

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF OKLAHOMA NATURAL GAS)
COMPANY, A DIVISION OF ONE GAS, INC.,)
FOR A FINANCING ORDER APPROVING)
SECURITIZATION OF COSTS ARISING FROM)
THE FEBRUARY 2021 WINTER WEATHER)
EVENT PURSUANT TO THE "FEBRUARY 2021)
REGULATED UTILITY CONSUMER)

CAUSE NO. PUD 202100079

FILED
OCT 25 2021

COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

REBUTTAL TESTIMONY

OF

CORY SLAUGHTER

ON BEHALF OF

OKLAHOMA NATURAL GAS

October 25, 2021

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1 **INTRODUCTION**

2 Q. Please state your name.

3 A. My name is Cory Slaughter.

4

5 Q. Are you the same Cory Slaughter that provided direct testimony in this cause?

6 A. Yes, I am.

7

8 **PURPOSE**

9 Q. Mr. Slaughter, what is the purpose of your testimony?

10 A. The purpose of my testimony is to discuss the:

11 1) Responsive testimony of Public Utility Division ("PUD") Witness Mr. Isaac

12 Stroup;

13 2) Responsive testimony of PUD Witness Mr. JoRay McCoy; and

14 3) Statement of Position of the Office of the Attorney General.

15

16 Q. Mr. Slaughter would you like to summarize your rebuttal testimony?

17 A. Yes. My testimony focuses on the following six topics:

18 1) Oklahoma Natural agrees with PUD Witness Mr. JoRay McCoy that the

19 Company has complied with the requirements of the February 2021 Regulated

1 Utility Consumer Protection Act and that the extraordinary purchase costs would
2 otherwise be recoverable from customers as fair, just and reasonable expenses
3 and were prudently incurred;

4 2) Oklahoma Natural agrees with Mr. McCoy that Oklahoma Natural acted in
5 accordance with its fuel procurement policies and procedures during the event;

6 3) Oklahoma Natural agrees with PUD Witness Mr. Isaac Stroup's
7 recommendation to approve a financing order to securitize \$1,371,369,996,
8 subject to true-up;

9 4) Oklahoma Natural agrees with Mr. Stroup's recommendation to approve the
10 Winter Event Securitized Cost Recovery ("WESCR") Mechanism Tariff with the
11 proposed allocation methodology based on February usage at a proposed fixed
12 rate per customer. This proposed fixed rate would be charged to all sales
13 customers with the exception of those customers who were enrolled in the
14 voluntary fixed price program ("VFP") during the February 2021 winter weather
15 event;

16 5) Although potentially unnecessary due to the high-cost barrier of conversion to
17 an alternative fuel source, Oklahoma Natural does agree that a termination fee
18 may help alleviate concerns of nonbypassability from bond rating agencies. The
19 proposed WESCR Mechanism Tariff has been modified to include a termination

1 fee based on the costs being securitized, limited in scope to only the very rare
2 occasion when a customer communicates that it is permanently terminating natural
3 gas service through conversion to alternative sources and only applicable to
4 customers being served during the February 2021 winter weather event; and
5 6) Oklahoma Natural has provided in response to testimony from PUD Witness
6 Stroup, an analysis of interest rates, customer savings, and customer fixed rates,
7 based on varying recovery periods from 15 to 30 years and varying bond ratings.
8 Oklahoma Natural recommends a 25-year scheduled recovery period to strike a
9 balance between low interest rates and a scheduled recovery period long enough
10 to minimize expected residential customer bill impact to 10% or less.

11
12 **RESPONSIVE TESTIMONY OF MR. ISAAC STROUP**

13 Q. Mr. Slaughter what are the recommendations of PUD Witness Mr. Isaac Stroup?

14 A. Mr. Stroup's recommendations are listed below. PUD recommends that the
15 Commission:

16 1) Approve a financing order for Oklahoma Natural; and

17 2) Approve the Winter Event Securitized Cost Recovery ("WESCR") Mechanism
18 and allocation methodology proposed by Oklahoma Natural, with four
19 modifications:

1 a) The use of a fixed rate for the securitization charge. PUD requests
2 Oklahoma Natural propose a calculation of a fixed rate for each customer
3 class in rebuttal testimony, similar to the fixed rates outlined in response to
4 Data Request PUD-ONG-JRM-2-1;

5 b) A disconnect termination fee be included in the WESCR Mechanism in
6 order to satisfy the "nonbypassable mechanism" requirement of the Act
7 such as the one Oklahoma Natural identified in response to Data Request
8 PUD-ONG-JRM-2-2. PUD requests Oklahoma Natural propose tariff
9 language regarding the disconnect termination fee, including the amount
10 and/or how such a fee would be calculated, in rebuttal testimony;

11 c) Customers who were taking service under the Voluntary Fixed Price
12 program during the Event are not to be required to pay the securitization
13 charge; and that

14 d) Oklahoma Natural provide rebuttal testimony regarding a 15-year, 20-
15 year, 25-year, or other scheduled periods for securitization structures.

16
17 Q. Mr. Slaughter, do you agree with Mr. Stroup's recommendation to approve a
18 financing order for Oklahoma Natural?

1 A. Yes, I do. A financing order approving securitization will provide the ability to
2 significantly reduce the impact to customers by providing a longer period of
3 recovery at a lower interest rate as compared to traditional financing. More specific
4 information concerning customer impact and savings will be discussed later in this
5 testimony.

6
7 Q. Do you agree with Mr. Stroup's recommendation regarding the Company's
8 proposed WESCR Mechanism tariff?

9 A. Mostly. After careful consideration of rebuttal testimony and discussions
10 throughout this filing, I do believe that a fixed rate as opposed to a volumetric
11 securitization charge is the best way to address concerns about nonbypassability,
12 if customers significantly alter their natural gas usage in the future.

13
14 Q. What do you not agree with concerning his WESCR Mechanism
15 recommendations?

16 A. I agree that the idea of a termination or disconnect fee is one way to address
17 potential concerns from bond ratings agencies about nonbypassability. What I
18 don't necessarily agree with is the need for a termination fee. As I discussed on

1 in data request response PUD-ONG-1, there are several reasons why I believe the
2 mechanism to be nonbypassable without a termination fee. These reasons are:

3 1) The securitization charge is applicable to new customers. Oklahoma Natural's
4 sales customer base has steadily grown for decades. Just over the last 20 years
5 Oklahoma's residential customer count has grown by approximately 13%;

6 2) Oklahoma passed HB 3619 preventing a municipality or county from adopting
7 ordinances, rules or codes that would restrict connections to natural gas utility
8 providers, i.e., ban gas appliances;

9 3) If a fixed fee is approved, any reduction in individual customer usage would not
10 affect collection of the WESCR charge;

11 4) Customers who enroll in future plan periods for the Voluntary Fixed Price
12 program will be subject to the securitization charge;

13 5) Based on 2020, Oklahoma Natural maintains a significant cost advantage of 3.5
14 times compared to electricity; and

15 6) The two largest electric companies serve the majority of our customers and will
16 also have securitization charges.

17
18 The nonbypassability of the charge should be viewed from the perspective of the
19 ability to collect the securitization fee and repay bonds as a whole and not at the
20 individual customer level for natural gas utilities.

1 Customer growth (#1 above), cost advantage compared to electricity (#5 above),
2 and the inability of municipalities to ban gas appliances (#2 above) should allow
3 the Company to continue to add customers and offset the customers that may
4 actually terminate service.

5
6 Q. Is Oklahoma Natural opposed to a termination fee?

7 A. Although the Company feels it may be unnecessary, it does not oppose the idea.
8

9 Q. Has the Company proposed changes to its proposed WESCR Tariff 1211 in order
10 to accommodate such a termination fee?

11 A. Yes, in Exhibit CMS-1, language has been added to the "Applicability" section of
12 the tariff to include a Termination Fee applicable only if at the time of disconnection,
13 the customer requesting disconnection notifies the Company that the
14 disconnection of natural gas service is for the purpose of switching to an alternative
15 fuel source.
16

17 Q. What is the basis for the Termination Fee?

18 A. The Termination Fee is based on the annual allocation per customer of the \$1.371
19 billion being securitized, rounded to either the nearest \$5 or \$100 increment, times
20 the number of remaining years left for recovery when the Customer terminates

1 service and provides notice to us that termination is due to switching to an
2 alternative fuel source. The calculation of the Termination Fees are attached at
3 Exhibit CMS-2.

4
5 Q. Does Oklahoma Natural intend to apply this Termination Fee to customers who did
6 not have service during the February 2021 Winter Weather Event?

7 A. No. Although the securitization charge is applicable to all sales customers,
8 Oklahoma Natural only intends to apply the Termination Fee in cases where the
9 customer terminating service was a customer during the Event.

10
11 Q. Does this Termination Fee include interest for the remaining recovery period?

12 A. No, it does not.

13
14 Q. Why is it fair to the rest of Oklahoma Natural's customers to charge this Termination
15 Fee?

16 A. The extraordinary costs being securitized are costs based on gas used by
17 customers during the Event. Absent securitization, these gas costs would have
18 been recovered through the PGA. In bypassing the securitization charge through
19 termination of service, the Customer is avoiding paying their share of gas costs,

1 and the Termination Fee is designed to ensure the Customer pays their portion of
2 the gas costs being securitized.

3
4 Q. Is it the Company's intent that the Termination Fee be strictly limited to narrow
5 circumstances where a customer has specifically communicated that the purpose
6 of the customer's disconnection relates to removing natural gas as a fuel source?

7 A. Yes, it is. Under this narrow scope, it is expected that the Termination Fee would
8 be utilized on a very rare basis.

9
10 Q. Mr. Slaughter, do you agree with Mr. Stroup's recommendation not to charge
11 customers who were on the VFP rate during the February 2021 Winter Weather
12 Event?

13 A. Yes, I do. Customers who choose to enroll in the annual VFP program are
14 governed by Tariff 1001-V Special Terms and Conditions Purchased Gas
15 Adjustment Clause - Voluntary Fixed Price Program. On an annual basis,
16 residential and small commercial and industrial customers have the choice to enroll
17 in the VFP program that runs from November 1 through October 31. The price of
18 gas for these customers is fixed for the annual period based on a specific
19 calculation. This program is a price mitigation tool for the individual customer that

1 in some years is positive and, in some years, negative as compared to the
2 Purchased Gas Adjustment ("PGA"). Including these customers in the
3 securitization charge would be a violation of the VFP tariff.

4
5 Q. What about customers enrolling in VFP for future enrollment periods?

6 A. Customers who enroll in VFP for all future periods beginning with November 1,
7 2021 will pay the same securitization charge as non-VFP customers. The only
8 exception to this are those customers previously discussed that were enrolled in
9 VFP during the February 2021 winter weather event.

10
11 Q. Mr. Slaughter, has the Company prepared an exhibit showing estimated customer
12 charges and savings based on varying recovery periods and bond ratings?

13 A. Yes. Attached to this testimony is Exhibit CMS-3 which is a matrix showing
14 estimated customer monthly charges and savings versus traditional financing for
15 scheduled payment periods ranging from 15 to 30 years with bond ratings from A
16 to AAA.

17
18 Q. Does the Company have a recommendation as to the recovery period?

1 A. Yes, the Company believes a scheduled recovery period of 25 years to be the time
2 period that provides the best balance among:

3 1) Low expected interest rates (below 3%);

4 2) Savings of as much as \$700 million (AAA rated bonds); and

5 3) A scheduled time period long enough to minimize impacts on customer bills.
6

7 Q. Does the Company have a recommendation concerning low income customers on
8 Tariff 102 Low Income Heating Energy Assistance Program?

9 A. Yes, the Company recommends that these customers not be assessed the
10 securitization charge.
11

12 Q. What happens to the gas costs that would otherwise be allocated to these
13 customers?

14 A. They are re-allocated based on a weighted average to Residential A and
15 Residential B customers. The resulting impact, shown in Exhibit CMS-3 is a small
16 \$0.10 per month increase in the rate for both Residential A and Residential B
17 customers based on AAA rated bonds and reflecting a 25-year scheduled recovery
18 period.

1 Q. What are the estimated month fixed charges for residential customers based on a
2 25-year scheduled recovery period?

3 A. See Table 1 below from Exhibit CMS-3:

4 Table 1

| Scheduled Recovery Period | 25 Years | | |
|---------------------------|----------|--------|--------|
| Bond Rating | A | AA | AAA |
| Residential 101 Option A | \$5.13 | \$4.91 | \$4.77 |
| Residential 101 Option B | \$8.51 | \$8.14 | \$7.90 |

5
6 Q. What is the estimated percentage securitization will be of an average residential
7 bill?

8 A. The average estimated percent, shown at Exhibit CMS-4, of a residential bill is
9 approximately 8.7% based on currently approved rates and the October 2021
10 purchased gas adjustment ("PGA") billing rate.

11

12 Q. Mr. Slaughter, these rates are just estimates, correct?

13 A. Yes, these rates can and will change based on multiple factors, such as the:

14 1) Approved scheduled recovery period;

15 2) Actual interest rates at bond pricing;

16 3) Actual financing costs from the Oklahoma Development Finance Authority
17 ("ODFA");

18 4) Resolution of approximately \$28 million in disputed invoices; and

1 5) True-up of final consulting and legal fees for filing.

2

3 **RESPONSIVE TESTIMONY OF MR. JORAY MCCOY**

4 Q. Mr. Slaughter, what are the recommendations of PUD Witness JoRay McCoy?

5 A. Mr. McCoy recommends or concludes that:

6 1) The Commission approve Oklahoma Natural's request for securitization;

7 2) PUD reviewed Oklahoma Natural's Application and confirmed Oklahoma

8 Natural has complied with the requirements set forth in the February 2021

9 Regulated Utility Consumer Protection Act 74 § 9073.A;

10 3) Based upon PUD's review of the referenced statute, PUD believes the

11 extraordinary purchase costs would otherwise be recoverable from customers as

12 fair, just and reasonable expenses, and were prudently incurred; and

13 4) Oklahoma Natural acted in accordance with its fuel procurement policies and

14 procedures during the Event.

15

16 Q. Does Oklahoma Natural agree with Mr. McCoy's recommendations and
17 conclusions?.

18 A. Yes, it does.

1 Q. Does Oklahoma Natural have any clarifications that it would like to make
2 concerning the testimony of Mr. McCoy?

3 A. Yes, on lines 2 through 7 of page 10 of Mr. McCoy's testimony, he references a
4 response to PUD data request PUD-JRM-ONG-1-5. The data request asked, "Are
5 all gas contracts tied to the market index, with the exception of the fixed contract
6 for the voluntary fixed price program?" The answer to this question was "Yes."
7 The question within the testimony of Mr. McCoy asks, "Are all gas contracts tied to
8 the daily market index?" The answer to this question is no, as approximately 74%
9 of ONG's forecasted Peak Design Day needs are protected from the volatile daily
10 spot market. As discussed in PUD-JRM-ONG-1-3 of the same data request set,
11 ONG's Gas Supply Plan, submitted annually to the Commission, contains a
12 portfolio composed of storage, baseload, and physical call options (callables)
13 purchased in advance of the winter season to ensure access to supply up to the
14 forecasted Peak Design Day. For the 2020-2021 winter season, storage gas
15 comprised 40% of the Peak Design Day needs and was purchased in the summer
16 months at a weighted average cost of gas ("WACOG") of \$3.4867. All baseload
17 and a portion of the callable supply were executed against the first of the month
18 index representing 33% of the Peak Design Day needs. One percent (1.0%) of
19 ONG's annual demand is a summer fixed price purchase to support the Voluntary
20 Fixed Price program. Therefore, based upon this Gas Supply Plan, as mentioned

1 previously, approximately 74% of ONG's forecasted Peak Design Day needs are
2 protected from the volatile daily spot market.
3

4 **ATTORNEY GENERAL'S STATEMENT OF POSITION**

5 Q. Mr. Slaughter, did the Attorney General's office file a statement of position?

6 A. Yes, it did.
7

8 Q. Please summarize this statement.

9 A. The Attorney General's Statement contained 3 positions:

10 1) Securitization will save customers substantial carrying charges for historical
11 natural gas costs that customers would otherwise be required to pay;

12 2) The maturity periods for securitization bonds should be carefully selected to
13 reduce interest costs while ensuring customer burdens are bearable; and

14 3) ONG's status as a natural gas utility does not create risk justifying a substantially
15 shorter time period nor excessive exit fees.
16

17 Q. Mr. Slaughter, do you agree with the AG's first position concerning savings?

18 A. Yes, as discussed in this testimony, pre-filed direct testimony of Company
19 witnesses, and responsive testimony of PUD witnesses, securitization will save

1 customers substantially on their bills based on the lower interest rates and longer
2 recovery periods.

3
4 Q. Do you agree with the AG's second position concerning maturity (recovery)
5 periods?

6 A. Yes, as discussed earlier in this testimony, the Company believes that a 25-year
7 scheduled recovery period provides the greatest balance between lower interest
8 rates and a scheduled recovery period long enough to minimize impact on
9 customers.

10
11 Q. Do you agree with the AG's third position concerning risk of natural gas utilities and
12 exit (termination) fees and maturity periods?

13 A. I do agree that recovery periods should not be shortened and termination fees
14 should not be assessed based on any perceived risk of a long-term transition away
15 from natural gas. The recommended scheduled recovery period of 25 years within
16 this testimony includes no reduction for such risk. I also agree, as I have discussed
17 earlier in this testimony, that termination fees should be strictly limited to narrow
18 circumstances where a customer has specifically communicated that the purpose
19 of the customer's disconnection relates to removing natural gas as a fuel source
20 for existing appliances and replacing such appliances or using an alternative fuel

1 source for the same appliances, otherwise known as fuel switching. Although not
2 necessary from the Company's perspective, the proposed termination fee would
3 only be applied in such rare cases. Although the termination fee for a residential
4 customer who received service during the weather event (not applicable to new
5 customers) could result in a charge of well over \$1,000, it is fair as it is based on
6 the cost of gas that customers used during the winter weather event.

8 **FINANCING ORDER**

9 Q. Mr. Slaughter, has Oklahoma Natural reviewed PUD's proposed financing order?

10 A. Yes, it has. The Company has provided a redline version of this financing order as
11 Exhibit CMS-5 addressing a number of issues.

12
13 Q. Mr. Slaughter, please walk through the Company's proposed revisions.

14 A. Several clarifying revisions are recommended within Exhibit CMS-5. The more
15 important proposed revisions are discussed below:

16 Page 7 and Page 48 and other Pages – Added language to tighten the connection
17 between the Bonds and the Authority's state pledge;

18 Pages 12 to 13 – Deleted references to specific true-up dates and added language
19 providing flexibility to set the dates once the deal closing date is known. The Order
20 should not set those dates;

1 Page 13 – Modified quarterly true-ups to be done during the last 12 months prior
2 to the scheduled final maturity dates. This is better, from a marketing perspective,
3 than waiting until the bonds are extending beyond the scheduled final to start more
4 frequent true-ups;

5 Page 13 – Added the authority to conduct optional true-ups at any time if an under-
6 collection is projected. The Order authorizes these true-ups much later in the
7 document but also should be mentioned within the “Frequency of True-Ups and
8 Reconciliation” section;

9 Page 16 and Page 46 – Clarification that the scope of the Commission’s review of
10 non-standard true-ups should be limited to mathematical accuracy;

11 Page 22 – Clarification that if Oklahoma Natural receives excess funds after the
12 full payment of the Bonds and related ongoing financing costs, Oklahoma Natural
13 would credit customers such excess funds, solely in its capacity as Servicer and
14 solely on behalf of the ODFA; and

15 Page 11 and Page 40 – Modified to remove the two-year limitation for the period
16 between the scheduled final maturity and the legal final maturity. This period, often
17 referred to as the “maturity cushion,” is an important feature supporting the highest
18 possible rating for the Bonds and is driven by rating agency and market

considerations. The maturity cushion should not be specified in advance prior to the rating agency process, and will be described in the Issuance Advice Letter.

CONCLUSION

Q. Mr. Slaughter, does this conclude your testimony?

A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that on the 25th day of October, 2021, a full, true, and correct copy of the above and foregoing instrument was served on the following persons by **ELECTRONIC MAIL** to:

Brandy L. Wreath
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WINTER EVENT SECURITIZED COST RECOVERY “WESCR” MECHANISM

Section 1 - Applicability

The WESCR mechanism shall be applicable to all gas sales customer tariffs listed in Section 2 of this tariff beginning with the first billing cycle following a final financing order in Cause No. PUD202100079 and the issuance of securitized bonds and the Company’s receipt of such bond proceeds pursuant to Senate Bill 1050.

Nonbypassability: At the time of disconnection, if the customer is requesting disconnection and notifies the Company that disconnection of natural gas service is for the purpose of switching to an alternative fuel sources, then a Termination Fee shall be charged as listed below:

| <u>Tariff</u> | <u>*Termination Fee</u> |
|---|-------------------------|
| <u>Tariff 101 & 101-V Rate Choice A</u> | <u>\$35</u> |
| <u>Tariff 101 & 101-V Rate Choice B</u> | <u>\$55</u> |
| <u>Tariff 102 & 102-V Low Income</u> | <u>No Fee</u> |
| <u>Tariff 200 SCI & 200 SCI-V</u> | <u>\$70</u> |
| <u>Tariffs 200LCI, 291S, 601S, 705</u> | <u>\$300</u> |
| <u>Tariff 291S</u> | <u>\$3,500</u> |
| <u>Tariff 601S</u> | <u>\$3,600</u> |
| <u>Tariff 705</u> | <u>\$2,700</u> |
| | |

* This Termination Fee shall be multiplied by the number of years, rounded down, remaining for recovery of the bonds. The time period for recovery of bonds shall be 25 years, as determined in Cause No. PUD 202100079, and begin with the first year the Billing Rates in Section 3 are implemented. The Termination Fee shall only be applied to those Customers with service during the February 2021 Winter Weather Event. The Termination Fee is not applicable to those

Rates Authorized By The Oklahoma Corporation

Commission:

Effective

Order No.

Cause/Docket No.
PUD 202100079

Customers who were not existing Customers or enrolled in the the Voluntary Fixed Price Plan during the February 2021 Winter Weather Event.

Rates Authorized By The Oklahoma Corporation

Commission:

Effective

Order No.

Cause/Docket No.
PUD 202100079

Section 2 – Allocation

The WESCR mechanism shall be allocated to gas sales customer tariffs as shown below. This allocation, approved in Cause No. PUD 202100079, shall only be subject to the true-up and reconciliation methodology set forth in the Order and the final Issuance Advice Letter.

| Tariff | % Allocation |
|----------------------------------|---------------------------------|
| Tariff 101 & 101-V Rate Choice A | 13.54% <u>13.89%</u> |
| Tariff 101 & 101-V Rate Choice B | 64.823.99% |
| Tariff 102 & 102-V Low Income | 1.13% <u>0%</u> |
| Tariff 200SCI & 200 SCI-V | 6.30% |
| Tariffs 200LCI, 291S, 601S, 705 | 15.05% <u>14.61%</u> |
| <u>Tariff 291S</u> | <u>0.37%</u> |
| <u>Tariff 601S</u> | <u>0.01%</u> |
| <u>Tariff 705</u> | <u>0.05%</u> |
| Total | 100% |

Rates Authorized By The Oklahoma Corporation

Commission:

Effective

Order No.

Cause/Docket No.
PUD 202100079

OKLAHOMA NATURAL GAS COMPANY
P. O. BOX 401, OKLAHOMA CITY, OKLAHOMA

Tariff 1211.324
Date Issued:

| Rates Authorized By The Oklahoma Corporation Commission: | | |
|--|-----------|------------------|
| Effective | Order No. | Cause/Docket No. |
| | | PUD 202100079 |

OKLAHOMA NATURAL GAS COMPANY
P. O. BOX 401, OKLAHOMA CITY, OKLAHOMA

Tariff 1211.324
Date Issued:

| Rates Authorized By The Oklahoma Corporation | | |
|--|-----------|------------------|
| Commission: | | |
| Effective | Order No. | Cause/Docket No. |
| | | PUD 202100079 |

Section 32 – Billing Rates

The WESCR Mechanism billing rates below shall show as a separately line item on the customers bill.

| Tariff | *Volumetric Rate per Dekatherm<u>Fixed</u> <u>Monthly Fee</u> |
|--|--|
| Tariff 101 & 101-V Rate Choice A | |
| Tariff 101 & 101-V Rate Choice B | |
| Tariff 102 & 102-V Low Income | |
| Tariff 200SCI & 200 SCI-V | |
| Tariffs 200LCI, 291S, 601S, 705 | |
| <u>Tariff 291-S</u> | |
| <u>Tariff 601-S</u> | |
| <u>Tariff 705</u> | |
| Total | |

~~* Volumes in Dekatherms shall be actual non-temperature adjusted usage.~~

Section 43 – Recovery Period

The recovery period for securitized bonds shall be a for the time period approved by the securitized bond financing order on Cause No. PUD 202100079.

Section 54 – True Up

The WESCR mechanism shall be trued up and reconciled semi-annually through a submission to the Public Utility Division (“PUD”) of the Oklahoma Corporation Commission. Oklahoma Natural Gas shall receive periodic information from the Oklahoma Development Finance Authority (“ODFA”) in order to perform this true-up and reconciliation. Oklahoma Natural Gas will provide the updated rates as well as supporting calculations ~~by March 31 and September 30~~

| | | |
|--|-----------|------------------|
| <u>Rates Authorized By The Oklahoma Corporation Commission:</u> | | |
| Effective | Order No. | Cause/Docket No. |
| | | PUD 202100079 |

OKLAHOMA NATURAL GAS COMPANY
P. O. BOX 401, OKLAHOMA CITY, OKLAHOMA

Tariff 1211.432
Date Issued:

~~of each year within 30 days of receipt of this information~~ with rates to be effective the first billing cycle ~~in May and November, respectively~~ the month following the true-up. PUD

Rates Authorized By The Oklahoma Corporation

Commission:

Effective

Order No.

Cause/Docket No.
PUD 202100079

shall have 3045 days to complete its review before updated rates begin billing. Submission dates and timing of applicable rates may change-vary subject to the timing of information from the ODFA. A final True-up will occur at the end of the Recovery Period to ensure that only the amount of bond proceeds the Company received, as well as related interest and ongoing financing costs, have been collected from those customers identified in Section 2. This final True-up, resulting in either a customer over or under collection may occur through the Company's Purchased Gas Adjustment Mechanism (PGA) or as a line item on the Customer bills.

If the current customer count for any Tariff shown in Section 2 declines by more than 10% from the customer count used to determine the current allocation in Section 2, then the allocation in Section 2 will be re-calculated using the most recent 12 months normalized volume.

Rates Authorized By The Oklahoma Corporation

Commission:

Effective

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PUD 202100079

Securitized Costs \$1,371,369,996

| Tariff | Tariff Description | Allocation % - Based on February 2021 Usage | Customer Count | Amount owed per remaining years of securitization | Proposed Charge per remaining years of securitization |
|---------------------------------|--|---|----------------|---|---|
| Tariff 101 & 101V Rate Choice A | Residential Option A less than 50 Dth | 13.54% | 210,696 | \$35.25 | \$35.00 |
| Tariff 101 & 101V Rate Choice B | Residential Option B Greater than 50 Dth | 63.99% | 595,292 | \$58.96 | \$55.00 |
| Tariff 102 & 102V | Residential Low Income | 1.13% | 14,100 | \$43.94 | \$40.00 |
| Tariff 200SCI & 200SCIV | Small Commercial & Industrial | 6.30% | 46,586 | \$74.16 | \$70.00 |
| Tariff 200LCI | Large Commercial & Industrial | 14.61% | 26,491 | \$302.61 | \$300.00 |
| Tariff 291S | Sales 5,000 - 29,999 Dth | 0.37% | 57 | \$3,558.59 | \$3,500.00 |
| Tariff 601S | Wholesale (Municipals) | 0.01% | 2 | \$3,645.15 | \$3,600.00 |
| Tariff 705 | CNG | 0.05% | 10 | \$2,719.22 | \$2,700.00 |

| Tariff | Tariff Description | Allocation % - Based on February 2021 Usage | Customer Count | Amount owed per remaining years of securitization | Proposed Charge per remaining years of securitization |
|---------------------------------|--|---|----------------|---|---|
| Tariff 101 & 101V Rate Choice A | Residential Option A less than 50 Dth | 13.83% | 210,696 | \$36.01 | \$35.00 |
| Tariff 101 & 101V Rate Choice B | Residential Option B Greater than 50 Dth | 64.82% | 595,292 | \$59.73 | \$55.00 |
| Tariff 102 & 102V | Residential Low Income | 0.00% | 14,100 | \$0.00 | \$0.00 |
| Tariff 200SCI & 200SCIV | Small Commercial & Industrial | 6.30% | 46,586 | \$74.16 | \$70.00 |
| Tariff 200LCI | Large Commercial & Industrial | 14.61% | 26,491 | \$302.61 | \$300.00 |
| Tariff 291S | Sales 5,000 - 29,999 Dth | 0.37% | 57 | \$3,558.59 | \$3,500.00 |
| Tariff 601S | Wholesale (Municipals) | 0.01% | 2 | \$3,645.15 | \$3,600.00 |
| Tariff 705 | CNG | 0.05% | 10 | \$2,719.22 | \$2,700.00 |

EXHIBIT CMS-3 Recovery Periods and Customer Rates
ATTACHMENT JRM-2-3

| Recovery Period | | | | 15 Years | | | 20 Years | | | 25 Years | | | 30 Years | | |
|--|--|---|----------------|-------------------|----------|----------|-------------------|----------|----------|-------------------|----------|----------|-------------------|----------|----------|
| Total Extraordinary Costs (See Table CMS-1 of Slaughter Testimony) | | | | Bond Rating | | | A | | | A | | | A | | |
| \$1,371,369,996 | | | | 2.29% | | | 2.61% | | | 2.84% | | | 3.00% | | |
| Bond Financing Rate | | | | 2.01% | | | 2.33% | | | 2.54% | | | 2.71% | | |
| Traditional Financing Rate (Current WACC) | | | | 8.88% | | | 8.88% | | | 8.88% | | | 8.88% | | |
| Net Present Value Savings (in Millions) | | | | \$538.0 | | | \$601.5 | | | \$647.5 | | | \$682.7 | | |
| | | | | \$560.8 | | | \$628.9 | | | \$679.5 | | | \$717.4 | | |
| | | | | \$575.2 | | | \$646.8 | | | \$700.5 | | | \$740.4 | | |
| Tariff | Tariff Description | Allocation % - Based on February 2021 Usage | Customer Count | Fixed Monthly Fee | | | Fixed Monthly Fee | | | Fixed Monthly Fee | | | Fixed Monthly Fee | | |
| Tariff 101 & 101V Rate Choice A | Residential Option A less than 50 Dth | 13.54% | 210,696 | \$6.32 | \$6.37 | \$6.25 | \$5.59 | \$5.38 | \$5.25 | \$5.02 | \$4.81 | \$4.66 | \$4.65 | \$4.44 | \$4.29 |
| Tariff 101 & 101V Rate Choice B | Residential Option B Greater than 50 Dth | 63.99% | 595,292 | \$10.57 | \$10.66 | \$10.45 | \$9.35 | \$9.00 | \$8.78 | \$8.40 | \$8.04 | \$7.80 | \$7.78 | \$7.42 | \$7.18 |
| Tariff 102 & 102V | Residential Low Income | 1.13% | 14,100 | \$7.88 | \$7.94 | \$7.79 | \$6.97 | \$6.71 | \$6.54 | \$6.26 | \$5.99 | \$5.81 | \$5.80 | \$5.53 | \$5.35 |
| Tariff 200SCI & 200SCIV | Small Commercial & Industrial | 6.30% | 26,491 | \$13.30 | \$13.41 | \$13.14 | \$47.97 | \$46.19 | \$45.04 | \$43.11 | \$41.26 | \$40.04 | \$39.93 | \$38.07 | \$36.85 |
| Tariff 200LCI | Large Commercial & Industrial | 14.61% | 46,586 | \$54.25 | \$54.71 | \$53.62 | \$11.76 | \$11.32 | \$11.04 | \$10.56 | \$10.11 | \$9.81 | \$9.78 | \$9.33 | \$9.03 |
| Tariff 291S | Sales 5,000 - 29,999 Dth | 0.37% | 57 | \$637.99 | \$643.43 | \$630.53 | \$564.12 | \$543.22 | \$529.65 | \$506.96 | \$485.16 | \$470.86 | \$469.55 | \$447.75 | \$433.29 |
| Tariff 601S | Wholesale (Municipals) | 0.01% | 2 | \$653.51 | \$659.08 | \$645.86 | \$577.85 | \$556.43 | \$542.53 | \$519.29 | \$496.97 | \$482.31 | \$480.97 | \$458.64 | \$443.83 |
| Tariff 705 | CNG | 0.05% | 10 | \$487.51 | \$491.66 | \$481.80 | \$431.06 | \$415.09 | \$404.72 | \$387.38 | \$370.73 | \$359.80 | \$358.79 | \$342.14 | \$331.09 |

| Recovery Period | | | | 15 Years | | | 20 Years | | | 25 Years | | | 30 Years | | |
|--|--|---|----------------|-------------------|----------|----------|-------------------|----------|----------|-------------------|----------|----------|-------------------|----------|----------|
| Total Extraordinary Costs (See Table CMS-1 of Slaughter Testimony) | | | | Bond Rating | | | A | | | A | | | A | | |
| \$1,371,369,996 | | | | 2.29% | | | 2.61% | | | 2.84% | | | 3.00% | | |
| Bond Financing Rate | | | | 2.01% | | | 2.33% | | | 2.54% | | | 2.71% | | |
| Traditional Financing Rate (Current WACC) | | | | 8.88% | | | 8.88% | | | 8.88% | | | 8.88% | | |
| Net Present Value Savings (in Millions) | | | | \$538.0 | | | \$601.5 | | | \$647.5 | | | \$682.7 | | |
| | | | | \$560.8 | | | \$628.9 | | | \$679.5 | | | \$717.4 | | |
| | | | | \$575.2 | | | \$646.8 | | | \$700.5 | | | \$740.4 | | |
| Tariff | Tariff Description | Allocation % - Based on February 2021 Usage | Customer Count | Fixed Monthly Fee | | | Fixed Monthly Fee | | | Fixed Monthly Fee | | | Fixed Monthly Fee | | |
| Tariff 101 & 101V Rate Choice A | Residential Option A less than 50 Dth | 13.83% | 210,696 | \$6.46 | \$6.51 | \$6.38 | \$5.71 | \$5.50 | \$5.36 | \$5.13 | \$4.91 | \$4.77 | \$4.75 | \$4.53 | \$4.39 |
| Tariff 101 & 101V Rate Choice B | Residential Option B Greater than 50 Dth | 64.82% | 595,292 | \$10.71 | \$10.80 | \$10.58 | \$9.47 | \$9.12 | \$8.89 | \$8.51 | \$8.14 | \$7.90 | \$7.88 | \$7.52 | \$7.27 |
| Tariff 102 & 102V | Residential Low Income | 0.00% | 14,100 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Tariff 200SCI & 200SCIV | Small Commercial & Industrial | 6.30% | 46,586 | \$54.25 | \$54.71 | \$53.62 | \$47.97 | \$46.19 | \$45.04 | \$43.11 | \$41.26 | \$40.04 | \$39.93 | \$38.07 | \$36.85 |
| Tariff 200LCI | Large Commercial & Industrial | 14.61% | 26,491 | \$13.30 | \$13.41 | \$13.14 | \$11.76 | \$11.32 | \$11.04 | \$10.56 | \$10.11 | \$9.81 | \$9.78 | \$9.33 | \$9.03 |
| Tariff 291S | Sales 5,000 - 29,999 Dth | 0.37% | 57 | \$637.99 | \$643.43 | \$630.53 | \$564.12 | \$543.22 | \$529.65 | \$506.96 | \$485.16 | \$470.86 | \$469.55 | \$447.75 | \$433.29 |
| Tariff 601S | Wholesale (Municipals) | 0.01% | 2 | \$653.51 | \$659.08 | \$645.86 | \$577.85 | \$556.43 | \$542.53 | \$519.29 | \$496.97 | \$482.31 | \$480.97 | \$458.64 | \$443.83 |
| Tariff 705 | CNG | 0.05% | 10 | \$487.51 | \$491.66 | \$481.80 | \$431.06 | \$415.09 | \$404.72 | \$387.38 | \$370.73 | \$359.80 | \$358.79 | \$342.14 | \$331.09 |

| Monthly Impact to Other Residents if Low Income Excluded | | | | | | | | | | | | | | | |
|--|--|----------------|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Tariff | Tariff Description | Customer Count | | | | | | | | | | | | | |
| Tariff 101 & 101V Rate Choice A | Residential Option A less than 50 Dth | 210,696 | | \$0.14 | \$0.14 | \$0.14 | \$0.12 | \$0.12 | \$0.11 | \$0.11 | \$0.10 | \$0.10 | \$0.10 | \$0.10 | \$0.09 |
| Tariff 101 & 101V Rate Choice B | Residential Option B Greater than 50 Dth | 595,292 | | \$0.14 | \$0.14 | \$0.14 | \$0.12 | \$0.12 | \$0.11 | \$0.11 | \$0.10 | \$0.10 | \$0.10 | \$0.10 | \$0.09 |

EXHIBIT CMS-4 Securitization - Percent of Residential Bill

| 25 YEARS | | | |
|--|--------------|--------------|--------------|
| RESIDENTIAL A & B | Option A | Option B | Average A&B |
| Monthly Service Charge | \$16.36 | \$33.50 | |
| Annual Service Charge | \$196.32 | \$402.00 | |
| Delivery Fee per Dth | \$4.1143 | \$0.00 | |
| Normal Dth | 46.77 | NA | |
| Delivery Fee Total | \$192.45 | \$0.00 | |
| Total Revenue | \$388.77 | \$402.00 | |
| Current PGA Rate | \$5.977 | \$5.977 | |
| Annual Usage (use normal for estimate) | 46.77 | 77.98 | |
| Total Gas Cost | \$279.57 | \$466.06 | |
| Average Total Bill excluding taxes | \$668.34 | \$868.06 | |
| Average Tax Rate | 7.071% | 7.071% | |
| Average Taxes | \$47.26 | \$61.38 | |
| Average Total Bill before Securitization | \$715.60 | \$929.44 | |
| Monthly Securitization Charge | \$4.77 | \$7.90 | |
| Annual Securitization Charge | \$57.24 | \$94.80 | |
| Average Taxes on Securitization Charge | \$4.05 | \$6.70 | |
| Average Total Bill After Securitization | \$776.89 | \$1,030.94 | |
| Securitization % of Total Bill | 7.37% | 9.20% | 8.72% |
| % of Customers | 26.19% | 73.81% | |

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

| | | |
|--|---|--------------------------------|
| APPLICATION OF OKLAHOMA |) | |
| NATURAL GAS COMPANY, A DIVISION |) | |
| OF ONE GAS, INC., FOR A FINANCING |) | |
| ORDER APPROVING SECURITIZATION |) | |
| OF COSTS ARISING FROM THE |) | Cause No. PUD 202100079 |
| FEBRUARY 2021 WINTER WEATHER |) | |
| EVENT PURSUANT TO THE |) | |
| “FEBRUARY 2021 REGULATED UTILITY |) | |
| CONSUMER PROTECTION ACT” |) | |

DRAFT ONG FINANCING ORDER

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

**APPLICATION OF OKLAHOMA)
NATURAL GAS COMPANY, A DIVISION)
OF ONE GAS, INC., 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 202100079

DRAFT FINANCING ORDER

INTRODUCTION

Pursuant to Senate Bill 1050 (the “Act”), which includes the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9070-9081 (~~the “Act”~~), the Legislature of the State of Oklahoma recognized “the significant economic impact of the extreme weather event that occurred during the month of February 2021 herein the “2021 Winter Weather Event” and the “unprecedented utility costs [that] will be passed through to Oklahoma customers of utilities from regulated utility entities.” 74 Okla. Stat. § 9071. To mitigate the effects on such Oklahoma customers, the Act authorized Oklahoma Natural Gas Company, a division of One Gas, Inc. (“ONG” or the “Utility”), and other utilities subject to the regulatory jurisdiction of the Commission, to request the recovery of these extreme purchase costs and extraordinary costs (collectively referred to herein and in the Act as “qualified costs”) through ~~the~~ securitization to mitigate the impact of such costs on utility existing and future ratepayers taking gas delivery service for consumption, within the sponsoring utility’s service territory in effect as of the issuance date of this Financing Order (collectively referred to herein as “customers”) ~~customers~~, allowing customers to pay their utility bills at a lower amount over a longer period of time. In addition,

Section 13 of the Act amended 74 Okla. Stat. § 5062.8 to expand the authority of the Oklahoma Development Finance Authority (the “Authority” or the “ODFA”) under the Authority’s enabling act¹ (as amended, the “Authority Act”) to include authority to issue ratepayer-backed bonds authorized by the Act.

On April 29, 2021, ONG filed an application to seek a determination of prudently incurred costs associated with the 2021 Winter Weather Event eligible for recovery through securitization, and to demonstrate that a securitization would result in substantial revenue requirement savings as compared to conventional utility financing, and otherwise satisfy the requirements of the Act.

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

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

amounts collected will be sufficient to pay the Bonds and associated financing costs; and (7) approve a tariff to implement the WESCR Charge, all as described in the Act and more fully described in this Financing Order.

In Part I of this Financing Order we provide a statutory overview of the Act to give context to ~~this~~the Financing Order (“Order”).

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

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

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

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

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

I. BACKGROUND AND STATUTORY OVERVIEW

In February 2021, the State experienced an extreme weather event that brought nearly two weeks of record cold temperatures to the State. The extreme cold weather resulted in a shortage of natural gas supply, the failure of certain infrastructure, and enhanced demand for natural gas and electric power. The extreme weather conditions resulted in extraordinary costs for regulated utilities operating in the State. To mitigate such extraordinary costs the Oklahoma Legislature enacted², and the Governor of Oklahoma signed into law the Act to provide financing options to lower the immediate economic impact on consumers. ~~¶The February 2021 Regulated Utility Consumer Protection Act portions of the Act are~~³ codified at 74 Okla. Stat. §§ 9070 - 9081.

The Act authorizes the Commission, in any case where a regulated utility is requesting recovery of extreme purchase costs or extraordinary costs or both related to the 2021 Winter Weather Event eligible for recovery under the Act, to approve the recovery of such costs through securitization in order to mitigate the impact of such recovery on customer bills.² The Act provides that the Commission must consider certain factors (“Section 9073 factors”) when determining whether the costs mitigated by the recovery through ratepayer-backed bonds, including whether the existence of substantial revenue requirement savings through the issuance of the bonds as compared to conventional financing methods, a longer amortization schedule to pay the bonds than would ordinarily be practicable or feasible for the utility to implement such cost recovery and the ability to issue bonds at a cost which would not exhaust the potential savings.³ The Commission is also required to review the extreme purchase costs and extraordinary costs of the uUtility and

² 74 Okla. Stat. § 9073.

³ 74 Okla. Stat. § 9073(C).

determine whether the amounts incurred would otherwise be recoverable from customers as fair, just, and reasonable expenses and prudently incurred.⁴

Upon the determination that the costs are subject to recovery under the Act⁵ and may be mitigated by the issuance of ratepayer-backed bonds, the Commission is authorized and required to make additional finding and conclusions in a Financing Order to support the issuance of ratepayer-backed bonds, as provided in Section 5(A) of the Act (“Required Findings and Conclusions”). The Utility and the Authority have submitted testimony addressing the Required Findings, and in Part IV of this Financing Order, we address these Required Findings and Conclusions.

The Act authorizes the creation of a new property right, called securitization property, to secure payment of the ratepayer-backed bonds.⁵ The securitization property consists of the right to receive revenues, in the form of a customer utility charge (herein referred to as the “winter event securitization cost recovery charge” or “WESCR Charge”), which must be imposed on and collected from customers through a nonbypassable mechanism to ensure that customers cannot avoid paying the WESCR Charge. The nonbypassable mechanism must provide that the WESCR 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.⁶ In addition, the nonbypassable mechanism also requires a “true-up and reconciliation” process by which the WESCR Charge must be adjusted from time to time to ensure that expected revenues

⁴ 74 Okla. Stat. § 9073(E).

⁵ 74 Okla. Stat. § 9075(A)

⁶ 74 Okla. Stat. § 9072(5).

from the charge are sufficient to ensure the timely payment of the bonds, together with all costs necessary to service and administer the bonds.⁷ We refer to these servicing and administration costs, as well as other costs necessary to manage the structure, all as described more fully herein, as ongoing financing costs.

Securitization property constitutes a present contract right susceptible of ownership, sale, assignment, transfer, and security interest, and the property will continue to exist until the Bonds issued pursuant to this Financing Order are paid in full and all ongoing financing costs of the Bonds have been recovered in full.⁸ 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.⁹

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

The Act further provides: “Upon issuance of any Financing Order, the periodic determination of factors for customer collection with true-up and reconciliation shall not be removed, adjusted or interrupted by any other regulatory determination of the Commission, except where adjustments are warranted as a result of an audit of amounts actually collected from customers and provided to the Authority or where insurance proceeds, government grants or other funding sources offset or reduce the amount of extreme purchase costs and extraordinary costs to be recovered from customers. No adjustments shall in any manner impair or prevent the collection

⁷ 74 Okla. Stat. § 9072(12).

⁸ 74 Okla. Stat. § 9075(B).

⁹ 74 Okla. Stat. § 9075(D).

of sufficient revenues to service and repay ratepayer-backed bonds.”¹⁰ In this Financing Order, we have determined that any insurance proceeds, government grants or other funding sources will not be applied to the payment of the Bbonds, but will instead be credited to customers through another mechanism described in this Financing Order.

The Act amends the Authority’s enabling act (the “Authority Act”) to authorize the ODFA to issue ratepayer-backed bonds authorized pursuant to the Act. In the Authority Act, ~~In the Authority’s enabling act~~¹¹ (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”)¹². This Financing Order requires the Authority to include in the Bonds a recitation of the State Pledge.

The Commission may adopt a Financing Order providing for the retiring and refunding of the Bonds.¹³ ODFA and the Utility have not requested₂ and this Financing Order does not grant any authority to refinance the Bonds authorized by this Financing Order. This Financing Order does not preclude ODFA and the Utility from filing a request for a Financing Order for the Utility

¹⁰ 74 Okla. Stat. § 9074(H).

¹¹ ~~74 Okla. Stat. § 74-5102 et seq. (2014).~~

¹² 74 Okla. Stat § 74-5062.15 (2016).

¹³ 74 Okla. Stat § 9077(D).

to retire or refund the Bonds approved in this Financing Order upon a showing that the ~~c~~Customers would benefit and that such a financing is consistent with the terms of the Bonds.

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

II. DETERMINATION OF QUALIFIED COSTS

[Conclusion: In this Financing Order ~~the Commission has~~have determined that ONG is eligible to recover [\$XX] of 2021 Winter Weather Event related costs, together with adjustment for carrying costs are qualified costs under the Act (collectively, the “Weather-Related Qualified Costs”) and approves such recovery.]

III. SATISFACTION OF SECTION 9073 FACTORS

The Act provides that the Commission must consider the Section 9073 factors when determining whether ~~the~~ 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 Bbonds as compared to conventional financing methods~~;~~ (ii) a longer amortization schedule to pay the Bbonds than would ordinarily be practicable or feasible for the utility to implement such cost recovery and (iii) the ability to issue Bbonds at a cost which would not exhaust the potential savings.

~~In its T~~estimony submitted by witnesses for, the Utility’s ~~evidence~~ shows that as a result of the issuance of the Bonds, customers will realize substantial revenue requirement savings when compared to conventional financing methods. At the expected weighted-average interest rate of ___%, securitization confers benefits of \$ _____ on a present-value basis~~;~~ amortized ___ years. In the expected case, the securitization will result in a nominal reduction in the amount of revenues collected by the Utility of \$ _____.¹⁴ Accordingly, the Commission concludes that the substantial revenue requirement savings for ~~customers~~ratepayers set forth in the Utility’s evidence are fully indicative of the savings that ~~customers~~ratepayers will realize from the securitization approved

¹⁴ Oklahoma Natural Gas Company’s Response to Public Utility Division’s First Set of Data Requests, Attachment PUD-ONG-1-7.

here. The Commission will ensure substantial revenue requirement savings by requiring that the weighted average interest rate of the Bonds not exceed __% per annum.

[The Utility has also proposed that the Bonds be amortized over a __ year period, which is a longer amortization period than would ordinarily be practicable or feasible for the Utility to finance such cost recovery.~~schedule than would ordinarily be practicable or feasible for the Utility to finance its obligations.~~]

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

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

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

IV. DISCUSSION OF CERTAIN FINANCING ORDER REQUIREMENTS

Section 4(A) of the Act, which ~~is will be~~ codified at 74 OKLA. STAT. §9073 (A), requires this Commission to include findings and conclusions with respect to certain matters. Certain of these matters, not otherwise discussed in this Financing Order, are addressed below.

Bond Maturities: The Utility has requested that the Bonds be amortized on a scheduled basis over a period not to exceed of __ years, using a relatively level annual debt service structure~~level debt amortization~~, subject to true-up and reconciliation. The Company proposed a __-year recovery period, in part, for reasons of maintaining rate affordability, with a __-year recovery period allowing for an estimated WESCR Charge of \$__ per dekatherm or, in the case of

a fixed fee of \$__ per month.¹⁵ This proposed recovery period complies with Section 5(A) of the Act and is consistent with prior cost recovery orders of this Commission¹⁶. In this Financing Order, we find the Utility's proposal to be reasonable and approve the payment of the Bonds based upon level debt service and with a final scheduled maturity no later than __ years from the date of issuance and a legal final maturity which may be longer, based upon rating agency and market considerations, not exceeding 30 years from the issuance date ~~not later than two years after~~.

Irrevocable and Nonbypassable Mechanism to impose and adjust winter event securitization charges: The Utility has proposed a mechanism, as more fully described in the direct testimony of Cory Slaughter and Exhibit CMS-1, to impose a monthly per capita charge, which per capita charge will be based on the WESCR Customer Class (as described below) on all of its customers in order to generate sufficient cash flow to pay the Bonds and related ongoing financing costs on a timely basis as scheduled. The WESCR Charge would be payable by all sales customers excluding those enrolled in the Utility's Voluntary Fixed Price Plan ("VFP") during the winter storm. Customers, even those enrolled enrolling in the Utility's Voluntary Fixed Price Plan ("VFP") for future enrollment periods will pay the WESCR Charge, VFP ~~which~~ allows for residential and small commercial customers to pay a fixed price per ~~dekathem~~ dekatherm for the plan year, which runs from each November 1 through October 31.¹⁷ The Utility will calculate the WESCR Charge based upon the pro forma tariff set forth in Exhibit CMS-1 and the allocation among tariff groups described in Table CMS-3 (each a "WESCR Customer Class"). The mechanism and, as described below, the allocation among WESCR Customer Classes, will, subject to the filing of a non-standard true-up adjustment described below, remain in effect until the

¹⁵ Direct testimony of Cory Slaughter, -p 13, line 13-15.

¹⁶ Order No. 379117; see Direct Testimony of Cory Slaughter, -p 14, line 6-8.

¹⁷ Direct Testimony of Cory Slaughter, p. 18, line 8-11.

complete repayment and retirement of the Bonds and ongoing financing costs authorized by this Financing Order.

Exhibit CMS-1 also describes features demonstrating how the WESCR Charge will be nonbypassable to customers. {The WESCR Charge will be payable by all customers excluding those customers on VFP during the winter storm, the payment responsibility associated with customers electing to terminate gas service, which will no longer be responsible for payment of the WESCR Charge, other than any applicable termination fees, will be reallocated among customers in the related WESCR Customer Class.¹⁸ Moreover, as noted by the Utility, Oklahoma law prohibits municipalities from adopting ordinances, rules or codes that would restrict connections to natural gas suppliers¹⁹. In respect of customers who reduce service, the Utility notes that a fixed WESCR Charge based on WESCR Customer Class would not be impacted by a reduction in usage.²⁰ } In this Financing Order, we find that the nonbypassable mechanism satisfies the requirements of the Act, and is expected to be consistent with obtaining the highest possible ratings on the Bonds.

Frequency of True-Ups and Reconciliation:

The Utility has proposed that the WESCR Charge be adjusted (or trued-up) semi-annually to ensure that the WESCR Charge collections are sufficient to ensure the timely payment of the ~~ratepayer-backed b~~Bonds, while limiting the administrative burden on the Utility.²¹ The Utility has further testified that the Utility as Servicer shall~~should~~ submit a true-up adjustment letter to

¹⁸ Exhibit CMS-1; see Oklahoma Natural Gas Company's Response to Public Utility Division's First Set of Data Requests PUD-ONG-1-1.

¹⁹ Oklahoma Natural Gas Company's Response to Public Utility Division's First Set of Data Requests PUD-ONG-1-1.

²⁰ Oklahoma Natural Gas Company's Response to Public Utility Division's First Set of Data Requests PUD-ONG-1-1.

²¹ Direct Testimony of Cory Slaughter, p. 18, line 2-5.

~~the Commission file for any such adjustments to be effective with the Commission on a semi-annual basis. This Order provides the Utility the flexibility to set the true-up dates taking into consideration the closing date of the Bonds and rating agency considerations, as set forth in the final Issuance Advice Letter. Each true-up adjustment shall become effective with revised WESCR Charges the first billing cycle 30 days after the submission of the true-up adjustment letter on each March 31 and September 30, with the revised WESCR Charges to become effective in the first billing cycle of May and November, respectively.~~²² Exhibit CMS-1 would provide that the Commission would have ~~30~~45 days to review the mathematical accuracy of the recalculated WESCR Charges. 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. The Utility has testified that the Utility should have the authority to implement an optional true-up adjustment at any time if undercollections of WESCR Charges are projected, and also that true-up adjustments should occur on a quarterly basis during the 12 months prior to the scheduled final maturity of the Bonds. In this Financing Order we adopt the recommendations of the Utility regarding optional and quarterly true-up adjustments.~~Financial Advisor.~~ The true-ups will be required to be effective semi-annually, and quarterly during the last 12 months prior to the scheduled final maturity following the last scheduled payment of the Bonds and may be implemented at any time on an optional basis if the Servicer projects an undercollection of WESCR Charges and more frequently as required to obtain the highest possible rating on the Bonds. The frequency and timing of true-ups shall be documented in the Issuance Advice Letter.

²² Exhibit CMS-1.

In addition, the ~~Service~~Utility will be ~~required~~permitted to request a non-standard true-up adjustment to reallocate costs among the WESCR Customer Classes if there is a significant change in the number of customers within one or more WESCR Customer Classes. The Utility has proposed that the threshold ~~for requesting~~requiring such a non-standard true-up would be a 10% ~~or greater~~ change in the number of customers in one or more WESCR Customer Classes, to be calculated coincident with a routine semi-annual true-up.²³ The Commission finds this request reasonable and consistent with an equitable allocation of the costs of debt service and ongoing financing costs associated with the Bonds.

Each true-up adjustment and non-standard true-up adjustment will be implemented by means of a True-Up Letter or Non-Standard True-Up Letter, the forms of which are included as Exhibit D and Exhibit E, respectively, to this Financing Order, which would calculate a revised WESCR Charge for the Bonds in accordance with the Adjustment Calculation Methodology set forth as Appendix F to this Financing Order. Generally, the WESCR Charge will be calculated by the Servicer as follows:

First, the Servicer will calculate the Periodic Payment Requirement for the next six-month period, or if shorter the period from the adjustment date to and including the next bond payment date, as well as the Periodic Payment Requirement for the next succeeding six–month period ~~including~~~~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 WESCR Charge revenues during such Payment Periods. Each PPR

²³ Oklahoma Natural Gas Company’s Response to Public Utility Division’s First Set of Data Requests PUD-ONG-1-2.

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); and (c) ongoing costs consisting of the servicing fee, rating agencies' fees, trustee fees, legal and accounting fees, any taxes imposed on the operations of ODFA in connection with the Bonds, and other ongoing financing costs. The Periodic Billing Requirement will then be calculated, using the most recent information of the Servicer regarding updated forecasts, write off, average days sales outstanding data or other collection data, to determine the amount of WESCR Charge revenue that must be billed during ~~the each~~ each Payment Periods to ensure that sufficient WESCR Charge revenues will be received to satisfy the Periodic Payment Requirement for such Payment Periods. Such amount is referred to as the "Periodic Billing Requirement" or "PBR."

Second, the PBR for each Payment Period is allocated among each WESCR Customer Class using the Allocation Factors (each described below);

Third, the WESCR Charge for each Service Level for each Payment Period is determined by dividing each WESCR Customer Class's respective portion of the PBR for the Payment Period by the number of customers in such WESCR Customer Class, as of the date of the True-Up Letter, for such the Payment Periods; and

Finally, after such calculations are made, the WESCR Charge for each WESCR Customer Class Level for the next Payment Period and the next succeeding Payment Period will be compared and the higher WESCR Charge will be the WESCR Charge effective for such Service Level on the next adjustment date.

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

All true-up adjustments to the WESCR Charges would ensure the billing of WESCR 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 WESCR Charge. True-up adjustments would take into account~~be based upon~~ the cumulative differences, regardless of the reason, between the Periodic Payment Requirement and the actual amount of WESCR Charge collections remitted to the bond trustee for the Bonds.

In his testimony, the Financial Advisor also testified that, to ensure the highest possible rating on the Bonds, the true-up adjustments requested by the ~~servicer~~Servicer should be automatic and should be subject to review by the Commission solely for the correction of mathematical error. In this Financing Order, we approve this approach for the True-Up and Non-Standard True-Up processes to ensure the highest possible rating on the Bonds.

Allocation of Revenue Requirements Among Various WESCR Customer Classes:

The Utility has testified that debt service and ongoing financing costs associated with the Bonds should be allocated among WESCR Customer Classes based on actual usage during the month of February 2021²⁴. The Utility further testified that, as its customers are not metered in real time, it is not possible to tailor more closely ~~tailor~~ the cost allocation based on the nine-day duration of the winter storm event.²⁵ -The resulting allocation among WESCR Customer Classes is set forth in Table CMS-3 (the “Allocation Factors”). Except as adjusted in a non-standard true-

²⁴ Direct Testimony of Cory Slaughter, p. 11, lines 14-15.

²⁵ Direct Testimony of Cory Slaughter, p 12, lines 3-5.

up adjustment, the Allocation Factors will be fixed for the life of the Bonds. In this Financing Order, we find such allocation methodology reasonable and equitable to customers, and so approve the methodology.

Frequency of Remittances:

The Financial Advisor has testified that it is customary for a utility as servicer to remit securitization charges to the bond trustee on a daily basis, within two business days of receipt of such charges. The Utility has indicated that as Servicer it is capable of remitting, and will remit WESCR Charges daily within two business days of receipt.²⁶

The Financial Advisor has further testified that if the daily remittances are made on an estimated basis, the estimated remittances should be reconciled with actual collections no less often than semi-annually, with any over-remittances being returned to the Utility through a reduction in the amount of future remittances equal to such over-remittance and any under-remittances being paid over to the bond trustee by the Utility as Servicer within five business days. In this Financing Order we adopt the se recommendations of the Financial Advisor.

²⁶ Oklahoma Natural Gas Company's Response to Public Utility Division's First Set of Data Requests PUD-ONG-1-12.

V. DESCRIPTION OF PROPOSED FINANCING STRUCTURE

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

A. General Description.

The proposed financing structure includes all of the following:

1. the creation of securitization property solely in favor of the Utility, which includes the right to bill and collect an irrevocable WESCR charges;
2. the sale of the securitization property to the ODFA pursuant to the Sale Agreement;
3. the issuance of the Bonds by the ODFA, consistent with the parameters established by this Financing Order;
4. the transfer of the net proceeds of the Bonds by the ODFA to the Utility²⁷ in consideration for the sale of the securitization property pursuant to the Sale Agreement;
5. the collection on behalf of the ODFA of WESCR Charges by the Utility or its successors, as collection agent and servicerServicer, who will be responsible for billing and collecting the WESCR Charges from cCustomers;

²⁷ Pursuant to the §8(I) of the Act, the net proceeds from sale of the Bonds to the underwriters will be deposited with the State Treasurer pending disposition at the direction of the Authority. To the extent not needed to pay upfront financing costs or to fund the Debt Service Reserve Subaccount described below or other required subaccounts or reserves, proceeds from sale of the Bonds to the underwriters will be delivered to the Utility pursuant to instructions included in the Sale Agreement between the Authority and the Utility described below

Pursuant to the §8(I) of the Act, the proceeds of the Bonds will be deposited with the State Treasurer pending disposition at the direction of the Authority. The proceeds will be delivered to the Utility pursuant to instructions included in the sale agreement between the Authority and the Utility described below.

6. the pledge of the WESCR 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;

6.7. benefits for federal income tax purposes including (i) the exclusion of the WESCR Charges from the taxable income of the Utility; (ii) avoiding federal corporate income tax on the operations of ODFA; (iii) the Bonds constituting obligations of the ODFA. ~~and~~

7.8. an automatic true-up and reconciliation mechanism.

ODFA will issue the Bonds pursuant to an indenture administered by ~~aan~~ bond trustee. The Bonds will be secured by and payable solely out of the securitization property created pursuant to this Financing 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 Section 6(F) and that such rights will become securitization property concurrently with the sale to ODFA as provided in Section 6(G) of the Act.

Pursuant to a servicing agreement, the Utility will act as the initial ~~servicer~~ Servicer of the ~~WESCR Charges~~ securitization property for the ~~Authority~~ Utility, and will undertake to collect ~~WESCR Charges~~ such charges from the ~~c~~ Customers and remit these collections to the bond trustee on behalf of the ODFA. The Utility 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 Sservicer will be responsible for making any required or allowed “True-Up and Reconciliation” of the WESCR Charges. If the Sservicer defaults on its obligations under the servicing agreement, the Authority, or the bond trustee, may appoint a successor servicer.

WESCR Charges will be calculated and adjusted from time to time, pursuant to the “true-up and reconciliation” nonbypassable mechanism as approved in this Financing 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.

A bond trustee will ~~appointed~~be appointed by the State Treasurer and approved by the Authority. The bond trustee which will act as a representative on behalf of bondholders, remit payments to bondholders, and ensure bondholders’ rights are protected in accordance with the terms of the transaction. The indenture will include provisions for a collection account and related subaccounts, all held by the trustee, for the holding of certain proceeds from the sale of the Bonds to the underwriters, and for the collection and administration of the WESCR Charges and payment or funding of the principal and interest on the Bonds and ongoing financing costs. The collection account will include the general subaccount, the debt service reserve subaccount (“DSRS”) ~~and~~ the excess funds ~~subaccount, and~~ subaccount and may include other subaccounts as required to accommodate other credit enhancements.²⁸

²⁸ References to accounts and subaccounts herein are for purposes of clarity. The account names and structure will be set forth in the indenture.

The bond trustee will deposit the WESCR Charge remittances that the ~~servicer~~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 as Servicer, related to the Bonds, to pay principal and interest on the Bonds and to pay all other ongoing financing costs. Pending such application, the funds in the general subaccount will be invested by the bond trustee as provided in the indenture, and earnings will be deposited into the general subaccount and applied by the bond trustee to pay principal and interest on the Bonds and all ongoing financing costs in accordance with the terms of the indenture.

When the Bonds are issued, the bond issuance costs will include a deposit into a cost of issuance account (or subaccount) and a deposit estimated at 0.50% of the original principal amount of the Bonds to the credit of the DSRS. The DSRS deposit could be higher if required to obtain the highest possible rating. The exact amount will be determined by the Authority based upon rating agency considerations~~input~~ and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt ~~Management, and~~Management and reflected in the Issuance Advice Letter. The DSRS will serve as collateral to ensure timely payment of scheduled principal and interest on the Bonds and all ongoing financing costs. The funds in this subaccount will be invested by the bond trustee as provided in the indenture. Any amounts in the DSRS will be available to be used by the bond trustee to pay principal and interest on the Bonds and ~~certain limited~~ ongoing financing costs if necessary due to a shortfall in WESCR Charge collections. Any funds drawn from the DSRS to pay these amounts due to a shortfall in the WESCR Charge collections will be replenished through future WESCR Charge remittances. Funds remaining in the DSRS will be applied to the final payment of principal on the Bonds.

The excess funds subaccount will hold any WESCR Charge remittances and investment earnings ~~in~~on the collection account in excess of the amounts needed to pay current principal and interest on the Bonds and to pay the ongoing financing costs. Any balance in or allocated to the excess funds subaccount on a true-up adjustment date will be used as credit in calculating the next true-up adjustment. The money in this subaccount will be invested by the bond trustee as provided in the indenture, and such money (including investment earnings thereon) will be used by the bond trustee to pay principal and interest on the Bonds and ongoing financing costs.

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

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

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

C. Servicing Arrangements.

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

The servicing agreement is an agreement between the Utility, as the initial ~~servicer~~Servicer of the securitization property, and the Authority, as owner of the securitization property. It sets forth the responsibilities and obligations of the ~~servicer~~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~~Servicer unless it is unlawful for the utility to continue in such a capacity. The Utility's resignation as Servicer would not be effective until a successor servicer assumes its obligations in order to continue servicing the securitization property without interruption. The ~~s~~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~~Agency~~ or the trustee upon a majority vote of bondholders. Any merger or consolidation of the ~~S~~Servicer with another entity, or any transfer of the Servicer's entity or operational assets in connection with a bankruptcy proceeding would require the merged entity, successor or purchaser to assume the ~~servicer~~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 ~~S~~Servicer, the Utility is entitled to earn a servicing fee payable out of WESCR Charge collections. It is important to the Rating Agencies' analysis of the transaction that the Utility receives an arm's-length fee as ~~S~~Servicer of the securitization

property. However, it is customary in other utility securitizations for utilities to be allowed to retain 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 do not ultimately retain~~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. In this Financing Order, we approve this compensation and reconciliation process.

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

0.60% of the initial balance of the Bonds. The relevant transaction documents should also provide for an annual successor servicing fee, which should be no higher than 0.60% of the initial balance of the Bonds, without Rating Agency confirmation of the then-current ratings on the Bonds.

In this Financing Order, we approve these servicing arrangements.

D. Use of Proceeds.

The proceeds of the Bonds, net of bond issuance costs payable by the Authority (including costs payable to the Utility 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 Financing Order.

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

The Commission recognizes that certain details of the final Bond structure, such as any overcollateralization requirements or credit enhancements to support payment of the Bonds, and the final terms of the Bonds will depend in part upon the requirements of the nationally recognized credit rating agencies which will rate the Bonds and/or, in part, upon the market conditions that exist at the time the Bonds are taken to the market. This Financing Order establishes and approves a financing structure as well as parameters for the Bonds, including maximum final scheduled payment dates, weighted average interest rate on the Bonds, the method by which the Bonds should be amortized, as well as limits on certain costs to be incurred by the Utility, including Utility bond issuance costs and Utility servicing fees. Otherwise, as authorized by the Act, ODFA, with the advice of the Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, will determine and approve the final terms of the Bonds consistent with the terms of ~~the~~ this Financing Order. Within two business days of the issuance of the Bonds, ODFA

and the Utility will jointly file with the Commission, for information purposes, an Issuance Advice Letter, substantially in the form attached to this Financing Order, evidencing the final terms of the Bonds, projected (or actual) costs of issuance and ongoing financing costs, projected customer savings, as well the initial WESCR Charges. Failure or delay in filing such report will not affect the validity of Bonds or their security.

VI. BOND ISSUANCE AND ONGOING FINANCING COSTS

A. Bond Issuance Costs.

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

State. The Commission will have control over Utility issuance costs through its jurisdictional control over the Utility, as well as the Issuance Advice Letter process.

The Commission is mindful of the fact that several of the components of bond issuance costs will vary depending upon the size of the final issuance of the Bonds. Specifically, the Commission realizes that 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, bond counsel fees, special counsel fees, disclosure counsel fees, fees and expenses of the State Treasurer, and underwriters' fees. ~~are proportional to the amount of Bonds actually issued.~~ Further, other issuance costs, such as ODFA and Utility legal and accounting fees and expenses, printing expenses and trustee costs will not be known until the issuance of the Bonds or even thereafter, when final invoices are submitted. In this Financing Order, we approve the recovery by the Utility of the Utility Issuance Costs, subject to a cap of \$____ (the "Utility Issuance Cost Cap"). All other bond issuance costs are also approved for recovery, subject to the final approval of costs by the Authority.

B. Ongoing Financing Costs.

Costs will be incurred by the Utility, in its role as servicer, as well as by the Authority and other State agencies in connection with the servicing and administration of the Bonds. These costs should not be included in the principal amount of the ~~Bonds, and~~ Bonds and are authorized to be recovered through the WESCR Charges, subject to the true-up of those charges as provided in this Financing Order. The Financial Advisor estimates that these ongoing annual costs (exclusive of debt service on the Bonds and the servicing fee and external accounting costs of the Utility) will be approximately \$_____ for the first year following the issuance of the Bonds (assuming the Utility is the initial Sservicer), but many ongoing costs will not be known until they are incurred. ~~f~~The Utility has proposed an annual servicing fee for acting as initial Sservicer following the

issuance of the Bonds at \$ _____. This fee will be fixed for the life of the Bonds and continuing thereafter until all WESCR 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 Sservicer, has requested that it should be entitled to receive reimbursement for its out-of-pocket costs for external accounting services to the extent external accounting services are required by the servicing agreement, as well as for other items of cost (other than external information technology costs, bank wire fees and legal fees, which are part of the servicing fee) that will be incurred annually to support and service the Bonds after issuance.}] As discussed, we will direct the Utility to include the servicing fee, as well as servicing costs, as part of the utility's next base rate proceedings, to ensure that the Utility does not retaineollect more than its incremental costs.

In the event that thea Sservicer default occurs, the Authority will be permitted to appoint a successor servicer. The compensation of the successor servicer will be what is required to obtain the services under the servicing agreement. As stated, the Financial Advisor has recommended that the Commission approve a fee up to 0.60% of the initial principal balance of the Bonds in case a successor needs to be appointed, unless the ODFA can reasonably demonstrate to the Commission that the services cannot be obtained at that compensation level under the market conditions at that time. The Commission finds that ODFA, the Utility and the Commission should be permitted to recover from WESCR Charges their ongoing financing costs, as requested by the Utility and ODFA, subject only to the cap on the annual servicing fee described above.

VII. FINDINGS OF FACT

The Commission makes the following findings of fact.

A. Identification and Procedure.

(1) Identification of Applicant and Background.

1. [ONG is a natural gas public utility providing local distribution service to approximately ~~895,000-0875,000~~ residential, commercial, ~~and~~ industrial and transportation customers throughout the State of Oklahoma.- ONG 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 natural gas~~electricity~~ made within the State of Oklahoma.]

2. In February 2021, the State experienced an extreme weather event that brought nearly two weeks of record cold temperatures to the State. The extreme cold weather resulted in a shortage of natural gas supply, the failure of certain infrastructure, and enhanced demand for natural gas and electric power. The extreme weather conditions resulted in the Utility incurring extreme purchase costs, extraordinary costs or both²⁹ that may be mitigated by issuing the Bonds.

(2) Procedural History.

3. On April 29, 2021, the Utility filed the Application for a Financing Order under the Act (the “Application”) to seek a determination of prudently incurred costs associated with the 2021 Winter Weather Event eligible for recovery through securitization, and to demonstrate that a securitization would result in substantial revenue requirement savings as compared to conventional utility financing and otherwise satisfy the requirements of the Act.

4. [Describe testimony establishing prudence of costs and demonstrated savings]

5. Prior to issuing this Financing Order, the Commission has consulted with the

²⁹ Terms used herein shall have the meanings assigned to them in the Act.

Deputy Treasurer for Policy and Debt Management regarding the marketability and efficiency of any proposed financing authorized by a Financing Order in accordance with Section 5(B) of the Act.

B. Amount to be Financed.

(1) Approval of Qualified Costs and Amount of Bonds.

6. The Commission has determined that the Utility has incurred 2021 Winter Weather Event related qualified costs in the aggregate amount of \$_____, carrying costs in the estimated amount of \$[45.9 million] from [date] through the projected date of issuance of the Bonds [of January 31, ~~2022~~2024], and that these qualified costs (collectively, “Weather-Related Qualified Costs”), together with bond issuance costs as described in Part VI of this Financing Order (collectively, “Approved Qualified Costs”), are approved for recovery in this Financing Order, ~~and~~ are eligible for recovery through the issuance of the Bonds.

7. In its testimony, exhibits, and schedules, the Utility calculated the estimated amount of carrying costs from [date] through January 21, 20~~22~~24 (the projected date of issuance) at a rate of 0.9021%. The Utility has requested that if the Bonds are not issued by January 31, 20~~22~~24, the carrying costs it is entitled to recover be adjusted to the Utility’s weighted average cost of capital.

8. The Utility has proposed that when the Bonds are issued, the Utility shall account for the difference in carrying costs resulting from issuance after the January 31, 20~~22~~24 date used to calculate Weather-Related Qualified Costs, through the Issuance Advice Letter process. The Utility’s proposal is appropriate.

9. The ODFA is authorized to issue the Bonds in an amount equal to the sum of the Weather-Related Qualified Costs approved in this Financing Order plus the bond issuance costs

approved in this Financing Order. Such sum, estimated at \$xx, is referred to in this Financing Order as the Authorized Amount.

(2) Bond Issuance Costs and Ongoing Financing Costs.

10. Bond issuance costs (as more fully described in Part VI of this Financing Order) are those that will be incurred in advance of, or in connection with, the issuance of the Bonds, and will be recovered or reimbursed from ~~ratepayer-backed~~ Bbond proceeds (or, if necessary, from WESCR Charges as described in Finding of Fact 19 below).

11. ODFA has no control over bond issuance costs incurred pursuant to a financing under the Act, apart from ODFA-related issuance costs. The only bond issuance costs to be incurred directly by the Utility are [servicer set up costs, costs related to regulatory proceedings, miscellaneous administrative costs, external servicing costs and the costs of Utility's financial and legal advisors], which are referred to as Utility Issuance Costs. All other bond issuance costs (collectively, "non-Utility issuance costs") will be outside the control of the Utility because the issuer of the Bonds (the ODFA) is an instrumentality of the State. The Commission will have control over Utility Issuance Costs through its jurisdictional control over the Utility, as well as the Issuance Advice Letter process.

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

13. Other than the servicing fee [(which will cover external information technology costs, bank wire fees, ~~and~~ the fees of the Utility's legal counsel and other costs described herein)], 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.

14. 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.

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

16. The Utility and the ODFA have also provided estimates of ongoing financing costs for the first year following the issuance of the Bonds to be approximately \$_____ if the Utility is the initial Sservicer, also in Appendix C.

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

18. 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 delivery of the Bonds.

19. Within 90 days of the issuance of the Bonds, the ODFA and the Utility will submit to the Commission a final accounting of their respective issuance costs. If the Utility's actual issuance costs are less than the issuance costs included in the principal amount financed, the revenue requirement for the first semi-annual true-up adjustment shall be reduced by the amount

of such unused funds (together with income earned thereon) and the Utility's unused funds (together with income earned thereon) shall be applied to the Utility's ongoing financing costs. If the ODFA's actual issuance costs are less than those estimated, the amount will be recognized as a credit in the true-up adjustment as part of the WESCR tariff. If ODFA's final issuance costs are more than the estimated issuance costs included in the principal amount financed, ODFA may recover the remaining issuance costs through a true-up adjustment. However, such recovery will be subordinate to the payment of debt service on the Bonds and related financing costs during the true-up period. The Utility's Issuance Costs are capped under this Financing Order. A failure to provide such report will in no way affect the validity of or security for the Bonds.

(3) Customer Benefits.

20. 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.

21. As described in the Utility testimony of Mark W. Smith and in this Financing Order, the Utility has demonstrated that the proposed financing will satisfy each of these criteria.

C. Structure of the Proposed Financing.

(1) The Utility.

22. 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.

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

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

(2) ODFA.

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

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

(3) Structure, Security and Documents.

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

28. As security to pay the principal of and interest on the Bonds and other ongoing financing costs, the ODFA will pledge its interest in the securitization property created by this

Financing Order, 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.

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

30. The Authority will direct the State Treasurer to deposit all proceeds of the sale of the Bonds by the Authority to the underwriters, as well as 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.

31. The ODFA will prepare a proposed form of an Indenture, ~~an Administration Agreement,~~ a Sale Agreement and a Servicing Agreement (collectively, the “Transaction Documents”), which set out in substantial detail certain terms and conditions relating to the financing and security structure. Each of the Transaction Documents will be reviewed and approved by the Utility, the ODFA and the State Deputy Treasurer for Policy and Debt Management. The forms of the Transaction Documents will also be submitted to Commission Staff for their review and comment.

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

(4) Credit Enhancement and Arrangements to Enhance Marketability.

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

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

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

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

37. In the Application, the Utility has not requested that additional forms of credit enhancement (including letters of credit, overcollateralization accounts, surety bonds, or guarantees) and other mechanisms designed to promote the credit quality and marketability of the

Bonds be used. The Financial Advisor has testified that the Authority should have the flexibility to utilize such additional credit enhancements if such arrangements are reasonably expected to result in net benefits to customers. The Financial Advisor has recommended that the costs of any credit enhancements as well as the costs of arrangements to enhance marketability be included in the amount of issuance costs to be financed.

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

(5) Servicer and the Servicing Agreement.

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

40. [The Sservicer shall remit actual or estimated WESCR Charges to the bond trustee within two servicer business days of receipt according to the methodology described in the servicing agreement. If estimated charges are remitted, the Utility as Servicer will reconcile actual and estimated charges no less often than every six months, as described in this Financing Order.]

41. The initial Sservicer will be entitled to an annual servicing fee fixed at ____% of the initial principal amount of the Bonds. [In addition, the Utility, as initial Sservicer, shall be entitled to receive reimbursement for its out-of-pocket costs for external accounting services to the extent external accounting services are required by the servicing agreement, as well as for other items of cost (other than external information technology costs, bank wire fees and legal fees, which are part of the servicing fee)] that will be incurred annually to support and service the Bonds after issuance. The servicer fees collected by the Utility, or by any affiliate of the Utility acting as the Sservicer, under the servicing agreement shall be included as an identified revenue credit and reduce revenue requirements for the benefit of the cCustomers in its next rate case

following collection of said fees. The expenses of acting as the servicer shall likewise be included as a cost of service in any such utility rate case. In this Financing Order, the Commission approves the servicing fee as described herein. In this Financing Order the Commission also approves, in the event of a default by the initial servicer resulting in the appointment of a successor servicer, a higher annual servicing fee of up to 0.60% of the initial principal balance of the Bonds unless the ODFA can reasonably demonstrate to the Commission that the services cannot be obtained at that compensation level under the market conditions at that time. The obligations to continue to collect and account for WESCR Charges will be binding upon the Utility, its assigns and successors and any other entity that provides natural gas services or, in the event that the distribution of natural gas service ~~is~~^{are} not provided by a single entity, any other entity providing retail natural gas distribution service to the ~~c~~^eCustomers. The Commission will enforce the obligations imposed by this Financing Order, its applicable substantive rules, and statutory provisions.

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

43. The servicing arrangements described in Findings of Fact Nos. [3940 through 4244] are reasonable, will reduce risk associated with the proposed financing and should, therefore, result in lower WESCR Charges and greater benefits to the ~~c~~^eCustomers and should be

approved.

(6) Ratepayer-Backed Bonds.

44. 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 ~~the~~ this Financing Order.

45. The scheduled final payment date of any series of the Bonds is not expected to exceed __ years from the date of issuance of such series. The legal final maturity date of any series of the Bonds ~~will not be more than two years after the scheduled final payment date.~~ may be longer than the scheduled final maturity, based upon rating agency and market considerations, not to exceed 30 years from the date of issuance. The scheduled final payment date and legal final maturity date of each series and tranche within a series and amounts in each series will be finally determined by the ODFA, consistent with market conditions and indications of the rating agencies and with the advice of the Financial Advisor, at the time the Bonds are priced.

46. The Bonds will be amortized using a substantially level annual debt service mortgage-style structure. ~~amortization~~

47. The weighted average interest rate on the Bonds will not exceed xx% per annum.

48. [ODFA will cause the Bonds to be issued no earlier than the fifth business day after pricing of the Bonds.]

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

50. The Commission finds that the foregoing parameters for the Bonds will ensure that the customers enjoy substantial revenue requirement savings and rate mitigation benefits as required by the Act.

(7) WESCR Charges—Imposition and Collection and Nonbypassability.

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

52. WESCR Charges collected pursuant to the WES~~C~~CR Rider shall be a separate line-item on the monthly bills of the customers.

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

54. The Utility, acting as ~~S~~Servicer, and any subsequent servicer, will collect WESCR Charges from all ~~c~~Customers in the manner as described in the testimony of Cory Slaughter, Michael Bartolotta and Isaac Stroup in order to ensure their nonbypassability. The Commission finds that such nonbypassability provisions are appropriate to ensure an equitable allocation of qualified costs among customers and to secure the highest possible ratings for the Bonds.

55. 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 WESCR

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

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

(8) Periodic Payment Requirements and Allocation of Cost.

57. The Periodic Payment Requirement 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 Financing Order will be updated in the Issuance Advice Letter.

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

59. The Utility's proposed allocation of the PBR among WESCR Customer Classes, as described in the testimony of Cory Slaughter, is reasonable and should be approved, subject to

the filing of a non-standard true-up adjustment to permit a reallocation among WESCR Customer Classes.

(9) True-up of WESCR Charges.

60. The ~~servicer~~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 WESCR Charges to:

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

(b) to ensure the projected recovery of amounts sufficient to provide timely payment of the scheduled principal of and interest on the Bonds and all ongoing financing costs (including any necessary replenishment of the DSRS) during the subsequent 12-month period (or in the case of quarterly true-up adjustments described below, the period beginning the 12 months prior to the scheduled final maturity~~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.~~

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

62. True-up filings will take into account~~be based upon~~ the cumulative differences, regardless of the reason, between the PPR (including scheduled principal and interest payments on the Bonds and ongoing financing costs) and the amount of WESCR 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 WESCR Charge revenues to fund the PPR and to avoid large over collections and under

collections over time, the ~~servicer~~Servicer will reconcile the WESCR Charges using Servicer's Authority's most recent forecasts ~~of~~ ~~of~~ ~~usage~~, demand and base rate revenues and estimates of financing costs [or] total number of customers.] The calculation of the WESCR Charges will also reflect both a projection of uncollectible WESCR Charges and a projection of payment lags between the billing and collection of WESCR Charges based upon the ~~servicer~~Servicer's most recent experience regarding collection of WESCR Charges.

63. The ~~servicer~~Servicer will set the initial WESCR Charges and make true-up adjustments in WESCR Charges ~~the~~ based upon the methodology described by Cory Slaughter.³⁰

64. The ~~servicer~~Servicer may also make interim true-up adjustments more frequently at any time during the term of the Bonds: (i) if the ~~servicer~~Servicer ~~projects~~forecasts that WESCR Charge collections will be insufficient to make all scheduled payments of principal, interest and other financing costs in respect of the Bonds during the current or next succeeding payment period or (ii) to replenish any draws on the DSRS. Each such interim true-up shall use the methodology identified in Findings of Fact Nos. [61 to 63] applicable to the semi-annual true-up. The DSRS requirement may be adjusted above 0.50% of the original principal amount of the Bonds (or such higher level identified at the time of the initial issuance of the Bonds, as permitted in this Financing Order), if there is a draw on the DSRS and it is not replenished within [XX] months.

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

(10) Additional True-up Provisions.

³⁰ Oklahoma Natural Gas Company's Response to Office of the Attorney General's First Set of Data Requests OAG-ONG-1-3f.

66. The true-up adjustment filing will set forth the ~~S~~servicer's calculation of the true-up adjustment to the WESCR Charges. The Commission will have [30] days after the date of a true-up adjustment filing in which to confirm the mathematical accuracy of the ~~servicer~~ Servicer's adjustment. Any true-up adjustment filed with the Commission should be effective on its proposed effective date, which shall be not less than [30] days after filing, ~~provided that non-standard true-up adjustments will be effective not less than [45] days after filing.~~ Any necessary corrections to the true-up adjustment, due to mathematical errors in the calculation of such adjustment or otherwise, will be made in future true-up adjustment filings. Any interim true-up may take into account the PPR for the next succeeding 6 months if required by the servicing agreement.

67. The true-up mechanism described in this Financing Order and contained in Appendix D to this Financing Order is reasonable and will reduce risks related to the Bonds, resulting in lower WESCR Charges and greater benefits to customers and should be approved.

68. ~~{~~To improve the credit quality of the Bonds in light of the expected final maturity of approximately ___ years for the Bonds, the true-up methodology approved in this Financing Order requires that any under collections or over collections in one WESCR Customer Classes will be taken into account in the application of the true-up mechanism to adjust the WESCR Charge for all Customers, not just the WESCR Customer Classes from which the under collection or over collection arose. We find that this ~~cross-collateralization~~ cross-collateralization methodology will enhance the credit quality of the ~~ratepayer-backed~~ BBonds and lower WESCR Charges.~~}~~

69. The ~~servicer~~ Servicer shall request Commission approval of an amendment to the true-up mechanism described herein – a Non Standard True-up (under such procedures as shall

be proposed by the ~~servicer~~Servicer and approved by the Commission at the time) – that it deems necessary or appropriate to provide for a change in the Allocation Factors to address a 10% or greater change in the number of customers in one or more WESCR Customer Classes from the threshold numbers set forth in [_____]. The form of notice for a ~~Non-Standard~~Non-Standard True-Up Adjustment is attached as Appendix E to this Financing Order. No such change shall cause any of then-current credit ratings of the Bonds to be suspended, withdrawn or downgraded. The Commission's scope of review of a Non-Standard True-Up is limited to the correction of mathematical errors.

(11) Use of Proceeds.

70. The Authority will direct the State Treasurer to ~~deposit~~pay all bond proceeds received from the sale of the Bonds, net of amounts required to pay non-Utility issuance costs which will be deposited with the bond trustee for payment of such costs, to the Utility to pay the purchase price of the securitization property, on behalf of and as agent of ODFA. The Utility will apply these net proceeds to reduce its Approved Qualified Costs as described in the testimony of Mark W. Smith.

71. In accordance with Section 5(G) of the Act, upon the entry of a Financing Order, ONG will not seek to recover the Approved Qualified Costs from customers except through the transfer of securitization property in exchange for the proceeds of a bond issuance, which shall offset and complete the recovery of extreme purchase costs and extraordinary costs for the regulated Utility. The use of proceeds from the sale of the Bonds in violation of this Financing Order shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify or amend this Financing Order and shall not affect the validity, finality and irrevocability of this Financing Order, the securitization property irrevocably created hereby or the Bonds.

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

72. To the extent the Utility receives insurance proceeds or receives 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 but prior to the marketing of the Bonds, the purpose of which is to provide for recovery of 2021 Winter Weather Event related qualified costs approved for recovery by this Financing Order, such amounts shall be used to reduce the extreme purchase costs or extraordinary costs of the Utility recoverable from customers as provided in this Financing Order. [credited process to be included,] as provided in Section 3(G) of the Act.

73. To the extent the Utility receives alternative funds after the date of issuance of the Bonds, the Utility is directed by the Commission to credit such amounts to customers, as permitted by Section 8(J) of the Act.

VIII. CONCLUSIONS OF LAW

1. ONG is a regulated utility as defined in Section 3(9) of the Act. The Utility is subject to the regulatory jurisdiction of the Commission with respect to its rates, charges and terms and conditions of service.

2. The Utility is entitled to file the Application, which constitutes, an application for a Financing Order pursuant to Section 4(A) of the Act.

3. The Commission has jurisdiction and authority over the Application pursuant to Section 4 of the Act and other applicable law.

4. The Commission has authority to approve this Financing Order under Section 5(A) of the Act and the Commission's regulatory jurisdiction over the Utility.

5. The Bonds, including the rights embedded in the securitization property, pledged revenues, other Bond collateral and the State Pledge will be validated by the Supreme Court of Oklahoma in compliance with Section 10 of the Act.

6. The Bonds [will behave been approved] by the Council of Bond Oversight as provided in the Oklahoma Bond Oversight and Reform Act, 62 OKLA. STAT. § 62-695.8.

7. The final structure and terms of the Bonds, consistent with the parameters established of this Financing Order, will be approved by the Authority and the pricing of the Bonds will be approved by the State Deputy Treasurer for Policy and Debt Management pursuant to 62 OKLA. STAT. § 695.7(C).

8. Pursuant to Section 8(I) of the Act, the proceeds of the sale of the Bonds and revenues received with respect to the securitization property shall be deposited by the State Treasurer in the Consumer Protection Fund maintained with the bond trustee. The State Treasurer shall apply such moneys as provided in Findings of Fact 7071 and 7172 of this Financing Order.

9. The use of proceeds from the sale of the Bonds in violation of this Financing Order

shall subject the Utility to proceedings pursuant to applicable statutes, orders and the rules and regulations of the Commission but shall not be grounds to rescind, alter, modify or amend this Financing Order and shall not affect the validity, finality and irrevocability of this Financing Order until the indefeasible payment in full of the Bonds and all financing costs related thereto,⁵ ~~or the securitization property irrevocably created hereby, or the Bonds.~~

10. The Commission may adopt a Financing Order providing for the retiring and refunding of the Bonds under Section 8(D) of the Act.

11. The Commission may, under Section 9 of the Act, require an audit of all amounts received from customers under the WESCR Charge and paid to the Utility, and the amounts paid by the Utility to the ODFA. The audit shall be part of any general rate case filed by the Utility currently affected by a financing order with outstanding Bonds. The ~~U~~utility shall provide a copy of any audit to the Governor, the Pro Tempore of the Senate, the Speaker of the House of Representatives and the Authority; provided, however, any part or parts of the audit deemed confidential pursuant to federal or state law or as determined by the Commission, shall be redacted and, provided, further, that the findings of any audit shall not affect the validity, finality and irrevocability of this Financing Order until the indefeasible payment in full of the Bonds and all financing costs related thereto, ~~or the securitization property irrevocably created hereby or the Bonds~~ and shall not impact, or be included as part of, the “true-up and reconciliation” process approved in this Financing Order.

12. The securitization approved in this Financing Order satisfies the requirements of Section 4(C)(1) of the Act directing that the total amount of revenues to be collected under this Financing Order result in substantial revenue requirement savings compared to conventional financing methods.

13. The securitization approved in this Financing Order satisfies the requirement of Section 4(C)(2) of the Act mandating that the securitization would mitigate the customer utility bill impact by mandating a longer amortization period for recovery than would otherwise be practicable or feasible.

14. The issuance of the Bonds approved in this Financing Order in compliance with the criteria established by this Financing Order satisfies the requirement of Section 4(C)(3) of the Act that the issuance of Bonds be completed at a sufficiently low cost such that customer savings are not exhausted or offset.

15. The Commission finds that the costs incurred by the Utility during the 2021 Winter Weather Event to be mitigated through securitization would otherwise be recoverable from customers as fair, just and reasonable expenses and were prudently incurred. See Section 4(E) of the Act.

16. Recovery of the carrying costs, including the approved rate of return, approved for recovery in this Financing Order compliance with Section 4(F) of the Act. The carrying costs shall begin accruing at the time of the issuance of the Financing Order and continue until the date that the Bonds are issued.

17. Pursuant to Section 6(D) of the Act, this Financing Order will remain in effect and unabated notwithstanding the reorganization, bankruptcy or other insolvency proceedings, or merger or sale of the Utility, its successors, or assignees.

18. This Financing Order adequately details the amount to be recovered and the period over which the Utility will be permitted to recover nonbypassable WESCR Charges in accordance with the requirements of Section 5(A)(1) and (2) of the Act.

19. The method approved in this Financing Order for collecting and allocating the

WESCR Charges reasonable and satisfies the requirements of Section 4 of the Act.

20. As provided in Section 6(B) of the Act, this Financing Order, together with the WESCR Charges authorized by this Financing Order, is irrevocable and not subject to reduction, impairment, or adjustment by further act of the Commission, except for the true-up procedures approved in this Financing Order, as required by Section 5(H) of the Act.

21. As provided in Section 6(A) of the Act, the rights and interests of the Utility or its successor under this Financing Order, including the right to impose, collect and receive the WESCR Charges authorized in this Financing Order, are assignable and must become securitization property at the time the Bonds are issued by ODFA.

22. The rights, interests and property conveyed to ODFA in the Ssale Agreement [and the related bill of sale,] including the irrevocable right to impose, collect and receive WESCR Charges and the revenues and collections from WESCR Charges are securitization property within the meaning of Section 6 of the Act.

23. 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 WESCR Charges depend on further acts by the Utility, ODFA, the Commission or others that have not yet occurred, as provided by Section 6(B) of the Act.

24. All revenues and collections resulting from the WESCR Charges shall be the further property and right of the owner of the securitization property as provided by Section 6(C) of the Act.

25. 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 WESCR Charges authorized by the Financing Order as provided by Section 6(F) of the Act.

26. The Bonds issued under this Financing Order will be ratepayer-backed bonds within the meaning of Sections 3(8) and 8(A) of the Act and the Bonds and holders thereof are entitled to all of the protections provided under Section 8(B) of the Act.

27. The procedure by which WESCR Charges are required to be imposed and adjusted on ~~c~~Customers and be paid to the ~~servicee~~Servicer under this Financing Order or the tariffs approved hereby constitute a nonbypassable mechanism as defined in Section 3(5) of the Act, and the amounts collected from customers with respect to such WESCR Charges are securitization property as defined in Section 3(11) of the Act.

28. As provided in Section 6(D) of the Act, the interests of an assignee, the holders of Bonds, and the bond trustee in securitization property and in the revenues and collections arising from that property are not subject to setoff, counterclaim, surcharge, or defense by the Utility or any other person or in connection with the bankruptcy of the Utility or any other entity.

29. The methodology approved in this Financing Order to true-up and adjust the WESCR Charges constitutes a “true-up and reconciliation” process which satisfies the requirements of the Act.

30. If and when the Utility transfers to the ODFA the right to impose, collect, and receive the WESCR Charges and to issue the Bonds, the ~~servicee~~Servicer will be able to impose and collect~~recover~~ the WESCR Charges associated with such securitization property only for the benefit of the ODFA and the holders of the Bonds in accordance with the ~~S~~servicing ~~A~~agreement.

31. If and when the Utility transfers its rights under this Financing Order to the ODFA under an agreement that expressly states that the transfer is a sale or other absolute transfer in

accordance with the true-sale provisions of Section 6(F) of the Act, then, in accordance with that statutory provision, that transfer will be a true sale of an interest in securitization property and not a secured transaction or other financing arrangement and title, legal and equitable, to the securitization property will pass to the ODFA. This true sale must apply regardless of whether the purchaser has any recourse against the seller, or any other term of the parties' agreement, including the Utility's role as the ~~Servicer~~collector of WESCR 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.

32. As provided in Section 6(E) of the Act, a valid and enforceable lien and security interest in the securitization property in favor of the holders of the Bonds or a trustee on their behalf will be created by this Financing Order and the execution and delivery of a security agreement with the holders of the Bonds or a trustee on their behalf in connection with the issuance of the Bonds. The lien and security interest will attach automatically from the time that value is received by the Authority for the Bonds and, on perfection through the filing of notice with the Oklahoma Secretary of State, will be a continuously perfected lien and security interest in the securitization property and all proceeds of the securitization property will have priority in the order of filing and will take precedence over any subsequent judicial or other lien creditor.

33. As provided in Section 6(G) of the Act, the transfer of an interest in securitization property to an assignee will be perfected against all third parties, including subsequent judicial or other lien creditors, when this Financing Order becomes effective, transfer documents have been delivered to that assignee, and a notice of that transfer has been filed with the Oklahoma Secretary

of State.

34. As provided in Section 6(H) of the Act, the priority of a lien and security interest perfected in accordance with Section 6 of the Act will not be impaired by any later modification of this Financing Order or by the commingling of funds with other revenues paid by customers to the Utility, by ~~the Utility~~utilities to the Authority or otherwise paid.

35. As provided in Section 6(H) of the Act, if securitization property is transferred to an assignee, any proceeds of the securitization property will be treated as held in trust for the assignee.

36. As provided in Section 6(I) of the Act, if a default or termination occurs under the Bonds, the holders of the Bonds or their representatives, including the trustee, may foreclose on or otherwise enforce their lien and security interest in the relevant securitization property, and the Commission may require any revenues received under the irrevocable and nonbypassable mechanism created by this Financing Order be paid to a new holder of the securitization property.

37. As provided by Section 8(F) of the Act, the Bonds authorized by this Financing Order are not an indebtedness of the State or of the ~~Authority, but~~Authority but shall be special obligations payable solely from revenues received from the securitization property and other pledged collateral.

38. As provided in the Authority Act (as amended by the Act), the State of Oklahoma has pledged to and agreed with the owners of any Bonds issued by the ODFA under the Authority Act(as amended by the Act) (including ratepayer-backed bonds issued by the ODFA under the Act) that the State will not limit or alter the rights hereby 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 ~~of any agreements~~ made with the owners ~~of such Bonds, thereof~~ 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 ~~(the “State Pledge”³¹)~~ .. 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 WESCR 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 Constitution³². ~~(the “State Pledge”³³)~~. This Financing Order requires, consistent with the Authority Act, that the Authority include in the Bonds a recitation of the State Pledge.~~

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

40. As provided in Section 8(B) of the Act, the Bonds and the interest earned on the

³¹ 74 Okla. Stat § 74-5062.15 (2016)

³² Article II, Section 15.

³³ ~~74 Okla. Stat § 74-5062.15 (2016).~~

Bonds shall not be subject to taxation by the state, or by any county, ~~municipality~~municipality, or political subdivision therein.

41. The Authority is required, pursuant to Section 7(B)(1) of the Act, to notify the Governor, President Pro Tempore of the Senate, the Speaker of the House of Representatives and the Commission upon issuance of a ratepayer-backed bond. The notification shall be in writing and include the amount and terms of the Bonds.

42. The Authority is required, pursuant to Section 7(B)(2) of the Act, to submit an annual report regarding the ratepayer-backed bonds issued pursuant to the Act to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Attorney General and the Commission as of December 1 each year until the ratepayer-backed bonds, including the Bonds authorized by this Financing Order, are retired.

43. Consistent with the Authority Act, the Authority shall include in the Bonds a recitation of the State Pledge

42.—

43.44. As provided by Section 6(D) of the Act, this Financing Order will remain in full force and effect and unabated notwithstanding the bankruptcy or sale of the Utility, its successors, or assignees.

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

45.46. This Financing Order is final, is not subject to rehearing by this Commission or, ~~and is not~~ subject to review or appeal, except as expressly provided in Section 5(F) of the Act.

46.47. This Financing Order meets the requirements for a Financing Order under the Act.

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

IX. ORDERING PARAGRAPHS

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

A. Approval.

1. **Approval of Application.** The application of the Utility for the issuance of a Financing Order under Section 5(A) of the Act is approved, as provided in this Financing Order.

2. **Authority to Recover Qualified Costs through Securitization.** The Utility's request to recover its 2021 Winter Weather Event related costs, carrying costs and bond issuance costs as provided in this Financing Order, is granted.

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

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

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

6. **Recovery of WESCR Charges.** The Utility as Servicer must impose on, and ~~the servicer~~ must collect from all existing and future customers located within the Utility's service area as it existed on the date of this Financing Order and other entities which, under the terms of this Financing Order or the tariffs approved hereby, are required to bill, pay or collect WESCR Charges, as provided in this Financing Order, WESCR Charges in an amount sufficient to provide

for the timely payment of the principal and interest on the Bonds, together with all ongoing financing costs.

7. **Provision of Information.** The Utility shall take all necessary steps to ensure that the Commission and its Staff are provided sufficient and timely information relating to the proposed transaction as reasonably requested by the Commission after the date of this Financing Order.

8. **Approval of Tariffs.** The form of the WES~~CR~~CR Rider attached as Appendix B to this Financing Order is approved. Before the issuance of any Bonds under this Financing Order, the Utility must file a tariff that conforms to the form of the WES~~CR~~CR Rider tariff provisions attached to this Financing Order.

B. WESCR Charges.

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

10. **ODFA's Rights and Remedies.** Upon the transfer by the Utility of the securitization property to ODFA, ODFA must have all of the rights, title and interest of the Utility with respect to such securitization property, including, without limitation, the right to exercise any and all rights and remedies with respect thereto, including the right to authorize disconnection of natural gas service and to assess and collect any amounts payable by any customer in respect of the securitization property.

11. **Collector of WESCR Charges.** The Utility as Servicer, including any successor to the Utility, or any subsequent servicer of the Bonds, must bill and collect WESCR Charges from all customers ~~[and from other entities]~~ which, are obligated under approved tariffs or the terms of this Financing Order. ~~[or the tariffs approved hereby,] is required to bill, or collect WESCR Charges, [for the WESCR Charges attributable to that customer.]~~

12. **Collection Period.** The WESCR Charges shall be imposed and collected until all Bonds and all ongoing financing costs are paid in full.

13. **Allocation.** The Utility as Servicer must allocate the WESCR Charges among customer classes in the manner described in this Financing Order.

14. **Nonbypassability.** The Utility and any other entity providing natural gas distribution services to any customer within the Utility's service area as it existed on the date this Financing Order is issued are entitled to collect and must remit, in accordance with this Financing Order, the WESCR Charges from such customers, and such customers are required to pay such WESCR Charges. The Commission will ensure that such obligations are undertaken and performed by the Utility and any other entity providing natural gas ~~transportation~~transmission or distribution services within the Utility's service area as it exists on the date this Financing Order is issued.

15. **True-Ups.** True-ups of the WESCR Charges, including non-standard true-ups, must be undertaken and conducted as described in the WESCR Rider. Any necessary corrections to a true-up, due to mathematical errors in the calculation of such adjustment or otherwise, will be made in future true-up adjustment filings. ~~[The servicer must file the true-up adjustments in a compliance docket and must give notice of the filing to all parties in this docket.]~~

16. **Ownership Notification; Line Item.** The Utility as Servicer or any other entity that bills WESCR Charges to customers must, at least annually, provide written notification to each customer for which the entity bills WESCR Charges that the WESCR Charges are the property of ODFA and not of the entity issuing such bill. The Utility as Servicer shall impose the WESCR Charge as a separate line item on ~~c~~Customer bills.

C. Ratepayer-backed Bonds.

17. **Terms.** The final terms of the Bonds, including any credit enhancement, shall be consistent with this Financing Order, and approved by the Authority and the State Deputy Treasurer for Policy and Debt Management.

18. **Bond Issuance Costs.** Bond issuance costs described will be recovered from the proceeds of the Bonds in accordance with this Financing Order. The Utility Issuance Costs may not be paid or reimbursed in an amount exceeding \$ _____.

19. **Ongoing ~~Financing Costs~~Financing Costs.** All ongoing financing costs shall be recovered through the WESCR Charges. The estimated ongoing financing costs as shown on ~~Appendix Exhibit~~ C are approved for recovery. As provided in Ordering Paragraph [29], a servicer, other than the Utility, may collect a servicing fee higher than that set forth in Appendix C to this Financing Order, if such higher fee is approved by the Commission.

20. **Informational Issuance Advice Letter Filing.** Within ~~two~~three business days of the sale of the Bonds, ODFA and the Utility will jointly file with the Commission, for informational purposes only (with the exception of the Utility Certification included as Attachment 4 thereto), an Issuance Advice Letter, substantially in the form attached to this Financing Order, evidencing the final terms of the Bonds, projected (or actual) costs of issuance and ongoing financing costs for the first year following issuance, projected customer savings, as well the initial WESCR Charge.

21. **Refinancing.** This Financing Order does not preclude ODFA and the Utility from filing a request for a Financing Order for the Utility to retire or refund the Bonds approved in this Financing Order upon a showing that the ~~c~~ecustomers would benefit and that such a financing is consistent with the terms of the outstanding Bonds, as permitted by Section 8(D) of the Act.

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

23. **Distribution Following Repayment.** Following repayment of the Bonds authorized in this Financing Order and release of the funds held by the trustee, the ~~S~~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 WESCR e Customer Class that paid the WESCR Charges during the last 12 months that the WESCR 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 WESCR Charges paid by the WESCR e Customer Class during the last 12 months the WESCR Charges were in effect and the denominator of which is the total WESCR Charges paid by all WESCR Customer Classes during the last 12 months the WESCR Rider was in effect. The amount allocated ~~to~~by each WESCR Customer Class shall be divided by the forecasted billing units for the month in which the refund will take place in order to arrive at a per customer refund amount. ~~per dekatherm.~~ ~~to be addressed in Utility testimony]~~

24. **Annual Weighted-Average Interest Rate of Bonds.** The effective weighted-average interest rate of the Bonds must not exceed ____%.

25. **Life of Bonds.** The scheduled final payment date of the Bonds authorized by this Financing Order must not exceed ___ years after issuance.

26. **Amortization Schedule.** The Commission approves, and the Bonds must be structured, to provide a WESCR 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 ~~Sservicing~~ ~~A~~agreement with ODFA and to perform the servicing duties approved in this Financing Order. The ~~servicer~~Servicer must be entitled to collect servicing fees in accordance with the provisions of the servicing agreement, provided that, as set forth in Appendix C, the annual servicing fee payable to the Utility while it is serving as ~~servicer~~Servicer (or to any other servicer affiliated with the Utility) must not at any time exceed ___% of the initial aggregate principal amount of the Bonds. The annual servicing fee payable to any other servicer not affiliated with the Utility shall be subject to approval by the Commission pursuant to Ordering Paragraph No. [29].

28. **Servicing Revenues and Expenses.** The revenues collected by the Utility, or by any affiliate of the Utility acting as the ~~servicer~~Servicer shall be included as an identified revenue credit and reduce revenue requirements for the ~~customers' ratepayers'~~ benefit in any the Utility base rate case. The expenses of acting as the servicer shall likewise be included as a cost of service in any the Utility base rate case, subject to the actual servicer fee.

29. **Replacement of the Utility as Servicer.** Upon the occurrence of an event of default under the servicing agreement relating to servicer's performance of its servicing functions with respect to the WESCR Charges, the ODFA, or a majority of the bondholders, may replace the Utility as the servicer in accordance with the terms of the ~~Sservicing~~ ~~A~~agreement. If the servicing fee of the replacement servicer exceeds 0.60% of the initial aggregate principal amount of the Bonds, the replacement servicer must not begin providing service until (i) the date the Commission approves the appointment of such replacement servicer or (ii) if the Commission does not act to either approve or disapprove the appointment, the date which is [] days after notice of appointment of the replacement servicer is provided to the Commission. No entity may replace the Utility as the servicer in any of its servicing functions with respect to the WESCR Charges and

the securitization property authorized by this Financing Order, if the replacement would cause any of the then current credit ratings of the Bonds to be suspended, withdrawn, or downgraded.

30. **Collection Terms.** The ~~servicer~~ Servicer must remit collections of the WESCR 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 ~~Sservicing~~ Agreement.

31. **Contract to Provide Service.** The Utility shall agree in the ~~Ssale~~ Agreement and in the ~~Sservicing~~ Agreement to continue to operate its ~~transportationtransmission~~ and distribution system (or, if by law, the Utility or its successor is no longer required to own and/or operate both the ~~transportationtransmission~~ and distribution systems, then the Utility's distribution system) in order to provide ~~gaselectric~~ services to the Utility's customers; provided, however, that this provision must not prohibit the Utility from selling, assigning, or otherwise divesting its ~~transportationtransmission~~ and distribution systems or any part thereof so long as the entities acquiring such system agree to continue operating the facilities to provide ~~gaselectric~~ 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 ~~Sservicer~~ Servicer is billing customers for WESCR Charges, the ~~servicer~~ Servicer must have the right to terminate ~~transportationtransmission~~ and distribution service to ~~the~~ the end-use customers for non-payment by ~~the~~ the end-use customers under applicable Commission rules.

E. Use of Proceeds.

34. **Use of Proceeds.** The proceeds of the Bonds will be applied as described in Findings of Fact ~~[7071]~~ [7172] and ~~[7172]~~.

35. **Miscellaneous Provisions.**

36. **Continuing Issuance Right.** The Utility has the continuing irrevocable right to cause the issuance of, and ODFA has the continuing right to issue, the Bonds in one or more series in accordance with this Financing Order for a period commencing with the date of this Financing

Order and extending 24 months following the date on which this Financing Order is issued~~becomes final [and no longer subject to any appeal.]~~

37. **Binding on Successors.** This Financing Order, together with the WESCR Charges authorized in it, must be binding on the Utility and any successor to the Utility that provides transportation~~transmission~~ and distribution service directly to customers in the Utility's service area, any other entity that provides transportation~~transmission~~ or distribution services to customers within that service area (or if there are separate transportation~~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 transportation~~transmission~~ and distribution systems, then any entity that provides distribution service to customers in the service territory shall be bound by this Financing Order.

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

39. **Effectiveness of Order.** This Financing Order is effective upon issuance and is not subject to rehearing by the Commission after 30 days from the issuance of the Order. The Order is subject to appeals 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 WESCR Charges, until concurrently with the transfer of the Utility's rights hereunder to the ODFA in conjunction with the issuance of the Bonds.

40. **Regulatory Approvals.** All regulatory approvals within the jurisdiction of the Commission that are necessary for the securitization of the WESCR Charges associated with the costs that are the subject of the A~~a~~pplication, and all related transactions contemplated in the application, are granted.

41. **Payment of Commission's Costs for Professional Services.** In accordance with Section 4(D) of the Act, the ODFA must pay the costs to the Commission of acquiring professional services for the purpose of evaluating the Utility's proposed transaction, including, but not limited

to, the Commission's outside attorneys' fees in the amounts specified in this Financing Order no later than 30 days after the issuance of any Bonds. Such Commission costs shall be non-Utility bond issuance costs and paid from ~~ratepayer-backed~~ Bond proceeds (or as otherwise provided in this Financing Order).

42. **Compliance with Section 4(G) and Section 8(J) of the Act.** If the Utility receives insurance proceeds, governmental grants, or any other source of funding not reflected in the Authorized Amount to compensate it for qualified costs or the Commission determines that the actual costs incurred are less than estimated costs, if any, included in the Authorized Amount, the Utility will promptly inform the Commission [and the Commission will take such amounts into account as required by Section 4(G) of the Act. [Utility to specify how credit will work] Such amounts must accrue interest as provided in Section 4(G) of the Act. In addition, if the Utility receives any alternative funds that would otherwise be applied to the Authorized Amount after the date of issuance of the Bonds, the Utility is directed, in accordance with Section 8(J) of the Act, to credit such amounts to the customers using the same methodology. No such adjustment shall impair, diminish or affect the stream of WESCR Charges or the calculation of such charges or otherwise impair the value of the securitization property.

43. **Effect.** This Financing Order constitutes a legal Financing Order for the Utility under the Act. The Commission finds this Financing Order complies with the provisions of Sections 4 and 5 of the Act. A Financing Order gives rise to rights, interests, obligations and duties as expressed in Sections 6 and 8 of the Act. It is the Commission's express intent to give rise to those rights, interests, obligations and duties by issuing this Financing Order. The Utility and the ~~servicer~~ Servicer are directed to take all actions as are required to effectuate the transactions approved in this Financing Order, subject to compliance with the criteria established in this Financing Order.

44. **Further Commission Action.** The Commission guarantees that it will act under this Financing Order as expressly authorized by the Act to ensure that expected WESCR Charge revenues are sufficient to pay on a timely basis scheduled principal and interest on the Bonds issued under this Financing Order and other costs, including fees and expenses, in connection with the Bonds.

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

46. **Effectiveness.** This Financing Order shall be effective immediately.

**BY ORDER OF THE CORPORATION
COMMISSION OF OKLAHOMA**

This order is effective this ____ day of _____, 202__.

J. TODD HIETT, CHAIRMAN

BOB ANTHONY, VICE CHAIRMAN

DANA L. MURPHY, COMMISSIONER

**PEGGY MITCHELL
COMMISSION SECRETARY**

FORM OF ISSUANCE ADVICE LETTER

[SUBMITTED FOR INFORMATION ONLY PURPOSES]

_____ DAY, _____, 202__

THE OKLAHOMA CORPORATION COMMISSION

[insert address]

SUBJECT: ISSUANCE ADVICE LETTER FOR RATEPAYER-BACKED BONDS

Pursuant to the Financing Order adopted on the _____ day of _____, 202__ in *Application of Oklahoma Natural Gas Company, a Division of One Gas, Inc. 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"* (the "Financing Order"), OKLAHOMA NATURAL GAS COMPANY (the "Utility" or the "Applicant") and OKLAHOMA DEVELOPMENT FINANCE AUTHORITY ("ODFA" or the "Authority") jointly submit, this Issuance Advice Letter to report certain terms and information related to the Ratepayer-Backed Bonds Series _____, Tranches _____. Any capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081 (the "Act").

PURPOSE

This filing includes the following information:

- (1) Calculation of total principal amount of Bonds issued;
- (2) The final terms and structure of the Ratepayer-Backed Bonds, including a description of any credit enhancement, the final estimated bond issuance costs and the final estimates of ongoing financing costs for the first year following issuance;
- (3) A calculation of projected customer savings relative to conventional methods of financing resulting from the issuance of the Bonds
- (4) the initial WESCR 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 WESCR CHARGE

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

TABLE I
Input Values For Initial WESCR Charges
Applicable period: from _____, ____ to _____, ____

| | |
|---|----------|
| Forecasted customer counts base rate revenue sales for each WESCR Customer Class for the applicable period: | |
| Ratepayer-Backed Bond debt service for the applicable period: | \$ _____ |
| Charge-off rate for each <u>WESCR</u> Customer <u>Celasses</u> : | |
| 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 WESCR Charges calculated for each WESCR Customer Celasses are detailed in Attachment 3.

EFFECTIVE DATE

| [In accordance with the Financing Order, the WESCR Charges shall become effective~~be billed~~ beginning on the first day of the first billing cycle of the next revenue month following the date of issuance of the ratepayer-backed bonds.]

AUTHORIZED OFFICER

The undersigned are officers of Applicant and Authority, respectively, and authorized to deliver this Issuance Advice Letter on behalf of Applicant and Authority.

Respectfully submitted,

OKLAHOMA NATURAL GAS COMPANY

By: _____
Name: _____
Title: _____

OKLAHOMA DEVELOPMENT FINANCE
AUTHORITY

By: _____
Name: _____
Title: _____

ATTACHMENT 1
SCHEDULE A
CALCULATION OF AUTHORIZED AMOUNT

| | | |
|--------------------------------|--|----|
| A. | Qualified costs authorized in Cause No. PUD 202100079 (including any adjustment to carrying costs) | \$ |
| B. | Estimated bond issuance costs (Attachment 1, Schedule B) | |
| TOTAL AUTHORIZED AMOUNT | | \$ |

ATTACHMENT 1
SCHEDULE B
ESTIMATED ISSUANCE COSTS

| | Issuance Costs |
|--|-----------------------|
| Underwriters' Fees & Expenses | \$ - |
| Underwriters' Counsel Legal Fees & Expenses | \$ - |
| ODFA Legal & Advisory Fees and Expenses | \$ - |
| [ODFA Financing Acceptance Fee] | \$ - |
| State Treasurer Fees and Expenses | \$ - |
| Bond Counsel Fees | \$ - |
| Rating Agency Fees and Related Expenses | \$ - |
| Printing | \$ - |
| Trustee's/Trustee Counsel's Fees & Expenses | \$ - |
| ODFA Legal and Advisory Fees | \$ - |
| Original Issuance Discount | \$ - |
| Commission Fees and Expenses | \$ - |
| | \$ - |
| Other Credit Enhancements (Overcollateralization Subaccount) | \$ - |
| Rounding/Contingency | \$ - |
| Debt Service Reserve Subaccount (DSRS) | \$ - |
| Commission Fees and Expenses | \$ - |
| Total Non-Utility External Issuance Costs | \$ - |
| | |
| | |
| Utility's Financial Advisor Fees & Expenses | \$ - |
| Utility's Counsel Legal Fees & Expenses | \$ - |
| Utility's Non-legal Securitization Proceeding Costs & Expenses | \$ - |
| Utility's Miscellaneous Administrative Costs | \$ - |
| Servicer's Set-Up Costs | \$ - |
| External Servicing Costs (Accountant's) | \$ - |
| Total Utility Issuance Costs | \$ - |
| Total Estimated Issuance Costs | \$ - |
| Rounded Amount | \$ - |

Note: Any difference between the Estimated Issuance Costs financed for, and the actual Issuance Costs incurred by, the ODFA and (except as capped) the Utility will be resolved, if estimates are more or less than actual, through The WESCR Rider or pursuant to the Commission Order issued in this proceeding, as applicable.

ATTACHMENT 2
SCHEDULE A
RATEPAYER-BACKED BOND FUNDING REQUIREMENT INFORMATION

EXPECTED SINKING FUND SCHEDULE

| SERIES _____, TRANCHE _____ | | | | |
|-----------------------------|-------------------|----------|-----------|---------------|
| Payment Date | Principal Balance | Interest | Principal | Total Payment |
| | \$ | \$ | \$ | \$ |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| SERIES _____, TRANCHE _____ | | | | |
|-----------------------------|-------------------|----------|-----------|---------------|
| Payment Date | Principal Balance | Interest | Principal | Total Payment |
| | \$ | \$ | \$ | \$ |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| SERIES _____, TRANCHE _____ | | | | |
|-----------------------------|-------------------|----------|-----------|---------------|
| Payment Date | Principal Balance | Interest | Principal | Total Payment |
| | \$ | \$ | \$ | \$ |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

ATTACHMENT 2
SCHEDULE B
ESTIMATED ONGOING FINANCING COSTS

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

Note: The amounts shown for each category of ongoing financing costs on this attachment are the expected costs for the first year of the Ratepayer-Backed Bonds. Winter event securitization charges will be adjusted at least semi-annually to reflect the actual Ongoing Financing Costs through the true-up process described in the Financing Order, except that the servicing fee is fixed as long as the Utility (or any affiliate) is servicer.

ATTACHMENT 2
SCHEDULE C
BENEFITS VERSUS CONVENTIONAL FINANCING

| | Conventional Financing | Ratepayer-Backed Bond Financing | Savings/(Cost) of Ratepayer-Backed Bond Financing |
|---------------|---------------------------|------------------------------------|---|
| Present Value | \$ | \$ | \$ |

The present value discount factor shall be the rate needed to discount future debt service payments on the Bonds to the net proceeds of Bonds, including accrued interest, DSRS and any contingency retained by the trustee.

ATTACHMENT 3

INITIAL ALLOCATION OF COSTS TO WESCR CUSTOMER CLASSES

| (1) WESCR Customer Classes | (2) WESCR Charge ¹ (% of base rate revenues) |
|-------------------------------|---|
| | % |
| | % |
| | % |
| | % |
| | % |
| Total | 100.0000% |

| (1) WESCR Customer Classes | (2) Threshold Customer Numbers |
|-------------------------------|-----------------------------------|
| | |
| | |
| | |
| | |
| | |

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

ATTACHMENT 4

UTILITY CERTIFICATION

THE OKLAHOMA CORPORATION COMMISSION
Jim Thorpe Building, 2101 N. Lincoln
Oklahoma City, Oklahoma 73105

Pursuant to the Financing Order adopted on the ____ day of ____, 202_ in *Application of Oklahoma Natural Gas Company, a Division of One Gas, Inc. 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"* (the "Financing Order"), OKLAHOMA NATURAL GAS COMPANY (the "Utility" or the "Applicant") certifies that the calculation of the WESCR Charges included in the Issuance Advice Letter were calculated in accordance with Financing Order. If the Commission determines that the calculation of the WESCR Charges contained ~~any~~ mathematical error, such error will be corrected upon the next implementation of the true-up and reconciliation process.

Any capitalized terms not defined in this certification shall have the meanings ascribed to them in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081.

Respectfully submitted,

OKLAHOMA NATURAL GAS COMPANY

By: _____

Name: _____

Title: _____

[INSERT APPENDIX B]

ESTIMATED ISSUANCE COSTS

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

Note: Any difference between the Estimated Issuance Costs financed for, and the actual Issuance Costs incurred by, the Authority, the Commission and (except as capped) the Utility will be resolved, if estimates are more or less than actual, through the WES^{CR} Rider or as otherwise authorized by the Financing Order.

ESTIMATED ONGOING FINANCING COSTS

| | Itemized Annual Ongoing Financing Costs |
|--|--|
| True-Up Administration Fees ^ | |
| ODFA Administration Fees ^ | |
| ODFA Legal Fees ^ | |
| Trustee's/Trustee's Counsel Fees & Expenses ^ | |
| Rating Agency Fees and Related Expenses^ | |
| Miscellaneous ^ | |
| ^ | |
| Other Credit Enhancements ^ | |
| Total Non-Utility External Annual Ongoing Financing Costs | |
| | |
| | |
| Ongoing Servicer Fees (Utility as Servicer) * | |
| Accounting Costs (External) ^ | |
| Total Utility Annual Ongoing Financing Costs | |
| Total (Utility as Servicer) Estimated Ongoing Financing Costs | |
| | |
| Ongoing Servicer Fees (Third-Party as Servicer - 0.60% of principal) | |
| Other External Ongoing Fees (total of lines marked with a ^ mark above) | |
| Total (Third Party as Servicer) Estimated Ongoing Financing Costs | |

Note: The amounts shown for each category of ongoing financing costs on this attachment are the expected costs for the first year of the Ratepayer-Backed Bonds. Winter event securitization charges will be adjusted at least semi-annually to reflect the actual Ongoing Financing Costs through the true-up process described in the Financing Order, except that the servicing fee is fixed as long as the Utility (or its affiliate) is Sservicer.

TRUE-UP LETTER

[ODFA Letterhead]

Date: _____, 202_

Oklahoma Corporation Commission
Jim Thorpe Office Building
2101 N Lincoln Blvd #129
Oklahoma City, OK 7310

Re: Application of Oklahoma Natural Gas Company, a Division of One Gas, Inc. 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 202100079

Dear _____:

Pursuant to the Financing Order adopted on the _____ day of _____, 202_ in *Application of Oklahoma Natural Gas Company, a Division of One Gas, Inc. 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 202100079 (Financing Application) (the “Financing Order”), Oklahoma Natural Gas Company (the “Utility”), as Servicer of the Ratepayer-Backed Bonds, or any successor Servicer on behalf of bond trustee as assignee of the ODFA shall apply [semi-annually] for a mandatory periodic adjustment to the WESCR Charge. 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 semi-annual true-up adjustment shall be filed with the Commission not less than [xx] days prior to the first billing cycle of the month in which the revised WESCR Charges will be in effect. The Commission staff will have [xx] days after the date of the true-up adjustment filing in which to confirm the mathematical accuracy of the servicer’s adjustment. However, any mathematical correction not made prior to the effective date of the WESCR Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WESCR Charge.

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

Respectfully submitted,

[Utility]

By: _____

Name: _____

Title: _____

Attachments

ATTACHMENT 1
CALCULATION OF WESCR CHARGES

| Estimated Ongoing Financing Costs | |
|--|--|
| True-Up Administration Fees ^ | |
| ODFA Administration Fees ^ | |
| ODFA Legal Fees ^ | |
| Trustee's/Trustee's Counsel Fees & Expenses ^ | |
| Rating Agency Fees and Related Expenses^ | |
| Miscellaneous ^ | |
| ^ | |
| Other Credit Enhancements ^ | |
| Total Non-Utility External Annual Ongoing Financing Costs | |
| | |
| | |
| Ongoing Servicer Fees (Utility as Servicer) * | |
| Accounting Costs (External) ^ | |
| Total Utility Annual Ongoing Financing Costs | |
| Total (Utility as Servicer) Estimated Ongoing Financing Costs | |
| | |
| Ongoing Servicer Fees (Third-Party as Servicer - 0.60% of principal) | |
| Other External Ongoing Fees (total of lines marked with a ^ mark above) | |
| Total (Third Party as Servicer) Estimated Ongoing Financing Costs | |

| Input Values For WESCR Charges | |
|--|--|
| Projected <u>revenues</u> 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 WESCR 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
WESCR CHARGE CALCULATIONS

[Calculation Workpapers to be included.]

ATTACHMENT 3

WESCR CHARGE FOR PAYMENT PERIOD

WESCR Customer Class

WESCR Charge

FORM OF NON STANDARD TRUE-UP LETTER

TRUE-UP LETTER

[ODFA Letterhead]

Date: _____, 202_

Oklahoma Corporation Commission
Jim Thorpe Office Building
2101 N Lincoln Blvd #129
Oklahoma City, OK 7310

Re: Application of Oklahoma Natural Gas Company, a Division of One Gas, Inc. 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 202100079

Dear _____:

Pursuant to the Financing Order adopted on the _____ day of _____, 202_ in *Application of Oklahoma Natural Gas Company, a Division of One Gas, Inc. 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 202100079* (the “Financing Order”), Oklahoma Natural Gas ~~and Electric~~ Company (the “Utility”), as Servicer of the Ratepayer-Backed Bonds, or any successor Servicer on behalf of bond trustee as assignee of the ODFA, may apply for a Non Standard True-Up to change the Allocation Factors to address a 10% or greater change in the number of customers in one or more WESCR Customer Classes. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order or the February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9071-9081 (the “Act”).

Each Non Standard True-up shall be filed with the Oklahoma Corporation Commission not less than [xx] days prior to the first billing cycle of the month in which the revised methodology for calculating WESCR Charges will be in effect. [The Commission staff will have [xx] days after the date of the true-up adjustment filing in which to confirm the mathematical accuracy of the servicer’s adjustment. However, any mathematical correction not made prior to the effective date of the WESCR Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WESCR Charge.]

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

Respectfully submitted,

[Utility]

By: _____

Name: _____

Title: _____

Attachments

[ATTACHMENTS TO COME]

Adjustment Calculation Methodology

The Adjustment Calculation Methodology is based upon three basic steps: *first*, determine the revenue requirement necessary to pay the Recovery Bonds on a payment date; *second*, allocate this revenue requirement among each service level (each, a “Service Level”) based upon the energy allocation factor (the “Energy Allocation Factor”), and *third*, determine the WESCR Charge for each Service Level based upon forecasted consumption by such Service Level during the related payment period (a “Payment Period”), using the most recent sales forecasts.

Step 1: Determination of Revenue Requirement

Each True-Up Letter will show the revenue requirement and resulting WESCR Charge for each of the next two Payment Periods following the proposed adjustment date. The first Payment Period means the period commencing on an adjustment date (or, in the case of the initial charge calculations, the Closing Date) and ending on (and including) the first Payment Date following the adjustment date (the “First Payment Period”); the second payment period means the period commencing on the first day of the calendar month of the first Payment Date following the adjustment date and ending on (and including) the next Payment Date (the “Second Payment Period”).

The revenue requirement for each Payment Period will include all scheduled (or legally due) payments of principal (including, if any, prior scheduled but unpaid principal payments) and interest on the Recovery Bonds and all other Ongoing Financing Costs payable on such related Payment Date (collectively, the “Periodic Payment Requirement” or “PPR”). The PPR is then adjusted by the Servicer using forecasts, billing uncollectibles and average days sales outstanding data or other collection data, to determine the “Periodic Billing Requirement”, or “PBR”, for such Payment Period. The PBR is the amount of WESCR Charge revenue that must be billed during the Payment Period to ensure that sufficient WESCR Charge revenues will be received on or prior to the Collection Cut-Off Date to satisfy the PPR for such Payment Date. The Collection Cut-Off Date is the last day of the calendar month immediately preceding the Payment Date.

Excess funds from prior Payment Periods will be held in an excess funds subaccount. To take into account cash flow from existing WESCR ~~Fixed-Recovery~~ Charges and any excess funds held under the bond indenture from prior WESCR Charge collections, the PPR for the First Payment Period (other than the First Payment Period following the Closing Date) is adjusted in two steps:

- First, the PPR for the First Payment Period is decreased by the amount of any funds held by the Trustee in the general subaccount or the excess funds subaccount as of date no earlier than fifteen business days prior to the calculation date (the “Calculation Cut-Off Date”).
- Second, the PPR is further decreased by the amount of WESCR Charge collections projected to be collected under the then-current WESCR Charges after the Calculation Cut-Off Date.

Steps 2 and 3: Allocation of Periodic Billing Requirement and Determination of WESCR Charge

Based upon the calculation of the revenue requirement in Step 1, the PBR is allocated among each Service Level and the WESCR Charge for each Service Level is calculated as follows:

- Step 1: Determine the PPR for the First Payment Period, as adjusted as described in Step 1, as well as the PBR for such First Payment Period.
- Step 2: Allocate the PBR for the First Payment Period using the Allocation Factor for WESCR Customer Class.
- Step 3: Determine a fixed monthly charge for each WESCR Customer Class for the First Payment Period (a “Clearing Rate”) by dividing each WESCR Customer Class’s respective portion of the PBR for the First Payment Period by the number of customers in such WESCR Customer Class, as of the date of the True-Up Letter, for such the Payment Period.
- Step 4: Determine the PBR for the Second Payment Period as well as the PBR for the Second Payment Period.
- Step 5: Repeat Steps 2 and 3 to allocate the PBR and determine the Clearing Rate for each WESCR Customer Class Level.
- Step 6: Compare the Clearing Rates for each WESCR Customer Class in each Payment Period, and the highest Clearing Rate will be the WESCR Rate for the WESCR Customer Class effective upon the next adjustment date. Any excess funds collected in the First or Second Payment Period will be taken into account in the next True-Up Letter as described in Step 1 above.