

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) ORDER NO. 722254
PROTECTION ACT APPROVING)
SECURITIZATION OF COSTS ARISING)
FROM THE WINTER WEATHER EVENT)
OF FEBRUARY 2021)

FINAL FINANCING ORDER

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FINAL FINANCING ORDER

HEARING: October 13-14, 2021, Room 301
2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105
Before Linda S. Foreman, Administrative Law Judge

Hearing on Exceptions: November 30, 2021, Room 301
2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105
Before the Commission *en banc*

APPEARANCES: William L. Humes, Kimber L. Shoop and Jack P. Fite, Attorneys
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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

Pursuant to 74 Okla. Stat. §§ 9070-9081, which includes the February 2021 Regulated Utility Consumer Protection Act (the “Act”), the Legislature of the State of Oklahoma recognized “the significant economic impact of the extreme weather event that occurred during the month of February 2021 (herein referred to as the “2021 Winter Weather Event”) and the “unprecedented utility costs [that] will be passed through to Oklahoma customers of utilities from regulated utility entities.” 74 Okla. Stat. § 9071. To mitigate the effects on such Oklahoma customers, the Act authorized Oklahoma Gas and Electric Company (“OG&E” or the “Utility”), and other utilities subject to the regulatory jurisdiction of the Commission¹, to request the recovery of these extreme purchase costs and extraordinary costs (collectively referred to herein and in the Act as “qualified costs”) through securitization to mitigate the impact of such costs on existing and future ratepayers taking electric service within the sponsoring utility’s service territory in effect as of the issuance date of this Order (collectively referred to herein as “customers”), allowing customers to pay their utility bills at a lower amount over a longer period of time. In addition, 74 Okla. Stat. § 5062.8 was amended to expand the authority of the Oklahoma Development Finance Authority (the “Authority” or the “ODFA”) under the Authority’s enabling act² (as amended, the “Authority Act”) to include authority to issue ratepayer-backed bonds authorized by the Act.

¹ The Act sets forth provisions, including requirements, to which the Commission must adhere in its processing of this Cause and in this Order.

² 74 Okla. Stat. § 5062.1 *et seq.*

On April 26, 2021, OG&E filed its Application with the Corporation Commission (“Commission”) of the State of Oklahoma to seek a determination of prudently incurred costs associated with the 2021 Winter Weather Event eligible for recovery through securitization, and to demonstrate that a securitization would result in substantial revenue requirement savings as compared to conventional utility financing and otherwise satisfy the requirements of the Act.

Testimony in support of and against the Application was filed, with a hearing on the merits initially scheduled for October 11, 2021. Prior to the scheduled hearing, a Joint Stipulation and Settlement Agreement was filed on October 8, 2021 (the “Settlement Agreement”), by and among OG&E, the Public Utility Division of the Oklahoma Corporation Commission (“PUD”), Oklahoma Industrial Energy Consumers (“OIEC”), OG&E Shareholders Association, and Walmart, Inc. (the “Stipulating Parties”). AARP opposed the Settlement Agreement, mainly the amount of recovery from ratepayers and the allocation methodology adopted by the Settlement Agreement. The Oklahoma Office of the Attorney General (“Attorney General”) did not object to the Settlement Agreement.

A hearing was conducted on October 13-14, 2021 before an Administrative Law Judge (“ALJ”), with Commissioners present. Parties presented positions for and against the Settlement Agreement. Despite differing positions, all parties acknowledged or otherwise agreed that securitization provides the most favorable savings to customers. In his Statement of Position, the Attorney General expressed support for securitization after a careful study of OG&E’s workpapers, testimony, and the significant discovery issued in the Cause.³ Specifically the Attorney General stated that he “supports the use of securitization bonds under the [Act] to allow recovery of historic natural gas costs over a longer, manageable period of time and at a lower interest rate than would otherwise be available.”⁴ At the hearing on exceptions, AARP agreed with the Attorney General that the interest rate that can be provided through securitization is a significant benefit to customers, regardless of what the amount is. Further, counsel for AARP stated it has not opposed securitization.

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

³ Attorney General’s Statement of Position P. 3

⁴ *Id.* at P. 1

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

⁶ OAC 165:35-35-1(a) requires that the prudence of a public utility’s purchases be regularly reviewed. The Commission has defined a “prudence review” as a “comprehensive review that examines ... a utility’s practices and policies and judgment regarding an investment or expense at the time the investment was made or expense was incurred.” OAC 165:35-1-2. PUD conducts an annual prudence review to examine whether the cost of fuel, purchased gas or purchased power incurred by the utility was prudent. The prudence review is a comprehensive review that examines the reasonableness of a regulated utility’s practices, policies, and decisions regarding fuel-related

Similarly, OG&E's requested relief in its Application that the Commission determine OG&E's prudently incurred costs associated with the 2021 Winter Weather Event is no different than the reviews by PUD and intervening parties, and the Commission's ultimate determination, in the annual FAC/prudence cases that have been conducted for years.⁷ The only distinction here is that the review is limited to the period of time of the 2021 Winter Weather Event.⁸

After thorough review of the record, the Commission determines that 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. This Final Financing Order ("Order") approves such recovery as more fully detailed herein. Ultimately this Order: (i) approves the issuance of ratepayer-backed bonds (the "Bonds") by the ODFA to finance the recovery of the Approved Qualified Costs, (2) approves the proposed financing structure and parameters for any final bond issuance; (3) authorizes the creation of securitization property in favor of the Utility, including the right to impose and collect irrevocable and nonbypassable charges (herein, "winter event securitization charge" or "WES Charge(s)"), (4) authorizes the sale of such securitization property to the ODFA to secure repayment of the Bonds; (5) approves a nonbypassable mechanism to ensure that customers of the utility cannot evade paying the WES Charge as long as the Bonds are outstanding; (6) approves 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) approves a tariff to implement the WES Charge, all as described in the Act and more fully detailed as follows:

- Part I provides a statutory overview of the Act to give context to this Order;
- Part II discusses the determination and quantification of the 2021 Winter Weather Event related qualified costs eligible for recovery under the Act;
- Part III describes how the Utility has demonstrated a securitization will result in customer savings and otherwise satisfy the requirements of the Act;
- Part IV describes how the Utility proposes to structure the securitization and allocate, impose and collect the WES Charges in a manner which satisfies the requirements of the Act;

investments and expenses While a prudence review may consider and incorporate the findings of the fuel audit, it must go beyond the calculations to examine the prudence of a utility's overall fuel-related policies and decisions, based upon information available when those decisions were made, and whether the resulting charges are just and reasonable.

⁷ As set forth in PUD witness McCoy's testimony, "PUD reviewed the Application, direct testimony, schedules, workpapers, and sponsored exhibits filed by the Company. The review process included a review of applicable statutes and regulations. Various reviews with the Company officials were conducted and data requests were issued by PUD." McCoy Responsive Testimony P. 6 ls. 17-20. Further, the Company "facilitated an internal audit of the winter event in accordance with the Institute of Financial Auditors.... Gas purchasing processes and practices was the focus of the audit." *Id.* at P. 14 ls. 13-18. See also Stroup Responsive Testimony P. 5 ls. 7-12 (explaining PUD's review process).

⁸ 74 O.S. §§ 9072(3) and (6).

- Part V describes the Bond structure for the securitization designed to recover the Approved Qualified Costs in a manner which will be consistent with published rating agency criteria to ensure the highest possible ratings on the Bonds to best maximize savings to customers; and
- Part VI describes certain Bond issuance cost associated with the Bond issuance process and ongoing financing costs and their recovery from proceeds of the Bonds or WES Charges, as appropriate.

I. BACKGROUND AND STATUTORY OVERVIEW

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

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

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

The Act authorizes the creation of a new property right, called securitization property, to secure payment of the ratepayer-backed bonds.¹² The securitization property consists of the right to receive revenues, in the form of the WES Charge, which must be imposed on and collected from

⁹ *Id.* at § 9073.

¹⁰ *Id.* at § 9073(C).

¹¹ *Id.* at § 9073(E).

¹² *Id.* at § 9075(A).

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 in effect as of the date of the applicable financing order 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.¹³ In addition, the nonbypassable mechanism 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, together with all costs necessary to service and administer the bonds.¹⁴ These servicing and administration costs, as well as other costs necessary to manage the structure, all as described more fully herein, are collectively referred to as “ongoing financing costs”.

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

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

The Act further provides:

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

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

¹³ *Id.* at § 9072(5).

¹⁴ *Id.* at § 9072(12).

¹⁵ *Id.* at § 9075(B).

¹⁶ *Id.* at § 9075(D).

¹⁷ *Id.* at § 9074(H).

The Act amends the Authority Act to authorize the ODFA to issue ratepayer-backed bonds authorized pursuant to the Act.¹⁸ In the Authority Act, the State of Oklahoma has pledged to and agreed with the owners of any Bonds issued by the ODFA under the Act that the State will not limit or alter the rights vested in the Authority, including the rights to be held by the Authority in this Order and the securitization property, to fulfill the terms of any agreements made with the owners thereof or in any way impair the rights and remedies of the owners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the owners, are fully met and discharged (the “State Pledge”)¹⁹. This Order requires the Bonds to include a recitation of the State Pledge.

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

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

II. DETERMINATION OF QUALIFIED COSTS

The Stipulating Parties proposed that, among other things, \$739 million of OG&E’s total 2021 Winter Weather Event related costs be deemed prudent and found reasonable by the Commission. Additionally, the Stipulating Parties agreed that the total amount of OG&E’s extreme purchase cost recovery, including carrying costs and bond issuance costs authorized for recovery, is estimated to be \$760 million and requested that the Commission issue a financing order for the securitization of approximately \$760 million as the Approved Qualified Costs.

III. SATISFACTION OF SECTION 9073 FACTORS

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

In its testimony, OG&E demonstrated that as a result of the issuance of the Bonds, customers will realize substantial revenue requirement savings when compared to conventional

¹⁸ *Id.* at § 5062.8.

¹⁹ *Id.* at § 5062.15.

²⁰ *Id.* at § 9077(D).

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 customers set forth in the record are indicative of the savings that customers will realize from the approval of securitization approved herein. By requiring that the weighted average interest rate of the Bonds not exceed 6.0% per annum, the Commission agrees that securitization should result in substantial revenue requirement savings.

The Settlement Agreement has also proposed that the Bonds be amortized over a 28 year period, which is a longer amortization schedule than would ordinarily be practicable or feasible for the Utility to finance its obligations. However, a shorter amortization period is permitted if a shorter term will provide for a lower monthly charge for customers.

The Utility has demonstrated that the 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 form of which is included as Appendix A ("Issuance Advice Letter"), the Utility will provide an updated savings analysis based upon the actual pricing and terms of the Bonds and the final costs of issuance.

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

IV. DISCUSSION OF CERTAIN FINANCING ORDER REQUIREMENTS

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

Bond Maturities: The Stipulating Parties have requested in the Settlement Agreement that the Commission authorize that the Bonds be amortized over a period not to exceed 28 years, using a relatively level annual debt service structure, or a shorter term to obtain the most favorable term for customers that will result in the lowest reasonable monthly charge for customers. In this Order, the Commission finds the Stipulating Parties' proposal to be reasonable and approves the payment of the Bonds based upon relatively level annual debt service structure and with a scheduled final payment date not to exceed 28 years from the date of issuance and a legal final maturity not later than two years after the scheduled final payment date, provided a shorter amortization period is

permitted, as determined by ODFA, with approval of the State Deputy Treasurer for Policy and Debt Management²¹, if such a term will provide for a lower 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 appended hereto as Appendix B to this Order (“WES Mechanism”). The WES Mechanism will remain in effect until the complete repayment and retirement of the Bonds and ongoing financing costs authorized by this Order.

The WES Mechanism 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 Qualified Facilities (“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 located at an address within this state and within the service area of the Utility as of the date of this Order. In this Order, the Commission finds that this nonbypassable mechanism satisfies the requirements of the Act and is consistent with obtaining the highest possible ratings on the Bonds.

Frequency of True-Ups and Reconciliation: The Stipulating Parties have agreed in the Settlement Agreement that the WES Charge will be adjusted (or trued-up) semi-annually to ensure that the WES Charge collections are sufficient to ensure the timely payment of the Bonds. The Stipulating Parties have further recommended in the Settlement Agreement, by agreeing to the WES Mechanism, that the Utility should file for any such adjustments with PUD every six months after the initial WES Charge is determined at the time of issuance of the Bonds. The calculation for any adjustment should be submitted at least 30 days prior to the proposed effective date and the PUD review should be limited to review during the 30-day period for mathematical corrections with any associated adjustments going into effect on the proposed effective date. Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment, will be made in future true-up adjustments.

Hilltop Securities, as financial advisor to the Authority and the Commission (the “Financial Advisor”) has testified that the true-up should be allowed more frequently if required to obtain the highest possible bond ratings. The Financial Advisor has also testified that the true-up should occur quarterly following the final scheduled payment date of the Bonds. In this Order, the Commission agrees with these recommendations by the Financial Advisor. The true-up will be required semi-annually, quarterly commencing 12 months prior to the scheduled final payment date of the Bonds and at any time if the servicer forecasts that WES Charge collections will be

²¹ Referred to in the Act as Deputy Treasurer for Policy and Debt Management and given the title of Deputy Treasurer for Debt Management in 62 O.S. § 695.7(A).

insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or to replenish any draws on the debt service reserve subaccount (“DSRS”) or as required to obtain the highest possible ratings on the Bonds by the rating agencies. The frequency and timing of true-ups shall be documented in the Issuance Advice Letter.

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

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

- First, the servicer will calculate the Periodic Payment Requirement (as defined below) for the next six-month period, or if shorter the period from the adjustment date (or, in the case of the initial WES Charge calculation, the closing date of the Bonds) to and including the next bond payment date, as well as the Periodic Payment Requirement for the next succeeding six month period ending on the following bond payment date (each, a “Payment Period”). The “Periodic Payment Requirement” or “PPR” covers all scheduled (or legally due) payments of principal (including, if any, prior scheduled but 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 Service Level using the Energy Allocation Factor (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 Service Levels: The Stipulating Parties have agreed and recommended 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 the methodology set forth above were utilized to establish the energy allocation factor (the “Energy Allocation Factor(s)”) for each Service Level set forth in the WES Mechanism. The Energy Allocation Factors would remain fixed, except as adjusted by a non-standard true-up adjustment (as defined below), for the life of the Bonds. In this Order, the Commission finds such allocation methodology reasonable and equitable to customers, and approves the methodology.

Non-Standard True-Up Adjustments: The WES Mechanism provides that the Utility, in its capacity as servicer, 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 servicer will submit a non-standard true-up adjustment if projected energy sales or blocks, as applicable, will be 10% lower than that forecast in connection with the most recent semi-annual true-up adjustment. The process for a non-standard true-up adjustment is set forth in greater detail in the WES Mechanism and a form of Non-Standard True-Up Letter is appended as Appendix E. The Financial Advisor has testified that a non-standard true-up adjustment is consistent with achieving the highest possible ratings on the Bonds. The Commission accepts that this method of changing the cost allocation among Service Levels is equitable and consistent with achieving savings to customers, and approves the WES Mechanism.

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, in its capacity as servicer, including any successor to the Utility or any subsequent servicer of the Bonds through a reduction in the amount of future remittances equal to such over-remittance and any under-remittances being paid over to the bond trustee by the Utility, in its capacity as servicer, including any successor to the Utility or any subsequent servicer of the Bonds within five business days. The Commission adopts these recommendations of the Financial Advisor.

V. DESCRIPTION OF PROPOSED FINANCING STRUCTURE

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

A. General Description

The proposed financing structure includes all of the following:

- Creation of securitization property solely in favor of the Utility, which includes the right to bill and collect the WES Charge;
- Sale of the securitization property to the ODFA pursuant to the sale agreement;
- Issuance of the Bonds by the ODFA, consistent with the provisions set forth in this Order;
- Transfer of the net proceeds of the Bonds by the ODFA to the Utility²² in consideration for the sale of the securitization property pursuant to the sale agreement;
- 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;
- 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
- Automatic true-up and reconciliation mechanism.

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

Concurrent with the issuance of the Bonds, the Utility will sell the securitization property to ODFA pursuant to a sale agreement between ODFA and the Utility. This transfer will be structured so that it will qualify as a true sale within the meaning of 74 Okla. Stat. § 9075(F) and

²² Pursuant to 74 Okla. Stat. § 9077(I), the proceeds of the Bonds will be deposited with the State Treasurer pending disposition at the direction of the Authority. The proceeds will be delivered to the Utility pursuant to instructions included in the sale agreement between the Authority and the Utility as further described in this Order.

that such rights will become securitization property concurrently with the sale to ODFA as provided in 74 Okla. Stat. § 9075(G).

Pursuant to a servicing agreement, the Utility will act as the initial servicer of the securitization property, including billing and collecting the WES Charges for the Authority, and will undertake to collect such WES Charges from the customers and remit these collections to the bond trustee on behalf of the Authority. The Utility, in its capacity as servicer, will perform routine billing, collection and reporting duties on behalf of the Authority and will not be permitted to resign as servicer unless it is no longer legally capable of serving in such capacity and until a successor servicer meeting the requirements set forth in the transaction documents is in place. The servicer will be responsible for making any required or allowed true-up and reconciliation of the 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 WES Mechanism as approved in this Order, to be sufficient at all times to pay all scheduled debt service, any past due amounts and other related ongoing financing costs for the Bonds on a timely basis.

B. The Indenture and Flow of Funds

Pursuant to the Act, a bond trustee will be appointed by the State Treasurer and approved by the Authority. The bond trustee will act as a representative on behalf of bondholders, remit payments to bondholders, and ensure bondholders' rights are protected in accordance with the terms of the transaction. The indenture will include provisions for a collection account and related subaccounts, all held by the trustee, for the collection and administration of the WES Charges and payment or funding of the principal of and interest on the Bonds and ongoing financing costs. The collection account will include the general subaccount, the DSRS and the excess funds subaccount, and may include other subaccounts as required to accommodate other credit enhancement.²³

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, in its capacity as servicer, to pay principal of and interest on the Bonds and to pay all other ongoing financing costs. Pending such application, the funds in the general subaccount will be invested by the bond trustee as provided in the indenture, and earnings will be deposited into the general subaccount and applied by the bond trustee to pay principal of and interest on the Bonds and all ongoing financing costs in accordance with the terms of the indenture.

When the Bonds are issued, the bond issuance costs will include a deposit into a cost of issuance account (or subaccount) and a deposit estimated at the time of hearing at 0.50% of the original principal amount of the Bonds to the credit of the DSRS. The DSRS deposit could be higher if required by the rating agencies to obtain the highest possible rating, which benefits customers. The exact amount will be determined by the Authority based upon rating agency considerations and with the advice of the Financial Advisor and the State Deputy Treasurer for

²³ References to accounts and subaccounts herein are for purposes of clarity. The account names and structure will be set forth in the indenture.

Policy and Debt Management, and reflected in the Issuance Advice Letter. The DSRS will serve as collateral to ensure timely payment of scheduled principal of and interest on the Bonds and all ongoing financing costs. The funds in this subaccount will be invested by the bond trustee as provided in the indenture. Any amounts in the DSRS will be available to be used by the bond trustee to pay principal of and interest on the Bonds and certain ongoing financing costs, if necessary, due to a shortfall in 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 remaining in the DSRS will be applied to the final payment of principal of 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 of and interest on the Bonds and to pay the ongoing financing costs. Any balance in or allocated to the excess funds subaccount on a true-up adjustment date will be used as credit in calculating the next true-up adjustment. The money in this subaccount will be invested by the bond trustee as provided in the indenture, and such money (including investment earnings thereon) will be used by the bond trustee to pay principal of and interest on the Bonds and ongoing financing costs.

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

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

Upon the maturity of the Bonds and the discharge of all obligations in respect thereof, remaining amounts in the collection account will be released by ODFA to the Utility, in its capacity as servicer, for crediting to customers, solely on behalf of the Authority, as required by Ordering Paragraph 23.

C. Servicing Arrangements

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

The servicing agreement is an agreement between the Utility, as the initial servicer of the securitization property, and the Authority, as owner of the securitization property. It sets forth the responsibilities and obligations of the servicer, including, among other things, billing and collection of winter event securitization charges, responding to customer inquiries, terminating service, filing for true-up adjustments, and remitting collections to the State Treasurer or bond trustee for distribution to bondholders. The servicing agreement prohibits the Utility from resigning as initial servicer unless it is unlawful for the Utility to continue in such a capacity. The Utility's resignation 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 Authority or the bond trustee upon a majority vote of bondholders. Any merger or consolidation of the servicer with another entity, any purchase of the operation assets of the servicer, or any transfer of the servicer's entity or operational assets in connection with a bankruptcy proceeding will require the merged entity, successor or purchaser to assume the servicer's responsibility under the servicing agreement. The terms of the servicing agreement are critical to the rating agency analysis of the Bonds and the ability to achieve credit ratings in the highest categories.

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

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

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

D. Use of Proceeds

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

E. Approval of Final Bond Terms; Issuance Advice Letter

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

VI. BOND ISSUANCE AND ONGOING FINANCING COSTS**A. Bond Issuance Costs**

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

will have control over Utility Issuance Costs through its jurisdictional control over the Utility. All other issuance costs (collectively, “Non-Utility Issuance Costs”) will be outside the control of the Utility because the issuer of the Bonds, the Authority, is an instrumentality of the state.

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

B. Ongoing Financing Costs

Costs will be incurred by the Utility, in its role as servicer, as well as by the Authority and other state agencies in connection with the servicing and administration of the Bonds. These costs should not be included in the principal amount of the Bonds, and are authorized to be recovered through the WES Charges, subject to the true-up of those charges as provided in this Order. The Financial Advisor estimates that these ongoing annual costs (exclusive of debt service on the Bonds and the servicing fee and external accounting costs of the Utility) will be approximately \$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 and continuing thereafter until all WES Charges have been billed and collected or written off as uncollectible as long as the Utility continues to act as servicer. In addition, the Utility, as initial servicer, has requested that it should be entitled to receive reimbursement for its out-of-pocket costs for external accounting services to the extent external accounting services are required by the servicing agreement, as well as for other items of cost (excluding external information technology costs, bank wire fees and legal fees, which are part of the servicing fee) that will be incurred annually to support and service the Bonds after issuance. As later discussed, the Utility is directed to include the servicing fee, as well as servicing costs, as part of the Utility’s subsequent general rate proceeding, as applicable, to ensure that the Utility does not collect more than its incremental costs.

In the event that a servicer default occurs, the Authority, or the bond trustee acting at the direction of a majority of the bondholders, will be permitted to appoint a successor servicer. The compensation of the successor servicer will be what is required to obtain the services under the servicing agreement. As previously discussed, the Financial Advisor has recommended that the Commission approve a fee up to 0.60% of the initial principal balance of the Bonds in case a successor needs to be appointed, unless the ODFA can reasonably demonstrate to the Commission, in a subsequent proceeding, that the services cannot be obtained at that compensation level under the market conditions at that time. As stated in IV(C), the Commission authorizes an annual

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

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

VII. FINDINGS OF FACT

Based on a review of the entire record in this Cause, including a thorough review of all the evidence, exceptions, response(s) to the exceptions, and all arguments of counsel, the Commission makes the following findings of fact.

A. Identification and Procedure

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

Procedural History

3. On April 26, 2021, the Utility filed its Application. Also on this date, Jared B. Haines and A. Chase Snodgrass entered an appearance on behalf of the Attorney General in this Cause.

4. On April 29, 2021, the 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 OIEC.

7. On May 11, 2021, Rick D. Chamberlain entered his appearance on behalf of Walmart Inc. Also on this date, the Commission issued Order No. 718290, Order Granting the Public Utility Division's Motion to Engage a Financial Advisor(s) or other Consultants.

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

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

10. On June 9, 2021, the Commission issued Order No. 718799, Order Granting [OG&E's] Motion for Protective Order.

11. 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 Act.

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

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

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

15. 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.

16. On August 27, 2021 the Attorney General, OG&E Shareholders Association and AARP filed its Statements of Position.

17. 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.

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

19. On October 7, 2021, Exhibit Lists were filed by OIEC, AARP, the OG&E 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.

20. 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.

21. On October 8, 2021, Responsive Testimony Summaries of James P. Mosher, Mark E. Garrett, Brian C. Collins and Scott Norwood were filed on behalf of OIEC. On this date the Settlement Agreement was filed, in addition to the testimonies in support of the Settlement Agreement by Gwin Cash and Donald R. Rowlett were filed by OG&E.

22. On October 11, 2021, Testimony in Support of the Settlement Agreement of JoRay McCoy was filed by PUD.

23. 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.

24. On November 12, 2021, the ALJ issued her Report and Recommendation of the [ALJ] (“ALJ Report”), recommending the Commission approve the Settlement Agreement.

25. On November 17, 2021, PUD filed its Exceptions to the ALJ Report. Also on this date, AARP filed its Exceptions to the ALJ Report (corrected to November 18, 2021) and Motion for Oral Argument, along with a Notice of Hearing.

26. On November 22, 2022, OG&E and OIEC each filed Responses to AARP’s Exceptions to the ALJ Report.

27. On November 30, 2021, the Commission took up AARP’s Motions for Oral Argument which was granted, and the Commission heard oral argument on the Exceptions and took the matter under advisement.

28. Prior to issuing this Order, the Commission, through the Financial Advisor, 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 74 Okla. Stat. § 9074(B).

B. 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 conducted on October 13-14. The entirety of the testimony offered is contained in the transcripts of these proceedings. The testimony in support of the Settlement Agreement, testimony summaries and statements of position contained in Attachment B of the ALJ Report are incorporated herein by reference. The full record of this Cause includes all items within the definition of “record” as set forth in OAC 165:5-1-3.

C. Approval of the Settlement Agreement

29. The Settlement Agreement represents a resolution of issues in this Cause between and among the Stipulating Parties, which includes the WES Mechanism.

30. Testimony in support of the Settlement Agreement was filed by OG&E and PUD through witnesses Donald Rowlett, Gwin Cash, and JoRay McCoy. In addition, the Financial Advisor testified at the hearing as an expert witness without taking a position on the Settlement Agreement. In a hearing held October 13 and 14, 2021, witnesses provided testimony in support of the Settlement Agreement and all parties, including AARP and the Attorney General, were provided the opportunity to conduct cross-examination. At the conclusion of this hearing, all pre-filed testimony was admitted into the record without objection.

31. In Paragraph 1 of the Settlement Agreement, the Stipulating Parties recommended that OG&E should recover \$739 million of the estimated \$748.9 million total extreme purchase costs. The Stipulating Parties further agreed that the \$739 million in extreme purchase costs related to natural gas and wholesale energy procurement should be deemed prudent and recoverable. Witness Rowlett described, at the hearing and in pre-filed testimony, the operational challenges presented by the 2021 Winter Weather Event and the procurement practices OG&E followed during that event. Witness McCoy testified regarding PUD's prudence review pursuant to the Commission's rules and the extreme and unique nature of the 2021 Winter Weather Event. He testified that OG&E acted in accordance with its Fuel Supply Portfolio and Risk Management Plan during the 2021 Winter Weather Event. 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 would otherwise be recoverable from customers as fair, just and reasonable expenses, were prudently incurred, and those costs should be securitized.

32. 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 2021 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.

33. The Utility's \$739 million extreme 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 Utility'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. 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.

34. In Paragraph 2 of the Settlement Agreement, the Stipulating Parties requested that the Commission find that OG&E has provided the requisite information specified in Section 4(A) of the Act (74 Okla. Stat. § 9073(A)) and that, pursuant to Section 4(C) of the Act (74 Okla. Stat. § 9073(C)), 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, 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.

35. In Paragraph 3 of the Settlement Agreement, the Stipulating Parties requested that the Commission issue a financing order as proposed by the Financial Advisor, with revisions as provided by OG&E 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 terms for customers that will result in the lowest reasonable monthly charge for customers. The Stipulating Parties agreed 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. The Financial Advisor provided information concerning the use of securitization generally, the proposed bond structure and associated transaction documents used to issue the bonds, the provisions of the proposed 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 Settlement Agreement allow the 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. The Financial Advisor further testified that the final decision regarding the term of the bonds will be made by the ODFA after the issuance of this Order. The Commission finds there is substantial evidence to support issuing this Order as requested by the Stipulating Parties, except as otherwise modified herein.

36. In Paragraph 4 of the Settlement Agreement, the Stipulating Parties agreed that OG&E will use its best efforts to pursue the Southwest Power Pool (“SPP”) make-whole payments and resettlement amounts. In his pre-filed and oral testimonies, 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 74 Okla. Stat. § 9073(G) regarding SPP payments and any insurance proceeds received. The Commission finds the provisions of Paragraph 4 of the Settlement Agreement to be in the public interest, as further detailed in Finding of Fact No. 112.

37. In Paragraph 5 of the Settlement Agreement, the Stipulating Parties recommended that the Commission find 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 2021 Winter Weather Event. Witness Rowlett provided pre-filed and oral testimonies affirming the Utility's agreement to base the charge on the actual cost of financing. The Commission finds this provision to be in the public interest.

38. In Paragraph 6 of the Settlement Agreement, the Stipulating Parties agreed 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 future cold weather events 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 daily index pricing. In his pre-filed and oral testimonies, 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.

39. The very large run-up in prices this February was the result of an anomalous event and, based on the 10 year and five year histories of natural gas prices, insulating from such an anomalous market movement by incurring costs to pay for price stabilization mechanisms for that magnitude would not have been justified at the time. Smead Direct P. 9 ls. 6-31. Additionally, considering a history of plentiful gas supplies with no indication of the severity of the 2021 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.

40. OG&E 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.

41. The Utility's 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 2021 Winter Weather 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 not have been prudent 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 event is hindsight without a full understanding of the context of the seriousness of OG&E's efforts to maintain reliability. 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.

42. 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 2021 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 2021 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.

43. In Paragraph 7 of the Settlement Agreement, the Stipulating Parties recommended an allocation and rate design methodology to allocate costs to the individual Service Levels. The methodology adopted under the Stipulation Agreement is based to a great extent on the pre-filed testimony of OIEC witness Collins and supported in the pre-filed and oral testimonies of OG&E witness Cash. OG&E witnesses Rowlett and Cash described the benefits of the application of the energy allocation methodology to each day of the 2021 Winter Weather 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 2021 Winter Weather Event. Witness Cash stated that the update to the allocation eliminates a cost subsidy being born by Service Levels 1 through 4 customers and assigns those costs to the Service Level 5 class based on more exact usage during the 2021 Winter Weather Event. Witness Cash also testified about two exceptions to the cost allocation methodology, which were detailed in Paragraphs 7.a and 7.b of the Settlement 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 Levels 1 and 2 classes based on blocks of 100,000 kWh of usage during the event. These witnesses 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 2021 Winter Weather Event and therefore did not incur any 2021 Winter Weather Event related costs. The Commission concludes that a review of the record supports a finding that the allocation and rate design methodology proposed in the Settlement Agreement is fair, just, and reasonable and in the public interest.

44. OG&E Witnesses Rowlett and Cash also testified regarding the estimated customer impact of the Settlement 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 rather than \$3.95 utilizing traditional utility financing. Witnesses Rowlett and Cash testified that, although a transfer of approximately \$23 million to Service Level 5 customers resulted from the Settlement Agreement, the impact to the average residential customer is only a 10 cents per month increase from the previous impact calculation.

45. In Paragraph 8 of the Settlement Agreement, the Stipulating Parties requested that the WES Mechanism be approved by this Commission. During the hearing on the merits, OG&E

witness Cash detailed the various provisions of the WES Mechanism. Both PUD and OG&E provided testimony in support of this mechanism. The Commission agrees that the WES Mechanism is just and reasonable and should be approved. The Commission finds that the terms and conditions of the WES Mechanism shall comply in all respects with, and be subject to, the terms and conditions of this Order, and if there is a conflict between the terms and conditions of the WES Mechanism and those of this Order, the terms and conditions of this Order shall control.

46. Section II of the Settlement Agreement contains the typical language found in stipulations and settlement agreements filed at the Commission, and the Commission finds the provisions of Section II to be reasonable.

D. Amount to be Financed

Approval of Qualified Costs and Amount of Bonds

47. 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 Order comprise the Approved Qualified Costs. The Approved Qualified Costs are approved for recovery, and are eligible for recovery through the issuance of the Bonds under the Act.

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

Bond Issuance Costs and Ongoing Financing Costs

49. Bond issuance costs (as more fully described in Part VI of this Order) are those that will be incurred in advance of, or in connection with, the issuance of the Bonds, and will be recovered or reimbursed from proceeds of the Bonds (or, if necessary, from WES Charges as described in Finding of Fact No. 58 below).

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

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

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

53. 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.

54. The Utility has provided estimates of its Utility Issuance Costs which costs shall be capped in an amount not to exceed \$500,000. The Financial Advisor has provided an estimate of Non-Utility Issuance Costs were estimated at \$6,320,000. These costs will not be capped.

55. The Utility and PUD, through the testimony of the Financial Advisor, have also provided estimates of ongoing financing costs for the first year following the issuance of the Bonds to be approximately \$750,000 if the Utility is the initial servicer.

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

57. The ODFA's and the Utility's actual or estimated issuance costs, each as specified in the Issuance Advice Letter, shall be paid as follows: the ODFA will pay its Non-Utility Issuance Costs from the proceeds of the Bonds, and the Utility will pay (or reimburse itself) for its Utility Issuance Costs from the net proceeds of the Bonds paid for the purchase price of the securitization property, all at or shortly after the delivery of the Bonds.

58. Within 90 days of the issuance of the Bonds, the ODFA and the Utility will submit to the Commission, by submitting to PUD, a final accounting of their respective issuance costs. If the Utility's actual issuance costs are less than the issuance costs included in the principal amount financed, the revenue requirement for the first semi-annual true-up adjustment shall be reduced by the amount of such unused funds (together with income earned thereon) and the Utility's unused funds (together with income earned thereon) shall be applied to the Utility's ongoing financing costs. If the ODFA's actual issuance costs are less than those estimated, the amount will be recognized as a credit in the true-up adjustment as part of the 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 Order. A failure to provide such report will in no way affect the validity of or security for the Bonds.

E. Customer Benefits

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

60. As described in the testimonies of OG&E Witness Walworth and the Financial Advisor, and in this Order, the Commission is satisfied the Utility has demonstrated that the proposed financing will satisfy each of these criteria.

F. Structure of the Proposed Financing

The Utility

61. 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.

62. 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.

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

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

ODFA/AUTHORITY

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

66. ODFA may issue the Bonds as described in this Order in an aggregate amount not to exceed the Authorized Amount, and ODFA will assign and pledge to the bond trustee, as collateral for payment of the Bonds, the securitization property, including ODFA's right to

receive the WES Charges as and when collected, and any other collateral under the indenture.

Structure, Security and Documents

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

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

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

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

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

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

Credit Enhancement and Arrangements to Enhance Marketability

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

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

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

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

77. 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.

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

Servicer and the Servicing Agreement

79. The Utility will execute a servicing agreement with ODFA, as described in Part V of this Order. The servicing agreement may be amended, renewed or replaced by another servicing agreement, provided that any such amendment, renewal or replacement will not cause any of then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded. The Utility will be the initial servicer but may be succeeded as servicer by another entity under certain circumstances detailed in the servicing agreement. Pursuant to the servicing agreement, the servicer is required, among other things, to collect the applicable 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 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, the bond trustee upon the instruction of the requisite percentage of holders

of the outstanding amount of the Bonds (“requisite bondholders”), shall be authorized to appoint an alternate party to replace the defaulting servicer, in which case the replacement servicer will perform the obligations of the servicer under the servicing agreement. The obligations of the servicer under the servicing agreement and the circumstances under which an alternate servicer may be appointed are more fully described in the servicing agreement. The rights of ODFA under the servicing agreement will be included in the collateral assigned and pledged to the bond trustee under the indenture for the benefit of holders of the Bonds.

80. The servicer shall remit actual WES Charges received to the bond trustee within two servicer business days of receipt according to the methodology described in the servicing agreement.

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

82. No provision of this 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 pursuant to law, 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.

83. The servicing arrangements described in Findings of Fact Nos. 79 through 82 are reasonable, will contribute to the reduction of risk associated with the proposed financing and,

based on the testimony of the Financing Advisor, should, therefore, result in lower WES Charges and greater benefits to the customers and should be approved.

Ratepayer-Backed Bonds

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

85. 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 Bonds. 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 and the State Deputy Treasurer for Policy and Debt Management, at the time the Bonds are priced.

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

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

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

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

WES Charges—Imposition and Collection and Nonbypassability

90. The Stipulating Parties seek 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 Order (including payment of scheduled principal of and interest on the Bonds and ongoing financing costs related to the Bonds on a timely basis). The Utility will seek to bill and collect the WES Charges, as servicer on behalf of ODFA, until the Bonds issued pursuant to this Order are paid in full and all ongoing financing costs of the Bonds have been recovered in full.

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

92. 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.

93. 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 located at an address within this state and within the service area of the Utility as of the date of this Order in order to ensure its nonbypassability. The WES Mechanism 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 result in an equitable allocation of qualified costs among customers and to make all reasonable efforts to secure the highest possible ratings for the Bonds.

94. 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 to the utmost of its ability 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.

95. 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.

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

Periodic Payment Requirements and Allocation of Cost

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

98. The 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.

99. The Stipulating Parties' proposed allocation of the PBR between Service Levels as set forth in the WES Mechanism is reasonable and should be approved.

True-up of WES Charges

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

101. 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) 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.

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

103. True-up submissions will take into account the cumulative differences, regardless of the reason, between the PPR (including scheduled principal and interest payments on the Bonds and ongoing financing costs) and the amount of 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.

104. The servicer will set the initial WES Charges and make true-up adjustments to the WES Charges based upon the WES Mechanism.

105. 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 set forth in the WES Mechanism applicable to the semi-annual true-up. The DSRS requirement may be adjusted above 0.50% of the original principal amount of the Bonds (or such higher level identified at the time

of the initial issuance of the Bonds that benefits customers), as permitted in this Order.

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

Additional True-up Provisions

107. The true-up adjustment submission will set forth the servicer's calculation of the true-up adjustment to the WES Charges. The PUD will have 30 days after the date of a true-up adjustment submission in which to confirm the mathematical accuracy of the servicer's adjustment. Any true-up adjustment submitted to the PUD should be effective on its proposed effective date, which shall be not less than 30 days after submission. Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment, will be made in future true-up adjustment submissions. Any interim true-up may take into account the PPR for the next succeeding 6 months if required by the servicing agreement.

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

109. 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 the WES Mechanism. The Commission's scope of review, conducted by the PUD, of a Non-Standard True-Up is limited to the correction of mathematical errors.

Use of Proceeds

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

111. In accordance with 74 Okla. Stat. § 9074(G) of the Act, upon issuance of this 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 qualified costs for the regulated Utility. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify or amend this Order and shall not affect the validity, finality and irrevocability of this Order, the securitization property irrevocably created hereby or the Bonds.

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

112. To the extent the Utility receives insurance proceeds from private insurers, receives insurance proceeds or grants from the State of Oklahoma or the government of the United States of America, or any similar source of permanent reimbursement after the date of this Order the purpose of which is to provide for recovery of 2021 Winter Weather Event related qualified costs approved for recovery by this Order, the Commission finds that such amounts, as soon as practicable, shall be credited to customers through its fuel cost adjustment mechanism, *Rider for Fuel Cost Adjustment*, with an amortization period, if any, to be determined at that time. All amounts returned to customers shall bear carrying charges at the rate authorized in Paragraph 5 of the Settlement Agreement. Provided; however, consistent with the daily allocation methodology set forth and approved in Paragraph 7 of the Settlement Agreement, any and all related funds received by OG&E from SPP are directed to be allocated using the daily allocation methodology.

VIII. CONCLUSIONS OF LAW

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

2. Notice in this Cause was properly provided in accordance with Commission Order No. 720025.

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

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

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

6. The Commission has authority to approve this Order under 74 Okla. Stat. § 9074(A) of the Act and the Commission's regulatory jurisdiction over the Utility.

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

8. The Bonds must be approved by the Council of Bond Oversight as provided in the Oklahoma Bond Oversight and Reform Act, 62 Okla. Stat. § 695.8.

9. The final structure and terms of the Bonds, consistent with the provisions of this Order, will be approved by the Authority and the pricing of the Bonds will be approved by the

State Deputy Treasurer for Policy and Debt Management²⁴ pursuant to 62 Okla. Stat. § 695.7(C).

10. Pursuant to 74 Okla. Stat. § 9077(I), the proceeds of the sale of the Bonds and revenues received with respect to the securitization property shall be deposited by the State Treasurer in the Consumer Protection Fund maintained with the bond trustee. The State Treasurer shall apply such moneys as provided in Findings of Fact 111 and 112 of this Order.

11. The use of proceeds from the sale of the Bonds in violation of this Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify or amend this Order and shall not affect the validity, finality and irrevocability of this Order until the indefeasible payment in full of the Bonds and all financing costs related thereto.

12. The Commission may adopt a financing order providing for the retiring and refunding of the Bonds under 74 Okla. Stat. § 9077(D).

13. The Commission may, under 74 Okla. Stat. § 9078, 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 of OG&E; provided it is affected by a financing order with outstanding Bonds. The Utility shall provide a copy of any audit to the Governor, the Pro Tempore of the Senate, the Speaker of the House of Representatives and the Authority; provided, however, any part or parts of the audit deemed confidential pursuant to federal or state law or as determined by the Commission, shall be redacted and, provided, further, that the findings of any audit shall not affect the validity, finality and irrevocability of this Order until the indefeasible payment in full of the Bonds and all financing costs related thereto and shall not impact, or be included as part of, the true-up and reconciliation process approved in this Order.

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

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

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

²⁴ See fn 21, *supra*.

17. The Commission has determined 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* 74 Okla. Stat. § 9073(E).

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

19. The credits to be provided to customers pursuant to Findings of Fact Nos. 36 and 112 and the specified mechanism by which to return these amounts to customers is permitted by and satisfies the requirements of 74 Okla. Stat. § 9073(G).

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

21. This 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 74 Okla. Stat. §§ 9074(A)(1) and (2).

22. The method approved in this Order for collecting and allocating the WES Charges is reasonable and satisfies the requirements of 74 Okla. Stat. § 9073.

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

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

25. 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 74 Okla. Stat. § 9075.

26. 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 74 Okla. Stat. § 9075(B).

27. 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 74 Okla. Stat. § 9075 (C).

28. 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 this Order as provided by 74 Okla. Stat. § 9075(F).

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

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

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

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

33. 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, and any successor servicer, will be able to impose and collect 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.

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

35. As provided in 74 Okla. Stat. § 9075(E), a valid and enforceable lien and security interest in the securitization property in favor of the holders of the Bonds or a trustee on their behalf will be created by this Order and the execution and delivery of a security agreement with the holders of the Bonds or a trustee on their behalf in connection with the issuance of the Bonds. The lien and security interest will attach automatically from the time that value is received by the Authority for the Bonds and, on perfection through the filing of notice with the Oklahoma Secretary of State, will be a continuously perfected lien and security interest in the securitization

property and all proceeds of the securitization property will have priority in the order of filing and will take precedence over any subsequent judicial or other lien creditor.

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

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

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

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

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

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

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

will give rise to a contract between owners of the Bonds and the State of Oklahoma for purposes of State of Oklahoma law, including the Contract Clause of the Oklahoma Constitution.²⁵ This Order requires, as authorized by the Authority Act, that the Authority include in the Bonds a recitation of the State Pledge.

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

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

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

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

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

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

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

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

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

²⁵ Okla. Const. Art. II, § 15.

IX. ORDERING PARAGRAPHS

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

A. Approval

1. **Approval of Application and Settlement Agreement.** The Application is approved as provided in this Order. Also, the Settlement Agreement, except as otherwise modified herein, is approved and Findings of Fact Nos. 29-46 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 an estimated \$21 million of carrying costs and bond issuance costs authorized for recovery, subject to change based on final costs and carrying costs until securitization. The final amount of carrying costs shall be calculated by the Authority (with the assistance of PUD staff) as set forth in the Issuance Advice Letter.

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

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

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

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

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

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

B. WES Charges

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

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

11. **Collector of WES Charges.** The Utility, as servicer, including any successor to the Utility, or any subsequent servicer of the Bonds, or other entity which, under the terms of this Order or the tariffs approved hereby, is required to bill the 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, as servicer, and any successor servicer, must allocate the WES Charges among Service Levels in the manner described in this Order.

14. **Nonbypassability.** The Utility and any other entity providing electric distribution services to any customer located at an address within this state and within the Utility's service area as it existed on the date this Order is issued are entitled to collect and must remit, in accordance with this Order, the WES Charges from such customers, and such customers are required to pay such WES Charges. The Commission will do its utmost to 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 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 and Order, including forms of True-Up and Non-Standard True-up Letters set forth in Appendix D and Appendix E. Any necessary corrections to a true-up, due to mathematical errors in the calculation of such adjustment,

will be made in future true-up adjustment filings. True-up adjustments will be posted on the Commission website after the PUD completes its review.

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, as servicer, 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 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 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 described in the testimony of Michael Bartolotta 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 Finding of Fact No. 81, if such higher fee is subsequently 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 submit to PUD, for informational purposes only (with the exception of the Utility Certification included as Attachment 4 to Appendix A hereto), an Issuance Advice Letter, substantially in the form attached to this Order, evidencing the final terms of the Bonds, projected (or actual) costs of issuance and ongoing financing costs for the first year following issuance, projected customer savings, as well the initial WES Charge. The final amount of carrying costs shall be calculated by the Authority (with the assistance of PUD) and set forth in the Issuance Advice Letter.

21. **Refinancing.** This Financing Order does not preclude ODFA and the Utility from filing a request for a “financing order” to retire or refund the Bonds approved in this 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 74 Okla. Stat. § 9077(D).

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

23. **Distribution Following Repayment.** Following repayment of the Bonds authorized in this Order and release of the funds held by the trustee, the servicer, solely on behalf of ODFA, must distribute to current customers the final balance of the general, excess funds, and all other subaccounts, whether such balance is attributable to principal amounts deposited in such subaccounts or to interest thereon, remaining after all other qualified costs have been paid. The amounts must be distributed to each Service Level 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 Service Level 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 Service Levels 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.

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 Order. The servicer must be entitled to collect servicing fees in accordance with the provisions of the servicing agreement, provided that the annual servicing fee payable to the Utility while it is serving as servicer (or to any other servicer affiliated with the Utility) must not at any time exceed 0.05% of the initial aggregate principal amount of the Bonds, plus out-of-pocket costs as described herein. The annual servicing fee payable to any other servicer not affiliated with the Utility shall be subject to approval by the Commission, if required, pursuant to 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 customers' benefit in the Utility's applicable general rate case. The expenses of acting as the servicer shall likewise be included as a cost of service in such general rate case, subject to the actual servicer fee.

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 bond trustee acting at the direction of a majority of the bondholders, may replace the Utility as the servicer in accordance with the terms of the servicing agreement. In the event the successor servicer seeks a fee up to 0.60% of the initial balance of the Bonds, such request is conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. If the servicing fee of the replacement servicer seeks a fee that exceeds 0.60% of the initial aggregate principal amount of the Bonds, the replacement servicer may not begin providing service until or unless the Commission approves the higher fee in a subsequent proceeding in which the ODFA reasonably demonstrates that the services cannot be obtained at a compensation level lower than 0.60% under the market conditions at that time.

No entity may replace the Utility as the servicer in any of its servicing functions with respect to the WES Charges and the securitization property authorized by this Order if the replacement would cause any of the then current credit ratings of the Bonds to be suspended, withdrawn, or downgraded.

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, pursuant to applicable law, 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 end-use customers 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 Nos. 110 and 111.

F. Miscellaneous Provisions

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

36. **Binding on Successors.** This 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 located at an address within this state and within 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 Order.

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

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

39. **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.

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

41. **Compliance with 74 Okla. Stat. § 9073(G).** To the extent the Utility receives insurance proceeds from private insurers, receives insurance proceeds or grants from the State of Oklahoma or the government of the United States of America, or any similar source of permanent reimbursement after the date of this Financing Order the purpose of which is to provide for recovery of 2021 Winter Weather Event related qualified costs approved for recovery by this Order, such amounts, as soon as practicable, shall be credited to customers through its fuel cost adjustment mechanism, *Rider for Fuel Cost Adjustment*, with an amortization period, if any, to be determined at that time. All amounts returned to customers shall bear carrying charges at the rate authorized in Paragraph 5 of the Settlement Agreement. Provided; however, consistent with the daily allocation methodology set forth and approved in Paragraph 7 of the Settlement Agreement, any and all related funds received by OG&E from SPP are directed to be allocated using the daily allocation methodology.

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

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

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

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

CORPORATION COMMISSION OF OKLAHOMA


DANA L. MURPHY, CHAIRMAN

Dissenting Opinion Attached

BOB ANTHONY, VICE CHAIRMAN


J. TODD HIATT, COMMISSIONER

Statement
Attached

CERTIFICATION

DONE AND PERFORMED by the Commissioners participating in the making of this Order, as shown by their signatures above, this 16th day of December, 2021.

BY ORDER OF THE COMMISSION:




PEGGY MITCHELL, Commission Secretary

FORM OF ISSUANCE ADVICE LETTER

[SUBMITTED FOR INFORMATION ONLY PURPOSES]

_____ DAY, _____, 202_

THE OKLAHOMA CORPORATION COMMISSION

[insert address]

SUBJECT: ISSUANCE ADVICE LETTER FOR RATEPAYER-BACKED BONDS

Pursuant to the Final Financing Order issued on the _____ day of _____, 202_ in Cause No. PUD 202100072 before the Oklahoma Corporation Commission, *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; and
- (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 Service Level for the applicable period:	
Bond debt service for the applicable period:	\$ _____
Charge-off rate for each Service Level:	
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 Service Level 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 and Expenses	\$ -
Underwriters' Counsel Legal Fees and Expenses	\$ -
ODFA Legal and 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 and Expenses	\$ -
ODFA Legal and Advisory Fees	\$ -
Original Issuance Discount	\$ -
Commission Fees/Expenses	\$ -
	\$ -
Other Credit Enhancements (Overcollateralization Subaccount)	\$ -
Rounding/Contingency	\$ -
Debt Service Reserve Subaccount (DSRS)	\$ -
Commission Fees/Expenses	\$ -
Total Non-Utility External Issuance Costs	\$ -
Utility's Financial Advisor Fees and Expenses	\$ -
Utility's Counsel Legal Fees and Expenses	\$500,000 -
Utility's Non-legal Securitization Proceeding Costs and 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 Financing Order, as applicable.

ATTACHMENT 2
SCHEDULE B
ESTIMATED ONGOING FINANCING COSTS

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

Note: The amounts shown for each category of ongoing financing costs on this attachment are the expected costs for the first year of the Ratepayer-Backed Bonds. WES 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 SERVICE LEVELS

(1) Service Level	(2) WES Charge ¹
1	%
2	%
3	%
4	%
5	%
Total	100.0000%

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

ATTACHMENT 4

UTILITY CERTIFICATION

THE OKLAHOMA CORPORATION COMMISSION

Attn: Chairman

Jim Thorpe Office Building, 2101 N. Lincoln Blvd.

Oklahoma City, Oklahoma 73105

Pursuant to the Final Financing Order issued on the ____ day of ____, 202_ in Cause No. PUD 202100072 before the Oklahoma Corporation Commission, *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 the Financing Order. If the Public Utility Division of the Oklahoma Corporation 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: _____

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

APPENDIX B TO FINANCING ORDER

Exhibit A WES Mechanism

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

Original Sheet No. XX.X0

Date Issued XXXX XX, XXXX

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

STATE OF OKLAHOMA

EFFECTIVE IN: All territory served.

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

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

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

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

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

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

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

Rates Authorized by the Oklahoma Corporation Commission:
(Effective) _____ **(Order No.)** _____ **(Cause/Docket No.)** _____
XXXX XX, XXXX PUD 202100072

Public Utilities Division Stamp

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

Original Sheet No. XX.X1

Date Issued XXXX XX, XXXX

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

STATE OF OKLAHOMA

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

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

CLASS REVENUE REQUIREMENT:

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

Where:

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

B = SL class Energy Allocator

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

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

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

Where

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

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

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

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

Where

Rates Authorized by the Oklahoma Corporation Commission:

Public Utilities Division Stamp

(Effective) (Order No.) (Cause/Docket No.)

XXXX XX, XXXX

PUD 202100072

OKLAHOMA GAS AND ELECTRIC COMPANY

P. O. Box 321

Oklahoma City, Oklahoma 73101

Original Sheet No. XX.X2Date Issued XXXX XX, XXXXSTANDARD PRICING SCHEDULE: WESSTATE OF OKLAHOMAWINTER EVENT SECURITIZATION (“WES”) MECHANISM

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.

Rates Authorized by the Oklahoma Corporation Commission:

Public Utilities Division Stamp

(Effective) (Order No.) (Cause/Docket No.)

XXXX XX, XXXX

PUD 202100072

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

Original Sheet No. XX.X3

Date Issued XXXX XX, XXXX

STANDARD PRICING SCHEDULE: WES **STATE OF OKLAHOMA**
WINTER EVENT SECURITIZATION (“WES”) MECHANISM

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

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

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

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

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

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

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

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

Rates Authorized by the Oklahoma Corporation Commission:
(Effective) _____ **(Order No.)** _____ **(Cause/Docket No.)** _____
 XXXX XX, XXXX PUD 202100072

Public Utilities Division Stamp

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

Original Sheet No. XX.X4

Date Issued XXXX XX, XXXX

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

STATE OF OKLAHOMA

Rates Authorized by the Oklahoma Corporation Commission:
(Effective) (Order No.) (Cause/Docket No.)
XXXX XX, XXXX PUD 202100072

Public Utilities Division Stamp

ESTIMATED ISSUANCE COSTS

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

Note: Any difference between the Estimated Issuance Costs financed for, and the actual Issuance Costs incurred by, the Authority, the Commission (including the Public Utility Division) 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 and 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 – []% 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. WES Charges will be adjusted at least semi-annually to reflect the actual Ongoing Financing Costs through the true-up process described in the Financing Order, except that the servicing fee is fixed as long as the Utility (or its affiliate) is servicer.

TRUE-UP LETTER

[ODFA Letterhead]

Date: _____, 202_

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

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, Cause No. PUD 202100072 (Financing Application)

Dear _____:

Pursuant to the Final Financing Order adopted on the ____ day of _____, 202_ in Cause No. PUD 202100072 before the Oklahoma Corporation Commission, *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*(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 submitted to the PUD not less than 30 days prior to the first billing cycle of the month in which the revised WES Charges will be in effect. The PUD 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 and 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 – []% 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

[ODFA Letterhead]

Date: _____, 202_

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

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, Cause No. PUD 202100072

Dear _____:

Pursuant to the Final Financing Order adopted on the _____ day of _____, 202_ in Cause No. PUD 202100072 before the Oklahoma Corporation Commission, *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*, (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 submitted to the PUD not less than 30 days prior to the first billing cycle of the month in which the revised methodology for calculating WES Charges will be in effect. The PUD 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.

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

Respectfully submitted,

[Utility]

By: _____
Name: _____
Title: _____

Attachments

[ATTACHMENTS AND WORKPAPERS TO BE INCLUDED]

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)

STATEMENT OF COMMISSIONER J. TODD HIETT

At the Commissioner’s Regular Meeting held on Monday, December 13, 2021, the Commissioners discussed a proposed Final Financing Order in this Cause. During the discussion, Commissioner Anthony raised concerns with the order and indicated he had a prepared dissenting statement (in the event a vote would be taken on the proposed order), and announced he would file it as a deliberations statement—then highlighted some of its content.

Subsequently, Commissioner Anthony filed his *Deliberations Statement regarding OG&E Securitization*. However, unrelated material and comments that have no bearing on this Cause were included in his filing. Specific allegations and materials attacking my role as a Commissioner and my character appeared to be the theme—with comments concerning the merits of this Cause hidden within the defamation.¹

In considering today’s Final Financing Order, Commissioner Anthony indicated he would attach a dissenting opinion. This statement includes the same documents contained in his Deliberations Statement, with additional materials attempting to impugn my character. True to his fashion, Commissioner Anthony fails to include “the rest of the story”. The entirety of Case No. 119,686, in which Commissioner Anthony’s allegations against me were addressed and dismissed, may be found [here](#).

As poignantly noted by my predecessor Commissioner J.C. Watts, Jr.:

Bless his heart. At this point, Bob Anthony’s obsession with this twenty year old matter causes me to believe that he has now crossed over into mental illness He is a mean spirited evil man and I will continue to hope and pray that therapy and counseling will be helpful and constructive. (See attached Comments).

Once elected to the Commission in 2014, I received advice from many whom worked with Bob Anthony, and the sentiments expressed by former Commissioner Watts represented the consensus of concerns expressed to me. While the Commissioners have changed, Anthony’s game has not. Commissioner Anthony remains fixated on a 30-year-old case hoping for a new result.

¹ Commissioner Anthony did not have the courtesy to raise any of these concerns on Monday and did not provide me with a copy of his filing.

I have now sat on the bench with Commissioner Anthony for 7 years and have sadly come to learn he claims to protect the most vulnerable of those paying utility bills, yet his actions reveal otherwise. The February storm was a travesty to our state and Oklahomans. While none of us like the reality, the costs borne by the utilities must be addressed and ultimately recovered. This situation is hard, and the costs are real. The answers are not easy, and the decisions are not fun. However, rather than address the hard, true facts—Commissioner Anthony prefers to prey upon others and mislead them into believing improper behavior and deceit lies behind every corner.

On Monday, Commissioner Anthony stated:

I would share with you that over the weekend I've talked separately to the Governor, to his Chief of Staff and then to the General Counsel to the Governor about this and related matters and I heard a reluctance regarding securitization. That's all I'm going to say on that right now.

I have been advised by the Governor's office the topic of securitization was never discussed.

In this very case, Commissioner Anthony rejected a proposal costing consumers an estimated \$2.00/month. The only other proposal offered was traditional fuel cost payment that could result in more than \$400 in a single month for the average residential customer. I believe most Oklahomans raising families and living on fixed incomes would take issue with how (or whether) Commissioner Anthony is best representing them.

Unfortunately, the reality of the February storm will impact every Oklahoman. The legislature took swift action, and the Governor signed into law an option to minimize the impact to Oklahomans they would otherwise face. Natural gas had to be purchased to maintain electric generation and protect life and property, and now the cost must be paid. While any increase is hard, the reality of this situation is that the outcome of today's order results in the best outcome from a unique situation. And while I would prefer not to have to make this tough decision, I know that the decision—hard or not—must be made, and I am prepared to do just that to fulfill my constitutional oath of office.

Today's "yes" vote will save OG&E's customers hundreds of millions of dollars. A "no" vote would have cost the ratepayers hundreds of millions of dollars. Accordingly, I support Order No. 722254.



J. TODD HIETT, Commissioner

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF A RULEMAKING)
OF THE OKLAHOMA CORPORATION)
COMMISSION TO ADOPT OAC 165:81) CAUSE NO. RM 201000002 ✓
TO ESTABLISH A STATEWIDE)
TOLL FREE CALLING PLAN)

IN RE: INQUIRY OF THE OKLAHOMA)
CORPORATION COMMISSION TO EVALUATE)
PUBLIC SUPPORT MECHANISMS, INCLUDING) CAUSE NO. PUD 201000021
THE HIGH COST FUND, TO EXAMINE)
INTERCARRIER COMPENSATION AND TO)
CONSIDER RELATED ISSUES ASSOCIATED)
WITH TELECOMMUNICATIONS)

**COMMENTS SUBMITTED BY FORMER CORPORATION COMMISSIONER
J.C. WATTS, JR.**

Bless his heart. At this point, Bob Anthony's obsession with this twenty year old matter causes me to believe that he has now crossed over into mental illness. I honestly do think that he is ill, warped and really should seek professional help if he hasn't already. Anthony is in his 22nd year at the Corporation Commission and he, apparently, wants to relive his self-perceived glory days where, in 1990, he went undercover and wore a wire for the Federal Bureau of Investigation.

For the subsequent twenty years, Anthony has been obsessed with trying to resuscitate a closed case. The FBI and the Justice Department did not agree with Anthony's allegations. Obviously, I was never accused of any wrongdoing nor was I the target of any branch of law enforcement. It appears that Anthony believes that both the FBI and the Justice Department are either incompetent compared to his investigative and legal skills or that the FBI and the Justice Department obstructed justice. Again, this story is 20 old. Unfortunately, the only way Anthony can get his name mentioned in the media is to use mine. He is a mean spirited evil man and I will continue to hope and pray that therapy and counseling will be helpful and constructive.

FILED
APR 20 2010

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF)
OKLAHOMA GAS AND ELECTRIC COMPANY) CAUSE NO. PUD 202100072
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)

Commissioner Bob Anthony Dissenting Opinion regarding OG&E Securitization

Critical concerns that jeopardize the validity of this purported \$1.067 billion case were filed by former member of the Oklahoma Legislature Dr. Michael Ritze in his December 3, 2021 public comment:

The legitimacy of securitization cases and the affordability of utility bills for millions of Oklahoma ratepayers are both threatened by the Oklahoma Attorney General's failure to act against blatant public corruption.

Corporation Commissioner Todd Hiett's office "shall become vacant" according to the Oklahoma Constitution, Article 9, Section 16. And according to the ORDER of the Oklahoma Supreme Court issued in Case No. 119686 on September 17, 2021, "The law is unequivocally clear that a proper plaintiff ... is the Attorney General ..." for enforcing the "self-executing provisions of Okla. Const. Art. 9, § 16."

As I detailed in my July 13, 2021 Amicus Brief in the case, "Hiett is in violation of Article 9, Section 16 and his office should be declared vacant." (See attached and online: <https://www.oscn.net/dockets/GetDocument.aspx?ct=appellate&bc=1049898893&cn=PR-119686&fmt=pdf>)

See also "Oklahoma's Epidemic: Distrust of Government Stems from Corruption Ignored" filed in OCC Cause No. 202000083 on September 20, 2021 (attached and online at <https://imaging.occ.ok.gov/AP/CaseFiles/occ30424767.pdf>).

Failing to defend his own dubious status, Commissioner Todd Hiett himself instead twice raised issues about OG&E's "credit ratings" at the December 6, 2021 Corporation Commission meeting posted for "Discussion" of this OG&E securitization application. Specifically Hiett spoke of "the cascading effects. Once again, that negative impact on the credit ratings drives up costs of debt, which once again adversely affects your customer base."

To be clear, the very lawfulness of Commission process in this case is threatened by what the Oklahoma Supreme Court describes as "the self-executing provisions of Okla. Const. Art. 9, § 16" (OSC Case No. 119686, Order of Sep. 14, 2021), provisions invoked by Hiett's unconstitutional banking business interest that disqualify him from his office, stating unequivocally "his office shall become vacant."

AARP and Attorney General did not sign Agreement; Commissioner Anthony votes “no”

Before imposing a purported yet open-ended \$1.067 billion debt obligation on Oklahoma’s public utility customers over the next 28 years, and unreasonably and imprudently declaring it “reasonable and prudently incurred,” careful and comprehensive consideration of all the issues involved should be mandatory. Everyone involved should insist upon honesty, integrity, due process, ethics and total transparency from all parties.

Fundamentally, far too many critical questions remain unanswered. First and foremost, the true price tag! Assuming a \$760 million OG&E securitization amount, plus an estimated \$307 million in interest over the 28-year recovery period, the total financing obligation to be paid by OG&E customers is alleged to be \$1.067 billion... probably... at a minimum. Seeking answers to her “exceptions,” counsel for the AARP further observed, “Customers don’t know where their money is going.” Significantly, the OCC Administrative Law Judge in this case has noted, “The Attorney General and AARP did not sign the Joint Stipulation and Settlement Agreement.”

In my opinion, consumers have a right to know:

- why and how the extraordinary February 2021 fuel and utility charges occurred.
- who profited from the astronomical charges that Oklahoma utilities incurred on behalf of ratepayers, and why do overly-broad confidentiality claims block public access to records.
- why a thorough prudency investigation into OG&E’s \$760 million securitization amount has not been done before these charges are declared “reasonable and prudently incurred.”
- why this securitization is being strung out over an absurdly long 28-year recovery period.
- how paying an extra 40%, some \$307 million in interest, on top of the securitization principal amount, somehow leads to “savings” and where that excessive interest and fees are going.
- who, including banks, stands to profit from the issuance, sale and resale of these bonds.
- why the risk for fuel cost spikes has been overwhelmingly shifted to consumers while the utilities have solid rate of return expectations without assuming much of the associated risk.
- if this “securitization” option has been available for decades and results in such great savings, why regulators haven’t used it more readily for financing and cost recovery.
- if the high cost of future cold snaps or heat waves will similarly be layered on top of this debt, or if the parties assume there will be no more extraordinary weather events in the next three decades.
- if any party involved in the preparation or approval of this settlement agreement has any conflict of interest or affiliated transactions that might cloud the legitimacy of imposing this debt obligation on ratepayers.

The legislature’s “February 2021 Regulated Utility Consumer Protection Act” (74 O.S. 9070, et seq.) provides that “... ratepayer-backed bonds are not an indebtedness of the state”. These wishful semantics have little basis in fact. More accurately, a 1997 briefing paper from the New York Assembly’s Energy Committee¹ states that for practical purposes, securitization authorizes the creation of “new public debt.” Whether designated as “the utilities’ customers” or “taxpayers,” “In either case, it is the people of [the State] that pay.” Or, in the case of a 28-year recovery period, their children and grandchildren too, some of whom will not even have been alive to experience the winter storm they will be paying for decades from now.

¹ Energy Committee, New York Assembly. “Shedding Light on Securitization,” Annual Report (1997).

The New American

Oklahoma Corporation Commissioner Accused of Corruption

by Steve Byas December 14, 2021



TheaDesign/iStock/Getty Images Plus

A former state representative in Oklahoma, Republican James Michael Ritze, is attempting to get Corporation Commissioner Todd Hiatt, a fellow Republican and former speaker of the Oklahoma House of Representatives, removed from office for corruption. After the Oklahoma Supreme Court rejected a previous effort in September on a standing question, Ritze is asking the state's attorney general to take action.

Under the Oklahoma Constitution, the Oklahoma Corporation Commission regulates utility rates for gas and electricity, with a majority of the three commissioners having to approve of any rate increases. The state's constitution, in Article 9, Section 16, also provides that a commissioner shall not "engage in any occupation or business inconsistent with his duties" as a commissioner.

Another former state representative, Mike Reynolds, an Oklahoma City Republican, wrote in a letter to the *Oklahoma Constitution* newspaper, "Yet for almost seven years, that is exactly what Hiatt has done." Reynolds added that Hiatt had "made supervisory decisions for and personally profited from a bank whose business activities are unquestionably impacted by the regulatory decisions he has made as an Oklahoma Corporation Commissioner."

At issue is Hiatt's position as a member of the board of directors, with an ownership stake, of Oklahoma-based Spirit Bank. Not surprisingly, the bank regularly does business with companies that provide energy in the state, and often fall under the regulatory duties of the Corporation Commission. Reynolds said, "If directing and owning a company engaged in business activities directly regulated by the OCC isn't 'inconsistent with his duties' as Corporation Commissioner, I don't know what is."

Hiatt dismisses the concerns, arguing that he has recused himself on cases involving Spirit Bank that have come before the Commission, and calling the lawsuit that

Reynolds filed “frivolous.” He contended that his attorney did not find a problem with what Hiatt is doing. “I hired an attorney to review it, among other things, to make sure none of my personal business dealings were in any way conflicted with my service on the Commission.”

Hiatt added that there were three times that Spirit Bank and a company with which it was doing business were named in an action before the Commission, and he recused himself in all three cases. Reynolds, however, argued in a filing before the Oklahoma Supreme Court (which has original jurisdiction in such cases) that there is no provision in the state’s constitution “to just recuse yourself. The Constitution says you are to be removed from office.”

But in September, the Supreme Court rejected the *quo warranto* petition (an effort to remove a public official from office for violating this provision of the state’s constitution). The court took no position on the merits of the case, but rather held that Reynolds lacked standing to bring the suit. The court held, “The law is unequivocally clear that a proper plaintiff in a *quo warranto* proceeding is the Attorney General, the District Attorney, or a contestant for the office at issue.”

Because of this, former State Representative Ritze has now requested Oklahoma Attorney General John O’Connor to “stand up for the law and the Constitution and against brazen public corruption.” So far, O’Connor has made no comment on whether he will do so. O’Connor was appointed to his office by fellow Republican Governor Kevin Stitt this past year, when the elected AG resigned amidst a personal scandal.

“Oklahoma’s tradition of corruption and self-dealing by our elected officials is well known,” Reynolds said. (In the 1980s, over 200 of the state’s county commissioners were removed from office, with some going to prison, in what is considered the greatest bribery scandal, in sheer number of officials involved, in American history). “It continues to persist and prevail because those tasked with enforcing the law and upholding the Constitution repeatedly neglect their duty and choose to look the other way.”

This controversy could have national repercussions with the recent rise in energy costs. It also raises the issue of what is the proper role of government in setting prices in an industry. The state’s constitution was adopted in 1907, during the so-called progressive era, when utility companies were often given monopoly status in exchange for submitting themselves to government regulation of their prices. Obviously, any time government officials set prices, instead of the free market doing so, the possibility of corruption exists, whether or not that is the case here. It is clear that if a commissioner owns a business or is the director of a business such as Spirit Bank in Oklahoma that has a financial interest that will be greatly affected by his vote in such cases, that is a cause for concern. As of now, Hiatt has denied any wrong-doing, and the attorney general of Oklahoma has not responded to the concerns of Ritze and Reynolds.

<https://thenewamerican.com/oklahoma-corporation-commissioner-accused-of-corruption/>

-----Original Message-----

From: Barbara Hoberock <Barbara.Hoberock@tulsaworld.com>

Sent: Tuesday, July 13, 2021 9:09 AM

To: Bob Anthony <Bob.Anthony@occ.ok.gov>

Subject: [EXTERNAL] Tulsa World request

Commissioner Anthony: I hope you are doing well. Pursuant to the Oklahoma Open Meetings Act, the Tulsa World is seeking the number of oil and gas wells in Oklahoma whose surety is guaranteed by SpiritBank or branches of SpiritBank. In addition, the Tulsa World is seeking the total number of financial institutions which offer a surety to oil and gas wells in Oklahoma. Thank you in advance for your prompt attention to this matter. I can be reached at 405-213-5910. Barbara Hoberock, Tulsa World Capitol Bureau chief

To: Barbara Hoberock (TulsaWorld)

In response to your Open Records Request for information indicating the number of oil and gas wells in Oklahoma whose surety is guaranteed by SpiritBank or branches of SpiritBank - - spreadsheet data shown herewith (as of December 2020) indicates 709 Oklahoma wells with OPEN Operator Status and 44 wells with CLOSED Operator Status. Response to "the total number of financial institutions" portion of your request will come separately.

Well_Count	Operator_Status	Total_Bond	Bond_Instrument	Guarantor	Guarantor_City_State_Zip
6	CLOSED	0	Letter of Credit	SPIRIT BANK	DRUMRIGHT OK 74030
1	CLOSED	0	Letter of Credit	SPIRITBANK	BRISTOW OK 74010
6	CLOSED	0	Letter of Credit	SPIRITBANK	DRUMRIGHT OK 74030
1	CLOSED	0	Letter of Credit	SPIRITBANK	DRUMRIGHT OK 74030
1	CLOSED	0	Letter of Credit	SPIRITBANK	DRUMRIGHT OK 74030
1	CLOSED	0	Letter of Credit	SPIRITBANK	BRISTOW OK 74010
1	CLOSED	0	Letter of Credit	SPIRITBANK	DRUMRIGHT OK 74030
6	CLOSED	0	Letter of Credit	SPIRITBANK	BRISTOW OK 74010
1	CLOSED	0	Letter of Credit	SPIRITBANK NA	SAPULPA OK 74067
1	CLOSED	0	Letter of Credit	SPIRITBANK NA	OILTON OK 74052
18	CLOSED	0	Letter of Credit	SPIRITBANK NA	BRISTOW OK 74010
1	CLOSED	0	Letter of Credit	SPIRITBANK NA	BRISTOW OK 74010
2	OPEN	8500	Certificate of Deposit	SPIRIT BANK	TULSA OK 74119
2	OPEN	25000	Letter of Credit	SPIRIT BANK	TULSA OK 74119
268	OPEN	25000	Letter of Credit	SPIRIT BANK	DRUMRIGHT OK 74030
178	OPEN	25000	Letter of Credit	SPIRIT BANK BRISTOW	BRISTOW OK 74010
1	OPEN	25000	Letter of Credit	SPIRIT BANK BRISTOW	BRISTOW OK 74010
1	OPEN	25000	Letter of Credit	SPIRIT BANK BRISTOW	BRISTOW OK 74010
4	OPEN	25000	Letter of Credit	SPIRIT BANK CUSHING	CUSHING OK 74023
7	OPEN	25000	Letter of Credit	SPIRIT BANK SAPULPA	SAPULPA OK 74066
8	OPEN	25000	Financial Statement	SPIRITBANK	TULSA OK 74135
10	OPEN	25000	Letter of Credit	SPIRITBANK	TULSA OK 74119
1	OPEN	6000	Letter of Credit	SPIRITBANK	BRISTOW OK 74010
3	OPEN	25000	Letter of Credit	SPIRITBANK	BRISTOW OK 74010
13	OPEN	25000	Letter of Credit	SPIRITBANK	DEPEW OK 74028
2	OPEN	25000	Certificate of Deposit	SPIRITBANK	DRUMRIGHT OK 74030
5	OPEN	25000	Letter of Credit	SPIRITBANK NA	BRISTOW OK 74010
8	OPEN	25000	Letter of Credit	SPIRITBANK NA	DRUMRIGHT OK 74030
196	OPEN	25000	Letter of Credit	SPIRITBANK SAPULPA	SAPULPA OK 74066

709 OPEN
44 CLOSED
753 TOTAL

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



Public Comment by Dr. James Michael Ritze

The legitimacy of securitization cases and the affordability of utility bills for millions of Oklahoma ratepayers are both threatened by the Oklahoma Attorney General’s failure to act against blatant public corruption.

Corporation Commissioner Todd Hiatt’s office “shall become vacant” according to the Oklahoma Constitution, Article 9, Section 16. And according to the ORDER of the Oklahoma Supreme Court issued in Case No. 119686 on September 17, 2021, “The law is unequivocally clear that a proper plaintiff ... is the Attorney General ...” for enforcing the “self-executing provisions of Okla. Const. Art. 9, § 16.”

As I detailed in my July 13, 2021 Amicus Brief in the case, “Hiatt is in violation of Article 9, Section 16 and his office should be declared vacant.” (See attached and online: <https://www.oscn.net/dockets/GetDocument.aspx?ct=appellate&bc=1049898893&cn=PR-119686&fmt=pdf>)

See also “Oklahoma’s Epidemic: Distrust of Government Stems from Corruption Ignored” filed in OCC Cause No. 202000083 on September 20, 2021 (attached and online at <https://imaging.occ.ok.gov/AP/CaseFiles/occ30424767.pdf>).



ORIGINAL

IN THE SUPREME COURT OF THE STATE OF OKLAHOMA **FILED**
SUPREME COURT
STATE OF OKLAHOMA

JUL 13 2021

JOHN D. HADDEN
CLERK

THE STATE OF OKLAHOMA *ex rel*)
MIKE REYNOLDS, a natural person, and)
a citizen and registered voter of)
the State of Oklahoma,)

PETITIONER,)

v.)

Case No. 119,686

The Honorable TODD HIETT,)
Corporation Commissioner of)
the State of Oklahoma, in his official capacity,)

RESPONDENT.)

Received:	7-13-21
Docketed:	
Mailed:	
COA/OKC:	JE
COA/TUL:	

APPLICATION OF DR. JAMES MICHAEL RITZE, PRO SE, TO FILE AMICUS CURIAE
BRIEF pursuant to Oklahoma Supreme Court Rule 1.12(b)(2)

This statement contains an Amicus Curiae Brief submitted by Dr. James Michael Ritze in the interest of good government and upholding provisions of the Oklahoma Constitution against corruption by elected officials, especially Oklahoma Corporation Commissioners.

Hiett is in violation of Article 9, Section 16 and his office should be declared vacant.

By serving as a member of the Board of Directors of SpiritBank and Spirit Holding Company, Oklahoma Corporation Commissioner Todd Hiett undertakes fiduciary duties to the bank and its ownership that violate the Article 9, Section 16 Constitutional provision that “any such commissioner ... shall not .. engage in any occupation or business inconsistent with his duties as such commissioner.” Consequently, failing to meet the qualifications for office specified in Article 9, Section 16, Todd Hiett’s office of Oklahoma Corporation Commissioner “shall become vacant.” This prescribed self-executing remedy to conflicts of interest by a commissioner actually appears twice in Article 9, Section 16.

Hiett is also in violation of his Article 9, Section 17 Oath of Office.

Further, Hiett is also in violation of the additional Oath of Office for Corporation Commissioners set forth in Section 17 which requires: “each of said commissioners” to “swear that he is not, directly or indirectly, interested in any railroad, street railway, ... telephone or telegraph lines, compress and elevator companies, and all other corporations over which said Commission has jurisdiction[.]” Regardless of whether the court considers SpiritBank’s guarantee of OCC-required oil and gas well surety bonds, its allowing borrowers to pledge OCC-regulated assets as loan collateral, or its making loans to OCC-regulated or -impacted companies (utility companies, energy companies, trucking companies, gas stations, Uber drivers, any small business with a utility bill, etc.), Commissioner Hiett’s active engagement in the banking business is absolutely inconsistent with his ongoing Corporation Commission duties.

Hiett’s relationship with SpiritBank is connected to several other unlawful activities.

In addition to the unconstitutional conflict of interest brought to the court’s attention by the Petitioner, Todd Hiett’s directorship of SpiritBank also appears to be the nexus of several other unlawful activities in which Hiett has been engaged during his tenures as an elected official and a candidate for elective office in Oklahoma, including his tenure at the Oklahoma Corporation Commission.

Undisclosed SpiritBank loans and illegal personal loans payments from campaign funds.

Hiett’s publicly available campaign finance reports filed with the State Ethics Commission for his 2010 Lt. Governor campaign¹ and 2014 Corporation Commission campaign² show unusual loan activity involving SpiritBank. The reports show both these campaigns were making loan/interest payments to SpiritBank on loans the campaigns never reported receiving! No competent authority has yet determined whether these payments were (1) the result of loans made by SpiritBank

directly to Hiett's campaign – terms unknown – that Hiett illegally failed to disclose for the duration of the 2010 and 2014 campaigns and through to the present day; or (2) the result of loans made by SpiritBank to Hiett personally – in which case, to make payments on such personal loans from campaign funds would also be illegal.

Lest there be any confusion, candidates for statewide office are NOT allowed to pay interest on personal loans out of campaign funds, nor are they allowed to make payments on bank loans to their campaign out of campaign funds if those loans were never reported.³ Unfortunately, these loan payments are only the beginning of what has revealed itself to be Hiett's pattern of illegally using campaign funds to pay personal expenses.

Illegal use of campaign funds for yet more personal expenses.

The designated depository holding Hiett's 2010, 2014 and 2020 campaign funds from which he has paid "expenses" is SpiritBank. Under State Ethics rules, elected officials are allowed to use leftover campaign funds for (among limited other things) "the cost of holding office" (aka "officeholder expenses") but those do not include personal expenses that a person would incur if he/she were not an office holder (e.g. rent, food, clothes, car, dry cleaning, etc.) or things that are already provided by State Government to officeholders (office, telephone, computer, etc.).³

The post-election campaign reports for Hiett's 2014 campaign show regular and repeated "officeholder expenses" that are in fact rent payments for so-called "office/lodging" (i.e. his apartment in Oklahoma City). An Ethics Commission Interpretation (EI-2001-006)⁴ makes clear that personal living expenses such as lodging are not "officeholder expenses" and therefore are not permissible uses of surplus campaign funds for statewide elected officials. Rent on an "office" would also not be an officeholder expense because State Government provides an office.

These impermissible apparently-personal uses of 2014 campaign funds continued all the way through his Q2 2020 report (just before rolling the leftover money into his new 2020 campaign) and included the purchase of a computer in Q4 2019 and a \$450 payment for “telephone” in Q4 2018 (both provided by state government to officeholders and therefore impermissible).

All told, Hiatt paid well over \$40,000 in questionable “officeholder expenses” from his 2014 campaign funds.

The illegal personal use of campaign funds continues in the reports for Hiatt’s 2020 campaign⁵ (another \$8400 for the Oklahoma City apartment alone through Q2 2021). But during the 2020 campaign, Hiatt recategorized some of them (as general campaign expenditures instead of “officeholder expenses”) and relabeled them (e.g. “office lease” instead of “office/lodging”) even though the monthly amount was the same and the payments were being made to the same real estate company as before. Hiatt’s attempted window dressing to make these and other personal expenses appear as legitimate campaign expenditures was ultimately ineffectual however; because they are his personal living expenses, they are still impermissible uses of campaign funds, no matter what he calls them or how he categorizes them.

Illegal fundraising after 2020 campaign to bolster his illicit slush fund.

To add insult to injury, even after KWTW Channel 9 reported on some of these improper uses of campaign funds in September 2020⁶, Hiatt not only continued his well-established practice of using campaign funds to pay personal expenses (including his apartment rent) throughout the remainder of the 2020 campaign, he also illegally raised more funds after the election to bolster the slush fund of “surplus” campaign funds from which he has continued to make such illegal payments.

Per Oklahoma Statute (Title 17, Section 48), contributors may only “make contributions... to the cost of any current candidate’s political campaign.” On his 2020 Post-General Election and his Q1 2021 campaign finance reports, Todd Hiatt’s campaign reported receiving some \$29,000 in contributions *after* his re-election (on Nov. 3, 2020) – contributions to a campaign account that already showed a \$100,000+ surplus. Thus, it cannot be said these were contributions “to the cost of any current candidate’s political campaign” because the campaign was over and there were no outstanding debt or outstanding expenses beyond the means of the campaign’s remaining balance. The statute does not allow an OCC candidate to raise funds for any non-campaign purpose (like the aforementioned “officeholder expenses” permitted under State Ethics Commission rules).

Todd Hiatt’s removal from office is in the best interests of Oklahoma, not to mention long overdue.



James Michael Ritze

Footnotes:

(1) Campaign Finance Reporting for Hiatt’s 2010 Lt. Governor campaign:
https://www.ok.gov/ethics/public/search_reports_1.php?reg_id=110006

(2) Campaign Finance Reporting for Hiatt’s 2014 Corporation Commission campaign (through Q1 2016):
https://www.ok.gov/ethics/public/search_reports_1.php?reg_id=114244
Campaign Finance Reporting for Hiatt’s 2014 Corporation Commission campaign (starting Q2 2016):
<https://guardian.ok.gov/PublicSite/SearchPages/OrganizationDetail.aspx?OrganizationID=8545>

(3) Ethics Commission’s Candidate Guide, sections on Loans (page 34+) and Expenses (page 36+):
https://www.ok.gov/ethics/documents/July%202019%20-%20June%202020_STATE%20candidate%20guidev.2019.1_FINAL.pdf

(4) Ethics Commission Ethics Interpretation EI-2001-06:
https://web.archive.org/web/20061001010050fw_/http://www.ethics.ok.gov/ei_only.html#EI-01-006

(5) Campaign Finance Reporting for Hiatt’s 2020 Corporation Commission re-election campaign:
<https://guardian.ok.gov/PublicSite/SearchPages/OrganizationDetail.aspx?OrganizationID=10118>

(6) “Corporation Commissioner Spent Campaign Funds On OKC Apartment, According To State Campaign Finance Reports” (9/14/2020, KWTW News 9, Oklahoma City, OK):
<https://www.news9.com/story/5f5ff4d74329ed0bbee72c2c/corporation-commissioner-spent-campaign-funds-on-okc-apartment-according-to-state-campaign-finance-reports>

BEFORE CORPORATION COMMISSION OF STATE OF OKLAHOMA COURT CLERK'S OFFICE - OKC
IN RE: INQUIRY TO EXAMINE ISSUES CAUSE NO. PUD 20200083 CORPORATION COMMISSION
OF OKLAHOMA

Oklahoma's Epidemic: Distrust of Government Stems from Corruption Ignored

Distrust of government is an epidemic in Oklahoma, and is it any wonder? When a statewide elected official at one of our most economically powerful state agencies – Corporation Commissioner Todd Hiatt – is allowed to openly violate the Oklahoma Constitution, State Statutes and Ethics Rules year after year without consequences?

Hiatt admits he has an ownership stake in SpiritBank and serves on the bank's board of directors, all the while regulating the bank's activities guaranteeing surety bonds for the operators of more than 700 oil, gas and disposal wells as a member of the Oklahoma Corporation Commission.

Article 9, Section 16 of the Oklahoma Constitution says a Corporation Commissioner shall not "engage in any occupation or business inconsistent with his duties" as commissioner. Yet for almost seven years, that is exactly what Hiatt has done – made supervisory decisions for and personally profited from a bank whose business activities are unquestionably impacted by the regulatory decisions he makes as an Oklahoma Corporation Commissioner.

Hiatt's regulatory decisions at the OCC are supposed to be in the best interests of the State of Oklahoma, not in his personal best interests as a director and owner of SpiritBank. If directing and owning a company engaged in business activities directly regulated by the OCC isn't "inconsistent with his duties" as Corporation Commissioner, I don't know what is.

What's more, per an amicus brief from former State Representative Mike Ritze, Hiatt's own campaign finance reports filed with the State Ethics Commission indicate he has solicited and accepted illegal campaign contributions in violation of State Statute (Title 17, Section 48) and illegally spent tens of thousands in campaign funds for personal uses including payments for a second home, transportation, meals and a computer. This continuing abuse of the public trust is so flagrant, it would be almost unbelievable if it weren't in black and white on the Ethics Commission's website.

On September 14, 2021 the Oklahoma Supreme Court said the law is "unequivocally clear" that the proper plaintiff in a proceeding seeking to remove Hiatt from office is the Attorney General. The facts of Todd Hiatt's unconstitutional conflict of interest and other financial misdeeds have been clearly laid out. Now it is time for Attorney General John O'Connor to stand up for the law and the Constitution and against brazen public corruption.

Oklahoma's tradition of corruption and self-dealing by our elected officials is well known. It continues to persist and prevail because those tasked with enforcing the law and upholding the Constitution repeatedly neglect their duty and choose to look the other way. Will John O'Connor step up and help restore Oklahomans' trust in their government and the elected officials entrusted with running it? Time will tell, and it shouldn't take long.