

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

FILED
NOV 12 2021

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CORPORATION COMMISSION
OF OKLAHOMA

HEARING: October 11, 2021, Courtroom 301
2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105
Before Linda S. Foreman, Administrative Law Judge

APPEARANCES: William L. Humes, Kimber L. Shoop and Jack P. Fite, Attorneys
representing Oklahoma Gas and Electric Company
Jared B. Haines and A. Chase Snodgrass, Assistant Attorneys General
representing Office of Attorney General, State of Oklahoma
Jack G. Clark, Jr., and Ronald E. Stakem, Attorneys *representing* OG&E
Shareholders Association
Thomas P. Schroedter and D. Kenyon Williams, Attorneys *representing*
Oklahoma Industrial Energy Consumers
Rick D. Chamberlain, Attorney *representing* Walmart Inc.
Deborah R. Thompson, Attorney *representing* AARP
Michael L. Velez, Deputy General Counsel and Lauren D. Willingham,
Assistant General Counsel, *representing* Public Utility Division,
Oklahoma Corporation Commission

REPORT AND RECOMMENDATION OF THE ADMINISTRATIVE LAW JUDGE

This Cause comes before the Oklahoma Corporation Commission ("Commission") on the Application of Oklahoma Gas and Electric Company ("OG&E") 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.

I. RECOMMENDATION

It is recommended that the Commission approve and adopt in full the Joint Stipulation and Settlement Agreement ("Joint Stipulation"), attached hereto as Attachment "A" and incorporated herein, resolving all issues between OG&E, the Commission's Public Utility Division ("PUD"), Oklahoma Industrial Energy Consumer ("OIEC"), OG&E Shareholders Association ("OG&E S/H") and Walmart Inc. ("Walmart") (collectively, the "Stipulating Parties") and compliant with the February 2021 Consumer Protection Act (74 O.S. Section 9070), to the benefit of OG&E customers. The Attorney General and AARP did not sign the

Joint Stipulation and Settlement Agreement. It is further recommended that the Commission adopt the form of the draft financing order included in Attachment “C”¹ subject to further refinement and details necessary required to achieve the highest achievable bond rating.

II. WINTER WEATHER EVENT

On February 12, 2021, Governor Kevin Stitt declared a state-wide emergency due to “extreme freezing temperatures and severe winter weather including snow, freezing rain, and wind beginning February 7, 2021 and continuing.” In his Declaration, the Governor stated the severe weather threatened the public’s peace, health, and safety.

Subsequently, the Commission issued two emergency orders related to the extreme 2021 Winter Weather Event and resulting conditions including, but not limited to, limited natural gas supply, prioritization of electric and gas service for public health, welfare, safety and security and the need for conservation efforts. PUD 202100035, Order 716952.

When demand for natural gas escalated dramatically due to and as a result of the consequences of the extreme weather, natural gas markets throughout the region experienced a profound crisis. Natural gas prices escalated on the spot and daily index markets. Likewise, the Southwest Power Pool, Inc. (“SPP”), which operates a wholesale energy market called the Integrated Marketplace (“IM”), also experienced unprecedented increases in electric energy prices as a result of the high natural gas prices. As a result, OG&E purchased natural gas and wholesale energy at unusually high prices.

Normally, OG&E would pass fuel related costs to customers through its Fuel Cost Adjustment Rider (“FCA”). However, OG&E’s cost of natural gas during the 2021 Winter Weather significantly exceeded the Company’s entire fuel cost for calendar year 2020 which would have resulted in a burdensome outcome to ratepayers. To avoid this outcome, OG&E requested creation of a regulatory asset (Cause No. PUD 202100039) to defer all recovery of these costs as amortized over a longer and more manageable period of time and subject to a prudence review. Commission Order No. 717355, issued March 18, 2021, created a regulatory asset allowing an amortization of extraordinary 2021 Winter Weather costs over a period of 10 years with a carrying charge based on OG&E’s actual financing costs.

The Regulated Utility Consumer Protection Act (the “Act”), 74 O.S. 9070 *et. seq.* was drafted by the Oklahoma Legislature and enacted by Governor Stitt on April 23, 2021. This allowed affected utilities to securitize the right to recover extraordinary costs and expenses of the 2021 Winter Weather Event occurring from February 7, 2021 and ending February 21, 2021. The issuance of bonds pursuant to the Act thus enabled customers to pay these costs at a lower annual amount over a longer period. Pursuant to the Act, OG&E filed the current Application seeking securitization of its right to recover extreme winter weather costs.

¹ The Draft Financing Order is on page 160 of 258.

III. PROCEDURAL HISTORY

On April 26, 2021, OG&E filed its Application initiating this Cause, pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs Arising from the Winter Weather Event of February 2021.

Also on April 26, 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 April 29, 2021, the Commission’s Public Utility Division (“PUD”) filed a Motion of the Public Utility Division to Engage a Financial Advisor(s) or Other Consultants, along with a Notice of Hearing setting the Motion of the Public Utility Division to Engage a Financial Advisor(s) or Other Consultants for hearing on May 6, 2021.

On May 4, 2021, OG&E Shareholders Association (“OG&E S/H”) filed an Entry of Appearance on behalf of Jack G. Clark, Jr., and Ronald E. Stakem.

On May 5, 2021, Oklahoma Industrial Energy Consumers (“OIEC”) filed an Entry of Appearance on behalf of Thomas P. Schroedter.

On May 6, 2021, the Motion of the Public Utility Division to Engage a Financial Advisor(s) or Other Consultants was heard and recommended.

On May 11, 2021, Order No. 718290, Order Granting Motion Public Utility Division’s Motion to Engage a Financial Advisor(s) or Other Consultants, was issued.

Also on May 11, 2021, Walmart Inc. filed an Entry of Appearance on behalf of Rick D. Chamberlain.

On May 12, 2021, AARP filed an Entry of Appearance on behalf of Deborah R. Thompson.

On May 18, 2021, OG&E filed a Motion for Protective Order, along with a Notice of Hearing setting the Motion for Protective Order for hearing on June 3, 2021.

On May 19, 2021, OG&E filed a Motion to Establish Procedural Schedule, along with a Notice of Hearing setting the Motion to Establish Procedural Schedule for hearing on June 3, 2021.

On June 3, 2021, the Motion for Protective Order was heard and recommended and the Motion to Establish Procedural Schedule was continued by agreement of the parties to June 10, 2021.

On June 9, 2021, Order No. 718799, Order Granting Motion for Protective Order, was issued.

On June 18, 2021, the Direct Testimonies of Charles B. Walworth, Donald R. Rowlett, Richard G. Smead, Robert Doupe and Shawn McBroom on behalf of OG&E were filed.

Also on June 18, 2021, a Certificate of Service was filed.

On July 7, 2021, Order No. 719312, Order Granting Motion to Establish Procedural Schedule, was issued.

On July 8, 2021, OG&E filed a Motion to Determine Notice Requirements and Approve Form of Notice, along with a Notice of Hearing setting the Motion to Determine Notice Requirements and Approve Form of Notice for hearing on July 15, 2021.

On July 12, 2021, OG&E filed an Amended Notice of Hearing, setting the Motion to Determine Notice Requirements and Approve Form of Notice for hearing on July 22, 2021.

On July 22, 2021, the Motion to Determine Notice Requirements and Approve Form of Notice was heard and recommended.

On August 12, 2021, Order No. 720025, Order Granting Motion to Determine Notice Requirements and Approve Form of Notice, was issued.

On August 17, 2021, Public Comment was filed.

On August 19, 2021, Public Comment was filed.

On August 23, 2021, OIEC filed an Entry of Appearance on behalf of D. Kenyon Williams, Jr.

Also on August 23, 2021, the Responsive Testimony and Exhibits of Lisa V. Perry on behalf of Walmart Inc., the Responsive Testimony of Mark E. Garrett on behalf of Oklahoma Industrial Energy Consumers, the Redacted Responsive Testimony of Scott Norwood on behalf of Oklahoma Industrial Energy Consumers, the Responsive Testimony of Isaac D. Stroup, the Responsive Testimony of JoRay McCoy, CFE, MAFF, SMIA, CPO, the Responsive Testimony of Michael Bartolotta, the Responsive Testimony and Exhibit of Brian C. Collins on behalf of Oklahoma Industrial Energy Consumers, the Redacted Responsive Testimony of James P. Mosher on behalf of Oklahoma Industrial Energy Consumers, the Confidential Responsive Testimony of Scott Norwood on behalf of Oklahoma Industrial Energy Consumers and the Confidential Responsive Testimony of James P. Mosher on behalf of Oklahoma Industrial Energy Consumers were filed.

On August 27, 2021, the Attorney General's Statement of Position, OG&E Shareholders Association's Statement of Position and AARP Statement of Position were filed.

On September 13, 2021, the Rebuttal Testimony of Shawn McBroom on behalf of Oklahoma Gas and Electric Company, the Rebuttal Testimony of Robert Doupe on behalf of Oklahoma Gas and Electric Company, the Rebuttal Testimony of Richard G. Smead on behalf of

Oklahoma Gas and Electric Company, the Rebuttal Testimony of William H. Wai on behalf of Oklahoma Gas and Electric Company, the Rebuttal Testimony of Donald R. Rowlett on behalf of Oklahoma Gas and Electric Company, the Rebuttal Testimony of Gwin Cash on behalf of Oklahoma Gas and Electric Company and the Rebuttal Testimony of Charles B. Walworth on behalf of Oklahoma Gas and Electric Company were filed.

On September 20, 2021, Public Comment was filed.

On September 21, 2021, Public Comment was filed.

On September 22, 2021, Public Comment was filed.

On September 23, 2021, Public Comment was filed.

Also on September 23, 2021, the Prehearing Conference was heard and recommended.

On September 24, 2021, Public Comment was filed.

On September 27, 2021, Public Comment was filed.

On September 28, 2021, Public Comment was filed.

On October 4, 2021, Public Comment was filed.

Also on October 4, 2021, OG&E filed an Entry of Appearance on behalf of Jack P. Fite.

On October 5, 2021, Public Comment was filed.

On October 6, 2021, Public Comment was filed.

On October 7, 2021, Public Comment was filed.

Also on October 7, 2021, the following documents were filed:

- a) Summary of Responsive Testimony of Isaac D. Stroup;
- b) Summary of Responsive Testimony of JoRay McCoy, CFE, MAFF, SMIA, CPO;
- c) Supplemental Responsive Testimony of Michael Bartolotta;
- d) Summary of Responsive Testimony and Supplemental Testimony of Michael Bartolotta;
- e) Summary of The Responsive Testimony and Exhibits of Lisa V. Perry on Behalf of Walmart Inc.;
- f) Testimony Summary of Gwin Cash;
- g) Testimony Summary of Shawn McBroom;
- h) Testimony Summary of Charles B. Walworth;
- i) Testimony Summary of Donald R. Rowlett;
- j) Testimony Summary of Robert Doupe;

- k) Testimony Summary of William Wai;
- l) Testimony Summary of Richard G. Smead;
- m) Exhibit and Witness List of Oklahoma Industrial Energy Consumers;
- n) AARP Exhibit List;
- o) Witness and Exhibit List of Walmart Inc.;
- p) Public Utility Division's Exhibit List;
- q) AARP Exhibit List;
- r) Oklahoma Gas and Electric Company's Exhibit List;
- s) Attorney General's Exhibit List; and
- t) Affidavit of Amanda Reyes.

On October 8, 2021, the Prehearing was heard and recommended.

Also on October 8, 2021, the following documents were filed:

- a) Settlement Testimony of Gwin Cash;
- b) Settlement Testimony of Donald R. Rowlett
- c) Summary of Responsive Testimony of James P. Mosher;
- d) Summary of Responsive Testimony of Mark E. Garrett
- e) Summary of Responsive Testimony of Brian C. Collins
- f) Summary of Responsive Testimony of Scott Norwood; and
- g) Joint Stipulation and Settlement Agreement.

On October 11, 2021, Public Comment was filed.

Also on October 11, 2021, the Testimony in Support of Joint Stipulation and Settlement Agreement of JoRay McCoy, CFE, MAFF, SMIA, CPO was filed.

Also on October 11, 2021, the Hearing on the Merits was continued by agreement of the parties to October 13, 2021.

On October 12, 2021, Public Comment was filed.

On October 13, 2021, Public Comment was filed.

Also on October 13, 2021, the Hearing on the Merits was continued by agreement of the parties to October 14, 2021.

On October 14, 2021, the Hearing on the Merits was taken under advisement.

Also on October 14, 2021, the Public Comment of Brad K. Harber, the Public Comment of Jed Banks, Public Comment and Exhibit #1 Oklahoma Winter Weather Event were filed.

On October 18, 2021, Public Comment was filed.

On October 19, 2021, Public Comment was filed.

On October 25, 2021, a Notice of Transcript Completion was filed.

Also on October 25, 2021, the Attorney General's Proposed Findings of Fact and Conclusions of Law, AARP Proposed Findings of Fact and Conclusions of Law and the Stipulating Parties' Proposed Findings of Fact and Conclusions of Law were filed.

IV. SUMMARY OF EVIDENCE

Documents filed in this Cause are contained in records kept by the Court Clerk of the Commission. Testimony was offered at the Hearing on the Merits. Witnesses testifying were Donald Rowlett and Gwin Cash on behalf of OG&E, and JoRay McCoy and Michael Bartolotta on behalf of PUD. The entirety of the testimony offered is contained in the transcripts of these proceedings (October 13 and October 14). The testimony in support of the Joint Stipulation, Testimony Summaries and Statements of Position are included as Attachment "B" attached hereto and incorporated herein. The parties' Findings of Fact and Conclusions of Law are attached hereto as Attachment "C."

V. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The ALJ recommends the Commission adopt the following Findings of Fact and Conclusions of Law.

Jurisdiction

1. THE COMMISSION FINDS that it 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 this Commission's Rules.

Notice

2. THE COMMISSION FURTHER FINDS that notice in this Cause was properly provided in accordance with Commission Order No. 720025.

The Joint Stipulation

3. THE COMMISSION FURTHER FINDS that the Joint Stipulation and Settlement Agreement, filed in this cause on October 8, 2021 represents a resolution of issues in this Cause between and among the Stipulating Parties.

4. THE COMMISSION FURTHER FINDS that AARP did not sign the stipulation and was opposed to several provisions therein. While the Oklahoma Attorney General did not sign the Agreement, the Attorney General did not raise objections to it. The position of AARP is discussed in greater detail below.

Compliance with the filing requirements of 74 O.S. Section 9070

5. THE COMMISSION FURTHER FINDS that OG&E has provided the requisite information specified in Section 4A of the February 2021 Regulated Utility Consumer Protection Act (“Act”). McCoy Responsive P. 3 ls. 11- P. 4 l. 16, McCoy Settlement Testimony P. 5 ls. 16 - 25. Rowlett Direct P. 9 ls. 1-16.

Prudence of OG&E’s Expenditures Related to the February 2021 Winter Weather Event

6. THE COMMISSION FURTHER FINDS that Extreme purchase costs are defined in the Act as “expenses incurred for the purchase of fuel, purchased power, natural gas commodity or any combination thereof, whether at spot pricing, index pricing or otherwise with delivery from February 7, 2021, through February 21, 2021.” See 74 O.S. § 9052(3). The costs OG&E incurred during the February Winter Weather Event fall within the category of extreme purchase costs. Rowlett Direct P.9 ls. 20 – 29.

7. THE COMMISSION FURTHER FINDS that the \$739 million extreme weather fuel purchase costs were prudently incurred by OG&E during the February 2021 Winter Weather Event. The prudence of a utility’s action is based on whether the action was reasonable given the information the 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 the knowledge of such circumstances management had or should have had. *Order No. 516261, Cause No. PUD 200500151* at p. 106, December 12, 2005; Rowlett Rebuttal Testimony P. 3 ls. 11 – 35. The actions taken by OG&E personnel in league with the SPP were important factors in the provision of safe, reliable service to OG&E customers. Fuel and purchased power were prudently procured at reasonable cost based on the mechanisms available at the time. Rowlett Settlement Testimony P. 4 ls. 14 – 23.

8. The February 2021 Winter Weather Event swept in fast, causing unprecedented low temperatures and extensive ice storms that brought about very rapid well and pipeline freeze-offs to an extent not seen before. This shortage of gas supply deprived the entire natural gas market of large quantities of Southwest production, leading to widespread power curtailments and blackouts in Texas as well as market prices never before experienced in the Southwest region. Supply restrictions caused by wellhead and pipeline freeze-offs during the Winter Weather Event caused prices of all relevant supplies to skyrocket for a few days. Smead Direct P.5 l. 29 - P. 6 l. 2. The requested recovery amount is less than the originally requested \$838.6 million, and therefore reduces the costs borne by ratepayers by roughly \$100 million compared to the original request. McCoy Settlement Testimony P.5 ls. 11-14.

Hedging

9. The very large run-up in prices this February required such a “perfect storm” of events that hedging or contracting to be insulated from such an anomalous market movement would be the equivalent of insuring against elephants walking through one’s home perhaps prudent to do in some other part of the world, but not in the Oklahoma natural gas market. Smead Direct P. 9

ls. 27-31. Additionally, considering a history of plentiful gas supplies with no indication of the severity of the Winter Weather Event that was about to occur, OG&E proceeded to use its monthly and daily contracting methods. OG&E had not procured multi-day gas since the advent of the modern natural gas markets brought about after FERC Order 636 in 1992. OG&E followed its fuel policies and procedures during the Event. McCoy Responsive at P. 13 ls. 1-3.

10. The company did not see the need to engage in hedging activity in early 2021 based upon past practices and considering the transaction costs, and the implied lack of flexibility when hedges are secured by fixed-price or formula contracts, or by transacting in the futures market. There is also the possibility under normal conditions that hedging can create real and substantial costs when unneeded gas must be disposed. OG&E explained that its portfolio approach to keeping multiple supply sources available provides price protection without the cost or risk of price-stabilization mechanisms such as hedges. Smead Direct at P. 8 ls. 14 – 24. If OG&E would have procured multi-day or weekly natural gas, since supply cuts hit every type of gas, there would have been no guarantee that gas would have flowed. McCoy Responsive P. 11 ls. 11 -17.

Gas in Storage

11. The focus during the February 2021 Winter Weather Event was to keep the power flowing to ensure reliability for the benefit of the public. OG&E's use of gas in storage and purchase of gas for storage during the February 2021 Winter Event was meant to ensure it had an adequate gas supply so that its gas-fired generating facilities could continue providing critical power to the grid. The Company built up gas supply on February 17th and 18th so that it could restore Redbud to full output. It would have been imprudent for OG&E to exhaust its gas storage reserve when supply disruptions were happening and the ability to obtain gas was so uncertain. These steps were critical to ensuring gas supply would be maintained and Redbud could return to full output. Rowlett Rebuttal P.9 ls. 17 – 31. Any argument that OG&E should have used storage gas to mitigate overall costs during this Winter Weather Event is hindsight without a full understanding of the context of the seriousness of OG&E's efforts to maintain reliability. It is easy to make those recommendations when you are not in the middle of the crisis, but OG&E, first and foremost, had a responsibility to its customers and the state of Oklahoma to make sure reliability was maintained. Throughout the event, OG&E used gas in storage to assure reliability. On February 17th and 18th in particular, OG&E took steps to "pack the pipe" and build gas supply on the pipeline so that gas supply would be ensured for reliability going forward. Rowlett Rebuttal P. 9 l. 27 – P. 10 l. 3.

Planned Outages

12. The unavailability of generating units (Horseshoe Lake 6, 7, 8 and 10, Muskogee 4 and 5 and River Valley Unit 1) were due to planned outages for repair work approved by SPP. These outages are performed in off peak periods, such as February to prepare for the summer peak demands which is the normal procedure and require advanced planning. Rowlett Rebuttal P. 7 ls. 2- 15.

The noted outages represented 53% of the Company's reported gas fired units megawatt capacity. In addition, during a majority of the Winter Weather Event, a third of the wind turbines were faulted due to ice accumulations. The combination of the planned outages and the faulted, iced wind turbines accounted for 28% of OG&E's megawatt capacity being unavailable. Despite the Winter Weather Event occurring late in the season when extended extreme cold periods are rare and at a time when outages had been approved, there were minimal service interruptions. McCoy Responsive P. 10 ls. 2- 15.

Consumer Impact: Benefits of Securitization versus Traditional Financing

13. THE COMMISSION FURTHER FINDS that, compatible with Section 4 C of the Act, securitization would provide benefits to customers as compared to traditional utility financing regarding the extreme purchase costs arising from the February 2021 Winter Weather Event. Rowlett Settlement Testimony P.3 ls. 1-3. Estimates indicate residential customers would pay an average of \$2.12 per month using a 28-year amortization period under securitization rather than \$3.95 utilizing traditional utility financing. The bonds to be issued may ultimately have somewhat different impacts, but the comparison between securitization and traditional utility financing shows significant savings. *Id.* at P. 6. ls. 20 - 23, Table 1.

Financing Order Amount and Term

14. THE COMMISSION FURTHER FINDS that the Draft Financing Order should be approved since it will likely allow OG&E to secure a Triple A bond rating. Bartolotta Responsive P. 37 ls. 11 - 16. 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. This amount will be finalized once associated costs and financing charges are established for the 28 year amortization period. While the parties recommend the 28-year term, the Oklahoma Development Financing Authority ("ODFA") may adopt a shorter financing period if that is found to be advantageous to customers and will result in the lowest reasonable monthly charge to customers. Rowlett Settlement Testimony, P. 5 ls. 3 - 11.

15. 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 OG&E's accountants, financial and legal advisors, which are referred to as Utility Issuance Costs. All other bond issuance costs (collectively, "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. Stipulating Parties' Findings of Fact and Conclusions of Law Attachment 1, Draft Financing Order P. 39 ls. 1 - 6.

16. THE COMMISSION FURTHER FINDS that OG&E, as the initial servicer of the bonds, 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. It is important to the Rating Agencies' analysis of the transaction that the Utility receives an arm's-length fee as servicer of the transition property. However, it has become customary in utility securitizations for utilities 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 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 support the bankruptcy analysis of legal counsel and to ensure that any excess payment be credited back to customers. The Financing Order incorporates these customer-benefit concepts. Bartolotta Responsive Testimony P. 53 l. 16 to P. 54, l. 4.

Make Whole Payments, Customer Credits

17. THE COMMISSION FURTHER FINDS that OG&E shall diligently pursue Make Whole Payments ("MWP") and settlement amounts through the SPP pursuant to 17 O.S. 9074 (G) of the Act, with recovered amounts credited to customers, thereby assuring that customers will benefit from these efforts. McCoy Settlement Testimony P. 6 ls. 21- P. 7 ls. 1-2.

18. If additional MWP and resettlements are received, or if any insurance proceeds related to winter weather event claims are received, those amounts shall be credited to customers pursuant to 74 O.S. 9074 G (February 2021 Regulated Utility Consumer Protection Act). Rowlett Settlement Testimony P.5 ls. 23 -27.

Carrying Charges

19. THE COMMISSION FURTHER FINDS that the carrying charge on the regulatory asset balance 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 Winter Weather Event. Rowlett Settlement Testimony at P. 6 ls. 3 - 6. This has the effect of keeping the company whole for securitization expenses while minimizing costs to ratepayers. McCoy Settlement Testimony P. 7 ls. 4-8.

Future Cost Mitigation

20. THE COMMISSION FURTHER FINDS that OG&E has agreed to hold stakeholder meetings to discuss methods to avoid future costs of gas volatility in light of potential future extreme weather events. This includes use of natural gas storage services and physical and financial hedging related to natural gas procurement. OG&E shall 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. This collaborative process will search for methods to mitigate costs arising from price volatility. McCoy Settlement Testimony P. 7 ls. 11 -20, P. 8 ls. 1 -3. Rowlett Settlement Testimony P. 6 ls. 10 - 16. Joint Stipulation and Settlement Agreement Paragraph 6.

Cost Allocation

21. THE COMMISSION FURTHER FINDS that subject to the exceptions listed below, the cost to Service Level ("SL") classes, based on SL daily usage and the daily cost incurred by OG&E to service that customer class, is reasonable and equitable to customers. This adjustment to the originally filed allocation method is intended to more closely align cost allocation with the

manner in which costs were incurred during the Winter Event. Cash Settlement Testimony P.2 ls. 21-24.

22. As an exception to the above cost of service, Day-Ahead Pricing and Flex Pricing customers' baseline usage will be utilized instead of actual usage for both allocation and pricing purposes. This will ensure recognition for payments already made and credits already received for these customers' usage above and below the customer baseline. Uncollectible WES amounts will be recorded by service level and included for recovery in each respective service level class' true-up calculation. *Id.* at P. 3 ls. 5 – 11. This allocation noted above presents a fair cost allocation in the public interest. McCoy Settlement testimony P. 8 ls. 6 -21.

23. THE COMMISSION FURTHER FINDS that the Winter Event Securitization ("WES") charges to SL 1 and 2 customers will be assessed according to their level of energy actually used during the Event. This is accomplished by determining each customer's usage during the Winter Weather Event and dividing by 100,000 kWh to arrive at a quantity of blocks that each customer will be billed a block rate each month during the term of the WES. For SL 1 and 2 customers that had less than 100,000 kWh used during the Event, and SL 1 and 2 customers that are new to the system after the Event, a minimum of one block will be assessed the WES block charge. This adjustment to WES pricing for SL 1 and 2 customers will more closely recognize customer contributions to energy usage during the Event. Cash Settlement Testimony P. 3 ls. 1- 4.

True Up Mechanism

24. THE COMMISSION FURTHER FINDS that the Energy Allocation methodology as reasonable and equitable to customers, will remain fixed except as adjusted by a Non-Standard True-Up, for the life of the Bonds as discussed more fully below. Draft Financing Order, attached hereto as Exhibit "A" to Attachment "A".

25. THE COMMISSION FURTHER FINDS that the "true up and reconciliation" methodology proposed under the heading STANDARD FACTOR DETERMINATION in the Exhibit "A" to the Joint Stipulation and Settlement Agreement is reasonable and equitable to customers. As provided in the Draft Financing Order, the WES Charge may be adjusted more frequently as provided in the Draft Financing Order, P9-10 (Frequency of True-Ups and Reconciliation).

26. THE COMMISSION FURTHER FINDS that as a term of the Financing Order, a non-standard true-up shall be implemented if a large decline in demand by one or more classes increased the securitization charge payable by customers in the affected class or classes to an unsustainable level. A non-standard true up would be implemented if the forecasted billing units for one or more rate classes for an upcoming Payment Period decreased by more than 10% compared to the billing units underlying the most recent semi-annual true-up (threshold billing units)) (an "Affected Class"). The non-standard true up to be calculated as set forth under NON-STANDARD FACTOR DETERMINATION in Exhibit A to Joint Stipulation and Settlement Agreement.

27. THE COMMISSION FURTHER FINDS that the non-standard true-up adjustment as set out in the Draft Financing Order is approved as consistent with achieving the highest possible ratings on the bonds and is equitable and consistent with achieving savings to customers.

Position of AARP Regarding the Joint Stipulation and Settlement

28. THE COMMISSION FURTHER FINDS that AARP was not a signatory to the Joint Stipulation and Settlement as noted in its Findings of Fact and Conclusions of Law filed October 25, 2021.

29. THE COMMISSION FURTHER FINDS that AARP'S recommendation that OG&E's cost recovery should be reduced by an unspecified amount due to imprudent reliance on daily market gas purchases is unsubstantiated by evidence filed in this matter. AARP Findings of Fact and Conclusions of Law P.3. See Paragraphs 6 - 10 above; Joint Stipulation and Settlement Agreement Provision 1.

30. THE COMMISSION FURTHER FINDS that AARP's contention that OG&E failed to exercise its ability to reduce load on its Load Reduction Tariff by only calling for load reduction during the most critical times as directed by SPP is not supported by competent evidence. AARP concedes that it was unclear how much load was available for reduction. AARP Findings of Fact and Conclusions of Law P.3.

31. THE COMMISSION FURTHER FINDS that AARP's assertions that OG&E was imprudent in its use of gas in storage during the Winter Weather Event is not supported by the evidence in this cause. See AARP Findings of Fact, Conclusions of Law P.3. See Paragraph 11 above.

32. THE COMMISSION FURTHER FINDS that AARP's recommendation for a reduction in OG&E's recovery in the amount of \$4,916,780²¹ due to additional costs incurred in May 2021, is not supported by the evidence in this matter. AARP Findings of Fact and Conclusions of Law P. 3. See Paragraph 14 - 16 above. See Joint Stipulation and Settlement Agreement Provision 3.

33. THE COMMISSION FURTHER FINDS that AARP's objection to the cost allocation agreed upon by the stipulating parties as being contrary to the public interest is not supported by the evidence in this matter. The shift in cost to Service Level 5 noted by AARP is based upon actual usage during the Winter Weather Event term when larger customers had shut down operations. Customers referenced in Service Level 5 in turn increased usage. AARP Statement of Position Ps. 3 -4. See Paragraph 21 - 23. See Joint Stipulation and Settlement Agreement Provision 7.

34. THE COMMISSION FURTHER FINDS that the form of the draft financing order included in Attachment "C" subject to further refinement and details necessary required to achieve the highest achievable bond rating should be adopted.

V. ORDER

THE COMMISSION THEREFORE ORDERS that the above findings of fact and conclusions of law are adopted as the Order of this Commission.

THE COMMISSION FURTHER ORDERS that the Joint Stipulation and Settlement Agreement, attached hereto as Attachment “A”, is hereby approved, and incorporated into this order of the Commission.

THE COMMISSION FURTHER ORDERS that the form of the draft financing order included in Attachment “C” subject to further refinement and details necessary required to achieve the highest achievable bond rating is hereby adopted.

Respectfully submitted,

/s/ Linda S. Foreman

LINDA S. FOREMAN

Administrative Law Judge

C:

Chairman Dana L. Murphy

Vice Chairman Bob Anthony

Commissioner J. Todd Hiatt

Curtis M. Johnson

Matt Mullins

Nicole King

Elbert J. Thomas

Ben Jackson

Elizabeth A.P. Cates

Mary Candler

Stacy Bonner

Natasha M. Scott

William L. Humes

Kimber L. Shoop

Jack P. Fite

Jared B. Haines

A. Chase Snodgrass

Jack G. Clark, Jr.

Ronald E. Stakem

Thomas P. Schroedter

D. Kenyon Williams

Rick D. Chamberlain

Deborah R. Thompson

Michael L. Velez

Lauren D. Willingham

November 12, 2021

Date

Attachment "A"

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) Cause No. PUD 202100072
 PROTECTION ACT APPROVING)
 SECURITIZATION OF COSTS ARISING)
 FROM THE WINTER WEATHER EVENT)
 OF FEBRUARY 2021)

**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

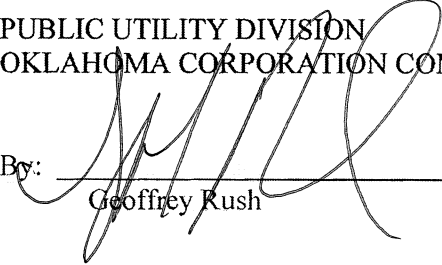
OKLAHOMA GAS AND ELECTRIC COMPANY

Dated: _____

By: _____
Donald Rowlett

PUBLIC UTILITY DIVISION
OKLAHOMA CORPORATION COMMISSION

Dated: 10/7/21

By: 
Geoffrey Rush

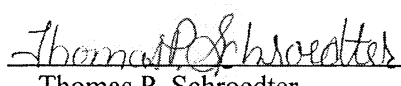
OKLAHOMA OFFICE OF THE ATTORNEY GENERAL

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: 10/7/2021

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

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

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 = 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

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.

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.XXXXXXX
4	\$0.XXXXXXX
5	\$0.XXXXXXX

Attachment "B"

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

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CAUSE NO. PUD 202100072

FILED
OCT 07 2021

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA



SUMMARY OF RESPONSIVE TESTIMONY

OF

ISAAC D. STROUP

OCTOBER 7, 2021

1 Isaac D. Stroup is employed by the Public Utility Division (“PUD”) of the Oklahoma
2 Corporation Commission (“Commission”) as a Coordinator. Mr. Stroup filed Responsive
3 Testimony in Cause No. PUD 202100072 on August 23, 2021.

4 On April 26, 2021, Oklahoma Gas and Electric Company (“OG&E”) filed an Application
5 for a financing order pursuant to the February 2021 Regulated Utility Consumer Protection
6 Act (“Act”) approving securitization of costs arising from the Winter Weather Event
7 (“Event”) of February 2021. Mr. Stroup testified that PUD reviewed the Application,
8 Direct Testimony, and workpapers filed by the Company, and reviewed 74 Okla. Stat. §
9 9070 *et seq.* PUD also held multiple virtual audit conferences with Company personnel,
10 reviewed supporting documentation, issued Data Requests and reviewed the responses, and
11 reviewed the responses to Data Requests issued by other intervenors.

12 Mr. Stroup testified that after its review, PUD has the following recommendations:

- 13 1. PUD recommends the Commission approve a financing order for OG&E.
- 14 2. PUD recommends the Commission approve the Winter Event Securitization
15 Recovery Mechanism and allocation methodology as proposed by OG&E.
- 16 3. PUD recommends the Commission reject OG&E’s conditional proposal to increase
17 carrying charges to its Weighted Average Cost of Capital (“WACC”) for costs
18 incurred during the Winter Weather Event (“Event”) of February 2021.

CERTIFICATE OF ELECTRONIC SERVICE

I, the undersigned, do hereby certify that on the 7th day of October 2021, a true and correct copy of the above and foregoing was sent electronically to:

Office of Attorney General

Jared Haines
A. Chase Snodgrass
313 NE 21st Street
Oklahoma City, OK 73105
Jared.haines@oag.ok.gov
Chase.snodgrass@oag.ok.gov
utilityregulation@oag.ok.gov

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Kimber L. Shoop
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Thomas P. Schroedter
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Deborah R. Thompson
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Oklahoma City, Oklahoma 73154
Dthompson@okenergyfirm.com

Barbara Colbert

TISH COATS, Regulatory Admin. Oversight Manager
BARBARA COLBERT PUD Compliance Investigator
SUSAN HARWELL, Assistant PUD Regulatory Analyst
Oklahoma Corporation Commission

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

FILED
OCT 07 2021
COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA



SUMMARY OF RESPONSIVE TESTIMONY

OF

JORAY MCCOY, CFE, MAFF, SMIA, CPO

OCTOBER 7, 2021

1 JoRay McCoy is employed by the Public Utility Division (“PUD”) of the Oklahoma
2 Corporation Commission (“Commission”) as a Chief. Mr. McCoy filed Responsive
3 Testimony in Cause No. PUD 202100072 on August 23, 2021.

4 On April 26, 2021, Oklahoma Gas and Electric Company (“OG&E”) filed an Application
5 for a financing order pursuant to the February 2021 Regulated Utility Consumer Protection
6 Act (“Act”) approving securitization of costs arising from the Winter Weather Event
7 (“Event”) of February 2021. Mr. McCoy testified that PUD reviewed the Application,
8 direct testimony, schedules, workpapers, and sponsored exhibits filed by the Company.
9 The review process included a review of applicable statutes and regulations. Virtual
10 reviews with Company officials were conducted and data requests were issued by PUD.

11 Mr. McCoy testified that after its review, PUD recommends the Commission approve
12 OG&E securitization request. PUD reviewed OG&E’s Application and confirmed OG&E
13 has complied with the requirements set forth in the February 2021 Regulated Utility
14 Consumer Protection Act 74 § 9073.A. Based upon PUD’s review of the referenced statute,
15 PUD believes the extreme purchase costs would otherwise be recoverable from customers
16 as fair, just and reasonable expenses, and were prudently incurred. OG&E acted in
17 accordance with its fuel procurement policies and procedures during the Event. PUD
18 recommends the Commission direct OG&E to review whether a financial hedging program
19 might be beneficial and economical and report its findings to PUD. PUD also recommends
20 OG&E provide a 15-year, a 20-year and a 30-year financing scenario so the Commission

1 may review and consider the differences in costs and term lengths. In final, PUD
2 recommends OG&E provide the federal tax consequences of the transaction.

CERTIFICATE OF ELECTRONIC SERVICE

I, the undersigned, do hereby certify that on the 7th day of October 2021, a true and correct copy of the above and foregoing was sent electronically to:

Office of Attorney General

Jared Haines
A. Chase Snodgrass
313 NE 21st Street
Oklahoma City, OK 73105
Jared.haines@oag.ok.gov
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William L. Humes
Kimber L. Shoop
Oklahoma Gas and Electric Company
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Barbara Colbert

TISH COATS, Regulatory Admin. Oversight Manager
BARBARA COLBERT PUD Compliance Investigator
SUSAN HARWELL, Assistant PUD Regulatory Analyst
Oklahoma Corporation Commission

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION
OF OKLAHOMA GAS AND ELECTRIC
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REGULATED UTILITY CONSUMER
PROTECTION ACT APPROVING
SECURITIZATION OF COSTS ARISING
FROM THE WINTER WEATHER EVENT
OF FEBRUARY 2021

Cause No. PUD 202100072



SUMMARY OF RESPONSIVE TESTIMONY AND SUPPLEMENTAL TESTIMONY

OF

MICHAEL BARTOLOTTA

ON BEHALF OF

PUBLIC UTILITY DIVISION

OCTOBER 7, 2021

1 Michael Bartolotta is an Executive Managing Director in Public Finance and Debt Capital
2 Markets for Hilltop Securities Inc. (“Hilltop”). Mr. Bartolotta filed Responsive Testimony
3 in this matter on August 23, 2021, Supplemental Responsive Testimony on September 8,
4 2021 and Supplemental Responsive Testimony on October 7, 2021, in each case on behalf
5 of the Public Utility Division (“PUD”).

6 Mr. Bartolotta provided in his responsive testimony, filed on August 23, 2021

- 7 1. Background information on the use of securitization generally, and more
8 specifically, ratepayer-backed utility securitizations by utilities and by public
9 entities for the benefit of utilities in other jurisdictions;
- 10 2. A description of the proposed bond structure and associated transaction documents
11 to be used to issue ratepayer-backed bonds (the “Bonds”) pursuant to the February
12 2021 Regulated Utility Consumer Protection Act (the “Act”);
- 13 3. A description of the provisions of a form of the Financing Order that is proposed
14 for use by the Commission and the justification for its adoption;
- 15 4. A description of Bond issuance costs and ongoing administration and servicing
16 costs associated with the issuance and servicing of the Bonds and how such costs
17 should be recovered by the relevant parties;
- 18 5. A description of the servicing arrangements associated with the issuance and
19 servicing of the Bonds;
- 20 6. A description of the rating agency process and rating agency considerations in
21 connection with the issuance of the Bonds; and

1 7. A description of the marketing process of the Bonds.

2 Mr. Bartolotta filed supplemental responsive testimony on August 23, 2021 to amend
3 Attachment I in his responsive testimony to add as a new line item for the costs of Hilltop's
4 outside counsel.

5 Mr. Bartolotta provided in his responsive testimony, filed on October 7, 2021

- 6 1. A description, in practical terms, how the true-up and reconciliation process
7 described in Part IV of the form of Financing Order attached as Exhibit A to his
8 Responsive Testimony filed on August 23, 2021 would function and how Winter
9 Energy Storm ("WES") Charges would be determined based on the true-up and
10 reconciliation process (as described in the draft Financing Order at that time, each
11 a "true-up adjustment");
- 12 2. An explanation why a non-standard true-up adjustment may be required and the
13 conditions under which a non-standard true-up adjustment may be required;
- 14 3. An explanation of the proposal by Oklahoma Gas and Electric Company's proposal
15 regarding nonbypassability of the WES Charge;
- 16 4. More detail, based on various scenarios and the rebuttal testimony of Donald
17 Rowlett dated September 13, 2021, relating to the requirement in the Act that any
18 financing provide substantial revenue requirement savings,

- 1 5. An amended Attachment I to add as a new line item, the costs of the Oklahoma
- 2 Corporation Commission's outside counsel, which are currently estimated at
- 3 \$50,000, and
- 4 6. A correction of his testimony with respect to a securitization by a utility providing
- 5 only natural gas as an energy supply.

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

FILED
 OCT 07 2021

**SUMMARY OF
 THE RESPONSIVE TESTIMONY AND EXHIBITS OF
 LISA V. PERRY ON BEHALF OF
WALMART INC.**

COURT CLERK'S OFFICE - OKC
 CORPORATION COMMISSION
 OF OKLAHOMA

Lisa V. Perry, Senior Manager, Energy Services, Walmart Inc., ("Walmart") filed Responsive Testimony And Exhibits on Walmart's behalf in this docket.

Ms. Perry testified Walmart operates 134 retail units, two distribution centers and employs over 34,000 associates in Oklahoma. In fiscal year ending 2021, Walmart purchased \$486.4 million worth of goods and services from Oklahoma-based suppliers, supporting over 32,000 supplier jobs.¹

Ms. Perry also testified Walmart has approximately 56 retail stores, including Supercenters, Sam's Clubs, and Neighborhood Markets, plus related facilities, in the Oklahoma service territory of Oklahoma Gas and Electric Company ("OG&E"). Primarily, these facilities are served on the Power & Light – Time of Use Schedule.

¹ <http://corporate.walmart.com/our-story/locations/united-states/oklahoma>

**SUMMARY OF THE RESPONSIVE
TESTIMONY AND EXHIBITS OF
LISA V. PERRY ON BEHALF OF
WALMART INC.,
Cause No. PUD 202100072**

Ms. Perry recommended that any Financing Order issued in this proceeding authorize carrying costs for the Regulated Asset (as defined in her testimony) as approved in Cause No. 202100039 and consistent with its Order No. 717355, which approved carrying costs at “OGE Energy Corp.’s actual effective cost of credit facilities, loan agreements, or other debt financing” until the Winter Storm Costs are securitized through the issuance of ratepayer-backed bonds.

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. 202100072

**Testimony Summary of Gwin Cash**

My name is Gwin Cash and in my rebuttal testimony I state my professional qualifications, education background, purpose for testifying, and the occasions that I have testified before the Oklahoma Corporation Commission and Arkansas Public Service Commission.

In my Rebuttal Testimony I rebut the recommendations of OIEC witness Mr. Collins regarding the Company's Winter Event Mechanism ("WES"), which recommends that costs should be allocated using actual energy usage of Day-Ahead-Pricing ("DAP") and FLEX Pricing instead of Customer Baseline ("CBL") usage. Secondly, I will rebut Mr. Collins assumption that WES costs should be allocated to service levels based on daily costs and daily service level usage. Lastly, I will address a clarification to the draft Financing Order provided in the testimony of PUD Witness Bartolotta.

Mr. Collins' recommendation that DAP and FLEX customers actual usage should be utilized instead of the CBL usage would result in doubling of credits already paid to customers of charges that have already assessed. Some customers would benefit twice, and some customers would end up being negatively impacted twice. A CBL represents a typical or expected electricity consumption level and pattern. CBL is charged at standard pricing, including Fuel Cost Adjustment and all applicable riders. Incremental usage and decremental usage above or below the CBL is charged at the SPP day-ahead marked prices, where below usage is a sell back of energy not used but paid for by the customer, and above usage costs are charged at wholesale market rates. These amounts are included on the customer's monthly bill.

For incremental usage customers they have used more energy than what is included in their CBL, in which they have been billed at day-ahead market prices. If WES allocated costs using higher actual usage, as suggested by Mr. Collins, instead of the lower CBL usage this class of

customers would be charged for incremental usage, and would essentially have to pay for costs that they have already been charged. For decremental usage, the DAP and FLEX customers must also pay up to the usage amount included in their CBL. If WES were allocated as suggested by Mr. Collins using actual usage instead of the higher CBL usage these classes of customers wouldn't be allocated their share of costs and would not pay for costs that they have already sold back to the utility. This would result in a double credit to this customer class for decremental usage.

Mr. Collins recommends allocating costs to service levels using daily cost and daily usage by service level which is a departure for a long-standing practice of utilizing aggregated cost and usage for determining fuel cost allocation. Typically fuel costs balances are determined monthly, and the energy allocators are determined using monthly service level usage. For the WES, the Company has aggregated usage by service level for computing the energy allocator, which is the same method used in the Company's FCA over/under calculations.

Mr. Collins assumptions would result in a cost shift of \$39 million to service level 5, which includes all residential customers, away from service levels 1 through 4. This results in a service level 5 allocation increase of 4.49%.

The Company requests the draft Financing Order presented in the testimony of Witness Bartolotta mirror the language of the WES mechanism as it related to paragraph sixty-seven (67). The draft states, "The Commission will have [45 days] after the date of the true-up adjustment filing in which to confirm the mathematical accuracy of the servicer's adjustment." The Company requests the following language from the WES Mechanism be added to the above sentence, which states, "The Public Utility Division shall endeavor to complete its review within 30 days."

I respectfully recommend the Commission to:

- Reject Mr. Collins' recommendation to utilize actual energy instead of CBL energy for DAP and FLEX customers,
- Reject Mr. Collins' recommendation to utilize a daily allocation of cost for purposes of calculating the service level energy allocator,
- and
- Clarify the true-up language in the draft Financing Order to include the specific language of the WES Mechanism.

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) Cause No. PUD 202100072
 REGULATED UTILITY CONSUMER)
 PROTECTION ACT APPROVING)
 SECURITIZATION OF COSTS ARISING)
 FROM THE WINTER WEATHER EVENT)
 OF FEBRUARY 2021)

**Testimony Summary of Shawn McBroom****Direct Testimony**

In my Direct Testimony, I state that I am employed by Oklahoma Gas and Electric Company (“OG&E”) as the Senior Manager, Commercial Operations. I provide my educational and professional background and state that I have not previously testified before this Commission.

I state that the purpose of my testimony is to describe the occurrences around the winter weather in February 2021 that impacted the fuel procurement, coordination of generating resources, and the SPP IM as it relates to OG&E (hereinafter the “Event” or Winter Storm Uri (“Uri”)). I will also highlight the tremendous efforts of OG&E to ensure life-sustaining power continued to flow to customers throughout the historic weather event.

I explain that OG&E is committed to its obligation to serve its customers. As such, OG&E plans for its fuel and purchased power needs with the following primary objectives: Reliability, Lowest Reasonable Cost, and Reduced Fuel Cost Volatility. I further explain that OG&E procures all its fuel using competitive processes. OG&E recognizes natural gas, coal, and fuel oil markets generally possess commodity market characteristics making competitive procurement an effective tool to ensure the lowest reasonable price possible for customers. I go on to explain OG&E’s natural gas procurement process utilizing a formal Request for Proposal (RFP) process. This formal RFP process applies to Term Gas, Call Gas, Daily Gas, and Intra Day Gas procurement. Intra Day Gas, and is detailed in the Company’s annual submission of its Fuel Supply Portfolio and Risk Management Plan.

I describe that Winter Storm Uri (“Uri”) is the name given to the widespread winter weather storm that descended across a large part of the US and into parts of Mexico during February. Uri brought about historic freezing weather resulting in winter weather alerts, power outages, and North

American Electric Reliability Corporation (“NERC”) reliability events across the SPP footprint. Uri is credited for causing the largest U.S. power outage since the upper Northeast power outage of 2003, which resulted in a blackout affecting an estimated 50 million people. This historic weather event had its greatest impact on the SPP footprint from February 13 through 17 of 2021, but had a very significant impact from February 7 through February 21, and my testimony focuses on these periods.

I explain that OG&E’s meteorological group began forecasting the timing and impact of the large arctic weather system, and OG&E Market Operations began discussing with SPP their intended actions regarding the storm. On the evening of February 2, 2021, Market Operations contacted the SPP Shift Supervisor’s desk seeking information as to when SPP expected to issue a cold weather or resource alert. At that time, the SPP shift supervisor stated they were continuing to assess the approaching weather conditions and system-wide resource health and would make a future communication should action be needed.

I detail the SPP Balancing Authority Operating Levels, from lowest impact to highest: Normal Operations, Weather Alert, Resource Alert, Conservative Operations, Maximum Emergency Generation Notification, Energy Emergency Alert (EEA) Level 1, EEA Level 2, and EEA Level 3. On February 4, 2021, SPP issued its first weather alerts, by issuing a Cold Weather Alert, warning SPP members of the expectation of extreme weather in the SPP reliability footprint. On February 8, 2021 at 9:32am the SPP BA desk issued a Resource Alert.

Next, I describe the events OG&E began to experience. On Sunday, February 7, 2021, OG&E experienced freezing temperatures and precipitation that negatively impacted the availability of the OG&E wind resources due to turbine blade icing from the freezing precipitation/fog. OG&E also experienced issues with a gas valve at Horseshoe Lake Unit 9. On Monday, February 8, 2021, freezing precipitation continued and impacted the air intake systems and safety valve systems of various generation resources causing them to be taken offline. Plant operations staff worked diligently to return these generation resources to service. With the forecast continuing to show worsening weather conditions, OG&E also began efforts to return resources to service that were on SPP-approved planned outages, as further discussed in the Direct Testimony of Company Witness Robert Doupe. In addition, OG&E took steps to ensure all generating resources (not on previously planned outages) were available to be committed by the SPP Marketplace. At midnight on Tuesday, February 9, 2021, the SPP activated Conservative Operations, and OG&E immediately began conservative operation procedures as discussed in SPP BA’s Emergency Operating Plan. For both Monday, February 8, 2021 and Tuesday, February 9, 2021 the day trade market prices for natural gas were approximately \$3.50 MMBtu.

On Wednesday, February 10, 2021, all OG&E owned wind farms and PPA wind farms remained on outage (offline) or in a de-rated status because of freezing precipitation/fog. In addition, the

Seminole plant experienced pipeline pressure issues, which resulted in a de-rate of the available output. Multiple other auxiliary systems (e.g., closed cooling water, instrumentation, transmitters, air dampers, etc.) across the OG&E resource fleet also experienced freezing with both online resources as well as those resources attempting to come off outage to support the bulk electric system.

Thursday, February 11, 2021, wind farm conditions were not showing any signs of improvement even with relentless efforts by wind farm staff to remediate icing issues on the wind turbine blades. OG&E self-committed the Frontier generating resource after operational issues developed that required the facility to remain online. If OG&E had not done so, it would likely have been difficult to get Frontier back online later with such extreme temperatures. OG&E took the self-commitment action to ensure the Frontier generating facility would continue to be available and assist in supporting the overall bulk electric system, specifically in light of SPP conservation operations. While the decision to self-commit involves the risk of not being able to receive adequate SPP revenues to offset the cost of running the unit, OG&E decided to self-commit to ensure that this critical generation remained online. With the worsening weather, it was becoming clear that every generating resource was critical to maintaining the security of the bulk electric system.

Friday, February 12, 2021 (the fourth day of SPP issued Conservative Operations), OG&E began to experience issues at the coal generating facilities caused by the extreme freezing temperatures. The most common issues were with auxiliary systems, specifically in water cooling and air intake system. However, through the extraordinary efforts of OG&E plant personnel many of the issues were mitigated/remedied to allow resources to stay on-line, as discussed in the Direct Testimony of Company Witness Robert Doupe.

I explain that natural gas supply and pricing concerns began increasing. The Wednesday-for-Thursday flowing prices settled twice the price as the previous gas day. The Enable index price settled at \$8.27 per MMBtu on Thursday, February 11, 2021. OG&E had not experienced gas prices over \$8.00 per MMBtu gas since March 5, 2014. This price increase was caused by minor freeze offs on the Enable system, but the pipeline was working with suppliers to continue to support the flow of natural gas. On the morning of Friday, February 12, 2021, OG&E began to see the precipitous climb of natural gas prices for the coming week. Pipelines were expressing concerns of restricted flow based on freezing concerns and suppliers' lack of confidence in their ability to deliver fuel to the pipelines. For example, the Frontier generating facility risked being forced offline because the Southern Star pipeline was seeing limited fuel supply in the pipeline area that serves the resource. A convergence of factors set the stage for gas prices to sky rocket on Friday, February 12, 2021, namely: the Conservative Operations declaration by SPP, the freezing gas supply system and unavailability of natural gas, the continuing extreme low temperatures forecasted because of Uri's impact, the four-day holiday (President's Day) weekend nomination requirement, limited supply of available generation (e.g., maintenance outage season

across the SPP footprint), and peak load that was approaching summer peak load levels. As soon as gas trading began on Friday morning, prices began rapidly escalating and the OG&E fuel management staff worked swiftly to procure needed volume expectations for the four-day weekend.

On Saturday, February 13, 2021, OG&E was concerned with how the SPP IM would manage the elevated resource offers caused by the sharply elevated natural gas prices for the holiday weekend. SPP signaled to Market Participants the urgency of resources staying online with multiple day commitments across the weekend. This action gave Market Participants assurance their high-priced fuel costs would be recovered through market settlements. On Sunday, February 14, 2021, temperatures reached very low levels, topping out at a high of 15 degrees and OG&E's generating resources continued to operate due to the tireless efforts of power supply staff working to remediate freezing of equipment and ensure fuel supply continuity. Freezing temperatures created problems in the coal resources as well, and the movability from the pile into the plant. Bottom ash began backing up, increasing the likelihood of the resources needing to come offline. Additionally, frozen railroad tracks and railroad line switches caused delays in scheduled deliveries for much needed fresh coal supply. Natural gas resource fuel supply issues also began to worsen and approach true criticality on some pipelines. All gas pipelines were reporting concerns that supply freeze offs were imminent in the forward approaching hours.

At 12:00am on Monday, February 15, 2021, SPP advanced the Conservation Operations status to Emergency Energy Alert ("EEA") Level 1. Operating conditions at the generating resources continued to deteriorate as snow began to fall and ambient temperatures were approaching zero degrees Fahrenheit. The Mustang Energy Center required a short outage to implement a tarping system to prevent snow from being sucked in by the resource's inlet air systems. The Sooner coal resources were operating at full output as plant staff ensured every section and transfer point of the coal conveyor system was facilitating the movement of coal into the plant. OG&E had been attempting to bring Muskogee Unit 5 back online from a previously scheduled outage status but was forced to abandon the start-up due to the freezing conditions. As explained by OG&E witness Doupe, OG&E was also working hard to keep Muskogee Unit 6 online and producing critical MWs.

SPP advanced the Conservative Operations status to EEA Level 2 at 7:22am. Pressures on natural gas pipelines began dropping system-wide and generating resources were forced to back down to minimum outputs to maintain stable generation output. Ambient temperatures descended below zero degrees Fahrenheit. Despite SPP being able to obtain approximately 3,000 MWs of power from MISO, SPP issued its first EEA Level 3 alert at 10:08am, which resulted in controlled customer load interruptions. As the EEA event took effect, OG&E saw a very short period where SPP 5-minute Locational Marginal Prices (LMP) hit approximately \$50,000/MWh.

Through a collective effort of power supply staff to maintain and protect the online generation and OG&E customers' continued conservation efforts, SPP was able to return to EEA Level 2 at 1:00pm. The balance of Monday involved OG&E plant staff continuing to support fuel supply, manage freeze remediation actions, and investigate additional onsite load conservation actions. The OG&E commercial operations team focused on resources remaining online and fuel surety throughout the night as Tuesday morning was forecasted to reach extremely cold ambient conditions.

On Tuesday, freezing temperatures and demand for power forced SPP to elevate its EEA status back to EEA Level 3 at 6:15am, and customers woke up to controlled interruptions across the SPP footprint. OG&E focused on making sure its operating generating facilities remained on-line. Conditions on all pipelines had deteriorated as operators expressed concerns about flowing volumes, and gas suppliers struggled to move gas to the pipelines as freeze-offs continued. OG&E also sought permission to exceed low load air emissions levels for an extended duration due to a lack of fuel supply. Tinker Air Force Base resources were taken offline because of low fuel pressure on the Oklahoma Natural Gas pipeline. OG&E began seeing some positive signs. New coal deliveries arrived at the Sooner plant and a small amount of wind resources began to come back online.

I explain that available generating resources remained stable and online across the early morning hours of February 17, 2021; however, fuel supply issues continued to hinder efforts by those resources to increase generation output to support load. While temperatures were still well below freezing, they moved into the teens and, by 1:15pm, the SPP issued a relaxation to EEA Level 1 as conditions begin to improve. Based on communication with SPP operations, OG&E knew there was risk of another EEA Level 3 event. OG&E operators continued to work tirelessly to maintain generating resources, but the system still needed more support. In response, the Company devised a plan to bring additional megawatts to the SPP footprint with no additional gas supply. The plan called for OG&E plant operations to intentionally shutdown the Mustang Energy Center, which in turn would allow the OGT system to build back or recover its fuel supply to the storage facilities that support both the Mustang Energy Center and the Redbud Power Plant. More commonly referred to as "packing the pipe," this plan was designed to build fuel supply into the OGT pipeline system during hours when the system was less dependent on generation in exchange for providing the "built up" gas supply when it was most critical. It would provide even more generation to the SPP and remediate the potential for any future demand interruptions. OG&E coordinated with OGT to confirm the potential benefits of OG&E's plan.

OG&E evaluated the plan for risks, and it determined the Mustang Energy Center provided the lowest risk of not being able to return to service when it was needed on the morning of February 18, 2021. The Mustang Energy Center has advanced weatherization technology, which allows the resources to operate in extreme weather conditions. Based on this confidence, OG&E determined

the benefits outweighed the risk. OG&E coordinated with SPP and OGT and moved forward with removing the Mustang resources from operation to allow the pipeline to pack available supply. After twelve consecutive hours of non-operation, and even with temperatures falling back into the single digits, the Mustang Energy Center units were able to return online and support the load peak of Thursday, February 18, 2021. This “give to get” plan was not a normal practice, but then again there was nothing normal about this historic winter event. In the end, the plan was successful and allowed the natural gas supply to build resulting in the ability for the Redbud Power Plant to move to full output.

I explain how vents after February 17, 2021 quickly revealed how rapidly operations can return to normal. On Thursday, February 18, 2021, SPP and OG&E operations staff began to forecast improvements in system health following the morning peak load demand. The plan to hold Mustang offline in the extreme ambient conditions and pack the gas pipeline proved successful. OG&E was able to offer all-natural gas resources into the day-ahead market for Friday, February 19, 2021 at full output. The improvement of conditions on the system were rapid as Uri exited the OG&E coverage area. By Saturday, February 20, 2021, the SPP declared a return to normal operations.

I further explain that for the period of February 7 through February 21, 2021, OG&E’s net natural gas costs were approximately \$702 million. The highest index price in the last twenty-five (25) years occurred on February 18, 2021 with the OGT index settling at \$1,193.15 MMBtu. The next closest price spike occurred on February 6, 2014 at an index price of \$35.52 MMBtu. The average daily price of natural gas for the past five (5) consecutive years on the Enable pipeline was \$2.21 MMBtu and \$2.03 MMBtu on the OGT pipeline.

I explain that OG&E does not utilize financial hedges against price volatility but does use call options to secure volumes to help with the normal uncertainty of operating in the SPP IM. Price volatility events since the beginning of the SPP IM have been typically short in duration and low in severity; thus, financial hedges have not been utilized due to the added costs for customers and low likelihood of such extreme events.

In addition I state that OG&E could not have had a specific strategy for winter weather this extreme. As a general strategy, OG&E purchases fuel based on the season of year. In the summer months, OG&E historically experiences its highest load demands and therefore the largest volumes of term gas. Winter is historically a much lower load demand period and therefore more conservative volumes of term gas are purchased.

I state that to provide OG&E with the required flexibility to operate its gas-fired generation plants, the Company has firm but flexible service for gas transportation from ONEOK, Enable Midstream and Southern Star Company. OG&E has physical storage on the ONEOK system, daily cash-out with Enable Midstream, and monthly cash-out with Southern Star Company.

Storage and cash-out structures have allowed OG&E to balance its gas transportation contracts for load following services.

I detail that the mitigation of costs is paramount to every action OG&E focuses on in its daily processes, consistent with maintaining reliable service. As OG&E has done since the implementation of the SPP IM, all available units are offered into the SPP IM at the expected operating cost. These expected operating costs include the impacts of fuel prices, including this most recent Event. By offering in this manner, OG&E customers are protected from the market price volatility up to the level of generation that is online and dispatchable. In the case of this Event, the SPP had committed all of OG&E's available generating resources. Our diverse generation mix helps to provide a necessary hedge against scarcity pricing of any one fuel type. By focusing on protecting and/or restoring the maximum available output of the non-natural gas resources, OG&E provided the maximum protection from price volatility with a diverse generation mix. OG&E was committed to the successful operation of all available generation regardless of fuel type.

I further explain that this was an extreme weather event that was stressing the reliability of the entire generation fleet, the SPP and many other utilities and RTOs in the central United States. In fact, all OG&E power plant sites supplied MWs to the grid during the Event. Without actions taken by OG&E plant staff to maintain the availability of the generation fleet, the fuels group to purchase fuel and ensure delivery of that fuel, the work of the market operations group with SPP and of customers in reducing demand, the situation could have resulted in a much more dire outcome for OG&E customers. OG&E witnessed minimal service interruptions and avoided the catastrophic impacts felt by customers in other parts of the country.

I explain that OG&E's actions stemmed from a well-designed and well-executed annual Fuel Supply Portfolio and Risk Management Plan. OG&E has executed its fuel procurement plan in the past three years utilizing term gas, firm supply, and storage capacity. While, in certain circumstances, gas consumption has exceeded OG&E's firm supply and storage capacity, these occurrences were short in duration. No company could have foreseen the sharp spike in consumption across the Event, but OG&E's planning did address the bulk of the unprecedented spikes in consumption during the Event.

Currently, the SPP Settlement process is ongoing and will likely not conclude until February 2022; however, based on current market settlement invoices processed as of the time of this testimony, OG&E has experienced costs totaling approximately \$255 million. OG&E is providing a workpaper that provides daily settlement details related to OG&E resources it represents in the SPP Marketplace.

As previously stated in testimony, the SPP settlement process is ongoing and final numbers are unknown at this time. However, based on the timeframe for which this testimony covers, the total

SPP Marketplace costs (\$255 million) combined with the net cost of natural gas (\$702 million) for the same period totals to approximately \$957 million.

I explain that OG&E was focused on making sure power continued to flow to its customers during the Event. This was critical for its customers who were facing such extremely cold and deadly temperatures. If power went out for an extended period, lives would have been at risk. Through the valiant efforts of its members, the Company was able to keep the power flowing while mitigating costs to customers. Every megawatt OG&E generated contributed to protecting the wellbeing of its customers and at the same time served to protect them by offsetting load expense. That meant keeping as many generating units operating in the extreme cold as possible and having enough fuel (at the lowest possible cost) to continue to operate. OG&E plant operators put in long, grueling hours to keep generators online, market operations staff monitored the slightest change in fuel pressure and generating units production, and fuel procurement members worked with suppliers and pipelines through all hours of the night to find any molecule of gas available. I am certain OG&E's actions during this unprecedented winter event were reasonable and in the best interest of customers.

I discuss that the issues the OG&E generation fleet experienced during this Event were also experienced by other utilities across the SPP, ERCOT and other regions of the central and midwestern United States. OG&E is proud of its efforts that ensured life-sustaining power for its customers throughout the Event. It should be noted that OG&E's service territory experienced very limited outages compared to utility customers in neighboring states such as Texas, which experienced widely publicized complete failures of the wholesale market.

Rebuttal Testimony

The purpose of my rebuttal testimony is to rebut the positions of OIEC Witnesses Mosher and Norwood. Mr. Mosher argues OG&E should have utilized its storage in an attempt to mitigate costs during the Winter Weather Event ("Event"). To address Mr. Mosher's argument, I explain how we used storage during the Event to ensure reliable operations of our Redbud and Mustang generating facilities. I also demonstrate how strategic use of the storage allowed us to bring additional megawatts to the SPP system on the challenging days of February 17th and 18th. I also explain how it would have been unreasonable and imprudent to use OG&E's storage as a price mitigation tool during the Event.

Mr. Mosher also argues that OG&E's long-standing fuel procurement practices should have included fixed or first of the month ("FOM") priced contracts despite these recommendations never being made by OIEC in the past. To address this argument, I explain how our annual Fuel Supply Portfolio and Risk Management Plan, as well as our annual fuel prudence reviews, have informed the OCC and intervenors of our natural gas procurement practices, including the absence

of fixed price or FOM contracts. To suggest now, after the Event, that such contracts should be in place prior to the Event, is entirely hindsight review.

OIEC witness Mosher argues OG&E lacked a strategy for utilizing its gas storage and failed to use it as a price mitigation tool during the Event. He argues further that OG&E could have saved \$50 million if it had used its gas storage differently. I testify that Mr. Mosher's testimony fails to acknowledge the gas storage strategy that OG&E employs and to recognize the importance of OG&E's actions to use its storage to preserve reliability through the Event.

I testify that consistent with its Fuel Supply Portfolio and Risk Management Plan, the Company primarily utilized its gas storage throughout the Event for balancing reliability. To operate generating resources in the SPP Integrated Marketplace, OG&E must utilize storage services to "balance" against real-time changes in the dispatch of OG&E's units. Since OG&E procures its gas supply before the known commitment or the known operating profile of a resource, OG&E's gas storage is used to make sure reliability is maintained when SPP dispatch changes throughout a given day. When OG&E offers its resources into the SPP Integrated Marketplace each day, it does not know what units will clear and how they will run. It is impossible to acquire the exact volumes of fuel ahead of time because SPP dispatch is so uncertain. Gas storage is a reliability tool that allows OG&E to follow the dispatch instruction of the SPP and ensure that the right amount of gas reaches our generating facilities in real-time. As discussed below, our gas storage served as a critical backstop to ensure that our generation would stay online in case gas supply disruptions continued and worsened.

I testify that Mr. Mosher makes it seem like OG&E did not use any gas storage during the Winter Weather Event. That is simply untrue. For example, OG&E drew substantial volumes of gas from storage for its Redbud generating facility between February 14th and 16th. In fact, on February 15th and 16th, OG&E withdrew gas from storage for the Redbud facility at nearly the maximum draw rate (99.46%) for the storage contract.

I explain that OG&E's use of gas storage is focused on reliability. That is, OG&E ensures that it has adequate volumes of natural gas available to reliably run our units with ever-changing dispatch instructions in the SPP Integrated Market. It would have been unreasonable and imprudent to empty our natural gas storage reserves for price mitigation in the middle of an event driven by heavy gas supply disruptions. Our gas storage served as a critical backstop to ensure our generation would stay online in case gas supply disruptions continued and worsened. During the event, OG&E viewed its gas storage as a very critical backstop for reliability and not as a pricing tool. If our flowing gas experienced freeze offs, the impacts to customers would have been severe if our storage reserve had been depleted on the basis of price and therefore unavailable to bring or keep units online. While the storage volume could not have kept an entire plant running for a long

period, the volume in storage could have afforded us enough time to search for additional fuel options to keep the units online.

As I testified in my direct testimony, OG&E was trying to avoid another EEA Level 3 event, which would have meant controlled power interruptions in subzero temperatures. OG&E operators continued to work tirelessly to maintain generating resources, but the system still needed more support. In response, the Company devised a plan to bring additional megawatts to the SPP footprint with no additional gas supply. The plan called for OG&E plant operations to intentionally shutdown the Mustang Energy Center to allow the OGT system to build back or recover its fuel supply to the storage facilities that support both the Mustang Energy Center and the Redbud Power Plant. More commonly referred to as “packing the pipe,” this plan was designed to build fuel supply into the OGT pipeline system during hours when the system was less dependent on generation in exchange for providing the “built up” gas supply when it was most critical. It would provide even more generation to the SPP and remediate the potential for any future demand interruptions. OG&E evaluated the plan for risks and determined the Mustang Energy Center provided the lowest risk of not being able to return to service on the morning of February 18, 2021. The Mustang Energy Center has advanced weatherization technology, which allows the resources to operate in extreme weather conditions. Based on this confidence, OG&E determined the benefits outweighed the risk. OG&E coordinated with SPP and OGT and moved forward with removing the Mustang resources from operation to allow the pipeline to pack available supply. After twelve consecutive hours of non-operation, and even with temperatures falling back into the single digits, the Mustang Energy Center units were able to return online and support the load peak of Thursday, February 18, 2021. This “give to get” plan was not a normal practice, but then again there was nothing normal about the Event. In the end, the plan was successful and allowed the natural gas supply to build resulting in the ability for the Redbud Power Plant and Mustang Energy Center to move to full output and more importantly ensure customers were protected.

I testify that OG&E has and continues to adhere to its Fuel Supply Portfolio and Risk Management Plan for the procurement of natural gas. The Company engages in competitive bidding and procurement practices to ensure customers have the opportunity to benefit from the lowest reasonable cost of natural gas. I testify that neither the Commission nor any intervening party in our prudency reviews have stated or identified the Company should be pursuing fixed or FOM priced fuel options.

I explain that OG&E has not engaged in fixed or FOM priced contracts in recent years due to low and stable gas prices. It was more reasonable to secure volumes under index pricing. It also would have been inconsistent with our fuel procurement practices (which had been reviewed every year and found to be reasonable) to pursue such fixed and FOM priced contracts.

I testify that even if OG&E had been able to see into the future and secure fixed or FOM priced contracts, the contracts would have been subject to Force Majeure. Most likely, no supplier would secure volumes to supply us gas at FOM prices of under \$3/MMBtu when indexed prices were skyrocketing to historic levels. Our suppliers worked hard to find us volumes after they declared Force Majeure because they were not beholden to fixed price gas volumes. I doubt very much that those suppliers would have come through with volumes if they would have been on the hook for the difference between their contracted priced (e.g. \$3/MMBtu) and index prices of \$1000/MMBtu. During the Event, OG&E would likely have had less volumes of gas to operate its plants and less ability to reliably supply critical megawatts to the grid for customers during this emergency. This is why hindsight is so unreasonable; one simply does not know whether such an action would have been beneficial even if one was able to see into the future.

As I testified in my direct testimony, the SPP Settlement recovery process related to the Event is ongoing. When I filed my direct testimony, the total net SPP Integrated Marketplace cost incurred was approximately \$255 million. Since then, OG&E has continued to work through the SPP Settlement process and reduced the total SPP Integrated Marketplace cost by approximately \$102 million (approximately \$89 million for the Oklahoma jurisdiction), making the current total of SPP Integrated Marketplace costs approximately \$152 million (approximately \$138 million for the Oklahoma jurisdiction).

I testify that I recommend the Commission find OG&E's costs during the Winter Weather Event to be reasonably incurred and approved for recovery and that the Commission not disallow costs based on erroneous hindsight-based recommendations related to our use of storage and the absence of FOM contracts never recommended by the OIEC or any other intervenor in the recent past.

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. 202100072

**Testimony Summary of Charles B. Walworth****Direct Testimony**

In my pre-filed Direct Testimony, I state that I am employed by OG&E Energy Corporation (“OGE”) and serve as Treasurer of OGE and its subsidiary, Oklahoma Gas and Electric Company (“OG&E” or “Company”). I provide my educational and professional background and state that I have previously testified before this Commission. I further state that my purpose for testifying in this Cause is to explain the benefits of securitization for OG&E customers and the Company and also support some of the securitization cost assumptions found in OG&E Witness Rowlett’s customer impact analysis.

I testify regarding steps that were taken by OG&E during the 2021 February Winter Weather Event (“Event”). I state that natural gas prices were relatively stable on Monday, February 8, 2021, but by the end of that week, gas prices were beginning to spike to unprecedented levels. The following week, as OG&E sought to secure gas supply, the magnitude of the financial strain upon the Company was coming into focus and OG&E began talking to potential lenders to prepare for the necessary financing to ensure the company’s liquidity. I state the primary goal was to protect the solvency of the Company and to ensure it was able to serve customers in addition to reassuring natural gas suppliers that the Company had the ability to pay for purchased gas. To that end, a \$1 billion credit commitment was key to reassuring suppliers that they would get paid and OG&E would have access to necessary gas supplies.

I state that as of December 31, 2020, the Company had approximately \$3.5 billion of long-term debt and the incremental \$1 billion represents a nearly 30% increase to that debt which created a financial strain on the Company. I state that the credit rating agencies keep a close watch on utilities and on February 25, 2021, Moody’s Investor Service put the Company on negative outlook, citing several reasons, including “higher uncertainty around the recovery period of OG&E’s commodity fuel costs, putting sustained pressure on the company’s financial profile.” S&P issued a negative outlook based on weaker financial measures directly associated with the Event, refinancing risk related to the \$1 billion loan, and uncertainty regarding timely recovery of

fuel and purchased power costs. In addition to these concerns, I state that the Company was financially impacted in a negative way by a \$30 million loss related to the Guaranteed Flat Bill program.

I testify that this Commission issued Order No. 717355 in Cause No. PUD 202100039 in an effort to ensure that customers did not see an immediate increase in bills through the Fuel Adjustment Clause ("FCA") by deferring all costs related to the Event to a regulatory asset. However, establishing a regulatory asset did not fully alleviate the financial strain the Company as it still has to carry the \$1 billion cost of the Event on its balance sheet for an uncertain amount of time with no immediate recovery of costs through the FCA.

I explain that it is important for OG&E to maintain a strong credit rating and overall financial health so that it can access short-term capital. This is important because OG&E is located in a state with extreme weather and access to capital is critical for a company with an obligation to serve. OG&E was able to obtain the \$1 billion loan because it was financially healthy enough to do so.

I state that securitization is an alternate form of utility financing that is reserved for large and unexpected events which could have a negative impact on a utility's financial health or create an unacceptable burden to customers if recovered in a tradition manner. Securitization requires enabling legislation that provides the securitization framework. The Oklahoma enabling legislation is more completely described in Witness Rowlett's direct testimony. Pursuant to the legislation, the Oklahoma Development Finance authority is responsible for issuing the bonds. Securitization is generally looked upon favorably by credit rating agencies.

I explain how credit rating agencies such as Moody's and S&P compute financial ratios for securitized debt and how traditional utility finance typically works. I state that for a long-term asset, a company needs to have assurance of funds and that if a long-term asset is financed with short-term capital, it must be refinanced one or more times, which can jeopardize the financial health of a company by introducing liquidity and credit risk.

I state that OG&E performed an analysis of securitization versus traditional utility finance that uses public data from two recent securitization transactions that occurred in early 2021. I provide the range of upfront costs and annual costs as a percentage of the amount of debt securitized and interest rates and term structures of the debt issued. Based on the two examples, I assumed a rate of 1.578% for a 13-year amortization and a rate of 2.327% for a 23-year amortization. In addition, I assumed 3.1% for upfront costs for underwriting, rating agency fees, consultant, and other fees based on the average of the two transactions reviewed, and 0.35% for annual costs associated with servicing the bonds.

Based on this analysis, I conclude that securitization provides a clear benefit to customers and I recommend that the Commission issue a Financing Order that authorizes the Oklahoma Development Finance Authority to issue bonds.

Rebuttal Testimony

In my Rebuttal Testimony, I respond to issues raised in the responsive testimony of Public Utility Division (“PUD”), Wal-Mart, and Oklahoma Industrial Energy Consumers (“OIEC”) related to OG&E’s request for a backup carrying charge based on the Company’s weighted average cost of capital and I also provide comments regarding the draft Financing Order.

Regarding a carrying charge, I propose that the current carrying charge remain in place until the bonds are issued. I state my opinion that should the securitization process take a prolonged amount of time, it is unfair for the Company to carry this deferred regulatory asset balance on its balance sheet without recovering its full cost of capital. While the Company is optimistic that the securitization process will take a shorter amount of time, it is possible that OG&E will have to carry the Event costs on its books several years after the costs were incurred. In addition, the Act specifies that no customer-backed bonds can be issued after two years from the financing order issued by the Commission. I propose that if the bonds are not issued by April 1, 2022, the carrying charge be changed to the Company’s weighted average cost of capital. If the Company insulates its customers from dramatic increases in their bills and carries the obligation on its balance sheet for longer than a year, the Company needs to make sure it remains financially healthy in doing so.

I testify that no party to this Cause discusses the fact that the weighted cost of capital is used for other traditional ratemaking balances such as the average balances of accounts for fuel inventories and material and supplies. Further, applying weighted costs of capital to the deferred account also is consistent with numerous other regulatory assets and regulatory liabilities previously approved by the Commission. I provide examples of this treatment such as the regulatory liabilities related to the Tax Cuts and Jobs Act and regulatory assets such as the Pension Tracker and Smart Grid. No party explains why it is appropriate to use the weighted cost of capital for those regulatory liabilities and assets and not the regulatory asset at issue in this Cause.

I state that I do not agree with PUD Witness Stroup’s position that use of the weighted cost of capital is unwarranted because PUD views the extreme purchase costs to be the same as purchases reviewed in annual fuel cases. I state my belief that costs related to the Event have key differences from routine fuel costs in that: 1) the magnitude of the Event costs is much greater than normal fuel costs, and 2) the Event costs will be recovered over a much longer time than normal FCA-recovered fuel costs. I state that fuel inventories are appropriately included in rate base and therefore have a weighted cost of capital carrying charge. Further, the FCA is designed such that rates can be adjusted whenever the balance becomes more than \$50 million over- or under-collected. The balance at issue in this Cause is some 15 times that threshold.

I state that aside from the convention of deeming FCA costs to be short-term in nature and inventory balances to be long-term in nature, the Generally Accepted Accounting Practices require liabilities to be classified on the balance sheet as “current” or short-term and liabilities past one year of maturity to be classified as “long-term”. In the current request, the Company struck a

balance between the nature of “short-term” and “long-term” investments by requesting the weighted costs of capital be applied only after April 2022. If the securitization occurs prior to that date, then the weighted cost of capital would not apply. While the Company is committed to an expedient securitization process, it does not have the authority to issue bonds as that authority lies with the Oklahoma Development Finance Authority.

I disagree with OIEC Witness Garrett’s assertion that OG&E failed to provide compelling evidence for application of weighted costs of capital. Witness Garrett states that the Company cited a need for assurance of funds, but that is not applicable because the storm balance is a regulatory asset that assuredly will be recovered from ratepayers. I explain that I am referring to the need to remove the risk of having to refinance the source of capital which funded the long-term asset. In the present case, the Company may have assurance of recovery but the timing of that recovery is important from a financing and liquidity point of view. Further, while I agree with Witness Garrett’s statement that the Company can always refinance with intermediate-term debt, that position ignores the fact that the increased debt level increases the risk profile of the Company – one of the factors why S&P and Moody’s placed the Company on a negative outlook.

I next explain how equity investors are harmed by increased debt of the Company. Debt holders have a claim on cash flows of the Company superior to those of equity holders and debt service payments must be made before dividend payments. When the risk of owning equity increases, the cost of capital increases accordingly. Also, the long-term capital structure of the Company is comprised of debt and equity, requiring recovery of a weighted cost of capital to recover for equity and debt investors their cost of capital. I state that a way to mitigate this risk for equity holders and prevent increased cost of capital is to apply a weighted cost of capital that provides a return that is commensurate with the increased risk.

Lastly, I provide a redline mark-up of the Draft Financing Order in my Rebuttal exhibit CBW-1. I also comment that language should be added to the Financing order that clarifies that since the Bonds are paid solely from the securitization property which the Company has sold, the Bonds are not the indebtedness of the Utility.

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) Cause No. PUD 202100072
 REGULATED UTILITY CONSUMER)
 PROTECTION ACT APPROVING)
 SECURITIZATION OF COSTS ARISING)
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 OF FEBRUARY 2021)

**Testimony Summary of Donald R. Rowlett****Direct Testimony**

In my Direct Testimony, I state that I am employed by Oklahoma Gas and Electric Company (“OG&E”) as Managing Director of Regulatory Affairs. I provide my educational and professional background and state that I have previously testified before this Commission, the Arkansas Public Service Commission, the Environmental and Public Works Committee in the United States Senate, and I have filed testimony at the Federal Energy Regulatory Commission.

I state that the purpose of my testimony is to provide an overview of the 2021 Winter Weather Event (“Event”) that resulted in extraordinary costs experienced by the Company and outline the relief that is requested in this Cause. I state my intent to explain how the Company is seeking utilization of the securitization process as authorized by the February 2021 Regulated Utility Customer Protection Act (“Act”) and address the requirements of the Act. I also address how OG&E’s securitization proposal regarding Event costs is in the best interest of customers, discuss why the Event was unusual and unforeseeable, and outline OG&E’s proposal for a long-term carrying charge on the costs OG&E retains on its balance sheet in the event the securitization process takes longer than a year to complete.

I state that in this Cause, OG&E is seeking a financing order from the Commission that authorizes the securitization of costs associated with the 2021 Event pursuant to 74 O.S. section 9070 et seq. That statute allows for securitization of utility costs related to the Event and the issuance of bonds so that customers pay a lower amount over a longer time. Because OG&E will continue to finance the costs of the Event until bonds are issued and that process may take a significant amount of time, OG&E also requests a carrying cost on its regulatory asset balance at its weighted average cost of capital for the period April 2022 and the date when the securitized bonds are issued.

I provide a list of witnesses who will testify on behalf of OG&E and the subject matter areas covered in their testimony.

Regarding an overview of the 2021 Winter Weather Event, I state that on February 12, 2021, governor Stitt declared a state-wide emergency due to “[e]xtreme freezing temperatures and severe winter weather including snow, freezing rain, and wind beginning February 7, 2021, and continuing.” The Governor’s Declaration stated that the disaster emergency posed a threat to the public’s peace, health, and safety. This Commission issued two emergency orders related to the Event that addressed, among other things, limited natural gas supply, prioritization of electric and gas service of public health, welfare, safety and security and the need for conservation efforts.

I testify that the natural gas markets throughout the region experienced a profound crisis due to the unusually cold weather accompanying the Event and demand for natural gas escalated dramatically with rising prices on the spot and daily index markets. In addition, the Southwest Power Pool, Inc., (“SPP”) Integrated Marketplace (“IM”) experienced unprecedented increases in electric energy prices stemming from high natural gas prices and other factors such as lower production from renewable sources. The combination of extreme temperatures and spiking prices required the Company to purchase natural gas and wholesale energy at unusually high prices that are the basis of this Cause. I provide my Chart 1 that demonstrates the magnitude and spike in natural gas prices in the context of a 25-year period and shows that no reasonable person would have anticipated the spike in natural gas prices that occurred during the Event.

I testify that OG&E experienced the most drastic increases in natural gas commodity cost in Company history and those costs near \$1 billion, although the final costs will not be known until SPP finalizes the cost verification and dispute resolution processes. For perspective, OG&E’s cost of natural gas and net SPP energy purchases due to the event far exceed the Company’s recoverable fuel cost for all calendar year 2020 (\$516 million). I state that the Company experienced a financial strain resulting from the \$1 billion loan obtained by OG&E to purchase fuel and power and that because of the sudden debt, credit agencies put OG&E on negative outlook. Also, the Company experienced an approximate \$30 million financial loss due to its Guaranteed Flat Bill program.

I state that because of the negative outlook from credit agencies, the Company was required to act fast to develop a regulatory plan. Normally, the Company would include fuel and SPP IM costs in its Fuel Cost Adjustment (“FCA”) as set forth in its tariff. However, the FCA process requires costs to be recovered over the remainder of 2021, a process that would have created a burden for customers. Instead, OG&E filed an application in Cause No. PUD 202100038 seeking approval to include a small portion of the Event costs in the FCA for immediate recovery and establishing a regulatory asset for the remaining portion of the costs that would be recovered over a 10-year period. The Commission ultimately approved a regulatory asset including carry costs in an Order issued on March 18, 2021.

I state that while the Company was encouraged that the Commission allowed the regulatory asset for recovery at a future date, the order did not address the financial strain on the Company resulting from carrying nearly \$1 billion of Event costs on its balance sheet for an uncertain amount of time. The February 2021 Regulated Utility Consumer Act created an opportunity to mitigate monthly bill impacts and financing costs for customers and also mitigate financial strain for the Company.

I describe the Act and initially note that it recognizes the significant economic impact of the Event and that utilities experienced unprecedented costs. The purpose of the Act is to “provide for the issuance of ratepayer-backed bonds to [utilities] and thereby allow customers to pay utility bills at a lower amount and over a longer period.” I describe the process the Act provides for securitizing certain costs incurred by utilities and state that the Commission is to review certain costs and determine whether those costs qualify for securitization and also requires the utility provide certain information to the Commission to determine whether incurred costs could be mitigated by the issuance of customer-backed bonds.

I provide definitions of “extreme purchase costs” and “extraordinary costs” from the Act and the factors that are required to be considered by the Commission prior to issuing a financing order. I also provide the contents of a financing order as required by the Act.

Regarding customer impact, I explain that OG&E is requesting its natural gas purchases, net SPP energy purchases and price response program credits and/or charges incurred beginning on February 7, 2021, and ending February 21, 2021, be recovered through securitization. As stated previously, these costs total nearly \$1 billion with the Oklahoma jurisdictional portion at \$838.6 million. I provide the detail for the cost analysis in Exhibit DRR-1. I also describe in my testimony the method by which OG&E proposes to allocate the extreme purchase and extraordinary costs to each service level.

I state that OG&E performed a comparison of the customer impact associated with the securitization and traditional utility financing using information from two recent securitization cases as more fully described in OG&E Witness Walworth’s direct testimony. The results of that analysis shows that a typical Oklahoma residential customer using 1,100 kWh would pay less on their monthly bill through securitization as compared with traditional utility financing. I provide my Table 1 to show the comparison of two securitization scenarios and traditional utility financing,

In regard to the Winter Event Securitization Recovery Mechanism, I testify that in accordance with the Act, OG&E is proposing an irrevocable and non-bypassable mechanism for recovery of amounts necessary to service, repay, and administer customer-backed bonds associated with the Event. The mechanism is attached to my testimony as Direct Exhibit DRR-3. I state the Company will allocate the costs associated with the Event on the actual kWh use for each retail service class level. The mechanism provides for a true-up and reconciliation semi-annually.

Regarding the Winter Storm Event, I testify that it was unique and unforeseeable and, as shown in my Chart 1, there have never been natural gas prices like the ones in February 2021. I state that I am unaware of any forecast that predicted the Event. I discuss hedging and provide a definition that hedging is the use of financial instruments and/or physical arrangements such as fixed price contracts, deliverable volumes of fuel and storage agreements to provide insurance against supply availability and price volatility of a commodity. Because hedging costs can be expensive, a plan to hedge is usually approved by regulatory commissions in advance.

I testify that OG&E does not have a hedging plan that has been approved by the Commission, I note that for 20 years, the Commission has explored the effectiveness and efficacy of employing hedging to protect against spikes in natural gas costs and other commodities. In 2001, the Commission issued a Notice of Inquiry to explore energy procurement practices and appropriate methods to lessen the impact of energy price volatility. The Commission concluded that hedging options should be given serious consideration and determined that before utilities implemented hedging programs, a rulemaking was required to develop rules for hedging by gas and electric utilities. In February 2002, a rulemaking was initiated but was closed in 2007 without the promulgation of rules addressing hedging.

I also testify that the issue of hedging arose in the PSO/OG&E Red Rock case in which the ALJ in that case requested briefs from the parties. In its brief, the Public Utility Division stated “[i]f the Commission sought to encourage Hedging, rules amendments providing more certainty regarding the recovery of Hedging costs and the criteria by which the Commission would review costs associated with Hedging could be helpful.” The PUD also recognized that while hedging might minimize the impact of price volatility, it might not reduce costs and could even increase costs. I note that no further legislative or rulemaking action has occurred to resolve issues inherent in hedging although the Commission has approved limited hedging programs for certain gas utilities.

I state that in 2010, OG&E filed an application to explore agreements that would have hedged the price of natural gas. OG&E sought approval to enter into long-term (12 years) gas contracts with four Oklahoma based natural gas producers for approximately 25% of OG&E’s gas supply needs. The pricing for the long-term contracts would have been set on a monthly basis based upon first of the month price for spot gas and subject to a cap and floor to reduce volatility of inter-month fluctuation in price. The proposal was met with opposition from the PUD and other intervenors and, ultimately, OG&E withdrew its application.

I state that following the NOI and rulemaking efforts, the price for natural gas has remained very low and stable and OG&E has maintained a diverse and flexible fuel mix for its generation portfolio. This diversity enhances reliability in the event of disruptions of any single type of fuel type and promotes economic dispatch of generation for the benefit of OG&E customers. I note that

in the last 20 years, OG&E has received no criticism in fuel prudence cases or general rate cases for failing to propose a hedging plan.

Regarding the issue of a long-term carrying charge, I state that the Section 4F of the Act provides that costs should include carrying costs at an appropriate rate determined by the Commission and set forth in financing order. I describe OG&E's carrying costs on the deferred regulatory asset balance and state that OG&E has concerns about the time it could take to approve an order and arrange securitization through the issuance of bonds. In the event the securitization process takes longer than anticipated, OG&E proposes the current carry charge apply through April 1, 2022, but after that be changed to the Company's weighted average cost of capital.

I refer to the testimony of OG&E Witness Walworth and state that a change in carrying charge to the weighted average cost of capital is reasonable because a long-term asset requires a company have assurance of funds. If an asset is financed with short-term capital, it must be refinanced one or more times which creates liquidity and credit profile risk and can jeopardize the financial health of the company. If the securitization process extends past April 2022, the cost will continue to be carried on the OG&E's balance sheet and will affect its credit rating and financial health. I state that the weighted average cost of capital is used for other traditional ratemaking balances such as the average balances of accounts for fuel inventories and material and supplies and I provide examples of that use.

In conclusion, I state that OG&E has met the requirements of the Act through testimony, workpapers, and exhibits. I believe that OG&E acted prudently during the Winter Weather Event and I request that this Commission approve the Oklahoma jurisdictional extreme purchase and extraordinary costs of \$838.8 million plus and carrying charges applied pursuant to Order No. 717355 and find that the company exercised prudent operations, judgment, and fuel procurement practices during the incredibly challenging Winter Weather Event. In addition, OG&E requests the Commission issue a financing order compliant with the Act and approval of a carry cost on its regulatory asset at its weighted average cost of capital for the period between April 2022 and the date the securitized bond are issued.

Rebuttal Testimony

My rebuttal testimony focuses on the testimony filed by the Oklahoma Industrial Energy Consumers and the assertion that the Company should be disallowed its full cost recovery based on positions that are unreasonable and undoubtedly formed in hindsight. I state that the standard for prudence is whether the Company acted reasonably under the facts available to it at the time.

The facts show OG&E complied with its practices and procedures which have been made available to, and regularly reviewed, by this Commission and intervenors, including OIEC. Leading up to

the Winter Weather Event, no one predicted how dire that event would be. After the Event, we know the severity of the sustained subfreezing temperatures and the cascading events that unfolded between February 12th when natural gas prices started to spike to unheard of levels. However, we did not have that knowledge in the weeks and days before the Event. OG&E should not be judged by what we know now, only what was known as the Event unfolded.

I provide quotes from case law that states the principle that prudence is determined by what was, or should have been, known at the time and that the use of hindsight in that analysis is prohibited. I state that pursuant to 74 O.S. section 9073(E), all prudently incurred fuel and purchased power costs associated with the Event should be deemed qualified for securitization. I note that OG&E performed well during the Event and that while Texas faced blackouts, OG&E's focus was on keeping the power flowing to customers consistent with this Commission's Emergency Order that directed electric and gas utilities to protect public health, welfare, and safety. It is an undeniable fact that OG&E was successful in preventing widespread blackouts.

I testify that the Company acted in accordance with its Fuel Supply Portfolio and Risk Management Plan as was acknowledged by PUD Witness McCoy. I note that OG&E's fuel procurement practices are reviewed for reasonableness each year and no party to date has raised concerns about the manner in which the Company manages its gas storage or criticized OG&E's approach to physical or financial hedges. I state that OG&E had previously raised the prospect of using fixed price contracts in prior dockets and there was no interest in OG&E exploring that option. Regarding First of the Month pricing contracts as now advocated by OIEC Witness Mosher, I state that position has not previously been advocated by OIEC. In fact, no party has faulted OG&E for failure to explore First of the Month priced contracts prior to February 2021. This is likely because the price of natural gas has been low and stable for so long that it was considered prudent to rely on index-priced contracts.

I testify that I believe OG&E acted reasonably when it began the River Valley 1 outage as planned on February 4, 2021, and note that OG&E Witness Doupe more fully addresses the issue in his testimony. I state it was unreasonable to argue that OG&E should have delayed the outage by forecasting on February 5th that gas prices would rise from under \$3/mmBTU to such extreme levels 7 days later on February 12th and that SPP wholesale prices were going to likewise spike. When River Valley 1 began its outage there simply was no urgency to maximize all forms of gas generation. Prices had not peaked, temperatures had not dipped, and SPP was operating under normal conditions. In fact, River Valley 1 and 2 had not been offered into the market since January 27th and River Valley 2 was not dispatched by SPP until February 10th, days after the turbine in River Valley 1 was dismantled. By the time SPP issued its conservative operations alert on February 9 and adverse conditions began to coalesce in the second week of February, River Valley 1 was beyond the point of being returned to service. Further, SPP never directed OG&E to reschedule the outage.

I state that OG&E acted reasonably in the way it operated its wind farms before and during the Event. As discussed more fully in OG&E Witness Doupe's testimony, the Company had prepared the OG&E-owned wind farms for the Event as much as practicable. All the wind farms had cold weather systems that include things like insulation and heaters in key places in each turbine. OG&E has voluminous sets of maintenance logs documenting how the wind turbines were checked and serviced. Unfortunately, freezing fog and precipitation caused ice to accumulate on the turbine blades and the ice prevented safe operation during the Event. No party has demonstrated how OG&E's maintenance and operations were deficient at the wind farms and evidence of energy production at other wind farms is not evidence of imprudent operation of OG&E-owned wind farms. It appears that OIEC Witness Norwood used data in a way that made other wind farm performance look more favorable as compared to OG&E-owned wind farms.

I also state my disagreement with OIEC Witness Norwood regarding operation of the Sooner and Muskogee coal plants during the Event and note that an EAF of over 73% during the Event should be applauded instead of criticized. OG&E Witness Doupe details the challenges OG&E employees faced at both the Sooner and Muskogee facilities and I note that both plants had been generating power for an extended run at the time of the Event resulting in low supplies of fresh train coal and requiring increased use of reclaimed coal from inactive piles. Because the coal in those piles was exposed to precipitation and freezing temperatures, there were operational problems. Also, although OG&E fully implemented its "Freeze Protection Plan" at both plants, the extreme sub-freezing and subzero temperatures caused additional operation issues. Further, Muskogee Unit 6 experienced operational problems leading into the Event but kept running to provide critical power to the grid.

I testify that OG&E Witnesses McBroom and Smead rebut arguments made by OIEC Witness Mosher regarding his argument that OG&E should have used gas in storage as a price mitigation tool during February 17th and 18th and also address arguments regarding OG&E fuel procurement processes and practices. I state that contrary to Witness Mosher's implication in his testimony, OG&E did use its gas storage during the Event. However, at certain times during the Event, OG&E took steps to ensure that it had adequate gas supply in storage so its gas-fired generating facilities could supply critical power to the grid. I state it would have been imprudent to exhaust OG&E's gas supply reserves at a time when supply disruptions were occurring and the ability to obtain gas was so uncertain. I note that OG&E intentionally took steps to build gas supply on the OGT system on February 17th and 18th so that OG&E could return the Redbud plant to full output.

I testify that in response to PUD Witness Stroup's recommendations concerning a financial hedging program, OG&E supports further exploration of financial and physical hedging as well as other fuel procurement practices that mitigate price volatility. However, OG&E continues to believe that, if utilities are going to engage in hedging activities, it is important for the utilities, the

Commission and stakeholders to agree to reasonable hedging goals and targeted ranges of unacceptable price volatility to hedge against.

I testify that there have been updates to the costs associated with the Event and that, considering SPP Resettlements, updated refinancing fees, securitization fees, and inters, the current total is \$769,832,437. I note that although the amounts have been updated for rebuttal testimony, they are still an estimate and may not represent the final amount for securitization. I provide an explanation of the updated SPP resettlements, refinancing fees, and upfront bond insurance costs. I state that Mr. Bartolotta's estimates of approximately 0.79% for upfront costs and 0.15% for ongoing financing costs are included in OG&E revised analysis. OG&E also included other costs as recommended by Witness Bartolotta in his responsive testimony.

I explain that OG&E chose a 28-year bond scenario rather than 30-year due to the language in the Act that states the maturity of the authorized bonds is not to exceed 30 years. Although the scheduled maturity of a 30-year bond is 30 years, the legal maturity of that bond may be 32 years. I state that securitization is the best option for customers even assuming a 6% interest cap. OG&E conducted an analysis regarding residential customer impact using the 6% interest rate for 15-year, 20-year, and 28-year securitization and the impacts were lower in those scenarios than the same options using traditional utility financing.

I provide an explanation of the tax consequences of securitization and state that securitization will not result in taxable income to the Company nor will the Company have an immediate cash tax liability.

I conclude that based upon the evidence and details regarding OG&E's preparation and response, OG&E should be able to recover all its costs related to the Winter Weather Event.

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 FROM THE WINTER WEATHER EVENT)
 OF FEBRUARY 2021)

Cause No. 202100072

**Testimony Summary of Robert Doupe**

My name is Robert Doupe and in my direct testimony I state my professional qualifications, educational background, purpose for testifying, and whether I have testified before the Oklahoma Corporation Commission.

In my Rebuttal Testimony I rebut the recommendations of OIEC witness Scott Norwood and the assertions made concerning the River Valley Unit 1 outage, wind farm performance, and the operations of Sooner and Muskogee during the Winter Weather Event (“Event”). Mr. Norwood suggests that the Company should have considered rescheduling a planned and SPP approved outage of River Valley Unit 1. This outage was planned in April of 2020 and began on February 5, 2021. Contract maintenance personnel arrived prior to February 5th to begin preparing for the turbine maintenance, and the Company did not delay the planned outage because it had no idea that the Event was going to be as significant as it was.

By February 9, 2021 the River Valley Unit 1 was past the point of being returned to service. At the end of the shift on February 8th, the insulation had been removed from the turbine and the front standard and control valves were disassembled. As explained in my direct testimony, OG&E worked hard to return other units to service. The only reason Mr. Norwood suggests that the Company should have rescheduled this preplanned maintenance is because of the skyrocketing costs of natural gas that occurred during the winter weather event and there was simply no reason for OG&E to consider moving the outage before gas prices started their sharp rise.

The Company had been offering the River Valley units into the SPP IM since January of 2021 and the SPP had not dispatched either unit because lower cost generation was available in the SPP. River Valley Unit 2 was not committed into the SPP until February 10, 2021. In context, this is relevant because there was no signal from the SPP that those River Valley units would be

necessary for reliable operations during the Event; therefore, OG&E saw no reason to postpone the River Valley Unit 1 outage. Also, at no time did the SPP ask the Company to re-evaluate any of its planned outages. Mr. Norwood estimates that the impact of not delaying the SPP approved outage of River Valley Unit 1 had a cost impact between \$39.4 to 44.3 million. This is highly speculative and ignores other costs that would likely need to be incurred to implement the rescheduled outage.

Weather Alerts are a common occurrence during the winter. SPP has issued five Cold Weather Alerts in the last few years and none of them required any action to change generation outage plans or fuel procurement practices. None of those alerts led to any events like that experienced in February and OG&E had no reason to assume that the alert issued by the SPP was anything different than a typical Weather Alert. There was certainly nothing in the SPP alert or in our weather forecasting that indicated we would be facing such a severe crisis with the kind of skyrocketing gas prices that occurred.

Most weather models showed that temperatures would be below freezing, but temperatures below freezing are typical in February. It was not until the forecasts on February 10th where temperatures were projected to dip down into the single digits on February 13th and 14th and then below zero on February 15th and 16th. Forecasts that started coming in on February 10th were much more accurate in predicting the extreme subfreezing temperatures. In Rebuttal Exhibit RD-1 the forecasts started to show much lower temperatures (single digits and below zero) were beginning to dip on February 10th. Temperature and weather were not reasons to delay the outage to River Valley Unit 1; it was the historically high natural gas prices and that did not happen until February 12th.

Mr. Norwood asserts OG&E somehow failed to operate its Company-owned wind farms prudently because the production from those units were below other wind farms in the State. Norwood did not cite to any failure of the Company in maintaining its wind farms. He simply points to a table, which he prepared, that compares OG&E's wind farm production to other wind farms in Oklahoma.

The Company wind farms were prepared for the Winter Weather Event. All three OG&E-owned wind farms (Centennial, Crossroads and OU Spirit) have cold weather systems installed on their turbines. Also, the Company has retained voluminous maintenance logs that show how turbines at Centennial, Crossroads and OU Spirit have been checked and serviced over the years.

Mr. Norwood did not cite to any of those facts in his testimony even though OG&E offered to provide the maintenance logs for all three wind farms to OIEC during discovery. The lack of production from the Company's wind farms as discussed in my direct testimony began February 7, 2021 from hoar frost (ice accumulation). By February 8, 2021, those wind farms started to have turbine faults caused by accumulating ice. By February 9, 2021, all turbine blades showed visible ice accumulation and a third of the fleet was inoperable. OG&E made efforts to rid the blades of ice by turning the turbines into the sun. This process was ineffective due to the combination of extremely low temperatures and overcast skies. Ice remained on turbine blades through February 19, 2021, though OG&E saw some increases in its wind generation as wind speeds picked up. On February 20, 2021, Centennial was available for full production and Crossroads was capable of 50 MW and soon reached 131MW.

Mr. Norwood opines that the Company was imprudent because other wind farms had higher production. This type of simple comparison is not appropriate because different units are impacted by differing weather. Moreover, the comparison (located in Norwood's Table 5) appears to be misleading. Table 5 includes the production of wind farms owned and operated by non-utility suppliers that sell to OG&E and PSO. Additionally, it is also unclear whether the farms located far from OG&E's wind farms experienced the same freezing fog conditions that hampered the operations of OG&E's wind turbines during that period. Secondly, the Capacity Factor ("CF") calculated for the Wind Farms identified in Table 5 are calculated over the period of February 7 through 20, but it appears that Mr. Norwood only uses OG&E wind farm performance data from February 12 through 18. Such an unfair comparison skews the data to make OG&E-owned wind production look much lower than a true "apples to apples" comparison.

Mr. Norwood 20% CF for the Seiling Wind Farm is also misleading. The Seiling Wind Farm is nameplated for 299 MW, not the 99 MW stated by Mr. Norwood. If you apply the MWh production to the entire nameplate capacity of the Seiling Wind Farm, the capacity factor is closer to 6.6%. Also, the Seiling wind farm is owned by a non-regulated entity and the output is sold to PSO through a PPA. Without a full understanding of the contract, it would be extremely difficult to calculate the CF.

In Norwood's Table 6 he uses a 10% Capacity Factor to calculate his cost impact estimate. It is unreasonable to assume the OG&E wind farms could have achieved such a high capacity

factor even under normal weather without knowing the wind speeds at those locations. Wind speeds vary from turbine to turbine not just from farm to farm.

Mr. Norwood asserts that OG&E's coal-fired generation output from Sooner and Muskogee was too low in comparison to other coal-fired units, and OG&E should have been better prepared for the sub-freezing and subzero temperatures. Mr. Norwood does not acknowledge the Company's Freeze Protection Plans that were implemented at the Sooner and Muskogee facilities, and he seems to gloss over the operational challenges that were caused by the Event to conclude we simply should have been better prepared. The Company's coal units performed very well considering the circumstances. OG&E's coal unit Equivalent Availability Factor ("EAF") was 73% during the entirety of the Event. If EAF is calculated for February 7th through the 18th, the EAF for those three coal units is much higher: Muskogee Unit 6 was 78.5%, Sooner Unit 1 was 88%, and Sooner Unit 2 was 89%.

Mr. Norwood attempts to compare Sooner and Muskogee coal units to other SPP coal units and the comparisons are flawed because the SWEPCO units are out of state and the CF comparison of a PSO unit uses data from February 9 through February 20, 2021 and only uses OG&E output data from February 12 through February 18, 2021. Additionally, Norwood does not discuss in detail the operational challenges at the Company's coal facilities due to the subfreezing temperatures. It is incredibly frustrating to be second-guessed by a consultant who is not on the ground with a full understanding of the operational conditions at the generating facilities. I believe OG&E should be commended for its response to the Event. The team worked tirelessly to have all the OG&E generating units ready as best they could, and then they worked extremely hard to make sure those units were maximized under very difficult circumstances.

I respectfully recommend the Commission find OG&E's costs during the Event were prudently incurred and should be approved for recovery.

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Cause No. 202100072

**Testimony Summary of William Wai**

My name is William Wai and in my rebuttal testimony I state my professional qualifications, education background, purpose for testifying, and the occasions that I have testified before the Oklahoma Corporation Commission and Arkansas Public Service Commission.

In my Rebuttal Testimony I rebut the recommendations of OIEC witness Brian Collins regarding the Company's rate design for its Winter Even Securitization ("WES") Mechanism. Because the Company will utilize annual energy billing determinants for its WES, Mr. Collins contends that the Company will over collect costs associated with the Winter Weather Event for service levels 1 and 2, for those customers that did not use their normal level of electricity during the Event. Mr. Collins is clearly mixing up the areas of allocation and rate design.

In Mr. Donald Rowlett's testimony he explains that the Company will allocate costs associated with the Winter Event based on actual kWh use for each retail service level. For Flex Pricing and Day-Ahead Pricing customers the baseline kWh amounts will be utilized for calculating allocation percentages. The Company will utilize cost allocation to account for actual usage by service level for the Winter Weather Event and Mr. Collins confuses cost allocation and the true-up process with the Company's use of future billing determinants for recovery. Mr. Collins is correct that the Company is estimating recovery based on a forecast, but the Company will not over recover by service level using this approach because the WES has a true-up mechanism. The Company's approach is in line with common practice and is used in how the Company recovers costs through its Fuel Cost Adjustment.

Additionally, the Company does not agree with Mr. Collins rate design proposal because it is not in compliance with Section 5.A.3 of the February 2021 Regulated Utility Consumer Protection Act. Mr. Collins proposes a constant monthly customer charge for each customer taking

service at service level 1 or 2 through an amortization period based upon the customer's total usage during the Winter Weather Event. His rate design proposal clearly ignores the directive provided by the Act that a customer's monthly billing charges shall be based upon the then-current monthly billing of the customer.

The Company respectfully recommends the Commission deny the rate design proposal of OIEC Witness Collins. The Company continues to recommend the Commission adopt the use of forecasted annual usage and the cost allocation methodology provided for in this Rebuttal Testimony and the Direct Testimony of OG&E Witness Donald R. Rowlett.

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**Testimony Summary of Richard G. Smead****Direct Testimony**

I testify that I am employed by RBN Energy, LLC, as Managing Director, Advisory Services. I provide my professional and educational background and state that my previous work has involved the appropriate supply arrangements for natural gas power generation, whether facing periodic shortages due to capacity restraints or intermittent generation requirements as a supplement to wind or solar generation. I state that I have previously testified before this Commission and that the purpose of my testimony in this Cause is to examine the extraordinarily high natural gas cost incurred by OG&E in mid-February as a result of Winter Storm Uri (“WS Uri”) and evaluate OG&E’s management of its gas supply to achieve reasonable cost levels for consumers, along with maintaining reliability.

I summarize my overall conclusions and note those conclusions are covered in an expanded form at the end of my Direct Testimony. Those conclusions are: (1) WS Uri had catastrophic impacts across much of the power and natural gas industries in Oklahoma and Texas and OG&E spent more on natural gas in February of 2021 than on its entire fuel budget for 2020, (2) OG&E proactively manages gas supply per a well-thought-out annual plan, (3) The severity of storm damage to supply undermined regional fundamentals that have always protected OG&E through the abundant gas supplies and pipeline options available to it, and (4) OG&E’s gas pricing policy is prudent for the SPP IM.

I testify that WS Uri swept in fast, causing unprecedented low temperatures and extensive ice storms that brought about very rapid well and pipeline freeze-offs to an extent not seen before. This shortage of gas supply deprived the entire natural gas market of large quantities of Southwest production, leading to widespread power curtailments and blackouts in Texas and market prices never before experienced in the Southwest region. In that regard, I provide my Figure 1 that

demonstrates the magnitude of the loss of natural gas supply in the Permian Basin. I state that overall demand for natural gas for heating was very high as temperatures in major consumption centers reached low teens and single digits and note that temperatures in Oklahoma were even lower. This situation occurred at the same time power demand reached new winter peaks and the result was a pure “seller’s market” in terms of available natural gas supplies. I note that natural gas prices reached over \$1,100 per MMBtu and OG&E spent more on natural gas in February 2021 than its entire fuel budget for calendar year 2020.

I testify that the loss of gas supply had varied impact on power generation reliability and that in Oklahoma and North Texas, SPP maintained reliability with limited and controlled blackouts while in most of Texas there was widespread failure of generation that resulted in open-ended blackouts and loss of service for weeks or months. I state my opinion that SPP and its member generators, such as OG&E, did an excellent job of maintaining system integrity while ERCOT is still the subject of widespread investigations and legislative initiatives.

Regarding OG&E’s gas supply planning and practices, I state that OG&E developed a detailed list and explanation of resources, articulated its plans for using those resources, and addressed questions, such as risk management. The reports, required pursuant to Order No. 454609 was submitted to the Commission on May 15, 2020, and again on May 14, 2021. The reports are included as Direct Exhibit RGS-3. I note that at the time of the February event, the 2020 report had been presented to the Commission and advised that OG&E did not intend to engage in any hedging activity. I state the primary reason in the 2020 report for not hedging is hedge premia and OG&E’s reliance on a portfolio approach for multiple supply sources and the 2021 report reached the same conclusions.

I testify that OG&E’s gas supply planning strategy was affected by WS Uri in that supply restriction caused by wellhead freeze-offs caused prices of all relevant supplies to skyrocket for a few days. OG&E’s primary responsibility and objective was to maintain reliability and system integrity and, even with the impact of WS Uri, OG&E was able to select supply sources to a degree and hold down costs.

I state that even with the benefit of 20/20 hindsight, the run-up of prices in February was not something that could have been anticipated based on historic behavior of the winter market. I provide Direct Exhibit RGS-4 that consists of three charts, each dealing with the weighted composite NGI market prices for the three primary suppliers identified in OG&E’s plan. The Exhibit shows that in a ten-year period, the largest price spike of \$28.38 per MMBtu was a tiny bump as compared with the level ultimately reached in 2021. I state that the large run-up in prices this February required a “perfect storm” of events and that hedging or contracting to insulate from that anomalous market movement would be the equivalent of insuring against elephants walking through one’s home – while perhaps prudent in some other part of the world, not prudent in the Oklahoma gas market.

I state my opinion that going forward, I would not recommend at this time that OG&E change its policy to guard against a future massive price run-up and note that OG&E Witness Rowlett provides a history of hedging in OG&E supply deliberations with the Commission. In Texas, where much of the supply outage occurred, legislators are reviewing the potential for requiring higher levels of storm hardening in producing wells and enhancing the capabilities of pipelines to avoid freeze-offs and obtaining electricity to run compressors. In the event no significant responsive actions were taken in the gas supply arena, then it might be worth considering some form of price stabilization. If price stabilization is considered, then the costs of doing so must also be carefully considered.

I state that in a market such as Oklahoma, where fundamentals of supply and demand keep prices low and stable, the loss incurred through years of hedging premia costs would not be worthwhile. I state that enhanced local storage could provide effective protection against increased market costs but that there can still be problems with the efficacy of local storage unless all of the storage withdrawal wellheads and equipment, and the pipeline facilities used to move gas from storage to each generator are fully winterized to very low temperature assumptions. In addition, there can be mechanisms such as asset management agreements with marketers that can defray or eliminate the costs of storage and there is merit in examining the potential for more storage going forward.

Lastly, I provide my conclusions regarding 1) the Winter Storm Impact; 2) that OG&E proactively manages its gas supply per a well-thought-out annual plan; 3) that the severity of the storm damage to supply worked to undermine fundamentals; and 4) that OG&E's pricing policy is prudent for the SPP IM.

Rebuttal Testimony

In my rebuttal testimony, I state the purpose of my testimony is to respond to the responsive testimony of OIEC Witnesses Mosher and Norwood. I address Witness Mosher's positions in terms of the use of storage and the difficulties caused by "must-take" supplies in the face of volatile demand, and both Mr. Mosher's and Mr. Norwood's criticism of OG&E's purchases of natural gas at market index prices.

I state that I do not believe Mr. Mosher makes a valid case that OG&E should have withdrawn from storage to reduce its average commodity cost of gas rather than preserving the storage for balancing. I note that throughout Witness Mosher's testimony, he treats "balancing" in a fairly cavalier manner. Although Witness Mosher recites the Company's rationale for holding gas storage, he then concentrates on balancing as being for the purpose of avoiding imbalance penalties and overrun charges. Witness Mosher then provides OG&E's explanation as "OG&E's strategy was to manage storage to keep max injections/withdrawal rates to ensure a reliable load following, no notice storage." I believe this explanation of OG&E's philosophy and practice in reserving and using firm storage capacity highlights the error of Witness Mosher's dismissal of balancing as some arcane operational need inferior to commodity price management.

Balancing is a key reliability function for generators, much more important than other considerations in ensuring reliability by making up for two potential mismatch situations. The first such situation is when variations occur between the physical deliveries of nominated gas supply and the volumes scheduled pursuant to those nominations. The second situation is similar, wherein the generator ultimately needs more gas than has been scheduled—it has three options for resolving this need for additional supply, overrun service from the pipeline, running a “shipper owes” imbalance on the pipeline, or withdrawing from storage. Reliance on overrun or imbalance gas is not just a matter of penalties, especially in the circumstances of February’s Winter Storm Uri, wherein pipelines were running at capacity. For OG&E to accept a request from the Southwest Power Pool (“SPP”) to provide generation, there must be certainty that OG&E can, in fact, run. Being unable to fill in gaps between physical gas deliveries and scheduled nominations, or to make up for any need for extra generator supply would seriously undermine generator reliability.

I state that Witness Mosher appears to suggest that OG&E’s storage plan should be to use storage for both purposes, balancing and commodity price mitigation and that such a plan is unlikely to work. Despite having earlier cited OG&E’s objective of keeping storage at maximum deliverability, he apparently would have favored drawing down inventory early, with the companion decline in deliverability, despite the wholly unprecedented and unknown nature of the severity or duration of the impacts of WS Uri.

I give my opinion, particularly based on the experience in ERCOT where reliability failed completely, that Mr. Mosher’s priorities are completely misplaced. Maintaining storage so that it would be able to contribute the maximum value to reliability throughout a period of very uncertain natural-gas availability was the epitome of prudent utility management. In effect, depleting storage prior to the end of the storm crisis would have been the equivalent of the RMS Titanic burning its lifeboats to save money on fuel.

I testify in response to Witness Mosher’s dismissal of my concern that excessive purchases of “must take gas” would place OG&E in a position of losing money by having to sell unneeded supply at inopportune times, that I believe Mr. Mosher incorrectly describes the “must-take” issue as purely a volume issue, not a pricing issue. This theme runs throughout his testimony and contrary to his distinction, volumes, and prices (or the costs attendant to the volumes) are inseparable. The issue I explained was that, being left with substantial excess volume at the end of a must-take contract, OG&E would likely be exposed to having to dispose of the gas at a point in time when multiple parties are oversupplied, and thus the gas can only be disposed of at a significant loss

I state that Mr. Mosher dismisses my concern, based on the assumption that excess gas could just be handled through no-notice storage injections and withdrawals, or by running imbalances with the pipelines. In my experience, neither approach works very well for power generation, because the volume impact of having committed supply but then not being able to dispatch can cause such large quantities of excess gas that storage injection limits are exceeded, and pipelines restrict the

imbalance impact. Then, even if a pipeline does allow the imbalance, attempting to run on another date using the already-purchased imbalance gas does not work because the pipeline may well be restricting imbalance payback at the time. When this failure to take back imbalance gas causes a generator not to run, the company likely would be exposed to investigation by, and substantial penalties from, the enforcement staff of the Federal Regulatory Commission. This sort of failure has been one of the areas where the enforcement staff concentrates. Overall, relying on an expectation of being able to exceed injection limits or to stretch a pipeline's imbalance tolerance is not a prudent way to manage volumes and can be very expensive.

I next provide a response to the position of Witnesses Mosher and Norwood regarding OG&E's practice of purchasing all supplies at index prices. I disagree that OG&E's willingness to evaluate hedging strategies in light of the 2021 storm somehow refutes a finding that OG&E's past actions were prudent. While I did not recommend a change, I do not oppose the Company's exploration of alternative purchase practices, informed by the experience of this winter. As stated in my direct testimony, I believe that market pricing is the best alternative in a situation such as OG&E's, being located in the middle of the nation's most abundant supply with flexibility to draw from multiple basins. However, that does not mean that a prudent operator such as OG&E should not review and analyze potential changes in its purchase mix after a completely unprecedented supply event has forced a revisitation of all assumptions.

I state that neither Witness Mosher nor Witness Norwood have provided evidence that fixed-price First of the Month contracts were available to support OG&E's supply portfolio and cost objectives. In his testimony, Mr. Mosher does not say that FOM contracts would have mitigated costs, simply that if they were requested and happened to be less expensive than index, there might have been savings. Primarily, Mr. Mosher appears to be saying that FOM bids would have been useful in a 20-20 hindsight review of index-based purchases, not that actual volumes would have been available at acceptable prices to achieve his theoretical savings. It is important to remember that, despite the existence of index prices for both daily and FOM gas purchases, each actual purchase is a bilateral agreement, which may or may not reference an index. Mr. Mosher has offered no evidence that gas was actually available to OG&E at FOM prices substantially lower than what was paid.

I state my disagreement with Witness Mosher's calculation of a foregone savings of \$54 million to \$108 million had OG&E purchased its gas at FOM prices. As noted, he has offered no evidence that FOM-priced gas was even available in the first place at any particular price. Witness Mosher's calculation of "savings" is based upon a study of a ten-year, five-year, and three-year history of the price relationship between FOM pricing and daily pricing. Without offering evidence of what was really available, Mr. Mosher's application of an historic relationship to the totally unprecedented events of February is unsupportable. Mr. Mosher assumes that FOM gas would be available, that prices would be governed by past average behavior, and that FOM gas would have been as reliable as index-priced gas. There is no evidence or even logic supporting the notion that historic arrangements in a traditionally stable and low-priced market would have any bearing on

what would be charged in February's situation, no evidence that FOM gas was available at a reasonable cost, and no evidence as to the relative reliability of FOM gas during periods of very high index prices.

I testify as to my belief that even if OG&E had found FOM gas at an attractive price, there would still have been no assurance of delivery when the gas was needed. Given the very high spikes in prices triggered by massive losses of flowing supply across the region, there is a strong likelihood that any seller committed to multiple buyers, upon coming up short on supply, would have used *force majeure* claims to curtail the lowest-price sales first. Particularly if a marketer were put in the position of selling gas purchased at hundreds of dollars per MMBtu for a \$10 contract sales price, it is clear that the seller would have taken all reasonable measures to avoid that result and either not purchase the gas, or sell it into a contract that reflected the high prices at the time.

Regarding Witness Mosher's reaction to my testimony that the supply abundance and basin choice that benefits OG&E doesn't require hedging, I state my belief that he misstated my interpretation of the facts and refutes the notion that abundance ensures fair pricing. In response to Mr. Mosher's interpretation of my testimony and the market, I note that I was not referring to the "recent past" or to the recent growth of the Permian Basin by itself in describing the supply abundance available to OG&E. For the last 15 years, shale gas has completely changed the U.S. and the southwestern supply picture at an accelerating rate with earliest and most direct benefits accruing to the Oklahoma and Texas markets. As for Mr. Mosher's comment that I am "implying that flush volumes mean low prices," I am saying exactly that. The widespread abundance of available supply from multiple supply basins and directions has kept OG&E's gas costs low.

I state that the basic problem in February is that the "flush" volumes abruptly and temporarily disappeared due to several factors, among them wellhead freeze-offs, widespread pipeline and processing-plant failures, and in Texas a blackout starting on February 15th that shut off power to wellheads, pipelines, and processing plants throughout multiple supply regions. Thus, the correct interpretation of my abundance point cited by Mr. Mosher is that for 15 years, growing supply abundance kept prices low, that when this abundance abruptly lost its ability to reach consumers, prices went up, and one of the most effective ways of guaranteeing continuity of service was to pay the sellers' opportunity costs to avoid being economically curtailed. This disconnect in Mr. Mosher's theories goes hand in hand with his frequent statements throughout his testimony that some things are "volume" issues, and some things are "price" issues. As noted earlier, volumes and prices are inextricably linked, and a failure of volume in serving OG&E's generating plants could well have resulted in a Texas-size blackout.

Lastly, I summarize Witness Mosher's testimony and state that, overall, he has focused on the costs imposed by the market in a critical situation, not on OG&E's successful strategy, tactics, and operation that avoided a physical disaster in Oklahoma. Mr. Mosher's claims for cost disallowances are based on faulty premises throughout, and thus should not carry any weight with the Commission.

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CAUSE NO. PUD 202100072

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OCT 08 2021

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CORPORATION COMMISSION
OF OKLAHOMA

**SUMMARY OF RESPONSIVE TESTIMONY
OF
JAMES P. MOSHER**

**ON BEHALF
OF
OKLAHOMA INDUSTRIAL ENERGY CONSUMERS
("OIEC")**

October 8, 2021

**Summary Responsive Testimony of James P. Mosher
October 8, 2021**

Mr. Mosher testified on behalf of OIEC, an association consisting of a diverse group of large industrials and other large energy consumers of energy in Oklahoma which is involved in regulatory and legislative matters primarily involving natural gas and electric power. OIEC is interested in the Commission's determination of the prudence of the actions and inactions of Oklahoma Gas and Electric Company (OG&E) before and during the February 2021 Winter Weather Event (WWE) and the resulting extreme purchase costs incurred by OG&E. OIEC has an interest in ensuring that OG&E only be allowed to securitize prudently incurred costs and that any approved costs are allocated in a fair, just and reasonable manner to all OG&E customers.

Mr. Mosher's testimony addressed his analysis regarding OG&E's prudence in incurring extreme purchase costs for natural gas and electrical energy during the WWE and his recommendations to the Commission. Mr. Mosher addressed OG&E's prudence in four areas: 1) OG&E's utilization of its natural gas storage inventories, 2) OG&E's strategy of taking 100% of daily natural gas market price risk, 3) OG&E's sole reliance on fuel diversity as a strategy for mitigating natural gas price risk, and 4) the likelihood that OG&E incurred negative operating margins on its gas-fired generating units dispatched in the SPP IM.

Mr. Mosher made several findings: First, OG&E failed to prudently utilize its natural gas storage inventory during the WWE to mitigate extreme purchase costs. Second, OG&E failed to contract some or all of its baseload Term Gas purchases at First-of-Month (FOM) index pricing instead of contracting 100% at daily index pricing. Third, OG&E's reliance on fuel diversity was imprudent and ineffective in mitigating natural gas price risk. Fourth, OG&E very likely incurred negative operating margins on sales into the SPP IM from its gas-fired generating resources.

Mr. Mosher testified that OG&E asserted that all of its actions and inactions both before and during the WWE were prudent. Mr. Mosher disagreed for several reasons.

First, Mr. Mosher testified that OG&E lacked a strategy for optimizing the value of its gas storage, failed to prudently utilize its 0.5 BCF of gas storage inventory to avoid purchasing gas at extreme prices, and over-procured gas for the two most critical days of the WWE, February 17th and 18th, when gas prices were the highest. Mr. Mosher testified that OG&E only used its gas storage inventory for daily balancing and not for price risk mitigation, which was imprudent and increased the extreme purchase costs incurred.

Second, Mr. Mosher testified that OG&E failed to prudently manage gas price risk before and during the WWE by purchasing all of its gas supply at daily index pricing. Mr. Mosher testified that OG&E imprudently went "naked" in the natural gas market, taking 100% of the price volatility risk, and mitigating none of that risk on a proactive basis via fixed-price and/or First-of-Month (FOM) index-based gas contracts. Mr. Mosher estimated that OG&E's imprudence cost its customers \$50 Million in extreme purchase gas costs that could have been avoided.

Utilization of Gas Storage: Mr. Mosher testified that OG&E failed to materially utilize its storage on the two days when it mattered most, February 17th and 18th, instead purchasing over \$300 Million worth of gas at extreme prices of up to \$1200/MMBtu on those two days. Mr.

Mosher testified that the market value of OG&E's storage inventory on those two days was between \$200 and \$300 Million, yet OG&E did not withdraw any material gas volumes and actually injected gas on February 17th. Mr. Mosher testified that OG&E's lack of a prudent gas storage strategy and its failure to prudently optimize the value of its storage inventory caused it to miss the most significant opportunity to mitigate the extreme purchased gas costs during the WWE.

Mr. Mosher testified that OG&E's stated strategy was to use storage solely as a volume balancing mechanism to accommodate fluctuations in gas volumes so as to avoid pipeline imbalance penalties. Mr. Mosher testified that OG&E's volumes-only strategy severely underutilizes the value of OG&E's storage rights as a price risk management tool. Mr. Mosher's assessment was that instead of using storage to avoid pipeline overrun charges OG&E should have instead used that storage inventory to avoid purchasing \$900-\$1200/MMBtu gas.

Mr. Mosher testified that the day prior to the onset of the WWE period, OG&E held approximately 0.5 BCF in ONEOK Gas Transportation, LLC (OGT) storage inventory for its Redbud and Mustang facilities. He further testified that OG&E produced no documentation in response to OIEC data requests indicating that OG&E did not do any type of analysis regarding the possible strategic use of its gas storage. Mr. Mosher concluded that OG&E treated its storage inventory as an informal part of its gas procurement process and that OG&E did not have a strategy in place to prudently measure and manage the value obtained (or lost) by utilizing its gas storage inventory.

Mr. Mosher testified that, had OG&E been prudent, it would have begun to consider the use of its 0.5 BCF of storage inventory for price mitigation sometime between February 4th and February 8th. In response to OIEC data requests, OG&E confirmed that it was initially notified by its Meteorological group on February 4th that the coldest temperatures of the season were likely to occur Tuesday through Thursday, February 16th through 18th. Mr. Mosher testified that on February 8th OG&E received an unmistakable "red flag" that a gas price spike was emerging and that the use of storage may be a prudent action for OG&E to take when on that day the price of gas doubled to the \$8.00/MMBtu range.

Mr. Mosher testified that OG&E began making sporadic withdrawals of gas from storage for its Redbud facility on February 7th for balancing purposes when gas prices were in the \$3.00-\$4.00/MMBtu range, and stopped withdrawals on the 17th when gas prices were high. He testified that OG&E's withdrawal pattern for its Mustang facility was similar. Mr. Mosher testified that OG&E did not withdraw material volumes from storage on February 17th and 18th when gas prices were highest, and that despite the relentless climb of natural gas pricing and the value of OG&E's gas storage inventory from February 7th forward, OG&E continued to utilize its storage inventories in a tactical manner for balancing and not strategically for mitigating extreme purchased gas costs for the benefit of OG&E customers.

Mr. Mosher testified that O&E purchased over \$300 Million worth of gas at extreme prices over the 2-day period February 17th to 18th, almost 50% of OG&E's total claim for extreme purchase gas costs for the entire WWE period. He testified that OG&E failed to prudently utilize its gas storage on the two days when it mattered most and now seeks to pass those costs on to its customers. Mr. Mosher testified that OG&E could have strategically utilized storage withdrawals to reduce its purchases of roughly 300,000 MMBtu/day at extreme prices on February 17th and

18th. He further testified that, had OG&E been diligent in measuring and managing the value of its storage inventory, OG&E could have monetized at least a portion of the \$200-\$300 million dollars' worth of gas it held in storage by displacing expensive market purchases.

Mr. Mosher testified that OG&E admitted in its data request responses that it "over-bought" gas to offset cuts to its Term Gas contracts, that OG&E claimed it was over-buying gas in an attempt to keep the Redbud facility online, but that OG&E never considered the cost impacts of its gas purchase decisions nor did any analysis to quantify the potential cost savings it could obtain by utilizing its storage inventory more aggressively. Mr. Mosher testified that if OG&E had developed and implemented a prudent storage strategy coupled with rigorous oversight by OG&E management, OG&E could have avoided this costly mistake.

Mr. Mosher testified that OG&E was aware that the OGT index for the period Feb 13-16 was \$368/MMBtu and that OG&E also had indications of pricing trends for the 17th and 18th because OG&E was buying Call, Day and Intra-day Gas every day. In its response to an OIEC data request, OG&E confirmed it knew that the price of gas had eclipsed \$1,000/MMBtu on OGT on February 15th, two days prior to OG&E's failure to utilize storage on the most critical days February 17th and 18th. Mr. Mosher testified that OG&E kept buying additional, expensive gas instead of strategically using storage withdrawals, all the way through February 17th and 18th.

Mr. Mosher testified that OG&E's plan to take its Mustang facility offline for 12-hours on February 17th to build line-pack on OGT exacerbated OG&E's extreme purchase costs. Mr. Mosher testified that, instead of withdrawing gas from storage, OG&E actually injected over 10,000 MMBtu into Mustang storage on the 17th, at an average cost of \$832.90/MMBtu, and over 14,000 MMBtu into Redbud storage at an average cost of \$809.09/MMBtu. Mr. Mosher concluded that OG&E headed the opposite direction from the direction a prudent fuel manager would have gone.

Mr. Mosher testified that on February 17th OG&E purchased 263,911 MMBtu of Day Gas and 74,796 MMBtu of Intra-day Gas while withdrawing nothing from storage. Mr. Mosher referenced OG&E witness Rowlett's workpaper showing total gas purchase costs of \$156 million on the 17th, and that that same workpaper showed OG&E purchased 195,165 MMBtu of Day Gas and withdrew a mere 3,235 MMBtu from storage on February 18th, costing OG&E customers \$144 Million in gas costs on that day. Mr. Mosher testified that the OGT index was \$944/MMBtu and \$1,193/MMBtu on February 17th and 18th, respectively, the highest two trading days of the entire WWE period. Mr. Mosher testified that OG&E did exactly the wrong thing, at exactly the wrong time.

Mr. Mosher testified that the market value of OG&E's combined Redbud and Mustang inventory on February 17th was \$275 Million, that it increased to almost \$350 Million on the 18th, and then decreased to a mere \$1 Million by February 20th. Mr. Mosher testified that OG&E's failure to strategically utilize its valuable storage inventory when it needed it most cannot be justified as prudent. Mr. Mosher further testified that the storage operator, Oklahoma Gas Storage (OGS), did not impose any restrictions on firm withdrawals from storage during the entire WWE. Mr. Mosher testified that OG&E confirmed in its data request responses that it received no notices of curtailment or interruption of storage service from OGS during the WWE. He further testified that, on May 14, 2021, Mr. Chuck Kelly, Senior Vice-President, Natural Gas for ONEOK, testified

before the Oklahoma Senate Select Committee on Utilities and Energy that OGS delivered gas out of storage during the WWE as and when it was requested, had great reliability and no outages, and allowed customers to overrun their hourly rates to serve human needs. Mr. Mosher further testified that Mr. Kelly referenced the Commission's February 16th order instructing OGT and other regulated gas utilities to prioritize delivery of gas to electric generators serving human needs. Mr. Mosher testified that OG&E's ability to get its gas out of storage and delivered to its facilities was not in jeopardy, but rather, that OG&E failed to utilize its firm gas storage inventory to mitigate its extreme purchase costs during the worst of the natural gas price spike.

Mr. Mosher testified that every MMBtu of avoided gas purchase would have been a benefit to OG&E ratepayers, and he asserted that OG&E may have been able to pull down its storage inventories below zero on an interruptible basis provided OGS had withdrawal capacity available. Mr. Mosher testified that OG&E would likely have not replaced the withdrawn gas until the summer injection season which commenced on April 1, and that the NGI Bidweek price was \$3.17/MMBtu for March and \$2.38/MMBtu for April, in stark contrast to the \$900-\$1200/MMBtu purchases OG&E made during February 17th and 18th.

Mr. Mosher testified that OG&E did not have a prudent storage gas strategy, which led to OG&E over-purchasing gas at market prices during the highest priced days of the WWE, incurring at least \$50 Million in extreme purchase costs that could have easily been avoided by withdrawing gas from storage. Mr. Mosher testified that OG&E was imprudent by not having a storage strategy and appropriate oversight and accountability in the management of its storage inventory. Mr. Mosher further testified that OG&E should have been aware of the daily volume and value of its storage inventory and had a simple, yet prudent strategy in place prior to or during the WWE to utilize its storage for price mitigation as well as for balancing. Mr. Mosher testified that implementation of a prudent strategy would not have eliminated all of OG&E's extreme purchased costs, but would have saved OG&E and its customers at least \$50 Million.

Mr. Mosher testified that he evaluated three alternate strategies that OG&E could have used to deploy its 467,755 MMBtu (366,584 MMBtu Redbud; 101,171 MMBtu Mustang) of storage inventory to reduce extreme purchased gas costs: i) Fixed-Volume Withdrawal; ii) Fixed-Percentage Withdrawal; iii) Maximum Daily Withdrawal Quantity (MDWQ).

Mr. Mosher testified that the fixed-volume strategy is easy to understand and manage, and likened this strategy to the dollar-cost-averaging strategy often employed in financial investing, where one does not attempt to time the market. Mr. Mosher testified that once it became clear that the polar vortex had arrived and was not forecasted to abate for several weeks, OG&E could have ratably withdrawn volumes from storage using the fixed-volume strategy so as to bring its storage inventory level to zero by the end of February. Mr. Mosher's analysis showed that the storage volumes OG&E would have had to ratably withdraw from storage beginning on February 7th were modest (16,661 MMBtu/day for Redbud, 4,598 MMBtu/day for Mustang) and that these amounts could have been nominated and scheduled each day with the nomination being left in place for the remainder of the month.

Mr. Mosher testified that he also evaluated the fixed-percentage strategy, found it to be more complex than the fixed-volume strategy, but that it would ensure that the storage inventory would never go below zero. Lastly, Mr. Mosher testified that he evaluated a Maximum Daily Withdrawal

Quantity (MDWQ) strategy which pulls down storage inventory as quickly as possible but without exceeding the storage contract MDWQ limits. He testified that, when the inventory reached zero, the withdrawals would be stopped, and that the MDWQ strategy carries the risk of withdrawing too much gas too soon, depending upon the starting level of storage inventory.

Mr. Mosher concluded that the fixed-volume strategy would have been the simplest strategy for OG&E to have implemented because the withdrawal volumes are modest and the nominations would remain constant during the withdrawal period. Mr. Mosher testified that his analysis showed that OG&E could have avoided an estimated \$50 Million in extreme purchase costs during the WWE period had it implemented the fixed-volume approach to withdrawing gas from its storage inventories beginning on February 7th. Mr. Mosher testified that OG&E would not have had to pull its storage inventories down below zero because once gas pricing returned to pre-WWE levels on or after February 23rd, the withdrawal strategy could be paused if additional gas cost savings were not being realized.

Regarding the two alternative strategies, Mr. Mosher testified that the fixed-percentage approach yielded less savings than the fixed-volume approach due to the declining withdrawal volumes as inventory declined over the withdrawal period, and that the MDWQ method yielded approximately the same savings as the fixed-volume approach.

Mr. Mosher stated that his analysis is not the product of hindsight because OG&E's failure to have a strategy to utilize its 0.5 BCF of storage inventory to mitigate winter gas price spikes is not reasonable and prudent. Mr. Mosher opined that, regardless of OG&E's intentions when it executed the contracts with OGT/OGS for long-term firm storage service for Redbud and Mustang, a prudent OG&E would not have ignored the inherent value of that expensive storage service as a price risk mitigation tool in addition to a balancing tool. Mr. Mosher testified that, at the very least, OG&E should have analyzed the benefits and costs of utilizing its gas storage inventory to avoid purchasing gas at high prices, but that OG&E did not conduct any analysis.

Mr. Mosher testified that OG&E's Commercial Operations personnel were actively in the gas market on February 15th and 16th buying Call, Day and Intra-day Gas and talking with suppliers about the supply situation while gas prices had already breached \$1,000/MMBtu. Mr. Mosher testified that this would have given OG&E an indication of pricing trends for the 17th and 18th as well as the opportunity to draw down OG&E's large storage position instead of buying more gas at high prices. Mr. Mosher listed the facts based upon data provided by OG&E in its testimony and its responses to data requests:

- a. OG&E had a valuable storage inventory that it did not optimize due to the lack of a coherent strategy.
- b. OG&E's extreme purchase costs for gas totaled \$300 Million combined for February 17th and 18th, almost 50% of OG&E's total extreme purchase costs.
- c. OG&E utilized Mustang storage for balancing early in WWE but not when it mattered most, on February 17th and 18th.
- d. Redbud storage inventory went virtually unused on February 17th and 18th.

- e. OGE “over-bought” gas for Redbud instead of utilizing storage.
- f. OG&E injected \$900/MMBtu gas for both Redbud and Mustang into storage on February 17th.
- g. OG&E’s self-imposed 12-hr Mustang outage on February 17th coupled with over-buying of gas for Redbud exacerbated OG&E’s extreme purchase costs.
- h. Firm transportation and firm Storage services were not cut by OGT/OGS during the WWE.
- i. It was not difficult for OG&E to revise nominations to withdraw gas from storage because OGT adheres to the NAESB nomination cycles which gives customers at least five opportunities to adjust nominations before and during the day of flow.
- j. The OGS Tariff allows a customer to change its nomination at any time up to 4-hours prior to gas flow.

Mr. Mosher summed up his assessment by stating that neither foresight, nor hindsight, was required for OG&E to prudently and strategically manage its gas storage inventory to avoid at least an additional \$50 Million of extreme purchased gas costs during the WWE.

With regard to OG&E’s utilization of its gas storage inventory during the WWE, Mr. Mosher recommended that the Commission make the following findings: 1) OG&E did not have an effective strategy in place to utilize its gas storage inventory for price risk management, 2) OG&E incurred at least \$50 Million in extreme purchase costs for natural gas that OG&E could have reasonably avoided, and at least \$50 Million of OG&E’s extreme purchase costs for gas should be disallowed for recovery, 3) OG&E over-procured gas during the most expensive days of the gas price spike, and 4) OG&E auditors did not audit the prudence of OG&E’s processes and practices related to utilization of its gas storage inventory.

Gas Price Risk: Mr. Mosher testified that OG&E’s gas procurement practices did not manage price risk or mitigate extreme purchase costs, finding that OGE bought all 75,000 MMBtu/day of its Term (aka “baseload”) Gas at daily index, and none at fixed prices or at First-of-Month (“FOM” or “Bidweek”) pricing. Mr. Mosher testified that this practice caused OG&E to incur at least \$108 Million in increased gas purchase costs for the month of February 2021 compared to FOM index. Since the FOM price is the same for each day of the flow month, Mr. Mosher estimated the pro rata savings impact for the 14-day WWE period at 50%, or \$54 Million.

Mr. Mosher further testified that OG&E’s strategy of buying all of its Term Gas at daily index concentrates gas price risk, rather than mitigating it, with OG&E taking 100% of the gas price risk exposure on behalf of its customers. Mr. Mosher testified that the small amount of Intra-day Gas that OG&E purchased at fixed prices provided little price risk mitigation. Mr. Mosher stated that he focused his analysis on FOM pricing and that he did not evaluate fixed-price transactions.

Mr. Mosher presented the relationship between Bidweek (FOM) index pricing and daily pricing on the OGT pipeline as reported by Natural Gas Intelligence (NGI), on a cumulative basis, over

the 2011-2020 time period. Mr. Mosher concluded that buying at FOM pricing sometimes resulted in paying a premium to buying at the daily index, at other times resulted in a discount, and that on average over the long-term resulted in a slight premium.

Mr. Mosher testified that it would have been reasonable for OG&E to buy some or all of its Term Gas at FOM pricing to manage gas price risk, analogous to OG&E's use of Call Gas to mitigate gas volume security risk. Mr. Mosher observed that the premium OG&E pays for Call Gas is small; \$0.01-\$0.03/MMBtu, as confirmed by OG&E's Direct Testimony. Mr. Mosher testified that the implied historical premium over daily index for procuring Term Gas at FOM pricing is likewise very small, with the trailing 3-, 5- and 10-year average implied premiums for purchasing at Bidweek index versus daily index over the period 2011-2020 being between \$0.00 to \$0.05/MMBtu.

Mr. Mosher testified that, even assuming OG&E had to pay an additional \$0.03/MMBtu transaction fee on top of the implied premiums in order to transact, purchasing some or all of OG&E's Term Gas at FOM index would have been reasonable. Mr. Mosher testified that OG&E would have paid a total premium of \$10 Million over the 10-year period to avoid a \$108 Million WWE loss in February 2021, and that even assuming that gas prices only spiked to \$35/MMBtu as they did in February 2014 (one-third of the \$105/MMBtu OG&E incurred during the WWE) the avoided extreme purchase costs on 75,000 MMBtu/day baseload gas in February 2021 would still have been roughly \$36 Million. Mr. Mosher concluded that this would have resulted in a net benefit to OG&E customers of \$26 Million. Mr. Mosher testified that OG&E responses to OIEC data requests confirmed that OG&E had not requested FOM quotes from gas suppliers since it joined the SPP IM in March 2014.

Mr. Mosher testified that OG&E last countenanced FOM pricing for Term Gas in 2010 in its application PUD20100078. Unlike the seasonal (5-months Winter; 7-months Summer) Term Gas contracts OG&E currently executes, the gas contracts at issue in the 2010 proceeding were 12-year Term Gas supply contracts at FOM pricing with a floor and a ceiling (aka a "collar") risk swap. Mr. Mosher further testified that FOM pricing does not ensure lowest cost gas, but that it is one of the tools available to OG&E to achieve lowest reasonable cost of gas. Mr. Mosher testified that the overarching objective of purchasing at FOM is to achieve lowest reasonable cost of gas including due consideration of the price risk being taken or mitigated. He testified that, despite OG&E's history of purchasing on average 100,000 Dth/day of Term Gas since the 2014 inception of the SPP IM, OG&E has never sought fixed-price or FOM index pricing for any of its Term Gas purchases, instead preferring to take 100% of the daily market price risk. Mr. Mosher testified that OGE should have at least analyzed the opportunity by soliciting FOM index gas pricing as an alternative to daily pricing in the seasonal RFPs that OG&E issued, and that OG&E should have been acting in the role of steward for its ratepayers.

Mr. Mosher testified that a prudent fuel procurement steward would ask itself the question "what price risk management premium would a reasonable utility pay to protect itself against spikes in natural gas prices?" Mr. Mosher further testified that, had OG&E asked itself this question in late-January when news began to break of an arctic air mass descending into the southern plains, OG&E may have been able to obtain quotes from its Term Gas suppliers for other than daily index pricing. Lastly, Mr. Mosher testified that had OG&E been routinely purchasing gas at FOM index, it would have had insight from its gas marketers as to what fixed-price deals were being done as

well for the month of February. Mr. Mosher concluded that OG&E's misplaced comfort with purchasing all of its Term Gas at daily index without any analysis of the costs and benefits of procuring gas at FOM pricing was imprudent. He testified that, even if the RFP bids came back as too expensive to justify buying gas at FOM index, at least OG&E would have been prudent in obtaining the market data and doing its own analysis of the costs and benefits of price risk mitigation.

With regard to OG&E's gas procurement practices, Mr. Mosher recommended that the Commission make the following findings: 1) OG&E was not reasonable in taking 100% of the daily index gas price risk, 2) OG&E should have procured at least a portion of its firm baseload Term Gas at either fixed-prices or FOM index pricing, and 3) OG&E could have avoided an estimated \$54 to \$108 Million in extreme purchase costs during the February 2021 had OG&E purchased all of its baseload Term Gas at First-of-Month index.

Fuel Diversity Strategy: Mr. Mosher also testified that OG&E's fuel diversity approach to price risk management failed the company and its ratepayers during the WWE gas price spike. Mr. Mosher disagreed with OG&E witness Rowlett's assertion that OG&E's sole reliance on fuel diversity enhances reliability in the event of disruptions to any single fuel type, e.g., well freeze offs for natural gas. Mr. Mosher testified that OG&E's sole reliance upon a fuel diversity strategy for risk management, for both reliability and price risk management, was not resilient and was imprudent in several respects.

First, Mr. Mosher testified that OG&E's Fuel Supply Portfolio and Risk Management Plan emphasizes the flexibility of OG&E's approach to gas procurement, but mentions nothing about price risk management, demonstrating the weakness and/or inchoate nature of its fuel diversity strategy. Second, OG&E's Fuel Supply Portfolio and Risk Management Plan only mentions gas storage in the context of balancing and load-following and doesn't give any consideration to the use of OG&E's gas storage for price risk mitigation. Third, Mr. Mosher testified that fuel diversity can be useful strategy when prices for coal and gas fundamentally diverge, but provides no protection from extreme, short-term price spikes due to acute supply shortages, as was the case during the WWE.

Mr. Mosher challenged OG&E witness McBroom's assessment that OG&E's Fuel Supply Portfolio and Risk Management Plan was well-designed because it only included volume and not price risk management. Similarly, Mr. Mosher testified that Mr. McBroom's characterization of its use of Term gas and storage as being a "physical hedge" was also imprecise because OG&E purchased all of its firm gas needs at daily index and none at fixed-prices or FOM pricing.

Mr. Mosher challenged OG&E witness Smead's conclusion that OG&E was prudent in purchasing 100% of its gas needs at daily index pricing. Mr. Mosher testified that OG&E should have at least requested bids in its RFPs for baseload Term Gas priced at fixed-price or FOM index pricing and analyzed the costs and benefits of purchasing at least some of its baseload gas at FOM pricing. Mr. Mosher also disagreed with Mr. Smead's assertion that OG&E's purchase of 100% of its gas needs at daily index pricing avoided the "must-take" conundrum that dispatchable electric generators face. Mr. Mosher testified that the "must-take" conundrum is created by a generator's gas volume strategy, not its pricing strategy, and that OG&E has full control over the balance of Term Gas versus Call Gas in its portfolio. Mr. Mosher further testified that a prudent

electricity market participant would perform a detailed multi-factor analysis and use that analysis to determine the appropriate volumes of Term Gas and Call Gas required to ensure adequacy of supply yet protect against over-purchasing gas volumes.

Mr. Mosher rebutted Mr. Smead's claim that OG&E's fuel diversity strategy fully protects OG&E from fuel price risk. Mr. Mosher testified that OG&E's strategy did not in any way insulate OG&E from exogenous events like the WWE. He rebutted Mr. Smead's claim that incurring costs to stabilize prices would have been unnecessary and a disservice to consumers. Mr. Mosher testified that Mr. Smead provided no analysis in support of his assessment that cost of price risk management outweighed the benefits of protecting OG&E customers from gas price spikes. Mr. Mosher recommended that the Commission discount OG&E's unsupported assertion that the customer benefits of managing price risk with tools other than fuel diversity are not worth the cost. Lastly, Mr. Mosher disagreed with Mr. Smead's conclusion that OG&E make no changes to its strategy of taking 100% of the daily gas price risk.

Mr. Mosher also disagreed with Mr. Smead's assertion that buying gas at fixed monthly pricing exposes power generators to very substantial costs. Mr. Mosher testified that OG&E would not buy 100% of its gas needs at FOM pricing but only some or all of OG&E's baseload Term Gas needs, which represents approximately 30-50% of OG&E's total gas procurement on any given day. Mr. Mosher further testified that any gas purchased but not needed each day would likely not be baseload Term Gas, but Call, Day or Intra-day Gas purchased at daily pricing, and that even if OG&E's total gas demand on a particular day went below the level of OG&E's baseload Term Gas purchases, the prudence of procuring gas at fixed-prices or FOM index has not been disproven by OG&E.

Mr. Mosher testified that OG&E ratepayers are already paying for OG&E's procurement of no-notice load-following service on both OGT and Enable to deal precisely with the "must-take" balancing scenario described by OG&E witness Smead. Mr. Mosher testified that, if OG&E over-procured gas on any given day, OG&E wouldn't be selling any gas into the market; the overage would merely be injected into OG&E's storage capacity (OGT) or cashed-out with the pipeline (Enable) at the end of the month. Mr. Mosher testified that OG&E could work with suppliers on hybrid strategies that sculpt its Term Gas volumes as a split between FOM index pricing and daily index pricing to find the least-cost/best-fit allocation.

With regard to OG&E's sole reliance on fuel diversity to mitigate fuel price risk, Mr. Mosher recommended that the Commission make the following findings: 1) OG&E was imprudent in relying solely upon fuel diversity as a strategy for managing gas price risk, 2) OG&E was imprudent in purchasing all of its gas supply at daily index pricing, and 3) OG&E should develop a Fuel Supply Portfolio and Risk Management Plan that meaningfully addresses and rigorously analyzes the costs and benefits of various fuel price risk management tools including fixed-price contracts, FOM index contracts, utilization of OG&E's existing gas storage rights for fuel price risk management and the possible procurement of additional storage capacity.

Negative Operating Margins: Lastly, Mr. Mosher testified that OG&E likely realized negative operating margins in the SPP Integrated Market (IM). Mr. Mosher testified that he reviewed the SPP Day Ahead Market (DAMKT) and Real Time Balancing Market (RTBM) pricing and OG&E's net MWh generation and fuel costs for its gas-fired generating facilities and

observed that SPP RTBM pricing was generally much lower than DAMKT pricing during the WWE. Based on this observation, Mr. Mosher concluded that there was a high probability that OG&E incurred negative operating margins on SPP IM sales from its gas-fired generation. Mr. Mosher testified that OG&E provided the DAMKT and RBTM clearing prices in the form of Locational Marginal Prices (LMP) which represent the generator-specific nodal prices that OG&E received for MWh sales at each of its generating facilities. Mr. Mosher testified that all generating units dispatched in the DAMKT or the RTBM receive the market clearing price for energy, adjusted for line losses and congestion (i.e., nodal LMP), and that if the LMP during any dispatch interval is less than the generator's cleared DAMKT bid costs, SPP compensates the generator with a Make-Whole Payment (MWP) for the difference during the SPP settlement process.

Based on his analysis, Mr. Mosher concluded that OG&E very likely incurred negative operating margins on its gas-fired generation facilities during the WWE. Mr. Mosher observed that, based on its securitization application, OG&E spent \$663 Million (\$602 Million Oklahoma-share) on fuel gas for its gas-fired fleet during the WWE, and that OG&E witness Rowlett testified that OG&E netted only \$295 Million (\$268 Million Oklahoma-share) in total SPP IM sales revenue during the WWE from all of its generation, including its coal and wind units. Mr. Mosher testified that the \$268 Million SPP IM sales revenues received by OG&E also included MWPs received by OG&E from SPP as of the date OG&E filed its application for securitization. He observed that the total SPP IM revenue received by OG&E as of the date of its application was insufficient to offset OG&E's fuel costs incurred absent OG&E collecting additional MWPs from SPP.

Mr. Mosher testified that, if the RTBM market clearing price is below the DAMKT price, and the MWPs calculated by SPP in the settlement process are not sufficient to close any gap between OG&E's generation costs and actual revenues received, then OG&E's operating margin will be negative. He testified that MWPs are intended to make-whole the generator such that its revenues are at least breakeven with its costs, and that the biggest variable cost for OG&E's gas-fired generation is fuel cost. Mr. Mosher testified that the fuel costs OG&E bid into the DMKT may have been below the actual fuel costs incurred, causing a shortfall in revenues versus expenses.

Mr. Mosher testified that, based on OG&E's SPP revenue and gas cost numbers, OG&E likely incurred a negative operating margin of \$300-\$400 million during the WWE on its gas-fired generation sales absent recovery of additional MWPs. In its responses to OIEC data requests, OG&E stated that it has disputed \$277 Million (total share) of SPP IM settlement charges related to MWPs for its generation costs and is currently involved in the SPP resettlement process. Mr. Mosher further testified that SPP recently stated in its Winter Storm Assessment Report submitted to the Arkansas Public Service Commission (APSC) that it committed generating units in the DAMKT for reliability purposes and that some of those units were uneconomic.

Mr. Mosher testified that it was unclear to him whether any of OG&E's generating units were included within the group of resources SPP committed uneconomically for reliability purposes, because OG&E confirmed in its response to a data request that all of its DAMKT unit commitments were at "market" and none were designated "reliability". To prevent confusion, Mr. Mosher clarified that his estimate of \$300-\$400 million potential negative operating margin was not an additional cost on top of OG&E's extreme purchase costs for gas, but rather a measure of what it cost OG&E to generate power for sale into the SPP IM versus the revenue OG&E received from SPP for those sales.

Mr. Mosher testified that OG&E has a duty to its ratepayers to seek recovery of 100% of its fuel and other variable generation costs from the SPP for all hours of the WWE where OG&E units were dispatched. He noted that OG&E's witness McBroom testified that the SPP resettlement process for the WWE period may not be concluded until February 2022, fully one year after OG&E's extreme purchase costs were incurred. Mr. Mosher testified that OG&E should make best efforts to recoup fair, just and reasonable MWPs from SPP to offset the extreme purchase costs it incurred for natural gas fuel in order to make its gas-fired units available for SPP DAMKT and RTBM dispatch. Mr. Mosher further testified that OG&E should also seek MWPs for OG&E's self-commitment of the Frontier facility to keep it online during the critical WWE period.

Mr. Mosher recommended that the Commission ensure that OG&E is both timely and transparent about the extent of any uneconomic dispatch during the WWE, the causes of that uneconomic dispatch, and OG&E's estimate of additional revenue recovery from SPP if the shortfall amounts are to remain part of OG&E's total securitization amount. He further recommended that the Commission direct OG&E to provide an accounting (i.e., a profit & loss statement) for each of OG&E's generating units for each day of the WWE, in order for the Commission to understand and reconcile the large gap between the \$268 Million SPP IM sales revenues OG&E received versus the \$602 Million in extreme purchase costs OG&E incurred to buy the gas necessary to make those SPP IM sales. Mr. Mosher recommended that the Commission carefully evaluate the prudence of OG&E's actions and inactions with respect to its natural gas procurement and storage inventory management during the WWE, as those actions and inactions may have impacted the magnitude of any shortfalls in SPP IM revenues versus OG&E's fuel costs.

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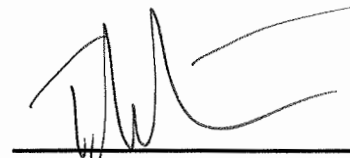
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BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

**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

FILED
OCT 08 2021

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

**SUMMARY OF RESPONSIVE TESTIMONY
OF
MARK E. GARRETT**

**ON BEHALF
OF
OKLAHOMA INDUSTRIAL ENERGY CONSUMERS
("OIEC")**

OCTOBER 8, 2021

1 Mr. Garrett testified that OG&E now proposes to securitize its \$838.6 million
2 storm cost balance. OG&E estimates that it can obtain an interest rate of 1.578% for a
3 13- year securitization period and 2.327% over a 23-year period. Originally, in Cause
4 No. PUD 202100039, the Company had proposed to recover the storm costs over a 10-
5 year period at the Company's full WACC rate, which is about 9.07% with taxes.

6 Mr. Garrett computed the difference between a 10-year recovery at a full WACC
7 rate of 9.07%, as the Company first proposed, and a 13-year recovery with a securitized
8 rate of 1.578%. His calculations show that ratepayers will save about \$339 million as a
9 result of securitization.

10 A longer securitization period would save ratepayers even more money. Using a
11 7% discount rate, the net present value ("NPV") saving to ratepayers from a 23-year
12 amortization compared to a 13-year amortization is an additional \$55.8 million.

13 Savings in the first few years are dramatic. This is because payment levels are at
14 their highest in the early years when a declining balance regulatory asset approach is
15 used, as it is here. As can be seen in his Exhibit MG-2.4, savings over the first 5-year
16 period are \$111.8 million. The average annual savings over this 5-year period is \$22.3
17 million per year.

18 OG&E proposes that if the securitization bonds are not issued by April 2022, the
19 carrying charge on the storm balance should be changed to the Company's full weighted
20 average cost of capital (WACC). Mr. Rowlett provides no compelling reason to support
21 the use of long-term debt **and** equity to finance the storm cost. Mr. Rowlett's testimony
22 on this issue overlooks the fact that the storm-cost balance could easily be financed with

1 low-cost *intermediate-term* debt. For example, AEP recently financed its SWEPCO
2 2021 storm balance with 5-year debt at 1.65%. A carrying charge equal to OG&E's cost
3 of short-term debt is a much more reasonable approach than the full WACC recovery
4 that OG&E seeks.

5 Mr. Garrett recommends that the Company be authorized to accrue a carrying
6 charge on the storm balance equal to its actual cost of borrowing for this balance. Right
7 now, that rate is .628%. If the Company has to refinance the balance in April 2022, the
8 actual cost of short-term or intermediate-term borrowing at that time should be used as
9 the carrying charge. A WACC return that includes a return on equity profit for the utility
10 should never be used to recover the cost of a natural disaster.

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CAUSE NO. PUD 202100072

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**SUMMARY OF RESPONSIVE TESTIMONY
OF
BRIAN C. COLLINS**

**ON BEHALF
OF
OKLAHOMA INDUSTRIAL ENERGY CONSUMERS
("OIEC")**

October 8, 2021

My testimony addresses Oklahoma Gas and Electric Company's ("OG&E" or "Company") proposed allocation of the 2021 Winter Weather Event costs incurred by OG&E during February 2021 to its electric customer Service Levels. My testimony also discusses the proposed rate design for the recovery of the securitized fuel and purchased power costs. The rates calculated within my testimony are primarily based on the Company's requested cost recovery amounts for the Winter Weather Event. To the extent the Commission approves a different amount of cost recovery, the rates within my testimony would change.

A summary of my testimony conclusions and recommendations are as follows:

1. OG&E proposes to recover all of the fuel and purchased power costs that it incurred during the 2021 Winter Weather Event from customers. These costs will be securitized and recovered from customers over either a 13-year or 23-year period. OG&E also proposes to recover its securitization costs associated with the fuel and purchased power costs.
2. OG&E proposes to allocate the 2021 Winter Weather Event costs to customer Service Levels based on their total usage during the February 7-21, 2021 Winter Weather Event.
3. Because both OG&E's daily costs and customers' daily consumption levels varied over the two-week Winter Weather Event, I propose a modification of OG&E's proposed cost allocation to the Service Level classes.
4. With respect to cost allocation, I recommend that the Winter Weather Event costs be allocated to Service Levels based on Service Level daily usage and the daily cost incurred by OG&E. This is a refinement and improvement to the proposed OG&E cost of service allocation to customer Service Levels.
5. I also recommend that actual Service Level daily usage adjusted for losses be used to allocate the Winter Weather Event costs to Service Level classes instead of Customer Base Line usage as proposed by OG&E. My proposal to use actual usage will appropriately allocate fuel and purchased power costs to the Service Levels and recognize the efforts of customers to reduce demand on the system during the Winter Weather Event. OG&E incurred the cost of fuel and purchased power based on customers' actual usage. Therefore, it is reasonable and appropriate to use actual customer usage for cost allocation.
6. Because OG&E will recover costs based on forecasted billing determinants, OG&E's proposed rate design for Service Level 1 and 2 classes will over-charge customers whose usage during the Winter Weather Event was below normal levels.
7. I recommend that OG&E's proposed rate design for the Service Level 1 and 2 classes for recovery of the Winter Weather Event costs be rejected. Instead, I recommend my

proposed rate design as described in my testimony be used to recover the Winter Weather Event costs from the Service Level 1 and 2 classes.

8. My proposed rate design for the Service Level 1 and 2 classes would appropriately recover costs from those customers that caused OG&E to incur fuel and purchased power costs during the Winter Weather Event.

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Thomas P. Schroedter

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**SUMMARY OF RESPONSIVE TESTIMONY
OF
SCOTT NORWOOD**

**ON BEHALF
OF
OKLAHOMA INDUSTRIAL ENERGY CONSUMERS
("OIEC")**

October 8, 2021

My name is Scott Norwood. My business address is P.O. Box 30197, Austin, Texas 78755. I am an energy consultant and President of Norwood Energy Consulting, L.L.C. I am testifying on behalf of Oklahoma Industrial Energy Consumers (“OIEC”). OIEC's members are among the largest users of electricity on Oklahoma Gas and Electric Company’s (“OG&E” or “Company”) system, and therefore are very sensitive to any electric rate increases or ratemaking proposals by OG&E that are unjustified or that otherwise effect amounts charged for energy usage.

I am an electrical engineer with over 37 years of experience in the electric utility industry in the areas of power plant operations, electric resource planning and procurement, and regulatory consulting. I have filed testimony in over 200 electric utility regulatory proceedings including cases involving electric restructuring, base rate, fuel recovery, power plant certification and demand-side management matters. I have testified on behalf of OIEC for the last 20 years in numerous OG&E regulatory proceedings, including base rate cases, fuel prudence cases, and proceedings involving the Company’s environmental compliance plan and generating resource investments. Through this past work, I am familiar with OG&E’s system operations, generating resources and ratemaking practices. My resume and a listing of my past testimony are attached as Exhibit SN-1 to my responsive testimony filed in this case on August 23, 2021.

The purpose of my testimony is to present my findings and recommendations regarding the reasonableness of OG&E’s request for approval and cost recovery of \$838.6 million of extraordinary fuel and purchased power costs incurred during the February 2021 extreme weather event (“Weather Event” or “Event”). My analysis of OG&E’s request for recovery of extraordinary costs of the Weather Event focuses on the extent to which the Company has met its burden of proof to demonstrate in its direct testimony that the amounts requested are reasonable and necessary, and prudently incurred. In evaluating whether the extraordinary costs of the Weather Event requested by OG&E were prudent, I reviewed the extent to which the Company’s direct testimony demonstrates that, based on information available to OG&E management at the time decisions were made, the fuel and purchased energy costs incurred by OG&E to prepare for Event and operate OG&E’s system during the Weather Event were reasonable, necessary, beneficial to customers, and the lowest reasonable cost alternative to supply system energy requirements.

OG&E ENERGY SUPPLY PROCUREMENT STRATEGY

OG&E's energy supply procurement strategy at the time of the Weather Event is documented in the Company's May 15, 2020 Fuel Supply Portfolio and Risk Management Plan ("Fuel Plan"). OG&E's Fuel Plan indicates that the Company's primary strategy for managing risks of natural gas and market energy price volatility is to maintain fuel supply diversity and a diverse mix of generation supply and purchased energy resources, including reliance upon the supply diversity provided by the SPP IM. Even if OG&E's fuel supply strategy had been executed properly prior to and during the Weather Event, the plan could not protect customers from cost impacts of the Event because of the significant loss of fuel diversity caused by the conversion of Muskogee Units 4 and 5 from coal to natural gas in 2019. Because of these Muskogee coal unit conversions, which resulted in the loss of more than 1,000 MW of coal-fired generating capacity, natural gas and SPP market energy purchases (which are heavily influenced by natural gas prices) now provide approximately 75% of OG&E's total annual energy requirements. It is difficult for any utility system that is heavily reliant on natural gas-fired generation and SPP IM energy purchases to protect customers from periods of extreme natural gas and market energy price spikes.

In addition, OG&E did not reasonably execute key elements of the Company's Fuel Plan during and in preparation for the Weather Event. For example, a diversified generation portfolio is only effective in physically hedging fuel price risk when coal-fired and renewable resources are properly maintained and reliably operated, and particularly during summer peak periods and winter periods that are subject to high demand and/or shortages of energy supply due to freezing weather, as occurred in the Weather Event. However, despite having a week or more notice of the event, OG&E did not reasonably prepare the Company's coal and wind energy resources for the Weather Event's severe freeze conditions; therefore, the units did not produce energy at acceptable levels when most needed to avoid the extraordinarily high natural gas and market energy costs during the Weather Event.

Furthermore, OG&E conducted a lengthy planned outage at its River Valley Unit 1 ("RV1") coal-fired unit which began on February 5, 2021 and ended April 27, 2021, therefore RV1 was out of service during the entire Weather Event. OG&E's decision to proceed with the RV1 planned outage was made even though the Company had been notified by SPP on February 4, that it should prepare its system for a forecasted severe weather event. Moreover, OG&E did

not re-evaluate its decision to remove RV1 from service even after the severity of the Weather Event became more apparent.

Although OG&E's Fuel Plan stated that the Company would maintain a diversified portfolio of fuel supply agreements, OG&E's natural gas contracts were almost entirely short-term agreements (i.e., one week or less) with market-indexed pricing. In fact, OG&E admits that it has not purchased natural gas with fixed pricing provisions for terms of greater than one week in the last five years. Because of OG&E's heavy reliance on natural gas-fired generation and SPP market energy purchases, and near total reliance on short-term natural gas supply contracts with market-indexed pricing, the Company's natural gas supply portfolio did not protect OG&E's customers from the extraordinary high natural gas and market energy prices during the extreme Weather Event.

In summary, OG&E's fuel procurement strategy was not effective during the Weather Event, due in part to the loss of fuel diversity resulting from the Company's conversion of two large Muskogee coal units to burn natural gas in 2019. The Company also failed to execute key elements of its Fuel Plan by not maintaining high availability of critical coal and wind energy units to ensure some fuel diversity during the Event, and by failing to implement (or even evaluate) a more balanced portfolio of natural gas supply contracts that included a mix of longer-term fixed price gas supply agreements. For these reasons, I recommend that the Commission consider the deficiencies in structure and execution of OG&E's fuel procurement strategy in determining the reasonable amount of requested extraordinary costs of the Weather Event that should be recovered from the Company's Oklahoma customers.

RIVER VALLEY UNIT 1 PLANNED OUTAGE

OG&E scheduled a planned outage for RV1 starting on February 5, 2021 and with a planned outage end date of March 27, 2021, which means that RV1 was out of service for the entire Weather Event period. OG&E was notified by SPP on February 4, 2021 to prepare for a period of severe freezing temperatures, and therefore knew that a severe weather event could occur while RV1 was unavailable if the planned outage was not delayed.

There is no apparent reason why the RV1 outage could not have been delayed until after the Event. OG&E indicates that the primary reason it proceeded with the RV1 planned outage

rather than delaying the outage until after the Weather Event was the Company's concern that if there were to be a two-month delay in the RV1 planned outage end date, that might impact the generating capacity available to supply OG&E's system peak demand during the summer months. However, the scheduled end date for the RV1 planned outage (March 27, 2021) was at least 4 months before the Company's 2021 summer peak was likely to occur. Moreover, RV1 is only 160 MW, which is approximately 2.3% of the Company's total system capacity (~6,700 MW), and therefore would not materially impact OG&E's reserve margin even in the unlikely event the end date for the planned outage was delayed by 4 months. In addition, OG&E scheduled planned outages of much larger coal units at the Sooner and Muskogee plants even later in the spring of 2021.

I estimate that the RV1 planned outage resulted in increased costs to OG&E ratepayers in a range of approximately \$39.4 million to \$44.3 million on an Oklahoma Retail Jurisdiction basis. The low end of my range of estimated cost impacts of the RV1 planned outage is based on my assumptions that, but for the outage, RV1 could have achieved an average 80% capacity factor and displaced energy purchases from the SPP IM market at the average daily price during each day of the Critical Period, consistent with the performance of RV2 (82%) during this period. The high end of my range of estimated damages assumes that RV1 could have achieved an average 90% capacity factor during the Critical Period, which is 5% lower than capacity factor of PSO's Northeastern Unit 3 coal plant (95%) during the same period.

In summary, OG&E's decision to remove RV1 from service for a planned outage that could have been delayed was not reasonable. The scheduled RV1 planned outage also was inconsistent with the Company's Fuel Plan because it reduced OG&E's system fuel diversity during a severe freeze event in which the Company should have realized that it was facing a heightened risk of generating capacity shortages and natural gas and market price spikes. Given the critical role that RV1 and OG&E's other coal units play in providing fuel diversity to mitigate natural gas and market energy price spikes, it is reasonable to hold the Company accountable for failing to delay or even evaluate delay of the RV1 planned outage. For these reasons, I recommend that the Commission reduce the allowed recovery of OG&E's requested extraordinary Weather Event costs by \$39.4 million (Oklahoma Retail Jurisdiction), which represents the low end of my range of the estimated costs incurred due to the Company's decision to conduct the RV1 planned outage during the Event.

OG&E WIND FARM ENERGY PRODUCTION

OG&E's owned wind energy resources produced very little energy during the Weather Event. OG&E's testimony generally attributes the poor energy production by its wind energy resources to turbine blade icing problems, coupled with low wind levels during the Weather Event. In addition, the Company indicates that the Company's OU Spirit wind farm was curtailed because of a transmission constraint.

In contrast to the near-zero energy production from OG&E's wind farms, the 11 wind farms owned and operated by non-utility suppliers that sell energy to OG&E and PSO under long-term Power Purchase Agreements ("PPAs"), produced energy during the Weather Event at capacity factors in the range of 5% to 15%.

OG&E does not appear to have adequately prepared its wind farms for the Weather Event, even though the Company was notified by SPP on February 4, 2021 to prepare for extreme weather, which was nearly a week before the February 12 through February 18 "Critical Period" of the Event during which most of the natural gas price spikes and extraordinary costs were incurred. The Company has no formal Freeze Protection Plan for its wind energy facilities and has not provided documentation of the work that it performed before the Event to prepare for the freezing weather or to address the blade icing issue.

I estimate that the financial impact of OG&E's low energy production from the Company's wind farms is \$12.0 million on an Oklahoma Retail Jurisdiction basis. My estimate of the cost impact due to the low energy production from OG&E's wind farms is based on my assumptions that OG&E's Centennial and Crossroads wind farms could have achieved an average 10% capacity factor and displaced energy purchases from the SPP IM market at the average daily price during each day of the Critical Period, which is consistent with the average performance during the Event of the 11 wind farms that supplied energy to OG&E and PSO under long-term PPAs.

In summary, given the critical role OG&E's wind farms play in providing energy supply diversity to mitigate natural gas and market energy price spikes, it is reasonable to hold the Company accountable to ensure that OG&E's wind farms were prepared to operate at reasonable levels consistent with the performance of other Oklahoma wind farms during the Weather Event. I recommend that the Commission reduce the allowed recovery of OG&E's requested extraordinary Weather Event costs by approximately \$12.0 million (Oklahoma Retail

Jurisdiction), which represents my estimate of the excessive costs incurred due to the Company's failure to achieve higher energy production levels from OG&E's Centennial and Crossroads wind farms during the Event.

SOONER AND MUSKOGEE COAL UNIT ENERGY PRODUCTION

The energy production levels of OG&E's Sooner and Muskogee coal-fired generating units were low (~71%) during the Critical Period of the Weather Event, and therefore contributed significantly to the extraordinary cost of the Event. The average capacity factors of OG&E's Sooner and Muskogee coal units during the Event were significantly lower than the capacity factors of coal units operated by OG&E and other companies in Oklahoma and neighboring states, including OG&E's River Valley Unit 2 (82%), PSO's Northeastern Unit 3 (95%), and SWEPCO's Welsh and Flint Creek coal units. OG&E's testimony and discovery responses generally indicate that the relatively low production from the Sooner and Muskogee outages during the Weather Event was primarily due to outages related to the freezing temperatures which contributed to coal freezing and freeze related equipment failures.

It does not appear that OG&E's coal units were adequately prepared for the Weather Event, even though the Company was notified by SPP on February 4 to prepare for severe freezing weather. I estimate that the cost impact of the low energy production from OG&E's coal units falls within a range of approximately \$67.6 million to \$110.7 million on an Oklahoma Retail Jurisdiction basis. The low end of my range of estimated cost impacts is based on my assumptions that the Sooner and Muskogee coal units could have achieved an average 80% capacity factor and displaced energy purchases from the SPP IM at the average daily price during each day of the Critical Period of the Event. The 80% capacity factor assumption is consistent with the capacity factors achieved during the Event by OG&E's RV2 coal unit, and SWEPCO's Flint Creek and Welsh coal units.

The high end of my range of estimated cost impacts assumes that the Sooner and Muskogee coal units could have achieved an average 90% capacity factor, and displaced energy purchased from the SPP IM at the average daily price each day of the Critical Period of the Event. My 90% capacity factor assumption for estimating the cost impact for the upper range is approximately 5% lower than the capacity factor of PSO's Northeastern 3 coal unit during the Event.

In conclusion, given the critical role that OG&E's coal units play in providing energy supply diversity to mitigate natural gas and market energy price spikes, it is reasonable to hold the Company accountable to ensure that the Sooner and Muskogee coal units were prepared to operate as needed during the Weather Event. I recommend that the Commission reduce the allowed recovery of OG&E's requested extraordinary Weather Event costs by \$67.6 million (Oklahoma Retail Jurisdiction), which represents the low end of my range of estimated costs incurred due to the Company's failure to achieve higher energy production levels from the Sooner and Muskogee coal units during the Critical Period of the Event.

This concludes my responsive testimony.

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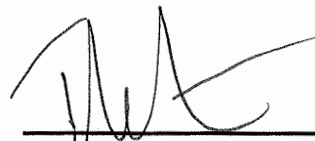
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Thomas P. Schroedter

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

**ATTORNEY GENERAL'S STATEMENT OF POSITION**

John O'Connor, the Attorney General of Oklahoma, on behalf of the utility customers of this State, hereby submits his Statement of Position in the proceeding referenced above. The Attorney General supports the use of securitization bonds under the February 2021 Regulated Utility Consumer Protection Act to allow recovery of historic natural gas costs over a longer, manageable period of time and at a lower interest rate than would otherwise be available. The Attorney General also addresses a number of concerns with the request of Oklahoma Gas and Electric Company ("OGE") in this case.

I. Background

The winter storm during February 2021 left many difficult human and economic impacts on Oklahoma, but the most lasting impact will undoubtedly be the extreme, unprecedented price activity in the natural gas market. The total cost of natural gas used to heat homes and generate electricity during the storm may be more than \$4 billion across Oklahoma¹—a balance undergirded by a historic increase in prices from the range of \$3 per MMBtu to over \$1100 in some cases.² The fallout from this extreme price activity was not limited to Oklahoma; it spread across a swath of

¹ E.g., Jack Money, *Oklahomans are stuck with a \$4.5 billion bill after February's winter storm. Here's why*, The Oklahoman (May 2, 2021), available at <https://bit.ly/3jmH0Mf>.

² See Tres Savage, *After storm spikes gas prices, state leaders promise action on high utility bills*, NonDoc (Feb. 22, 2021), available at <https://bit.ly/3gDMcte>.

states in the central United States,³ and it has spurred talk of significant reform in the electric regulatory scheme of Texas.⁴

In Oklahoma, the unprecedented behavior of natural gas markets has led to several proceedings before the Oklahoma Corporation Commission (“Commission”) addressing or considering the relaxation of natural gas production restrictions,⁵ temporary changes to curtailment requirements,⁶ changes to hedging and procurement policies,⁷ and how to recover the historically high natural gas costs of the storm.⁸ Further, the Oklahoma Legislature acted swiftly to pass legislation regarding the storm. Most importantly for this proceeding, the Legislature enacted the first utility securitization statute in Oklahoma history, the February 2021 Regulated Utility Consumer Protection Act (“the Act”).⁹

The Act allows regulated utilities such as OGE to recover extraordinary natural gas and other costs from the February 2021 storm through unique, off-balance-sheet bonds designed to reduce the costs to customers. These unique, off-balance-sheet bonds are intended to warrant very high credit ratings due to several factors, including their separation from the utility’s credit, their

³ Christopher M. Matthews, *Far From Texas, Huge Gas Bills Stoke Anger After February Freeze*, The Wall Street Journal (June 27, 2021), available at <https://on.wsj.com/2WnLc5L>.

⁴ Catherine Morehouse, *Texas PUC, ERCOT pledge ‘reliability is first’ as state pursues market reform*, UtilityDive (July 23, 2021), available at <https://bit.ly/3Bh5AEf>.

⁵ Emergency Order Temporarily Increasing Proration Formula, Order No. 716,932, *Emergency Increase of the Statewide Proration Formula for Unallocated Gas Wells in Response to the Existing Severe Weather Disaster*, No. CD 202100238 (Okla. Corp. Comm’n Feb. 15, 2021).

⁶ Emergency Order to Assist in Stabilizing the Electric and Natural Gas Grids That Are Necessary for Public Health, Welfare, and Security, Order No. 716,952, *Stabilizing the Electric and Natural Gas Grids*, No. PUD 202100035 (Okla. Corp. Comm’n Feb. 16, 2021).

⁷ The Public Utility Division’s Supp. Questions 4, *Issues Related to Energy and Public Utilities*, No. PUD 202000083 (Okla. Corp. Comm’n May 10, 2021).

⁸ See, e.g., Emergency Appl., *Okla. Nat. Gas. Co., a div. of ONE Gas, Inc., Special Regulatory Treatment for Abnormal Gas Supply Costs arising from Extreme Winter Weather*, No. PUD 202100034 (Okla. Corp. Comm’n Feb. 16, 2021).

⁹ S.B. 1050 (to be codified at 74 O.S. §§ 9070 *et seq.*).

privileged status in being recovered from customers,¹⁰ and the right of bondholders to continue recovering even if the relevant utility goes bankrupt.¹¹ Further, the Act requires a showing that customers would save money from securitization¹² and that the costs involved were prudently incurred,¹³ among other things.

In this case, OGE has requested securitization for approximately \$875 million in total costs resulting from the February 2021 storm.¹⁴ The Attorney General has reviewed OGE's testimony and workpapers, the significant discovery issued in the case, and the testimony submitted by other parties. The positions below reflect his careful study.

II. Argument and Authorities

The Attorney General supports the issuance of securitization bonds to support recovery of the prudently incurred costs of OGE related to the February 2021 storm. The lower interest rates of securitization bonds will save customers significant money over a likely term around 20 years. However, OGE should not earn a return on any such balance before bonds are issued. Further, OGE should study changes to its natural gas purchasing strategy to reduce exposure to daily index pricing. OGE should also report on any action taken in response to federal and other investigations. Lastly, OGE's failure to use gas storage more extensively and its decision to place one of its coal units in a maintenance outage after harrowing forecasts were already released both increased costs to customers. They support disallowances amounting to approximately \$89 million.

¹⁰ S.B. 1050, § 6, (to be codified at 74 O.S. § 9075) (requiring financing order to include irrevocable, nonbypassable mechanism).

¹¹ *E.g., id.* at § 6(D) (to be codified at 74 O.S. § 9075(D)).

¹² *See id.* at § 4(C) (to be codified at 74 O.S. § 9073(C)).

¹³ *Id.* at § 4(E) (to be codified at 74 O.S. § 9073(E)).

¹⁴ Direct Test. of Donald R. Rowlett on behalf of Oklahoma Gas and Electric Co. 14 n.2 (June 18, 2021) [hereinafter "Rowlett Direct"].

A. Securitization will save customers substantial carrying charges for historic natural gas costs that customers would otherwise be required to pay.

As noted above, the Act requires that the Commission find customers would save money before securitization bonds can be issued. The full requirements for the analysis are set out below:

1. Substantial revenue requirement savings that may be incurred to the benefit of customers by relying on lower carrying charges related to ratepayer-backed bonds rather than by conventional financing obtained by the regulated utility;
2. Customer utility bill impact that may be mitigated by mandating a longer amortization period for recovery than would otherwise be practicable or feasible for the regulated utility; and
3. The issuance of ratepayer-backed bonds that may be completed at a sufficiently low cost such that customer savings are not exhausted or offset.¹⁵

The robust requirements for securitization bonds protect customers from unnecessary, administratively costly issuances. In short, the requirements ensure customers save money.

In this case, OGE has provided analysis and workpapers indicating that customers *would* reap substantial savings from using securitization bonds rather than traditional utility financing using the weighted average cost of capital.¹⁶ For example, using OGE's workpapers, for an issuance of bonds over 13 years, OGE's modeling reveals that customers will save over \$445 million over the payback period. To put it another way, consider the ratio of carrying charges (and issuance costs) to the initial balance to be repaid. OGE's analysis shows that for a period of 13 years using traditional utility cost of capital, customers would pay carrying charges equal to 70.6 percent of the initial balance. With securitization, customers would pay carrying charges equal to 18.1 percent of the initial balance over the same time period. These robust differences show that even if changes occur to OGE's assumptions, such as a slightly higher securitization interest rate

¹⁵ S.B. 1050, § 4(C) (to be codified at 74 O.S. § 9073(C)).

¹⁶ See Rowlett Direct 14, Table 1; Rowlett Direct, Ex. DRR-1.

or higher administrative expenses relative to the balance, customers would still be expected to save substantial amounts using securitization. Based on this analysis, the Attorney General supports the issuance of securitization bonds.

The Act also requires the Commission to set out parameters for the maturity of any securitization bonds issued.¹⁷ Determining maturities involves difficult tradeoffs: a longer maturity will likely involve a slightly higher interest rate¹⁸ and runs the risk of greater generational inequities¹⁹ since customers not served by OGE in February 2021 would still be paying debts related to that time period. On the other hand, a shorter maturity would increase bill impact on customers,²⁰ which may be difficult to manage—particularly in conjunction with similar impacts on customers' gas utility bills.

Recognizing these difficult tradeoffs, the Attorney General supports a recovery period on the longer end around 20 years rather than a shorter period around 10 years. The Attorney General is concerned about the overall impact on customer bills given the context that many Oklahoma customers will be asked to pay both electric and gas utility costs related to the February 2021 storm. Further, the interest rate on securitization bonds even for longer-term issuances remains attractive even if slightly higher than interest rates available on shorter-term issuances.

B. OGE should not earn a return on the historic natural gas costs at issue in this case.

The amounts OGE requests for recovery in this case are approximately \$875 million. A substantial amount of the requested costs have already been paid by OGE, which—in conjunction

¹⁷ S.B. 1050, § 5(A)(2) (to be codified at 74 O.S. § 9074(A)(2)).

¹⁸ See Rowlett Direct 13:21–22 (showing 1.578 percent rate for 13-year issuance and 2.327 percent rate for 23-year issuance).

¹⁹ “Generational inequities” refers to the potential unfairness of customers in one period paying costs necessary for service to customers in a different, potentially distant period. Regulation traditionally attempts to reduce generational inequities, though not as an all-encompassing, overriding policy concern.

²⁰ See Rowlett Direct Ex. DRR-1 (showing lower annual recovery amount for 23-year period than for 13-year period).

with its holding company OGE Energy Corp.—issued debt for a shorter-term maturity period and at very low interest rates around 0.628 percent to fund the costs.²¹ While the Attorney General recognizes that OGE's very low funding costs are available because of its participation in shorter-term funding markets and cannot be sustained over a long recovery period, they are a fair carrying charge until securitization bonds can be issued in response to this case.

The Commission has already supported OGE's actual shorter-term funding costs as a carrying charge on its historical natural gas costs when it created the regulatory asset for OGE. In Order No. 717,355, the Commission set the carrying charge on the regulatory asset "at OGE Energy Corp.'s actual effective cost of credit facilities, loan agreements, or other debt financing used to finance the deferred costs relating to the 2021 Winter Weather Event."²² The Attorney General believes this carrying charge should continue, even after OGE's request for a delayed shift to the weighted average cost of capital in April 2022.²³

OGE presents no compelling reason to change the carrying charge already approved by the Commission. OGE's witness first points to concerns about whether securitization bonds can be issued in a timely manner.²⁴ While the Attorney General agrees that securitization bonds should be issued reasonably quickly, there is no clear connection between the carrying charge and time of issuance. Investment banks will not analyze and market bonds faster just because the carrying charge is higher. Further, the speed of issuance also depends in no small part on OGE's continued

²¹ Rowlett Direct 20:29–21:2.

²² Order Granting Motion to Establish Regulatory Asset, Order No. 717,355, *Okla. Gas & Elec. Co. Special Regulatory Treatment for Extraordinary Costs Arising from Extreme 2021 Winter Weather Event*, No. PUD 202100039 (Okla. Corp. Comm'n Mar. 18, 2021).

²³ Rowlett Direct 21:21–23.

²⁴ Rowlett Direct 22:4–16.

cooperation. It should be noted, as well, that OGE's two senior notes actually financing the historic natural gas costs do not mature until May 26, 2023.²⁵

OGE also points to other regulatory assets that earn returns at the weighted average cost of capital.²⁶ This comparison ignores the nature and circumstances of the historic natural gas costs at issue in this case, which present important reasons to maintain the actual cost of OGE's shorter-term funding as the carrying charge. First, the lower carrying charge reflects the spirit of the fuel adjustment clause where fuel costs are traditionally recovered. The fuel adjustment clause statutes do not allow any markup or profit to be earned on fuel costs.²⁷ OGE's proposal would effectively allow it to profit from fuel purchases; such an outcome should be rejected.

Second, allowing OGE or other utilities to profit from fuel purchases is especially backwards in the historic, difficult circumstances presented in this case. OGE incurred \$875 million in costs over about a week, and these costs will impose a significant bill impact on customers for decades into the future. Customers should not have *even larger* bill impacts in these circumstances.

Third, the higher interest rate would impact customers. The difference between OGE's weighted average cost of capital over 7 percent and its shorter-term debt cost of .628 percent is at least 6 percent—applied on a monthly basis to OGE's \$875 million requested amount, at least an extra \$4 million per month would be imposed on customers. Such an impact should be rejected.

C. OGE should study changes to its natural gas purchasing strategy to reduce exposure to daily index pricing.

The Attorney General has grave concerns about daily index pricing serving as the cornerstone of a utility's gas purchasing strategy. As Oklahoma Industrial Energy Consumers

²⁵ OGE's Response to AG-OGE-3-4 & Attachment.

²⁶ Rowlett Direct 22:18–23:9.

²⁷ See 17 O.S. § 251 (allowing recovery of only “actual cost”).

(“OIEC”) expert witness James P. Mosher explains, over-reliance on daily index pricing results in significant exposure to daily price volatility for customers.²⁸ Utilities have other options for gas procurement, particularly first-of-month pricing that locks in a price for an entire month.²⁹ The Attorney General strongly urges OGE to closely study and implement a shift to reduce its reliance on daily index pricing going forward. Such a change should be included in its fuel procurement portfolio submission for either May 2022 or May 2023, depending on the length of OGE’s study. Further, such submission should be submitted to the Attorney General and other interested stakeholders as well as the Commission.

It would be expected for OGE to raise a variety of concerns about using other pricing options, such as any expected cost difference,³⁰ the impact on flexibility when offering generation units into the Southwest Power Pool, and strategic questions about the amount of its natural gas procurement to shift away from daily index pricing.³¹ The Attorney General appreciates these concerns and believes they need to be incorporated into any analysis. Nevertheless, he strongly urges OGE to study a shift away from complete reliance on daily index pricing for its natural gas procurement.

D. OGE should report on any action taken in response to federal and other investigations, along with whether any action is taken in response to counterparties who declared force majeure.

OGE will be impacted by ongoing efforts to study the February 2021 storm and improve reliability during extreme events in the future. The Attorney General understands that

²⁸ Responsive Test. of James P. Mosher on Behalf of Oklahoma Industrial Energy Consumers 41:12–42:13 (Aug. 23, 2021) [hereinafter “Mosher Responsive”].

²⁹ Mosher Responsive 47:2–17.

³⁰ Mosher Responsive 42:19–22.

³¹ Mosher Responsive 47:19–23.

Attorney General's Statement of Position

investigations and reform actions are ongoing at the Federal Energy Regulatory Commission,³² National Electric Reliability Corporation,³³ and at the Southwest Power Pool.³⁴ OGE should be required to report to the Commission and interested stakeholders about the progress of these ongoing efforts at least quarterly until all such investigations are closed and any steps in response to their requirements are met.

Further, the Attorney General issued several sets of discovery questions about OGE suppliers who declared force majeure and did not deliver under their supply contracts. OGE had such suppliers³⁵ and, to date, OGE has identified no action taken against them. OGE should consider whether to seek additional contractual protection against force majeure declarations by suppliers and should review whether to take action against any of its suppliers. OGE should be required to submit a report to the Commission and interested stakeholders on both issues related to force majeure declarations within a year after the issuance of any final order in this case.

E. OGE's failure to use gas storage and its decision to place a coal unit in a maintenance outage during February support disallowances totaling approximately \$89 million.

Lastly, the Act requires that only prudently incurred costs be included in amounts recovered through securitization.³⁶ As such, OGE has requested a review of the reasonableness and prudence of the historic costs it incurred during the February 2021 storm.³⁷ After a review of the prefiled testimony, workpapers, and discovery material in this case, the Attorney General

³² Fed. Energy Reg. Comm'n, *FERC to Examine Potential Wrongdoing in Markets During Recent Cold Snap* (Feb. 22, 2021), available at <https://bit.ly/2UTrq0Z>.

³³ Fed. Energy Reg. Comm'n, *FERC, NERC to Open Joint Inquiry into 2021 Cold Weather Grid Operations* (Feb. 16, 2021), available at <https://bit.ly/38jflM7>.

³⁴ Southwest Power Pool, *SPP board directs action on winter storm recommendations* (July 27, 2021), available at <https://bit.ly/3jncUrH>.

³⁵ The exact number, extent, and identity of such counterparties are contained in the confidential attachments for the responses to AG-OGE-2-14 and AG-OGE-2-15.

³⁶ S.B. 1050, § 4(E) (to be codified at 74 O.S. § 9073(E)).

³⁷ Rowlett Direct 24:22–26.

supports two disallowances proposed by OIEC: a \$50 million disallowance related to gas in storage, and a \$39.4 million disallowance related to OGE's decision to place a coal unit in outage days after receiving daunting temperature forecasts on February 1, 2021. The total disallowance for these two issues is approximately \$89 million. These disallowances together would amount to slightly more than 10 percent of the total costs OGE requests to be securitized.

1. OGE's failure to use its gas in storage to reduce customer costs was imprudent and supports a \$50 million disallowance.

With respect to gas in storage, OIEC expert witness James P. Mosher explained that OGE maintained significant volumes of natural gas in storage for its Redbud and Mustang plants during the February 2021 storm. Mr. Mosher explained that OGE relied on this gas in storage only for "balancing" purposes.³⁸ Balancing, in this case, solves the problem when a utility has purchased more or less natural gas for a day than it ultimately needs. Since OGE rationally purchases its natural gas in advance of running its power plants, it always faces the possibility that some of that natural gas will be unused—or that slightly more will be used. Balancing, either in a pipeline or storage facility, allows the utility to remove or save the difference between purchased amounts and used amounts.

Balancing is different from using gas in storage has a hedge. The expected usage of gas in storage over time is around zero, since the utility would expect deviations from its forecasts to balance out over time. Using gas in storage as a hedge means drawing down gas during periods of high demand and high prices while injecting gas during periods of low demand and low prices. The practical difference between these strategies might be that during a period of high prices, a utility engaged *only* in balancing will continue to purchase natural gas at the high prices while not

³⁸ Mosher Responsive 10:10–11.

using the maximum amount of gas in storage. A utility using natural gas for hedging will reduce purchasing at high prices and will draw down gas in storage instead.

In this instance, Mr. Mosher demonstrated clearly that OGE was engaged *only* in balancing during the February 2021 storm.³⁹ He demonstrated that OGE did not change its strategy to draw down its gas in storage, even as a temporary emergency measure, and that this cost customers money.⁴⁰ OGE actually continued to purchase gas at the absolute peak price level and then *inject* that gas for balancing rather than just draw down its gas reserves.⁴¹ Based on Mr. Mosher's analysis, the Attorney General supports a \$50 million disallowance of OGE's requested costs.

2. OGE's decision to place a coal unit in a maintenance outage days after receiving forecasts of the approaching cold temperatures supports a \$39.4 million disallowance.

OGE's own testimony explains that it placed River Valley Unit 1 in a maintenance outage on February 4, 2021.⁴² OGE's witness explained that, once the worst storm conditions arrived a few days later, OGE was unable to return the coal unit to service.⁴³ This had dire consequences for customers since coal units, powered by coal rather than natural gas, did not experience the same historic elevated costs of operation faced by natural gas plants during the storm. If River Valley Unit 1 had been in operation during the storm, OGE would have been able to reduce its natural gas purchases or generate additional revenue to offset its historically high natural gas costs.

OIEC's expert witness Scott Norwood explained that OGE could have and should have delayed placing the coal unit in outage at the time the decision was made. Mr. Norwood explained

³⁹ Mosher Responsive 12:4–14:15.

⁴⁰ Mosher Responsive 18:11–20:5.

⁴¹ OGE's Response to AG-OGE-2-12, Attachment.

⁴² Direct Test. of Robert Doupe on behalf of Oklahoma Gas and Electric Co. 9:16–17 (June 18, 2021) [hereinafter "Doupe Direct"]. However, OIEC expert witness Scott Norwood notes that OGE's records show the outage start date was actually scheduled for February 5, 2021.

⁴³ Doupe Direct 9:3–4.

that OGE received alerts and forecasts that should have prompted to at least *evaluate* deferring the outage by February 4, but OGE did not do so, even though the unit would likely be able to be returned to service well before the summer peak season.⁴⁴ The Attorney General notes that, in discovery, he requested information on forecasts received by OGE. The responses showed that OGE received an alert on February 4 that temperatures would enter a prolonged below-freezing period.⁴⁵ OGE's decision to place the coal unit in an outage anyway cost customers money, as explained by Mr. Norwood.⁴⁶ Based on his review of discovery materials and Mr. Norwood's analysis, the Attorney General supports a \$39.4 million disallowance of OGE's requested costs.

III. Conclusion

As explained above, the Attorney General supports securitization bonds of the prudently incurred costs of OGE related to the February 2021 storm. The lower interest rates of securitization bonds will save customers significant money over a likely term around 20 years. However, the Attorney General urges the Commission not to allow OGE to earn a return on any such balance before bonds are issued. Further, OGE should study changes to its natural gas purchasing strategy to reduce exposure to daily index pricing. OGE should also report on any action taken in response to federal and other investigations. Lastly, OGE's failure to adequately use its gas storage and its decision to place one of its coal units in a maintenance outage after harrowing forecasts were already released both increased costs to customers. They support disallowances amounting to approximately \$89 million.

⁴⁴ Responsive Test. of Scott Norwood on Behalf of Oklahoma Industrial Energy Consumers 5:7–14, 14:15–15:15 (Aug. 23, 2021) [hereinafter “Norwood Responsive”].

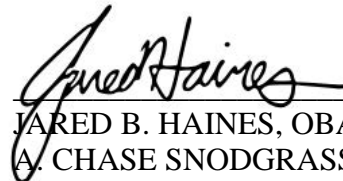
⁴⁵ OGE's Response to AG-OGE-2-1, “Initial Alert Thursday 2-4-21.”

⁴⁶ Norwood Responsive 16:8–15.

The Attorney General's position is limited to the issues presented in this Statement of Position. The omission of any issue from this discussion does not indicate the Attorney General's agreement or disagreement with the assertions of other parties about that issue. The Attorney General reserves the right to cross-examine any witnesses in this proceeding and, as material information is discovered, he reserves the right to amend or supplement this Statement of Position as circumstances warrant.

Respectfully submitted,

JOHN O'CONNOR
ATTORNEY GENERAL OF OKLAHOMA

A handwritten signature in black ink, appearing to read "Jared Haines", is written over a horizontal line.

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CERTIFICATE OF SERVICE

On this 27th day of August, 2021, a true and correct copy of the above and foregoing
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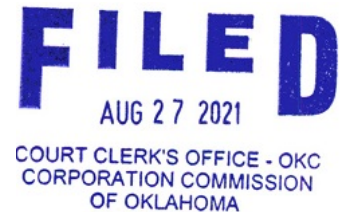
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BEFORE THE
CORPORATION COMMISSION OF OKLAHOMA

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
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**OG&E SHAREHOLDERS ASSOCIATION'S
STATEMENT OF POSITION**

The OG&E Shareholders Association ("OG&E SH") submits this Statement of Position in lieu of responsive testimony pursuant to Order No. 719312, Order Granting Motion to Establish Procedural Schedule, issued in this cause on July 7, 2021 (Procedural Order).

OG&E SH has participated in many proceedings at the Commission to state the positions and represent the interests of its members who are individual, independent, non-institutional equity investors in the parent company, OGE Energy Corp., of the regulated utility, Oklahoma Gas & Electric Company ("OG&E" or "Company").

Because of the amount of expense involved and the potential impact on the financial health of the Company the OG&E SH considers this to be a case of extreme importance. In the past, the OG&E SH has always encouraged the Commission to develop and maintain appropriate regulatory support policies and practices for the benefit of both the Company and its customers. Wisely, the Legislature responded to the 2021 Winter Weather Event ("WWE") of February, 2021, by enacting the Regulated Utility Consumer Protection Act (the "Act"). This is the first opportunity for the Commission to apply that Act in the best interest of the customers and the Company. This cause will therefore set a precedent for the cases that follow. So, in utilizing the Act it is

exceedingly important that the Commission adopt policies and practices that are innovative, flexible and modern to respond to this occurrence. Appropriate and judicious action is needed at this time to address the current circumstances and the predictable longer-term needs of both the Company and its customers.

The WWE was an unprecedented cold spell which had a devastating impact on Oklahoma, OG&E, and its customers. Through it all, however, OG&E kept the lights on. As stated by OG&E witness Rowlett, “[i]t is impossible to overstate the incredible efforts that were being undertaken by OG&E employees across the company, including the actions taken by generation personnel to maintain the availability of the generation fleet, the fuels group to purchase fuel and ensure delivery of the fuel, the work of the market operations group with SPP, finance and legal personnel to ensure liquidity, and customer relationship personnel to reduce load usage, among others. Our first and most important priority was to ensure power remained on as much as possible for the safety and comfort of our customers, and that our fuel and purchased power were procured at reasonable costs based on the mechanisms available.” (Direct Testimony of Donald R. Rowlett, p. 24, ll. 10-18.) It is easy to Monday morning quarterback, or backseat drive, and hindsight is always 20-20. It is much more difficult to have to make those crucial decisions that have potentially life and death implications in real time. Therefore, evaluation of prudence in past performance, to be fair, must always be soundly based on what was reasonably expected based on information, resources, conditions and action options available at the time.

Importantly, no party has voiced opposition to OG&E’s Application to recover its prudently incurred costs associated with the WWE by utilization of the securitization process authorized by the Act. In fact, PUD witness McCoy testified, “PUD recommends the Commission approve OG&E securitization request.” (Responsive Testimony of JoRay McCoy, p. 15, l. 5.)

At this time, counsel for the OG&E SH can identify some specific issues of likely cross-examination. Those may include:

1. OG&E's Request to Change the Carrying Charge After April 1, 2022 to the Company's Weighted Average Cost of Capital.

The OG&E SH supports OG&E's proposal to change the carrying charge for the cost of credit facilities, loan agreements or other debt financing used to finance the deferred cost of the WWE to OG&E's Weighted Average Cost of Capital ("WACC") if the bonds to be issued under this securitization plan are not issued by April 1, 2022. As explained by OG&E witness Walworth, "[t]raditional utility financing involves identifying an asset as either short-term or long-term in nature. Short-term items are generally financed as a component of working capital. Long-term items are financed with long-term capital consisting of a mixture of long-term debt and equity." (Direct Testimony of Charles B. Walworth, p. 7, ll. 16-19.) Because it is uncertain if or when the bonds will be issued under this process, matching with long-term capital financing is appropriate until bonds are eventually issued. As Mr. Walworth explains, when a long-term asset such as the deferred costs of the WWE, is financed with short-term capital it must be refinanced repeatedly throughout the course of the asset's life. In this situation, potentially, that is until the bonds are issued for these costs. According to Mr. Walworth, this "introduces liquidity and credit profile risk that can jeopardize the financial health of a company." (*Id.*, p. 7, ll. 25-26.) As pointed out by witness Walworth, the incremental increase in the Company's debt was nearly 30%. This had a huge impact on the Company's financial condition. As witness Walworth testified, "On February 25, 2021, Moody's Investor Service ("Moody's") put the Company on negative outlook. Moody's cited several reasons for its negative outlook, including "higher uncertainty around the recovery period of OG&E's commodity fuel prices, putting sustained pressure on the company's financial profile." Moody's stated the \$1 billion in additional debt will result in cash flow concerns.

Overall, the negative outlook reflects “increased regulatory uncertainty related to the recovery timeline of the costs incurred to procure natural gas for generation.” (*Id.*, p. 4, ll. 3-10.)

PUD opposes the change in the carrying charge arguing that “First, OG&E has presented a hypothetical future situation, which may or may not occur. Second, OG&E has not submitted sufficient evidence in this proceeding to establish an increase in its actual carrying charges.” (Responsive Testimony of Isaac D. Stroup, p. 10, ll. 5-7.) It is true that issuing the bonds may occur before April 1, 2022. If so, then the change from short-term debt financing to long-term appropriate WACC financing need not occur. But it is the risk that bond financing may not timely occur that OG&E is attempting to guard against in order to protect the Company’s financial health and by correlation its customers. OG&E should not be punished for being proactive in trying to maintain its financial health when it could benefit both the Company and its customers.

As discussed by OG&E Witness Walworth and Rowlett, OG&E and its shareholders sustained an approximate \$30 million loss from its Guaranteed Flat Bill (“GFB”) program during the WWE. That \$30 million loss for insulating GFB subscribing customers from the impacts of the WWE created a financial strain on the Company. Not allowing the Company to recover its full cost of capital if the securitization is delayed would be an additional and unreasonable burden for shareholders.

Mr. Stroup further argues that “OG&E has not presented evidence to suggest that the actual cost of holding that balance long-term would be equal to the Company’s WACC. Additionally, if the carrying charges were to increase to the Company’s WACC, OG&E would earn a profit on the balance held.” (*Id.*, p. 10, ll. 11-14.) First, it is not necessary that OG&E provide evidence that the cost of holding the balance long-term equals the Company’s WACC. Secondly, limitations associated with the FAC against earning a return on fuel or purchased power are not apposite.

OG&E would not be earning a profit on fuel or purchased power. The costs associated with the FAC have been converted into regulatory asset just like any other asset the Company maintains. It is the carrying charges of that regulatory asset that is at issue. Costs flowing through the FAC are short-term and recoverable within a relatively short period of time. The costs of carrying the regulatory asset balance associated with the WWE on the Company books has the potential of lasting much longer. As explained by OG&E witness Rowlett, “[i]f OG&E is to insulate customers from dramatic increases in their bills and carry the obligation on its books for longer than a year, the Company needs to make sure that it remains financially healthy in doing so. Using the Company’s weighted average cost of capital if the securitization process takes longer than one year protects the Company’s financial health and reflects the true costs to carry customer obligations on its books past the initial debt period.” (Rowlett, p. 22, ll. 11-16.)

Likewise, Walmart witness Perry argues that by changing the carrying costs to the Company’s WACC “it is inevitable the Company’s shareholders will receive a benefit on the Regulatory Asset.” (Responsive Testimony of Lisa v. Perry, p. 8, ll. 10-11.) However, as pointed out by witness Rowlett, “[i]f securitization does not occur by April 2022, this cost will continue to be carried on the Company’s balance sheet with no recovery and that burden will affect the Company’s credit ratings and financial health.” (Rowlett, p. 22, ll. 4-6.) Simply put, continuing to carry the costs of the WWE on the Company’s books increases the Company’s risk and the use of the WACC is necessary to mitigate that risk. It does not provide a benefit to the shareholders as asserted by witness Perry – it merely keeps the shareholders whole from a risk perspective. The financing of costs by the Company is accomplished by the use of both debt and equity. Therefore, it is entirely appropriate to use the Company’s WACC as the rate by which the Company is reimbursed for its cost of capital on this deferred account.

2. Generation Asset Management, Performance and Fuel Procurement.

Several witnesses have complained, six months after the WWE, that OG&E should have acted differently in connection with its fuel procurement practices during the WWE. PUD and the Commission are, of course, well aware of the contracts, practices, procedures and have approved them in past FAC proceedings, see PUD 202000069 (2019 FAC), Order No. 584211 107236.

Yet OIEC witness Norwood testified that: “OG&E’s energy supply procurement strategy, as reflected in the Company’s May 15, 2020 Fuel Supply Portfolio and Risk Management Plan (“Fuel Plan”), was inadequate to protect customers from the extreme natural gas and market energy price spikes due to the Weather Event, and the Company failed to execute key elements of the Plan”. (Responsive Testimony of Scott Norwood, p. 4, ll. 11-15.) OG&E SH disputes this assertion. OG&E implemented severe weather preparedness plans. OG&E prudently managed and operated its generation assets. Planned outages were necessary and prudently timed to ensure the fleet was ready for the upcoming summer season, and were approved by SPP. There is no credible evidence to rebut the conclusion of OG&E witness Doupe that: “OG&E had its generating units ready to provide needed power during the event and overall our units performed very well. Some units suffered deratings or limitations due to fuel supply issues and some were out of service due to pre-existing maintenance outages. The health of the OG&E fleet played an important role in insuring that SPP had enough generation to avoid even more controlled interruptions than those experienced on February 15 and 16.” (Direct Testimony of Robert Doupe, p. 7, ll. 23-28.) Further, Mr. Doupe justifiably and proudly concluded: “Due to the preparation, coordination, and work of all of our members, the OG&E fleet played an important role in insuring SPP had enough generation so that customers avoided widespread interruptions as compared to those very limited interruptions experienced on February 15th and 16th. Our members worked long hours in

extremely difficult conditions to keep our units online and even to return units from SPP planned outages. Our members faced extreme adversity and were able to manage through the event incident and injury free.” (*Id.*, p. 18, l. 23 – p. 19, ll. 1-2.)

The PUD Staff made a fair review and evaluation of the performance of OG&E’s generating assets and of the Company’s gas purchasing practices (term gas, daily gas, intra-day gas and call gas), including the extreme costs of gas supply caused by the WWE. As testified to by PUD witness, McCoy: “The Company facilitated an internal audit of the winter event in accordance with the Institute of Internal Auditors auditing standards completed on February 28, 2021. The audit period for the transactions reviewed was February 10 to February 20, 2021. Gas purchasing processes and practices was the focus of the audit. The audit concluded the Company significantly adhered to procurement policy and procedures.” (Responsive Testimony of JoRay McCoy, p. 14, ll. 14-18.) Witness McCoy thereupon concluded that: “OG&E acted in accordance with its fuel procurement policies and procedures during the Event.” (*Id.*, p. 15, ll. 10-11.)

OG&E SH also point to Table 2 on page 9 of witness Norwood’s testimony. This table clearly shows that while OG&E’s total estimated Weather Event Costs are larger than the four other listed utilities, the Event Cost Per Customer is in line with all by one other utility. This outlier “owns nuclear, coal and hydro generation and therefore is less dependent on natural gas and market energy purchases” (Norwood, p. 9, ll. 18-19.) OG&E has substantially more customers to serve with presumably a larger footprint to cover, and yet its cost per customer is in the middle of the group of five utilities.

OG&E SH agrees with and supports the conclusions of OG&E witness Smead: “OG&E proactively manages its own natural gas supply, through a system of request for proposals annually, contracting for firm supply beyond the annual ‘term’ quantities, and then a proactive

acquisition of market gas as needed above the term and firm levels of supply.” (Direct Testimony of Richard G. Smead, p. 12, ll. 16-19.) “This process and practice is standard throughout the natural gas industry, based on my experience, and has proven prudent and reasonable.” (Smead, p. 12, ll. 23-24.)

OG&E has complied with all orders, rules and regulations regarding fuel procurement practices. OG&E is entitled to recover all its prudently incurred fuel expenses. Implementing the securitization method enacted by the Legislature to recover the full amount of the WWE extreme weather fuel purchase expenses would be fair, just and reasonable to the customers, and much preferable to the FAC collection alternative. Not to permit OG&E to recover all of the WWE costs, either through the FAC or securitization, would be an unlawful confiscation of the Company’s property and a substantial detriment to its shareholders.

PUD Staff has made three related recommendations to the Commission, viz., 1) that the Commission direct OG&E to study and report on “whether a financial hedging program might be beneficial and economical”; 2) that OG&E provide 15, 20, 30-year financing scenarios “so the Commission can consider the differences in costs and term lengths”; and 3) that OG&E “provide the federal tax consequences of the transaction”. (McCoy, p. 15, ll. 11-16.) Those recommendations seem reasonable.

Obviously, the OG&E SH has not in this Statement of Position specifically addressed all the issues raised in this case. That fact should not be construed as OG&E SH’s agreement with any filed position stated in Responsive Testimony or that the OG&E SH does not have a position on any other such issue or waives cross-examination of any witness. The OG&E SH reserves the right to fully participate in the remainder of this proceeding as scheduled, including to cross-examine witnesses on all issues at the hearing of this cause. OG&E SH reserves the right to

amend this Statement of Position should circumstances change or if information not previously known becomes available during this proceeding.

Respectfully submitted,



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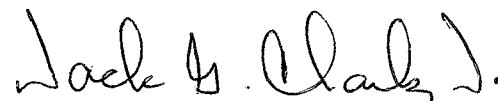
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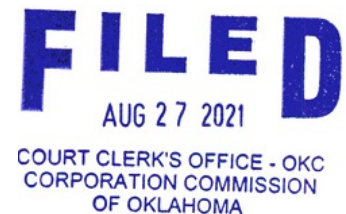


Jack G. Clark, Jr.

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

**AARP STATEMENT OF POSITION**

COMES NOW AARP, by and through its undersigned counsel, and hereby provides its Statement of Position describing certain positions that AARP is taking in this proceeding. AARP reserves the right to address any issues raised by other parties in this docket.

AARP is the nation's largest nonprofit, nonpartisan organization dedicated to empowering people 50 and older to choose how they live as they age. With a nationwide presence and nearly 38 million members, AARP strengthens communities and advocates for what matters most to families: health security, financial stability, and personal fulfillment. AARP has approximately 400,000 members residing in Oklahoma representing all segments of the socio-economic scale. A substantial percentage of AARP's members live on fixed or limited incomes and depend on reliable and affordable electric and natural gas service for economic security, health, and personal welfare.

Early in February 2021, ominous warnings were being made across the region – a potentially deadly cold weather system was approaching. Resident's stock-piled food, wrapped exposed pipes and got ready to hunker down. By February 12th, the Governor of "declared a State of Emergency today for all 77 Oklahoma counties as state officials continued their emergency response preparations for a dangerous winter storm expected to impact the state over the weekend."

He stated that “Oklahoma has already been coping with days of dangerously cold temperatures, freezing drizzle, and treacherous travel. However, the winter storm expected to begin moving through the state Saturday night into Sunday could bring up to a foot of snow in parts of the state with temperatures in the single digits and wind chills as low as -15 degrees.”¹

In the associated press release, the Director of the Oklahoma Department of Emergency Management and Homeland Security (ODEMHS) said to “Prepare your home to stay safe and warm as temperatures drop” and “Be sure you have the proper storm supplies such as bottled water, non-perishable food, flashlights, batteries, heavy blankets and anything else you may need to get through the storm. Be especially careful with alternative heating sources such as electric space heaters or propane heaters.”²

By February 16, 2021, the Weather Channer reported the “Coldest Outbreak in Over 30 Years”:

Oklahoma City recorded its second-coldest temperature on record with a low of minus 14 degrees. Only a minus 17 degree reading in 1899 is colder in the city's weather records.... Lawton, Oklahoma, set a new all-time record low of minus 12 degrees. Records in the city date back to 1912.... Tulsa, Oklahoma, dropped to minus 13 degrees. That matches the coldest reading there since it hit that mark in 1918.³

Ultimately, the cold subsided and, while Oklahomans did their best to prepare for the cold, the gas and electric industry were unable to contain out of control pricing and activity in the markets which may cost the Oklahoma economy over \$3 billion over the decades to come.⁴ For

¹ https://www.governor.ok.gov/articles/press_releases/governor-stitt-declares-state-of-emergency-as-wint#:~:text=Governor%20Kevin%20Stitt%20declared%20a%20State%20of%20Emergency,dangerously%20cold%20temperatures%2C%20freezing%20drizzle%2C%20and%20treacherous%20travel.

² *Id.*

³ <https://weather.com/safety/winter/news/2021-02-14-record-cold-temperatures-plains-midwest-february>

⁴ The Oklahoma economy is impacted as a whole by these extraordinary costs incurred by OG&E, PSO, WFEC, OMPA and GRDA customers.

instance, in this case, the Commission is reviewing costs OG&E is requesting to pass on ratepayers through a special bond authorized by the Legislature. OG&E alone claims to have spent \$1 billion (Company-wide) during the *two weeks* that is referred to as the Winter Weather Event, while it spent \$516 M the entirety of 2020.

As a result of these outstanding costs, utilities argued they would pass these costs on to customers through their fuel adjustment clauses almost immediately to begin to collect from customers. To stop this from happening, the Corporation Commission approved these extraordinary costs to be held as a regulatory asset on utility books (as opposed to flowing through fuel adjustment clauses) with carrying costs based on the cost of short-term debt. Ultimately, the Oklahoma Legislature passed the February 2021 Regulated Utility Consumer Protection Act (Act) (74 O.S. § 9070 *et seq.*), which allows for this discreet segment of isolated costs to be packaged as ratepayer-back bonds “at a lower amount and over a longer period.”⁵

Importantly, the Act only allows securitization of certain categories of costs (as described in the Act) should the Corporation Commission determine such costs “would otherwise be recoverable from customers as fair, just and reasonable expenses and prudently incurred.”⁶ (Emphasis added.) Consequently, it is *critical* that the Corporation Commission carefully review the costs and actions of the utility to determine that any costs approved for recovery are fair, just and reasonable, and were prudently incurred.

Based on AARP’s review of the testimony filed in this case and the information supplied by OG&E in response to discovery, AARP makes the following observations and requests the Corporation Commission make ultimate findings in this matter consistent with the following:

⁵ 74 O.S. § 9071.

⁶ 74 O.S. § 9073(E).

1. **Authorize Recovery of Any Approved Costs through an Energy Charge (kWh)**

AARP supports the Company's request to recover funds with a per kWh charge (i.e., energy charge). All customer classes should be subject to the same rate design for recovery. The Commission should reject any request to shift more of the winter storm cost recovery to residential ratepayers, to have costs calculated as a fixed block charge or based on a daily usage calculation. It is noted that OG&E reflected the decreased usage during the winter storm of larger customers (because many were not open or operating due to the weather) by allocating costs on actual usage by customer class during the storm. Therefore, lower usage is already reflected with a smaller allocation than normal usage by large customers during the winter weather event.

2. **Disallow Certain Costs Due to Imprudence which are Not Authorized for Securitization**

Recovery by Statute

Only costs that the Commission affirmatively determines are fair, just and reasonable and prudently incurred can be securitized.⁷ AARP believes that based on the evidence submitted in this case, certain actions by OG&E were imprudent and some costs incurred should be barred from recovery through securitization.

Staff's testimony appears to state that it believes all the costs put forward by OG&E for securitization are fair, just and reasonable and "prudent because [OG&E] acted in accordance with its fuel procurement procedures and policies during the event"⁸ and that "OG&E did not deviate from fuel supply and procurement plan."⁹ However, Staff also recognizes that OG&E had no plan for extreme weather,¹⁰ no physical or financial hedging of natural gas costs (in fact, not even any

⁷ 74 O.S. § 9073(E).

⁸ Staff McCoy Responsive Testimony, p. 13.

⁹ *Id.* at 11.

¹⁰ *Id.* at 11-12.

analysis of options to protect or limit customer exposure to fuel or purchase power costs), and that OG&E had 53% of its gas units out for scheduled maintenance at the same time.¹¹ This information should be of concern when the Commission considers costs that were prudently incurred.

The Commission should find the testimony of Mr. Mosher particularly informative. The Commission should closely evaluate the fact that OG&E operated its entire natural gas fired generation fleet on 100% daily gas purchases exposing ratepayers to the volatile daily natural gas market. OG&E management's decision to strictly apply to its fuel supply and procurement plan (which has no plan for extreme short-term events) demonstrates a failure to appropriately plan and respond to an extreme and short-term crisis. OG&E is imprudent for operating its entire natural gas fired generation fleet on daily gas purchases. Worse, OG&E had 53% of its natural gas fleet out on scheduled maintenance at the same time when it should have determined ways to defer scheduled maintenance and staggered scheduled outages so as not have such a high percentage of firm natural gas fired generation offline.

Additionally, imprudent behavior is further demonstrated by OG&E's failure to plan and assess options for use natural gas it held in storage for the protection of its customers. Based on evidence submitted, OG&E failed not only to actively plan and use natural gas it held in storage, but in fact, made purchases that **added** to storage during the days natural gas hit its highest prices.¹² Based on these two highest market prices days, OG&E held gas in storage that may have been worth approximately \$250,000,000 that it failed to use for the benefit of customers.¹³ Moreover, these two highest price days account for half of OG&E's total gas costs claimed in this case.¹⁴ OG&E didn't sell this gas nor did it use it to avoid expensive gas purchases. *Moreover, during this*

¹¹ *Id.* at 10.

¹² Mosher Responsive Testimony, including, for example pp. 15-16, 24, and 37.

¹³ *Id.* at 12.

¹⁴ *Id.* at 20.

event, OG&E spent approximately \$19,656,260 on natural gas that was **added** to storage during the winter weather event.

Moreover, because OG&E failed to have any prudent plan to utilize gas storage efficiently for extreme price events and because OG&E failed to analyze or any take any reasonable actions for the use of gas in storage during this short-term event, imprudently cost customers millions of dollars more than it should have.¹⁵ Mr. Mosher summarizes his findings on this matter as follows:

OG&E did not have a prudent gas storage strategy, which led to OG&E over-purchasing gas at market prices during the highest priced days of the [winter weather event]. Incurring at least \$50 Million in extreme purchase costs that could have easily been avoided by withdrawing gas from OG&E's storage inventory. OG&E was imprudent by not having a storage strategy, and by its lack of oversight and accountability in the management of its storage inventory. (Mosher Responsive Testimony, pp. 27-28.)

AARP believes the risk and inaction regarding its storage supplies of gas is only a risk a party takes with other people's money – OG&E customer's money. This happens when shareholders are completely insulated from ALL risk associated with fuel and power purchase costs. AARP believes it is highly unlikely any large industrial gas customers purchase 100% of their gas needs at daily pricing (taking on 100% daily price risk) or let hundreds of millions of dollars of gas sit in storage when facing these extraordinary gas prices. This demonstrates that a firm facing similar market circumstances would have taken prudent steps that OG&E failed to take. Indeed, few utilities around the country using such a risky strategy. This is why Oklahoma is one of the few states dealing with the fallout from this issue to such an extent and customers are on the hook for hundreds of millions of additional costs. A reasonable and prudent utility hedges their gas purchasing in one way or another to avoid *its customers* from being exposed to potentially volatile daily pricing.

¹⁵ See generally Mosher Responsive Testimony, including pp. 27-28.

Because of the above, AARP believes the Commission should find that OG&E's actions in these matters were not reasonable or prudent based on the information OG&E had at the time of the winter weather event and the Commission should disallow the value of gas in storage at the height of the crisis in the amount of \$250 million as imprudently incurred. AARP believes costs associated with these imprudent actions are not fair, reasonable or prudent and, therefore, must be excluded from securitization recovery.

3. **Commission Should Ensure All Transaction, Financing, and Servicing Costs be at Reasonable Actual Cost and No Servicing Fees Should be Paid to OG&E Outside of Rates**

All financing and servicing costs must be based on arm's-length fair market value and the Commission should ensure that customers are not charged any more than actual costs. Staff witness Mr. Bartolotta describes the interest rates presented by OG&E in their calculations need more information and additional refinement, and notes that OG&E's servicing fee, transaction costs and ongoing serving fees assumptions are high and outside current market transactions.¹⁶ In addition, if OG&E is the initial servicer as currently contemplated, then no servicing payment should be made to OG&E based on a percentage of the bond amount. As described by Mr. Bartolotta, for a utility acting as servicer in similar circumstances, it is appropriate to provide the utility any reasonable and prudently incurred incremental costs of providing this service be reflected in rates.¹⁷

¹⁶ Staff Bartolotta Responsive Testimony, p. 34, citing OG&E Walworth testimony estimating servicing costs at 3.7%, but Mr. Bartolotta says market is more likely around 0.79%; OG&E estimate of ongoing costs at 0.3% when market is 0.05%.

¹⁷ Staff Bartolotta Responsive Testimony, p. 34.

4. **Immediate Credit to Customers of any SPP IM Settlement Payments or Similar Credits or Funding**

Because the winter weather event is only months behind us, the Legislature recognized there may be outstanding amounts to be determined or subsequent credits or sources of funding that need to be credited against the bonded amount. Guidance to Commission is provided at 74 O.S. § 9073(G), including that “those amounts shall be used to reduce the extreme purchase costs or extraordinary costs of the utility recoverable from customers” and the Commission “shall direct whether the funds shall be provided directly ...to offset amounts securitized or whether they shall be held as a separate regulatory liability offsetting rate base or returned to customers....” As described below, AARP supports reducing the securitized amount if bonds have not been issued or if issued, credited quickly directly back to customers.

It is understood that SPP is continuing its review of account settlements for service during the winter storm and will not finalize costs related to settlement charges until January or February of 2022.¹⁸ AARP believes OG&E is disputing and requesting payment for generation during the event *in the amount of \$277 million*. If OG&E receives additional SPP payments and bond issuance has not occurred, any amounts received from SPP should be removed from the amount to be securitized. If bonds have been issued and OG&E receives payment from SPP, the Commission must ensure that any amount received by OG&E will be directly credited to customers within a reasonable amount of time. This way any additional SPP IM settlement amounts will either be removed from the bond or returned to customers currently on the system and not held by the utility or returned over a long period of time. The same should be true for any negotiated settlements on

¹⁸ OG&E McBroom Direct Testimony, p. 21.

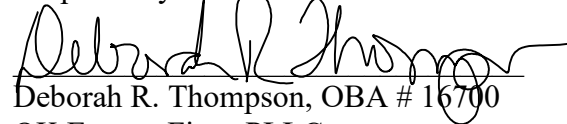
contract provisions, any insurance proceeds, or any other credits or funds of whatever type that may be sought and received by the OG&E related to transactions during the winter weather event.

5. Reject Weighted Average Cost of Capital (WACC) for any Future Carrying Costs

The Commission should reject OG&E's request to receive its weighted average cost of capital (WACC) if bonds aren't issued by April 2022 and until such times as bonds are in fact issued. OG&E is currently financing the regulatory asset holding these costs and has financed this with low-cost short-term debt. OG&E provides no evidence and fails to demonstrate that additional short-term funds would not be available in the market when the current financing instrument terminates or that there would be any increase in carrying costs. Should issuance go past April 2022, a prudent business (without ratepayers on the hook) would go into the market and secure additional short-term low-cost debt. Should the cost of this debt be higher than that currently being used, OG&E can request recovery of the difference when it is known, and its reasonableness can be evaluated by the Commission.

AARP reserves the right to amend, modify or supplement its positions in this docket, to cross examine witnesses on all issues, to request affirmative relief, and to address any and all issues raised by any party at the hearing on the merits necessary to protect its interests in this matter.

Respectfully submitted,



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CERTIFICATE OF SERVICE

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Deborah R. Thompson

Attachment "C"

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



**ATTORNEY GENERAL'S PROPOSED FINDINGS OF
FACT AND CONCLUSIONS OF LAW**

John O'Connor, the Attorney General of Oklahoma, on behalf of the utility customers of this State, hereby submits his Proposed Findings of Fact and Conclusions of Law for the proceeding referenced above. While the Attorney General does not oppose the Joint Stipulation and Settlement Agreement entered in this case, the Attorney General affirmatively supports the use of securitization to reduce customer costs and allow the repayment of extraordinary fuel costs over a longer period of time than would otherwise apply. The Attorney General's recommended findings are set out in more detail below.

1. THE COMMISSION FINDS that the February 2021 Regulated Utility Consumer Protection Act ("the Act") allows utilities to recovery extraordinary natural gas and other costs from the February 2021 storm through unique, off-balance sheet bonds. These bonds are intended to warrant very high credit ratings by separating the bonds from the utility's credit and requiring the utility to only service the collection of payments on the bonds.

2. THE COMMISSION FURTHER FINDS that the Act allows only those costs that "would otherwise be recoverable from customers as fair, just and reasonable expenses and prudently incurred." 74 O.S. § 9073(E). In other words, securitization may only be authorized if customers would otherwise have to pay the same costs using an existing form of utility financing.

*Attorney General's Proposed Findings of
Fact and Conclusions of Law*

3. THE COMMISSION FURTHER FINDS that once such recoverable costs have been identified, the Act requires the Commission to review whether customers are expected to save money through securitization rather than allowing the utility to recover costs through traditional regulatory means. Specifically, the statute contains the following requirements:

1. Substantial revenue requirement savings that may be incurred to the benefit of customers by relying on lower carrying charges related to ratepayer-backed bonds rather than by conventional financing obtained by the regulated utility;
2. Customer utility bill impact that may be mitigated by mandating a longer amortization period for recovery than would otherwise be practicable or feasible for the regulated utility; and
3. The issuance of ratepayer-backed bonds that may be completed at a sufficiently low cost such that customer savings are not exhausted or offset

74 O.S. § 9073(C).

4. THE COMMISSION FURTHER FINDS that the statutory requirements require the Commission to compare overall revenue requirement, customer bill impacts, and administrative costs between securitization under the Act and traditional utility financing.

5. THE COMMISSION FURTHER FINDS that OGE has provided analysis and testimony that customers would reap substantial savings from using securitization bonds issued under the Act rather than through traditional utility financing. *E.g.*, Rowlett Direct 14, Table 1; Rowlett Direct, Ex. DRR-1; Rowlett Rebuttal 13, Table 2; Rowlett Rebuttal, Rebuttal Ex. DRR-1. For example, OGE's rebuttal testimony estimates show residential customers could pay \$1.99 per month on average using a 28-year amortization period rather than \$3.81 with traditional utility financing. While the Commission recognizes that the bonds may ultimately have somewhat different impacts, the *comparison* between securitization and traditional utility financing shows significant savings for customers.

*Attorney General's Proposed Findings of
Fact and Conclusions of Law*

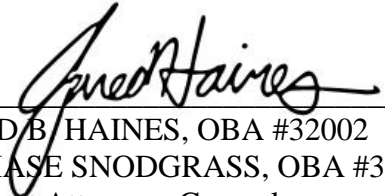
6. THE COMMISSION FURTHER FINDS that OGE's analysis shows customers would reap significant savings in terms of annual revenue requirement. For a 28-year period, customers overall would pay \$74,781,160 per year under traditional utility financing but only \$39,149,296 under the securitization plan. Over 28 years, this difference would amount to \$997,692,192.

7. THE COMMISSION FURTHER FINDS that OGE's analysis properly compares revenue requirement and customer bill impact while including issuance costs under the Act. OGE's request therefore meets the requirements of the Act, and the entry of a financing order authorizing the issuance of securitization bonds is warranted.

Based on the evidence in the record and cited above, the Attorney General supports the issuance of securitization bonds under the February 2021 Regulated Utility Consumer Protection Act. The Attorney General does not oppose the resolution to the case included in the Joint Stipulation and Settlement Agreement, which addresses a number of other issues such as allocation, strategies to avoid similar situations in the future, and other matters. The Attorney General appreciates the opportunity to provide his requested findings to the Commission in this proceeding and welcomes a thorough review of the evidentiary record on the part of the Administrative Law Judge and Commissioners.

Respectfully submitted,

JOHN O'CONNOR
ATTORNEY GENERAL OF OKLAHOMA



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*Attorney General's Proposed Findings of
Fact and Conclusions of Law*

CERTIFICATE OF SERVICE

On this 25th day of October, 2021, a true and correct copy of the above and foregoing *Attorney General's Proposed Findings of Fact and Conclusions of Law* was sent via electronic mail to the following interested parties:

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Utility Regulation Unit

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

**AARP PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW**

COMES NOW AARP, by and through the undersigned counsel, and hereby submits the following for consideration by the Administrative Law Judge.

PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW***[Add to Summary of the Evidence]***

On October 8, 2021, OG&E, OG&E Shareholders, PUD Staff, OIEC and Walmart filed a Joint Stipulation. The Oklahoma Attorney General was not a party to the Joint Stipulation and noted for the record he was not taking a position on the Joint Stipulation. AARP was not a signatory to the Joint Stipulation and opposed the non-unanimous Joint Stipulation, mainly the amount of recovery from ratepayers and the allocation methodology adopted by the Joint Stipulation.

Summary of the Cross-Examination of OG&E witness Don Rowlett

During cross-examination by counsel for AARP, OG&E witness Mr. Rowlett testified that Service Level 5, which includes residential customers, was allocated around 79% of the energy usage during the full period of February 7 through February 21, 2021. He further testified that the allocation adopted in the Joint Stipulation using a day-by-day allocation shifts approximately \$23 million in additional recovery to Service Level 5. This equates to an increase of about \$0.10 per average residential customer per month over the recovery period.

Mr. Rowlett testified that OG&E has no customers on its Interruptible Service tariff and 44 customers on its Load Reduction Rider. He further testified that Load Reduction Rider allows the company to call for reduced loads at its sole discretion for any operating or economic purpose. He testified that OG&E called on Load Reduction customers only for the three SPP load reduction events and not at any other time during the Winter Weather Event.

He testified that while the company lost \$30 million related to customers on the Guaranteed Flat Bill program that would not be recovered in the requested bond amount, he also testified that the Company has retained through 2020 more than \$65 million.

He further testified that OG&E's meteorological group began providing information on the storm on February 2, 2021. He also testified that more than half of OG&E's gas generation was scheduled to be out on planned outage for scheduled maintenance beginning later in February. He testified the Company did not modify any of its planned outages based on weather information at that time and all such units remained out of service during the Winter Weather Event. He further testified that OG&E did not alter its gas purchasing practicing leading up to the Winter Weather Event. He testified that while OG&E has targeted coal inventories, OG&E had coal plant outages due to freezing coal piles and other freezing issues. Mr. Rowlett also testified that OG&E used its gas storage for reliability purposes and did not use gas in storage as a physical hedge or to mitigate high natural gas prices in the marketplace.

Summary of the Cross-Examination of OG&E witness Gwin Cash

During cross-examination by counsel for AARP, OG&E witness Mr. Cash testified that OG&E had resolved approximately \$100 million in SPP settlement amounts and that approximately \$177 million of possible recovery remained outstanding. He also testified that when OG&E calculated the allocation pursuant to the Joint Stipulation, OG&E credited SPP recovery amounts by day. He further testified that if additional SPP resettlements are received, then the amounts should be applied by day should the Commission use the Joint Stipulation's daily allocation of electricity usage.

[FINDINGS]

Based upon the Commission's review and evaluation of the pleadings, testimony of witnesses, the Joint Stipulation and evidence contained in the record of this Cause, and upon a full and final consideration thereof, the Commission makes the following findings and conclusions:

A. Jurisdiction

The Commission finds that it has jurisdiction over this Cause by virtue of Article IX, Section 18, 17 O.S. §§ 151-152, 74 O.S. § 9070 *et seq.* (the February 2021 Regulated Utility Consumer Protection Act).

B. Notice

The Commission finds that proper notice of these proceedings was given as required by law and Order No.720025.

C. Findings of Fact and Conclusions of Law

The Commission finds that Joint Stipulation is fair, just and reasonable except for two key issues: (1) the cost recovery should be reduced and (2) the allocation should be based on kWh usage during the entire Winter Weather Event.

Reduction of Cost Recovery

The Commission finds the Company failed to reconsider its reliance on purely daily market purchases of natural gas and its schedule of planned outages in light of information it had in its possession regarding the severity of the coming weather event.

In addition, the Commission further finds that OG&E failed to exercise its ability to reduce load on its Load Reduction Tariff by only calling for load reduction during the most critical times as directed by SPP. The Commission recognizes that OG&E has the ability to call on reduction of this load for economic reasons such as skyrocketing natural gas and electricity prices. The evidence is not clear how much load was available for reduction, but failure of the Company to call on this resource was imprudent.

The Commission further finds that the Company's failure to use gas in storage on critical days was imprudent deployment of customer resources. The testimony of Mr. Mosher details OG&E's gas storage inventories, gas procurement practices and fuel diversity issues.

The Commission further finds that OG&E incurred additional financing costs in the amount of \$4,916,780 in May 2021 that do not appear appropriately supported by the evidence and the Commission finds that such costs should be shared between ratepayers and shareholder. See Hearing Exhibit 1, pages 6,8-9.

The Commission finds that ratepayers rely on Company management and its ability to prepare and respond in the manner of a prudent utility. While OG&E was able to do this for the most part, the Commission finds these failings require shareholders to share in some of the burden of the costs incurred due to management actions in the amount of \$ _____.

Therefore, the Commission finds that estimated cost of the Winter Weather Event as reflected in the Joint Stipulation should be reduced from \$739,000,000 to \$ _____.

Modification of Cost Allocation

The Commission finds that the shift in cost recovery as set forth in the Joint Stipulation is not in the public interest. As described in testimony, this allocation methodology results in an additional \$23 million in costs allocated to Service Level 5, which includes residential customers, small businesses, and schools. OG&E testified that this change in the allocation methodology increases the costs to the average residential ratepayer approximately \$0.10 per month for the next 28 years.

The Commission understands the objective of trying to drill down into costs and usage on a more granular level, but the period of the Winter Weather Event is set forth in the Act as February 7 through 21, 2021. While a most precise application of the costs would be to assign each individual customer its costs for the event calculated on a day-by-day, hour-by-hour and minute-by-minute basis. Normally, gas and power costs are allocated based on kWh usage and costs on a monthly basis, but in this case, we are looking at usage and costs for a two-week period.

The Commission finds that the decreased usage during the winter storm of larger customers (because many were not open or operating due to the weather) by allocating costs on actual kWh usage by customer class during the storm period appropriately reflects the actual usage by class during the winter weather event.

The Commission finds that total usage in kWh over that period and its costs, as described in OG&E's direct testimony, is a fair and reasonable basis for recovery from the various classes of customers.

[PROPOSED ORDERING LANGUAGE]

ORDER

IT IS THEREFORE THE ORDER OF THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA that the above findings of fact and conclusions of law are adopted as the order of this Commission.

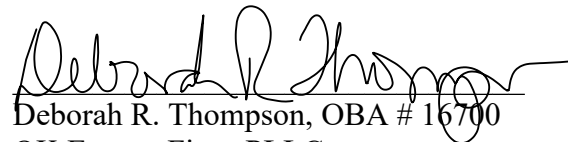
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IT IS FURTHER ORDERED that the Commission rejects the proposed allocation methodology as reflected in the Joint Stipulation and orders that the recovery be allocated based on kWh usage during the entire Winter Weather Event as set forth in OG&E's direct testimony.

THIS ORDER SHALL BE EFFECTIVE immediately.

AARP respectfully requests the Administrative Law Judge adopt and recommend the foregoing.

Respectfully submitted,



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Attorney for AARP

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the above and foregoing document was delivered via e-mail on the 25th day of October 2021, to the following:

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Deborah R. Thompson

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



THE STIPULATING PARTIES' PROPOSED FINDINGS OF FACT AND
CONCLUSIONS OF LAW

COMES NOW the Stipulating Parties in the above-styled Cause and present their Proposed Findings of Fact and Conclusions of Law, as more fully set forth below. Included is also a Procedural History for use as needed.

PROCEDURAL HISTORY

On April 26, 2021, Oklahoma Gas and Electric Company ("OG&E") filed its Application in this Cause. Also on this date, Jared B. Haines and A. Chase Snodgrass entered an appearance on behalf of the Attorney General of Oklahoma in this Cause.

On April 29, 2021, the Public Utility Division ("PUD") filed a Motion to Engage a Financial Advisor(s) or other Consultants.

On May 4, 2021, Jack G. Clark Jr. and Ronald E. Stakem entered appearances on behalf of the OG&E Shareholders Association.

On May 5, 2021, Thomas P. Schroedter entered his appearance on behalf of Oklahoma Industrial Energy Consumers ("OIEC").

On May 11, 2021, Rick D. Chamberlain entered his appearance on behalf of Walmart Inc.

On May 11, 2021, the Oklahoma Corporation Commission issued **Order No. 718290** granting the Public Utility Division's Motion to Engage a Financial Advisor(s) or other Consultants.

On May 12, 2021, Deborah R. Thompson entered her appearance on behalf of AARP.

On May 18, 2021, OG&E filed a Motion for Protective Order and on May 19, 2021 filed a Motion to Establish Procedural Schedule.

On June 9, 2021, the Oklahoma Corporation Commission issued **Order No. 718799** granting OG&E's Motion for Protective Order.

On June 18, 2021, OG&E filed a Certificate of Service.

On June 18, 2021, OG&E filed Direct Testimonies of Charles B. Walworth, Donald R. Rowlett, Richard G. Smead, Robert Doupe and Shawn McBroom and supplied detailed information about the extreme purchase costs and the customer bill impacts as required by the February 2021 Regulated Utility Consumer Protection Act ("Act").

On July 7, 2021, the Oklahoma Corporation Commission issued **Order No. 719312**, its Order Granting Motion to Establish Procedural Schedule.

On July 8, 2021, OG&E filed a Motion to Establish Notice Requirements and Approve Form of Notice.

On August 12, 2021, the Oklahoma Corporation Commission issued **Order No. 720025** granting Motion to Determine Notice Requirements and Approve Form of Notice.

On August 23, 2021, D. Kenyon Williams, Jr. entered his appearance on behalf of OIEC. Also on August 23, 2001, Responsive Testimony and Exhibits of Lisa V. Perry was filed on behalf of Walmart Inc., Responsive Testimonies of Mark E. Garrett, Scott Norwood, Brian C. Collins and James P. Mosher were filed on behalf of OIEC and Responsive Testimonies of Isaac D. Stroup, JoRay McCoy and Michael Bartolotta were filed on behalf of PUD.

On August 27, 2021 the Attorney General's office, OG&E Shareholders Association and AARP filed their Statements of Position.

On September 13, 2021, OG&E filed Rebuttal Testimonies of Shawn McBroom, Robert Doupe, Richard G. Smead, William H. Wai, Donald R. Rowlett, Gwin Cash and Charles B. Walworth.

On October 4, 2021, Jack P. Fite entered his appearance on behalf of OG&E.

On October 7, 2021, Exhibit Lists were filed by OIEC, the OGE Shareholders Association, AARP, Walmart Inc., PUD, OG&E and the Attorney General. Also on this date, OG&E also filed the Affidavit of Amanda Reyes regarding compliance with notice requirements and PUD filed Supplemental Responsive Testimony of Michael Bartolotta.

Also on October 7, 2021, Testimony Summaries of Isaac D. Stroup, JoRay McCoy and Michael Bartolotta were filed by PUD, Testimony Summary of Lisa V. Perry was filed by Walmart Inc., Testimony Summaries of Gwin Cash, Shawn McBroom, Charles B. Walworth, Donald R. Rowlett, Robert Doupe, William Wai, Richard G. Smead were filed by OG&E.

On October 8, 2021, Summary Responsive Testimony of James P. Mosher, Mark E. Garrett, Brian C. Collins and Scott Norwood was filed on behalf of OIEC. On this date Settlement Testimony of Gwin Cash and Donald R. Rowlett, was filed by OG&E. The Joint Stipulation and Settlement Agreement (“Agreement”) was also filed on this date.

On October 11, 2021, Testimony in Support of Joint Stipulation and Settlement Agreement of JoRay McCoy was filed by PUD.

Public comment was received at the hearing on the merits that commenced on October 11, 2021. The hearing on the merits was then continued until October 13, 2021 and was conducted on October 13 and 14, 2021. At the conclusion of the hearing on the merits, the ALJ took the matter under advisement and directed the parties to provide proposed Findings of Fact and Conclusions of Law by close of business on October 25, 2021.

PROPOSED FINDINGS OF FACT AND 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 this Commission’s Rules.
2. Notice in this Cause was properly provided in accordance with Commission Order No. 720025.
3. A Joint Stipulation and Settlement Agreement was filed in this Cause on October 8, 2021, with OG&E, PUD, OIEC, OG&E Shareholders Association, and Walmart, Inc., as signatories (“Stipulating Parties”).
4. AARP and the Oklahoma Attorney General (“AG”) did not sign the Agreement, although the AG announced at the hearing he did not oppose the Agreement.
5. Testimony in support of the Agreement was filed by OG&E and PUD through witnesses Donald Rowlett, Gwin Cash, and JoRay McCoy. In addition, PUD Witness Michael Bartolotta testified at the hearing.
6. The Winter Event Securitization Mechanism tariff (“WES Mechanism”) is attached to the Agreement as Exhibit A.
7. The Agreement represents a resolution of issues in this Cause between and among the Stipulating Parties.
8. In a hearing held October 13 and 14, 2021, witnesses provided testimony in support of the Agreement and all parties, including AARP and the AG, were provided the opportunity to conduct cross-examination.
9. At the conclusion of the hearing held October 13 and 14, all pre-filed testimony was moved into the record without objection.

10. In paragraph 1 of the “General Recommendations of the Stipulating Parties” in the Agreement, the Stipulating Parties agree that OG&E should recover \$739 million of the estimated \$748.9 million total extreme purchase costs. The Stipulating Parties agree that the \$739 million in extreme purchase costs related to natural gas and wholesale energy procurement should be deemed prudent and recoverable by the Commission. Witness Rowlett described, at the hearing and in pre-filed testimony, the operational challenges presented by the Winter Storm Event (“Event”) and the procurement practices OG&E followed during that Event.
11. Witness McCoy testified regarding PUD’s prudence review as defined in the Commission’s rules. Witness McCoy testified regarding the extreme and unique nature of the Event and that OG&E acted in accordance with its Fuel Supply Portfolio and Risk Management Plan during the Event. “Extreme purchase costs” are defined in the Act as “expenses incurred for the purchase of fuel, purchased power, natural gas commodity or any combination thereof, whether at spot pricing, index pricing or otherwise with delivery from February 7, 2021, through February 21, 2021.” *See* 74 O.S. § 9052(3). After considering the testimony provided at the hearing and the evidentiary record, the ALJ finds the extreme purchase costs in the amount of \$739 million prudently incurred and recommends this Commission include securitization of those costs in its Financing Order.
12. In paragraph 2 of the Agreement, the Stipulating Parties agree that the Commission should find that OG&E has provided the requisite information specified in Section 4.A of the Act and that, pursuant to Section 4.C of the Act, that securitization would provide benefits to customers as compared to traditional utility financing. In pre-filed and oral testimony, Witnesses Rowlett and McCoy testified that customers benefitted from the lower costs of securitization as compared to traditional utility financing. In his pre-filed testimony, Witness Rowlett includes Table 1 that compares the costs of a 28-year term for securitization as compared to traditional utility financing and demonstrates that securitization provides a significant savings for customers. OG&E witnesses and PUD witness McCoy testified that OG&E had complied with the requirements of the Act regarding the provision of necessary information. Based on a review of the record evidence, the ALJ concludes there is substantial evidence to support findings that OG&E provided the information required within the Act and that securitization is beneficial to customers and, thus, in the public interest.
13. In paragraph 3 of the Agreement, the Stipulating Parties agree that this Commission should issue a Financing Order as proposed by Witness Bartolotta with revisions as provided by Witness Walworth for the securitization of approximately \$760 million and authorizing a 28-year amortization for cost recovery or shorter term to obtain the most favorable term for customers that will result in the lowest reasonable monthly charge for customers. The Stipulating Parties agree that \$760 million recommended for securitization is an estimate and may fluctuate depending on final costs and carrying costs incurred until securitization. Both OG&E and PUD witnesses provided testimony in support of a securitization amount of approximately \$760 million. Witness Bartolotta provided in-depth information concerning the use of securitization generally, the proposed bond structure and associated transaction documents used to issue the bonds, the provisions of the Financing Order, related bond costs, and the servicing arrangements associated with the bond issuance. While the Stipulating

parties recommended a term for the bonds of 28 years, the provisions of the Agreement allow the Oklahoma Development Financing Authority (“ODFA”) to adopt a shorter financing period if that is found to be advantageous to customers and will result in the lowest reasonable monthly charge. PUD Witness Bartolotta testified that the final decision regarding the term of the bonds will be made by the ODFA after the issuance of the Financing Order. The ALJ concludes there is substantial record evidence to support a finding that this Commission should issue a Financing Order with terms and amount of costs as requested by the Stipulating Parties. Such draft Financing Order is attached to this recommendation as Attachment 1.

14. In paragraph 4 of the Agreement, the Stipulating parties agree that OG&E will use its best efforts to pursue SPP Make-Whole payments and resettlement amounts. In his pre-filed and oral testimony, Witness Rowlett provided information concerning the resettlements and Make-Whole payments that are still outstanding from SPP. Witness Rowlett affirmed that OG&E will make best efforts to comply with Section 4.G of the Act regarding SPP payments and any insurance proceeds received. The ALJ finds the provisions of paragraph 4 to be in the public interest.
15. In paragraph 5 of the Agreement, the Stipulating Parties agree that the carrying charge on the regulatory asset balance containing the extreme purchase costs shall be based on the actual costs of credit facilities, loan agreements, or other debt financing related to the deferred costs of the Event. Witness Rowlett provided pre-filed and oral testimony affirming the agreement to base the costs on the actual cost of financing. The ALJ finds this provision to be in the public interest.
16. In paragraph 6 of the Agreement, the Stipulating Parties agree that OG&E will engage in discussions with stakeholders regarding methods to mitigate the costs of future cold weather events. Specifically, OG&E agrees to discuss mitigation of natural gas price volatility and to evaluate the use of natural gas storage services as well as physical and financial hedging. Also, OG&E agrees to revise its next fuel supply portfolio and risk management plan to address natural gas storage practices and procurement practices not based solely on index pricing. In his pre-filed and oral testimony, Witness Rowlett affirmed OG&E’s agreement to engage in these stakeholder activities regarding evaluation of natural gas storage and procurement practices. The ALJ finds this provision to be in the public interest.
17. In paragraph 7 of the Agreement, the Stipulating Parties agree to an allocation and rate design methodology to allocate costs to the individual customer classes. The methodology adopted by the Stipulating Parties is based to a great extent on the pre-filed testimony of Witness Collins and supported in the pre-filed and oral testimony of Witness Cash. Witnesses Rowlett and Cash described the benefits of the application of the energy allocation methodology to each day of the Event as opposed to over the full term of the Event in aggregate. Witnesses Rowlett and Cash stated this methodology provided a more granular and, hence, more exact and fair method to assign costs of the Event. Witness Cash stated that the update to the allocation eliminates a cost subsidy being born by service level 1 through 4 customers and assigns those costs to the service level five class based on more exact usage during the Event. Witness Cash also testified about two exceptions to the cost allocation methodology, which were detailed in paragraph 7.a and 7.b of the Agreement and why those exceptions were just and reasonable.

Witnesses Rowlett and Cash also described the benefits of the rate design proposal that charges customers in the service level 1 and 2 classes based on blocks of 100,000 kWh of usage during the event. They explained that this proposal charges customers in a manner that fairly recognizes those commercial and industrial customers who were not able to be up and running during the Event and therefore did not incur any Event cost. The ALJ concludes that a review of the oral testimony and the record evidence supports a finding that the allocation and rate design methodology proposed in the Agreement is fair, just, and reasonable and in the public interest.

18. OG&E Witnesses Rowlett and Cash also testified regarding the estimated customer impact of the Agreement. In reducing the securitized amount to \$760 million and incorporating the cost allocation changes of OIEC Witness Collins, the estimated customer impact on the average residential customer is approximately \$2.12 per month. Witness Rowlett and Cash testified that, although a transfer of approximately \$23 million to service level 5 customers resulted from the stipulation, the impact to the average residential customer is only a 10 cents per month increase from the previous impact calculation.
19. Paragraph 8 of the Agreement contains a request by the Stipulating Parties that the WES Mechanism, attached as Exhibit A, be approved by this Commission. During the hearing on the Agreement, Witness Cash detailed the various provisions of the Winter Event Securitization (“WES”) Mechanism. Both PUD and OG&E provided testimony in support of the WES Mechanism. The ALJ agrees that the WES Mechanism is just and reasonable and should be adopted by the Commission in conjunction with issuing the Financing Order.
20. Section II, “General Reservations”, contains the typical language found in Stipulations and Settlement agreements filed at the Commission. There is nothing in this Section that is remarkable as compared to other agreements of its type and the ALJ finds the provisions of Section II to be reasonable.

RECOMMENDATIONS

The ALJ recommends that the Commission adopt the findings of fact and conclusions of law contained in this Report.

The ALJ recommends that the Commission approve and adopt the Agreement reached by the Stipulating Parties.

Respectfully submitted this _____ day of _____, 2021

LINDA FOREMAN
Administrative Law Judge

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION)
 OF OKLAHOMA GAS AND ELECTRIC)
 COMPANY FOR A FINANCING ORDER) Cause No. PUD 202100072
 PURSUANT TO THE FEBRUARY 2021)
 REGULATED UTILITY CONSUMER)
 PROTECTION ACT APPROVING)
 SECURITIZATION OF COSTS ARISING)
 FROM THE WINTER WEATHER EVENT)
 OF FEBRUARY 2021)

DRAFT OG&E FINANCING ORDER**TABLE OF CONTENTS**

I.	BACKGROUND AND STATUTORY OVERVIEW.....	4
II.	DETERMINATION OF QUALIFIED COSTS	8
III.	SATISFACTION OF SECTION 9073 FACTORS	8
IV.	DISCUSSION OF CERTAIN FINANCING ORDER REQUIREMENTS	9
V.	DESCRIPTION OF PROPOSED FINANCING STRUCTURE.....	16
A.	General Description.	16
B.	The Indenture and Flow of Funds.	18
C.	Servicing Arrangements.....	20
D.	Use of Proceeds.....	22
E.	Approval of Final Bond Terms; Issuance Advice Letter.	22
VI.	BOND ISSUANCE AND ONGOING FINANCING COSTS.....	23
A.	Bond Issuance Costs.	23
B.	Ongoing Financing Costs.....	24
VII.	FINDINGS OF FACT.....	26
A.	Identification and Procedure.	26
B.	Amount to be Financed.	27
C.	Structure of the Proposed Financing	30
D.	Customer Credits for Post Financing Order Insurance Proceeds or Government Grants and Alternative Funds.	43
VIII.	CONCLUSIONS OF LAW	45
IX.	ORDERING PARAGRAPHS	54

A.	Approval.	54
B.	WES Charges.	55
C.	Ratepayer-backed Bonds.	56
D.	Servicing.	58
E.	Use of Proceeds.....	59
Appendix A	Form of Issuance Advice Letter	
Appendix B	The WES Mechanism [Winter Event Securitization] Charge and Allocation Methodology	
Appendix C	Estimated Issuance Costs and Ongoing Financing Costs	
Appendix D	Form of True-Up Letter	
Appendix E	Form of Non Standard True-Up Letter	

**BEFORE THE
CORPORATION COMMISSION OF THE STATE OF OKLAHOMA**

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

CAUSE NO. PUD 202100072

DRAFT FINANCING ORDER

INTRODUCTION

Pursuant to the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9070-9081 (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 the “2021 Winter Weather Event” and the “unprecedented utility costs [that] will be passed through to Oklahoma customers of utilities from regulated utility entities.” 74 Okla. Stat. § 9071. To mitigate the effects on such Oklahoma customers, the Act authorized Oklahoma Gas and Electric Company (“OG&E” or the “Utility”), and other utilities subject to the regulatory jurisdiction of the Commission, to request the recovery of these extreme purchase costs and extraordinary costs (collectively referred to herein and in the Act as “qualified costs”) through the securitization to mitigate the impact of such costs on utility customers, allowing customers to pay their utility bills at a lower amount over a longer period of time.

On April 26, 2021, OG&E filed an application 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.

In this Financing Order, we have determined that OG&E is eligible to recover \$739 million of 2021 Winter Weather Event related costs as qualified costs, together with adjustment for carrying costs through the date of issuance of any ratepayer-backed bonds calculated in the manner described herein, and bond issuance costs (collectively, the “Approved Qualified Costs”), through securitization, and approve such recovery. In this Financing Order we also (i) approve the issuance of “ratepayer-backed bonds” (the “Bonds”) by the Oklahoma Development Finance Authority (the “Authority” or “ODFA”) to finance the recovery of the Approved Qualified Costs, (2) approve the proposed financing structure and parameters for any final bond issuance; (3) authorize the creation of securitization property in favor of the Utility, including the right to impose and collect irrevocable and nonbypassable charges (herein, “WES Charges”), (4) authorize the sale of such securitization property to the ODFA to secure repayment of the Bonds; (5) approve a “nonbypassable mechanism” to ensure that customers of the utility cannot evade paying the WES Charge as long as the Bonds are outstanding; (6) approve a “true-up and reconciliation” procedure to ensure that the WES Charges will be adjusted from time to time such that the amounts collected will be sufficient to pay the Bonds and associated financing costs; and (7) approve a tariff to implement the WES Charge, all as described in the Act and more fully described in this Financing Order.

In Part I of this Financing Order we provide a statutory overview of the Act to give context to the Order.

In Part II, we discuss our determination and quantification of the 2021 Winter Weather Event-related qualified costs eligible for recovery under the Act.

In Part III, we describe how the Utility has demonstrated a securitization will result in customer savings and otherwise satisfy the requirements of the Act.

In Part IV, we describe how the Utility proposes to structure the securitization and allocate, impose and collect the WES Charges in a manner which satisfies the requirements of the Act.

In Part V, we describe a securitization bond structure designed to recover the Approved Qualified Costs in a manner which will be consistent with rating agency criteria to ensure the highest possible ratings on the Bonds and thus maximize savings to customers.

In Part VI, we describe certain bond issuance cost and ongoing financing costs associated with the bond issuance process and their recovery from bond proceeds or WES Charges, as appropriate.

I. BACKGROUND AND STATUTORY OVERVIEW

In February 2021, the State experienced an extreme weather event that brought nearly two weeks of record cold temperatures to the State. The extreme cold weather resulted in a shortage of natural gas supply, the failure of certain infrastructure, and enhanced demand for natural gas and electric power. The extreme weather conditions resulted in extraordinary costs for regulated utilities operating in the State. To mitigate such extraordinary costs the Oklahoma Legislature enacted and the Governor of Oklahoma signed into law the Act to provide financing options to lower the immediate economic impact on consumers. The Act is codified at 74 Okla. Stat. §§ 9070 - 9081.

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.¹ The Act provides that the Commission must consider certain factors (“Section 9073 factors”) when determining whether the costs mitigated by the recovery through ratepayer-backed bonds, including whether the existence of substantial revenue requirement savings through the issuance of the bonds as compared to conventional financing methods, a longer amortization schedule to pay the bonds than would ordinarily be practicable or feasible for the utility and the ability to issue bonds at a cost which would not exhaust the potential savings.² The Commission is also required to review the extreme purchase costs and extraordinary costs of the Utility and determine whether the amounts

¹ 74 Okla. Stat. § 9073.

² 74 Okla. Stat. § 9073(C).

incurred would otherwise be recoverable from customers as fair, just, and reasonable expenses and prudently incurred.³

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 finding and conclusions in a Financing Order to support the issuance of ratepayer-backed bonds, as provided in Section 5(A) of the Act (“Required Findings and Conclusions”). The Utility and the Authority have submitted testimony addressing the Required Findings, and in Part IV of this Financing Order, we address these Required Findings and Conclusions.

The Act authorizes the creation of a new property right, called securitization property, to secure payment of the ratepayer-backed bonds.⁴ The securitization property consists of the right to receive revenues, in the form of a customer utility charge (herein referred to as the “winter event securitization charge” or “WES Charge”), which must be imposed on and collected from customers through a nonbypassable mechanism to ensure that customers cannot avoid paying the WES Charge. The nonbypassable mechanism must provide that the WES Charge is payable by each utility customer within the service territory of the utility and such charge cannot be modified or avoided by the customer through switching utility providers, switching fuel sources or materially changing usage, and must be paid by the customer for as long as the ratepayer-backed bonds are outstanding.⁵ In addition, the nonbypassable mechanism also requires a true-up and reconciliation process by which the WES Charge must be adjusted from time to time to ensure that expected revenues from the charge are sufficient to ensure the timely payment of the bonds,

³ 74 Okla. Stat. § 9073(E).

⁴ 74 Okla. Stat. § 9075(A)

⁵ 74 Okla. Stat. § 9072(5).

together with all costs necessary to service and administer the bonds.⁶ We refer to these servicing and administration costs, as well as other costs necessary to manage the structure, all as described more fully herein, 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 Financing Order are paid in full and all ongoing financing costs of the Bonds have been recovered in full.⁷ 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.⁸

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 issuance of any Financing Order, the periodic determination of factors for customer collection with true-up and reconciliation 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

⁶ 74 Okla. Stat. § 9072(12).

⁷ 74 Okla. Stat. § 9075(B).

⁸ 74 Okla. Stat. § 9075(D).

of sufficient revenues to service and repay ratepayer-backed bonds.”⁹ In this Financing Order, we have determined 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 Financing Order.

In the Authority’s enabling act¹⁰ (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 to fulfill the terms of any agreements made with the owners thereof or in any way impair the rights and remedies of the owners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the owners, are fully met and discharged (the “State Pledge”)¹¹. This Financing Order requires the Authority to include in the Bonds a recitation of the State Pledge.

The Commission may adopt a Financing Order providing for the retiring and refunding of the Bonds.¹² ODFA and the Utility have not requested and this Financing Order does not grant any authority to refinance the Bonds authorized by this Financing Order. This Financing Order does not preclude ODFA and the Utility from filing a request for a Financing Order for the Utility to retire or refund the Bonds approved in this Financing Order upon a showing that the customers would benefit and that such a financing is consistent with the terms of the Bonds.

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

⁹ 74 Okla. Stat. § 9074(H).

¹⁰ 74 Okla. Stat. § 74-5102 *et seq.* (2014).

¹¹ 74 Okla. Stat § 74-5062.15 (2016).

¹² 74 Okla. Stat § 9077(D).

II. DETERMINATION OF QUALIFIED COSTS

The parties to the Joint Stipulation and Settlement Agreement (the “Settlement Agreement”), OG&E, the Public Utility Division of the Oklahoma Corporation Commission (the “PUD”), Oklahoma Industrial Energy Consumers, OG&E Shareholders Association, and Walmart, Inc. (the “Stipulating Parties”), agreed in the Settlement Agreement that, among other things, \$739 million of OG&E’s total 2021 Winter Weather Event related costs should be deemed prudent and reasonable by the Commission. The Settlement Agreement also states that 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 and the Commission should issue a Financing Order for the securitization of approximately \$760 million. AARP opposed the Settlement Agreement. The Oklahoma Office of the Attorney General did not objection to the Settlement Agreement.

III. SATISFACTION OF SECTION 9073 FACTORS

The Act provides that the Commission must consider the Section 9073 factors when determining whether the costs mitigated by the recovery through ratepayer-backed bonds, including whether substantial revenue requirement savings will be realized 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 and the ability to issue bonds at a cost which would not exhaust the potential savings.

In its testimony, the Utility’s evidence shows that as a result of the Bonds, customers will realize substantial revenue requirement savings when compared to conventional financing methods. OG&E has demonstrated the utility bill impacts of securitization and shown that there would be significant customer savings from issuing ratepayer-backed bonds in comparison with traditional utility financing. Based on the amount to securitize per the settlement agreement, the

Utility's financial analysis indicates that the customers, on an annual basis, will realize savings in the amount of \$34 million when comparing a 28 year securitized bond at the expected weighted average interest rate of 2.58% to traditional utility financing at the Utility's most recent approved 9.07% rate of return for the same time period. For a residential customer, this amounts to a monthly savings of approximately \$1.83. In total for the entire 28 years, customers would save \$959 million when compared to the amount that would have been collected under traditional utility financing. Accordingly, the Commission concludes that the substantial revenue requirement savings for ratepayers set forth in the Utility's evidence are fully indicative of the savings that ratepayers will realize from the securitization approved here. The Commission will ensure substantial revenue requirement savings by requiring that the weighted average interest rate of the Bonds not exceed 6.0% per annum.

The Settlement Agreement has also proposed that the Bonds be amortized over a 28 year period, which is a longer amortization schedule than would ordinarily be practicable or feasible for the Utility to finance its obligations or a shorter term to obtain the most favorable term for customers that will result in the lowest reasonable monthly charge for customers.

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

Further, in the Issuance Advice Letter, the Utility will provide an updated savings analysis based upon the actual pricing of the Bonds and the final costs of issuance.

Accordingly, in this Financing Order, we determine that the Utility has demonstrated that the issuance of the Bonds will satisfy the Section 9073 criteria and should be approved.

IV. DISCUSSION OF CERTAIN FINANCING ORDER REQUIREMENTS

Section 4(A) of the Act, which will be codified at 74 OKLA. STAT. §9074(A), requires this Commission to include findings and conclusions with respect to certain matters. Certain of these matters, not otherwise discussed in this Financing Order, are addressed below.

Bond Maturities: The Stipulating Parties have requested in the Settlement Agreement that has Commission authorize that the Bonds be amortized over a period of 28 years, using level debt amortization, 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 Financing Order, we find the Utility's proposal to be reasonable and approve the payment of the Bonds based upon level debt service and with a final scheduled maturity no later than 28 years from the date of issuance and a legal final maturity not later than two years after or a shorter term to obtain the most favorable term for customers that will result in the lowest reasonable monthly charge for customers.

Irrevocable and Nonbypassable Mechanism to impose and adjust winter event securitization charges: The Stipulating Parties have proposed a mechanism, as more fully described in Exhibit A to the Settlement Agreement, to impose a monthly, consumption-based charge on its customers in order to generate sufficient cash flow to pay the Bonds and related ongoing financing costs. The Utility will calculate the charge based upon factors described in Exhibit A to the Settlement Agreement, which is included as Exhibit B to this Financing Order, including accounting information received from the Authority. The mechanism will remain in effect until the complete repayment and retirement of the Bonds and ongoing financing costs authorized by this Financing Order.

Exhibit B also describes features demonstrating how the WES Charge will be nonbypassable to customers, even if such customers switch providers, change fuel sources or materially change usage. Customers who self-generate under the Utility's Net Energy Billing

Option (“NEBO”) and QF tariffs will be assessed the WES Charge based upon their gross usage and customers under the Day-Ahead Pricing and Flex Pricing tariffs will be billed based on their baseline usage. In addition, the WES Charge will be payable by all current and future customers of the Utility and any successor or assign of the Utility will be obligated to bill the WES Charge to customers within the service area of the Utility as of the date of this Financing Order. In this Financing Order, we find that the 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 Utility has proposed, and the Stipulating Parties have agreed in the Settlement Agreement, that the WES Charge be adjusted (or trued-up) semi-annually to ensure that the WES Charge collections are sufficient to ensure the timely payment of the ratepayer-backed bonds. The Utility has further testified, and the Stipulating Parties have agreed in the Settlement Agreement, that the Utility should file for any such adjustments with the Commission on every six months after the initial WES Charge is determined at the time of issuance of the Bonds, that the calculation should be submitted at least 30 days prior to the proposed effective date, that the PUD shall review should be limited to review for mathematical corrections or manifest error and that associated adjustments going into effect on the proposed effective date. 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 Financing Order we adopt the recommendations of the Financial Advisor. The true-up will be required semi-annually, quarterly following the last scheduled payment of the Bonds and more frequently if the servicer forecasts that WES Charge

collections will be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or to replenish any draws on the DSRS. The frequency of true-ups shall be documented in the Issuance Advice Letter.

In his testimony, 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 should be subject to review by the Commission solely for the correction of mathematical error. In this Financing Order, we approve this approach to ensure 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 Exhibit D and Exhibit E, respectively, to this Financing Order, will calculate a revised WES Charge for the Bonds in accordance with the Adjustment Calculation Methodology appended as Exhibit B. Generally, the WES Charge will be calculated by the Servicer as follows:

- First, the Servicer will calculate the Periodic Payment Requirement for the next six-month period, or if shorter the period from the adjustment date to and including the next bond payment date, as well as the Periodic Payment Requirement (as defined below) for the next succeeding six month period ending on the following bond payment date (each, a “Payment Period”). The “Periodic Payment Requirement” or “PPR” covers all scheduled (or legally due) payments of principal (including, if any, prior scheduled but unpaid principal payments), interest, and other ongoing financing costs to be paid with WES Charge revenues during such Payment Period. The Periodic Billing Requirement will then be calculated, using the most recent information of the Servicer regarding write off, average days sales outstanding data or other collection

data, to determine the amount of WES Charge revenue that must be billed during each Payment Period to ensure that sufficient WES Charge revenues will be received to satisfy the Periodic Payment Requirement for such Payment Period. Such amount is referred to as the “Periodic Billing Requirement” or “PBR.”

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

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

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

Allocation of Revenue Requirements Among Various Customer Classes:

The Stipulating Parties have agreed that debt service and ongoing financing costs associated with the Bonds should be allocated among its five service levels (each, a “Service Level”) based on the methodology set forth in the responsive testimony of OIEC witness Brian C. Collins, which is based on the actual daily kWh usage for each Service Level. For Day-Ahead Pricing and Flex Pricing customers, usage will be based on Customer Base Line (“CBL”) kWh amounts in lieu of actual usage. The cost allocations established in accordance with methodology set forth above were utilized to establish the energy allocation factor (the “Energy Allocation Factors”) for each Service Level set forth in Exhibit B. The Energy Allocation Factors would remain fixed, except as adjusted by a Non-Standard True-Up, for the life of the Bonds. In this Financing Order, we find such allocation methodology reasonable and equitable to customers, and so approve the methodology.

Non-Standard True-Up Adjustments:

The WES Mechanism provides that the Utility shall submit a true-up adjustment to change the Energy Allocation Factors in the event of a material change in usage (each, a “non-standard true-up adjustment”). The process set forth for a non-standard true-up adjustment is set forth in Exhibit B. The Financial Advisor has testified that a non-standard true-up adjustment is consistent with achieving the highest possible ratings on the Bonds. In this Financing Order, we accept that this method of changing the cost allocation among Service Levels is equitable and consistent with achieving savings to customers, and approve the mechanism set forth in Exhibit B.

Frequency of Remittances:

The Financial Advisor has testified that it is customary for a utility to remit securitization charges to the bond trustee on a daily basis, within two business days of receipt of such charges. The Financial Advisor has further testified that if the daily remittances are made on an estimated

basis, the estimated remittances should be reconciled with actual collections no less often than semi-annually, with any over-remittances being returned to the Utility 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 within five business days. In this Financing Order we adopt the recommendations of the Financial Advisor.

V. DESCRIPTION OF PROPOSED FINANCING STRUCTURE

Set forth below is a description of the proposed financing structure, including proposed servicing arrangement. In this Financing Order, we find the structure consistent with the Act and reasonable, and approve its use.

A. General Description.

The proposed financing structure includes all of the following:

1. the creation of securitization property solely in favor of the Utility, which includes the right to an irrevocable charge;
2. the sale of the securitization property to the ODFA pursuant to the Sale Agreement;
3. the issuance of the Bonds by the ODFA, consistent with the parameters established by this Financing Order;
4. the transfer of the net proceeds of the Bonds by the ODFA to the Utility¹³ in consideration for the sale of the securitization property pursuant to the Sale Agreement;
5. the collection on behalf of the ODFA of WES Charges by the Utility or its successors, as collection agent and servicer, who will be responsible for billing and collecting the WES Charges from customers;
6. the pledge of the WES Charges and rights under the transaction documents (as more fully defined in the Act, the “securitization property”) by the ODFA to the bond trustee as security for repayment of the Bonds; and
7. an automatic true-up and reconciliation mechanism.

¹³ Pursuant to the §8(I) of the Act, 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 described below.

ODFA will issue 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 Financing Order 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 Section 6(F) and that such rights will become securitization property concurrently with the sale to ODFA as provided in Section 6(G) of the Act.

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

WES Charges will be calculated and adjusted from time to time, pursuant to the nonbypassable mechanism as approved in this Financing Order, to be sufficient at all times to pay all debt service and other related ongoing financing costs for the Bonds.

B. The Indenture and Flow of Funds.

A bond trustee will be appointed by the State Treasurer and approved by the Authority which will act as a representative on behalf of bondholders, remit payments to bondholders, and ensure bondholders' rights are protected in accordance with the terms of the transaction. The indenture will include provisions for a collection account and related subaccounts, all held by the trustee, for the collection and administration of the WES Charges and payment or funding of the principal and interest on the Bonds and ongoing financing costs. The collection account will include the general subaccount, the debt service reserve subaccount ("DSRS") and the excess funds subaccount, and may include other subaccounts as required to accommodate other credit enhancement.¹⁴

The bond trustee will deposit the WES Charge remittances that the servicer remits to the credit of the general subaccount. The bond trustee will on a periodic basis apply moneys in the general subaccount to pay expenses of the ODFA and the Utility, to pay principal 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 and interest on the Bonds and all ongoing financing costs in accordance with the terms of the indenture.

¹⁴ References to accounts and subaccounts herein are for purposes of clarity. The account names and structure will be set forth in 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 0.50% of the original principal amount of the Bonds to the credit of the DSRS. The DSRS deposit could be higher if required to obtain the highest possible rating. The exact amount will be determined by the Authority based upon rating agency input 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 principal 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 and interest on the Bonds and certain limited ongoing financing costs if necessary due to a shortfall in WES Charge collections. Any funds drawn from the DSRS to pay these amounts due to a shortfall in the WES Charge collections will be replenished through future WES Charge remittances. Funds in the DSRS will be applied to the final payment of principal on the Bonds.

The excess funds subaccount will hold any WES Charge remittances and investment earnings on the collection account in excess of the amounts needed to pay current principal 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 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 input and with the advice of the Financial

Advisor and the State Deputy Treasurer for Policy and Debt Management. Such credit enhancements will be described in the Issuance Advice Letter.

In addition to the collection, 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, for crediting to customers, as required by Ordering Paragraph [23].

C. Servicing Arrangements.

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

The servicing agreement is an agreement between the Utility, as the initial servicer of the securitization property, and the Authority, as owner of the securitization property. It sets forth the responsibilities and obligations of the servicer, including, among other things, billing and collection of winter event securitization charges, responding to customer inquiries, terminating service, filing for true-up adjustments, and remitting collections to the State Treasurer or bond trustee for distribution to bondholders. The servicing agreement prohibits the Utility from resigning as initial servicer unless it is unlawful for the utility to continue in such a capacity. The Utility's resignation will not be effective until a successor servicer assumes its obligations in order to continue servicing the securitization property without interruption. The servicer may also be terminated from its responsibilities under certain instances, such as the failure to remit collections within a specified period of time, by the Agency or upon a majority vote of bondholders. Any

merger or consolidation of the servicer with another entity will require the merged entity to assume the servicer's responsibility under the servicing agreement. The terms of the servicing agreement are critical to the Rating Agency analysis of the Bonds and the ability to achieve credit ratings in the highest categories.

As compensation for its role as initial servicer, the Utility is entitled to earn a servicing fee payable out of WES Charge collections. 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 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 payment be credited back to customers. In this Financing Order, we approve this compensation and reconciliation process.

Utility securitizations to date have also required 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 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 ABS 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 ratings. A defined successor servicer fee is helpful for Rating Agencies, who will use the capped fee in their various stress analyses. Similar to the precedent transactions, 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. The relevant transaction documents should also provide for an annual successor servicing fee, which should be no higher than 0.60% of the initial balance of the Bonds, without Rating Agency confirmation of the then-current ratings on the Bonds.

In this Financing Order, we approve these servicing arrangements.

D. Use of Proceeds.

The proceeds of the Bonds, net of bond issuance costs payable by the Authority (including costs payable to the Utility), 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 Financing 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 requirements 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 Financing Order establishes and approves a financing structure as well as parameters for the Bonds, including maximum final scheduled payment dates, 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. Otherwise, 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 the this Financing Order. Within two business days of the issuance of the Bonds, ODFA and the Utility will jointly file with the Commission, for information purposes, an Issuance Advice Letter, substantially in the form attached to this Financing Order, evidencing the final terms of the Bonds, projected (or actual) costs of issuance and ongoing financing costs, projected customer savings, as well the initial WES Charge. Failure or delay in filing such report will not affect 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 bond proceeds. 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 fees, fees and expenses of Authority's and the Utility's 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 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 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. 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 will have control over Utility issuance costs through its jurisdictional control over the Utility, as well as the Issuance Advice Letter process.

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 the DSRS, rating agency fees, bond counsel fees, special counsel fees, disclosure counsel fees, fees and expenses of the State Treasurer, 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, printing expenses and trustee costs will not be known until the issuance of the Bonds or even thereafter, when final invoices are submitted. In this Financing Order, we approve the recovery by the Utility of the Utility Issuance Costs, subject to a cap of \$500,000 (the "Utility Issuance Cost Cap"). All other bond issuance costs are also approved for recovery, subject to the final approval of costs by the Authority.

B. Ongoing Financing Costs.

Costs will be incurred by the Utility, in its role as servicer, as well as by the Authority and other State agencies in connection with the servicing and administration of the Bonds. These costs should not be included in the principal amount of the Bonds, and are authorized to be recovered through the WES Charges, subject to the true-up of those charges as provided in this Financing Order. The Financial Advisor estimates that these ongoing annual costs (exclusive of debt service on the Bonds and the servicing fee and external accounting costs of the Utility) will be approximately \$750,000 for the first year following the issuance of the Bonds (assuming the Utility

is the initial servicer), but many ongoing costs will not be known until they are incurred. The Utility has proposed an annual servicing fee equal to 0.05% of the original principal amount of the Bonds for acting as initial servicer. This fee will be fixed for the life of the Bonds. In addition, the Utility, as initial servicer, has requested that it should be entitled to receive reimbursement for its out-of-pocket costs for external accounting services to the extent external accounting services are required by the servicing agreement, as well as for other items of cost (other than external information technology costs, bank wire fees and legal fees, which are part of the servicing fee) that will be incurred annually to support and service the Bonds after issuance. As discussed, we will direct the Utility to include the servicing fee, as well as servicing costs, as part of the utility's next base rate proceedings, to ensure that the Utility does not collect more than its incremental costs.

In the event that a servicer default occurs, the Authority, or the Authority 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 stated, 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 that the services cannot be obtained at that compensation level under the market conditions at that time. The Commission finds that ODFA, the Utility and the Commission should be permitted to recover from WES Charges their ongoing financing costs, as requested by the Utility and ODFA, subject only to the cap on the annual servicing fee described above.

VII. FINDINGS OF FACT

The Commission makes the following findings of fact.

A. Identification and Procedure.

1. Identification of Applicant and Background.

1. OG&E is an investor-owned electric public utility that owns and operates plant, property, and other assets used for the generation, production, transmission, distribution, and sale of electric power and energy in the states of Oklahoma and Arkansas. OG&E is incorporated in the State of Oklahoma and is subject to the regulatory authority of the Commission with respect to its retail rates and charges for sales of electricity made within the State of Oklahoma.

2. In February 2021, the State experienced an extreme weather event that brought nearly two weeks of record cold temperatures to the State. The extreme cold weather resulted in a shortage of natural gas supply, the failure of certain infrastructure, and enhanced demand for natural gas and electric power. The extreme weather conditions resulted in the Utility incurring extreme purchase costs, extraordinary costs or both¹⁵ that would be mitigated by issuing the Bonds.

2. Procedural History.

¹⁵ Terms used herein shall have the meanings assigned to them in the Act.

3. On April 26, 2021, the Utility filed the Application for a Financing Order under the Act (the “Application”) 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. Also on this date, Jared B. Haines and A. Chase Snodgrass entered an appearance on behalf of the Attorney General of Oklahoma in this Cause.

4. On April 29, 2021, the Public Utility Division (“PUD”) filed a Motion to Engage a Financial Advisor(s) or other Consultants.

5. On May 4, 2021, Jack G. Clark Jr. and Ronald E. Stakem entered appearances on behalf of the OG&E Shareholders Association.

6. On May 5, 2021, Thomas P. Schroedter entered his appearance on behalf of Oklahoma Industrial Energy Consumers (“OIEC”).

7. On May 11, 2021, Rick D. Chamberlain entered his appearance on behalf of Walmart Inc.

8. On May 11, 2021, the Oklahoma Corporation Commission issued Order No. 718290 granting the Public Utility Division’s Motion to Engage a Financial Advisor(s) or other Consultants.

9. On May 12, 2021, Deborah R. Thompson entered her appearance on behalf of AARP.

10. On May 18, 2021, OG&E filed a Motion for Protective Order and on May 19, 2021 filed a Motion to Establish Procedural Schedule.

11. On June 9, 2021, the Oklahoma Corporation Commission issued Order No. 718799 granting OG&E's Motion for Protective Order.

12. On June 18, 2021, OG&E filed Direct Testimonies of Charles B. Walworth, Donald R. Rowlett, Richard G. Smead, Robert Doupe and Shawn McBroom and supplied detailed information about the extreme purchase costs and the customer bill impacts as required by the February 2021 Regulated Utility Consumer Protection Act ("Act").

13. On July 7, 2021, the Oklahoma Corporation Commission issued Order No. 719312, its Order Granting Motion to Establish Procedural Schedule.

14. On July 8, 2021, OG&E filed a Motion to Establish Notice Requirements and Approve Form of Notice.

15. On August 12, 2021, the Oklahoma Corporation Commission issued Order No. 720025 granting Motion to Determine Notice Requirements and Approve Form of Notice.

16. On August 23, 2021, D. Kenyon Williams, Jr. entered his appearance on behalf of OIEC. Also on August 23, 2021, Responsive Testimony and Exhibits of Lisa V. Perry was filed on behalf of Walmart Inc., Responsive Testimonies of Mark E. Garrett, Scott Norwood, Brian C. Collins and James P. Mosher were filed on behalf of OIEC and Responsive Testimonies of Isaac D. Stroup, JoRay McCoy and Michael Bartolotta were filed on behalf of PUD.

17. On August 27, 2021 the Attorney General's office, OG&E Shareholders Association and AARP filed their Statements of Position.

18. On September 13, 2021, OG&E filed Rebuttal Testimonies of Shawn McBroom, Robert Doupe, Richard G. Smead, William H. Wai, Donald R. Rowlett, Gwin Cash and Charles B. Walworth.

19. On October 4, 2021, Jack P. Fite entered his appearance on behalf of OG&E.

20. On October 7, 2021, Exhibit Lists were filed by OIEC, AARP, the OGE Shareholders Association, Walmart Inc., PUD, OG&E and the Attorney General. Also on this date, OG&E also filed the Affidavit of Amanda Reyes regarding compliance with notice requirements and PUD filed Supplemental Responsive Testimony of Michael Bartolotta.

21. Also on October 7, 2021, Testimony Summaries of Isaac D. Stroup, JoRay McCoy and Michael Bartolotta were filed by PUD, a Testimony Summary of Lisa V. Perry was filed by Walmart Inc., and Testimony Summaries of Gwin Cash, Shawn McBroom, Charles B. Walworth, Donald R. Rowlett, Robert Doupe, William Wai, Richard G. Smead were filed by OG&E.

22. On October 8, 2021, Responsive Testimony Summaries of James P. Mosher, Mark E. Garrett, Brian C. Collins and Scott Norwood was filed on behalf of OIEC. On this date Settlement Testimony of Gwin Cash and Donald R. Rowlett, was filed by OG&E. The Joint Stipulation and Settlement Agreement (“Agreement”) was also filed on this date.

23. On October 11, 2021, Testimony in Support of Joint Stipulation and Settlement Agreement of JoRay McCoy was filed by PUD.

24. Public comment was received at the hearing on the merits that commenced on October 11, 2021. The hearing on the merits was then continued until October 13, 2021 and was conducted on October 13 and 14, 2021. At the conclusion of the hearing on the merits, the ALJ took the matter under advisement and directed the parties to provide proposed Findings of Fact and Conclusions of Law by close of business on October 25, 2021.

25. Prior to issuing this Financing Order, the Commission has consulted with the Deputy Treasurer for Policy and Debt Management regarding the marketability and efficiency of any proposed financing authorized by a Financing Order in accordance with Section 5(B) of the Act.

B. Approval of the Joint Stipulation

1. A Joint Stipulation and Settlement Agreement was filed in this Cause on October 8, 2021, with Oklahoma Gas and Electric Company, Public Utility PUD, OIEC, OG&E Shareholders Association, and Walmart, Inc., as signatories (“Stipulating Parties”). AARP and the Oklahoma Attorney General (“AG”) did not sign the Agreement, although the AG announced at the hearing he did not oppose the Agreement. The Agreement represents a resolution of issues in this Cause between and among the Stipulating Parties. The Winter Event Securitization Mechanism tariff (“WES Mechanism”) is attached to the Agreement as Exhibit A.

2. Testimony in support of the Agreement was filed by OG&E and PUD through witnesses Donald Rowlett, Gwin Cash, and JoRay McCoy. In addition, PUD Witness Michael Bartolotta testified at the hearing. In a hearing held October 13 and 14, 2021, witnesses provided testimony in support of the Agreement and all parties, including AARP and the AG, were provided the opportunity to conduct cross-examination. At the conclusion of the hearing held October 13 and 14, all pre-filed testimony was moved into the record without objection.

3. In paragraph 1 of the “General Recommendations of the Stipulating Parties” in the Agreement, the Stipulating Parties agree that OG&E should recover \$739 million of the estimated \$748.9 million total extreme purchase costs. The Stipulating Parties agree that the \$739 million in extreme purchase costs related to natural gas and wholesale energy procurement should be deemed prudent and recoverable by the Commission. Witness Rowlett described, at the hearing and in pre-filed testimony, the operational challenges presented by the Winter Storm Event (“Event”) and the procurement practices OG&E followed during that Event. Witness McCoy testified regarding PUD’s prudence review as defined in the Commission’s rules. Witness McCoy testified regarding the extreme and unique nature of the Event and that OG&E acted in accordance with its Fuel Supply Portfolio and Risk Management Plan during the Event. “Extreme purchase costs” are defined in the Act as “expenses incurred for the purchase of fuel, purchased power, natural gas commodity or any combination thereof, whether at spot pricing, index pricing or otherwise with delivery from February 7, 2021, through February 21, 2021.” *See* 74 O.S. § 9052(3). After considering the testimony provided at the hearing and the evidentiary record, the Commission finds the extreme purchase costs in the amount of \$739 million prudently incurred and those costs should be securitized.

4. In paragraph 2 of the Agreement, the Stipulating Parties agree that the Commission should find that OG&E has provided the requisite information specified in Section 4.A of the Act and that, pursuant to Section 4.C of the Act, that securitization would provide benefits to customers as compared to traditional utility financing. In pre-filed and oral testimony, Witnesses Rowlett and McCoy testified that customers benefitted from the lower costs of securitization as compared to traditional utility financing. In his pre-filed testimony, Witness Rowlett includes Table 1 that compares the costs of a 28-year term for securitization as compared to traditional utility financing and demonstrates that securitization provides a significant savings for customers. Both OG&E and PUD witnesses testified that OG&E had complied with the requirements of the Act regarding the provision of necessary information. Based on a review of the record evidence, the Commission concludes there is substantial evidence to support findings that OG&E provided the information required within the Act and that securitization is beneficial to customers and, thus, in the public interest.

5. In paragraph 3 of the Agreement, the Stipulating Parties agree that this Commission should issue a Financing Order as proposed by Witness Bartolotta with revisions as provided by Witness Walworth for the securitization of approximately \$760 million and authorizing a 28-year amortization for cost recovery or shorter term to obtain the most favorable term for customers that will result in the lowest reasonable monthly charge for customers. The Stipulating Parties agree that \$760 million recommended for securitization is an estimate and may fluctuate depending on final costs and carrying costs incurred until securitization. Both OG&E and PUD witnesses provided testimony in support of a securitization amount of approximately \$760 million. Witness Bartolotta provided in-depth information concerning the use of securitization generally, the proposed bond structure and associated transaction documents used to issue the bonds, the provisions of the Financing Order, related bond costs, and the servicing arrangements associated with the bond issuance. While the Stipulating parties recommended a term for the bonds of 28 years, the provisions of the Agreement allow the Oklahoma Development Financing Authority (“ODFA”) to adopt a shorter financing period if that is found to be advantageous to customers and will result in the lowest reasonable monthly charge. PUD Witness Bartolotta testified that the final decision regarding the term of the bonds will be made by the ODFA after the issuance of the Financing Order. The Commission concludes there is substantial record evidence to support a finding that this Commission should issue a Financing Order with terms and amount of costs as requested by the Stipulating Parties.

6. In paragraph 4 of the Agreement, the Stipulating parties agree that OG&E will use its best efforts to pursue SPP Make-Whole payments and resettlement amounts. In his pre-filed and oral testimony, Witness Rowlett provided information concerning the resettlements and Make-Whole payments that are still outstanding from SPP. Witness Rowlett affirmed that OG&E will make best efforts to comply with Section 4.G of the Act regarding SPP payments and any insurance proceeds received. The Commission finds the provisions of paragraph 4 of the Agreement to be in the public interest.

7. In paragraph 5 of the Agreement, the Stipulating Parties agree that the carrying charge on the regulatory asset balance containing the extreme purchase costs shall be based on the actual costs of credit facilities, loan agreements, or other debt financing related to the deferred costs of the Event. Witness Rowlett provided pre-filed and oral testimony affirming the agreement to base the costs on the actual cost of financing. The Commission finds this provision to be in the public interest.

8. In paragraph 6 of the Agreement, the Stipulating Parties agree that OG&E will engage in discussions with stakeholders regarding methods to mitigate the costs of future cold weather events. Specifically, OG&E agrees to discuss mitigation of natural gas price volatility and to evaluate the use of natural gas storage services as well as physical and financial hedging. Also, OG&E agrees to revise its next fuel supply portfolio and risk management plan to address natural gas storage practices and procurement practices not based solely on index pricing. In his pre-filed and oral testimony, Witness Rowlett affirmed OG&E's agreement to engage in these stakeholder activities regarding evaluation of natural gas storage and procurement practices. The Commission finds this provision to be in the public interest.

9. In paragraph 7 of the Agreement, the Stipulating Parties agree to an allocation and rate design methodology to allocate costs to the individual customer classes. The methodology adopted by the Stipulating Parties is based to a great extent on the pre-filed testimony of Witness Collins and supported in the pre-filed and oral testimony of Witness Cash. Witnesses Rowlett and Cash described the benefits of the application of the energy allocation methodology to each day of the Event as opposed to over the full term of the Event in aggregate. Witnesses Rowlett and Cash stated this methodology provided a more granular and, hence, more exact and fair method to assign costs of the Event. Witness Cash stated that the update to the allocation eliminates a cost subsidy being born by service level 1 through 4 customers and assigns those costs to the service level five class based on more exact usage during the Event. Witness Cash also testified about two exceptions to the cost allocation methodology, which were detailed in paragraph 7.a and 7.b of the Agreement and why those exceptions were just and reasonable. Witnesses Rowlett and Cash also described the benefits of the rate design proposal that charges customers in the service level 1 and 2 classes based on blocks of 100,000 kWh of usage during the event. They explained that this proposal charges customers in a manner that fairly recognizes those commercial and industrial customers who were not able to be up and running during the Event and therefore did not incur any Event cost. The Commission concludes that a review of the oral testimony and the record evidence supports a finding that the allocation and rate design methodology proposed in the Agreement is fair, just, and reasonable and in the public interest.

10. OG&E Witnesses Rowlett and Cash also testified regarding the estimated customer impact of the Agreement. In reducing the securitized amount to \$760 million and incorporating the cost allocation changes of OIEC Witness Collins, the estimated customer impact on the average residential customer is approximately \$2.12 per month. Witness Rowlett and Cash testified that, although a transfer of approximately \$23 million to service level 5 customers resulted from the stipulation, the impact to the average residential customer is only a 10 cents per month increase from the previous impact calculation.

11. Paragraph 8 of the Agreement contains a request by the Stipulating Parties that the WES Mechanism, attached as Exhibit A, be approved by this Commission. During the hearing on the Agreement, Witness Cash detailed the various provisions of the Winter Event Securitization (“WES”) Mechanism. Both PUD and OG&E provided testimony in support of the WES Mechanism. The Commission agrees that the WES Mechanism is just and reasonable and should be adopted.

12. Section II, “General Reservations”, contains the typical language found in Stipulations and Settlement agreements filed at the Commission. There is nothing in this Section that is remarkable as compared to other agreements of its type and the Commission finds the provisions of Section II to be reasonable.

C. Amount to be Financed.

1. Approval of Qualified Costs and Amount of Bonds.

26. The Commission has determined that the Utility has incurred 2021 Winter Weather Event related qualified costs in the aggregate amount of \$739 million, plus carrying costs based on the actual costs of credit facilities, loan agreements or other debt financing used to finance the deferred cost related to the event, and that these qualified costs (collectively, “Weather-Related Qualified Costs”), together with bond issuance costs as described in Part VI of this Financing Order (collectively, “Approved Qualified Costs”), are approved for recovery in this Financing Order, are eligible for recovery through the issuance of the Bonds.

27. In their Settlement Agreement, the Stipulating Parties agreed that carrying costs based on the actual costs of credit facilities, loan agreements or other debt financing used to finance the deferred cost related to the event.

28. The Utility has proposed that when the Bonds are issued, the Utility shall account for the difference in carrying costs resulting from issuance after the [ID] date used to calculate Weather-Related Qualified Costs, through the Issuance Advice Letter process. The Utility’s proposal is appropriate.

29. The ODFA is authorized to issue the Bonds in an amount equal to the sum of the Weather-Related Qualified Costs approved in this Financing Order plus the financing costs and bond issuance costs approved in this Financing Order. Such sum, estimated at \$760 million is referred to in this Financing Order as the Authorized Amount.

2. Bond Issuance Costs and Ongoing Financing Costs.

30. Bond issuance costs (as more fully described in Part VI of this Financing 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 ratepayer-backed bond proceeds (or, if necessary, from WES Charges as described in Finding of Fact 19 below).

31. ODFA has no control over bond issuance costs incurred pursuant to a financing

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 financial and legal advisors], which are referred to as Utility Issuance Costs. All other bond issuance costs (collectively, "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, as well as the Issuance Advice Letter process.

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

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

34. 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.

35. The Utility has provided estimates of its Utility Issuance Costs in Appendix C, [which costs shall be capped in an amount not to exceed \$500,000.] ODFA has provided an estimate of non-Utility issuance costs in Appendix C, which are estimated at \$6,320,000. These

costs will not be capped.

36. The Utility and the ODFA have also provided estimates of ongoing financing costs for the first year following the issuance of the Bonds to be approximately \$750,000 if the Utility is the servicer, also in Appendix C.

37. The ODFA and the Utility shall report to the Commission, in the Issuance Advice Letter, the final estimates of bond issuance costs and ongoing financing costs for the first year following issuance.

38. 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 delivery of the Bonds.

39. Within 90 days of the issuance of the Bonds, the ODFA and the Utility will submit to the Commission a final accounting of their respective issuance costs. If the Utility's actual issuance costs are less than the issuance costs included in the principal amount financed, the revenue requirement for the first semi-annual true-up adjustment shall be reduced by the amount of such unused funds (together with income earned thereon) and the Utility's unused funds (together with income earned thereon) shall be applied to the Utility's ongoing financing costs. If the ODFA's actual issuance costs are less than those estimated, the amount will be recognized as a credit in the true-up adjustment as part of the WES Mechanism. If ODFA's final issuance costs are more than the estimated issuance costs included in the principal amount financed, ODFA may recover the remaining issuance costs through a true-up adjustment. However, such recovery will be subordinate to the payment of debt service on the Bonds and related financing costs during

the true-up period. The Utility's Issuance Costs are capped under this Financing Order. A failure to provide such report will in no way affect the validity or security for the Bonds.

3. Customer Benefits.

40. 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 and the ability to issue Bonds at a cost which would not exhaust the potential savings.

41. As described in the Utility testimony of Charles Walworth and in this Financing Order the Utility has demonstrated that the proposed financing will satisfy each of these criteria.

D. Structure of the Proposed Financing.

1. The Utility.

42. OG&E is an investor-owned electric public utility that owns and operates plant, property, and other assets used for the generation, production, transmission, distribution, and sale of electric power and energy in the states of Oklahoma and Arkansas. OG&E is incorporated in the State of Oklahoma and is subject to the regulatory authority of the Commission with respect to its retail rates and charges for sales of electricity made within the State of Oklahoma.

43. 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.

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

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

2. ODFA.

46. 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, and is authorized to issue ratepayer-backed bonds under the Act. The Authority is an instrumentality of the State of Oklahoma and operates to perform the essential government function of financing utility qualified costs with low cost capital. The Authority is not an agent of State and has a legal existence separate and distinct from the State of Oklahoma.

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

3. Structure, Security and Documents.

48. The Bonds will 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.

49. 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

Financing Order 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.

50. The Bonds will be issued pursuant to the indenture administered by the bond trustee, as described in Part V of this Financing Order. The provisions of the Indenture, including the of a collection account and its subaccounts, and such additional accounts as may be required in connection with any additional collateral, in the manner described in Part V of this Financing Order, are reasonable, will lower risks associated with the financing and thus lower the costs to customers, and should, therefore, be approved

51. 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.

52. The ODFA will prepare a proposed form of an Indenture, an Administration Agreement, 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 Commission Staff for their review and comment.

53. The ODFA will also prepare 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 and final official statement.

4. Credit Enhancement and Arrangements to Enhance Marketability.

54. In the Application, the Utility has not requested approval of floating rate bonds or any hedges or swaps which might be used in connection therewith.

55. The Financial Advisor has testified that in current market conditions, it is uncertain whether the benefits of an interest rate swap within the ratepayer-backed bond financing will outweigh the costs and risks in this particular case of researching and preparing the swap that could result in lower WES Charges.

56. An interest rate swap within the Bond financing could expose customers to higher risks in relation to the WES Charges and the ability of the swap counterparty to meet its obligations.

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

58. In the Application, 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.

59. 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.

5. Servicer and the Servicing Agreement.

60. Utility will execute a servicing agreement with ODFA, as described in Part V of this Financing Order. The servicing agreement may be amended, renewed or replaced by another servicing agreement, provided that any such amendment, renewal or replacement will not cause any of then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded. The Utility will be the initial servicer but may be succeeded as servicer by another entity under certain circumstances detailed in the servicing agreement. Pursuant to the servicing agreement, the servicer is required, among other things, to collect the applicable WES Charges for the benefit and account of the ODFA or its pledgees, to make the true-up adjustments of WES Charges required or allowed by this Financing Order, and to account for and remit the applicable WES Charges to or for the account of the ODFA or its pledgees in accordance with the remittance procedures contained in the servicing agreement without any charge, deduction or surcharge of any kind (other than the servicing fee specified in the servicing agreement). Under the terms of the servicing agreement, if any servicer fails to perform its servicing obligations in any material

respect, the ODFA, or, 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.

61. [The servicer shall remit actual or estimated WES Charges 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 will reconcile actual and estimated charges no less often than every six months, as described in this Financing Order.]

62. The 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 (other than 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 servicer fees collected by the Utility, or by any affiliate of the Utility acting as the servicer, under the servicing agreement shall be included as an identified revenue credit and reduce revenue requirements for the benefit of the customers in its next rate case following collection of said fees. The expenses of acting as the servicer shall likewise be included as a cost of service in any such utility rate case. In this Financing Order, the Commission approves the

servicing fee as described herein. In this Financing Order the Commission also 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 unless the ODFA can reasonably demonstrate to the Commission that the services cannot be obtained at that compensation level under the market conditions at that time. The obligations to continue to collect and account for WES Charges will be binding upon the Utility, its assigns and successors and any other entity that provides transmission and distribution electric services or, in the event that transmission and distribution electric services are not provided by a single entity, any other entity providing electric distribution services to the customers. The Commission will enforce the obligations imposed by this Financing Order, its applicable substantive rules, and statutory provisions.

63. No provision of this Financing Order shall prohibit the Utility from selling, assigning or otherwise divesting any of its transmission or distribution system or any facilities providing service to the customers, by any method whatsoever, including those specified in Ordering Paragraph [31] pursuant to which an entity becomes a successor, so long as each entity acquiring such system or portion thereof agrees to continue operating the facilities to provide service to the customers and collect the WES Charges under the existing servicing agreement, subject to ODFA approval.

64. The servicing arrangements described in Findings of Fact Nos. [40 through 44] are reasonable, will reduce risk associated with the proposed financing and should, therefore, result in lower WES Charges and greater benefits to the customers and should be approved.

6. Ratepayer-Backed Bonds.

65. 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 Financing Order.

66. The scheduled final payment date of any series of the Bonds is not expected to exceed 28 years from the date of issuance of such series or shorter term to obtain the most favorable term for customers that will result in the lowest reasonable monthly charge. The legal final maturity date of any series of the Bonds will not be more than two years after the scheduled final payment date. The scheduled final payment date and legal final maturity date of each series and tranche within a series and amounts in each series will be finally determined by the ODFA, consistent with market conditions and indications of the rating agencies and with the advice of the Financial Advisor, at the time the Bonds are priced.

67. The Bonds will be amortized using a substantially level debt service, mortgage-style amortization

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

69. ODFA will cause the Bonds to be issued no earlier than the third business day after pricing of the Bonds.

70. The Utility may file a request for a Financing Order for the Utility to retire or refund the Bonds approved in this Financing Order upon a showing that the Customers would benefit and that such a financing is consistent with the terms of the outstanding Bonds as permitted by Section 8(D) of the Act.

71. The Commission finds that the foregoing parameters for the Bonds will ensure that

the customers enjoy substantial revenue requirement savings and rate mitigation benefits as required by the Act.

7. WES Charges—Imposition and Collection and Nonbypassability.

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

73. WES Charges collected pursuant to the WES Mechanism shall be a separate line-item on the monthly bill of the customer.

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

75. The Utility, acting as servicer, and any subsequent servicer, will collect WES Charges from all current and future customers of the Utility and any successor or assign of the Utility will be obligated to bill the WES Charge to customers within the service area of the Utility as of the date of this Financing Order in order to ensure their nonbypassability. Exhibit B also describes features demonstrating how the WES Charge will be nonbypassable to customers, even if such customers switch providers, change fuel sources or materially change usage. Customers who self-generate under the Utility's NEBO and QF tariffs will be assessed the WES Charge based upon their gross usage and customers under the Day-Ahead Pricing and Flex Pricing tariffs will be billed based on their baseline usage. The Commission finds that such nonbypassability provisions are appropriate to ensure an equitable allocation of qualified costs among customers and to secure the highest possible ratings for the Bonds.

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

77. The Utility's proposal related to the collection of WES Charges, as servicer on behalf of the ODFA, is reasonable and consistent with the nonbypassability mechanism contemplated by the Act, and should be approved. It is reasonable to approve the form of Appendix B to this Financing Order and require that these tariff provisions be filed before any Bonds are issued pursuant to this Financing Order.

8. Periodic Payment Requirements and Allocation of Cost.

78. The Periodic Payment Requirement (“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 and (d) any deficiency in the DSRS. The initial PPR for the Bonds issued pursuant to this Financing Order will be updated in the Issuance Advice Letter.

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

80. The Utility’s proposed allocation of the PBR between Service Levels as set forth in Appendix B, is reasonable and should be approved.

9. True-up of WES Charges.

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

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

82. The form of true-up notice is attached as Appendix D to the Financing Order.

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

84. The servicer will set the initial WES Charges and make true-up adjustments in the based upon the model attached as Exhibit A to the Settlement Agreement and Exhibit B to this Financing Order.

85. The servicer may also make interim true-up adjustments more frequently at any time during the term of the Bonds: (i) if the servicer forecasts that WES Charge collections will

be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or (ii) to replenish any draws on the DSRS. Each such interim true-up shall use the methodology identified in Findings of Fact Nos. [61 to 63] 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, as permitted in this Financing Order.

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

10. Additional True-up Provisions.

87. The true-up adjustment filing will set forth the servicer's calculation of the true-up adjustment to the WES Charges. The Commission will have [30] days after the date of a true-up adjustment filing in which to confirm the mathematical accuracy of the servicer's adjustment. Any true-up adjustment filed with the Commission should be effective on its proposed effective date, which shall be not less than [30] days after filing. Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment or otherwise, will be made in future true-up adjustment filings. Any interim true-up may take into account the PPR for the next succeeding 6 months if required by the servicing agreement.

88. The true-up mechanism described in this Financing Order and contained in Appendix D to this Financing Order is reasonable and will reduce risks related to the Bonds, resulting in lower WES Charges and greater benefits to customers and should be approved.

89. The servicer shall request a non-standard true-up adjustment to address any material changes in usage and to allow for a change in the Energy Allocation Factors, as and when provided in Appendix B. The form of notice for a non-standard true-up adjustment is attached as

Appendix E to this Financing Order. No such change shall cause any of then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded.

11. Use of Proceeds.

90. The Authority will direct the State Treasurer to pay all bond proceeds received from the sale of the Bonds, net of amounts required to pay non-Utility issuance costs which will be deposited with the bond trustee for payment of such costs, 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 Donald R. Rowlett.

91. In accordance with Section 5(G) of the Act, upon the entry of a Financing Order, OG&E will not seek to recover the Approved Qualified Costs from customers except through the transfer of securitization property in exchange for the proceeds of a bond issuance, which shall offset and complete the recovery of extreme purchase costs and extraordinary costs for the regulated Utility. The use of proceeds from the sale of the Bonds in violation of this Financing 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 Financing Order and shall not affect the validity, finality and irrevocability of this Financing Order, the securitization property irrevocably created hereby or the Bonds.

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

92. To the extent the Utility receives insurance proceeds from private insurers, receives insurance proceeds, or grants from the State of Oklahoma or the government of the United States of America, or any similar source of permanent reimbursement after the date of this Financing Order, the purpose of which is to provide for recovery of 2021 Winter Weather Event related qualified costs approved for recovery by this Financing Order, or if actual amounts are determined to be lower than estimated amounts, such amounts shall be used to reduce the extreme purchase costs or extraordinary costs of the utility recoverable from customers as provided in this Financing Order. The Commission shall direct whether the funds shall be provided directly to the Authority to offset amounts securitized, held as a separate regulatory liability offsetting rate base or returned to customers through some other appropriate regulatory mechanism. The amounts so received shall accrue carrying charges at a rate equivalent to the actual cost of the credit facilities if they are received before ratepayer-backed bonds are issued. If received after the issuance of ratepayer-backed bonds, the amounts shall accrue carrying charges at a rate determined by the Commission.] as provided in Section 4(G) of the Act.

93. To the extent the Utility receives alternative funds after the date of issuance of the Bonds, the Utility is directed by the Commission to credit such amounts to customers, as permitted by Section 8(J) of the Act.

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 this Commission's Rules.

2. Notice in this Cause was properly provided in accordance with Commission Order No. 720025.

3. OG&E is a regulated utility as defined in Section 3(9) of the Act. 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 Section 4(A) of the Act.

5. The Commission has jurisdiction and authority over the Application pursuant to Section 4 of the Act and other applicable law.

6. The Commission has authority to approve this Financing Order under Section 5(A) of the Act and the Commission's regulatory jurisdiction over the Utility.

7. The Bonds will be validated by the Supreme Court of Oklahoma in compliance with Section 10 of the Act.

8. The Bonds have been approved by the Council of Bond Oversight as provided in the Oklahoma Bond Oversight and Reform Act, 62 OKLA. STAT. § 62-695.8.

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

10. Pursuant to Section 8(I) of the Act, the proceeds of the sale of the Bonds and

revenues received with respect to the securitization property shall be deposited by the State Treasurer in the Consumer Protection Fund maintained with the bond trustee. The State Treasurer shall apply such moneys as provided in Findings of Fact 71 and 72 of this Financing Order.

11. The use of proceeds from the sale of the Bonds in violation of this Financing 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 Financing Order and shall not affect the validity, finality and irrevocability of this Financing Order until the indefeasible payment in full of the Bonds and all financing costs related thereto, or the securitization property irrevocably created hereby, or the Bonds.

12. The Commission may adopt a Financing Order providing for the retiring and refunding of the Bonds under Section 8(D) of the Act.

13. The Commission may, under Section 9 of the Act, require an audit of all amounts received from customers under the WES Charge and paid to the Utility, and the amounts paid by the Utility to the ODFA. The audit shall be part of any general rate case filed by the Utility currently 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 Financing Order until the indefeasible payment in full of the Bonds and all financing costs related thereto, or the securitization property irrevocably created hereby or the Bonds and shall not impact, or be included as part of, the true-up and reconciliation process approved in this Financing Order.

14. The securitization approved in this Financing Order satisfies the requirements of Section 4(C)(1) of the Act directing that the total amount of revenues to be collected under this Financing Order result in substantial revenue requirement savings compared to conventional financing methods.

15. The securitization approved in this Financing Order satisfies the requirement of Section 4(C)(2) of the Act mandating that the securitization would mitigate the customer utility bill impact by mandating a longer amortization period for recovery than would otherwise be practicable or feasible.

16. The issuance of the Bonds approved in this Financing Order in compliance with the criteria established by this Financing Order satisfies the requirement of Section 4(C)(3) of the Act that the issuance of Bonds be completed at a sufficiently low cost such that customer savings

are not exhausted or offset.

17. The Commission finds that the \$739 million of costs incurred by the Utility during the 2021 Winter Weather Event to be mitigated through securitization would otherwise be recoverable from customers as fair, just and reasonable expenses and were prudently incurred. See Section 4(E) of the Act.

18. Recovery of the carrying costs, including the approved rate of return, approved for recovery in this Financing Order compliance with Section 4(F) of the Act. The carrying costs shall begin accruing at the time of the issuance of the Financing Order and continue until the date that the Bonds are issued.

19. Pursuant to Section 6(D) of the Act, this Financing 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.

20. This Financing Order adequately details the amount to be recovered and the period over which the Utility will be permitted to recover nonbypassable WES Charges in accordance with the requirements of Section 5(A)(1) and (2) of the Act.

21. The method approved in this Financing Order for collecting and allocating the WES Charges reasonable and satisfies the requirements of Section 4 of the Act.

22. As provided in Section 6(B) of the Act, this Financing Order, together with the WES Charges authorized by this Financing 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 Financing Order, as required by Section 5(H) of the Act.

23. As provided in Section 6(A) of the Act, the rights and interests of the Utility or its

successor under this Financing Order, including the right to impose, collect and receive the WES Charges authorized in this Financing Order, are assignable and must become securitization property at the time the Bonds are issued by ODFA.

24. The rights, interests and property conveyed to ODFA in the sale agreement and the related bill of sale, including the irrevocable right to impose, collect and receive WES Charges and the revenues and collections from WES Charges are securitization property within the meaning of Section 6 of the Act.

25. Securitization property will constitute a present property right for purposes of contracts concerning the sale or pledge of property, even though the imposition and collection of the WES Charges depend on further acts by the Utility, ODFA, the Commission or others that have not yet occurred, as provided by Section 6(B) of the Act.

26. All revenues and collections resulting from the WES Charges shall be the further property and right of the owner of the securitization property as provided by Section 6(C) of the Act.

27. Upon the transfer by the Utility of securitization property to ODFA, ODFA will have all of the rights, title and interest of the Utility with respect to such securitization property including the right to impose, collect and receive the WES Charges authorized by the Financing Order as provided by Section 6(F) of the Act.

28. The Bonds issued under this Financing Order will be ratepayer-backed bonds within the meaning of Sections 3(8) and 8(A) of the Act and the Bonds and holders thereof are entitled to all of the protections provided under Section 8(B) of the Act.

29. The procedure by which WES Charges are required to be imposed and adjusted on customers and be paid to the servicer under this Financing Order or the tariffs approved hereby

constitute a nonbypassable mechanism as defined in Section 3(5) of the Act, and the amounts collected from customers with respect to such WES Charges are securitization property as defined in Section 3(11) of the Act.

30. As provided in Section 6(D) of the Act, 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.

31. The methodology approved in this Financing Order to true-up and adjust the WES Charges constitutes a “true-up and reconciliation” process which satisfies the requirements of the Act.

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

33. If and when the Utility transfers its rights under this Financing 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 Section 6(F) of the Act, 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 collector of WES Charges relating to the securitization property, or the treatment of the transfer as a financing for tax, financial reporting, or other purposes.

34. As provided in Section 6(E) of the Act, 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 Financing 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.

35. As provided in Section 6(G) of the Act, 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 Financing 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.

36. As provided in Section 6(H) of the Act, the priority of a lien and security interest perfected in accordance with Section 6 of the Act will not be impaired by any later modification of this Financing Order or by the commingling of funds with other revenues paid by customers to the Utility, by utilities to the Authority or otherwise paid.

37. As provided in Section 6(H) of the Act, if securitization property is transferred to an assignee, any proceeds of the securitization property will be treated as held in trust for the assignee.

38. As provided in Section 6(I) of the Act, if a default or termination occurs under the Bonds, the holders of the Bonds or their representatives, including the 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 Financing Order be paid to a new holder of the securitization property.

39. As provided by Section 8(F) of the Act, the Bonds authorized by this Financing 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. The Bonds authorized by this Financing Order are not an indebtedness of the Utility.

40. 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 Act that the State will not limit or alter the rights vested in the Authority to fulfill the terms of any agreements made with the owners thereof or in any way impair the rights and remedies of the owners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the owners, are fully met and discharged (the “State Pledge”)¹⁶. This Financing Order requires, consistent with the Authority Act, that the Authority include in the Bonds a recitation of the State Pledge.

41. After the issuance of the Bonds authorized by this Financing Order, this Financing 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 Financing Order by any subsequent action or reduce, impair, postpone, terminate, or otherwise adjust WES Charges approved in this Financing Order

42. As provided in Section 8(B) of the Act, the Bonds and the interest earned on the

¹⁶ 74 Okla. Stat § 74-5062.15 (2016).

Bonds shall not be subject to taxation by the state, or by any county, municipality or political subdivision therein.

43. The Authority is required, pursuant to Section 7(B)(1) of the Act, 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.

44. The Authority is required, pursuant to Section 7(B)(2) of the Act, 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 Financing Order, are retired.

45. As provided by Section 6(D) of the Act, this Financing Order will remain in full force and effect and unabated notwithstanding the bankruptcy or sale of the Utility, its successors, or assignees.

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

47. This Financing Order is final, is not subject to rehearing by this Commission, and is not subject to review or appeal except as expressly provided in Section 5(F) of the Act.

48. This Financing Order meets the requirements for a Financing Order under the Act.

49. The true-up and reconciliation mechanism, and all other obligations of the State of Oklahoma and the Commission set forth in this Financing 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 of the Utility for the issuance of a Financing Order under Section 5(A) of the Act is approved, as provided in this Financing Order. Also, the Settlement Agreement 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 \$739 million of its 2021 Winter Weather Event related costs and estimated \$21 million of financing costs and upfront securitization costs authorized for recovery, subject to change based on final costs and carrying costs until securitization.

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 Financing 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 Financing Order.

5. **Effect of Securitization.** Upon the issuance of this Financing Order, the Utility will not seek to recover the extreme purchase costs and extraordinary costs identified and quantified in this Financing 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 extreme purchase costs and extraordinary costs for the regulated Utility. The use of proceeds from the sale of the Bonds in violation of this Financing 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 Financing Order and shall not affect the validity, finality and irrevocability of this Financing Order, the securitization property irrevocably created hereby or the Bonds.

6. **Recovery of WES Charges.** The Utility must impose on, and the servicer must collect from all existing and future customers located within the Utility's service area as it existed

on the date of this Financing Order and other entities which, under the terms of this Financing Order or the tariffs approved hereby, are required to bill, pay or collect WES Charges, as provided in this Financing Order, WES Charges in an amount sufficient to provide for the timely payment of the principal 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 and its Staff are provided sufficient and timely information relating to the proposed transaction as reasonably requested by the Commission after the date of this Financing Order.

8. **Approval of Tariffs.** The form of the WES Mechanism attached as Appendix B to this Financing Order is approved. Before the issuance of any Bonds under this Financing Order, the Utility must file a tariff that conforms to the form of the WES Mechanism tariff provisions attached to this Financing Order.

B. WES Charges.

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

10. **ODFA's Rights and Remedies.** 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 authorize disconnection of electric service and to assess and collect any amounts payable by any customer in respect of the securitization property.

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

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

13. **Allocation.** The Utility must allocate the WES Charges among customer classes in the manner described in this Financing Order.

14. **Nonbypassability.** The Utility and any other entity providing [electric] distribution services to any customer within the Utility's service area as it existed on the date this Financing Order is issued are entitled to collect and must remit, in accordance with this Financing Order, the WES Charges from such customers, and such customers are required to pay such WES Charges. The Commission will ensure that such obligations are undertaken and performed by the Utility and any other entity providing electric transmission or distribution services within the Utility's service area as it exists on the date this Financing Order is issued.

15. **True-Ups.** True-ups of the WES Charges, including non-standard true-ups, must be undertaken and conducted as described in this the WES Mechanism. Any necessary corrections to a true-up, due to mathematical errors in the calculation of such adjustment or otherwise, will be made in future true-up adjustment filings. True-up adjustments will be posted on the Commission website after the PUD completes its review.

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

C. Ratepayer-backed Bonds.

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

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

19. **Ongoing Financing Costs.** All ongoing financing costs shall be recovered through the WES Charges. The estimated ongoing financing costs as shown on Exhibit C are approved for recovery. As provided in Ordering Paragraph [29], a servicer, other than the Utility, may collect a servicing fee higher than that set forth in Appendix C to this Financing Order, if such higher fee is approved by the Commission.

20. **Informational Issuance Advice Letter Filing.** Within three business days of the sale of the Bonds, ODFA and the Utility will jointly file with the Commission, for informational purposes only (with the exception of the Utility Certification included as Attachment 4 thereto), an Issuance Advice Letter, substantially in the form attached to this Financing Order, evidencing the final terms of the Bonds, projected (or actual) costs of issuance and ongoing financing costs for the first year following issuance, projected customer savings, as well the initial WES Charge.

21. **Refinancing.** This Financing Order does not preclude ODFA and the Utility from filing a request for a Financing Order for the Utility to retire or refund the Bonds approved in this Financing Order upon a showing that the customers would benefit and that such a financing is consistent with the terms of the outstanding Bonds, as permitted by Section 8(D) of the Act.

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

23. **Distribution Following Repayment.** Following repayment of the Bonds authorized in this Financing Order and release of the funds held by the trustee, the servicer, 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 WES Charges during the last 12 months that the WES Mechanism was in effect. The amount paid to each customer must be determined by multiplying the total amount available for distribution by a fraction, the numerator of which is the total WES Charges paid by the customer class during the last 12 months the WES Mechanism charges were in effect and the denominator of which is the total WES Charges paid by all customer classes during the last 12 months the WES Mechanism was in effect. The amount allocated by each Service Level shall be divided by the forecasted billing units, units or kWh, for the month in which the refund will take place in order to arrive at a per customer refund amount per [unit] or [kWh], as applicable.]

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

25. **Life of Bonds.** The scheduled final payment date of the Bonds authorized by this Financing Order must not exceed 28 years after issuance or shorter term to obtain the most

favorable term for customers that will result in the lowest reasonable monthly charge for customers.

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

D. Servicing.

27. **Servicing Agreement.** The Commission authorizes the Utility to enter into the servicing agreement with ODFA and to perform the servicing duties approved in this Financing Order. The servicer must be entitled to collect servicing fees in accordance with the provisions of the servicing agreement, provided that, as set forth in Appendix C, 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. The annual servicing fee payable to any other servicer not affiliated with the Utility shall be subject to approval by the Commission pursuant to Ordering Paragraph No. [29].

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

29. **Replacement of the Utility as Servicer.** Upon the occurrence of an event of default under the servicing agreement relating to servicer's performance of its servicing functions with respect to the WES Charges, the ODFA, or a majority of the bondholders, may replace the Utility as the servicer in accordance with the terms of the servicing agreement. If the servicing fee of the replacement servicer exceeds 0.60% of the initial aggregate principal amount of the Bonds, the replacement servicer must not begin providing service until (i) the date the Commission approves the appointment of such replacement servicer or (ii) if the Commission does not act to either approve or disapprove the appointment, the date which is [30] days after notice of appointment of the replacement servicer is provided to the Commission. No entity may replace the Utility as the servicer in any of its servicing functions with respect to the WES Charges and the securitization property authorized by this Financing Order, if the replacement would cause any of the then current credit ratings of the Bonds to be suspended, withdrawn, or downgraded.

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

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

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

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

E. Use of Proceeds.

34. **Use of Proceeds.** The proceeds of the Bonds will be applied as described in Findings of Fact [90] and [91].

35. **Miscellaneous Provisions.**

36. **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 Financing Order for a period commencing with the date of this Financing Order and extending 24 months following the date on which this Financing Order becomes final [and no longer subject to any appeal.]

37. **Binding on Successors.** This Financing Order, together with the WES Charges authorized in it, must be binding on the Utility and any successor to the Utility that provides transmission and distribution service directly to customers in the Utility's service area, any other

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

38. **Flexibility.** Subject to compliance with the requirements of this Financing 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.

39. **Effectiveness of Order.** This Financing Order is effective upon issuance and is not subject to rehearing by the Commission. Notwithstanding the foregoing, no securitization property must be created hereunder, and the Utility must not be authorized to impose, collect, and receive WES Charges, until concurrently with the transfer of the Utility's rights hereunder to ODFA in conjunction with the issuance of the Bonds.

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

41. **Payment of Commission's Costs for Professional Services.** In accordance with Section 4(D) of the Act, the ODFA must pay the costs to the Commission 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 in the amounts specified in this Financing Order no later than 30 days after the issuance of any Bonds. Such Commission costs shall be non-Utility bond issuance costs and paid from ratepayer-backed bond proceeds (or as otherwise provided in this Financing Order).

42. **Compliance with Section 4(G) and Section 8(J) of the Act.** If the Utility receives insurance proceeds, governmental grants, or any other source of funding not reflected in the Authorized Amount to compensate it for qualified costs or the Commission determines that the

actual costs incurred are less than estimated costs, if any, included in the Authorized Amount, the Utility will promptly inform the Commission and the Commission will take such amounts into account as required by Section 4(G) of the Act. The Commission shall direct whether the funds shall be provided directly to the Authority to offset amounts securitized or whether they shall be held as a separate regulatory liability offsetting rate base or returned to customers through some other appropriate regulatory mechanism. The amounts so received shall accrue carrying charges at a rate equivalent to the actual cost of the credit facilities if they are received before ratepayer-backed bonds are issued. If received after the issuance of ratepayer-backed bonds, the amounts shall accrue carrying charges at a rate determined by the Commission. Such amounts must accrue interest as provided in Section 4(G) of the Act. In addition, if the Utility receives any alternative funds that would otherwise be applied to the Authorized Amount after the date of issuance of the Bonds, the Utility is directed, in accordance with Section 8(J) of the Act, to credit such amounts to the customers using the same methodology. No such adjustment shall impair, diminish or affect the stream of WES Charges or the calculation of such charges or otherwise impair the value of the securitization property.

43. **Effect.** This Financing Order constitutes a legal Financing Order for the Utility under the Act. The Commission finds this Financing Order complies with the provisions of Sections 4 and 5 of the Act. A Financing Order gives rise to rights, interests, obligations and duties as expressed in Sections 6 and 8 of the Act. It is the Commission's express intent to give rise to those rights, interests, obligations and duties by issuing this Financing Order. The Utility and the servicer are directed to take all actions as are required to effectuate the transactions approved in this Financing Order, subject to compliance with the criteria established in this Financing Order.

44. **Further Commission Action.** The Commission guarantees that it will act under this Financing Order as expressly authorized by the Act to ensure that expected WES Charge revenues are sufficient to pay on a timely basis scheduled principal and interest on the Bonds issued under this Financing Order and other costs, including fees and expenses, in connection with the Bonds.

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

46. **Effectiveness.** This Financing Order shall be effective immediately.

**BY ORDER OF THE CORPORATION
COMMISSION OF OKLAHOMA**

This order is effective this _____ day of _____, 202__.

DANA L. MURPHY, CHAIRMAN

BOB ANTHONY, VICE CHAIRMAN

J. TODD HIETT, COMMISSIONER

**PEGGY MITCHELL
COMMISSION SECRETARY**

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

____ DAY, _____, 202__

THE OKLAHOMA CORPORATION COMMISSION**[insert address]****SUBJECT: ISSUANCE ADVICE LETTER FOR RATEPAYER-BACKED BONDS**

Pursuant to the Financing Order adopted on the ____ day of ____, 202__ in *Application of Oklahoma Gas and Electric Company For A Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs Arising from the Extreme Winter Weather Event of February 2021* (the “Financing Order”), OKLAHOMA GAS AND ELECTRIC COMPANY (the “Utility” or the “Applicant”) and OKLAHOMA DEVELOPMENT FINANCE AUTHORITY (“ODFA” or the “Authority”) jointly submit, this Issuance Advice Letter to report certain terms and information related to the Ratepayer-Backed Bonds Series ____, Tranches _____. Any capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081 (the “Act”).

PURPOSE

This filing includes the following information:

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

1. PRINCIPAL AMOUNT OF BONDS ISSUED (AUTHORIZED AMOUNT)

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

2. DESCRIPTION OF FINAL TERMS OF BONDS

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

Ratepayer-Backed Bond Title and Series: _____

Trustee: _____

Closing Date: _____, 202__

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

Amount Issued (Authorized Amount): \$_____

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

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

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

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

3. CALCULATION OF PROJECTED SAVINGS

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

4. INITIAL WES CHARGE

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

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

Forecasted base rate revenue sales for each Customer classes 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 WES Charges calculated for each Customer classes are detailed in Attachment 3.

EFFECTIVE DATE

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

AUTHORIZED OFFICER

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

Respectfully submitted,

OKLAHOMA GAS AND ELECTRIC
COMPANY

By: _____
Name: _____
Title: _____

OKLAHOMA DEVELOPMENT FINANCE
AUTHORITY

By: _____
Name: _____
Title: _____

ATTACHMENT 1
SCHEDULE A
CALCULATION OF AUTHORIZED AMOUNT

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

ATTACHMENT 1
SCHEDULE B
ESTIMATED ISSUANCE COSTS

	Issuance Costs
Underwriters' Fees & 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	\$500,000 -
Utility's Non-legal Securitization Proceeding Costs & Expenses	\$ -
Utility's Miscellaneous Administrative Costs	\$ -
Servicer's Set-Up Costs	\$ -
External Servicing Costs (Accountant's)	\$ -
Total ODFA Issuance Costs	\$ -
Total Estimated Issuance Costs	\$ -
Rounded Amount	\$ -

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

EXPECTED SINKING FUND SCHEDULE

[illegible][illegible][illegible]

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	<u><u>\$ -</u></u>

Note: The amounts shown for each category of ongoing financing costs on this attachment are the expected costs for the first year of the Ratepayer-Backed Bonds. 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 classes (Service Level)	(2) WES Charge ¹ (% of base rate revenues)
1	%
2	%
3	%
4	%
5	%
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

Jim Thorpe Building, 2101 N. Lincoln

Oklahoma City, Oklahoma 73105

Pursuant to the Financing Order adopted on the ____ day of ____, 202_ in *Application of Oklahoma Gas and Electric Company For A Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs Arising from the Extreme Winter Weather Event of February 2021* (the “Financing Order”), OKLAHOMA GAS AND ELECTRIC COMPANY (the “Utility” or the “Applicant”) certifies that the calculation of the WES Charges included in the Issuance Advice Letter were calculated in accordance with Financing Order. If the Commission determines that the calculation of the WES Charges contained any mathematical error, such error will be corrected upon the next implementation of the true-up and reconciliation process.

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

Respectfully submitted,

OKLAHOMA GAS AND ELECTRIC
COMPANY

By: _____

Name: _____

Title: _____

[INSERT APPENDIX 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 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 ODFA Issuance Costs	
Total Estimated Issuance Costs	

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

ESTIMATED ONGOING FINANCING COSTS

	Itemized Annual Ongoing Financing Costs
True-Up Administration Fees ^	
ODFA Administration Fees ^	
ODFA Legal Fees ^	
Trustee's/Trustee's Counsel Fees & 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

[ODFA Letterhead]

Date: _____, 202_

Oklahoma Corporation Commission
Jim Thorpe Office Building
2101 N Lincoln Blvd #129
Oklahoma City, OK 7310

Re: Application of Oklahoma Gas and Electric Company for a Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs arising from the Extreme Winter Weather Event of February 2021, and Related Relief, Docket No. _____ (Financing Application)

Dear _____:

Pursuant to the Financing Order adopted on the _____ day of _____, 202_ in *Application of Oklahoma Gas and Electric Company for a Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs arising from the Extreme Winter Weather Event of February 2021, and Related Relief*, OCC Docket No. _____ (Financing Application) (the “Financing Order”), Oklahoma Gas and Electric Company (the “Utility”), as Servicer of the Ratepayer-Backed Bonds, or any successor Servicer on behalf of bond trustee as assignee of the ODFA shall apply [semi-annually][quarterly] for a mandatory periodic adjustment to the WES Charge. The Utility may apply for more frequent periodic adjustments in accordance with the Financing Order. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081 (the “Act”).

Each true-up adjustment shall be filed with the Commission not less than 45 days prior to the first billing cycle of the month in which the revised WES 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 WES Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WES Charge.

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

Respectfully submitted,

[Utility]

By: _____

Name: _____

Title: _____

Attachments

ATTACHMENT 1
CALCULATION OF WES CHARGES

Estimated Ongoing Financing Costs	
True-Up Administration Fees ^	
ODFA Administration Fees ^	
ODFA Legal Fees ^	
Trustee's/Trustee's Counsel Fees & 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 WES Charges	
Projected usage for payment period (See Attachment 3)	
Forecast uncollectables for payment period	
Average Days Sales Outstanding	
Balance of Collection Account (Net of Capital Subaccount) (As of xx/xx, which is the Calculation Cut-off Date)	
Projected WES Charges Between Calculation Cut-off Date and Proposed Effective Date of True-Up Adjustment	

A. Ratepayer-Backed Bond Principal	
B. Ratepayer-Backed Recovery Bond Interest	
C. Ongoing Financing Costs for the applicable payment period (See Table 1 above)	
Periodic Payment Requirement(Sum of A, B and C)	
Periodic Billing Requirement (See Attachment 2)	

ATTACHMENT 2
WES CHARGE CALCULATIONS

[Calculation Workpapers to be included.]

ATTACHMENT 3

WES CHARGE FOR PAYMENT PERIOD

Customer classes (Service Level)	WES Charge
1	
2	
3	
4	
5	

FORM OF NON STANDARD TRUE-UP LETTER**TRUE-UP LETTER**

[ODFA Letterhead]

Date: _____, 202_

Oklahoma Corporation Commission
Jim Thorpe Office Building
2101 N Lincoln Blvd #129
Oklahoma City, OK 7310

Re: Application of Oklahoma Gas and Electric Company for a Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs arising from the Extreme Winter Weather Event of February 2021, and Related Relief, Docket No. _____ (Financing Application)

Dear _____:

Pursuant to the Financing Order adopted on the _____ day of _____, 202_ in *Application of Oklahoma Gas and Electric Company for a Financing Order Pursuant to the February 2021 Regulated Utility Consumer Protection Act Approving Securitization of Costs arising from the Extreme Winter Weather Event of February 2021, and Related Relief*, OCC Docket No. _____ (Financing Application) (the “Financing Order”), Oklahoma Gas and Electric Company (the “Utility”), as Servicer of the Ratepayer-Backed Bonds, or any successor Servicer on behalf of bond trustee as assignee of the ODFA, shall apply for a Non Standard True-Up to the WES Charge as it deems necessary to address any material deviations in usage and to change the Energy Allocation Factors . Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081 (the “Act”).

Each Non Standard True-up shall be 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 WES 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 WES Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WES Charge.]

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

Respectfully submitted,

[Utility]

By: _____

Name: _____

Title: _____

Attachments

[ATTACHMENTS TO COME]