

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



JOINT STIPULATION AND SETTLEMENT AGREEMENT

Oklahoma Natural Gas Company, a division of ONE Gas, Inc. (“Oklahoma Natural” or the “Company”), the Public Utility Division (“PUD”) of the Oklahoma Corporation Commission (“Commission”), the Attorney General of the State of Oklahoma (“Attorney General”), and WalMart Inc, being all of the parties to this Casuse (the “Stipulating Parties”) present the following Joint Stipulation and Settlement Agreement (“Joint Stipulation”) for the Oklahoma Corporation Commission’s (“Commission”) review and approval as their compromise and settlement of issues in this proceeding. The Stipulating Parties represent to the Commission that this Joint Stipulation represents a fair, just and reasonable settlement of these issues, that they believe the terms and conditions of the Joint Stipulation are in the public interest, and the Stipulating Parties request the Commission issue an order in this cause adopting and approving this Joint Stipulation.

It is hereby stipulated and agreed by and among the Stipulating Parties as follows:

I. GENERAL RECOMMENDATIONS OF THE STIPULATING PARTIES

This Joint Stipulation represents a comprehensive settlement to become effective with the issuance of a Commission order approving this Joint Stipulation (“Effective Date”). The Winter Event Securitized Cost Recovery (“WESCR”) Mechanism Tariff, which is attached hereto as Exhibit A, implements the agreements in this Joint Stipulation and the Stipulating Parties recommend it should be approved by the Director of the Public Utility Division of the Commission and become effective under the following terms of this Joint Stipulation.

- 1. The February 2021 Regulated Utility Communication Protection Act (the “Act”):** The Stipulating Parties agree that the Commission should find that Oklahoma Natural has provided the requisite information specified in Section 4.A of the Act. Also, the Stipulating Parties agree that the Commission should find, pursuant to Section 4.C of the Act, that securitization would provide benefits to customers as compared to traditional utility financing. Capitalized terms in this Joint Stipulation shall have the same meaning as those defined in Section 3 of the Act unless otherwise indicated herein.
- 2. Extreme Purchase Costs:** The Stipulating Parties agree that Oklahoma Natural has Extreme Purchase Costs estimated to be in the total amount of \$1,284,101,405. The Stipulating Parties further agree that this figure represents the Company’s Extreme Purchase Costs incurred beginning February 11, 2021, and ending February 19, 2021, and that these costs should be deemed prudent by the Commission and

that the Commission should determine that these costs incurred would otherwise be recoverable from customers as fair, just and reasonable expenses and prudently incurred.

3. **Extraordinary Costs and Other Associated Costs:** The Stipulating Parties agree that Oklahoma Natural and Oklahoma Development Finance Authority (“ODFA”) has Extraordinary Costs and other associated costs estimated to be in the total amount of \$73,198,595. These costs include Oklahoma Natural financing costs, Oklahoma Natural carrying costs until bond issuance, Oklahoma Natural legal and consulting costs, as well as ODFA upfront costs for the issuance of bonds after an order in this cause. The Stipulating Parties further agree that this figure represents the Company’s Extraordinary Costs incurred beginning February 7, 2021 until bonds are issued, and that these costs should be deemed prudent and reasonable by the Commission and that the Commission should determine that these costs incurred would otherwise be recoverable from customers as fair, just and reasonable expenses and prudently incurred.
4. **Financing Order Amount and Term:**
 - a. The total amount of Oklahoma Natural’s Extreme Purchase Costs and Extraordinary Costs, with financing costs and upfront securitization costs authorized for securitization is estimated to be \$1,357,300,000 subject to change based on final costs and carrying costs until securitization. The Stipulating Parties agree that the Commission should issue a Financing Order as proposed by ONG witness Cory Slaughter, subject to further refinement and details necessary to achieve the highest bond rating, for the securitization of that estimated amount of \$1,357,300,000 and authorize a 25-year scheduled amortization for cost recovery, or a shorter period if necessary, to obtain the most favorable securitization terms for customers resulting in the lowest monthly cost to customers, consistent with the terms of the Order as well as rating and market considerations. The Financing Order issued by the Commission should also incorporate the terms of this Joint Stipulation.
 - b. The ODFA should issue bonds and provide Oklahoma Natural with the resulting funds as soon as feasible in 2022 but no later than December 31, 2022
 - c. Pursuant to Section 4.G of the Act, after the issuance of ratepayer-backed bonds pursuant to a Financing Order issued in this cause, if Oklahoma Natural receives any funds to compensate it for Extreme Purchase Costs or Extraordinary Costs subject to the Financing Order, or if actual amounts are determined to be lower than estimated amounts securitized by the Financing Order, then as soon as practicable, these amounts shall be credited to customers by offsetting the monthly rolling Unrecovered Purchase Gas Cost “UPGC” balance within the Company’s gas cost recovery mechanism (i.e. Purchased Gas Adjustment Clause or “PGA”).” If the amount being credited impacts the current monthly PGA rate by more than \$0.25, the amount shall be deferred and amortized to the PGA over a period long enough so as to have an estimated impact of no more than \$0.25; provided that the period for deferral and amortization shall not extend longer than 5 years. All amounts returned to customers under this Subparagraph 4(b) shall bear carrying costs at the rate authorized in Paragraph 5 of this Joint Stipulation.
5. **Carrying Charge:** The Stipulating Parties agree that the Carrying Charge on the Extreme Purchase

Costs and the Extraordinary Costs authorized pursuant to Section 4.F of the Act shall be based on the actual costs of the credit facilities, loan agreements or other debt financing used to finance the deferred cost related to the event.

6. **Mitigation of Customer Costs:** The Stipulating Parties agree that Oklahoma Natural should continue to evaluate and assess its use of natural gas storage services and physical and financial hedging related to natural gas procurement and shall consider possible revisions to its gas supply plan in place since February 2021, to further address price volatility in the future.
7. **Winter Event Securitized Cost Recovery Mechanism:** The Stipulating Parties agree that the WESCR Mechanism Tariff, attached hereto as Exhibit A, should be approved by the Commission. The WESCR Mechanism incorporates the following principles, as recommended by PUD:
 - a. Use of a fixed rate for the securitization charge for each sales tariff;
 - b. A termination fee pertaining to the “Nonbypassable Mechanism” requirement of the Act;
 - c. Customers taking service under the Voluntary Fixed Price (“VFP”) Program during February 2021 will not be assigned the securitization charge; and
 - d. Low Income Heating Energy Assistance Program (“LIHEAP”) customers will not be assigned the securitization charge.
8. **Allocation Methodology.** The Stipulating Parties agree to the allocation methodology set forth in Section 4 of the WESCR Mechanism attached hereto as Exhibit A.

II. General Reservations

9. This Agreement is made to resolve all issues presented in this Cause and upon the explicit understanding that it constitutes a negotiated settlement in the public interest. Nothing herein shall constitute an admission of any claim, defense, rule or interpretation of law, allegation of fact, principle or method of ratemaking or cost-of-service determination or rate design, or terms or conditions of service, or the application of any rule or interpretation of law, that may underlie, or be perceived to underlie, this Agreement.
10. This Agreement is expressly contingent upon its approval by the Commission without modification. The various provisions of the Agreement are interdependent and not severable. The Stipulating Parties will cooperate fully in seeking acceptance and approval by the Commission of this Agreement and will upon approval will abide by its terms with respect to matters specifically agreed to in writing to be done or to occur in the future.
11. Except as to matters specifically agreed to in writing to be done or to occur in the future, none of the Stipulating Parties shall be precluded from taking any position on the merits of any issue in any subsequent proceeding in any forum. The Stipulating Parties agree and represent that the provisions of this Joint Stipulation are intended to relate only to the specific matters referred to herein, and by agreeing to this settlement, none of the Stipulating Parties waives any claim or right which it may otherwise have with respect to any matters not expressly provided for herein. In addition, none of the Stipulating Parties shall be deemed to have approved or acquiesced in any ratemaking principle, valuation method, cost of service determination, depreciation principle, or cost allocation method

underlying or allegedly underlying any of the information submitted by any party to this Cause except as specifically provided in this Agreement. Nothing contained herein shall constitute an admission by any of the Stipulating Parties that any allegation or contention in this proceeding is true or valid or shall constitute a determination by the Commission as to the merits of any allegations or contentions made in this proceeding.

12. In the event the Commission does not accept, adopt, and approve this Agreement in its entirety and without modification, the Stipulating Parties agree that this Agreement shall be void and of no effect. In that event, the Stipulating Parties agree as follows: (a) none of the Stipulating Parties shall be bound by any of the provisions or agreements herein contained; (b) the Stipulating Parties shall be deemed to have reserved all their respective rights and remedies in this proceeding; and (c) none of the Stipulating Parties hereto shall introduce this Agreement or any writings, discussions, negotiations, or other communications of any type related to this Agreement in any proceeding.
13. Each of the undersigned affirmatively represents to the Commission that the execution of this Agreement constitutes a resolution of issues raised in this proceeding; that no promise, inducement or agreement not herein expressed has been made to any Stipulating Party; that this Agreement constitutes the entire agreement between and among the Stipulating Parties; and each of the undersigned affirmatively represents that he or she has full authority to execute this Agreement on behalf of the entity represented.
14. The Stipulating Parties agree that the provisions of this Agreement are the result of negotiations based upon the unique circumstances currently represented by the Company and that the processing of this Cause sets no precedent for any future Causes that the Company or others may file with this Commission, except as expressly provided in this Agreement. The Stipulating Parties further agree and represent that this Agreement shall not constitute nor be cited as precedent nor deemed an admission by any Stipulating Party in any other proceeding except as necessary to enforce its terms before the Commission or any state court of competent jurisdiction. The Commission's decision, if it enters an order consistent with this Agreement, will be binding as to the matters decided and the issues described in this Agreement, but the decision will not be binding with respect to similar issues that might arise in other proceedings not expressly covered by this Agreement.


DATED this 18th day of November, 2021.

**OKLAHOMA NATURAL GAS COMPANY, A DIVISION OF
ONEGAS, INC.**



Dustin Fredrick, Managing Attorney

**PUBLIC UTILITY DIVISION
OKLAHOMA CORPORATION COMMISSION**



Geoffrey Rush, Energy Manager

**JOHN O'CONNOR
OKLAHOMA ATTORNEY GENERAL**



Jared B. Haines, Assistant Attorney General

WALMART INC.

Rich D. Chamberlain, Attorney

CERTIFICATE OF SERVICE

I hereby certify that on the 18th day of November, 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
Director of the Public Utility Division
OKLAHOMA CORPORATION COMMISSION
Jim Thorpe Building
2101 North Lincoln Boulevard
Oklahoma City, Oklahoma 73105
PUDEnergy@occ.ok.gov

Michael Velez
Deputy General Counsel
OKLAHOMA CORPORATION COMMISSION
Jim Thorpe Building
2101 North Lincoln Boulevard
Oklahoma City, Oklahoma 73105
Michael.Velez@occ.ok.gov

Jared B. Haines
A. Chase Snodgrass
Office of the Attorney General
313 NE 21st Street
Oklahoma City, OK 73105
Jared.Haines@oag.ok.gov
Chase.Snodgrass@oag.ok.gov

Rick D. Chamberlain
WALMART INC.
6 N.E. 63rd Street, Suite 400
Oklahoma City, OK 73105
rick@chamberlainlawoffices.com

*/s/ Curtis M. Long*_____

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 source, then a Termination Fee shall be charged as listed below:

Tariff	*Termination Fee	**Cap on Termination Fee
Tariff 101 & 101-V Rate Choice A	\$35	\$437.50
Tariff 101 & 101-V Rate Choice B	\$55	\$687.50
Tariff 102 & 102-V Low Income	No Fee	No Fee
Tariff 200 SCI & 200 SCI-V	\$70	\$875.00
Tariffs 200LCI, 291S, 601S, 705	\$200	\$2,500.00
Tariff 291S	\$3,400	\$43,750.00
Tariff 601S	\$3,600	\$45,000.00
Tariff 705	\$2,600	\$32,500.00

* 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

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

** The Cap on the Termination Fee is 50% of the calculated Termination Fee assuming disconnection prior to any collection of WESCR billing charges.

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	13.89%
Tariff 101 & 101-V Rate Choice B	64.82%
Tariff 102 & 102-V Low Income	0%
Tariff 200SCI & 200 SCI-V	6.30%
Tariffs 200LCI, 291S, 601S, 705	14.61%
Tariff 291S	0.37%
Tariff 601S	0.01%
Tariff 705	0.05%
Total	100%

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Section 3 – Billing Rates

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

Tariff	*Fixed Monthly Fee
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	
Tariff 291-S	
Tariff 601-S	
Tariff 705	
Total	

Section 4 – 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 5 – 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 within 30 days of receipt of this information with rates to be effective the first billing cycle the month following the true-up. PUD

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shall have 30 days to complete its review before updated rates begin billing. Submission dates and timing of applicable rates may 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.

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