

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF ARKANSAS OKLAHOMA)
GAS CORPORATION FOR A FINANCING)
ORDER APPROVING SECURITIZATION OF)
COSTS ARISING FROM THE FEBRUARY 2021)
WINTER WEATHER EVENT, PURSUANT TO)
THE FEBRUARY 2021 REGULATED UTILITY)
CONSUMER PROTECTION ACT)

CAUSE NO. PUD 20100084 _____



APPLICATION

Arkansas Oklahoma Gas Corporation (“AOG” or the “Company”) for its Application represents and states as follows:

I. PARTIES

AOG is a natural gas public utility operating in the State of Oklahoma. The Company provides natural gas distribution services to approximately 13,000 customers in certain communities and rural areas on Sequoyah, Latimer, LeFlore, Haskell and Delaware Counties, Oklahoma. Its Oklahoma utility operations, rates and charges, and terms and conditions of service are subject to the jurisdiction and regulation of this Commission. AOG’s principal office is located at 115 North Twelfth Street, Fort Smith, Arkansas 72901. The names, addresses and telephone numbers of AOG’s counsel of record are stated below.

II. ALLEGATIONS OF FACT

1. To serve its utility customers with local distribution service, AOG requires natural gas supply and upstream delivery services provided by third-party upstream providers. The Company manages gas supply and delivery services from these providers according to a combination of commodity purchases from production connected directly to the Company’s distribution system and other upstream transportation services. These arrangements are annually

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reviewed for prudence by this Commission and under normal winter conditions experienced in Oklahoma, AOG's arrangements for gas supply are sufficient.

2. In February 2021, an historic winter storm swept into Oklahoma and surrounding states, impacting AOG's supply, market pricing and demand for natural gas throughout its Oklahoma service territory. During this time, Oklahoma Governor Kevin Stitt declared a state-wide emergency (Executive Order 2021-06) due to "[e]xtreme freezing temperatures and severe winter weather including snow, freezing rain, and wind beginning February 7, 2021, and continuing." The Governor stated that the emergency "threatens the public's peace, health, and safety."

3. During the winter storm event, suppliers with whom AOG contracts for firm gas failed to deliver some or all of the gas the Company properly nominated, which seriously affected the Company's ability to obtain all the natural gas demanded by its customers. At the same time, AOG's customers demanded more gas than is typical during a normal winter weather, yet supply decreased materially when it was most needed.

4. To provide the quantities of natural gas needed by AOG's utility customers during this storm, and especially to maintain service for human needs, the Company was obliged to purchase quantities of gas supply through the spot and daily index markets, and to incur other extraordinary costs in an effort to maintain gas supply, line pressure and adequate operating conditions on its Oklahoma system. AOG has estimated these extraordinary costs for its Oklahoma system at approximately \$22M for approximately 13,000 Oklahoma customers.

5. These extraordinary costs normally would have flowed through AOG's Purchased Gas Adjustment ("PGA") Clause of the Company's tariffs. However, on March 18, 2021, this Commission issued Order No. 717354 in Cause No. PUD 202100037 to authorize AOG to

instead defer to a regulatory asset account extraordinary costs associated with ensuring that its customers continued to receive utility service during this unprecedented cold weather event.

6. Since the Commission issued its Order No. 717354, the State of Oklahoma has enacted the *February 2021 Regulated Utility Consumer Protection Act* on April 23, 2021. 74 OKLA. STAT. §9070 *et seq.* AOG believes that customer impact from the February 2021 winter weather can now be further reduced under the statutory process by which utilities may apply to securitize certain of their February 2021 winter weather costs with state-issued bonds that will allow for a longer payout at lower costs.

7. With this Cause, AOG will now seek authorization from this Commission to securitize its costs associated with the February 2021 winter weather, to the fullest extent authorized by this new law. In a motion accompanied by supporting testimony to be filed later in this Cause, AOG plans to provide details of its prudently incurred costs associated with the February 2021 winter weather for inclusion in the securitized bonds; to demonstrate customer savings from the securitization process as compared to traditional utility financing; and to seek recovery of its carrying costs incurred through the date that ratepayer bonds are issued, or the costs are otherwise recovered, all as authorized by law.

III. LEGAL AUTHORITY

This Application is presented under the authority of Oklahoma Constitution, Article IX, Section 18; 17 OKLA. STAT. §§151-152 *et seq.*; and 74 OKLA. STAT. § 9070 *et seq.*

IV. RELIEF SOUGHT

WHEREFORE, AOG requests that the Commission grant the request for relief as set out in this Application, and issue such other relief as the Commission may determine to be just and reasonable.

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Respectfully submitted,

ARKANSAS OKLAHOMA GAS COMPANY

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**ATTORNEYS FOR ARKANSAS OKLAHOMA
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CERTIFICATE OF SERVICE

I hereby certify that on the 6th day of May, 2021, a full, true, and correct copy of the above and foregoing instrument was served on the following persons by **ELECTRONIC MAIL** to the following:

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