

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

FILED
NOV 19 2021

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CORPORATION COMMISSION
OF OKLAHOMA



**TESTIMONY IN SUPPORT OF
JOINT STIPULATION AND SETTLEMENT AGREEMENT**

ISAAC D. STROUP

NOVEMBER 19, 2021

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1 **INTRODUCTION**

2 **Q: Please state your name and your business address.**

3 A: My name is Isaac D. Stroup. My business address is Oklahoma Corporation Commission
4 (“Commission”), Public Utility Division (“PUD”), Jim Thorpe Office Building, Room 580,
5 2101 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105.

6 **Q: Are you the same Isaac Stroup that filed Responsive Testimony on October 4, 2021?**

7 A: Yes.

8 **Q: What is the purpose of this Settlement Testimony?**

9 A: The purpose of this Settlement Testimony is to discuss PUD’s position in support of the Joint
10 Stipulation and Settlement Agreement (“Joint Stipulation”) filed in this Cause on November
11 18, 2021.

12 **CAUSE BACKGROUND**

13 **Q: Please provide a brief history of this Cause prior to the filing of the Joint Stipulation.**

14 A: On April 29, 2021, Oklahoma Natural Gas Company (“Oklahoma Natural” or “Company”)
15 filed an Application for a financing order pursuant to the February 2021 Regulated Utility
16 Consumer Protection Act (“Act”) approving securitization of costs arising from the Winter
17 Weather Event (“Event”) of February 2021. Oklahoma Natural then filed Direct Testimony
18 on July 30, 2021, PUD and intervenors filed Responsive Testimony on October 4, 2021,
19 and Oklahoma Natural filed rebuttal testimony on October 25, 2021. The parties held
20 extensive settlement discussions in this Cause, including the official Settlement

1 Conference held on November 4, 2021, per Order No. 720198. After these robust
2 discussions, Oklahoma Natural, PUD, and the Oklahoma Attorney General (“OAG”)
3 entered into a Joint Stipulation which was filed on November 18, 2021. PUD believes this
4 Joint Stipulation is fair, just, reasonable, and in the public interest.

5 **JOINT STIPULATION AND SETTLEMENT AGREEMENT**

6 **Q: Please describe the settlement process.**

7 A: The resultant Joint Stipulation contains input from PUD, Oklahoma Natural, and the OAG
8 after robust and thorough settlement negotiations with all parties to this Cause. Further, the
9 settlement is supported by underlying Direct and Responsive Testimony filed by Oklahoma
10 Natural, PUD, and the Statement of Position filed by the OAG. This settlement represents
11 a fair, just, and reasonable agreement to holistically address all issues raised in this Cause
12 and is in the public interest.

13 **Q: Have all parties to this Cause signed this Joint Stipulation?**

14 A: No. Walmart Inc. is not a signatory to the Joint Stipulation. All other parties did sign the
15 Joint Stipulation.

16 **Q: What is provision 1 of the Joint Stipulation?**

17 A: Provision 1 of the Joint Stipulation states:

18 **The February 2021 Regulated Utility Communication Protection Act**
19 **(the “Act”):** The Stipulating Parties agree that the Commission should find
20 that Oklahoma Natural has provided the requisite information specified in
21 Section 4.A of the Act. Also, the Stipulating Parties agree that the
22 Commission should find, pursuant to Section 4.C of the Act, that
23 securitization would provide benefits to customers as compared to

1 traditional utility financing. Capitalized terms in this Joint Stipulation shall
2 have the same meaning as those defined in Section 3 of the Act unless
3 otherwise indicated herein.

4 **Q: Does PUD support the first provision?**

5 A: Yes. This provision stipulates Oklahoma Natural has provided all necessary information
6 and meets the requirements of the Act. It also explains securitization provides a benefit to
7 customers.

8 **Q: What is provision 2 of the Joint Stipulation?**

9 A: Provision 2 of the Joint Stipulation states:

10 **Extreme Purchase Costs:** The Stipulating Parties agree that Oklahoma
11 Natural has Extreme Purchase Costs estimated to be in the total amount of
12 \$1,284,101,405. The Stipulating Parties further agree that this figure
13 represents the Company's Extreme Purchase Costs incurred beginning
14 February 11, 2021, and ending February 19, 2021, and that these costs
15 should be deemed prudent by the Commission and that the Commission
16 should determine that these costs incurred would otherwise be recoverable
17 from customers as fair, just and reasonable expenses and prudently incurred.

18 **Q: Does PUD support the second provision?**

19 A: Yes. This Provision stipulates the total amount of extreme purchase costs that were
20 incurred during the Event, and will be securitized.

21 **Q: What is provision 3 of the Joint Stipulation?**

22 A: Provision 3 of the Joint Stipulation states:

23 **Extraordinary Costs:** The Stipulating Parties agree that Oklahoma Natural
24 and Oklahoma Development Finance Authority ("ODFA") has
25 Extraordinary Costs estimated to be in the total amount of \$73,198,595.
26 These costs include Oklahoma Natural financing costs, Oklahoma Natural

1 carrying costs until bond issuance, Oklahoma Natural legal and consulting
2 costs, as well as ODFA upfront costs for the issuance of bonds after an order
3 in this cause. The Stipulating Parties further agree that this figure represents
4 the Company's Extraordinary Costs incurred beginning February 7, 2021
5 until bonds are issued, and that these costs should be deemed prudent and
6 reasonable by the Commission and that the Commission should determine
7 that these costs incurred would otherwise be recoverable from customers as
8 fair, just and reasonable expenses and prudently incurred.

9 **Q: Does PUD support the third provision?**

10 **A:** Yes. This provision stipulates the total amount of extraordinary costs to be securitized.

11 **Q: What is provision 4 of the Joint Stipulation?**

12 **A:** Provision 4 of the Joint Stipulation states:

13 **Financing Order Amount and Term:**

- 14
- 15 a. The total amount of Oklahoma Natural's Extreme Purchase Costs and
16 Extraordinary Costs, with financing costs and upfront securitization
17 costs authorized for securitization is estimated to be \$1,357,300,000
18 subject to change based on final costs and carrying costs until
19 securitization. The Stipulating Parties agree that the Commission
20 should issue a Financing Order as proposed by ONG witness Cory
21 Slaughter, subject to further refinement and details necessary to achieve
22 the highest bond rating, for the securitization of that estimated amount
23 of \$1,357,300,000 and authorize a 25-year scheduled amortization for
24 cost recovery, or a shorter period if necessary, to obtain the most
25 favorable securitization terms for customers resulting in the lowest
26 monthly cost to customers, consistent with the terms of the Order as well
27 as rating and market considerations. The Financing Order issued by the
28 Commission should also incorporate the terms of this Joint Stipulation.
29
- 30 b. The ODFA should issue bonds and provide Oklahoma Natural with the
31 resulting funds as soon as feasible in 2022 but no later than December
32 31, 2022
- 33
- 34 c. Pursuant to Section 4.G of the Act, after the issuance of ratepayer-
35 backed bonds pursuant to a Financing Order issued in this cause, if
36 Oklahoma Natural receives any funds to compensate it for Extreme
37 Purchase Costs or Extraordinary Costs subject to the Financing Order,

1 or if actual amounts are determined to be lower than estimated amounts
2 securitized by the Financing Order, then as soon as practicable, these
3 amounts shall be credited to customers by offsetting the monthly rolling
4 Unrecovered Purchase Gas Cost “UPGC” balance within the
5 Company’s gas cost recovery mechanism (i.e. Purchased Gas
6 Adjustment Clause or “PGA”).” If the amount being credited impacts
7 the current monthly PGA rate by more than \$0.25, the amount shall be
8 deferred and amortized to the PGA over a period long enough so as to
9 have an estimated impact of no more than \$0.25; provided that the
10 period for deferral and amortization shall not extend longer than 5 years.
11 All amounts returned to customers under this Subparagraph 4(b) shall
12 bear carrying costs at the rate authorized in Paragraph 5 of this Joint
13 Stipulation.

14 **Q: Does PUD support the fourth provision?**

15 A: Yes. This provision stipulates the issuance of a Financing Order, the total costs for
16 securitization and term of 25 years, and the mechanism for returning costs back to
17 ratepayers should Oklahoma Natural receive any reduction or refund in costs paid for gas
18 during the Event.

19 **Q: What is provision 5 of the Joint Stipulation?**

20 A: Provision 5 of the Joint Stipulation states:

21 **Carrying Charge:** The Stipulating Parties agree that the Carrying Charge on
22 the Extreme Purchase Costs and the Extraordinary Costs authorized pursuant to
23 Section 4.F of the Act shall be based on the actual costs of the credit facilities,
24 loan agreements or other debt financing used to finance the deferred cost related
25 to the event.

26 **Q: Does PUD support the fifth provision?**

27 A: Yes. This provision stipulates that the carrying charges Oklahoma Natural receives will be
28 based on the actual costs of keeping that balance. This provision is in the public interest

1 because it keeps Oklahoma Natural whole by reimbursing its actual costs, and minimizes
2 costs for ratepayers.

3 **Q: What is provision 6 of the Joint Stipulation?**

4 A: Provision 6 of the Joint Stipulation states:

5 **Mitigation of Customer Costs:** The Stipulating Parties agree that Oklahoma
6 Natural should continue to evaluate and assess its use of natural gas storage
7 services and physical and financial hedging related to natural gas procurement
8 and shall consider possible revisions to its gas supply plan in place since
9 February 2021, to further address price volatility in the future.

10 **Q: Does PUD support the sixth provision?**

11 A: Yes. This provision stipulates Oklahoma Natural will work to mitigate customer costs, by
12 holding a collaborative stakeholder process to find ways to mitigate costs due to volatility
13 of prices, and will evaluate possible storage, physical, and financial hedging options.

14 **Q: What is provision 7 of the Joint Stipulation?**

15 A: Provision 7 of the Joint Stipulation states:

16 **Winter Event Securitized Cost Recovery Mechanism:** The Stipulating
17 Parties agree that the WESCR Mechanism Tariff, attached hereto as Exhibit A,
18 should be approved by the Commission. The WESCR Mechanism incorporates
19 the following principles, as recommended by PUD:

- 20
- 21 d. Use of a fixed rate for the securitization charge for each sales tariff;
 - 22 e. A termination fee pertaining to the “Nonbypassable Mechanism”
23 requirement of the Act;
 - 24 f. Customers taking service under the Voluntary Fixed Price (“VFP”)
25 Program during February 2021 will not be assigned the
26 securitization charge; and
 - 27 g. Low Income Heating Energy Assistance Program (“LIHEAP”)
28 customers will not be assigned the securitization charge.

1 **Q: Does PUD support the seventh provision?**

2 A: Yes. This provision stipulates the design of the WESCR Mechanism as attached to the
3 Joint Stipulation. It includes mention of a fixed fee, a termination fee as outlined in the
4 tariff attached to the Stipulation, and exclusion of February 2021 VFP customers and low
5 income customers from the securitization charge.

6 **Q: What is provision 8 of the Joint Stipulation?**

7 A: Provision 8 of the Joint Stipulation states:

8 **Allocation Methodology.** The Stipulating Parties agree to the allocation
9 methodology set forth in Section 4 of the WESCR Mechanism attached hereto
10 as Exhibit A.

11 **Q: Does PUD support the eighth provision?**

12 A: Yes. This provision stipulates the allocation methodology will be as provided in the
13 WESCR Mechanism attached to the Joint Stipulation, which is based upon actual usage by
14 class during February 2021.

15 **Q: What is contained in Section II of the Joint Stipulation?**

16 A: Section II of the Joint Stipulation contains several general items that are administrative in
17 nature and similar to those commonly included in settlement agreements. PUD supports
18 the inclusion of items 9 – 14 in Section II of the Joint Stipulation.

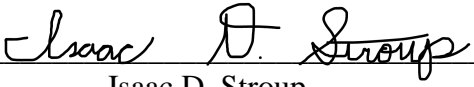
19 **RECOMMENDATION**

20 **Q: What is the Public Utility Division's ("PUD") recommendation to the Oklahoma**

1 **Corporation Commission (“Commission”) concerning the Application filed by**
2 **Oklahoma Natural Gas Company (“Oklahoma Natural”) for a financing order**
3 **pursuant to the February 2021 Regulated Utility Consumer Protection Act in Cause**
4 **No. PUD 202100079?**

5 A: PUD recommends the Commission approve the Joint Stipulation and Settlement
6 Agreement (“Joint Stipulation”) filed in this Cause on November 18, 2021. PUD believes
7 this Joint Stipulation is fair, just, reasonable, and in the public interest.

I state, under penalty of perjury under the laws of Oklahoma, that the foregoing is true and correct to the best of my knowledge and belief.


Isaac D. Stroup

CERTIFICATE OF ELECTRONIC SERVICE

I, the undersigned, do hereby certify that on the 19th day of November 2021, a true and correct copy of the above and foregoing was sent electronically to:

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