

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION)
OF OKLAHOMA GAS AND ELECTRIC)
COMPANY FOR A FINANCING ORDER)
PURSUANT TO THE FEBRUARY 2021)
REGULATED UTILITY CONSUMER)
PROTECTION ACT APPROVING)
SECURITIZATION OF COSTS ARISING)
FROM THE WINTER WEATHER EVENT)
OF FEBRUARY 2021)

Cause No. PUD 202100072



JOINT STIPULATION AND SETTLEMENT AGREEMENT

COME NOW the undersigned parties to the above entitled Cause (“Stipulating Parties”) and present the following Joint Stipulation and Settlement Agreement (“Joint Stipulation”) for the Oklahoma Corporation Commission's (“Commission”) review and approval as their compromise and settlement of issues in this proceeding. The Stipulating Parties represent to the Commission that this Joint Stipulation represents a fair, just and reasonable settlement of these issues, that they believe the terms and conditions of the Joint Stipulation are in the public interest, and the Stipulating Parties request the Commission issue an order in this cause adopting and approving this Joint Stipulation.

I. General Recommendations of the Stipulating Parties

This Joint Stipulation represents a comprehensive settlement to become effective with the issuance of a Commission order approving this Joint Stipulation (“Effective Date”). The Winter Event Securitization Mechanism tariff (“WES Mechanism”), which is attached hereto as Exhibit A, implements the agreements in this Joint Stipulation and the Stipulating Parties recommend it should be approved by the Director of the Public Utility Division (“PUD”) of the Commission and become effective under the following terms of this Joint Stipulation.

- 1. Extreme Purchases and Costs:** The Stipulating Parties agree that OG&E’s total extreme purchase costs (for natural gas and wholesale energy purchases) are currently estimated to be \$748.9 million based on the details provided with both the Direct and Rebuttal Testimony of OG&E Witness Donald Rowlett. The Stipulating Parties agree that \$739 million of OG&E’s extreme purchase costs incurred during the February 2021 Winter Weather Event should be deemed prudent and reasonable by the Commission.
- 2. The Regulated Utility Consumer Protection Act:** The Stipulating Parties agree that the Commission should find that OG&E has provided the requisite information specified in Section 4.A of the February 2021 Regulated Utility Consumer Protection Act (“Act”).

Also, the Stipulating Parties agree that the Commission should find, pursuant to Section 4.C of the Act, that securitization would provide benefits to customers as compared to traditional utility financing.

3. **Financing Order Amount and Term:** The total amount of OG&E's extreme purchase cost recovery, including financing costs and upfront securitization costs authorized for recovery, is estimated to be \$760 million, subject to change based on final costs and carrying costs until securitization. The Stipulating Parties agree that the Commission should issue a Financing Order as proposed by Staff witness Bartolotta, including the revisions proposed by OG&E witness Walworth's rebuttal testimony to the draft financing order, for the securitization of that approximately \$760 million and authorize a 28-year amortization for cost recovery, or a shorter period if deemed necessary by the Oklahoma Development Finance Authority to obtain the most favorable securitization terms for customers. The Financing Order issued by the Commission should also incorporate the terms of this Joint Stipulation.
4. **Make Whole Payments:** OG&E agrees to use best efforts to diligently and expeditiously pursue SPP Make-Whole Payments (MWP) and resettlement amounts. If additional MWP and resettlements are received, or if any insurance proceeds related to winter weather event claims are received, those amounts will be credited to customers pursuant to Section 4.G of the Act.
5. **Carrying Charge:** The Stipulating Parties agree that the carrying charge on the regulatory asset balance containing the extreme purchase costs related to the February 2021 Winter Weather Event shall be based on the actual costs of credit facilities, loan agreements or other debt financing used to finance the deferred cost related to the event.
6. **Mitigation of Customer Costs:** The Stipulating Parties agree that OG&E should engage in the following to mitigate the costs to customers:
 - a. OG&E shall engage interested stakeholders in a meeting to discuss methods to mitigate costs to customers of natural gas price volatility and future cold weather events.
 - b. OG&E shall evaluate its use of natural gas storage services and physical and financial hedging related to natural gas procurement and revise its next fuel supply portfolio and risk management plan to address natural gas storage practices and natural gas procurement activities not based solely on daily index pricing.
7. **Allocation Methodology:** The Stipulating Parties agree, except for the modifications listed in 7a. and 7b. below, to the cost of service daily allocation of cost methodology and rate design allocation methodology which allocates cost to individual customers, as proposed by OIEC witness Brian Collins in his responsive testimony and also agree that the Commission should approve same.

- a. The cost-of-service and rate design allocations of cost for Day-Ahead Pricing and Flex Pricing customers will be based on Customer Base Line (“CBL”) kWh usage during the Winter Event, in lieu of actual kWh usage during the Winter Event, as proposed by Company witness Gwin Cash.
 - b. Any uncollectible WES Mechanism amounts incurred shall be recorded for each service level class and included for recovery in that service level class true-up calculation for the next factor redetermination.
8. **Winter Event Securitization Mechanism:** The Stipulating Parties agree that the WES Mechanism, as revised and attached hereto as Exhibit A, should be approved by the Commission.

II. General Reservations

The Stipulating Parties represent and agree that, except as specifically provided:

A. Negotiated Settlement

This Joint Stipulation represents a negotiated settlement for the purpose of compromising and resolving the issues presented in this Cause.

B. Authority to Execute

Each of the undersigned affirmatively represents to the Commission that he or she has fully advised his or her respective client(s) that the execution of this Joint Stipulation constitutes a resolution of issues which were raised in this proceeding; that no promise, inducement or agreement not herein expressed has been made to any Stipulating Party; that this Joint Stipulation constitutes the entire agreement between and among the Stipulating Parties; and each of the undersigned affirmatively represents that he or she has full authority to execute this Joint Stipulation on behalf of his or her client(s).

C. Joint Stipulation Represents a Balance and Compromise of Positions

The Stipulating Parties stipulate and agree that the agreements contained in this Joint Stipulation have resulted from negotiations among the Stipulating Parties. The Stipulating Parties hereto specifically state and recognize that this Joint Stipulation represents a balancing of positions of each of the Stipulating Parties in consideration for the agreements and commitments made by the other Stipulating Parties in connection therewith. Therefore, in the event that the Commission does not approve and adopt all of the terms of this Joint Stipulation, this Joint Stipulation shall be void and of no force and effect, and no Stipulating Party shall be bound by the agreements or provisions contained herein. The Stipulating Parties agree that neither this Joint Stipulation nor any of the provisions hereof shall become effective unless and until the Commission shall have

entered an Order approving all of the terms and provisions as agreed to by the parties to this Joint Stipulation.

D. No Admissions Nor Waivers

The Stipulating Parties agree and represent that the provisions of this Joint Stipulation are intended to relate only to the specific matters referred to herein, and by agreeing to this settlement, no Stipulating Party waives any claim or right which it may otherwise have with respect to any matters not expressly provided for herein. In addition, except as specifically set forth in this Joint Stipulation, none of the signatories hereto shall be deemed to have approved or acquiesced in any legal issue, ratemaking principle, valuation method, cost of service determination, depreciation principle or cost allocation method underlying or allegedly underlying any of the information submitted by the parties to this cause and except as specifically provided in this Joint Stipulation, nothing contained herein shall constitute an admission by any Stipulating Party that any allegation or contention in this proceeding is true or valid or shall constitute a determination by the Commission as to the merits of any allegations or contentions made in this proceeding.

E. No Precedential Value

The Stipulating Parties agree that the provisions of this Joint Stipulation are the result of negotiations based upon the unique circumstances currently represented by the Company's Application and that the processing of this cause sets no precedent for any future causes that the Applicant or others may file with this Commission. The Stipulating Parties further agree and represent that neither this Joint Stipulation nor any Commission order approving the same shall constitute or be cited or referenced as precedent or deemed an admission by any Stipulating Party in any other proceeding except as necessary to enforce its terms before the Commission or any court of competent jurisdiction. The Commission's decision, if it enters an order approving this Joint Stipulation, will be binding only as to the matters decided regarding the issues described in this Joint Stipulation, but the decision will not be binding with respect to similar issues that might arise in other proceedings. A Stipulating Party's support of this Joint Stipulation may differ from its position or testimony in other causes. To the extent there is a difference, the Stipulating Parties are not waiving their respective positions in other causes. Because this is a stipulated agreement, the Stipulating Parties are under no obligation to take the same position as set out in this Joint Stipulation in other dockets.

F. Outstanding Discovery and Motions

As between and among the Stipulating Parties, any pending requests for information or discovery and any motions that may be pending before the Commission are hereby withdrawn.

[Signature pages to follow]

OKLAHOMA GAS AND ELECTRIC COMPANY

Dated: 10/7/2021

By: 
Donald Rowlett

PUBLIC UTILITY DIVISION
OKLAHOMA CORPORATION COMMISSION

Dated: _____

By: _____
Geoffrey Rush

OKLAHOMA OFFICE OF THE ATTORNEY GENERAL

Dated: _____

By: _____
Jared B. Haines

OKLAHOMA INDUSTRIAL ENERGY CONSUMERS

Dated: _____

By: _____
Thomas P. Schroedter

OG&E SHAREHOLDERS ASSOCIATION

Dated: _____

By: _____
Ronald E. Stakem

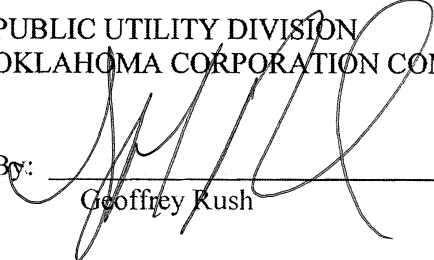
OKLAHOMA GAS AND ELECTRIC COMPANY

Dated: _____

By: _____
Donald Rowlett

PUBLIC UTILITY DIVISION
OKLAHOMA CORPORATION COMMISSION

Dated: 10/7/21

By: 
Geoffrey Rush

OKLAHOMA OFFICE OF THE ATTORNEY GENERAL

Dated: _____

By: _____
Jared B. Haines

OKLAHOMA INDUSTRIAL ENERGY CONSUMERS

Dated: 10/7/21

By: 
Thomas P. Schroedter

OG&E SHAREHOLDERS ASSOCIATION

Dated: _____

By: _____
Ronald E. Stakem

OKLAHOMA GAS AND ELECTRIC COMPANY

Dated: _____

By: _____
Donald Rowlett

PUBLIC UTILITY DIVISION
OKLAHOMA CORPORATION COMMISSION

Dated: _____

By: _____
Geoffrey Rush

OKLAHOMA OFFICE OF THE ATTORNEY GENERAL

Dated: _____

By: _____
Jared B. Haines

OKLAHOMA INDUSTRIAL ENERGY CONSUMERS

Dated: _____

By: _____
Thomas P. Schroedter

OG&E SHAREHOLDERS ASSOCIATION

Dated: 10/2/2021

By: Ronald E. Stakem
Ronald E. Stakem

WAL-MART INC.

Dated: 10/7/21

By: 
Rick Chamberlain

AARP

Dated: _____

By: _____
Deborah R. Thompson

Exhibit A

WES Mechanism

STANDARD PRICING SCHEDULE: WES
WINTER EVENT SECURITIZATION (“WES”) MECHANISM

STATE OF OKLAHOMA

EFFECTIVE IN: All territory served.

APPLICABILITY: This WES mechanism is applicable to and becomes a part of each Oklahoma retail rate schedule and shall be applicable to the energy (kWh) usage for service level (“SL”) 3, 4, and 5 customers and to blocks of energy (defined below in the STANDARD FACTOR DETERMINATION section) for SL 1 and 2 customers of each respective Oklahoma retail rate schedule. For service locations that received SL 1 or SL 2 service during the Weather Event, the WES mechanism shall continue to be applied to these service locations at those respective SL WES rates.

This WES mechanism is irrevocable and non-by-passable.

PURPOSE: To recover from customers the amounts necessary to service, repay, and administer customer backed bonds associated with the February 2021 Winter Event (“Winter Event”) issued by the Oklahoma Development Finance Authority pursuant to the February 2021 Regulated Utility Consumer Protection Act.

TERM: The WES mechanism shall become effective after the closing of the customer backed bonds and shall remain in effect until the complete repayment and retirement of the customer backed bonds, or refunding bonds, associated with the Winter Event. The WES mechanism will terminate once the complete repayment and retirement of any customer backed bonds, or refunding bonds, associated with the Winter Event occurs.

ALLOCATION: Costs associated with repaying the securitization bonds shall be allocated to customer SL classes based on the daily allocation of Winter Event cost and is shown in the table below. The Allocation Percentages below are based on the actual daily kWh usage for each retail SL class for the period of February 7, 2021 to February 21, 2021. For OG&E’s Flex Pricing (“FP”) and Day Ahead Pricing (“DAP”) customers, the customer baseline (“CBL”) kWh amounts are utilized for calculating the allocation percentages.

Service Level	Energy Allocation Percentage
1	2.01%
2	9.06%
3	4.07%
4	1.18%
5	83.68%

STANDARD FACTOR DETERMINATION: WES rates will be computed and submitted to the Public Utility Division of the Oklahoma Corporation Commission (“PUD”) and all other parties of record in Oklahoma Corporation Commission (OCC) Cause No. PUD 202100072 on a

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PUD 202100072

STANDARD PRICING SCHEDULE: WES
WINTER EVENT SECURITIZATION ("WES") MECHANISM

STATE OF OKLAHOMA

semi-annual basis. In each semi-annual submission the Company will provide to PUD and the parties of record the redetermined WES rate, for each SL class, and information and workpapers supporting such re-determined factors. The initial WES rates will be submitted on the day following the pricing of the bonds and shall become effective the first billing cycle following the closing of the bonds. All succeeding factor redetermination submissions and effective dates will be semi-annual (every six months). WES rates will be submitted at least 30 days' prior to the proposed effective date. The Public Utility Division shall endeavor to complete its review, which shall be limited to a review for mathematical corrections or manifest error, within 30 days and make any necessary corrections within such time in order to allow the WES charge to go into effect.

A WES rate will be calculated for each SL class for the next two six-month recovery periods. The WES rate to be implemented for each SL class shall be the higher of these two calculations.

CLASS REVENUE REQUIREMENT:

$$WES\ Revenue\ Requirement_{SL\ class} = (A * B_{SL\ class}) + C_{SL\ class}$$

Where:

A = Oklahoma Jurisdictional Winter Event revenue requirement (i.e., debt service and ongoing costs) for the applicable six-month recovery period;

B = SL class Energy Allocator

C = SL class true-up balance and SL class uncollectible balance

TRANSMISSION (SL 1) and DISTRIBUTION SUBSTATION (SL 2) BILLING: The WES mechanism shall be applied to service locations based on the Service Level under which the service location took service during the Weather Event. Each service location shall be billed a monthly fixed charge for the mechanism. The monthly fixed charge shall be calculated as:

$$MBR_i \times \text{Number of Blocks}$$

Where

$MBR_i = \text{Monthly Block Rate for SL class}$

$$= \frac{WES\ Revenue\ Requirement_{SL\ class}}{Blocks_{SL\ class}}$$

The Number of Blocks each service location shall be billed is calculated as:

$$\frac{\text{Event kWh}}{100,000\ \text{kWh per Block}}$$

Where

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Winter Event period kWh usage shall be CBL kWh for DAP and Flex Pricing customers and actual kWh usage for all other SL 1 and 2 customers.

Service locations whose Event kWh is less than 100,000 kWh, including customers who had no usage or zero Event kWh usage, and including any service locations new to OG&E after the Event, shall be deemed to have one (1) block for WES billing purposes.

DISTRIBUTION (SL 3, 4, 5) BILLING: The billing factors for the SL 3, 4, and 5 customer classes shall be computed as follows:

$$WES\ Rate_{SL\ Class} = \frac{WES\ Revenue\ Requirement_{SL\ Class}}{SL\ Class\ kWh}$$

Where, *SL Class kWh* are the projected sales for the applicable 6-month recovery period.

For customers who take service under the Company’s Net Energy Billing Option (NEBO) and Qualified Facilities (“QF”) schedules, the WES shall apply to the gross kWh of energy the Company delivers to the customers. For the DAP and FP customers, the WES rate will be calculated using the customer’s kWh energy specified in the CBL or Seasonal CBL defined in the DAP or FP tariffs. All DAP and FP kWh sales above or below the CBL will be excluded from the WES calculation. For all other rate schedules, the WES rate shall apply to the total billed kWh.

CLASS REVENUE REQUIREMENT:

The Revenue Requirement for the WES mechanism shall include the bond payment, associated financing fees (i.e., debt service and ongoing costs), the prior period over/under collected balance by class, and any uncollectible balances by class. The class over/under balances and class uncollectible balances are not exempt from reallocation to other classes as part of the reallocation treatment provided in the NON-STANDARD FACTOR DETERMINATION.

NON-STANDARD FACTOR DETERMINATION: A non-standard factor determination is triggered when any SL class whose projected energy sales (SLs 3, 4, or 5) or blocks (SLs 1 or 2) will be 10% lower than the SL class’ projected energy sales or blocks of the same six-month period underlying the most recent Standard Factor Determination (a “Trigger Event”). If a Trigger Event occurs, then any SL class for which there is a forecasted decline in energy sales or blocks for the next period is referred to as an “affected SL class”. The non-standard factor determination of the WES rates shall be computed as follows.

1. For each affected SL class, the Company will calculate (a) a new WES rate using the higher kWh sales or blocks from the most recent Standard Factor Determination and (b) a new WES rate using the new lower forecasted sales or blocks.
2. Calculate the price difference between (a) and (b) in step 1.

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STANDARD PRICING SCHEDULE: WES
WINTER EVENT SECURITIZATION ("WES") MECHANISM

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3. Multiply the price differences from step 2 by the projected energy sales or blocks for the six-month recovery period for each affected SL class to determine reduced revenues and sum these amounts.
4. Allocate the sums from step 3 to all SL classes using the WES allocators.
5. For each SL class which is not an affected SL class, calculate its WES rate using the Standard Factor Determination calculation, but increasing the SL class revenue requirement by the amounts calculated in step 4.
6. For each affected SL class, divide the amount in step 4 allocated to the affected SL class by the applicable projected energy sales or blocks.
7. For each affected SL class add step 6 to step 1(a) to determine the WES rate for the affected SL class.

TRUE UP: The WES mechanism will true up and reconcile semiannually. OG&E shall periodically receive accounting information (i.e., debt service and other ongoing financing costs) from Oklahoma Development Finance Authority and utilize that updated accounting information to true-up and reconcile its semiannual adjustment of the factors. Any uncollectible WES Mechanism amounts incurred shall be recorded for each SL class and included for recovery in that SL class true-up calculation for the next factor redetermination.

INTERIM TRUE-UP: The Company shall have the authority to submit interim factors outside of the standard semi-annual timeframe if, at any time, the Company projects an under-recovery of WES cost that would result in a draw on the Debt Service Reserve subaccount. The Company shall submit these re-determined interim billing factors and WES rate to the PUD and parties of record in OCC Cause No. PUD 202100072 by the 15th of the month to be implemented the first billing cycle of the month following submission.

PRICE: The WES rate for each SL shall be applied as shown in the table below.

TRANSMISSION (SL 1) and DISTRIBUTION SUBSTATION (SL 2):

Service Level	Monthly Block Rate (\$/Block)
1	\$XXX.XX
2	\$XXX.XX

DISTRIBUTION PRIMARY (SL 3 & 4) and SECONDARY (SL 5):

Service Level	WESKWH Rate (\$/kWh)
3	\$0.XXXXXX
4	\$0.XXXXXX
5	\$0.XXXXXX

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OKLAHOMA GAS AND ELECTRIC COMPANY
P. O. Box 321
Oklahoma City, Oklahoma 73101

Original Sheet No. XX.X4
Date Issued XXXX XX, XXXX

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