BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

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IN THE MATTER OF THE APPLICATION OF OKLAHOMA GAS AND ELECTRIC COMPANY FOR A FINANCING ORDER PURSUANT TO THE FEBRUARY 2021 REGULATED UTILITY CONSUMER PROTECTION ACT APPROVING SECURITIZATION OF COSTS ARISING FROM THE WINTER WEATHER EVENT OF FEBRUARY 2021

CAUSE NO. PUD 202100072



Commissioner Bob Anthony Dissenting Opinion regarding OG&E Securitization

Critical concerns that jeopardize the validity of this purported \$1.067 billion case were filed by former member of the Oklahoma Legislature Dr. Michael Ritze in his December 3, 2021 public comment:

The legitimacy of securitization cases and the affordability of utility bills for millions of Oklahoma ratepayers are both threatened by the Oklahoma Attorney General's failure to act against blatant public corruption.

Corporation Commissioner Todd Hiett's office "<u>shall</u> become vacant" according to the Oklahoma Constitution, Article 9, Section 16. And according to the ORDER of the Oklahoma Supreme Court issued in Case No. 119686 on September 17, 2021, "The law is unequivocally clear that a proper plaintiff ... is the Attorney General ..." for enforcing the "self-executing provisions of Okla. Const. Art. 9, § 16."

As I detailed in my July 13, 2021 Amicus Brief in the case, "Hiett is in violation of Article 9, Section 16 and his office should be declared vacant." (See attached and online: <u>https://www.oscn.net/dockets/GetDocument.aspx?ct=appellate&bc=1049898893&cn=PR-119686&fmt=pdf</u>)

See also "Oklahoma's Epidemic: Distrust of Government Stems from Corruption Ignored" filed in OCC Cause No. 202000083 on September 20, 2021 (attached and online at https://imaging.occ.ok.gov/AP/CaseFiles/occ30424767.pdf).

Failing to defend his own dubious status, Commissioner Todd Hiett himself instead twice raised issues about OG&E's "credit ratings" at the December 6, 2021 Corporation Commission meeting posted for "Discussion" of this OG&E securitization application. Specifically Hiett spoke of "the cascading effects. Once again, that negative impact on the credit ratings drives up costs of debt, which once again adversely affects your customer base."

To be clear, the very lawfulness of Commission process in this case is threatened by what the Oklahoma Supreme Court describes as "the self-executing provisions of Okla. Const. Art. 9, § 16" (OSC Case No. 119686, Order of Sep. 14, 2021), provisions invoked by Hiett's unconstitutional banking business interest that disqualify him from his office, stating unequivocally "his office shall become vacant."

AARP and Attorney General did not sign Agreement; Commissioner Anthony votes "no"

Before imposing a purported yet open-ended \$1.067 billion debt obligation on Oklahoma's public utility customers over the next 28 years, and <u>un</u>reasonably and <u>im</u>prudently declaring it "reasonable and prudently incurred," careful and comprehensive consideration of <u>all</u> the issues involved should be mandatory. Everyone involved should insist upon honesty, integrity, due process, ethics and total transparency from all parties.

Fundamentally, far too many critical questions remain unanswered. First and foremost, the true price tag! Assuming a \$760 million OG&E securitization amount, plus an estimated \$307 million in interest over the 28-year recovery period, the total financing obligation to be paid by OG&E customers is alleged to be \$1.067 billion... probably... at a minimum. Seeking answers to her "exceptions," counsel for the AARP further observed, "Customers don't know where their money is going." Significantly, the OCC Administrative Law Judge in this case has noted, "The Attorney General and AARP did not sign the Joint Stipulation and Settlement Agreement."

In my opinion, consumers have a right to know:

- why and how the extraordinary February 2021 fuel and utility charges occurred.
- who profited from the astronomical charges that Oklahoma utilities incurred on behalf of ratepayers, and why do overly-broad confidentiality claims block public access to records.
- why a thorough prudency investigation into OG&E's \$760 million securitization amount has not been done before these charges are declared "reasonable and prudently incurred."
- why this securitization is being strung out over an absurdly long 28-year recovery period.
- how paying an extra 40%, some \$307 million in interest, on top of the securitization principal amount, somehow leads to "savings" and where that excessive interest and fees are going.
- who, including banks, stands to profit from the issuance, sale and resale of these bonds.
- why the risk for fuel cost spikes has been overwhelmingly shifted to consumers while the utilities have solid rate of return expectations without assuming much of the associated risk.
- if this "securitization" option has been available for decades and results in such great savings, why regulators haven't used it more readily for financing and cost recovery.
- if the high cost of future cold snaps or heat waves will similarly be layered on top of this debt, or if the parties assume there will be no more extraordinary weather events in the next three decades.
- if any party involved in the preparation or approval of this settlement agreement has any conflict of interest or affiliated transactions that might cloud the legitimacy of imposing this debt obligation on ratepayers.

The legislature's "February 2021 Regulated Utility Consumer Protection Act" (74 O.S. 9070, et seq.) provides that "... ratepayer-backed bonds are not an indebtedness of the state". These wishful semantics have little basis in fact. More accurately, a 1997 briefing paper from the New York Assembly's Energy Committee¹ states that for practical purposes, securitization authorizes the creation of "new public debt." Whether designated as "the utilities' customers" or "taxpayers," "In either case, it is <u>the people</u> of [the State] that <u>pay</u>." Or, in the case of a 28-year recovery period, their children and grandchildren too, some of whom will not even have been alive to experience the winter storm they will be paying for decades from now.

¹ Energy Committee, New York Assembly. "Shedding Light on Securitization," <u>Annual Report</u> (1997).

Mew American

Oklahoma Corporation Commissioner Accused of Corruption

by Steve Byas December 14, 2021



TheaDesign/iStock/Getty Images Plus

A former state representative in Oklahoma, Republican James Michael Ritze, is attempting to get Corporation Commissioner Todd Hiett, a fellow Republican and former speaker of the Oklahoma House of Representatives, removed from office for corruption. After the Oklahoma Supreme Court rejected a previous effort in September on a standing question, Ritze is asking the state's attorney general to take action.

Under the Oklahoma Constitution, the Oklahoma Corporation Commission regulates utility rates for gas and electricity, with a majority of the three commissioners having to approve of any rate increases. The state's constitution, in Article 9, Section 16, also provides that a commissioner shall not "engage in any occupation or business inconsistent with his duties" as a commissioner.

Another former state representative, Mike Reynolds, an Oklahoma City Republican, wrote in a letter to the *Oklahoma Constitution* newspaper, "Yet for almost seven years, that is exactly what Hiett has done." Reynolds added that Hiett had "made supervisory decisions for and personally profited from a bank whose business activities are unquestionably impacted by the regulatory decisions he has made as an Oklahoma Corporation Commissioner."

At issue is Hiett's position as a member of the board of directors, with an ownership stake, of Oklahoma-based Spirit Bank. Not surprisingly, the bank regularly does business with companies that provide energy in the state, and often fall under the regulatory duties of the Corporation Commission. Reynolds said, "If directing and owning a company engaged in business activities directly regulated by the OCC isn't 'inconsistent with his duties' as Corporation Commissioner, I don't know what is."

Hiett dismisses the concerns, arguing that he has recused himself on cases involving Spirit Bank that have come before the Commission, and calling the lawsuit that Reynolds filed "frivolous." He contended that his attorney did not find a problem with what Hiett is doing. "I hired an attorney to review it, among other things, to make sure none of my personal business dealings were in any way conflicted with my service on the Commission."

Hiett added that there were three times that Spirit Bank and a company with which it was doing business were named in an action before the Commission, and he recused himself in all three cases. Reynolds, however, argued in a filing before the Oklahoma Supreme Court (which has original jurisdiction in such cases) that there is no provision in the state's constitution "to just recuse yourself. The Constitution says you are to be removed from office."

But in September, the Supreme Court rejected the *quo warranto* petition (an effort to remove a public official from office for violating this provision of the state's constitution). The court took no position on the merits of the case, but rather held that Reynolds lacked standing to bring the suit. The court held, "The law is unequivocally clear that a proper plaintiff in a *quo warranto* proceeding is the Attorney General, the District Attorney, or a contestant for the office at issue."

Because of this, former State Representative Ritze has now requested Oklahoma Attorney General John O'Connor to "stand up for the law and the Constitution and against brazen public corruption." So far, O'Connor has made no comment on whether he will do so. O'Connor was appointed to his office by fellow Republican Governor Kevin Stitt this past year, when the elected AG resigned amidst a personal scandal.

"Oklahoma's tradition of corruption and self-dealing by our elected officials is well known," Reynolds said. (In the 1980s, over 200 of the state's county commissioners were removed from office, with some going to prison, in what is considered the greatest bribery scandal, in sheer number of officials involved, in American history). "It continues to persist and prevail because those tasked with enforcing the law and upholding the Constitution repeatedly neglect their duty and choose to look the other way."

This controversy could have national repercussions with the recent rise in energy costs. It also raises the issue of what is the proper role of government in setting prices in an industry. The state's constitution was adopted in 1907, during the so-called progressive era, when utility companies were often given monopoly status in exchange for submitting themselves to government regulation of their prices. Obviously, any time government officials set prices, instead of the free market doing so, the possibility of corruption exists, whether or not that is the case here. It is clear that if a commissioner owns a business or is the director of a business such as Spirit Bank in Oklahoma that has a financial interest that will be greatly affected by his vote in such cases, that is a cause for concern. As of now, Hiett has denied any wrong-doing, and the attorney general of Oklahoma has not responded to the concerns of Ritze and Reynolds.

https://thenewamerican.com/oklahoma-corporation-commissioner-accused-of-corruption/

-----Original Message-----From: Barbara Hoberock <<u>Barbara.Hoberock@tulsaworld.com</u>> Sent: Tuesday, July 13, 2021 9:09 AM To: Bob Anthony <<u>Bob.Anthony@occ.ok.gov</u>> Subject: [EXTERNAL] Tulsa World request

Commissioner Anthony: I hope you are doing well. Pursuant to the Oklahoma Open Meetings Act, the Tulsa World is seeking the number of oil and gas wells in Oklahoma whose surety is guaranteed by SpiritBank or branches of SpiritBank. In addition, the Tulsa World is seeking the total number of financial institutions which offer a surety to oil and gas wells in Oklahoma. Thank you in advance for your prompt attention to this matter. I can be reached at 405-213-5910. Barbara Hoberock, Tulsa World Capitol Bureau chief

To: Barbara Hoberock (TulsaWorld)

In response to your Open Records Request for information indicating the number of oil and gas wells in Oklahoma whose surety is guaranteed by SpiritBank or branches of SpiritBank - - spreadsheet data shown herewith (as of December 2020) indicates 709 Oklahoma wells with OPEN Operator Status and 44 wells with CLOSED Operator Status. Response to "the total number of financial institutions" portion of your request will come separately.

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BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

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IN THE MATTER OF THE APPLICATION OF OKLAHOMA GAS AND ELECTRIC COMPANY FOR A FINANCING ORDER PURSUANT TO THE FEBRUARY 2021 REGULATED UTILITY CONSUMER PROTECTION ACT APPROVING SECURITIZATION OF COSTS ARISING FROM THE WINTER WEATHER EVENT OF FEBRUARY 2021



Public Comment by Dr. James Michael Ritze

The legitimacy of securitization cases and the affordability of utility bills for millions of Oklahoma ratepayers are both threatened by the Oklahoma Attorney General's failure to act against blatant public corruption.

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IN THE SUPREME COURT OF THE STATE OF OKLAHOMA FILED SUPREME COURT STATE OF OKLAHOMA					
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THE STATE OF OKLAHOMA ex rel)	JUL 1 8 2021			
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a citizen and registered voter of) J(OHN D. HADDEN			
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v.) Case No. 11	9,686			
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The Honorable TODD HIETT,					
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APPLICATION OF DR. JAMES MICHAEL RITZE, PRO SE, TO FILE AMICUS CURIAE BRIEF pursuant to Oklahoma Supreme Court Rule 1.12(b)(2)

This statement contains an Amicus Curiae Brief submitted by Dr. James Michael Ritze in the interest of good government and upholding provisions of the Oklahoma Constitution against corruption by elected officials, especially Oklahoma Corporation Commissioners.

Hiett is in violation of Article 9, Section 16 and his office should be declared vacant.

By serving as a member of the Board of Directors of SpiritBank and Spirit Holding Company, Oklahoma Corporation Commissioner Todd Hiett undertakes fiduciary duties to the bank and its ownership that violate the Article 9, Section 16 Constitutional provision that "any such commissioner ... shall not .. engage in any occupation or business inconsistent with his duties as such commissioner." Consequently, failing to meet the qualifications for office specified in Article 9, Section 16, Todd Hiett's office of Oklahoma Corporation Commissioner "shall become vacant." This prescribed self-executing remedy to conflicts of interest by a commissioner actually appears twice in Article 9, Section 16.

Hiett is also in violation of his Article 9, Section 17 Oath of Office.

Further, Hiett is also in violation of the additional Oath of Office for Corporation Commissioners set forth in Section 17 which requires: "each of said commissioners" to "swear that he is not, directly or indirectly, interested in any railroad, street railway, ... telephone or telegraph lines, compress and elevator companies, and all other corporations over which said Commission has jurisdiction[.]" Regardless of whether the court considers SpiritBank's guarantee of OCC-required oil and gas well surety bonds, its allowing borrowers to pledge OCC-regulated assets as loan collateral, or its making loans to OCC-regulated or -impacted companies (utility companies, energy companies, trucking companies, gas stations, Uber drivers, any small business with a utility bill, etc.), Commissioner Hiett's active engagement in the banking business is absolutely inconsistent with his ongoing Corporation Commission duties.

Hiett's relationship with SpiritBank is connected to several other unlawful activities.

In addition to the unconstitutional conflict of interest brought to the court's attention by the Petitioner, Todd Hiett's directorship of SpiritBank also appears to be the nexus of several other unlawful activities in which Hiett has been engaged during his tenures as an elected official and a candidate for elective office in Oklahoma, including his tenure at the Oklahoma Corporation Commission.

Undisclosed SpiritBank loans and illegal personal loans payments from campaign funds.

Hiett's publicly available campaign finance reports filed with the State Ethics Commission for his 2010 Lt. Governor campaign¹ and 2014 Corporation Commission campaign² show unusual loan activity involving SpiritBank. The reports show both these campaigns were making loan/interest payments to SpiritBank on loans the campaigns never reported receiving! No competent authority has yet determined whether these payments were (1) the result of loans made by SpiritBank

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directly to Hiett's campaign – terms unknown – that Hiett illegally failed to disclose for the duration of the 2010 and 2014 campaigns and through to the present day; or (2) the result of loans made by SpiritBank to Hiett personally – in which case, to make payments on such personal loans from campaign funds would also be illegal.

Lest there be any confusion, candidates for statewide office are NOT allowed to pay interest on personal loans out of campaign funds, nor are they allowed to make payments on bank loans to their campaign out of campaign funds if those loans were never reported.³ Unfortunately, these loan payments are only the beginning of what has revealed itself to be Hiett's pattern of illegally using campaign funds to pay personal expenses.

Illegal use of campaign funds for yet more personal expenses.

The designated depository holding Hiett's 2010, 2014 and 2020 campaign funds from which he has paid "expenses" is SpiritBank. Under State Ethics rules, elected officials are allowed to use leftover campaign funds for (among limited other things) "the cost of holding office" (aka "officeholder expenses") but those do not include personal expenses that a person would incur if he/she were not an office holder (e.g. rent, food, clothes, car, dry cleaning, etc.) or things that are already provided by State Government to officeholders (office, telephone, computer, etc.).³

The post-election campaign reports for Hiett's 2014 campaign show regular and repeated "officeholder expenses" that are in fact rent payments for so-called "office/lodging" (i.e. his apartment in Oklahoma City). An Ethics Commission Interpretation (EI-2001-006)⁴ makes clear that personal living expenses such as lodging are not "officeholder expenses" and therefore are not permissible uses of surplus campaign funds for statewide elected officials. Rent on an "office" would also not be an officeholder expense because State Government provides an office.

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These impermissible apparently-personal uses of 2014 campaign funds continued all the way through his Q2 2020 report (just before rolling the leftover money into his new 2020 campaign) and included the purchase of a computer in Q4 2019 and a \$450 payment for "telephone" in Q4 2018 (both provided by state government to officeholders and therefore impermissible). All told, Hiett paid well over \$40,000 in questionable "officeholder expenses" from his 2014 campaign funds.

The illegal personal use of campaign funds continues in the reports for Hiett's 2020 campaign⁵ (another \$8400 for the Oklahoma City apartment alone through Q2 2021). But during the 2020 campaign, Hiett recategorized some of them (as general campaign expenditures instead of "officeholder expenses") and relabeled them (e.g. "office lease" instead of "office/lodging") even though the monthly amount was the same and the payments were being made to the same real estate company as before. Hiett's attempted window dressing to make these and other personal expenses appear as legitimate campaign expenditures was ultimately ineffectual however; because they are his personal living expenses, they are still impermissible uses of campaign funds, no matter what he calls them or how he categorizes them.

Illegal fundraising after 2020 campaign to bolster his illicit slush fund.

To add insult to injury, even after KWTV Channel 9 reported on some of these improper uses of campaign funds in September 2020⁶, Hiett not only continued his well-established practice of using campaign funds to pay personal expenses (including his apartment rent) throughout the remainder of the 2020 campaign, he also illegally raised more funds after the election to bolster the slush fund of "surplus" campaign funds from which he has continued to make such illegal payments.

Per Oklahoma Statute (Title 17, Section 48), contributors may only "make contributions... to the cost of any <u>current</u> candidate's political campaign." On his 2020 Post-General Election and his Q1 2021 campaign finance reports, Todd Hiett's campaign reported receiving some \$29,000 in contributions *after* his re-election (on Nov. 3, 2020) – contributions to a campaign account that already showed a \$100,000+ surplus. Thus, it cannot be said these were contributions "to the cost of any current candidate's political campaign" because the campaign was over and there were no outstanding debt or outstanding expenses beyond the means of the campaign's remaining balance. The statute does not allow an OCC candidate to raise funds for any non-campaign purpose (like the aforementioned "officeholder expenses" permitted under State Ethics Commission rules).

Todd Hiett's removal from office is in the best interests of Oklahoma, not to mention long overdue.

James Michaell

James Michael Ritze

Footnotes:

(1) Campaign Finance Reporting for Hiett's 2010 Lt. Governor campaign: https://www.ok.gov/ethics/public/search_reports_1.php?reg_id=110006

(2) Campaign Finance Reporting for Hiett's 2014 Corporation Commission campaign (through Q1 2016): <u>https://www.ok.gov/ethics/public/search_reports_1.php?reg_id=114244</u> Campaign Finance Reporting for Hiett's 2014 Corporation Commission campaign (starting Q2 2016): <u>https://guardian.ok.gov/PublicSite/SearchPages/OrganizationDetail.aspx?OrganizationID=8545</u>

(3) Ethics Commission's Candidate Guide, sections on Loans (page 34+) and Expenses (page 36+): <u>https://www.ok.gov/ethics/documents/July%202019%20-</u> %20June%202020 STATE%20candidate%20guidev.2019.1 FINAL.pdf

(4) Ethics Commission Ethics Interpretation EI-2001-06: https://web.archive.org/web/20061001010050fw /http://www.ethics.ok.gov/ei_oriy.htm1#EI-01-006

(5) Campaign Finance Reporting for Hiett's 2020 Corporation Commission re-election campaign: https://guardian.ok.gov/PublicSite/SearchPages/OrganizationDetail.aspx?OrganizationID=10118

(6) "Corporation Commissioner Spent Campaign Funds On OKC Apartment, According To State Campaign Finance Reports" (9/14/2020, KWTV News 9, Oklahoma City, OK):

https://www.news9.com/story/5f5ff4d74329ed0bbee72c2c/corporation-commissioner-spent-campaign-funds-on-okcapartment-according-to-state-campaign-finance-reports



BEFORE CORPORATION COMMISSION OF STATE OF OKLAHOM&OURT CLERK'S OFFICE - OKC IN RE: INQUIRY TO EXAMINE ISSUES CAUSE NO. PUD 20200008 ORPORATION COMMISSION OF OKLAHOMA

Oklahoma's Epidemic: Distrust of Government Stems from Corruption Ignored

Distrust of government is an epidemic in Oklahoma, and is it any wonder? When a statewide elected official at one of our most economically powerful state agencies – Corporation Commissioner Todd Hiett – is allowed to openly violate the Oklahoma Constitution, State Statutes and Ethics Rules year after year without consequences?

Hiett admits he has an ownership stake in SpiritBank and serves on the bank's board of directors, all the while regulating the bank's activities guaranteeing surety bonds for the operators of more than 700 oil, gas and disposal wells as a member of the Oklahoma Corporation Commission.

Article 9, Section 16 of the Oklahoma Constitution says a Corporation Commissioner shall not "engage in any occupation or business inconsistent with his duties" as commissioner. Yet for almost seven years, that is exactly what Hiett has done – made supervisory decisions for and personally profited from a bank whose business activities are unquestionably impacted by the regulatory decisions he makes as an Oklahoma Corporation Commissioner.

Hiett's regulatory decisions at the OCC are supposed to be in the best interests of the State of Oklahoma, not in his personal best interests as a director and owner of SpiritBank. If directing and owning a company engaged in business activities directly regulated by the OCC isn't "inconsistent with his duties" as Corporation Commissioner, I don't know what is.

What's more, per an amicus brief from former State Representative Mike Ritze, Hiett's own campaign finance reports filed with the State Ethics Commission indicate he has solicited and accepted illegal campaign contributions in violation of State Statute (Title 17, Section 48) and illegally spent tens of thousands in campaign funds for personal uses including payments for a second home, transportation, meals and a computer. This continuing abuse of the public trust is so flagrant, it would be almost unbelievable if it weren't in black and white on the Ethics Commission's website.

On September 14, 2021 the Oklahoma Supreme Court said the law is "unequivocally clear" that the proper plaintiff in a proceeding seeking to remove Hiett from office is the <u>Attorney</u> <u>General</u>. The facts of Todd Hiett's unconstitutional conflict of interest and other financial misdeeds have been clearly laid out. Now it is time for Attorney General John O'Connor to stand up for the law and the Constitution and against brazen public corruption.

Oklahoma's tradition of corruption and self-dealing by our elected officials is well known. It continues to persist and prevail because those tasked with enforcing the law and upholding the Constitution repeatedly neglect their duty and choose to look the other way. Will John O'Connor step up and help restore Oklahomans' trust in their government and the elected officials entrusted with running it? Time will tell, and it shouldn't take long.

By former State Representative Mike Reynolds - September 17, 2021