEBRUARY 2021)	
WINTER WEATHER EVENT PURSUANT)	
TO THE FEBRUARY 2021 REGULATED)	
UTILITY CONSUMER PROTECTION ACT)	

FINAL FINANCING ORDER

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FINAL FINANCING ORDER

HEARING: December 1 and 2, 2021, in Courtroom 301 (some parties appearing by virtual teleconference)
2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105
Before Mary Candler, Administrative Law Judge

APPEARANCES: Curtis M. Long, Stephanie Hammonds and J. Dillon Curran, Attorneys
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CenterPoint Energy Oklahoma Gas
Jared B. Haines and A. Chase Snodgrass, Assistant Attorneys General
representing Office of Attorney General, State of Oklahoma
Michael L. Velez, Deputy General Counsel, and Lauren D. Willingham,
Assistant General Counsel, *representing* Public Utility Division,
Oklahoma Corporation Commission

Pursuant to 74 OKLA. STAT. §§ 9070-9081, which includes the February 2021 Regulated Utility Consumer Protection Act (the “Act”), the Legislature of the State of Oklahoma recognized “the significant economic impact of the extreme weather event that occurred during the month of February 2021 (herein referred to as the “2021 Winter Weather Event”) and the “unprecedented utility costs [that] will be passed through to Oklahoma customers of utilities from regulated utility entities.” 74 OKLA. STAT. § 9071. To mitigate the effects on such Oklahoma customers, the Act authorized CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Oklahoma Gas¹ (“CERC” or the “Company” or the “Utility”), and other utilities subject to the regulatory jurisdiction of the Oklahoma Corporation Commission (“Commission”),² to request the recovery of these extreme purchase costs and extraordinary costs (collectively referred to herein and in the Act as “qualified costs”) through securitization. This statutory process is designed to mitigate the impact of such costs on existing and future ratepayers taking natural gas distribution service within the sponsoring utility’s service territory in effect as of the issuance date of this Order (collectively referred to herein as “customers”), allowing customers to pay their utility bills at a lower amount over a longer period of time. In addition, 74 OKLA. STAT. § 5062.8 was amended to expand the authority of the Oklahoma Development Finance Authority (the “Authority” or the “ODFA”) under the Authority’s enabling act³ (as amended, the “Authority Act”) to include authority to issue ratepayer-backed bonds authorized by the Act.

¹ Pursuant to that certain Asset Purchase Agreement, dated as of April 29, 2021, by and between CenterPoint Energy Resources Corp. (“CERC”) and Southern Col Midco, LLC (“Buyer”), an affiliate of Summit Utilities, Inc. (together with Buyer, “Summit”), CERC has agreed to sell and Summit has agreed to purchase substantially all of the assets of the Utility. Pursuant to that Asset Purchase Agreement, CERC will transfer at closing all of its Oklahoma utility assets to Summit Utilities Oklahoma, Inc. (“SUO”), an affiliate of Summit. This transaction is expected to be completed prior to the issuance of the bonds authorized by this Cause, and upon closing, SUO will be the proper recipient of the net proceeds of the bond offering and will also act as the initial servicer of the securitization property, including the billing and collection of the WESCRM Charges under this Financing Order. References to CERC, the “Company” and the “Utility” in this Financing Order and its Appendices shall thus all include SUO as the successor-in-interest to CERC, and as the initial servicer of the securitization property. Communications otherwise matching the forms of the Appendices to this Financing Order which substitute SUO for CERC would be consistent with this Financing Order.

² The Act sets forth provisions, including requirements, to which the Commission must adhere in its processing of this Cause and in this Order.

³ 74 OKLA. STAT. § 5062.1 *et seq.*

On May 17, 2021, CERC filed its Application with the Commission to seek a determination of prudently incurred costs associated with the 2021 Winter Weather Event eligible for recovery through securitization, and to demonstrate that a securitization would result in substantial revenue requirement savings as compared to conventional utility financing and otherwise satisfy the requirements of the Act.

Testimony in support of and against aspects of the Application was filed, with a hearing on the merits scheduled to begin December 1, 2021. Prior to the scheduled hearing, a Joint Stipulation and Settlement Agreement was filed on November 24, 2021 (the “Settlement Agreement”), by and among all parties to this Cause, including CERC, the Public Utility Division of the Oklahoma Corporation Commission (“PUD”), and the Attorney General (collectively, the “Stipulating Parties”).

A hearing was conducted on December 1 and 2, 2021, before an Administrative Law Judge (“ALJ”), with Commissioners present. Although the hearing was focused on the proposed Settlement Agreement, the entirety of the testimony and exhibits reflecting the positions of the parties, prior to the Settlement Agreement, was introduced and admitted into the record. Accordingly, the Commission, in reviewing this Cause and issuing this order, has reviewed and bases its decision on the entirety of the record. At the hearing, all parties presented testimony or positions in support of the Settlement Agreement. No party opposed the Settlement Agreement or objected to it and all parties acknowledged or otherwise agreed that securitization provides the most favorable savings to customers. In his Statement of Position, the Attorney General expressed support for securitization after a careful study of CERC’s workpapers, testimony, and the significant discovery issued in the Cause. Specifically, the Attorney General stated that he “supports the use of securitization bonds under the [Act] to allow recovery of historic natural gas costs over a longer, more manageable period of time and at a lower interest rate than would otherwise be available.”⁴

Despite the newly enacted option for securitization, which simply offers utilities another mechanism to recover the costs it would otherwise be allowed to collect from its customers, the requirement by the Commission to determine the utility’s prudently incurred costs under securitization is far from new. Every year, the Commission reviews and monitors utilities’ Fuel Adjustment Clauses (“FAC’s”) or Purchase Gas Adjustments (“PGA’s”) ⁵ and the prudence of the utilities’ fuel procurement processes and costs for the corresponding calendar year.⁶

⁴ Attorney General’s Statement of Position at 1.

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

⁶ OAC 165:50-5-3 requires the Commission to conduct an annual review of a public utility’s gas purchases. In connection with the annual review of CERC’s gas purchases, PUD also conducts an annual prudence review to examine whether the cost of fuel, purchased gas or purchased power incurred by the Utility was prudent. The prudence review is a comprehensive review that examines the reasonableness of a regulated utility’s practices, policies, and decisions regarding fuel-related investments and expenses. While a prudence review may consider and incorporate the findings of the fuel audit, it must go beyond the calculations to examine the prudence of a utility’s overall fuel-related policies and decisions, based upon information available when those decisions were made, and whether the resulting charges are just and reasonable.

In this Cause, PUD conducted a thorough audit and review of all CERC's gas supply costs arising from the 2021 Winter Weather Event, and CERC cooperated fully to facilitate PUD's audit.⁷ PUD's review was no different than the annual FAC/prudence cases that PUD has conducted for years. The only distinction here is that the review is limited to the period of time of the 2021 Winter Weather Event.⁸

After thorough review of the record, the Commission determines that CERC is eligible to recover through securitization Extreme Purchase Costs of \$75,678,535, Extraordinary Costs of \$411,781, and carrying costs through the date of issuance of ratepayer-backed bonds calculated in the manner described herein, and certain bond issuance costs (collectively, the "Approved Qualified Costs"). This Final Financing Order ("Order") approves such recovery as more fully detailed herein. Ultimately, this Order: (1) approves the issuance of ratepayer-backed bonds (the "Bonds") by the ODFA to finance the recovery of the Approved Qualified Costs, (2) approves the proposed financing structure and parameters for any final bond issuance; (3) authorizes the creation of securitization property in favor of the Utility, including the right to impose and collect an irrevocable and nonbypassable charge (herein, "winter event securitization charge(s)" or "WESCRM Charge(s)"), (4) authorizes the sale of such securitization property to the ODFA to secure repayment of the Bonds; (5) approves a nonbypassable mechanism to ensure that customers of the utility cannot evade paying the WESCRM Charges as long as the Bonds are outstanding; (6) approves a true-up and reconciliation procedure to ensure that the WESCRM Charges will be adjusted from time to time such that the amounts collected will be sufficient to pay the Bonds and associated financing costs; and (7) approves a tariff to implement the WESCRM Charge, all as described in the Act. This Order is organized to include the following:

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

⁷ 1Tr. 16:9-24; 2Tr. 64:17-65:4, 70:24-71:10.

⁸ 74 OKLA. STAT. §§ 9072(3) and (6).

I. BACKGROUND AND STATUTORY OVERVIEW

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

The Act authorizes the Commission, in any case where a regulated utility is requesting recovery of extreme purchase costs, or extraordinary costs or both related to the 2021 Winter Weather Event eligible for recovery under the Act, to approve the recovery of such costs through securitization in order to mitigate the impact of such recovery on customer bills.⁹ The Act provides that the Commission must consider certain factors (“Section 9073 factors”) when determining whether the costs should be mitigated by the recovery through ratepayer-backed bonds, including whether the existence of substantial revenue requirement savings through the issuance of the bonds as compared to conventional financing methods, a longer amortization schedule to pay the bonds than would ordinarily be practicable or feasible for the utility to implement such cost recovery and the ability to issue bonds at a cost which would not exhaust the potential savings.¹⁰ The Commission is also required to review the extreme purchase costs and extraordinary costs of the utility and determine whether the amounts incurred would otherwise be recoverable from customers as fair, just, and reasonable expenses and prudently incurred.¹¹

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

The Act authorizes the creation of a new property right, called securitization property, to secure payment of the ratepayer-backed bonds.¹² The securitization property consists of the right to receive revenues, in the form of the WESCRM Charge, which must be imposed on and collected from customers through a nonbypassable mechanism to ensure that customers cannot avoid paying the WESCRM Charge. The nonbypassable mechanism must provide that the WESCRM Charge cannot be modified or avoided by the customer within the service territory of the utility in effect as of the date of the applicable financing order through switching utility providers, switching fuel sources or materially changing usage, and must be paid by the customer for as long as the

⁹ 74 OKLA. STAT. § 9073.

¹⁰ *Id.* at § 9073(C).

¹¹ *Id.* at § 9073(E).

¹² *Id.* at § 9075(A).

ratepayer-backed bonds are outstanding.¹³ In addition, the nonbypassable mechanism requires a true-up and reconciliation process by which the WESCRM Charge must be adjusted from time to time to ensure that expected revenues from the charge are sufficient to ensure the timely payment of the bonds, together with all costs necessary to service and administer the bonds.¹⁴ These servicing and administration costs, as well as other costs necessary to manage the structure, all as described more fully herein, are collectively referred to as “ongoing financing costs.”

Securitization property constitutes a present property right susceptible of ownership, sale, assignment, transfer, and security interest, and the property will continue to exist until the Bonds issued pursuant to this Order are paid in full and all ongoing financing costs of the Bonds have been recovered in full.¹⁵ In addition, the interests of a pledgee or secured party in securitization property (as well as the revenues and collections arising from the property) are not subject to setoff, counterclaim, surcharge or defense by the Utility or by any customer, or in connection with the bankruptcy of the Utility or any other entity.¹⁶

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

The Act further provides:

Upon the issuance of any financing order pursuant to this section, the periodic determination of factors for customer collection with true-up and reconciliation authorized by the financing order shall not be removed, adjusted or interrupted by any other regulatory determination of the Commission, except where adjustments are warranted as a result of an audit of amounts actually collected from customers and provided to the Authority or where insurance proceeds, government grants or other funding sources offset or reduce the amount of extreme purchase costs and extraordinary costs to be recovered from customers. No adjustments shall in any manner impair or prevent the collection of sufficient revenues to service and repay ratepayer-backed bonds.¹⁷

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

The Act amends the Authority Act to authorize the ODFA to issue ratepayer-backed bonds authorized pursuant to the Act.¹⁸ In the Authority Act, the State of Oklahoma has pledged to and agreed with the owners of any Bonds issued by the ODFA under the Act that the State will not limit or alter the rights vested in the Authority, including the rights to be held by the Authority in this Order and the securitization property, to fulfill the terms of any agreements made with the

¹³ *Id.* at § 9072(5).

¹⁴ *Id.* at § 9072(12).

¹⁵ *Id.* at § 9075(B).

¹⁶ *Id.* at § 9075(D).

¹⁷ *Id.* at § 9074(H).

¹⁸ *Id.* at § 5062.8(28).

owners thereof or in any way impair the rights and remedies of the owners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the owners, are fully met and discharged (the “State Pledge”).¹⁹ This Order requires the Bonds to include a recitation of the State Pledge.

The Commission may adopt a financing order providing for the retiring and refunding of the Bonds.²⁰ The Utility has not requested, and this Order does not grant, any authority to refinance the Bonds authorized by this Order. However, this Order does not preclude the filing of a request for a financing order under 74 OKLA. STAT. § 9077(D) to retire or refund the Bonds approved in this Order, after proper notice and hearing, and upon a showing that the customers would benefit and that such a financing is consistent with the terms of the Bonds.

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

II. DETERMINATION OF QUALIFIED COSTS

The Stipulating Parties proposed that, among other things, a total of \$75,678,535 of CERC’s extreme purchase cost and extraordinary costs of \$411,781, should be deemed prudent and reasonable by the Commission. The Stipulating Parties also proposed that the total amount to be securitized, including CERC’s extreme purchase cost, extraordinary cost and other associated costs, including CERC carrying costs and upfront securitization costs authorized for recovery, is estimated to be a total of \$87,678,270 and the Commission should issue a financing order for the securitization of approximately \$87,678,270 as the Approved Qualified Costs.

III. SATISFACTION OF SECTION 9073 FACTORS

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

In its testimony, CERC demonstrated that as a result of the issuance of the Bonds, customers will realize substantial revenue requirement savings when compared to traditional utility financing. Based on the amount to securitize per the Settlement Agreement, the Utility’s financial analysis indicates that the customers will realize savings in the aggregate amount of approximately \$47 million when comparing a 15-year securitized AAA bond at the expected weighted average interest rate of 2.08% to traditional utility financing at the Utility’s most recent approved 9.75% rate of return for the same time period.²¹ For a typical residential customer, this amounts to a

¹⁹ *Id.* at § 5062.15.

²⁰ *Id.* at § 9077(D).

²¹ Morris Stip. 7:6-15; 2Tr. 12:7 – 14:6; 72:22 – 73:17; Jerasa Rebuttal 5:3-6:9 (present value of customer savings is \$40 million, per Table 2).

monthly savings of approximately \$2.00.²² Accordingly, the Commission concludes that the substantial revenue requirement savings for customers set forth in the record are indicative of the savings that customers will realize from the approval of securitization approved herein. The Commission agrees that securitization should result in substantial revenue requirement savings.

The Settlement Agreement has also proposed that the Bonds be amortized over a 15-year period, which is a longer amortization schedule than would ordinarily be practicable or feasible for the Utility to finance obligations such as these. However, a shorter amortization period is permitted if a shorter term will provide for a lower monthly charge for customers.

The Utility has demonstrated that the cost of issuing the Bonds will not materially impact potential savings to customers. The total estimated issuance costs of \$10.5 million do not exhaust or offset the net savings of \$47 million expected to accrue to customers from the securitization.²³

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

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

IV. DISCUSSION OF CERTAIN FINANCING ORDER REQUIREMENTS

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

Bond Maturities: The Stipulating Parties have requested in the Settlement Agreement that the Commission authorize that the Bonds be amortized over a period not to exceed 15 years, using a relatively level annual debt service structure, or a shorter term to obtain the most favorable term for customers that will result in the lowest reasonable monthly charge for customers. In this Order, the Commission finds the Stipulating Parties’ proposal to be reasonable and approves the payment of the Bonds based upon relatively level annual debt service structure and with a scheduled final payment date not to exceed 15 years from the date of issuance and a legal final maturity not later than five years after the scheduled final payment date, provided a shorter amortization period is permitted, as determined by ODFA, with approval of the State Deputy Treasurer for Policy and Debt Management,²⁴ if such a term will provide for a lower monthly charge for customers.

Irrevocable and Nonbypassable Mechanism to Impose and Adjust Winter Event WESCRM charges: In order to generate sufficient cash flow to pay the Bonds and related ongoing financing costs, the Stipulating Parties have proposed²⁵ a mechanism to impose the WESCRM Charge as a monthly per capita charge based on a customer class methodology, calculated based upon factors

²² *Id.*

²³ Jerasa Rebuttal 5:3 – 6:9; Jerasa Rebuttal Exhibit BAJ-3.

²⁴ Referred to in the Act as Deputy Treasurer for Policy and Debt Management and given the title of Deputy Treasurer for Debt Management in 62 O.S. § 695.7(A).

²⁵ Settlement Agreement, ¶6.

described in Appendix B to this Order (the “WESCRM Mechanism”). The WESCRM Mechanism will remain in effect until the complete repayment and retirement of the Bonds and ongoing financing costs authorized by this Order.

The WESCRM Charge would be payable by all sales customers excluding those who were enrolled in the Utility’s Voluntary Fixed Price Option (“VFPO”) ²⁶ tariff during February 2021, and excluding Low Income Heating Energy Assistance Program (“LIHEAP”) customers.²⁷ Customers enrolling in the VFPO for future enrollment periods will pay the WESCRM Charge. The Utility (as Servicer) will calculate the WESCRM Charge according to the WESCRM Mechanism, including the allocation among tariff rate categories (each a “Customer Class”). The mechanism and, as described below, the allocation among Customer Classes, will, subject to the filing of a non-standard true-up adjustment described below, remain in effect until the complete repayment and retirement of the Bonds and ongoing financing costs authorized by this Order.

As required by 74 OKLA. STAT. § 9074(A)(3), the record also includes evidence that describes features demonstrating how the WESCRM Charge will be nonbypassable to customers. Features that contribute to the irrevocable and nonbypassable character of the recovery mechanisms of the WESCRM include: (1) the fixed monthly securitization charge mitigates against material changes in usage; (2) provisions of this Order mitigate against customer avoidance of the securitization charge by underpayment of a monthly bill by requiring allocation of any such underpayment between the securitization charge and the gas service bill; (3) the semi-annual true-up mechanism will adjust securitization charges based on changes in billing determinants among and within classes of customers; (4) the 15-year term for securitization mitigates against the long-term effects of customer attrition; (5) further mitigating the effects of customer attrition, new customers to the system will be subject to the securitization charge; (6) Oklahoma House Bill 3619 mitigates risk of fuel switching by prohibiting local government from adopting ordinances, rules or codes that restrict connections to a natural gas utility; (7) the cost of conversion from gas to electricity in existing structures mitigates the risk of fuel switching; (8) securitization charges imposed by electric utilities mitigate the risk of fuel switching from gas to electricity; and (9) the indication of market confidence in gas utilities reflected in their high credit ratings. In this Order, the Commission finds that this nonbypassable mechanism satisfies the requirements of the Act and is consistent with obtaining the highest possible ratings on the Bonds.

Frequency of True-Ups and Reconciliation: The Stipulating Parties have agreed in the Settlement Agreement that the WESCRM Charge will be adjusted (or trued-up) semi-annually to ensure that the WESCRM Charge collections are sufficient to ensure the timely payment of the Bonds. The Stipulating Parties have further recommended in the Settlement Agreement, by agreeing to the WESCRM Mechanism, that the Utility should submit to PUD any such adjustments of WESCRM Charges by March 31 and September 30 of each year, with the rates to become effective the first billing cycle of May and November, respectively.²⁸ The timing of the true-up process will allow for a Commission review period of at least 30 days prior to the proposed true-up effective date to allow the Commission to review the proposed true-up.²⁹ Submission dates and

²⁶ The VFPO allows for residential and small commercial customers to pay a fixed price per dekatherm for the plan year, which runs from each November 1 through October 31 of each year. 2Tr. 24:11-22.

²⁷ 2Tr. 23:25-24:10.

²⁸ WESCRM Mechanism, Appendix B, §7; Morris Supplemental Testimony Exhibit ALM-1.

²⁹ See, WESCRM Mechanism, Appendix B, §7.

timing of applicable rates may change subject to the timing of information from the ODFA. The proposed WESCRM Mechanism further provides that interim true-ups may occur at any time if the servicer forecasts that WESCRM charge collections will be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period, or to replenish any draws on the debt service reserve subaccount (“DSRS”).³⁰

A final true-up will occur at the end of the Term to ensure that only the amount of bond proceeds the Company received, as well as related interest and ongoing financing costs, have been collected from those customers identified in Section 4 of the WESCRM Mechanism. This final true-up may occur through the Company’s Gas Supply Rate (“GSR”) or as a line item on the customers’ bills.³¹

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

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

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

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

³⁰ WESCRM Mechanism, Appendix B, §7; Morris Direct 15:18-19, 17:1-4.

³¹ WESCRM Mechanism, Appendix B, §7.

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

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

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

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

Allocation of Revenue Requirements Among Various Customer Classes: The Stipulating Parties have agreed and recommend that costs associated with the Bonds should be allocated among Customer Classes based on actual usage during the month of February 2021.³² The resulting allocation among Customer Classes is set out in Sections 4 and 7 of the WESCRM Mechanism (the “Energy Allocation Factors”).³³ Except as adjusted in a non-standard true-up adjustment, the Energy Allocation Factors will be fixed for the life of the Bonds. In this Order, the Commission finds such allocation methodology reasonable and equitable to customers, and approves the methodology.

Non-Standard True-Up Adjustments: In addition, the Servicer will be required to request a non-standard true-up adjustment to reallocate costs among the Customer Classes if there is a significant change in the number of customers within one or more Customer Class. The Stipulating Parties have proposed that if the current customer count for any customer class changes by 10% or more from the customer count most recently used to determine the billing rates as shown in

³² See, WESCRM Mechanism, Appendix B, §§4,7; Settlement Agreement, ¶ 7.

³³ WESCRM Mechanism, Appendix B §7.

Section 5 of the WESCRM Mechanism, then the allocation of both the Energy Allocation Factors and fixed billing rate will be re-determined using twelve months of projected usage.³⁴ The Commission finds this request reasonable and consistent with an equitable allocation of the costs of debt service and ongoing financing costs associated with the Bonds.

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

V. DESCRIPTION OF PROPOSED FINANCING STRUCTURE

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

A. General Description.

The proposed financing structure includes all of the following:

- Creation of securitization property solely in favor of the Utility, which includes the right to bill and collect the WESCRM Charge;
- Sale of the securitization property to the ODFA pursuant to the sale agreement;
- Issuance of the Bonds by the ODFA, consistent with the provisions set forth in this Order;
- Transfer of the net proceeds of the Bonds by the ODFA to the Utility³⁵ in consideration for the sale of the securitization property pursuant to the sale agreement;
- Collection on behalf of the ODFA of WESCRM Charges by the Utility or its successors, as collection agent and Servicer, who will be responsible for billing and collecting the WESCRM Charges from customers;

³⁴ *Id.*

³⁵ Pursuant to 74 OKLA. STAT. § 9077(I), the proceeds of the Bonds will be deposited with the State Treasurer pending disposition at the direction of the Authority. The proceeds will be delivered to the Utility pursuant to instructions included in the sale agreement between the Authority and the Utility as further described in this Order.

- Pledge of the WESCRM Charges and rights under the transaction documents (as more fully defined in the Act, the “securitization property”) by the ODFA to the bond trustee as security for repayment of the Bonds;
- Benefits for federal income tax purposes including (i) the exclusion of the WESCRM Charges from the taxable income of the Utility; (ii) avoiding federal corporate income tax on the operations of ODFA; (iii) the Bonds constituting obligations of the ODFA; and
- Automatic true-up and reconciliation mechanism.

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

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

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

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

B. The Indenture and Flow of Funds.

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

and payment or funding of the principal of and interest on the Bonds and ongoing financing costs. The collection account will include the general subaccount, the DSRS and the excess funds subaccount, and may include other subaccounts as required to accommodate other credit enhancement.³⁶

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

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

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

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

³⁶ References to accounts and subaccounts herein are for purposes of clarity. The account names and structure will be set forth in the indenture.

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

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

C. Servicing Arrangements.

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

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

As compensation for its role as initial Servicer, the Utility is entitled to earn a servicing fee payable out of WESCRM Charge collections. As explained in the Financial Advisor's testimony, it is important to the rating agencies' analysis of the transaction that the Utility receives an arm's-length fee as Servicer of the securitization property. However, it is customary in other utility securitizations for utilities, in their capacity as servicer, to be paid a fee based upon their incremental costs of providing servicing. It is also common for utilities to be required to include the servicing fee, as well as servicing costs not in excess of the servicing fee, as part of their reported revenue requirements in the utility's base rate proceedings. This process ensures that utilities are not paid more than what is minimally required to service the Bonds and to ensure that any excess payments be credited back to customers. The Commission approves this compensation and reconciliation process, as further discussed herein.

As also explained by the Financial Advisor, utility securitizations to date have also permitted an increase in the servicing fee should a successor servicer, which is not part of the utility's business and who decouples the securitization charge bill from other bill amounts, assume the obligations of the utility, as servicer, because the successor servicer would require additional

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

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

D. Use of Proceeds.

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

E. Approval of Final Bond Terms; Issuance Advice Letter.

The Commission recognizes that certain details of the final Bond structure, such as any overcollateralization requirements or credit enhancements to support payment of the Bonds, and the final terms of the Bonds will depend in part upon the rating criteria of the nationally recognized credit rating agencies which will rate the Bonds and/or, in part, upon the market conditions that exist at the time the Bonds are taken to the market. This Order establishes and approves a financing structure as well as parameters for the Bonds, including maximum final scheduled payment dates, a weighted average interest rate on the Bonds, the method by which the Bonds should be amortized, as well as limits on certain costs to be incurred by the Utility, including Utility bond issuance costs and Utility servicing fees. As authorized by the Act, ODFA, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, will determine and approve the final terms of the Bonds consistent with the terms of this Order. Within three business days of the pricing of the Bonds, ODFA and the Utility will jointly submit to PUD, for information purposes (except with respect to the Utility certification), an Issuance Advice Letter evidencing the final terms of the Bonds, projected (or actual) costs of issuance and ongoing financing costs, projected customer savings, as well as the initial WESCRM Charges. Failure or delay in submitting such report will not affect the validity of the Bonds or their security.

VI. BOND ISSUANCE AND ONGOING FINANCING COSTS

A. Bond Issuance Costs.

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

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

B. Ongoing Financing Costs.

Costs will be incurred by the Utility, in its role as servicer, as well as by the Authority and other state agencies in connection with the servicing and administration of the Bonds. These costs should not be included in the principal amount of the Bonds, and are authorized to be recovered through the WESCRM Charges, subject to the true-up of those charges as provided in this Order. The Financial Advisor estimates that these ongoing annual costs (exclusive of debt service on the Bonds and the servicing fee and external accounting costs of the Utility) will be approximately \$436,500 for the first year following the issuance of the Bonds (assuming the Utility is the initial

Servicer), but many ongoing costs will not be known until they are incurred. The Utility has proposed an annual servicing fee for acting as initial Servicer following the issuance of the Bonds equal to 0.05% of the original principal amount of the Bonds for acting as initial servicer. This fee will be fixed for the life of the Bonds and continuing thereafter until all WESCRM Charges have been billed and collected or written off as uncollectible as long as the Utility continues to act as Servicer. As later discussed, the Utility is directed to include the servicing fee, as well as servicing costs, as part of the Utility's future rate proceeding, as applicable, to ensure that the Utility does not collect more than its incremental costs.

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

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

VII. FINDINGS OF FACT

The Commission makes the following findings of fact:

A. Identification and Procedure

Identification of Applicant and Background

1. CERC is a natural gas public utility providing local distribution service to approximately 100,000 residential, commercial, industrial and transportation customers throughout the State of Oklahoma. CERC is subject to the regulatory authority of the Commission with respect to its retail rates and charges for sales of natural gas made within the State of Oklahoma.

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

Procedural History

On May 17, 2021, CenterPoint Oklahoma filed its Application in this Cause, for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event Pursuant to the February 2021 Regulated Utility Consumer Protection Act.

On May 18, 2021, the Attorney General of the State of Oklahoma (“Attorney General”) filed an Entry of Appearance on behalf of Jared B. Haines and A. Chase Snodgrass.

On June 3, 2021, the Commission’s Public Utility Division (“PUD”) filed a Motion to Engage a Financial Advisor(s) or Other Consultants, along with a Notice of Hearing setting the Motion to Engage a Financial Advisor(s) or Other Consultants for hearing on June 10, 2021.

On June 10, 2021, the Motion to Engage a Financial Advisor(s) or Other Consultants was heard and recommended.

On June 24, 2021, Order No. 719117, Order Granting Motion of the Public Utility Division to Engage a Financial Advisor(s) or Other Consultants was issued.

On July 28, 2021, the Direct Testimony and Exhibits of Amy L. Morris on Behalf of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Oklahoma Gas, the Direct Testimony and Exhibits of Brett A. Jerasa on Behalf of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Oklahoma Gas and the Direct Testimony and Exhibits of Brian S. Wagaman on Behalf of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Oklahoma Gas were filed.

Also on July 28, 2021, CenterPoint Oklahoma filed a Motion for Order Prescribing Notice of Hearing, a Motion for Protective Order and a Motion to Establish Procedural Schedule, along with Notices of Hearing setting the Motion for Order Prescribing Notice of Hearing, the Motion for Protective Order and the Motion to Establish Procedural Schedule for hearing on August 12, 2021.

On July 29, 2021, CenterPoint Oklahoma filed a Notice of Hearing setting the Motion for Order Prescribing Notice of Hearing for hearing on August 12, 2021.

On August 12, 2021, the Motion for Protective Order and the Motion for Order Prescribing Notice of Hearing were heard and recommended, and the Motion to Establish Procedural Schedule was continued by agreement of the parties to August 19, 2021.

On August 17, 2021, Public Comment was filed.

On August 19, 2021, the Supplemental Testimony and Exhibit of Amy L. Morris on Behalf of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Oklahoma Gas was filed.

Also on August 19, 2021, the Motion to Establish Procedural Schedule was continued by agreement of the parties to August 26, 2021.

On August 24, 2021, Order No. 720201, Order Granting for Protective Order was issued.

On August 26, 2021, the Notice of Withdrawal of Appearance of Johanna Roberts was filed.

Also on August 26, 2021, the Motion to Establish Procedural Schedule was heard and recommended.

On September 9, 2021, Order No. 720478, Order Granting Motion to Establish Procedural Schedule, and Order No. 720479, Order Granting Motion for Order Prescribing Notice of Hearing, were issued.

On September 27, 2021, Order No. 720809, Order Nunc Pro Tunc Correcting Order No. 720478, was issued.

On October 18, 2021, the Responsive Testimony of Isaac D. Stroup, the Responsive Testimony of JoRay McCoy, CFE, MAFF, SMIA, CPO, and the Responsive Testimony of Michael Bartolotta on Behalf of the Public Utility Division were filed.

On October 22, 2021, the Attorney General's Statement of Position was filed.

On November 15, 2021, PUD filed the Summary of Testimony of Isaac D. Stroup, the Summary of Responsive Testimony of JoRay McCoy, CFE, MAFF, SMIA, CPO and the Summary of Responsive Testimony of Michael Bartolotta.

Also on November 15, 2021, CenterPoint Oklahoma filed the Rebuttal Testimony and Exhibits of Amy L. Morris on Behalf of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Oklahoma Gas and the Rebuttal Testimony and Exhibits of Brett A. Jerasa on Behalf of CenterPoint Energy Resources Corp. D/B/A CenterPoint Energy Oklahoma Gas..

On November 18, 2021, PUD filed its Exhibit List.

On November 22, 2021, the Attorney General filed his Exhibit List.

On November 24, 2021, CenterPoint Oklahoma filed its Exhibit List.

Also on November 24, 2021, the parties filed a Joint Stipulation and Settlement Agreement.

On November 29, 2021, CenterPoint Oklahoma filed the Settlement Testimony and Exhibit of Amy L. Morris on behalf of CenterPoint Energy Resources Corp. D/B/A CenterPoint Oklahoma Gas.

Also on November 29, 2021, CenterPoint Oklahoma filed an Affidavit of Service certifying compliance with the Commission's Order No. 720479, Order Granting Motion for Order Prescribing Notice of Hearing.

Also on November 29, 2021, PUD filed Testimony of Isaac Stroup in Support of Joint Stipulation and Settlement Agreement.

On November 30, 2021, the Prehearing Conference was heard and recommended.

On December 1, 2021, the Cause came on for hearing on the merits before the ALJ. CenterPoint Oklahoma presented its first witness, Mr. Brian Wagaman, who presented the facts and circumstances relating to the Company's gas procurement plan, its implementation of the plan, and the results of those efforts during the 2021 winter weather event, and the prudence of the extreme purchase and the extraordinary costs incurred by the Company during the storm. The evidentiary hearing was then continued to December 2, 2021.

Opportunity for public comment was offered on the record on December 1, 2021, at 1:30 p.m. as prescribed by Order No. 720479. No members of the public appeared for public comment, either in Courtroom 301 or on the virtual link provided by the Commission in the Notice of Hearing prescribed by Order No. 720479.

On December 2, 2021, CenterPoint Oklahoma filed the Affidavit of Brett Jerasa, verifying his Direct Testimony and Exhibits filed July 28, 2021, and his Rebuttal Testimony and Exhibits filed November 15, 2021.

Also on December 2, 2021, the continued evidentiary hearing was reconvened and CenterPoint Oklahoma presented Amy L. Morris in support of the Joint Stipulation. PUD presented Isaac Stroup and Michael S. Bartolotta in support of the Joint Stipulation. The ALJ also accepted into the record all verified pre-filed testimony in the Cause. All parties joined in the Joint Stipulation and no party opposed it. At the end of the hearing, the ALJ recommended that the Commission adopt the Joint Stipulation in its entirety.

Also on December 2, 2021, Exhibit #1, US Utility Tariff/Stranded Cost Bonds Rating, and Exhibit #2, Utility Cost Recovery Charge Securitizations Methodology, were filed.

On December 3, 2021, PUD filed the Witness Identification Form of Michael Bartolotta.

On December 8, 2021, a Notice of Transcript Completion for a Transcript of the Proceedings had on the 1st Day of December, 2021, before Commissioner Dana Murphy, Commissioner Todd Hiatt, Commissioner Bob Anthony and Administrative Law Judge Mary Candler was filed.

On December 20, 2021, a Notice of Transcript Completion for a Transcript of Courtroom Proceedings had on December 2, 2021, before Commissioner Dana Murphy, Commissioner Todd Hiatt and the Honorable Judge Mary Candler was filed.

On January 6, 2022, the Attorney General filed a Notice of Withdrawal for A. Chase Snodgrass.

B. Summary of the Record

Documents and written testimony filed in this Cause are contained in records kept by the Court Clerk of the Commission. Written and oral testimony was offered at the hearing conducted on December 1 and 2, 2021, and is contained in the transcripts of these proceedings. The written and oral testimony, testimony summaries and statements of position filed of record in this Cause are incorporated herein by reference. The full record of this Cause includes without limitation all items within the definition of "record" as set forth in OAC 165:5-1-3.

C. The Settlement Agreement

The provisions of the Settlement Agreement include the following:

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

2. In paragraph 2 of the Settlement Agreement (“*Extreme Purchase Costs*”), the Stipulating Parties agree that CERC has Extreme Purchase Costs estimated to be in the total amount of \$75,678,535. The Stipulating Parties further agree that this figure represents the Company’s Extreme Purchase Costs incurred beginning February 7, 2021, and ending February 21, 2021, and that these costs should be deemed prudent by the Commission and that the Commission should determine that these costs incurred would otherwise be recoverable from customers as fair, just and reasonable expenses and prudently incurred.

3. In paragraph 3 of the Settlement Agreement (“*Extraordinary Costs*”), the Stipulating Parties agree that CERC has Extraordinary Costs estimated to be in the total amount of \$411,781. The Stipulating Parties further agree that this figure includes the Company’s Extraordinary Costs incurred beginning February 7, 2021, and ending February 21, 2021, and that these costs should be deemed prudent and reasonable by the Commission and that the Commission should determine that these costs incurred would otherwise be recoverable from customers as fair, just and reasonable expenses and prudently incurred.

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

(a) The total amount of CERC’s Extreme Purchase Costs and Extraordinary Costs, with financing costs and upfront securitization costs authorized for securitization is estimated to be \$87,678,270, subject to change based on final costs and carrying costs until securitization. The Stipulating Parties agree that the Commission should issue a financing order as proposed as Rebuttal Exhibit BAJ-4 in the Rebuttal Testimony of CERC’s witness Brett Jerasa, filed November 15, 2021, in this Cause, and subject to further refinement and details necessary to achieve the highest bond rating, for the securitization of that estimated amount of \$87,678,270. The Stipulating Parties further agree that the financing order should authorize a 15-year amortization for cost recovery, or a shorter period if necessary, to obtain the most favorable securitization terms for customers resulting in the lowest monthly cost to customers. The financing order issued by the Commission should also incorporate the terms of this Joint Stipulation.

(b) The ODFA should issue bonds and provide CERC with the resulting net proceeds as soon as feasible in 2022 but no later than December 31, 2022.

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

Purchase Costs and/or Extraordinary Costs.

6. In paragraph 6 of the Settlement Agreement (“*Winter Event Securitized Cost Recovery Mechanism*”), the Stipulating Parties agree that the WESCRM Mechanism (appended to this Order as Appendix B) should be approved by the Commission. The WESCRM Mechanism incorporates the following principles, as recommended by PUD:

- (a) Use of a fixed rate for the securitization charge for each sales tariff;
- (b) A disconnect fee pertaining to the “Nonbypassable Mechanism” requirement of the Act;
- (c) The WESCRM Charge shall not apply to customers taking service under the VFPO during February 2021;
- (d) The disconnect fee referenced in Paragraph 6(b) of the Settlement Agreement shall be subject to a cap, as set out in Section 6 of the WESCRM Mechanism; and
- (e) LIHEAP customers listed as eligible with the company for the LIHEAP assistance are exempt from and will not be assigned the WESCRM Charge or the disconnect fee referenced in Paragraph 6(b) of the Settlement Agreement.

7. In paragraph 7 of the Settlement Agreement (“*Allocation Methodology*”), the Stipulating Parties agree to the allocation methodology set forth in Sections 4 and 7 of the WESCRM Mechanism.

8. In paragraph 8 of the Settlement Agreement (“*Future Recoveries*”), the Stipulating Parties agree that pursuant to Section 9073(G) of the Act, after the issuance of ratepayer-backed bonds pursuant to a financing order issued in this Cause, if CERC receives any funds to compensate it for Extreme Purchase Costs or Extraordinary Costs subject to the financing order, or if actual amounts are determined to be lower than estimated amounts securitized by the financing order, then as soon as practicable, these amounts shall be credited to customers through the Company’s purchased gas cost recovery mechanism, Rider Schedule No. 1 *Gas Supply Rate* (“GSR”), with an amortization period, if any, to be determined at that time. All amounts returned to customers under Paragraph 8 shall bear carrying charges at the rate authorized in Paragraph 5 of this Joint Stipulation.

9. In paragraph 9 of the Settlement Agreement (“*Summit Transaction*”), the Stipulating Parties agree that pursuant to Order No. 721657 issued on November 16, 2021, in Cause No. PUD 202100114, the Commission has approved a transaction by which CERC will transfer all of its Oklahoma Utility assets to Summit Utilities Oklahoma, Inc. (“SUO”). This transaction is expected to be completed prior to the issuance of Bonds authorized by this Cause and upon such closing, SUO will be the recipient of the net proceeds of the bond offering and will also act as the initial servicer of the securitization property, including the billing and collection of the WESCRM Charges under this Order. References to CERC in the financing order issued in this Cause should be considered to include SUO as the successor-in-interest to CERC and the initial servicer of the securitization property.

D. Compliance with the Act and Benefits from Securitization

1. During the winter storm, CERC incurred the Extreme Purchase Costs and Extraordinary Costs set out below, that those costs have been deferred as a regulatory asset as required by Order No. 719248 issued by the Commission on July 1, 2021, in Cause No. PUD 202100042. But for the Commission’s action in issuing the order, those extreme and extraordinary costs would have flowed through on customer bills under the Gas Supply Rate (“GSR”) Tariff Rider, resulting in charges in monthly residential customer bills in the additional amounts of \$44.61 per month for twelve months. This would have been an increase in typical residential customer bills of 96.56 percent, or almost double the typical bill over a twelve-month period. Morris Direct 11:9-15; Morris Stip. 7:16 – 8:5.

2. Instead of allowing those winter storm costs to pass immediately through to customers, the Commission’s Order No. 719248 issued in Cause No. PUD 202100042, provided that CERC should create a deferred account for those costs while an alternative mechanism for recovery was considered. Soon thereafter, the Oklahoma Legislature passed the Act providing for securitization of the costs to “allow customers to pay their utility bills at a lower amount and over a longer period.”

3. In compliance with Section 9073(A)(1) of the Act, CERC has presented costs from the winter storm incurred beginning February 7, 2021, and ending February 21, 2021. Those costs are Extreme Purchase Costs, estimated in the total amount of \$75,678,535, and Extraordinary Costs, estimated in the total amount of \$411,781. The Company has presented these amounts for recovery by securitization in this Cause. Morris Stip. 3:11 – 4:4, 5:1-6, 5:13-20.

4. In compliance with Section 9073(A)(2), CERC has demonstrated that with a 15-year recovery period for securitization bonds, the estimated monthly customer impact for a residential customer will be \$4.36. This impact is much less than the estimated customer impact associated with traditional utility financing, estimated as \$6.37 per month (utilizing the Company’s weighted average cost of capital and 15-year recovery period). Morris Stip. 7:6-15; 2Tr. 12:7 – 14:6; 72:22 – 73:17.

5. In compliance with Section 9073(A)(2), that securitization as prescribed by the Act with a 15-year recovery period will save customers approximately \$47 million in total as compared to traditional utility financing. Morris Stip. 7:6-15; Jerasa Rebuttal 5:3 – 6:9; 2Tr. 12:7 – 14:6; 72:22 – 73:17.

6. As required by Section 9073(A)(3), CERC did facilitate a timely audit of all costs presented for securitization in this Cause and that the PUD did conduct a timely and thorough audit and that all such costs have been audited and approved by PUD. 1Tr. 16:9-24; 2Tr. 64:17-65:4, 70:24-71:10.

7. The information so provided by CERC is sufficient for the Commission to consider each of the factors set forth in Section 9073(C) of the Act. The total estimated issuance costs of \$10.5 million will not exhaust or offset the net savings of \$47 million expected to accrue to customers from the securitization. Jerasa Rebuttal 5:3 – 6:9; Jerasa Rebuttal Exhibit BAJ-3.

8. The Extreme Purchase Costs and Extraordinary Costs presented by CERC and audited by the PUD are subject to the Act and may be mitigated through securitization in order to reduce the utility bill impact on customers, all as required by Section 9073(A) of the Act.

E. Prudence of CERC's Expenditures

1. CERC's estimated Extreme Purchase Costs in the total amount of \$75,678,535, were prudently incurred and that these costs would otherwise be recoverable from customers as fair, just and reasonable expenses, as required by Section 4(E) of the Act. Morris Stip. 5:1-6; Wagaman Direct 14:8 – 19:8.

2. CERC's estimated Extraordinary Costs in the total amount of \$411,781 were prudently incurred and that these costs would otherwise be recoverable from customers as fair, just and reasonable expenses, as required by Section 4(E) of the Act. Morris Stip. 5:13-20; Wagaman Direct 19:9 – 25:2.

3. CERC and the ODFA have incurred and will incur issuance costs of securitization and carrying costs estimated to be in the total amount of \$11,587,953. The issuance costs are estimated to be \$10,504,012, and CERC's estimated carrying costs until bond issuance are estimated to be in the amount of \$1,083,941. CERC's carrying costs are the actual effective cost of credit facilities, loan agreements, loan commitments, and other debt financing used to finance the gas supply costs incurred by the winter storm, accrued and accruing, without markup or profit. The Commission further finds that these costs are prudently incurred, reasonable, and otherwise are recoverable from customers as fair, just and reasonable. Morris Stip. 5:21 – 6:5; Jerasa Rebuttal Exhibit BAJ-3.

4. The total amount of CERC's Extreme Purchase Costs and Extraordinary Costs, with all associated costs, including carrying costs authorized for securitization, are estimated to be \$87,678,270, subject to change based on final costs and carrying costs until securitization. This amount is prudently incurred, audited and approved for securitization according to the terms of this Order. Morris Stip. 5:21 – 6:5; 2Tr. 18:14-19:20.

Prudence standard

5. The prudence of CERC's action is based on whether the action was reasonable, given the information the Company's management knew or should have known at the time the decision was made. Prudence inquiries involve a determination of whether the utility's management made a reasonable decision in light of the circumstances existing at the time of the decision and based on information management knew or should have known at the time. *See*, Order No. 516261, Cause No. PUD 200500151 at 106, (December 12, 2005).

Planning for Extreme Weather and Diversity of Upstream Supply

6. Given the unforeseen, unprecedented, and extreme nature of the winter storm, the Company was as prepared as could have reasonably been expected. The testimony presented in this Cause demonstrates thoughtful and effective planning for harsh winter weather. Each spring, the Company prepares and provides to PUD a detailed *Gas Procurement Plan*. Wagaman Direct 2:9-10 (Exhibit BSW-1), 4:8-13. The key considerations of CERC's gas supply portfolio are reliability (secure firm natural gas, storage service and peaking supplies that will be available when

its customers demand them and under a wide variety of operating and market conditions), reduced price volatility (mixture of supply at market price and storage withdrawal price that will protect CERC's customers from fly-ups in gas prices as well as stabilize its gas supply cost), and reasonable price (cost of gas supply will be based on market conditions, customers' requirements, and CERC's service obligation). Wagaman Direct 3:5 – 14:6 (*passim*).

7. Pursuant to its *Gas Procurement Plan*, CERC acquired gas supply from multiple suppliers under a variety of contracts of varying types, pricing, and lengths, all secured through competitive bid processes. The Company's supply portfolio includes a variety of baseload contracts, both long-term and seasonal, storage, call-options, as well as gas from the spot or daily market. Wagaman Direct 5:13 – 12:3; 1Tr. 20:19-21:23.

8. This diverse gas supply portfolio benefits customers by establishing multiple suppliers selling gas to the Company at competitive prices under various price mechanisms. This diversity of supply source and pricing inherently mitigates supply and price volatility. Monthly baseload is designed to provide stability of supply every day of the winter season. Gas can be withdrawn from storage at the average injection price, providing stability of both supply and price for the winter season. In colder weather, call options and daily priced gas are also used interchangeably and serve that portion of gas requirements that fluctuate daily depending upon customer demand. This supply portfolio has diverse pricing mechanisms, with baseload contract gas priced against monthly index posting and daily call option contracts priced against both monthly index and the Gas Daily index posting, depending on the contract terms. Wagaman Direct 8:1 – 10:3; 1Tr. 18:8-24, 23:25-24:20.

Storage

9. CERC uses storage to manage the volatility in both gas supply and gas costs and as a physical hedge. During summer months when demand is lower, the Company buys gas stored in third-party storage facilities to be withdrawn and utilized in higher demand winter months. This stored gas becomes a fixed cost in the winter months during the withdrawal season, based on summer prices. This practice helps stabilize the gas price for sales customers. Wagaman Direct 5:19-23, 13:2-21; 1Tr. 28:21-29:21.

Price Escalation

10. Beginning Friday, February 12, 2021, natural gas spot prices across the United States skyrocketed to unprecedented levels, with increases of as much as 100 times the typical purchase price, or more. This spike in natural gas prices resulted, at least in part, from the sharp rise in demand for natural gas for heating due to the extreme, arctic cold temperatures across much of the country. At the same time demand was rising to record levels, the multi-day stretch of extreme cold weather also led to supply issues. Some suppliers to CERC declared *force majeure* under their respective contracts and failed to fulfill their contracted supply of gas to the Company. Natural gas supply was greatly diminished at this time of unusually high demand, resulting in extraordinarily high prices. The precarious situation limited the availability of both where and when CERC could purchase gas supply. Wagaman Direct 14:11-15, 16:1-3, 17 (Chart 3); 1Tr. 67:11-14.

11. CERC's supply portfolio mitigated against this volatility, but because of upstream gas supply constraints on CERC's suppliers, the Company was obliged to go to the spot market to

make up the difference, to preserve integrity of its distribution system and to maintain service to customers during the extremely cold weather. 1Tr. 32:2-33:24, 36:10-21.

No Profit on Winter Storm

12. CERC paid unaffiliated suppliers for all the Extreme Purchase Costs, with no markup and no profit component for the Company. All of CERC's gas supply is obtained from entities unaffiliated with CERC. The Company is not a speculative trader in natural gas, nor is it a producer. The task of the Company's Gas Supply Department is to prudently obtain gas from the markets to reliably meet the sales customers' needs. CERC's request in this case did include \$342,953 for imbalance charges from an affiliated upstream transportation provider, which represents the use of gas as a result of an imbalance between CERC's gas supply and the amount removed from upstream transportation facilities. Nevertheless, all upstream costs of the Company are passed through to customers without mark-up. CERC's upstream transportation and storage services are based on competitive prices that are reviewed, audited, and approved by the Commission. Wagaman 4:1-5; Order No. 698418, Cause No. PUD 201900002 (June 26, 2019).

F. Performance during the Winter Storm

1. The Company's *Gas Procurement Plan* worked well during the winter storm to mitigate volatility of both gas supply and price. During the winter storm, the Company did not curtail any sales customers and experienced no interruptions of service to any sales customers. Some large commercial transport customers were curtailed pursuant to contractual provisions and directives from the upstream pipeline. Gas supply to CERC's Oklahoma system was sufficient to serve to all sales customers. Because of supply constraints by some of the Company's suppliers on February 15 and 16, CERC did not receive all the call option gas supply under contract but was able to make up the difference with storage withdrawals and spot market purchases. Wagaman Direct 18:5-12 (Figure 4); 1Tr. 32:20-33:17, 39:6-24.

2. During the winter storm, CERC was able to cover approximately 85% of its customer demand with gas under contract, and storage withdrawals accounted for about 51% of that. The remaining 15% of demand was covered by purchases in the spot market. Baseload and some call option gas was priced against first-of-month index pricing at approximately \$2.50. Storage gas withdrawn was priced at between \$1.50 and \$1.70. Spot market gas was escalating excessively, and notwithstanding that 85% of the gas volumes were under contract at under \$2.50, the weighted average cost of gas for CERC customers during the storm was \$44. The relative volumes of these gas supply sources are depicted on Figure 4 of Mr. Wagaman's Direct Testimony, p. 18. In total, the Company's baseload, storage, and call options were approximately \$241 million less expensive for its customers than purchasing gas on the spot market. Wagaman 19:1-8; 1Tr. 36:10-37:8; 2Tr. 33:12-24.

3. Had the Company not maintained continuous service and adequate gas supply for its customers during the winter storm, service could have been interrupted for weeks during the worst of the winter heating season. Had gas service been lost to a large segment of the distribution system, to restore service, CERC would have been required to manually turn off all meters on the system, purge and repressure the gas lines, check individual homes one-by-one and if safe to do so, manually turn meters back on. These steps, required to keep customers safe, explain why the Company could not risk losing natural gas supply when it was available, even at a high cost. 1Tr. 41:24-42:23.

G. Financing Order Amount and Term

1. Pursuant to Section 9074(A) of the Act, this Order provides for the securitization of the total amount of CERC's Extreme Purchase Costs and Extraordinary Costs, and all associated costs, including carrying costs authorized for securitization in the aggregate estimated amount of \$87,678,270, subject to change based on final costs and carrying costs until securitization. The Commission issues this Order subject to further refinement and details necessary to achieve the highest bond rating, with a 15-year scheduled amortization for cost recovery, or a shorter period if deemed necessary to obtain the most favorable securitization terms for customers resulting in the lowest monthly cost to customers. 2Tr. 18:14-19:20, 21:1-23.

2. The ODFA is requested to issue bonds and provide CERC with the net proceeds as soon as feasible in 2022, but no later than December 31, 2022, provided that, in accordance with Section 9074 (I) of the Act, the Bonds may be issued within twenty-four (24) months after the issuance of this Order. Morris Stip. 6:11-16; 2Tr. 21:24-22:2, 67:14-17.

3. As indicated in the testimony of Michael Bartolotta, CERC (or its potential direct successor in interest, SUO) will act as the initial servicer of the Bonds, and as such is entitled to earn a servicing fee payable out of securitization charge collections, usually expressed as a percentage of the original principal amount of the Bonds, as provided herein. Bartolotta Responsive Testimony 59:6 – 61:13, 63:4-13.

4. Pursuant to Order No. 721657 issued on November 16, 2021, in Cause No. PUD 202100114, the Commission has approved a transaction by which CERC will transfer its Oklahoma utility assets to SUO. This transaction is expected to be completed prior to the issuance of Bonds authorized by this Cause and upon such closing, SUO will be the recipient of the net proceeds of the bond offering and will also act as the initial servicer of the securitization property, including the billing and collection of the WESCRM Charges under this Order. References to CERC in this Order should be considered to include SUO as the successor-in-interest to CERC and the initial servicer of the securitization property. Morris Stip. 11: 13-23.

5. Pursuant to Section 9073(G) of the Act, after the issuance of the ratepayer-backed bonds pursuant to this Order issued in this Cause, if CERC receives any funds to compensate it for Extreme Purchase Costs or Extraordinary Costs subject to this Order, or if actual amounts are determined to be lower than estimated amounts securitized by this Order, then as soon as practicable, these amounts shall be credited to customers through the Company's purchased gas cost recovery mechanism, Rider Schedule No. 1 *Gas Supply Rate* ("GSR"), with an amortization period, if any, to be determined at that time. All amounts so returned to customers shall bear carrying charges at the rate authorized by the next paragraph below. Morris Stip. 8:6-16; 2Tr. 69:2-9.

H. Carrying Charges

Pursuant to Section 9073(F) of the Act, the Carrying Charge on the Extreme Purchase Costs and the Extraordinary Costs authorized shall be CERC's actual effective cost of the credit facilities, loan agreements, loan commitments, or other debt financing used to finance the deferred cost related to the winter storm. Morris Stip. 6:17 – 7:5; 2Tr. 67:18-23.

I. Cost Allocation

Pursuant to Section 9074(A)(5) of the Act, securitization costs shall be allocated to classes of sales customers according to the level of usage per class during February 2021. This allocation will align cost with the manner in which costs were incurred during the winter storm. This allocation is approved as fair, just and reasonable. Morris Stip. 11:6-12; 2Tr. 68:17-69:1.

J. Tariff Mechanism

The WESCRM Mechanism Tariff, consistent with the terms of this order and appended and incorporated as Appendix B, is hereby approved.

K. The Joint Stipulation and Settlement Agreement

1. The Settlement Agreement represents a resolution of all disputed issues in this Cause between and among all parties to this Cause.

2. No party to this Cause has objected to the Settlement Agreement, and that PUD, the Attorney General, and CERC have all signed it.

3. Based on the record in this Cause, and the Findings of Fact and Conclusions of Law set out in this Order, the Settlement Agreement, as modified herein, should be approved. The Commission finds that the Settlement Agreement, as modified herein, is in the public interest and that its provisions are fair, just, and reasonable.

L. Amount to be Financed.*Approval of Qualified Costs and Amount of Bonds*

1. The Commission has determined that the Utility has incurred Extreme Purchase Costs of \$75,678,535 and Extraordinary Costs of \$411,781, plus carrying costs as the actual effective costs of credit facilities, loan agreements, loan commitments, or other debt financing used to finance the deferred cost related to the event. These costs (collectively, “Weather-Related Qualified Costs”), together with bond issuance costs as described in Part VI of this Order, comprise the Approved Qualified Costs. The Approved Qualified Costs are approved for recovery and are eligible for recovery through the issuance of the Bonds under the Act.

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

3. The 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 \$87,678,270, is herein referred to in this Order as the “Authorized Amount.”

Bond Issuance Costs and Ongoing Financing Costs

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

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

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

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

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

9. The Utility has provided estimates of its Utility Issuance Costs which costs shall be capped in an amount not to exceed \$500,000. The Financial Advisor has provided an estimate of Non-Utility Issuance Costs which were estimated at \$2,809,090. These costs will not be capped.

10. The Utility and PUD, through the testimony of the Financial Advisor, have also provided estimates of ongoing financing costs for the first year following the issuance of the Bonds to be approximately \$436,500, if the Utility is the initial Servicer.

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

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

Issuance Costs from the net proceeds of the Bonds paid for the purchase price of the securitization property, all at or shortly after the delivery of the Bonds.

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

Customer Benefits

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

15. As described in the Utility testimony of Brett Jerasa and Amy Morris, and in this Order, the Commission is satisfied the Utility has demonstrated that the proposed financing will satisfy each of these criteria.

M. Structure of the Proposed Financing.

The Utility

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

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

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

ODFA/Authority

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

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

Structure, Security and Documents

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

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

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

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

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

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

Credit Enhancement and Arrangements to Enhance Marketability

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

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

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

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

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

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

Servicer and the Servicing Agreement

18. The Utility will execute a servicing agreement with ODFA, as described in Part V of this Order. The servicing agreement may be amended, renewed or replaced by another servicing agreement, provided that any such amendment, renewal or replacement will not cause any of the

then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded. The Utility will be the initial servicer but may be succeeded as servicer by another entity under certain circumstances detailed in the servicing agreement. Pursuant to the servicing agreement, the servicer is required, among other things, to collect the applicable WESCRM Charges for the benefit and account of the ODFA or its pledgees, to make the true-up adjustments of WESCRM Charges required or allowed by this Order, and to account for and remit the applicable WESCRM Charges to or for the account of the ODFA or its pledgees in accordance with the remittance procedures contained in the servicing agreement without any charge, deduction or surcharge of any kind (other than the servicing fee specified in the servicing agreement). Under the terms of the servicing agreement, if any servicer fails to perform its servicing obligations in any material respect, the ODFA, or, the bond trustee upon the instruction of the requisite percentage of holders of the outstanding amount of the Bonds (“requisite bondholders”), shall be authorized to appoint an alternate party to replace the defaulting servicer, in which case the replacement servicer will perform the obligations of the Servicer under the servicing agreement. The obligations of the Servicer under the servicing agreement and the circumstances under which an alternate servicer may be appointed are more fully described in the servicing agreement. The rights of ODFA under the servicing agreement will be included in the collateral assigned and pledged to the bond trustee under the indenture for the benefit of holders of the Bonds.

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

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

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

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

Ratepayer-Backed Bonds

23. Pursuant to the Act, ODFA may issue and sell the Bonds in one or more series, and each series may be issued in one or more tranches in an aggregate principal amount not exceeding the Authorized Amount. ODFA, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, will determine and approve the final terms of the Bonds consistent with the terms of this Order.

24. The scheduled final payment date of any series of the Bonds is not expected to exceed 15 years from the date of issuance of such Bonds. The scheduled final payment date and legal final maturity date of each series and tranche within a series and amounts in each series will be finally determined by the ODFA, consistent with market conditions and indications of the rating agencies and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt Management, at the time the Bonds are priced.

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

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

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

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

WESCRM Charges – Imposition and Collection and Nonbypassability

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

are paid in full and all ongoing financing costs of the Bonds have been recovered in full.

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

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

32. The Utility, acting as Servicer, and any subsequent servicer, will collect WESCRM Charges from all current and future sales customers, with the exception of low income residential customers listed as eligible with the Company for the Low Income Energy Assistance Program (“LIHEAP”)³⁷ and customers taking service under the Voluntary Fixed Price Option or VFPO during February 2021 in the manner as described in the testimony of Amy Morris,³⁸ except for the termination fee. The Commission finds that a termination fee is not preferable and is not required to ensure that the amount necessary to service, repay, and administer the ratepayer-backed bonds is collected from customers through the irrevocable and nonbypassable mechanism adopted herein.

33. As required by 74 OKLA. STAT. §9074(A)(3), the record also includes evidence that describes features demonstrating how the WESCRM Charge will be nonbypassable to customers. Features that contribute to the irrevocable and nonbypassable character of the recovery mechanisms of the WESCRM include: (1) the fixed monthly securitization charge mitigates against material changes in usage; (2) provisions of this Order mitigate against customer avoidance of the securitization charge by underpayment of a monthly bill by requiring allocation of any such underpayment between the securitization charge and the gas service bill; (3) the semi-annual true-up mechanism will adjust securitization charges based on changes in billing determinants among and within classes of customers; (4) the 15-year term for securitization mitigates against the long-term effects of customer attrition; (5) further mitigating the effects of customer attrition, new customers to the system will be subject to the securitization charge; (6) Oklahoma House Bill 3619 mitigates risk of fuel switching by prohibiting local government from adopting ordinances, rules or codes that restrict connections to a natural gas utility; (7) the cost of conversion from gas to electricity in existing structures mitigates the risk of fuel switching; (8) securitization charges imposed by electric utilities mitigate the risk of fuel switching from gas to electricity; and (9) market confidence in gas utilities is reflected in their high credit ratings. WESCRM Mechanism, Appendix B; Jerasa Rebuttal 8:1-14; Morris Stip. 8:22 – 10:15; 2Tr. 23:8-14, 28:9-18, 28:25-30:21. In this Order, the Commission finds that this nonbypassable mechanism satisfies the requirements of the Act and is consistent with obtaining the highest possible ratings on the Bonds.

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

³⁷ 2Tr. 23:25-24:10.

³⁸ 2Tr. 24:11-18.

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

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

Periodic Payment Requirements (“PPR”) and Allocation of Cost

37. The PPR is the required periodic payment for a given period due under the Bonds. As to be more fully specified in the bond documents, each PPR includes: (a) the principal amortization of the Bonds in accordance with the expected amortization schedule (including deficiencies of previously scheduled principal for any reason); (b) periodic interest on the Bonds (including any accrued and unpaid interest); (c) ongoing financing costs as described herein and (d) any deficiency in the DSRS. The initial PPR for the Bonds issued pursuant to this Order will be updated in the Issuance Advice Letter.

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

39. The proposed allocation³⁹ of the PBR among Customer Classes, and proposed method for re-allocation if the current customer count for any customer class changes by 10% from the customer count used to determine the billing rate is reasonable and should be approved, subject to the filing of a non-standard true-up adjustment to permit a reallocation among Customer Classes.

True-up of WESCRM Charges.

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

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

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

³⁹ WESCRM Mechanism, §§ 4, 7.

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

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

43. True-up submissions will take into account the cumulative differences, regardless of the reason, between the PPR (including scheduled principal and interest payments on the Bonds and ongoing financing costs) and the amount of WESCRM Charge remittances to the bond trustee. True-up procedures are necessary to ensure full recovery of amounts sufficient to meet on a timely basis the PPR over the scheduled life of the Bonds. In order to assure adequate WESCRM Charge revenues to fund the PPR and to avoid large over collections and under collections over time, the Servicer will reconcile the WESCRM Charges using Servicer's most recent customer count and the Authority's estimates of financing costs. The calculation of the WESCRM Charges will also reflect both a projection of uncollectible WESCRM Charges and a projection of payment lags between the billing and collection of WESCRM Charges based upon the Servicer's most recent experience regarding collection of WESCRM Charges.

44. The Servicer will set the initial WESCRM Charges and make true-up adjustments in WESCRM Charges based upon the methodology set out in the proposed WESCRM Mechanism.⁴⁰

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

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

Additional True-up Provisions.

47. The true-up adjustment submission will set forth the Servicer's calculation of the

⁴⁰ WESCRM Mechanism, Appendix B; Settlement Agreement ¶6.

true-up adjustment to the WESCRM Charges. Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment, will be made in future true-up adjustment submissions. Any interim true-up may take into account the PPR for the next succeeding 6 months if required by the servicing agreement.

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

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

Use of Proceeds

50. Pursuant to the Act, the Authority will direct the State Treasurer to transfer all bond proceeds received from the sale of the Bonds, net of amounts required issuance costs, including amounts deposited to the DSRS, to the Utility to pay the purchase price of the securitization property, on behalf of and as agent of ODFA. The Utility will apply these net proceeds to reduce its Approved Qualified Costs as described in the testimony of Amy Morris.

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

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

Pursuant to 74 OKLA. STAT. § 9073(G), and as proposed by the Stipulating Parties in the Settlement Agreement,⁴¹ after the issuance of ratepayer-backed bonds pursuant to this Order, if CERC receives any funds to compensate it for Extreme Purchase Costs or Extraordinary Costs subject to this Order, or if actual amounts are determined to be lower than estimated amounts securitized by this Order, then as soon as practicable, these amounts shall be credited to customers through the Company's purchased gas cost recovery mechanism, Rider Schedule No. 1 *Gas Supply Rate* ("GSR"), with an amortization period, if any, to be determined at that time.

⁴¹ Settlement Agreement ¶18.

VIII. CONCLUSIONS OF LAW

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

2. Notice in this Cause was properly provided in accordance with Commission Order No. 720479.

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

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

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

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

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

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

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

10. The final structure and terms of the Bonds, consistent with the provisions of this Order, will be approved by the Authority and the pricing of the Bonds will be approved by the State Deputy Treasurer for Policy and Debt Management⁴² pursuant to 62 OKLA. STAT. §695.7(C).

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

12. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify, or amend this

⁴² Referred to in the Act as Deputy Treasurer for Policy and Debt Management and given the title of Deputy Treasurer for Debt Management in 62 O.S. § 695.7(A).

Order and shall not affect the validity, finality, and irrevocability of this Order until the indefeasible payment in full of the Bonds and all financing costs related thereto.

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

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

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

16. The securitization approved in this Order satisfies the requirement of 74 OKLA. STAT. § 9073(C)(2) of the Act mandating that the securitization would mitigate the customer utility bill impact by mandating a longer amortization period for recovery than would otherwise be practicable or feasible.

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

18. The Commission has determined that the \$75,678,535 of qualified costs incurred by the Utility during the 2021 Winter Weather Event to be mitigated through securitization would otherwise be recoverable from customers as fair, just, and reasonable expenses and were prudently incurred. *See* 74 OKLA. STAT. § 9073(E).

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

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

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

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

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

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

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

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

27. Securitization property will constitute a present property right for purposes of contracts concerning the sale or pledge of property, even though the imposition and collection of the WESCRM Charges depend on further acts by the Utility, ODFA, the Commission or others that have not yet occurred, as provided by 74 OKLA. STAT. § 9075(B).

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

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

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

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

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

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

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

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

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

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

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

39. As provided in 74 OKLA. STAT. § 9075(H), if securitization property is transferred to an assignee, any proceeds of the securitization property will be treated as held in trust for the assignee.

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

41. As authorized by 74 OKLA. STAT. § 9075(I), revenues received under the irrevocable and nonbypassable mechanism created by this Order are to be paid to a new holder of the securitization property.

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

43. As provided in the Authority Act, the State of Oklahoma has pledged to and agreed with the owners of any bonds issued by the ODFA under the Authority Act, including any Bonds issued by the ODFA pursuant to this Order, that the State will not limit or alter the rights vested in the Authority to fulfill the terms of the Bonds, the terms of the Authority’s resolution or resolutions authorizing the issuance of such Bonds, including the terms of the indenture, the servicing agreement, the sale agreement and any other agreements authorized by those resolutions, and any other agreements any agreements made with the owners of such Bonds, or in any way impair the rights and remedies of the owners of the Bonds until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the owners, are fully met and discharged. For these purposes, “the rights hereby vested in the Authority” stated above include rights embedded in the securitization property and vested in the Authority, rights vested in owners of the Bonds or in the Commission under the Act and this Order to impose, adjust, collect and remit WESCRM Charges to or for the benefit of the Authority and owners of the Bonds. Upon the ODFA’s issuance of Bonds pursuant to this Order, the State Pledge will give rise to a contract between owners of the Bonds and the State of Oklahoma for purposes of State of Oklahoma law, including the Contract Clause of the Oklahoma Constitution.⁴³ This Order requires, as authorized by the Authority Act, that the Authority include in the Bonds a recitation of the State Pledge.

44. After the issuance of the Bonds authorized by this Order, this Order is irrevocable until the payment in full of the Bonds and the related ongoing financing costs. Except in connection with a retirement or refunding or implementing the true-up mechanism adopted by the Commission, the Commission may not amend, modify, or terminate this Order by any subsequent action or reduce, impair, postpone, terminate, or otherwise adjust WESCRM Charges approved in this Order.

⁴³ Okla. Const. Art. II, § 15.

45. As provided in 74 OKLA. STAT. § 9077(B), the Bonds and the interest earned on the Bonds shall not be subject to taxation by the State of Oklahoma, or by any county, municipality, or political subdivision therein.

46. The Authority is required, pursuant to 74 OKLA. STAT. § 9076(B)(1), to notify the Governor, President Pro Tempore of the Senate, the Speaker of the House of Representatives, and the Commission upon issuance of a ratepayer-backed bond. The notification shall be in writing and include the amount and terms of the Bonds.

47. The Authority is required, pursuant to 74 OKLA. STAT. § 9076(B)(2), to submit an annual report regarding the ratepayer-backed bonds issued pursuant to the Act to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Attorney General, and the Commission as of December 1 each year until the ratepayer-backed bonds, including the Bonds authorized by this Order, are retired.

48. As provided by 74 OKLA. STAT. § 9075(D) of the Act, this Order will remain in full force and effect and unabated notwithstanding the bankruptcy or sale of the Utility, its successors, or assignees.

49. The Utility retains sole discretion regarding whether or when to assign, sell or otherwise transfer the rights and interests created by this Order or any interest therein, or to cause the issuance of any Bonds authorized by this Order.

50. This Order is final, is not subject to rehearing by this Commission and is not subject to review or appeal except as expressly provided in 74 OKLA. STAT. § 9074(F).

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

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

IX. ORDERING PARAGRAPHS

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

A. Approval.

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

2. **Authority to Recover Qualified Costs through Securitization.** The Utility's request is granted to recover Extreme Purchase Costs of \$75,678,535, Extraordinary Costs of \$411,781 and carrying costs estimated to be \$1,083,941 through the date of issuance of ratepayer-backed bonds, together with bond issuance costs authorized for recovery, subject to change based

on final issuance and carrying costs. The final amount of carrying costs shall be calculated by the Authority (with the assistance of PUD staff) as set forth in the Issuance Advice Letter.

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

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

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

6. **Recovery of WESCRM Charges.** The Utility, as Servicer, and any successor servicer, must impose on and collect from all existing and future customers located at an address within the state and within the Utility's service area as it existed on the date of this Order and other entities which, under the terms of this Order or the tariff approved hereby, are required to bill, pay or collect WESCRM Charges, as provided in this Order, WESCRM Charges in an amount sufficient to provide for the timely payment of the scheduled principal of and interest on the Bonds, together with all ongoing financing costs.

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

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

B. WESCRM Charges.

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

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

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

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

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

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

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

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

C. Ratepayer-backed Bonds.

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

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

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

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

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

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

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

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

9. **Life of Bonds.** The scheduled final payment date of the Bonds authorized by this Order must not exceed 15 years and a legal final maturity no later than five years after the scheduled final payment date.

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

D. Servicing.

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

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

3. **Replacement of the Utility as Servicer.** Upon the occurrence of an event of default under the servicing agreement relating to servicer's performance of its servicing functions with respect to the WESCRM Charges, the ODFA, or bond trustee acting at the direction of a majority of the bondholders, may replace the Utility as the servicer or as the successor servicer in accordance with the terms of the servicing agreement. In the event the successor servicer seeks a fee up to 0.60% of the initial balance of the Bonds, such request is conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. If the servicing fee of the replacement servicer seeks a fee that exceeds 0.60% of the initial aggregate principal amount of the Bonds, the replacement servicer may not begin providing service until or unless the Commission approves the higher fee in a subsequent proceeding in which the ODFA reasonably demonstrates that the services cannot be obtained at a compensation level lower than 0.60% under the market conditions at that time. No entity may replace the Utility as the servicer or as the successor servicer in any of its servicing functions with respect to the WESCRM Charges and the securitization property authorized by this Order if the replacement would cause any of the then current credit ratings of the Bonds to be suspended, withdrawn, or downgraded.

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

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

thereof, pursuant to applicable law, so long as the entities acquiring such system agree to continue operating the facilities to provide gas service to the Utility's customers.

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

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

E. Use of Proceeds.

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

F. Miscellaneous Provisions

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

2. **Binding on Successors.** This Order, together with the WESCRM Charges authorized in it, must be binding on the Utility and any successor to the Utility that provides transportation and distribution service of natural gas directly to customers in the Utility's service area, and any other entity that provides transportation and distribution services of natural gas to customers within that service area. If, by law, the Utility or its successor is no longer required to own or operate both the transportation and distribution systems, then any entity that provides distribution service to customers in the service territory shall be bound by this Order.

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

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

5. **Regulatory Approvals.** All regulatory approvals within the jurisdiction of the Commission that are necessary for the securitization of the WESCRM Charges associated with the

costs that are the subject of the Application, and all related transactions contemplated in the application, are granted.

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

7. **Compliance with 74 OKLA. STAT. § 9073(G).** To the extent the Utility receives insurance proceeds from private insurers, receives insurance proceeds or grants from the State of Oklahoma or the government of the United States of America, or any similar source of funding to compensate it for the Extreme Purchase Costs or Extraordinary Costs subject to the Financing Order, or if actual amounts are determined to be lower than estimated amounts securitized by the financing order, then as soon as practicable, these amounts shall be credited to customers through the Company’s purchased gas cost recovery mechanism, Rider Schedule No. 1 *Gas Supply Rate* (“GSR”), with an amortization period, if any, to be determined at that time.

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

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

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

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

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

[Signatures to follow on subsequent page]

CORPORATION COMMISSION OF OKLAHOMA


DANA L. MURPHY, CHAIRMAN

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 10th day of February, 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 Building
2101 N. Lincoln Blvd.
Oklahoma City, Oklahoma 73105

SUBJECT: ISSUANCE ADVICE LETTER FOR RATEPAYER-BACKED BONDS

Pursuant to the Financing Order adopted on the _____ day of _____, 202_ in *Application of CenterPoint Energy Resources Corp. D/B/A/ CenterPoint Energy Oklahoma Gas for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event pursuant to the February 2021 Regulated Utility Consumer Protection Act*, Cause No. PUD 202100087 (the “Financing Order”), CENTERPOINT ENERGY RESOURCES CORP. (the “Utility” or the “Applicant”) and OKLAHOMA DEVELOPMENT FINANCE AUTHORITY (“ODFA” or the “Authority”) jointly submit, this Issuance Advice Letter to report certain terms and information related to the Ratepayer-Backed Bonds Series _____, Tranches _____. Any capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 OKLA. STAT. §§ 9071-9081 (the “Act”).

PURPOSE

This filing includes the following information:

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

1. PRINCIPAL AMOUNT OF BONDS ISSUED (AUTHORIZED AMOUNT)

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

2. DESCRIPTION OF FINAL TERMS OF BONDS

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

Ratepayer-Backed Bond Title and Series: _____

Trustee:

Closing Date: _____, 202_

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

Amount Issued (Authorized Amount): \$_____

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

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

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

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

3. CALCULATION OF PROJECTED SAVINGS

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

4. INITIAL WESCRM CHARGE

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

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

Customer count for each Customer Class for the applicable period:	
Ratepayer-Backed Bond debt service for the applicable period:	\$ _____
Charge-off rate for each Customer classes:	
Forecasted annual ongoing financing costs (See Attachment 2, Schedule B):	\$ _____
Current Ratepayer-Backed Bond outstanding balance:	\$ _____
Target Ratepayer-Backed Bond outstanding balance as of ____/____/____:	\$ _____
Total Periodic Billing Requirement for applicable period:	\$ _____

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

EFFECTIVE DATE

[In accordance with the Financing Order, the WESCRM Charge shall be billed beginning on the first day of the first billing cycle of the next revenue month following the date of issuance of the ratepayer-backed bonds.]

AUTHORIZED OFFICER

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

Respectfully submitted,

CENTERPOINT ENERGY RESOURCES
CORP.

By: _____
Name: _____
Title: _____

OKLAHOMA DEVELOPMENT FINANCE
AUTHORITY

By: _____
Name: _____
Title: _____

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

ATTACHMENT 1

SCHEDULE A
CALCULATION OF AUTHORIZED AMOUNT

A.	Qualified costs authorized in Cause No. PUD 202100087 (including any adjustment to carrying costs)	\$
B.	Estimated bond issuance costs (Attachment 1, Schedule B)	
TOTAL AUTHORIZED AMOUNT		\$

ATTACHMENT 1

SCHEDULE B

ESTIMATED ISSUANCE COSTS

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

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

ATTACHMENT 2

SCHEDULE B

ESTIMATED ONGOING FINANCING COSTS

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

Note: The amounts shown for each category of ongoing financing costs on this attachment are the expected costs for the first year of the Ratepayer-Backed Bonds. Winter event securitization charges will be adjusted at least semi-annually to reflect the actual Ongoing Financing Costs through the true-up process described in the Financing Order, except that the servicing fee is fixed as long as the Utility (or any affiliate) is servicer.

ATTACHMENT 2

SCHEDULE C

BENEFITS VERSUS CONVENTIONAL FINANCING

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

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

ATTACHMENT 3

INITIAL ALLOCATION OF COSTS TO CUSTOMER CLASSES

(1) Customer Class	(2) Energy Allocation Factor ¹
Residential	%
GS1	%
CS1	%
LCS	%
Total	100.0000%

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

ATTACHMENT 4

UTILITY CERTIFICATION

THE OKLAHOMA CORPORATION COMMISSION

ATTN: Chairman

Jim Thorpe Building

2101 N. Lincoln Blvd.

Oklahoma City, Oklahoma 73105

Pursuant to the Financing Order adopted on the ____ day of ____, 202_ in *Application of CenterPoint Energy Resources Corp. D/B/A/ CenterPoint Energy Oklahoma Gas for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event pursuant to the February 2021 Regulated Utility Consumer Protection Act*, Cause No. PUD 202100087, CENTERPOINT ENERGY RESOURCES CORP. (the “Utility” or the “Applicant”) certifies that the calculation of the WESCRM Charges included in the Issuance Advice Letter were calculated in accordance with the Financing Order. If the Commission determines that the calculation of the WESCRM Charges contained any mathematical error, such error will be corrected upon the next implementation of the true-up and reconciliation process.

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

Respectfully submitted,

CENTERPOINT ENERGY RESOURCES
CORP.

By: _____

Name: _____

Title: _____

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

WINTER EVENT SECURITIZED COST RECOVERY MECHANISM (“WESCRM”)

1. APPLICABILITY

The WESCRM is applicable to and becomes a part of each Oklahoma retail rate schedule listed in Section 5 of this tariff and shall be applicable to the usage of each respective Oklahoma retail rate schedule. The WESCRM is irrevocable and nonbypassable.

2. PURPOSE

To recover from customers the amounts necessary to service, repay, and administer customer-backed bonds associated with the February 2021 Winter Weather Event and issued by the Oklahoma Development Finance Authority pursuant to Senate Bill No. 1050.

3. TERM

The WESCRM shall become effective the first billing cycle of the month following a final financing order in Cause No. PUD 202100087 and the issuance of ratepayer-backed bonds (“bonds”) and the Company’s receipt of the net bond proceeds pursuant to Senate Bill 1050. The WESCRM shall remain in effect until the complete repayment and retirement of the bonds.

4. ALLOCATION

The WESCRM shall be allocated to gas sales customer tariffs as shown below. The allocation percentages below are based on the actual usage for each retail class excluding the Voluntary Fixed Price Option (“VFPO”) and Low-Income Energy Assistance Program (“LIHEAP”) customers during February 2021. This allocation, as approved in Cause No. PUD 202100087, shall only change subject to the true up set forth in Section 6 or a change in rate structure ordered in a general rate case. Active VFPO and eligible LIHEAP customers during the February 2021 Winter Weather Event are excluded from this tariff.

Rate Category	% Allocation
Residential	65.51%
GS1	15.67%
CS1	18.08%
LCS	0.74%
Total	100.00%

5. BILLING RATES

The WESCRM billing rates below shall show as a separate line item on the customer's bill. Active VFPO customers and residential customers listed with the Company as eligible for the LIHEAP during the February 2021 Winter Weather Event are exempt from this charge.

Rate Category	Fixed Monthly Rate
Residential	
GS1	
CS1	
LCS	

6. TRUE-UP

The WESCRM shall be trued-up and reconciled at least semi-annually, through a submission to the Public Utility Division (PUD) of the Oklahoma Corporation Commission. The Company shall receive periodic information from the Oklahoma Development Finance Authority (ODFA) in order to perform this true-up and reconciliation. The Company will provide the updated rates as well as supporting calculations by March 31 and September 30 of each year, with rates to be effective the first billing cycle in May and November, respectively. Submission dates and timing of applicable rates may change subject to the timing of information from the ODFA. If the current customer count for any customer class changes by 10% from the customer count used to determine the billing rates as shown in Section 5, then the allocation of both the WESCRM allocation and fixed billing rate will be redetermined using twelve months of projected usage. The WESCRM can also be trued-up and reconciled at any time if the servicer forecasts that WESCRM charge collections will be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or (ii) to replenish any draws on the debt service reserve subaccount.

A final true-up will occur at the end of the Term to ensure that only the amount of bond proceeds the Company received, as well as related interest and ongoing financing costs, have been collected from those customers identified in Section 4. This final true-up may occur through the Company's Gas Supply Rate (GSR) or as a line item on the customers' bills.

ESTIMATED ISSUANCE COSTS

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

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

ESTIMATED ONGOING FINANCING COSTS

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

Note: The amounts shown for each category of ongoing financing costs on this attachment are the expected costs for the first year of the Ratepayer-Backed Bonds. Winter event securitization charges will be adjusted at least semi-annually to reflect the actual Ongoing Financing Costs through the true-up process described in the Financing Order, except that the servicing fee is fixed as long as the Utility (or its affiliate) is servicer.

TRUE-UP LETTER

Date: _____, 202_

Oklahoma Corporation Commission
ATTN: Chairman
Jim Thorpe Office Building
2101 N Lincoln Blvd #129
Oklahoma City, OK 73105

Re: Application of CenterPoint Energy Resources Corp. D/B/A/ CenterPoint Energy Oklahoma Gas for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event pursuant to the February 2021 Regulated Utility Consumer Protection Act, Cause No. PUD 202100087

Dear _____:

Pursuant to the Financing Order adopted on the ____ day of _____, 202_ in *Application of CenterPoint Energy Resources Corp. D/B/A/ CenterPoint Energy Oklahoma Gas for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event pursuant to the February 2021 Regulated Utility Consumer Protection Act*, Cause No. PUD 202100087 (the “Financing Order”), CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Oklahoma Gas (the “Utility”), as Servicer of the Ratepayer-Backed Bonds, or any successor Servicer on behalf of bond trustee as assignee of the ODFA shall apply [semi-annually] for a mandatory periodic adjustment to the WESCRM Charge. The Utility may apply for more frequent periodic adjustments in accordance with the Financing Order. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 OKLA. STAT. §§ 9071-9081 (the “Act”).

Each true-up adjustment shall be filed with the Commission not later than [March 31 or September 30, as applicable, with the WESCRM Charge to be effective the first billing cycle of May or November, as applicable][not less than 30 days prior to the first billing cycle of the month in which the revised WESCRM Charges will be in effect]. The Commission staff will have 30 days after the date of the true-up adjustment filing in which to confirm the mathematical accuracy of the servicer’s adjustment. However, any mathematical correction not made prior to the effective date of the WESCRM Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WESCRM Charge.

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

Respectfully submitted,

[Utility]

By: _____
Name: _____
Title: _____

Attachments

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

ATTACHMENT 1

CALCULATION OF WESCRM CHARGES

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

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

ATTACHMENT 2

WESCRM CHARGE CALCULATIONS

[Calculation Workpapers to be included.]

ATTACHMENT 3

WESCRM CHARGE FOR PAYMENT PERIOD

Customer Class	WESCRM Charge
Residential	
GS1	
CS1	
LCS	

FORM OF NON-STANDARD TRUE-UP LETTER

[ODFA Letterhead]

Date: _____, 202_

Oklahoma Corporation Commission
ATTN: Chairman
Jim Thorpe Office Building
2101 N Lincoln Blvd #129
Oklahoma City, OK 73105

Re: Application of CenterPoint Energy Resources Corp. D/B/A/ CenterPoint Energy Oklahoma Gas for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event pursuant to the February 2021 Regulated Utility Consumer Protection Act, Cause No. PUD 202100087

Dear _____:

Pursuant to the Financing Order adopted on the _____ day of _____, 202_ in *Application of CenterPoint Energy Resources Corp. D/B/A/ CenterPoint Energy Oklahoma Gas for a Financing Order Approving Securitization of Costs Arising from the February 2021 Winter Weather Event pursuant to the February 2021 Regulated Utility Consumer Protection Act*, Cause No. PUD 202100087 (the “Financing Order”), CenterPoint Energy Resources Corp., d/b/b CenterPoint Energy Oklahoma Gas (the “Utility”), as Servicer of the Ratepayer-Backed Bonds, or any successor Servicer on behalf of bond trustee as assignee of the ODFA, shall apply for a Non-Standard True-Up to the WESCRM Charge to reallocate costs among the Customer Classes if there is a significant change in the number of customers within one or more Customer Class. If the current customer count for any customer class changes by 10% or more from the customer count most recently used to determine the billing rates as shown in Section 5 of the WESCRM Mechanism, then the allocation of both the Energy Allocation Factors and fixed billing rate will be re-determined using twelve months of projected usage. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 OKLA. STAT. §§ 9071-9081 (the “Act”).

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

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

Respectfully submitted,

[Utility]

By: _____

Name: _____

Title: _____

Attachments

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

[ATTACHMENTS TO COME]