BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF	)	
OKLAHOMA GAS AND ELECTRIC COMPANY	)	
FOR AN ORDER OF THE COMMISSION	)	CASE NO. PUD 2023-000087
AUTHORIZING APPLICANT TO MODIFY ITS	)	
RATES, CHARGES, AND TARIFFS FOR RETAIL	)	
ELECTRIC SERVICE IN OKLAHOMA	)	

RESPONSIVE TESTIMONY

OF

ANDREW SCRIBNER

APRIL 26, 2024

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EXECUTIVE SUMMARY

On December 29, 2023, Oklahoma Gas and Electric Company ("OG&E" or "Company") filed an Application for a modification of its rates, charges, and tariffs for retail electric service in Oklahoma.

After conducting a thorough review of OG&E's proposed adjustments and the supporting workpapers and documentation, the Public Utility Division ("PUD") recommends the Oklahoma Corporation Commission ("Commission") accept the following adjustments:

- PUD Adjustment H-10 to increase Payroll Expense by $4,092,075 based on the six-month post-test year update;
- PUD Adjustment H-11 to increase Payroll Tax Expense associated with Payroll Expense by $331,073 based on the six-month post-test year update;
- PUD Adjustment H-9 to decrease Pension and Other Post-Employment Benefit ("OPEB") Expenses by $(626,514) based on the six-month post-test year update;
- PUD Adjustment H-12 to increase the Pension Regulatory Asset Expense by $1,530,709 based on the six-month post-test year update;
- PUD Adjustment H-3 to decrease the short-term incentive ("STI") compensation plan expense by $(9,106,749), inclusive of the six-month post-test year update of $(1,400,738) and a disallowance of $(7,706,010), 50% of the STI expense as of the six-month post-test year;
- PUD Adjustment H-4 to decrease Payroll Tax Expense by $(736,736), inclusive of a $(113,320) decrease based on the Company's six-month post test year update and a $(623,416) decrease based on PUD's adjustment to the STI expense;

- PUD Adjustment H-1 to decrease the pro forma long-term incentive ("LTI") compensation plan expense by $(9,100,498); and
- PUD Adjustment H-2 to decrease Payroll Tax Expense by $(736,284) based on PUD's adjustment to the LTI expense.

PUD also recommends a true up of revenues collected through OG&E's Grid Enhancement Mechanism ("GEM") Rider since December 1, 2022. These revenues are associated with grid enhancement projects that PUD does not recommend moving into rate base. The total amount to be disallowed will be determined through the pendency of this Case.

PUD also performed an audit pursuant to 74 O.S. § 9078. PUD verified that during the test year, OG&E accurately recorded amounts received from customers and remitted to the trustee through the securitization process authorized in Final Financing Order No. 722254.

INTRODUCTION

Q: Please state your name and your business address.

A: My name is Andrew Scribner. My business address is Oklahoma Corporation Commission, Public Utility Division, Will Rogers Office Building, PUD Suite 414, 2401 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105.

Q: Have you previously testified before the Commission and were your qualifications accepted?

A: Yes. I have testified previously before the Commission and my qualifications were accepted.

Q: Who employs you and what is your position?

A: I am employed by the Oklahoma Corporation Commission's Public Utility Division as a Programs Manager III.

Q: How long have you been so employed?

A: I have been employed by the Commission since November 2017.

Q: What are your duties and responsibilities with PUD?

A: I research and analyze utility applications, reports, financial records, and workpapers to ensure that PUD can make accurate recommendations. I review tariff and monthly fuel submissions for regulated electric and natural gas distribution utilities, and electric distribution cooperatives. For a complete list of my work history and educational background, please review the attached curriculum vitae.[1]

[1] Exhibit AMS-1.

PURPOSE

Q: What is the purpose of your Responsive Testimony regarding OG&E's Application for a modification in its rates, charges, and tariffs in Case No. PUD 2023-000087?

A: The purpose of my Responsive Testimony is to present PUD's recommendations to the Commission regarding the following areas of review:

- Payroll Expense
- Employee Benefit Expenses
  - Medical and Dental Self-Insurance Expenses
  - Pension and Other Post-Employment Benefit Expenses
  - Pension Regulatory Asset
- STI Compensation
- LTI Compensation
- Payroll Taxes
- GEM Rider True Up
- Statutory Audit pursuant to 74 O.S. § 9078 of the Company's ratepayer-backed bonds

PUD'S REVIEW PROCESS

Q: Please explain PUD's review process in this Case.

A: PUD reviewed the Application, the workpapers and testimony filed by OG&E witnesses, and Final Order No. 728277 in Case No. PUD 2021-000164. PUD issued data requests and reviewed the associated responses, including responses to data requests issued by intervenors to this Case. PUD conducted onsite audit conferences with OG&E personnel. PUD also conducted subsequent audit conferences with OG&E personnel to further discuss areas of review and the six-month post-test year updates once they were made available.

PAYROLL EXPENSE

Q: How does OG&E determine its wage and salary levels for its workforce?

A: OG&E participates in nationally-recognized surveys and utilizes a tool called Market Pay to capture a snapshot of the current job market through the lens of general and energy-related employer benchmarks. OG&E generally participates in and receives the results of five to six different surveys per year. These surveys are tailored to OG&E's employment profile via a list of positions submitted by the Company. OG&E competes against oil and gas companies for employment opportunities in Oklahoma, so the Company tries to take a well-rounded approach to analyzing compensation and benefit options. OG&E conducts a comprehensive review of its compensation structure on a three-year cycle in addition to receiving the results of the annual salary surveys. This allows the Company to adjust compensation irregularities in order to remain market competitive.

Q: What level of base payroll expense has OG&E included in this filing?

A: OG&E has requested a base payroll expense of $156,777,642 for annual recovery through base rates in this filing.[2] This expense is comprised of base pay (salaries and wages) and overtime.

Q: Is OG&E's requested payroll expense based on actual employee headcounts or estimations?

A: OG&E's payroll expense during the test year is based on the Company's actual payroll and overtime expenses. However, the Company's initial pro forma adjustment on WP H2-22

[2] WP H2-22 2023 Payroll Expense.

to increase this expense by $336,383 is based on an estimation of the annualized payroll expense. The Company initially projected its termination, new hire, and merit increase expenses that would occur as of the end of the six-month post test year; therefore, WP H2-22 is an increase of $336,383 to annualize the test year payroll expense. Once the actual expenses were known as of the end of the six-month post-test year, OG&E provided an updated payroll expense. OG&E's six-month post-test year annualized payroll expense is $160,869,717, an increase of $4,092,075 from the initial pro forma as filed of $156,777,642.[3]

Q: Please discuss the drivers of the increased payroll expense compared to the initial projection.

A: OG&E initially included a multiplier of approximately 2% to the test year payroll expense to include pay raises expected to be effective after the test year. This percentage was utilized in the prior rate case. However, the actual pay increase adjustment implemented was approximately 4%. These pay increases were implemented during the six-month post-test year and are included within the updated annualized payroll expense.[4]

Q: What is PUD's recommendation to the Commission regarding payroll expense?

A: PUD recommends Adjustment H-10 to increase payroll expense by $4,092,075 based on the six-month post-test year update as presented above. The Company's methodology is based on a four-year average, has been updated for the six-month post-test year and is thus

[3] Response to Data Request PUD 10-7.
[4] Response to Data Request AG 10-06.

known and measurable, and includes actual employee headcounts and pay rates. PUD compared the test year payroll expense to the updated six-month post-test year information and determined the difference between the test year payroll expense of $156,441,259 and the six-month post-test year annualized payroll expense of $160,869,717 represented an increase of approximately 2.83%.[5]

Q: Does PUD recommend any additional adjustments related to payroll expense?

A: Yes. A corresponding adjustment to the Company's payroll tax expense must be made. PUD Adjustment H-11 for $331,073 is the result of multiplying the increase to payroll expense of $4,092,075 by the effective tax rate of 8.09%.[6]

EMPLOYEE BENEFIT EXPENSES

Q: Which employee benefit expenditures did PUD review in this filing?

A: PUD reviewed the following expenditures:

- Medical and Dental Self-Insurance
- Pensions and Other Post-Employment Benefits ("OPEB")
- Pension Regulatory Asset

[5] Response to Data Request PUD 10-7.
[6] 8.09% is the payroll tax percentage utilized by OG&E on WP H2-22.

MEDICAL AND DENTAL SELF-INSURANCE EXPENSES

Q: Please describe OG&E's medical and dental insurance plans.

A: OG&E offers medical and dental plans to its employees and their dependents. Retired employees are allowed to participate in the medical plan, but dental benefits other than COBRA under the plan cease.[7] OG&E's plans are self-funded and claims are paid from participant contributions and trust earnings, with the Company making cash contributions to the trusts as necessary to pay for high-dollar claims.

Q: How does OG&E evaluate its self-insured plans against marketplace offerings?

A: OG&E evaluates its medical and dental plans against off-the-shelf plans sold by market providers on an annual basis. OG&E's preference is to create its own plans to fit its employees' needs, as off-the-shelf plans do not offer this flexibility. Those plans also carry a risk component as an additional expense, which OG&E's self-funded plans do not require; therefore, OG&E only pays actual expenses incurred.

While OG&E's plans are self-funded, the Company does use Blue Cross Blue Shield for claims processing and management of the plans; therefore, the Company sponsors but does not administer its own plan.

[7] WP H's – 2023.

Q: What amounts of medical and dental self-insurance expenses OG&E has included in rates in this filing?

A: OG&E has included $13,606,380 attributable to medical self-insurance expenses and $1,088,668 attributable to dental self-insurance expenses in this filing.[8] These are the actual test year expenses; thus, OG&E did not make any pro forma adjustments.

Q: What is PUD's recommendation to the Commission regarding OG&E's medical and dental self-insurance expenses?

A: PUD recommends the Commission accept the expense level as presented by the Company in this filing. PUD reviewed the expenditures incurred during the test year and the 24 months prior to the test year and believes the test year expense level is reasonable.

PENSION AND OTHER POST-EMPLOYMENT BENEFIT EXPENSES

Q: Please describe OG&E's pension and OPEB.

A: OG&E offers a pension plan, a post-retirement medical plan, and post-retirement life insurance as part of its benefits package to qualifying employees. OG&E's actuary provides an annual valuation report of the pension and OPEB expenses, which can also be considered the net periodic benefit cost pursuant to generally accepted accounting principles. OG&E has adjusted its pro forma expense in this filing from the test year level to the valuation in the report.[9] The total pro forma pension and OPEB expense as filed for recovery through rates is $13,691,663, which is comprised of the following:

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[8] Ibid.
[9] Direct Testimony of Jason J. Thenmadathil at page 6, lines 23 – 30.

- Pension Expense: $10,750,197
- Post-Retirement Medical Expense: $2,905,683
- Post-Retirement Life Insurance Expense: $35,783

OG&E also provided a six-month post-test year update to these expenses, which is also supported by an actuarial valuation report. The updated expenses are as follows:

- Pension Expense: $10,088,776
- Post-Retirement Medical Expense: $2,970,163
- Post-Retirement Life Insurance Expense: $6,210[10]

The difference between the pro forma as filed and the six-month post-test year is $(626,514); therefore, the expense total as of the six-month post-test year is $13,065,149.

Q: What was PUD's review process for the pension and OPEB expenses?

A: PUD reviewed the actuarial valuation support provided with the pro forma as filed and as part of the six-month post-test year update. PUD verified that the six-month post-test year update accurately reflected the actuarial valuation as of December 31, 2023, and that OG&E adjusted the pro forma as filed associated with the pension and OPEB expenses accordingly.[11]

[10] Response to Data Request PUD 10-7.
[11] Response to Data Request AG 26-2.

Q: What is PUD's recommendation to the Commission regarding OG&E's pension and OPEB expenses?

A: PUD recommends Adjustment H-9 to decrease OG&E's pension and OPEB expenses by $(626,514). As discussed above, this adjusts these expenses as of the valuation dated December 31, 2023, occurring during the six-month post-test year as compared to the filed pro forma expenses. PUD reconciled the six-month post-test year update to the actuarial valuations to verify the expenses were updated accurately.

PENSION REGULATORY ASSET

Q: Please describe OG&E's pension regulatory asset.

A: The pension regulatory asset was first approved by the Commission in Final Order No. 516261 in Cause No. PUD 200500151. The asset tracks the difference between actual expenses and the level embedded in base rates. Under-recoveries are recorded as regulatory assets and over-recoveries as regulatory liabilities. OG&E typically requests the current balance to be amortized and recovered or credited through rates as applicable over a five-year period in rate case filings.

Q: How has the Commission treated the expense recovery associated with the pension asset amortization in prior filings?

A: The Commission has typically approved a five-year amortization period; however, the current pension asset layer in base rates is being amortized over a 15-year period pursuant to the Joint Stipulation and Settlement Agreement approved by the Commission in Case No. PUD 2021-000164.[12]

Q: What is the expense associated with the pension asset as presented in this filing, and what is the Company's proposed treatment?

A: The test year balance for the pension asset represents an under-collection of $(43,442,894). OG&E has proposed a five-year amortization of this balance, which is an annual expense of $8,688,579.[13] OG&E provided a six-month post-test year update to the pension asset balance which now represents an under-collection of $(51,096,441). Under the Company's proposed five-year recovery methodology, this now reflects an annual expense of $10,219,288.[14]

Q: What is PUD's recommendation to the Commission regarding OG&E's pension regulatory asset?

A: PUD recommends the Commission reject the methodology as presented by the Company. PUD instead recommends the under-collection associated with the pension asset be amortized over a 15-year period. This methodology was settled by the parties and approved by the Commission in OG&E's most recent rate case, PUD 2021-000164. In that Case, the under-recovery balance was $(43,861,110). Amortizing that amount over a 15-year period resulted in an annual $2,924,074 expense embedded in rates.

[12] Final Order No. 728277 in Case No. PUD 2021-000164.
[13] WP H-2-29 Pension Reg. Asset.
[14] Response to Data Request PUD 10-7.

In this Case, the under-collection balance of $(51,096,441) associated with the pension asset is even larger. PUD recommends Adjustment H-12 for $(5,282,149). This decreases the Company's $8,688,579 pro forma expense as filed to $3,406,429. This amount is the result of dividing $51,096,441 by 15, therefore embedding an annual $3,406,429 expense in rates for 15 years in order to recover the under-collection. Utilizing a 15-year amortization period lessens the annual impact to ratepayers.

INCENTIVE COMPENSATION

Q: Please generally describe incentive compensation as it relates to OG&E in this filing.

A: OG&E has requested full recovery of its annualized short-term incentive ("STI") compensation and long-term incentive ("LTI") compensation expenses through rates in this filing. OG&E's incentive compensation plans are designed to attract and retain talent, and the Company considers them to be part of a total, market-based compensation package alongside base salaries.[15]

Q: What has the Commission historically ordered regarding recovery of OG&E's incentive compensation expenses?

A: In the three most recent OG&E rate cases (PUD 2021-000164, PUD 201800140, and PUD 201700496), the Commission did not specifically address recovery of incentive compensation expenses through rates. It must be noted that these three cases were settled rather than fully litigated. Their respective Final Orders did not make reference to specific methodologies relating to incentive compensation; rather, if a revenue increase was ordered

[15] Direct Testimony of Kimber L. Shoop at page 11, lines 8 – 15.

by the Commission, it was in the form of a "black box" treatment encompassing various revenue deficiencies. The most recent fully-litigated rate case during which the Commission considered OG&E's incentive compensation expenses was PUD 201500273. In that case, the Commission determined that 50% of OG&E's STI compensation and 0% of OG&E's LTI compensation expenses were appropriate for recovery through rates.[16]

Q: What was the Commission's rationale for disallowing these expenses from ratepayer recovery in that filing?

A: The Commission's rationale for disallowing 50% of OG&E's STI compensation expense was that "sufficient support was not provided by OG&E or PUD to move to allowing full recovery for short-term compensation beyond what has been historically awarded." The Commission's rationale for disallowing 100% of OG&E's LTI compensation expense was that "the Commission is not persuaded that such compensation provided benefit to ratepayers."[17]

SHORT-TERM INCENTIVE COMPENSATION

Q: Please describe OG&E's STI plan.

A: The majority of the Company's full-time employees are eligible to receive compensation through the STI plan. Job grades are structured in such a way that STI makes up a portion of their annual compensation, with higher-level employees generally having a larger portion of their annual compensation in the form of STI. However, many of those higher-

[16] Final Order No. 662059 in Cause No. PUD 201500273 at pages 6 – 7.
[17] Id. at page 7.

level employees also participate in and receive a portion of their annual compensation through the Company's LTI plan, which will be discussed separately. STI awards are paid out once per year, typically in March.

The STI plan is comprised of multiple metrics, or "Company Performance Goals," such as earnings per share ("EPS"), operations and maintenance ("O&M"), and safety. The Company establishes achievement levels associated with each metric on an annual basis. The achievement level associated with each metric represents the ultimate payout under the STI plan, which can range from 50% to 200%. If the level of achievement is under 50% for any metric, there will be no payout associated with that metric. Each metric receives a different weighting in relation to the other metrics by applicable classes of Company employees such as executives, officers, exempt, or non-exempt.

Q: What is the expense associated with OG&E's STI plan in this filing, and what is it comprised of?

A: OG&E has requested $16,479,091 through rate recovery, which is a four-year average (2019 – 2022) of the actual expense level associated with the Company's payouts under the STI plan. However, the Company's total pro forma expense as filed also includes expenses for Other Compensation and Severance. The total pro forma expense requested through rate recovery is as follows:

- STI Expense: $16,479,091
- Other Compensation: $802,880
- Severance: $777,160
- Total: $18,059,130[18]

[18] WP H2-23 Other Compensation.

OG&E also provided a recalculated four-year average (2020 – 2023) of the actual expense level as part of the six-month post-test year update, which is as follows:

- STI Expense: $15,412,020
- Other Compensation: $717,957
- Severance: $528,415
- Total: $16,658,392[19]

The difference between the pro forma expense as filed and the six-month post-test year update is $(1,400,738).

Q: Please describe the Other Compensation and Severance expenses.

A: The Other Compensation expenses are sign-on bonuses, bonuses associated with the S4 HANA project, and other bonuses implemented to attract necessary personnel such as engineers. The severance expenses are associated with severance packages offered to employees who voluntarily end their employment with the Company. Four-year averages were utilized in calculating the expense levels requested in this filing; however, the calendar years 2019, 2021, 2022, and 2023 were used to calculate the utility-level severance expense. 2020 was excluded due to the Company incurring a large severance expense associated with a nonrecurring buyout initiative during that year. PUD recommended exclusion of the 2020 severance expense from consideration in OG&E's most recent rate case filed with the Commission.[20]

[19] Response to Data Request PUD 10-7.
[20] Responsive Testimony of Farzad Khalili filed in Cause No. PUD 202100164 at page 7, lines 5 – 13.

Q: What expenses associated with STI, Other Compensation, and Severance does PUD recommend for inclusion in rates?

A: PUD reviewed the six-month post-test year updates for WP H2-23 Other Compensation and calculated the difference between the pro forma request and the update. However, PUD recommends the Commission continue its methodology of dividing the STI plan expense between the ratepayers and shareholders. PUD Adjustment H-3 for $(9,106,749), which reflects this, is calculated in Table One below:

Table One: Calculation of PUD Adjustment H-3 for Other Compensation

(a) Pro forma expense level as filed (STI, Other Compensation, Severance)	$18,059,130
(b) Six-month post-test year expense level (STI, Other Compensation, Severance)	$16,658,392
(c) Difference (b – a)	$(1,400,738)
(d) Portion of six-month post-test year expense attributable to STI plan	$15,412,020
(e) 50% of STI plan expense disallowance (d * (.5))	$(7,706,010)
(f) PUD Adjustment H-3 (c+e)	$(9,106,749)
(g) Amount recommended for rate recovery (a+f, alternatively, b+e)	$8,952,382

Q: Please discuss PUD's review of OG&E's STI expense.

A: Since OG&E has requested rate recovery of the four-year average of actual expenses awarded through the STI plan, PUD reviewed the level of achievement associated with each award total for the calendar years 2020 – 2023 and compared these achievement levels to the metric weightings. PUD reviewed the Company's rationale as presented in the Direct Testimony of Kimber L. Shoop and held multiple audit conferences with Company personnel to discuss the incentive plans. PUD also reviewed the 2022 Annual Incentive

Compensation Plan provided in response to a data request, which governs the STI plan, and the Company Proxy Statements that reported on the achievement levels for the STI plan metrics for calendar years 2022 and 2023.

Q: Does PUD object to the Company requesting the actual level of STI expenses?

A: No. PUD must evaluate each utility's filing holistically. Other utilities regulated by the Commission have presented requests for recovery of STI expenses in rate case filings at the "target level," which is equivalent to the expenditure associated with meeting each metric at the 100% achievement level and the subsequent payout. Adjusting to and requesting the expense associated with the target level can be considered a proxy for the market-competitive level of compensation, inclusive of base salaries.

OG&E's rationale for including a four-year average of the STI plan expense is that from a ratemaking perspective, it is supportable and based on evidence. Regardless, PUD must evaluate further than "actual" or "target" levels of expenses. PUD must consider the behaviors that utilities attempt to drive through incentive programs and the benefits realized by not only the ratepayers, but the shareholders, through the implementation of these programs.

Q: What is OG&E's rationale for including the STI plan expenses for recovery through rates?

A: OG&E has presented several reasons in this filing:

- Incentive compensation is a necessary piece of compensation to attract and retain employees and to keep up with market compensation practices[21]
- Financial metrics simply indicate how efficiently the Company is run, which ends up benefiting customers as well through access to capital at reasonable rates and lower cost debt[22]
- Disallowance of incentive compensation simply penalizes the Company for paying its employees compensation amounts that are required by and standard in the market[23]

Additionally, OG&E recommends that even if the Commission were to disallow expenses associated with financial metrics from rate recovery, OG&E proposes that it should be entitled to recover 70% of the STI plan expense since the financial metrics are weighted at 30% within the STI plan as it applies to the majority of OG&E employees.[24]

Q: Please address the first reason presented.

A: PUD does not dispute that incentive compensation is a necessary piece of compensation to attract and retain talent and that it is standard in the industry. PUD believes the Commission must examine who benefits from the behaviors driven by the STI plan, and in so doing, decide how the associated expenses should be allocated. While it is true that ratepayers do benefit from the behaviors the STI plan drives, so too do the Company's

[21] Direct Testimony of Kimber L. Shoop at page 12, lines 5 – 6.
[22] Id. at page 12, lines 18 – 20.
[23] Id. at page 12, lines 20 – 22.
[24] Id. at page 12, lines 27 – 31.

shareholders. The Commission has ordered this methodology in prior Final Orders issued in rate case filings as justification to allocate financially-based incentive expenses between ratepayers and shareholders.[25]

PUD recommends the Commission reject the Company's proposal to make its ratepayers solely responsible for the STI plan expenses associated with financial-based metrics. In response to a data request, the Company stated that it is financially healthy, it is creditworthy, and it is able to attract capital.[26] Additionally, the Company has not presented evidence that the quality, reliability, and affordability of service realized by its ratepayers have been impaired as a direct result of the Commission's prior orders prohibiting OG&E from recovering certain STI plan expenses through rates.

Q: Please address the second reason presented.

A: PUD agrees that financial metrics indicate how efficiently a company is run. However, PUD disagrees with recovery of expenditures associated with elevating these efficiencies past a range where customers will realize no additional benefits. If expenditures associated with an STI plan are recovered through rates, the behaviors driven by the plan must result in safe, reliable service to those who are then responsible for those expenditures.

As discussed above, the Company is financially healthy, is creditworthy, and is able to attract capital. OG&E's payout associated with financial metric under the 2023 STI plan

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[25] Final Order No. 672864 in Cause No. PUD 201700151 at page 24.
[26] Response to Data Request OIEC 13-2.

was 200%, the maximum payout possible.[27] It is unreasonable to consider the ratepayers the sole beneficiaries of such an achievement.

Additionally, many factors associated with EPS are beyond the control of the utility. The Company may realize higher revenues and thus higher earnings based on customer usage during periods of exceptionally hot or cold temperatures. In fact, the Company states as such in its 2023 Proxy Statement:

> Although weather can create significant variability in both short-term and long-term incentive performance goals, the Compensation Committee does not normalize the actual results for weather.[28]

Q: Please address the third reason presented.

A: PUD disagrees that disallowance of rate recovery for expenditures associated with the STI plan is punitive. Again, the Commission must consider the behaviors driven by the STI plan and who its primary beneficiaries are: the ratepayers or the shareholders. The Commission cannot order a utility to structure its incentive compensation plan in a specific way such as alter the metrics utilized or reduce the awards paid out to employees. However, the Commission can control recovery of the expenditures associated with the plan through rates.

Awards made under the STI plan are not guaranteed, and should the utility fail to meet its goals during a plan year, there is then an expense level embedded in rates that will not be

[27] OG&E Proxy Statement & Notice of Annual Meeting dated May 16, 2024, at page 35.
[28] OG&E Proxy Statement & Notice of Annual Meeting dated May 18, 2023, at page 34.

utilized for its intended purpose. Incentive expenses can therefore be considered speculative. In OG&E's case, while it is useful to be able to evaluate the actual STI plan payouts made over a four-year historic range, this also highlights the variable nature of the metric levels achieved and the payouts associated with those achievements over a number of years.

Q: Please address the Company's request to recover at least 70% of the expense associated with the STI plan.

A: The Company has made this request based on the financial-based metric's (EPS) weighting of 30% for the majority of applicable employees.[29] However, the Company's filed request is a four-year average of the STI plan expenses. PUD reviewed the actual payouts for calendar years 2020 – 2023 associated with the financial metric. The actual payout percentage associated with the financial metric during these four years in relation to the total payout was approximately 42%, not 30%.[30] If the Company's proposal is to structure its request to the Commission based on known and measurable data, PUD believes the Commission must consider the achievement levels and payouts for each metric associated with this data, not the base metric weightings, as the actual performance data is more indicative of the behaviors that were driven by the STI plan.

Additionally, while the Company does not consider the O&M metric to be financial in nature, internal Company documentation recording payouts and achievement levels

[29] Direct Testimony of Kimber L. Shoop at page 12, lines 27 – 31.
[30] Response to Data Request PUD 19-01.

through the STI plan place the EPS and O&M metrics in the "Financial Measures" category, while Customer Satisfaction, OGE Incident Rate, and Environmental metrics are placed in the "Business Group Measures" category.

Q: Does PUD recommend any additional adjustments related to the Other Compensation expense?

A: Yes. A corresponding adjustment to the Company's payroll tax expense must be made. PUD Adjustment H-4 to decrease Payroll Tax Expense by $(736,736) is derived through multiplying PUD Adjustment H-3 to decrease the Other Compensation expense by $(9,106,749) by the effective tax rate of 8.09%.

LONG-TERM INCENTIVE COMPENSATION

Q: Please describe OG&E's LTI plan.

A: OG&E's LTI plan is available to a smaller portion of Company employees than the STI plan. The LTI plan is available to employees such as directors or managers "who are responsible for or contribute to the management, growth and profitability of the business of the Company and its Affiliates."[31] Participants in the LTI plan receive awards in the form of Company stock. The goal of the LTI plan is "to give the Company and its Affiliates a competitive advantage in attracting, retaining and motivating non-employee directors, officers and employees and to provide the Company and its Affiliates with the ability to provide incentives more directly linked to the profitability of the Company's businesses,

[31] OGE 2022 Stock Incentive Plan.

increases in shareholder value and enhancement of performance relative to customers."[32] The retention-focused nature of the LTI plan is furthered through the receipt of stock awards on a three-year vesting cycle by participating employees; in simple terms, a qualified employee will receive stock awards after they have been employed by the Company for a minimum of three years.

Q: What is the expense associated with OG&E's LTI plan in this filing, and what is it comprised of?

A: OG&E has requested $9,100,498 through rate recovery, which is a four-year average of the actual expense level associated with award valuation under the LTI plan. Awards under the LTI plan are currently structured as 65% performance units and 35% restricted stock units ("RSU"); however, both types of award result in the receipt of Company common stock by participants.[33] The 65% performance unit to 35% RSU formulation is recent, as prior LTI plans had a ratio of 75% performance units to 25% RSUs.

Q: What are the metrics comprising the LTI plan and how are awards made?

A: The Performance Unit awards are graded solely on the Company's Total Shareholder Return ("TSR") Performance Goal, which measures the Company's TSR against a peer group of approximately 40 electric utility holding companies and electric utilities during a three-year period.[34] Like the STI plan metrics, the Performance Unit awards are made based on the Company's achievement level. These awards range from a minimum of 25%

[32] Ibid.
[33] Ibid.
[34] OG&E Proxy Statement & Notice of Annual Meeting dated May 18, 2023, at page 35.

if the Company is at the 25th percentile of the peer group up to a maximum of 200% if the Company is at or over the 90th percentile of the peer group.[35] Awards have a three-year vesting period, and the TSR used to determine the payout is evaluated during that three-year period. If a participant is still employed with the Company on the vesting date and the Performance Unit conditions are met, the stock awards are made.

The RSU awards are also time-based, with a vesting period of three years. Per the Company's Direct Testimony, "35 percent of LTI is not based on financial metrics but rather the time of employment."[36] However, the OGE 2022 Stock Incentive Plan states the following:

> The Committee may condition the vesting of Restricted Stock upon the attainment of Performance Goals established before or at the time of grant and, in each instance, may establish the various levels of achievement of Performance Goals at which a portion or all of such Restricted Stock vests.[37]

Q: What is the expense associated with OG&E's LTI plan in this filing?

A: OG&E has requested $9,100,498 for recovery through rates, which is the four-year average (2019 – 2022) of the valuation of the Company's stock associated with the LTI plan.

[35] Ibid.
[36] Direct Testimony of Kimber Shoop at page 13, lines 16 – 17.
[37] OGE 2022 Stock Incentive Plan, Section 7. Restricted Stock and Restricted Stock Units.

Q: What expenses associated with the LTI plan does PUD recommend for inclusion in rates?

A: PUD recommends the Commission continue its methodology of disallowing all LTI plan expenses for recovery from OG&E's ratepayers. PUD therefore recommends Adjustment H-1 for $(9,100,498) to remove the entire expense associated with the LTI plan as filed.

Q: Please discuss why PUD does not recommend recovery of the LTI plan expenses.

A: PUD's rationale for disallowance of financial-based metrics has been presented in the STI section above. The performance units comprising 65% of OG&E's LTI plan are based on a single financial metric: TSR. PUD believes that a metric graded solely on a comparison of TSR to the Company's selected peer group does not benefit ratepayers. Such an expense should be borne by the Company's shareholders.

As with the STI plan, the TSR achievement can be impacted by factors beyond the Company's control such as the weather. Awards made under the LTI plan are not guaranteed, and if no awards are made in a given year, there is then an expense level embedded in rates that will not be utilized for its intended purpose.

Q: Please address the Company's request to recover at least 35% of the expense associated with the LTI plan.

A: This is the percentage of the expense associated with the RSUs. Per the Company's filed testimony, "since 35 percent of the long-term incentive is guaranteed to pay out every year if an employee stays and is not based on any performance metrics, OG&E believes that at least 35 percent of the long-term incentive compensation should also be included in rates."[38]

PUD does not believe the expense associated with RSUs is valid. This valuation is determined and an expense level set at the revenue the Company would receive if the stock was issued on the open market. This expense is theoretical in nature and assumes the stock would be issued in the first place; therefore, PUD does not believe it is appropriate for recovery through rates.

Q: Does PUD recommend any additional adjustments related to the LTI expense?

A: Yes. A corresponding adjustment to the Company's payroll tax expense must be made. PUD Adjustment H-2 to decrease Payroll Tax Expense by $(736,284) is derived through multiplying PUD Adjustment H-1 to decrease the LTI expense by $(9,100,498) by the effective tax rate of 8.09%.

GRID ENHANCEMENT MECHANISM RIDER TRUE UP

Q: Does OG&E's GEM Rider permit true ups and refunds?

A: Yes. Per the tariff language:

> All cost recovery through the Mechanism shall be subject to true-up and refund in the Company's first rate case following 2024 projects going into service.[39]

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[38] Direct Testimony of Kimber L. Shoop at page 13, lines 26 – 29.
[39] OG&E tariff on file with the Commission, Standard Pricing Schedule: GEM, "Purpose" section.

Q: Does PUD believe a true up of revenues collected through the GEM Rider is necessary?

A: Yes. PUD is recommending removal of certain grid enhancement projects from rate base. Please see the Responsive Testimony of Paul Alvarez for further detail. PUD is also recommending a corresponding decrease to the revenue recovery associated with these projects that the Company has proposed to move from the GEM Rider into base rates. Please see the Responsive Testimony of Trent A. Campbell for further detail.

Since December 1, 2022, the Company has billed its customers and received revenues through the GEM Rider based on return on rate base, depreciation expense, and property taxes associated with the projects PUD recommends removing. Accordingly, the revenues received by the Company associated with those projects need to be trued up.

Q: What needs to be reviewed and trued up?

A: PUD recommends a true up of the revenues billed through the GEM Rider for the return on rate base, depreciation expense, and property taxes associated with the projects PUD recommends removing. PUD will file Errata Testimony to present its recommendation to the Commission once this amount is determined.

STATUTORY AUDIT OF RATEPAYER-BACKED BONDS

Q: Please describe OG&E's ratepayer-backed bonds.

A: Pursuant to 74 O.S. § 9070 et seq, and as authorized by the Commission in Final Financing Order 722254 in Cause No. PUD 202100072, ratepayer-backed bonds were issued to finance OG&E's extreme purchase costs incurred during the February 2021 Winter Storm Uri. The bonds were issued on July 20, 2022, and the amount securitized was $761,654,000.

Q: Does the Commission conduct an audit of the amounts received from customers and paid to the holders of the securitization property?

A: Yes. 74 O.S. § 9078 states:

> In any proceeding where the issue is properly before it, the Oklahoma Corporation Commission may require an audit of all amounts received from customers under an irrevocable and nonbypassable mechanism and paid to a utility, the amounts paid by the utility to the Oklahoma Developmental Finance Authority or other holder of securitization property. An audit, as provided in this section, shall be part of any general rate case filed by a regulated utility currently affected by a financing order with outstanding ratepayer-backed bonds.

Q: Does PUD regularly receive reports containing the information described in the statute?

A: Yes. On a monthly basis, PUD receives a monthly servicer certificate which outlines how much money has been collected from customers and how much has been remitted to the trustee. In addition, PUD receives OG&E's Winter Event Securitization ("WES") Mechanism true-up and supporting workpapers on a semi-annual basis.

Q: How did PUD conduct its audit?

A: PUD reviewed the monthly servicer certificates from the test year and the six-month post-test year, which is September 30, 2022, through March 31, 2024, in this filing. PUD reviewed the amounts collected from customers and remitted to the trustee during the test year and the six-month post-test year. PUD conducted an audit conference with Company personnel to discuss OG&E's accounting process regarding collection and repayment of the bonds. PUD also validated numbers reported in the monthly servicer certificates to OG&E's internal accounting system and the banking records of the trustee, Bank of Oklahoma. PUD also issued a data request for this information.[40]

Q: Have there been any under or over collections?

A: Yes. Based on supporting workpapers from the Company's WES mechanism semi-annual revisions, there was an over-collection of $2,672,293 as of February 1, 2023, an over-collection of $4,522,185 as of August 1, 2023, and an over-collection of $7,232,671 as of February 1, 2024.

Q: Why do over or under collections occur?

A: There are a variety of reasons why there may be an over or under collection. The WES mechanism's billing rate is volumetric, which means it is based on customer usage. If the weather is hotter or colder than forecast, customer usage will increase and so will revenue inflows through WES. If the customer count increases, then an over collection could result. In contrast, if the customer count decreases or customers do not pay their bills this could result in an under collection.

[40] Data Request PUD 17-1.

Q: Did PUD review the results of any other audits conducted during the test year?

A: Yes. Per the Securitization Property Servicing Agreement, an annual review of the activities of the Company and its performance under the Servicing Agreement must be made. External auditors Ernst & Young LLP ("EY") conducted a review of OG&E's receipt and remittance of revenues received through the WES mechanism. PUD reviewed the Report of Independent Accountants on Applying Agreed-Upon Procedures ("Report") for calendar year 2022, dated March 31, 2023, and calendar year 2023, dated March 29, 2024. In the Reports, EY detailed the procedures undertaken for its reviews, including billings, remittances, and reporting requirements. EY made no findings of noncompliance.[41]

Q: What were PUD's conclusions regarding the audit?

A: PUD verified that during the test year and six-month post-test year, OG&E accurately recorded amounts received from customers and amounts paid to the trustee as set up by the securitization process, and in accordance with Final Financing Order No. 722254.

RECOMMENDATION

Q: What is the Public Utility Division's ("PUD") recommendation to the Oklahoma Corporation Commission ("Commission") in Case No. PUD 2023-000087?

A: PUD recommends the Commission accept the following adjustments to Oklahoma Gas and Electric Company's ("OG&E" or "Company") expenses as filed:

[41] Exhibits AMS-2 and AMS-3.

- PUD Adjustment H-10 to increase Payroll Expense by $4,092,075 based on the six-month post-test year update;
- PUD Adjustment H-11 to increase Payroll Tax Expense associated with the Payroll Expense by $331,073 based on the six-month post-test year update;
- PUD Adjustment H-9 to decrease Pension and Other Post-Employment Benefit Expenses by $(626,514) based on the six-month post-test year update;
- PUD Adjustment H-12 to increase the Pension Regulatory Asset Expense by $1,530,709 based on the six-month post-test year update;
- PUD Adjustment H-3 to decrease the short-term incentive ("STI") compensation plan expense by $(9,106,749), inclusive of the six-month post-test year update of $(1,400,738) and a disallowance of $(7,706,010), 50% of the STI expense as of the six-month post-test year;
- PUD Adjustment H-4 to decrease Payroll Tax Expense by $(736,736), inclusive of a $(113,320) decrease based on the Company's six-month post-test year update and a $(623,416) decrease based on PUD's adjustment to the STI expense;
- PUD Adjustment H-1 to decrease the pro forma long-term incentive ("LTI") compensation plan expense by $(9,100,498); and
- PUD Adjustment H-2 to decrease Payroll Tax Expense by $(736,284) based on PUD's adjustment to the LTI expense.

PUD also recommends a true up of revenues collected through OG&E's Grid Enhancement Mechanism Rider since December 1, 2022. These revenues are associated with grid enhancement projects that PUD recommends removing from rate base. The total amount to be disallowed will be determined through the pendency of this Case.

PUD also performed an audit pursuant to 74 O.S. § 9078. PUD verified that during the test year, OG&E accurately recorded amounts received from customers and remitted to the trustee through the securitization process authorized in Final Financing Order No. 722254.

I state, under penalty of perjury under the laws of Oklahoma, that the foregoing is true and correct to the best of my knowledge and belief.

Andrew Scribner
Andrew Scribner

Oklahoma Gas and Electric Company – Case No. PUD 2023-000087

LIST OF EXHIBITS

AMS-1	*Curriculum Vitae*
AMS-2	Ernst & Young Report of Independent Accountants on Applying Agreed-Upon Procedures dated March 31, 2023
AMS-3	Ernst & Young Report of Independent Accountants on Applying Agreed-Upon Procedures dated March 29, 2024

EXHIBIT AMS-1

Andrew Scribner

Curriculum Vitae

Contact

Andrew.Scribner@occ.ok.gov
Tel: 405-521-2331

414 Will Rogers Building
P.O. Box 52000
Oklahoma City, OK 73105

Work Experience

Oklahoma Corporation Commission — 2017 - Present

Programs Manager III, Public Utility Division

- Conduct research and perform comparative analysis of utility applications, reports, financial records, and workpapers.
- Draft testimony for Causes and serve as a peer editor for other Regulatory Analysts.
- Conduct monthly review of utility purchased power and fuel adjustments.
- Perform compliance audits of utility customer billing calculations.
- Lead Analyst responsible for reviewing tariffs submitted by utilities for approval.

Mary Lynn Mihm, Attorney at Law — 2015

Of Counsel

- Performed legal research on a variety of issues pertaining to family law (tax, income assignment orders, and statutory deadlines within which to bring an action).
- Assisted in proofreading documents and drafting legal briefs.
- Drafted pleadings, motions, briefs, and orders in preparation for trial.
- Responsible for compiling documents in preparation for the settlement of cases.

Mary Lynn Mihm, Attorney at Law — 2005 – 2011

Legal Intern

- Corresponded with clients, opposing counsel, and court clerks and deputies.
- Drafted pleadings, motions, briefs, discovery responses, and proposed orders.
- Assisted in trial preparation, including reviewing interrogatories and compiling and organizing client records.
- Attended and assisted in depositions, hearings, and trials.
- Managed case documents and directed discovery requests and responses.

Education

University of Oklahoma College of Law — 2011 – 2014

- Juris Doctor

University of Oklahoma — 2006 – 2010

- Bachelor of Arts, Letters

Professional Licenses and Associations

- Oklahoma Bar Association

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Report of Independent Accountants on Applying Agreed-Upon Procedures

Management of OGE Energy Corp.:

We have performed the procedures enumerated in Attachment A, related to the Securitization Property Servicing Agreement Annual Report Requirement for the period from August 1, 2022 to December 31, 2022 ("Subject Matter"). OGE Energy Corp's management is responsible for the Subject Matter.

OGE Energy Corp ("OGE") (the "Engaging Party") and BOKF NA, as Indenture Trustee (representative of the Oklahoma Development Finance Authority, the Oklahoma Corporation Commission, Standard and Poor Rating Services, and Fitch Ratings, Inc.) (together, "Specified Parties") have agreed to and acknowledged that the procedures performed are appropriate for the intended purpose of the Securitization Property Servicing Agreement Annual Report Requirement in relation to the calculation and remittance of the Winter Event Securitization charges. No other party acknowledged the appropriateness of the procedures. This report may not be suitable for any other purpose. We did not perform any other procedures other than those reported herein. The procedures performed may not address all of the items of interest to a user of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the appropriateness of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed are included in Attachment A; no findings were identified.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants ("AICPA"). An agreed-upon procedures engagement involves the practitioner performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the purpose of the engagement and reporting on findings based on the procedures performed. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the calculation and remittance of Winter Event Securitization charges being in accordance with the Securitization Property Servicing Agreement. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of OGE Energy Corp and to meet our other ethical responsibilities, as applicable for agreed-upon procedures engagements set forth in the Preface: Applicable to All Members and Part 1 – Members in Public Practice of the Code of Professional Conduct established by the AICPA.

The Company is responsible for the source documents that are described in the specified procedures and related findings section. We were not engaged to perform and we have not performed any procedures other than described in Attachment A, including procedures to test the accuracy or completeness of the information provided to us except as indicated in the procedures. Furthermore, we have not performed any procedures with respect to the preparation or verification of any of the source documents. We have no responsibility for the verification of any underlying information upon which we relied in forming our findings.

Furthermore, we undertake no responsibility to update this report for events and circumstances occurring after the date of the report.

The procedures were not performed to determine whether the Company complied with federal, state or local laws or regulations. Accordingly, we did not make such a determination.

The Company is responsible for designing, developing, and maintaining IT general controls and IT applications, and for implementing appropriate operational processes and controls, including those related to IT general controls, to support the ongoing accuracy of the calculations within IT applications. We were not engaged to perform, and we have not performed any procedures other than those described in Attachment A, including procedures to test the design and operating effectiveness of IT general controls related to IT applications.

Furthermore, we undertake no responsibility to update this report for events and circumstances occurring after the date of this report.

This report is intended solely for the information and use of the management of OGE Energy Corp and BOKF NA, as Indenture Trustee (representative of the Oklahoma Development Finance Authority, the Oklahoma Corporation Commission, Standard and Poor Rating Services, and Fitch Ratings, Inc.), and is not intended to be and should not be used by anyone other than these specified parties. It is not intended to be and should not be used by any other person or entity who are not identified as specified parties but who may have access to this report.

Ernst + Young LLP

March 31, 2023

Appendix A

OG&E
Securitization Property Servicing Agreement Annual Report Requirement
Agreed-Upon Procedures

Agreed-Upon Procedures:

Billings:

Select a sample of five bills from each service level subject to WES charges between August 1, 2022 through December 31, 2022 for testing. Disregard any bills selected within the sample and select replacement bills for any bills in which either of the following circumstances exist:

- Bill(s) selected from Service Levels 3-5 with zero billable kWh
- Bill(s) selected from any Service Level without payment per the Servicer's billing system (SAP) as of February 28, 2023

For the sample bills selected (after selecting any replacement sample bill(s) as described above), obtain the line item charges that make up each bill selected for testing from SAP and perform the following:

1. Recalculate all sums and any other formulas contained on the bill to ensure mathematical accuracy.
2. Verify that WES charges were separately identified on each bill in accordance with Annex I, Section 4.(b) of the Securitization Property Servicing Agreement (the "SA").
3. For Service Levels 1-2:
    a. Recalculate the WES charges shown on the bill selected for testing by multiplying:
        i. The applicable block rate as shown on the approved WES Standard Pricing Schedule by
        ii. The number of blocks shown in the Servicer's billing system (SAP).
4. For other applicable service levels identified in the approved WES Standard Pricing Schedule:
    a. Recalculate the WES charges shown on the bill selected for testing by multiplying:
        i. The applicable WESKWH Rate listed in the approved WES Standard Pricing Schedule by
        ii. The kWh listed on each selected bill.
    b. Also agree the number of kWh on each selected bill to metering information from the Servicers billing/metering system (SAP).

Remittances:

5. For each bill selected in Steps #3 and #4 above:
    a. Observe evidence from SAP indicating the date on which each sample bill selected was paid.
    b. For that date, obtain a report from the Servicer that shows the total WES charges collected on that day for all customers.
    c. Obtain and review the bank statement that evidences the total of the funds shown on the report obtained in Step #5.b. were remitted by the Servicer within the timeframe required by Section 6.11(a) of the SA.

   d. Obtain and review statements from the applicable bank that evidence net earnings (if any) on unremitted WES collections were also remitted in accordance with Annex I, Section 6(d) of the Servicing Agreement.

Reporting:

6. Obtain and review evidence that the Servicer complied with the following reporting requirements delineated in the SA (as applicable to the scope period being testing):
   a. Monthly Servicer's Certificate [Section 3.01(b)(i) and Exhibit A]
   b. Semi-Annual Servicer's Certificate [Section 4.01(c)(ii)]

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Report of Independent Accountants on Applying Agreed-Upon Procedures

Management of OGE Energy Corp.:

We have performed the procedures enumerated in Attachment A, related to the Securitization Property Servicing Agreement Annual Report Requirement for the period from January 1, 2023 to December 31, 2023 ("Subject Matter"). OGE Energy Corp's management is responsible for the Subject Matter.

OGE Energy Corp ("OGE") (the "Engaging Party") and BOKF NA, as Indenture Trustee (representative of the Oklahoma Development Finance Authority, the Oklahoma Corporation Commission, Standard and Poor Rating Services, and Fitch Ratings, Inc.) (together, "Specified Parties") have agreed to and acknowledged that the procedures performed are appropriate for the intended purpose of the Securitization Property Servicing Agreement Annual Report Requirement in relation to the calculation and remittance of the Winter Event Securitization charges. No other party acknowledged the appropriateness of the procedures. This report may not be suitable for any other purpose. We did not perform any other procedures other than those reported herein. The procedures performed may not address all of the items of interest to a user of the report and may not meet the needs of all users of the report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the appropriateness of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed are included in Attachment A; no findings were identified.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants ("AICPA"). An agreed-upon procedures engagement involves the practitioner performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the purpose of the engagement and reporting on findings based on the procedures performed. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the calculation and remittance of Winter Event Securitization charges being in accordance with the Securitization Property Servicing Agreement. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of OGE Energy Corp and to meet our other ethical responsibilities, as applicable for agreed-upon procedures engagements set forth in the Preface: Applicable to All Members and Part 1 – Members in Public Practice of the Code of Professional Conduct established by the AICPA.

Some of the procedures referred to selecting a ‘judgmental’ or ‘non-statistical’ sample. Because a statistically valid sampling approach was not used, the sample size and samples selected may not be representative of the population.

The Company is responsible for the source documents that are described in the specified procedures and related findings section. We were not engaged to perform and we have not performed any procedures other than described in Attachment A, including procedures to test the accuracy or completeness of the information provided to us except as indicated in the procedures. Furthermore, we have not performed any procedures with respect to the preparation or verification of any of the source documents. We have no responsibility for the verification of any underlying information upon which we relied in forming our findings.

The procedures were not performed to determine whether the Company complied with federal, state or local laws or regulations. Accordingly, we did not make such a determination.

The Company is responsible for designing, developing, and maintaining IT general controls and IT applications, and for implementing appropriate operational processes and controls, including those related to IT general controls, to support the ongoing accuracy of the calculations within IT applications. We were not engaged to perform, and we have not performed any procedures other than those described in Attachment A, including procedures to test the design and operating effectiveness of IT general controls related to IT applications.

Furthermore, we undertake no responsibility to update this report for events and circumstances occurring after the date of the report.

This report is intended solely for the information and use of the management of OGE Energy Corp and BOKF NA, as Indenture Trustee (representative of the Oklahoma Development Finance Authority, the Oklahoma Corporation Commission, Standard and Poor Rating Services, and Fitch Ratings, Inc.), and is not intended to be and should not be used by anyone other than these specified parties. It is not intended to be and should not be used by any other person or entity who are not identified as specified parties but who may have access to this report.

Ernst + Young LLP

March 29, 2024

Attachment A

OG&E
Securitization Property Servicing Agreement Annual Report Requirement
Agreed-Upon Procedures

Agreed-Upon Procedures:

Billings:

Select a sample of five bills from each service level subject to WES charges between January 1, 2023 through December 31, 2023 for testing. Disregard any bills selected within the sample and select replacement bills for any bills in which either of the following circumstances exist:

- Bill(s) selected from Service Levels 3-5 with zero billable kWh
- Bill(s) selected from any Service Level without payment per the Servicer's billing system (SAP) as of February 29, 2024

For the sample bills selected (after selecting any replacement sample bill(s) as described above), obtain the line item charges that make up each bill selected for testing from SAP and perform the following:

1. Recalculate all sums and any other formulas contained on the bill to ensure mathematical accuracy.
2. Verify that WES charges were separately identified on each bill in accordance with Annex I, Section 4.(b) of the Securitization Property Servicing Agreement (the "SA").
3. For Service Levels 1-2:
    a. Recalculate the WES charges shown on the bill selected for testing by multiplying:
        i. The applicable block rate as shown on the approved WES Standard Pricing Schedule by
        ii. The number of blocks shown in the Servicer's billing system (SAP).
4. For other applicable service levels identified in the approved WES Standard Pricing Schedule:
    a. Recalculate the WES charges shown on the bill selected for testing by multiplying:
        i. The applicable WESKWH Rate listed in the approved WES Standard Pricing Schedule by
        ii. The kWh listed on each selected bill.
    b. Also agree the number of kWh on each selected bill to metering information from the Servicers billing/metering system (SAP).

Remittances:

5. For each bill selected in Steps #3 and #4 above:
    a. Observe evidence from SAP indicating the date on which each sample bill selected was paid.
    b. For that date, obtain a report from the Servicer that shows the total WES charges collected on that day for all customers.
    c. Obtain and review the bank statement that evidences the total of the funds shown on the report obtained in Step #5.b. were remitted by the Servicer within the timeframe required by Section 6.11(a) of the SA.

d. Obtain and review statements from the applicable bank that evidence net earnings (if any) on unremitted WES collections were also remitted in accordance with Annex I, Section 6(d) of the Servicing Agreement.

Reporting:

6. Obtain and review evidence that the Servicer complied with the requirements delineated in the SA to deliver or file the following (as applicable to the scope period being testing):
   a. Monthly Servicer's Certificate [Section 3.01(b)(i) and Exhibit A]
   b. Semi-Annual Servicer's Certificate [Section 4.01(c)(ii) and Exhibit B]
   c. Semi-Annual True Up Letter [4.01(b)]
   d. Certificate of Compliance [4.01(c)(v) and Exhibit C]
   e. Reconciliation Certificate [6.11(c) and Exhibit D]

CERTIFICATE OF ELECTRONIC SERVICE

This is to certify that on the 26th day of April, 2024, a true and correct copy of the above and foregoing was electronically served via the Electronic Case Filing System to those on the Official Electronic Case Filing Service List, or via electronic mail to the following persons:

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Mary Ellen Sanders

Mary Ellen Sanders, Legal Secretary
OKLAHOMA CORPORATION COMMISSION