BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

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

FILED
OCT 07 2021
COURT CLERK'S OFFICE - OKC
CORPORATION COMMISSION
OF OKLAHOMA

SUPPLEMENTAL RESPONSIVE TESTIMONY

OF

MICHAEL BARTOLOTTA

ON BEHALF OF

PUBLIC UTILITY DIVISION

OCTOBER 7, 2021

TABLE OF CONTENTS

I. INTRODUCTION 1
II. PURPOSE OF TESTIMONY 1

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND CURRENT EMPLOYMENT POSITION.

A. My name is Michael Bartolotta. I am an Executive Managing Director in Public Finance and Debt Capital Markets for Hilltop Securities Inc. ("Hilltop"). My business address is 700 Milam Street, Suite 500, Houston, Texas 77002.

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE THE OKLAHOMA CORPORATION COMMISSION ("COMMISSION")?

A. Yes. I provided Responsive Testimony in this matter on August 23, 2021 and Supplemental Responsive Testimony on September 8, 2021.

II. PURPOSE OF TESTIMONY

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of the Public Utility Division ("PUD").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to supplement my prior Responsive Testimony.

Q. HOW DO YOU WISH TO SUPPLEMENT YOUR TESTIMONY?

A. I wish to supplement my testimony to (a) describe, in practical terms, how the true-up and reconciliation process described in Part IV of the form of Financing Order attached as Exhibit A to my Responsive Testimony filed on August 23, 2021 would function and how

Winter Energy Storm ("WES") Charges would be determined based on the true-up and reconciliation process (as described in the draft Financing Order at that time, each a "true-up adjustment"); (b) explain why a non-standard true-up adjustment may be required and the conditions under which a non-standard true-up adjustment may be required; (c) address the proposal by Oklahoma Gas and Electric Company's ("OG&E") proposal regarding nonbypassability of the WES Charge; (d) provide more detail, based on various scenarios and the rebuttal testimony of Donald Rowlett dated September 13, 2021, relating to the requirement in the Act that any financing provide substantial revenue requirement savings, (e) amend Attachment I to add as a new line item, the costs of the Oklahoma Corporation Commission's outside counsel, which are currently estimated at $50,000, and (f) correct my testimony with respect to a securitization by a utility providing only natural gas as an energy supply. My need to supplement my testimony reflects (a) the continued evolution of the Financing Order which may require further additional supplemental testimony, including but not limited to address the expectations of the Rating Agencies, and (b) provide comment on the mechanics of the true up which have been further defined subsequent to my initial testimony.

Q. HOW WOULD EACH TRUE-UP ADJUSTMENT FUNCTION?

A. Currently, as formulated on the current draft Financing Order, Each True-Up Letter and Non-Standard True-Up Letter, the forms of which are included of as Exhibit D and Exhibit E, respectively, to the form Financing Order, would calculate a revised WES Charge for the Bonds in accordance with the Adjustment Calculation Methodology

103196485.1

appended as Attachment 1. Generally, the WES Charge will be calculated by the Servicer as follows:

- First, the Servicer will calculate the Periodic Payment Requirement, as defined below, for the next six-month period, or if shorter the period from the adjustment date (or, in the case of the initial charge calculations, the Closing Date) to and including the next bond payment date, as well as the Periodic Payment Requirement for the next succeeding six-month period ending on the following bond payment date (each, a "Payment Period"). The Periodic Payment Requirement 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 by WES Charge revenues during such Payment Period. The Periodic Billing Requirement, as defined below, will then be calculated, using the most recent information of the Servicer regarding write off, average days sales outstanding data or other collection data, to determine the amount of WES Charge revenue that must be billed during each Payment Period to ensure that sufficient WES Charge revenues will be received to satisfy the Periodic Payment Requirement for such Payment Period. Such amount is referred to as the "Periodic Billing Requirement" or "PBR."
- Second, the PBR for each Payment Period is allocated among each of OG&E's five Service Levels using the Energy Allocation Factor (described below);
- Third, the WES Charge for each Service Level for each Payment Period is determined by dividing each Service Level's respective portion of the PBR for the

Payment Period by the respective forecasted sales for each Service Level for the Payment Period; and

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

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

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

Q. UNDER WHAT CONDITIONS MIGHT A NON-STANDARD TRUE-UP ADJUSTMENT BE REQUIRED?

A. Oklahoma Gas and Electric Company proposes to allocate the extraordinary costs among its five service levels (each, a "SL") based on actual service levels for the period between February 7, 2021 and February 21, 2021, adjusted for price response programs and losses, to derive an energy allocation factor. A non-standard true-up adjustment is triggered when any SL class whose projected energy sales (SLs 3, 4, or 5) or blocks (SLs 1 or 2) will be

10% lower than the SL class' projected energy sales or blocks of the same six-month period underlying the most recent Standard Factor Determination (a "Trigger Event'). If a Trigger Event occurs, then any SL class for which there is a forecasted decline in energy sales or blocks for the next period is referred to as an "affected SL class". The non-standard factor determination of the WES rates shall be computed as follows.

1. For each affected SL class, the Company will calculate (a) a new WES rate using the higher kWh sales or blocks from the most recent Standard Factor Determination and (b) a new WES rate using the new lower forecasted sales or blocks.
2. Calculate the price difference between (a) and (b) in step 1..
3. Multiply the price differences from step 2 by the projected energy sales or blocks for the six-month recovery period for each affected SL class to determine reduced revenues and sum these amounts.
4. Allocate the sums from step 3 to all SL classes using the WES allocators.
5. For each SL class which is not an affected SL class, calculate its WES rate using the Standard Factor Determination calculation, but increasing the SL class revenue requirement by the amounts calculated in step 4.
6. For each affected SL class, divide the amount in step 4 allocated to the affected SL class by the applicable projected energy sales or blocks
7. For each affected SL class, add step 6 to step 1(a) to determine the WES rate for the affected SL class.

Q. HAS OG&E PROPOSED HOW CUSTOMERS WHO ARE SUBJECT TO NET BILLING WILL BE TREATED BY THE FINANCING ORDER?

A. In accordance with OG&E's tariffs, for customers who take service under the Company's Net Energy Billing Option (NEBO) and QF schedules, the WES Charge will be applied to the gross kWh of energy the Utility delivers to the customers. For the DAP and FP customers, the WES Charge shall only apply to the customer's kWh energy specified in Customer Base Line or Seasonal Customer Base Line defined in the DAP or FP tariffs. All DAP and FP kWh sales above or below the Customer Baseline Load will be excluded from the WES calculation. For all other rate schedules, the factors of this this rider shall apply to the total billed kWh.

Q. IS THE SAVINGS ANALYSIS PRESENTED BY DONALD ROWLETT IN HIS REBUTTAL TESTIMONY REASONABLE?

A: The savings analysis presented by Donald Rowlett is his rebuttal testimony is a reasonable starting point for beginning to develop the required financial analysis. The actual savings will be based on numerous factors including but not limited to interest rates, which are based on numerous factors including the maturity of and ratings on the Bonds, the principal amount of Bonds being sold, other competing transactions at the time of sale of the Bonds; the costs of issuance; and the level or amount of credit enhancement used, if any.

Q: HAS A SECURITIZATION BEN COMPLETED BY A UTILITY PROVIDING ONLY NATURAL GAS AS AN ENERGY SUPPLY?

A: In my testimony, I testified it was our understanding at such time that a financing for the benefit of a gas-only utility pursuant to the Act would be the first securitization by a utility providing only natural gas as an energy supply. With further research, we found a securitization was previously completed for a gas-only utility more than twenty years ago, but as a result of the passage of time there have been many changes since the execution of the financing reducing its value as a precedent transaction with respect to the rating agencies. The referenced transaction was issued by MPC Natural Gas Funding Trust in the principal amount of $62,700,000, and described by Moody's Investors Service as "The securitization is the first of above -market gas assets" in its Rating Report dated December 23, 1998.

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

Michael Bartolotta

Michael Bartolotta

103196485.1

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 WES 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 WES 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 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 WES Charge revenue that must be billed during the Payment Period to ensure that sufficient WES 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 the existing WES Charge and any excess funds held under the bond indenture from prior WES 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 WES Charge collections projected to be collected under the then-current WES Charges after the Calculation Cut-Off Date.

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

Based upon the calculation of the revenue requirement in Step 1, the PBR is allocated among each Service Level and the WES 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.

103196485.1

- Step 2: Allocate the PBR for the First Payment Period using the Energy Allocation Factor for Service Level.
- Step 3: Determine a rate per kWh for each Service Level for the First Payment Period (a "Clearing Rate") by dividing each Service Level's respective portion of the PBR for the First Payment Period by their respective forecasted sales for the First 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 Service Level.
- Step 6: Compare the Clearing Rates for each Service Level in each Payment Period, and the highest Clearing Rate will be the WES Charge for the Service Level 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.