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

APPLICATION OF PUBLIC SERVICE )  
COMPANY OF OKLAHOMA (“PSO”) FOR )  
APPROVAL OF A FINANCING ORDER FOR ) CAUSE NO. PUD 202100076  
THE COLLECTION OF INCREASED COSTS, )  
CAUSED BY THE EXTREME WINTER ) ORDER NO. 723434  
WEATHER AND CONTAINED IN THE )  
REGULATORY ASSET AUTHORIZED BY )  
ORDER 717625, INCLUDING AN )  
APPROPRIATE CARRYING COST, AND SUCH )  
OTHER RELIEF AS THE COMMISSION DEEMS )  
PSO IS ENTITLED )

**FINAL FINANCING ORDER**

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## FINAL FINANCING ORDER

HEARING: January 5, 2022, Room 301  
2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105  
*Before* Dustin R. Murer, Administrative Law Judge

APPEARANCES: Jack P. Fite and Joann S. Worthington, Attorneys *representing* Public Service Company of Oklahoma  
Jared B. Haines and A. Chase Snodgrass, Assistant Attorneys General *representing* Office of Attorney General, State of Oklahoma  
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 Public Service Company of Oklahoma (“PSO” or the “Utility”), and other utilities subject to the regulatory jurisdiction of the Commission<sup>1</sup>, 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 act<sup>2</sup> (as amended, the “Authority Act”) to include authority to issue ratepayer-backed bonds authorized by the Act.

On April 28, 2021, PSO 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 December 9, 2021. Prior to the scheduled hearing, which through successive continuations had been scheduled for January 5, 2022, a Joint Stipulation and

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

<sup>2</sup> 74 Okla. Stat. § 5062.1 *et seq.*

Settlement Agreement and a Joint Stipulation and Exhibit [*sic*] HMW-1 was filed on January 4, 2022, and an Amended Joint Stipulation and Settlement Agreement correcting typographical errors and clarifying language was filed on January 6, 2022 (the “Settlement Agreement”), by and among PSO, the Public Utility Division of the Oklahoma Corporation Commission (“PUD”), the Office of the Attorney General, State of Oklahoma (“Attorney General”) Oklahoma Industrial Energy Consumers (“OIEC”), and Walmart Inc. (“Walmart”) (the “Stipulating Parties”). AARP opposed the Settlement Agreement.

A hearing was conducted on January 5, 2022, before an Administrative Law Judge (“ALJ”), with Commissioners present. Although the hearing was focused on the proposed Settlement Agreement, the entirety of the testimony and exhibits reflecting the positions of the parties, prior to the Settlement Agreement, was introduced and admitted into the record. Accordingly, the Commission, in reviewing this Cause and issuing this order, has reviewed and bases its decision on the entirety of the record. At the hearing, the Parties presented positions for and against the Settlement Agreement. Despite differing positions, all parties, with the exception of AARP, acknowledged or otherwise agreed that securitization provides the most favorable savings to customers.

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)”) <sup>3</sup> and the prudence of the utilities’ fuel procurement processes and costs for the corresponding calendar year. <sup>4</sup>

Similarly, PSO’s requested relief in its Application that the Commission determine PSO’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. <sup>5</sup> The only distinction here is that

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<sup>3</sup> 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.

<sup>4</sup> 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 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.

<sup>5</sup> 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. 14-17. 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. 9-14 (explaining PUD’s review process).

the review is limited to the period of time of the 2021 Winter Weather Event.<sup>6</sup>

After thorough review of the record, the Commission determines that PSO is eligible to recover \$688 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 Storm Cost Charge” or “WSC 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 WSC Charge as long as the Bonds are outstanding; (6) approves a true-up and reconciliation procedure to ensure that the WSC 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 WSC 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 WSC Charges in a manner which satisfies the requirements of the Act;
- Part V describes the Bond structure for the securitization designed to recover the Approved Qualified Costs in a manner which will be consistent with published rating agency criteria to ensure the highest possible ratings on the Bonds to best maximize savings to customers; and
- Part VI describes certain Bond issuance cost associated with the Bond issuance process and ongoing financing costs and their recovery from proceeds of the Bonds or WSC 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

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<sup>6</sup> 74 O.S. §§ 9072(3) and (6).

resulted in a shortage of natural gas supply, the failure of certain infrastructure, and increased demand for natural gas and electric power. The extreme weather conditions resulted in extraordinary costs for regulated utilities operating in the state. To mitigate such extraordinary costs the Oklahoma Legislature enacted, and the Governor of Oklahoma signed into law, the Act to provide financing options to lower the immediate economic impact on consumers.

The Act authorizes the Commission, in any case where a regulated utility is requesting recovery of extreme purchase costs, or extraordinary costs or both related to the 2021 Winter Weather Event eligible for recovery under the Act, to approve the recovery of such costs through securitization in order to mitigate the impact of such recovery on customer bills.<sup>7</sup> 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.<sup>8</sup> 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.<sup>9</sup>

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.<sup>10</sup> The securitization property consists of the right to receive revenues, in the form of the WSC Charge, which must be imposed on and collected from customers through a nonbypassable mechanism to ensure that customers cannot avoid paying the WSC Charge. The nonbypassable mechanism must provide that the WSC 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.<sup>11</sup> In addition, the nonbypassable mechanism requires a true-up and reconciliation process by which the WSC 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.<sup>12</sup> These servicing and administration costs, as well as other costs necessary

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<sup>7</sup> *Id.* at § 9073.

<sup>8</sup> *Id.* at § 9073(C).

<sup>9</sup> *Id.* at § 9073(E).

<sup>10</sup> *Id.* at § 9075(A).

<sup>11</sup> *Id.* at § 9072(5).

<sup>12</sup> *Id.* at § 9072(12).

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.<sup>13</sup> 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.<sup>14</sup>

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.<sup>15</sup>

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

The Act amends the Authority Act to authorize the ODFA to issue ratepayer-backed bonds authorized pursuant to the Act.<sup>16</sup> 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”)<sup>17</sup>. This Order requires the Bonds to include a recitation of the State Pledge.

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<sup>13</sup> *Id.* at § 9075(B).

<sup>14</sup> *Id.* at § 9075(D).

<sup>15</sup> *Id.* at § 9074(H).

<sup>16</sup> *Id.* at § 5062.8.

<sup>17</sup> *Id.* at § 5062.15.

The Commission may adopt a financing order providing for the retiring and refunding of the Bonds.<sup>18</sup> 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, \$675.2 million of PSO'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 PSO's extreme purchase cost recovery, including carrying costs and bond issuance costs authorized for recovery, is estimated to be \$688 million and requested that the Commission issue a financing order for the securitization of approximately \$688 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 or offset the potential savings.

In its testimony, PSO demonstrated that as a result of the issuance of the Bonds, customers will realize substantial revenue requirement savings when compared to conventional financing methods. PSO 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 \$26.55 million when comparing a 20-year securitized bond at the expected weighted average interest rate of 2.37 % to traditional utility financing at the Utility's most recent approved 8.55% rate of return for the same time period. For a residential customer, this amounts to a monthly savings of approximately \$2.39. In total for the entire 20 years, customers would save \$517.81 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.

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<sup>18</sup> *Id.* at § 9077(D).



The Settlement Agreement has also proposed that the Bonds be amortized over a 20-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 or longer amortization period is permitted if a shorter or longer 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 20 years, using a relatively level annual debt service structure, or a longer or 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 20 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 or longer amortization period is permitted, as determined by ODFA, with approval of the State Deputy Treasurer for Policy and Debt Management<sup>19</sup>, 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 (“WSC Rider”). The WSC Rider will remain in effect until the complete repayment and retirement of the Bonds and ongoing financing costs authorized by this Order.

The WSC Rider also describes features demonstrating how the WSC Charge will be nonbypassable to customers, even if such customers switch providers, change fuel sources or

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<sup>19</sup> 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).

materially change usage. Customers who self-generate under the Utility's Net Energy Billing Option ("NEBO") tariff will be assessed the WSC Charge based upon their gross usage. In addition, the WSC 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 WSC 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 WSC Charge will be adjusted (or true-up) semi-annually to ensure that the WSC 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 WSC Rider, that the Utility should file for any such adjustments with PUD every six months after the initial WSC 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 WSC Charge collections will be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or to replenish any draws on the debt service reserve subaccount ("DSRS") 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 WSC Charge for the Bonds in accordance with the WSC Rider. Generally, the WSC 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 WSC 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 WSC 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 WSC Charge revenue that must be billed during each Payment Period to ensure that sufficient WSC 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 WSC 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 WSC Charge for each Service Level for the next Payment Period and the next succeeding Payment Period will be compared and the higher WSC Charge will be the WSC 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 WSC Charge.

All true-up adjustments to the WSC Charges will ensure the billing of WSC 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 WSC 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 WSC 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 rate classes or six 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. 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 WSC Rider. 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 WSC Rider 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 the threshold billing units. The process for a non-standard true-up adjustment is set forth in greater detail in the WSC Rider 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 WSC Rider.

*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 WSC 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 Utility<sup>20</sup> in consideration for the sale of the securitization property pursuant to the sale agreement;

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<sup>20</sup> 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.

- Collection on behalf of the ODFA of WSC Charges by the Utility or its successors, as collection agent and servicer, who will be responsible for billing and collecting the WSC Charges from customers;
- Pledge of the WSC 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 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 WSC Charges for the Authority, and will undertake to collect such WSC 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 WSC 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.

WSC Charges will be calculated and adjusted from time to time, pursuant to the WSC Rider 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 WSC 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.<sup>21</sup>

The bond trustee will deposit the WSC 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 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 WSC Charge collections. Any funds drawn from the DSRS to pay these amounts due to a shortfall in the WSC Charge collections will be replenished through future WSC 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 WSC 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

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<sup>21</sup> References to accounts and subaccounts herein are for purposes of clarity. The account names and structure will be set forth in the indenture.

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

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

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

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

#### **D. Use of Proceeds**

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

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

The Commission recognizes that certain details of the final Bond structure, such as any overcollateralization requirements or credit enhancements to support payment of the Bonds, and the final terms of the Bonds will depend in part upon the rating criteria of the nationally recognized credit rating agencies which will rate the Bonds and/or, in part, upon the market conditions that exist at the time the Bonds are taken to the market. This Order establishes and approves a financing structure as well as parameters for the Bonds, including maximum final scheduled payment dates, a weighted average interest rate on the Bonds, the method by which the Bonds should be amortized, as well as limits on certain costs to be incurred by the Utility, including Utility bond issuance costs and Utility servicing fees. As authorized by the Act, ODFA, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, will determine and approve the final terms of the Bonds consistent with the terms of this Order. Within three business days of the pricing of the Bonds, ODFA and the Utility will jointly submit to PUD, for information purposes (except with respect to the Utility certification), an Issuance Advice Letter evidencing the final terms of the Bonds, projected (or actual) costs of issuance and



ongoing financing costs, projected customer savings, as well as the initial WSC 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 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 \$700,000 (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 WSC 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 WSC 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 Part V(C), the Commission authorizes an annual successor servicing fee up to 0.60% of the initial balance of the Bonds conditioned upon the ODFA having justification for agreement of such servicing fee and satisfaction that the servicing fee will not adversely affect the then-current ratings on the related Bonds. Moreover, should the successor servicer seek a servicing fee higher than 0.60%, such fee is not approved. Any servicing fee higher than 0.60% requires Commission approval in a subsequent proceeding. The Commission approves these servicing arrangements.

As set forth herein, the ODFA, the Utility and the Commission should be and are permitted to recover from WSC 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. PSO 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. PSO 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 28, 2021, PSO filed its Application in this Cause, for approval of a Financing Order for the Collection of Increased Costs, caused by the extreme winter weather and contained in the Regulatory Asset Authorized by Order 717652, including an appropriate carrying cost, and such other relief as the Commission deems PSO is entitled.

4. Also on April 28, 2021, the Attorney General filed an Entry of Appearance on behalf of Jared B. Haines and A. Chase Snodgrass.

5. On April 29, 2021, PUD filed a Motion to Engage a Financial Advisor(s) or Other Consultants, along with a Notice of Hearing setting the Motion to Engage a Financial Advisor(s) or Other Consultants for hearing on May 6, 2021.

6. On May 4, 2021, OIEC filed an Entry of Appearance on behalf of Thomas P. Schroedter.

7. On May 6, 2021, the Motion to Engage a Financial Advisor(s) Or Other Consultants was heard and recommended.

8. On May 7, 2021, Walmart filed an Entry of Appearance on behalf of Rick D. Chamberlain.

9. On May 11, 2021, Order No. 718291, Order Granting PUD's Motion to Engage a Financial Advisor(s) or Consultants was issued.

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

11. Also on May 12, 2021, PSO filed a Motion to Determine Carrying Costs, along with a Notice of Hearing setting the Motion to Determine Carrying Costs for hearing on May 20, 2021.

12. Also on May 12, 2021, the Affidavit of Matthew A. Horeled in Support of Motion to Establish Regulatory Asset was filed.

13. On May 19, 2021, the Attorney General's Response to PSO's Motion to Determine Carrying Costs and the OIEC's Response to PSO's Motion to Determine Carrying Costs were filed.

14. On May 20, 2021, the Motion to Determine Carrying Costs was heard before the ALJ, in which the ALJ recommended denial of the request.

15. On June 9, 2021, Order No. 718800, Order Denying Motion to Determine Carrying Costs was issued.

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

17. On August 16, 2021, PSO filed a Motion for Procedural Order and a Motion for Protective Order, along with Notices of Hearing setting the Motion for Procedural Order and the Motion for Protective Order for hearing on August 26, 2021.

18. On August 16, 2021, the following witnesses filed direct testimony on behalf of PSO: Darryl Jackson; Keith Helwig; Clinton M. Stutler; Heather M. Whitney; Jason M. Stegall; David A Hodgson; Shawna G. Jones; Matthew A. Horeled; and William H. Thompson.

19. On August 17, 2021, Public Comment was filed.

20. On August 18, 2021, PSO filed a Motion to Determine Notice, along with a Notice of Hearing setting the Motion to Determine Notice for hearing on August 26, 2021.

21. On August 26, 2021, the Motion for Protective Order and the Motion to Determine Notice were heard and recommended by the ALJ, and the Motion for Procedural Order was continued by agreement of the parties to September 2, 2021.

22. On September 2, 2021, the Motion for Procedural Order was heard and recommended by the ALJ.

23. On September 9, 2021, Order No. 720475, Order Granting Motion for Protective Order, was issued.

24. On September 16, 2021, Order No. 720639, Order Granting Motion for Procedural Order, and Order No. 720640, Order Granting Motion to Determine Notice, were issued.

25. On October 21, 2021, the following responsive testimonies were filed by: Todd F. Bohrmann on behalf of the Attorney General; Isaac D. Stroup, JoRay McCoy, and Michael Bartolotta on behalf of PUD; and James P. Mosher, Mark E. Garrett, and Brian C. Collins on behalf of OIEC.

26. On October 28, 2021, the Supplemental Responsive Testimony of Michael Bartolotta on behalf of PUD was filed.

27. On November 3, 2021, AARP filed a Motion to Late-File Statement of Position, along with a Notice of Hearing setting the Motion for hearing on November 11, 2021.

28. On November 5, 2021, AARP filed an Amended Notice of Hearing setting the

Motion to Late-File Statement of Position for hearing on November 9, 2021.

29. On November 9, 2021, the Motion to Late-File Statement of Position was heard and recommended by the ALJ.

30. On November 12, 2021, the Rebuttal Testimonies of Matthew A. Horeled, Daryll Jackson, Shawna G. Jones, Clinton M. Stutler, and William H. Thompson on behalf of PSO were filed.

31. On November 16, 2021, Order No. 721658, Order Granting Leave was issued.

32. On November 17, 2021, Public Comment was filed. Also on November 17, 2021, AARP filed its Statement of Position.

33. On December 7, 2021, the following documents were filed:

a) On behalf of PSO, the testimony summaries of Jason M. Stegall; William H. Thompson; Keith Helwig; Matthew A. Horeled; Shawna G. Jones; Clinton M. Stutler; Heather M. Whitney; David A. Hodgson; Daryll Jackson; Shawna G. Jones; and Clinton M. Stutler.

b) On behalf of PUD, the testimony summaries of Michael Bartolotta, JoRay McCoy, and Isaac D. Stroup.

c) Summary of the Responsive Testimony and Exhibits of Lisa V. Perry on behalf of Walmart.

d) On behalf of OIEC, testimony summaries of Brian C. Collins, Mark E. Garrett, and James P. Mosher.

e) Summary of Responsive Testimony of Todd F. Bohrmann on behalf of the Attorney General.

f) Summary of AARP Statement of Position.

34. Also on December 9, 2021, the Pre-Hearing Conference was stricken, and the Hearing on the Merits was continued by agreement of the parties to December 14, 2021.

35. On December 10, 2021, OIEC filed an Entry of Appearance on behalf of Kenyon D. Williams, Jr. Also on December 10, 2021, a Notice of Hearing was filed setting a Pre-Hearing Conference for hearing on December 16, 2021.

36. On December 14, 2021, the Hearing on the Merits was continued by agreement of the parties to December 17, 2021.

37. On December 16, 2021, a Pre-Hearing Conference conducted by the ALJ.

38. On December 17, 2021, the Hearing on the Merits was continued by agreement of

the parties to January 3, 2022.

39. On January 3, 2022, the Hearing on the Merits was continued by agreement of the parties to January 5, 2022.

40. Also on January 3, 2022, Public Comment was filed.

41. On January 4, 2022, a Joint Stipulation and Settlement Agreement was filed.

42. Also on January 4, 2022, the Testimony in Support of Joint Stipulation and Settlement Agreement of Matthew A. Horeled on behalf of PSO, the Settlement Testimony of Brian C. Collins on behalf of OIEC, Testimony in Support of Joint Stipulation and Settlement Agreement of JoRay McCoy on behalf of PUD, and the Joint Stipulation Exhibit HMW-1 were filed.

43. Also on January 4, 2022, AARP's Statement on Joint Stipulation and Settlement Agreement was filed.

44. On January 5, 2022, this Cause came on for hearing and was heard by the ALJ. The ALJ recommended approval of the Settlement Agreement.

45. On January 6, 2022, PSO filed a Comparison Exhibit.

46. Also on January 6, 2022, the Attorney General filed a Withdrawal of Counsel on behalf of A. Chase Snodgrass.

47. On January 7, 2022, an Amended Joint Stipulation and Settlement Agreement ("Settlement Agreement") and Signatory Pages for the Settlement Agreement were filed.

48. On January 28, 2022, the Proposed Order and Recommendation of the ALJ was filed, as amended on February 1, 2022.

49. On February 2, 2022, AARP filed its Exceptions to the Proposed Order ("Exceptions").

50. On February 4, 2022, PSO and OIEC filed responses to the Exceptions.

## **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 January 5, 2022. The entirety of the testimony offered is contained in the transcripts of these proceedings. The testimony in support of the Settlement Agreement and testimony summaries contained in Attachment "A" and the Statements of Position contained in Attachment "B" of the Amended Proposed Order and Recommendation of the ALJ 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**

51. The Settlement Agreement represents a resolution of issues in this Cause between and among the Stipulating Parties (PSO, PUD, OIEC, Attorney General, and Walmart), which includes the WSC Rider.

52. Testimony in support of the Settlement Agreement was filed by PSO, PUD and OIEC through witnesses Matthew Horeled, JoRay McCoy and Brian C. Collins, respectively. In addition, the Financial Advisor testified at the hearing as an expert witness without taking a position on the Settlement Agreement. In the hearing held January 5, 2022, witnesses provided testimony in support of the Settlement Agreement and all parties, including AARP who was not a Stipulating Party, 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.

53. In Paragraph 1(B) of the Settlement Agreement, the Stipulating Parties recommended that PSO should recover \$675.2 million of the estimated total extreme purchase costs. The Stipulating Parties further agreed that the \$675.2 million in extreme purchase costs related to natural gas and wholesale energy procurement should be deemed prudent and recoverable. Witnesses Horeled and Stutler described, at the hearing and in pre-filed testimony, the operational challenges presented by the 2021 Winter Weather Event and the procurement practices PSO 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 PSO 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 \$675.2 million would otherwise be recoverable from customers as fair, just and reasonable expenses, were prudently incurred, and those costs should be securitized.

54. The February 2021 Winter Weather Event swept in fast, causing unprecedented low temperatures.

55. The Utility's \$675.2 million extreme purchase costs were prudently incurred by PSO 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. Horeled Rebuttal Testimony P. 7 ls. 1 – 2. The actions taken by PSO personnel in league with the SPP were important factors in the provision of safe, reliable service to PSO customers. Fuel and purchased power were prudently procured at reasonable cost based on the mechanisms available at the time. Horeled Rebuttal Testimony P. 10 ls. 4 – 5.

56. In Paragraph 1(A) of the Settlement Agreement, the Stipulating Parties requested that the Commission find that PSO 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 Horeled and McCoy testified that customers benefitted from the lower costs of securitization as compared to traditional utility financing. In his pre-filed testimony, PSO witness Thompson includes Exhibit WHT-2 that compares the costs of a 20-year term for securitization as compared to traditional utility financing

and demonstrates that securitization provides a significant savings for customers. Both PSO and PUD witnesses testified that PSO 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 PSO provided the information required within the Act and that securitization is beneficial to customers and, thus, in the public interest.

57. In Paragraph 1(B) of the Settlement Agreement, the Stipulating Parties requested that the Commission issue a financing order for the securitization of approximately \$675.2 million and authorizing a 20-year amortization for cost recovery or longer 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 \$675.2 million recommended for securitization is an estimate and may fluctuate depending on final costs and carrying costs incurred until securitization. Both PSO and PUD witnesses provided testimony in support of a securitization amount of approximately \$675.2 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 20 years, the provisions of the Settlement Agreement allow the ODFA to adopt a longer or 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.

58. In Paragraph 1(G) of the Settlement Agreement, the Stipulating Parties agreed that PSO will use its best efforts to pursue the Southwest Power Pool (“SPP”) make-whole payments and resettlement amounts. Witness Horeled stated PSO will make best efforts to comply with 74 Okla. Stat. § 9073(G) regarding SPP payments and any insurance proceeds received. Pursuant to Paragraph 1 (G), any funds related to the event that are received by PSO or if any actual amounts are lower than estimated, such amounts shall be credited to customers. The Commission finds the provisions of Paragraph 1 (G) of the Settlement Agreement to be in the public interest, as further detailed in Finding of Fact No. 133.

59. In Paragraph 1(D) 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 0.75% interim rate authorized by the Commission and may be adjusted to reflect actual costs of credit facilities, loan agreements, or other debt financing related to the deferred costs of the 2021 Winter Weather Event. Witness Horeled provided pre-filed and oral testimonies affirming the Utility’s agreement to the 0.75% carrying charge. The Commission finds this provision to be in the public interest.

60. In Paragraph 1(H) of the Settlement Agreement, the Stipulating Parties agreed that PSO will engage in discussions with stakeholders regarding methods to mitigate the costs of future cold weather events. Specifically, PSO 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, PSO 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 Horeled affirmed PSO’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.

61. 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, PSO proceeded to use its monthly and daily contracting methods. PSO followed its fuel policies and procedures during the event. McCoy Responsive at P. 13 ls. 1-3.

62. PSO did not see the need to physically hedge natural gas supply in early 2021 based upon several factors including historical gas consumption during the winter months, low natural gas spot prices entering 2021, as well as mild January temperatures with expectations for the same in February and March. PSO relying on spot natural gas purchases during the months of January, February and March is consistent with prior practices. 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.

63. In Paragraph 1(E) of the Settlement Agreement, the Stipulating Parties recommended an allocation and rate design methodology to allocate costs to the individual Service Levels. AARP took issue with the allocation methodology adopted by the Settlement Agreement in that the use of a day-by-day allocation of costs (as opposed to all costs and all kWhs consumed during the event) results in a shift of approximately \$30 million in additional costs to the residential class (or approximately \$0.29 per month). The methodology adopted under the Stipulation Agreement is based on the pre-filed testimony of OIEC witness Collins.

64. PSO Witness Jones agreed 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, was a legitimate allocation method as this methodology provided a more granular and, hence, a more exact method to assign costs of the 2021 Winter Weather Event. She also testified that PSO's initial request to allocate costs incurred during the event on a kWh basis was consistent with how PSO normally allocates its costs in its fuel clause and that the day-by-day allocation is a departure from standard treatment.

65. PSO Witness Jones also testified regarding the estimated customer impact of the Settlement Agreement. In reducing the securitized amount to \$688 million, reducing the carrying charge, and incorporating the cost allocation changes of OIEC Witness Collins, the estimated customer impact on the average residential customer is approximately \$4.06 per month.

66. In Paragraph 1(F) of the Settlement Agreement, the Stipulating Parties requested that the WSC Rider be approved by this Commission. PSO Witness Jones detailed the various provisions of the WSC Rider. Both PUD and PSO provided testimony in support of this mechanism. The Commission agrees that the WSC Rider is just and reasonable and should be approved. The Commission finds that the terms and conditions of the WSC Rider 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 WSC Rider and those of this Order, the terms and conditions of this Order shall control.

67. 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**

68. The Commission has determined that the Utility has incurred 2021 Winter Weather Event related qualified costs in the aggregate amount of \$675.2 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.

69. 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 \$688 million, is hereinafter referred to in this Order as the “Authorized Amount”.

**Bond Issuance Costs and Ongoing Financing Costs**

70. 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 WSC Charges as described in Finding of Fact No. 79 below).

71. 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.

72. 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.

73. 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.

74. 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.

75. The Utility has provided estimates of its Utility Issuance Costs which costs shall be capped in an amount not to exceed \$700,000. The Financial Advisor has provided an estimate of Non-Utility Issuance Costs were estimated at \$6,320,000. These costs will not be capped.

76. 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.

77. 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.

78. 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.

79. 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 WSC Rider. 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**

80. 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.

81. As described in the testimonies of PSO Witness Thompson 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**

82. PSO 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 Oklahoma. PSO 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.

83. 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.

84. 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.

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

### **ODFA/AUTHORITY**

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

87. 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 WSC Charges as and when collected, and any other collateral under the indenture.

### **Structure, Security, and Documents**

88. 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.

89. 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.

90. 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.

91. 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.

92. 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.

93. 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**

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

95. 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 WSC Charges.

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

97. 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.

98. 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.

99. 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**

100. The Utility will execute a servicing agreement with ODFA, as described in Part V of this Order. The servicing agreement may be amended, renewed or replaced by another servicing agreement, provided that any such amendment, renewal or replacement will not cause any of the then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded. The Utility will be the initial servicer but may be succeeded as servicer by another entity under certain circumstances detailed in the servicing agreement. Pursuant to the servicing agreement, the servicer is required, among other things, to collect the applicable WSC Charges for the benefit and account of the ODFA or its pledgees, to make the true-up adjustments of WSC Charges required or allowed by this Order, and to account for and remit the applicable WSC 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.

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

102. 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 WSC 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 WSC Charge.

103. 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 WSC Charges under the existing servicing agreement, subject to ODFA approval.

104. The servicing arrangements described in Findings of Fact Nos. 100 through 103 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 WSC Charges and greater benefits to the customers and should be approved.

### **Ratepayer-Backed Bonds**

105. 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.

106. The scheduled final payment date of any series of the Bonds is not expected to

exceed 20 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.

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

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

109. 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).

110. 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.

#### **WSC Charges—Imposition and Collection and Nonbypassability**

111. The Stipulating Parties seek to impose on and to collect from all customers, WSC 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 WSC 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.

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

113. 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 WSC Charge. The foregoing allocation will facilitate a proper balance between the competing claims to this source of revenue in an equitable manner.

114. The Utility, acting as servicer, and any subsequent servicer, will collect WSC Charges from all current and future customers of the Utility and any successor or assign of the Utility will be obligated to bill the WSC 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 WSC Rider also describes features demonstrating how the WSC 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 tariff will be assessed the WSC Charge based upon their gross 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.

115. 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 WSC Charges, the Commission shall to the utmost of its ability ensure that WSC Charges shall be billed, collected and remitted to the servicer in a manner that will not cause any of the then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded.

116. The Utility's proposal related to the collection of WSC Charges, as servicer on behalf of the ODFA, is reasonable and consistent with the nonbypassability mechanism contemplated by the Act and should be approved.

117. The WSC Rider is consistent with the terms of this Order and 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**

118. 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.

119. The PBR represents the aggregate dollar amount of WSC Charges that must be billed during a given period so that the WSC 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 WSC Charges for the period; and (iv) projected collections of WSC Charges pending the implementation of the true-up adjustment.

120. The Stipulating Parties' proposed allocation of the PBR between Service Levels as set forth in the WSC Rider is reasonable and should be approved

### **True-up of WSC Charges**

121. 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.

122. 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 WSC 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.

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

124. 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 WSC 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 WSC Charge revenues to fund the PPR and to avoid large over collections and under collections over time, the servicer will reconcile the WSC Charges using its most recent forecast of usage and demand and the Authority's estimates of financing costs. The calculation of the WSC Charges will also reflect both a projection of uncollectible WSC Charges and a projection of payment lags between the billing and collection of WSC Charges based upon the servicer's most recent experience regarding collection of WSC Charges.

125. The servicer will set the initial WSC Charges and make true-up adjustments to the WSC Charges based upon the WSC Rider.

126. 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 WSC 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 WSC Rider 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.

127. 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 WSC Charges will be in effect.

#### **Additional True-up Provisions**

128. The true-up adjustment submission will set forth the servicer's calculation of the true-up adjustment to the WSC 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.

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

130. 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 WSC Rider. 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**

131. 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 PSO witness Horeled.

132. In accordance with 74 Okla. Stat. § 9074(G) of the Act, upon issuance of this Order, PSO 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**

133. 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 1(D) of the Settlement Agreement. Provided; however, consistent with the daily allocation methodology set forth and approved in Paragraph 1(E) of the Settlement Agreement, any and all related funds received by PSO 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. 720640.

3. PSO 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 Management<sup>22</sup> 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 132 and 133 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).

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<sup>22</sup> See fn 21, *supra*.

13. The Commission may, under 74 Okla. Stat. § 9078, require an audit of all amounts received from customers under the WSC 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 PSO; 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.

17. The Commission has determined that the \$675.2 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. 58 and 133 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 WSC 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 WSC 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 WSC 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 WSC 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 WSC Charges and the revenues and collections from WSC 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 WSC 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 WSC 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 WSC 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 WSC 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 WSC 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 WSC 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 WSC Charges and to issue the Bonds, the servicer, and any successor servicer, will be able to impose and collect the WSC 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 WSC 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 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 WSC 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.<sup>23</sup> 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 WSC 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.

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<sup>23</sup> Okla. Const. Art. II, § 15.



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.

## **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. 51-67 related to the Settlement Agreement are adopted.

2. **Authority to Recover Qualified Costs through Securitization.** The Utility's request is granted to recover \$675.2 million of its 2021 Winter Weather Event related costs and an estimated \$5 million of carrying costs and \$7.8 Million 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 WSC 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 WSC Charges, as provided in this Order, WSC Charges in an amount sufficient to provide for the timely payment of the scheduled principal of and interest on the Bonds, together with all ongoing financing costs.

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

8. **Approval of Tariffs.** The Winter Storm Cost ("WSC") Rider is approved. Before the issuance of any Bonds under this Order, the Utility must file a tariff that conforms to the form of the WSC Rider tariff provisions attached to this Order, provided that the terms and conditions of the WSC Rider 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 WSC Rider and those of this Order, the terms and conditions of this Order shall control.

## **B. WSC 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 WSC 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 WSC 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 WSC Charges, must bill and collect WSC Charges from customers.

12. **Collection Period.** The WSC 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 WSC 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 WSC Charges from such customers, and such customers are required to pay such WSC 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 WSC Charges, including non-standard true-ups, must be undertaken and conducted as described in this the WSC Rider 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 WSC Charges to customers must, at least annually, provide written notification to each customer for which the entity bills WSC Charges that the WSC Charges are the property of ODFA and not of the entity issuing such bill. The Utility, as servicer, shall impose the WSC 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 \$700,000.

19. **Ongoing Financing Costs.** All ongoing financing costs shall be recovered through the WSC 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. 102, 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 WSC 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 WSC Charges during the last 12 months that the WSC Rider 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 WSC Charges paid by the Service Level during the last 12 months the WSC Rider charges were in effect and the denominator of which is the total WSC Charges paid by all Service Levels during the last 12 months the WSC Rider 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 20 years.

26. **Amortization Schedule.** The Commission approves, and the Bonds must be structured, to provide a WSC 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 WSC 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 WSC 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 WSC 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 WSC 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 this Order.

**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 WSC 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 WSC 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 WSC 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, *Fuel Cost Adjustment Rider*, 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 1(D) of the Settlement Agreement. Provided; however, consistent with the daily allocation methodology set forth and approved in Paragraph 1(E) of the Settlement Agreement, any and all related funds received by PSO 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.

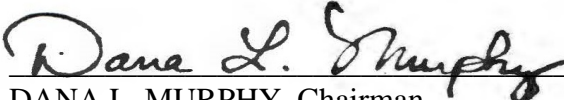
43. **Severability.** Any term or provision of this Order that is invalid or enforceable in any situation in any jurisdiction will not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation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

44. **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 WSC 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.

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

46. **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).

OKLAHOMA CORPORATION COMMISSION

  
DANA L. MURPHY, Chairman

DISSENTING OPINION ATTACHED

BOB ANTHONY, Vice Chairman

  
J. TODD HIETT, Commissioner

**CERTIFICATION**

DONE AND PERFORMED by the Commissioners participating in the making of this Order, as shown by their signatures above, this 10th day of February 2022.

[SEAL]



  
\_\_\_\_\_  
PEGGY MITCHELL, Secretary



**FORM OF ISSUANCE ADVICE LETTER**

**[SUBMITTED FOR INFORMATION ONLY PURPOSES]**

\_\_\_\_\_ DAY, \_\_\_\_\_, 202\_

THE OKLAHOMA CORPORATION COMMISSION  
ATTN: Chairman  
Jim Thorpe Building, 2101 N. Lincoln Blvd.  
Oklahoma City, Oklahoma 73105

**SUBJECT: ISSUANCE ADVICE LETTER FOR RATEPAYER-BACKED BONDS**

Pursuant to the Final Financing Order issued on the \_\_\_\_\_ day of \_\_\_\_\_, 202\_ in Cause No. PUD 202100076 before the Oklahoma Corporation Commission, *Application of Public Service Company of Oklahoma 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”), PUBLIC SERVICE COMPANY OF OKLAHOMA (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 WSC 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 WSC CHARGE**

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

**TABLE I**

**Input Values For Initial WSC 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 WSC Charges calculated for each Service Level are detailed in Attachment 3.

**EFFECTIVE DATE**

[In accordance with the Financing Order, the WSC 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,

PUBLIC SERVICE COMPANY OF  
OKLAHOMA

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

OKLAHOMA DEVELOPMENT FINANCE  
AUTHORITY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

**ATTACHMENT 1**

**SCHEDULE A**

**CALCULATION OF AUTHORIZED AMOUNT**

A.	Qualified costs authorized in Docket No. _____ (including any adjustment to carrying costs)	\$
B.	Estimated bond issuance costs (Attachment 1, Schedule B)	
<b>TOTAL AUTHORIZED AMOUNT</b>		\$

**ATTACHMENT 1**

**SCHEDULE B**

**ESTIMATED ISSUANCE COSTS**

	<b>Issuance Costs</b>
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	\$ -
<b>Total Non-Utility External Issuance Costs</b>	<b>\$ -</b>
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)	\$ -
<b>Total ODFA Issuance Costs</b>	<b>\$ -</b>
<b>Total Estimated Issuance Costs</b>	<b>\$ -</b>
<b>Rounded Amount</b>	<b>\$ -</b>

**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 WSC Rider or pursuant to the Financing Order, as applicable.**



**ATTACHMENT 2**

**SCHEDULE B**

**ESTIMATED ONGOING FINANCING COSTS**

	<b>Itemized Annual Ongoing Financing Costs</b>
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^	\$ -
<b>Total Non-Utility External Annual Ongoing Financing Costs</b>	<b>\$ -</b>
Ongoing Servicer Fees (Utility as Servicer)	\$ -
Accounting Costs (External)^	\$ -
<b>Total (Utility as Servicer) Estimated Annual Ongoing Financing Costs</b>	<b>\$ -</b>
<b>Ongoing Servicer Fees as % of original principal amount</b>	<b>%</b>
Ongoing Servicer Fees (Third-Party as Servicer - [ ]% of principal)	\$ -
Other External Ongoing Fees (total of lines marked with a ^ mark above)	\$ -
<b>Total (Third-Party as Servicer) Estimated Ongoing Financing Costs</b>	<b>\$ -</b>

**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. WSC 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) WSC Charge <sup>1</sup>
1	%
2	%
3	%
4,5	%
6	%
Total	100.0000%

---

<sup>1</sup> Determined in accordance with the WSC Rider 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 202100076 before the Oklahoma Corporation Commission, *Application of Public Service Company of Oklahoma 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"), PUBLIC SERVICE COMPANY OF OKLAHOMA (the "Utility" or the "Applicant") certifies that the calculation of the WSC 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 WSC 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,

PUBLIC SERVICE COMPANY OF  
OKLAHOMA

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

## WSC RIDER

### **PURPOSE**

This Winter Storm Cost (WSC) Rider is designed to recover from customers the amounts necessary to service, repay, and administer customer-backed bonds associated with the February 2021 Winter Storm Event (Winter Event) pursuant to the terms of the financing order as approved by the Oklahoma Corporation Commission in Cause No. PUD 202100076. WSC Rider is applicable to customers taking service under the Company's standard rate schedules. All other provisions of the standard pricing schedules shall apply. This rider is applicable to billed energy consumption of retail customers taking service from the Company during the term that this rider is in effect, and to the facilities, premises, and loads of all other retail customers obligated to pay WSC Rider charges. This WSC Rider is to become a part of each Oklahoma retail rate schedule and shall be applicable to the energy (kWh) usage for service level ("SL") 3, 4, 5 and 6 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 WSC mechanism shall continue to be applied to these service locations at those respective SL WSC rates. For customers who take service under the Company's Net Energy Billing Option (NEBO), the WSC should apply to the gross kWh of energy the Company delivers to the customers.

### **TERM**

This rider shall remain in effect until the complete repayment and retirement of any customer-backed bonds, or refunding bonds, associated with the Winter Event. This schedule is irrevocable and nonbypassable for the full term during which it applies.

### **WINTER STORM COST RIDER TRUE-UP**

The initial WSC 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) thereafter, provided, commencing 12 months prior to the scheduled final payment date of the Bonds, the succeeding factor redeterminations and effective dates shall be quarterly. WSC rates will be submitted at least 30 days prior to the proposed effective date. The Company will submit to the Public Utility Division (PUD) of the Oklahoma Corporation Commission the redetermined WSC rates for each service level, with information supporting the calculation. Interim redeterminations may be made outside of the standard semi-annual, or quarterly, timeframe in order to correct for over- or under-collection, to be submitted no later than 15 days before the rate is to be effective. In the event that the forecasted billing units for one or more of the WSC customer classes for an upcoming period decreases by more than 10% of the threshold billing units, the Company shall submit a non-standard, semi-annual true-up at least 90 days prior to the first billing cycle for the Company's corresponding billing month on which the new WSC shall become effective.

**DETERMINATION OF WINTER STORM COST (WSC) RATES**

WSC Rates will be submitted to the Director of the PUD, and all other parties of record in Oklahoma Corporation Commission (OCC) Case No. PUD 202100076, and adjusted no less frequently than semi-annually in order to ensure that the expected collection of WSCs is adequate to pay when due, pursuant to the expected amortization schedule, principal and interest on the Winter Storm Bonds and pay on a timely basis other Qualified Costs. The WSC Rates shall be computed by multiplying the Periodic Billing Requirement Allocation Factor (PBRAF) times the Periodic Billing Requirement (PBR) for the projected period in which the adjusted WSC Rates are expected to be in effect (WSC Period), and dividing such amount by the billing units of the WSC customer class, as shown in the following formula:

$$\text{WSC} = [(\text{PBR} * \text{PBRAF}) + \text{P}] / \text{FBU}$$

where,

- WSC            WSC Rate applicable to a WSC rate class during the WSC Period;
- PBR            Periodic Billing Requirement is the amount to be amortized for the WSC Period;
- PBRAAF        Periodic Billing Requirement Allocation Factor as approved in Cause No. PUD 202100076.

<u>WSC Rate Class</u>	<u>Allocation</u>
Residential - Secondary	53.091%
Commercial -Secondary	25.222%
SL 3 - Primary	7.272%
SL 2 – Primary Sub	11.811%
SL 1 - Transmission	2.604%
*Includes Lighting	

- P =            Prior period over-/under-recovery for such class;
- FBU            Forecasted Billing Units (i.e., class-specific energy billing units) currently forecast for a class for the WSC period.

**STANDARD FACTOR DETERMINATION**

WSC 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) Case No. PUD 202100076 on a semi-annual basis. In each semi-annual

submission the Company will provide to PUD and the parties of record the redetermined WSC rate, for each SL class, and information and workpapers supporting such re-determined factors for informational purposes. The initial WSC 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), provided that such factor redetermination submissions and effective dates will be quarterly commencing 12 months prior to the scheduled final payment date of the Bonds. WSC 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. Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment, which are not provided to the Company prior to five days prior to the effective date will be made in the next succeeding true-up adjustment.

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

**CLASS REVENUE REQUIREMENT:**

$$WSC\ Revenue\ Requirement_{SL\ Class} = (A * B_{SL\ Class}) + C_{SL\ Class}$$

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 WSC mechanism shall be applied to service locations based on the Service level under which the service location took service during the Winter 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

$$\begin{aligned} MBR_i &= \text{Monthly Block Rate for SL class} \\ &= \frac{WSC\ Revenue\ Requirement_{SL\ Class}}{Blocks_{SL\ Class}} \end{aligned}$$

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

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

Where

Winter Event period kWh usage shall be actual kWh usage for SL 1 and 2 customers.

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

**DISTRIBUTION (SL 3, 4, 5 and 6) BILLING:** The billing factors for the SL 3, 4, 5 and 6 customer classes shall be computed as follows:

$$\text{WSC Rate}_{SL\ Class} = \frac{\text{WSC Revenue Requirement}_{SL\ Class}}{SL\ Class\ kWh}$$

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

**PRICE:** The WSC 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), COMMERCIAL SECONDARY (SL 4 & 5) and RESIDENTIAL (SL 6):**

Service Level	WSC KWH Rate (\$/kWh)
3	\$0.XXXXXX
4,5	\$0.XXXXXX
6	\$0.XXXXXX

**ESTIMATED ISSUANCE COSTS**

	<b>Issuance Costs</b>
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)	
<b>Total Non-Utility External Issuance Costs</b>	
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)	
<b>Total ODFA Issuance Costs</b>	
<b>Total Estimated Issuance Costs</b>	

**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 WSC Rider or as otherwise authorized by the Financing Order.**



**ESTIMATED ONGOING FINANCING COSTS**

	<b>Itemized Annual Ongoing Financing Costs</b>
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 ^	
<b>Total Non-Utility External Annual Ongoing Financing Costs</b>	
Ongoing Servicer Fees (Utility as Servicer) *	
Accounting Costs (External) ^	
<b>Total Utility Annual Ongoing Financing Costs</b>	
<b>Total (Utility as Servicer) Estimated Ongoing Financing Costs</b>	
Ongoing Servicer Fees (Third-Party as Servicer – [ ]% of principal)	
Other External Ongoing Fees (total of lines marked with a ^ mark above)	
<b>Total (Third Party as Servicer) Estimated Ongoing Financing Costs</b>	

**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. WSC Charges will be adjusted at least semi-annually to reflect the actual ofinancing 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: Chairman  
Jim Thorpe Office Building, 2101 N Lincoln Blvd  
Oklahoma City, OK 73105

Re: Application of Public Service Company of Oklahoma 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 202100076 (Financing Application)

Dear \_\_\_\_\_:

Pursuant to the Final Financing Order adopted on the \_\_\_\_\_ day of \_\_\_\_\_, 202\_ in Cause No. PUD 202100076 before the Oklahoma Corporation Commission, *Application of Public Service Company of Oklahoma 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"), Public Service Company of Oklahoma (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 WSC 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 WSC 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 WSC Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WSC Charge.

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

Respectfully submitted,

[Utility]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Attachments

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

**ATTACHMENT 1**

**CALCULATION OF WSC 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 ^	
<b>Total Non-Utility External Annual Ongoing Financing Costs</b>	
Ongoing Servicer Fees (Utility as Servicer) *	
Accounting Costs (External) ^	
<b>Total Utility Annual Ongoing Financing Costs</b>	
<b>Total (Utility as Servicer) Estimated Ongoing Financing Costs</b>	
Ongoing Servicer Fees (Third-Party as Servicer – [ ]% of principal)	
Other External Ongoing Fees (total of lines marked with a ^ mark above)	
<b>Total (Third Party as Servicer) Estimated Ongoing Financing Costs</b>	

Input Values For WSC 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 WSC 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**

**WSC CHARGE CALCULATIONS**

**[Calculation Workpapers to be included]**

**ATTACHMENT 3**

**WSC CHARGE FOR PAYMENT PERIOD**

Customer classes (Service Level)	WSC Charge
1	
2	
3	
4,5	
6	

**FORM OF NON- STANDARD TRUE-UP LETTER**

[ODFA Letterhead]

Date: \_\_\_\_\_, 202\_

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

Re: Application of Public Service Company of Oklahoma 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 202100076

Dear \_\_\_\_\_:

Pursuant to the Final Financing Order adopted on the \_\_\_\_ day of \_\_\_\_\_, 202\_ in Cause No. PUD 202100076 before the Oklahoma Corporation Commission, *Application of Public Service Company of Oklahoma 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”), Public Service Company of Oklahoma (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 WSC 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 90 days prior to the first billing cycle of the month in which the revised methodology for calculating WSC Charges will be in effect. The PUD will have 90 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 WSC Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WSC Charge.

Attachments [\_\_\_\_\_] show the revised methodology for calculating the WSC Charges.

Respectfully submitted,

[Utility]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Attachments

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

[ATTACHMENTS AND WORKPAPERS TO BE INCLUDED]



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

APPLICATION OF PUBLIC SERVICE )  
COMPANY OF OKLAHOMA (“PSO”) FOR )  
APPROVAL OF A FINANCING ORDER FOR ) CAUSE NO. PUD 202100076  
THE COLLECTION OF INCREASED COSTS, )  
CAUSED BY THE EXTREME WINTER )  
WEATHER AND CONTAINED IN THE )  
REGULATORY ASSET AUTHORIZED BY )  
ORDER 717625, INCLUDING AN )  
APPROPRIATE CARRYING COST, AND SUCH )  
OTHER RELIEF AS THE COMMISSION )  
DEEMS PSO IS ENTITLED )

Filed February 10, 2022  
Re: Order No. 723434

**DISSENTING OPINION OF COMMISSIONER BOB ANTHONY**

WARNING: Unlawful, unwise, unjust and financially catastrophic potential consequences of the Corporation Commission majority’s fundamentally flawed financing orders imposing onerous, overpriced, nonconsensual debt on Oklahoma’s residential ratepayers are foretold by the following:

- Violating Article X, § 25 of the Oklahoma Constitution by contracting non-“self-liquidating” public debt without a vote of the people.
- Amending by implication Article IX of the Oklahoma Constitution (74 O.S. § 9081) without a vote of the people, adding potentially hundreds of as-of-yet unspecified words in an attempt to resolve the constitutional conflicts and inconsistencies created by the ratepayer-backed bond orders.
- Declaring hundreds of millions of dollars in extreme, extraordinary and excessive gas and purchased power costs to be “fair, just and reasonable expenses and prudently incurred” based on black-box settlement agreements instead of completing the thorough investigations required by law (17 O.S. § 263).
- Tacking additional hundreds of millions of dollars in interest, fees, commissions and financing obligations onto the bills of public utility customers by forcing them to pay for nonconsensual ratepayer-backed bonds over 20, 25 or 28 years!!!

- Retroactively violating the Filed Rate doctrine (Art. IX, §§ 18 and 24) and ratepayers’ constitutional contract rights (Art. II, §§ 7 and 23) under their tariff agreements with utilities by, among other things, requiring customers to pay for gas and electricity they did not consume in addition to bond-financing costs not part of the “actual cost of fuel or gas purchased” allowed by law (OAC 165:50-3-1).
- Writing blank checks on the accounts of ratepayers by authorizing unquantifiable, apparently unlimited millions of dollars *more* in uncapped issuance costs for so-called “Credit Enhancement and Arrangements to Enhance Marketability” (including letters of credit, overcollateralization accounts, surety bonds, and other financial guarantees) ostensibly to “enhance marketability” of the ratepayer-backed bonds, but in reality, opening the door to *untold millions more* in self-dealing, cronyism, brother-in-law benevolence, and other political patronage from which neither the Corporation Commission nor “any court in this state” will have the ability to protect ratepayers.
- Abrogating the legal right of any person to file a “complaint” under Commission Rules (OAC 165:50-5-3) objecting to the operation of a utility’s fuel or purchased gas adjustment clause, and circumventing the “general public hearing” related thereto.
- Retroactively bilking consumers by allowing a much higher interest rate range of 2.37% to 6.0% through ratepayer-backed bonds than the near 1% one-year U.S. Treasury Securities interest rate specified by the OCC’s existing tariffs and rules (OAC 165:35-19-10) as a Carrying Charge Rate in the Fuel Cost Adjustment calculation.
- Bogusly claiming “substantial” “customer savings” and outrageously misrepresenting the actually-some-40%-or-more higher costs of ratepayer-backed bonds to the detriment of ratepayers and in violation of the stated legislative intent of the *February 2021 Regulated Utility Consumer Protection Act*.
- Misleadingly insisting utilities are “not profiting” from securitization or operation of the fuel cost adjustment when the utility companies benefit financially both from transferring the winter storm debt off their balance sheets and onto ratepayers, and by getting paid millions of dollars to service the debt created by the bonds.
- Precedent-setting pancaking multiple layers of ratepayer-backed debt on future generations of gas and electric customers who can only pray there are no more “winter storm events” in the next thirty years while they are still paying off this one.

Today’s PSO final Financing Order (2-1 vote) does not comply with the plain text of the so-called “Consumer Protection” Act. 74 O.S. Supp. 2022 Section 9073 required the Commission to show that the securitization of February 2021 winter storm costs provides “substantial” savings to ratepayers compared with traditional public utility financing. In that regard, how can you find that there are “substantial” savings, when you do not know how much the ratepayer-backed bonds will actually cost? The Financing Order shifts to ODFA the Commission’s

constitutional duty to address repayment of the storm related debt as well as set related fair, just and reasonable rates and charges. Under the Financing Order, ODFA can set the interest for ratepayer-backed bonds between 2.37% and 6.0%. Over the twenty-year life of the bonds, the difference in total interest accrued could vary between 180 million dollars at 2.37% and over 450 million dollars at 6.0% interest.

“Traditional utility financing” might legitimately be used to finance a new electric generating plant, but it is unjustifiable to pay for unconstitutional, nonconsensual debt retroactively forced on residential ratepayers. These bonds are like the salesman who sold you a car calling you up years later and saying you actually owe 40% more – BUT, he says, he’s “saving” you money because he’s not charging you the price of a new luxury car.

Having been repeatedly warned of these potential consequences, for Corporation Commissioners to persist in writing blank checks on the accounts of Oklahoma ratepayers is nothing short of malfeasance.