BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

APPLICATION OF PUBLIC SERVICE COMPANY OF OKLAHOMA ("PSO") FOR APPROVAL OF A FINANCING ORDER FOR THE COLLECTION OF INCREASED COSTS, CAUSED BY THE EXTREME WINTER WEATHER AND CONTAINED IN THE REGULATORY ASSET AUTHORIZED BY ORDER 717625, INCLUDING AN APPROPRIATE CARRYING COST, AND SUCH OTHER RELIEF AS THE COMMISSION DEEMS PSO IS ENTITLED	Cause No. PUD 202100076

RESPONSIVE TESTIMONY

OF

MICHAEL BARTOLOTTA

ON BEHALF OF

PUBLIC UTILITY DIVISION

OCTOBER 21, 2021

TABLE OF CONTENTS

EXHIBITS

ATTACHMENT

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. PLEASE DISCUSS YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I earned a Bachelor of Science in Actuarial Science from University of Illinois at Urbana-Champaign.

I commenced my professional career in public finance at the First National Bank of Chicago in Chicago, Illinois in 1986. I subsequently moved to Masterson and Company in 1987 as an Assistant Vice President rising to Executive Vice President in 1996. Masterson and Company changed names to Masterson Moreland Sauer and Whisman, Inc. and sold its public finance business to First Southwest Company in 1996. I joined First Southwest Company in 1996 as a Director; rising to Vice Chairman upon my departure in 2015. In 2015 I joined Citigroup Global Markets Inc. as a Managing Director responsible for the public finance regional offices on a national basis. I subsequently became responsible for developing Citigroup's Municipal Banking Solutions Group until my departure in 2020. I joined Hilltop Securities in April 2020 as a Senior Managing Director responsible for Debt Capital Markets. My current position is Executive Managing Director, Co-Head of both Public Finance and Debt Capital Markets.

In respect of electric utility securitizations, I served as a member of the First Southwest Company advisory team, a predecessor to Hilltop, on five stranded cost recovery transactions: $446 million FirstEnergy Ohio PIRB Special Purpose Trust 2013 in June 2013; $800 million AEP Texas Central Transaction Funding, LLC in March 2012; $1.695 billion Center Point Energy Restoration Funding, LLC in January 2012; $664 million Center Point Energy Restoration Bond Co., LLC in November 2009; and $546 million Entergy Texas Restoration Funding, LLC in October 2009. My experience on utility stranded cost recovery financings is complimented by my work on other bonds secured by and payable from a special assessment, including but not limited to Unemployment Compensation Bonds issued by the Texas Public Finance Authority in principal amounts of $849 million and $1.110 billion in 2010; Colorado Unemployment Compensation Special Revenue Bonds Taxable Series 2012A in the principal amount of $84.79 million and Series 2012B in the principal amount of $540.12 million; and $2.9 Billion Series 2012 Michigan Finance Authority Unemployment Obligation Assessment Revenue Bonds.

In addition, I served as a member of the Municipal Securities Rulemaking Board in 2008 and from 2009 to 2012, serving as Chairman from 2010 to 2011. I have also been chairman of the Securities Industry and Financial Markets Association ("SIFMA"), Municipal Division. I have also served on corporate boards and was one of the founding board members of TexStar, a Texas local government investment pool. My complete *curriculum vitae* is attached hereto as Exhibit A.

Q. DO YOU POSSESS ANY PROFESSIONAL LICENSES RELATED TO THE SECURITIES INDUSTRY?

A. As a Registered Representative of the Financial Industry Regulatory Authority ("FINRA"), I am a licensed General Securities Representative; General Securities Principal; Municipal Securities Representative, Municipal Securities Municipal Advisor Representative and Principal; Uniform Securities Agent; and Investment Banking Representative based on my holding a Series 7, 24, 50, 52, 53, 63, and 79.

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

A. Yes. I provided oral, prefiled, and supplemental testimony in Oklahoma Gas & Electric's ("OG&E") Application 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. 202100072, prefiled testimony in Oklahoma Natural Gas' ("ONG") Application 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. 202100079, and prefiled testimony in the CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Oklahoma Gas ("CenterPoint") Application 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. 202100087.

Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY BEFORE ANY PUBLIC UTILITIES COMMISSION OTHER THAN THE COMMISSION?

A. I have provided analysis and reports to the Public Utility Commission of Texas in connection with stranded cost recovery securitizations executed for the benefit of AEP Texas Central in March 2012, CenterPoint Energy in November 2009 and January 2012, and Entergy Texas in October 2009; and the Public Utilities Commission of Ohio in connection with a stranded cost recovery securitization in June 2013 for the benefit of certain FirstEnergy utility subsidiaries.

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") of the Oklahoma Corporation Commission ("Commission").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to:

- provide background information on the use of securitization generally, and more specifically, ratepayer-backed utility securitizations by utilities and by public entities for the benefit of utilities in other jurisdictions;

- describe the proposed bond structure and associated transaction documents to be used to issue ratepayer-backed bonds (the "Bonds") pursuant to the February 2021 Regulated Utility Consumer Protection Act[1] (the "Act");
- describe the provisions of a form of the Financing Order that is proposed for use by the Commission and the justification for its adoption;
- describe Bond issuance costs and ongoing administration and servicing costs associated with the issuance and servicing of the Bonds and how such costs should be recovered by the relevant parties;
- describe the servicing arrangements associated with the issuance and servicing of the Bonds;
- describe the rating agency process and rating agency considerations in connection with the issuance of the Bonds; and
- describe the marketing process of the Bonds.

Q. WHAT EXHIBITS ARE YOU SPONSORING?

A. I am a sponsor of the following exhibits:

Exhibit A: CV

Exhibit B: Form of the Financing Order (referred to in this testimony as the "Financing Order") for Public Service Company of Oklahoma ("PSO" or the "Utility").

[1] February 2021 Regulated Utility Consumer Protection Act, 74 Okla. Stat. §§ 9070 – 9081 (the "Act").

Q. WHAT IS THE ROLE OF HILLTOP SECURITIES WITH RESPECT TO PSO'S FINANCING ORDER APPLICATION AND THE ISSUANCE OF THE BONDS BY THE AUTHORITY?

A. Hilltop has been appointed as financial advisor to the Oklahoma Development Finance Authority ("ODFA" or the "Authority") in connection with the issuance of the Bonds. In that capacity, Hilltop will advise ODFA on the structuring, marketing and pricing of the Bonds including assisting ODFA in obtaining a rating and an efficient pricing of the Bonds by the underwriters in the pricing and marketing of the Bonds.

Hilltop has also been engaged as financial advisor to assist and represent PUD with respect to reviewing and evaluating PSO's Application 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. 202100076. I am a member of the Hilltop team assigned to this engagement.

Neither Hilltop nor I are providing testimony relating to whether the extreme purchase costs and extraordinary costs included in PSO's Application for a Financing Order are "fair, just and reasonable expenses or prudently incurred."[2]

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[2] See § 4(E) of the Act (to be codified at 74 OKLA. STAT. ANN. § 9073(E)).

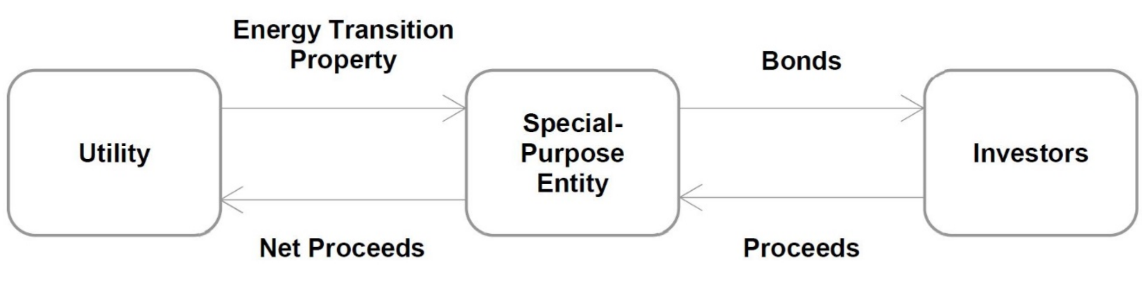
III. BACKGROUND ON UTILITY SECURITIZATIONS

Q. PLEASE PROVIDE A BASIC DESCRIPTION OF SECURITIZATION AND A UTILITY SECURITIZATION MORE SPECIFICALLY.

A. Securitization is the process in which an owner of a cash flow-generating asset sells the asset for an upfront payment, in a manner that legally isolates (or de-links) the cash flow-generating asset from the credit quality of the owner/seller. The sale process is intended to protect both the investor and the seller from different perspectives. The seller of the asset is protected from any changes in credit circumstances related to the asset and the investor in the asset is protected from the bankruptcy of the seller of the asset. Therefore, the "credit" of a securitization is the ability of the structurally isolated asset to produce a set of payments (or cash flows) for investors, who purchase a securitized interest in the asset. Fixed income debt securities collateralized by the structurally isolated asset are sold to investors, and those investors rely solely on the structurally isolated asset and associated cash flows to pay interest on and principal of the issued debt securities. The debt securities are issued by a special purpose entity as described below and are non-recourse to the seller of the asset.

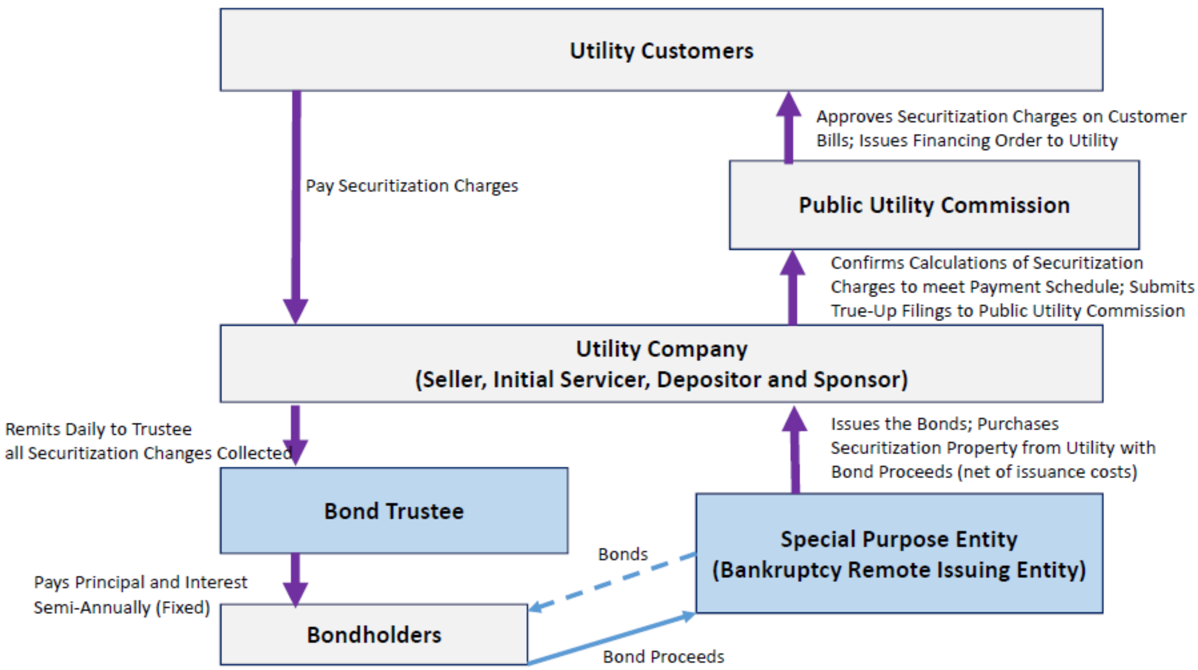
In the context of traditional utility securitization, the underlying cash flow-generating asset is an intangible property right authorized by state legislation and created pursuant to a financing order. This property right includes the right to impose upon the utility's customers nonbypassable charges at a level, which is subject to adjustment as described herein, required to pay the interest, principal and other ongoing financing costs associated with the debt securities issued in the securitization on a timely basis, as scheduled. This property right, together with certain other contractual rights, is also referred to as the collateral for the transaction. The utility sells the property right to a newly established, special-purpose entity, or to a non-profit or state-sponsored conduit issuer that serves in a similar capacity to a utility-sponsored special-purpose entity ("SPE"), which, as its name implies, functionally has a limited purpose to purchase the collateral and issue bonds to investors to fund that purchase. The conveyance of the property right from the utility to the SPE is also referred to as a "true sale," as it legally isolates the collateral from the credit of the seller of the collateral. A true sale of the collateral supports the "bankruptcy-remoteness" of the SPE and the credit quality of the securitization debt. To have the funds needed to purchase the collateral, the SPE issues debt securities to investors, secured by the property right. In exchange for the debt securities, investors pay an upfront purchase price, which is used by the SPE to purchase the property right from the utility. In the proposed transaction, once the property right is purchased from the utility, their right to recover the weather related qualified costs from ratepayers due to the extreme weather event in February 2021 is extinguished. Figure 1 below is a simplified indicative schematic of the transaction issuance mechanics described above.

Figure 1



In addition to the essential structure described above, the securitization process also includes another key component: ongoing collections of the cash generated by the collateral. In utility securitizations, a trustee (a "Trustee" is typically a commercial bank or trust company experienced in the provision of trust services for securitization bonds) and the utility that sells the securitization property play important roles. The utility will continue to perform its routine billing and collecting functions and will remit collected charges to the SPE, which are received by the bond trustee on behalf of the SPE. In the context of securitization, this function is referred to as servicing and the utility takes on the role as the servicer. The utility will not be permitted to resign as servicer unless it is unlawful for the utility to continue in such capacity. In addition to its billing, collecting, and remitting functions, as servicer, the utility will also perform certain reporting duties with respect to the amount of money collected and submitting requests to adjust the charges to ensure that they are sufficient to pay the interest, principal and other ongoing financing costs associated with the bonds on a timely basis. The servicer will perform these functions for the SPE pursuant to a contractual arrangement known as the servicing agreement. The Trustee also plays an important role in the safekeeping of the ongoing collections of the charges and using such monies to make debt service payments to investors. After receiving its collections, the servicer remits the monies to the SPE trust account held at the Trustee, which maintains those monies until it periodically remits them to investors according to a pre-determined set of payment priorities established in the indenture (the "waterfall") and debt service schedule (typically semi-annually in utility securitizations). The Trustee serves as a representative of the investors holding the bonds and ensures that their rights are protected in accordance with the terms of the transaction as set forth in the indenture ("Indenture"), applies monies pursuant to the waterfall and schedule, and monitors compliance of parties to the Indenture and seeks to enforce the terms thereof subject to and in accordance with the terms of the Indenture. An illustrative diagram of the cash flow for utility securitization rate reduction bonds is included below as Figure 2:

Figure 2



Q. PLEASE GIVE US SOME BACKGROUND ON THE EXPERIENCE OF STATES, AUTHORITIES, AND INVESTORS WITH RESPECT TO UTILITY SECURITIZATIONS?

A. Beginning in the mid-1980s, a variety of asset types have been securitized in the securitization or asset-backed markets, including credit card receivables, trade receivables, automobile loans and leases, student loans, home equity loans and advances under lines of credit, equipment leases, unsecured consumer loans and a number of other less traditional assets. The following Table 1 shows a breakdown of 2020 United States securitization issuance by asset type.

Table 1

2020 UNITED STATES SECURITIZATION ISSUANCE BY ASSET TYPE

Line No.	Asset Type	Volume ($ Billions)	Percentage (%)
1	Auto	96.5	50.8%
2	Credit Card	3.8	2.0%
3	Equipment	13.0	6.8%
4	Student Loan	19.6	10.3%
5	Consumer Loan	10.0	5.2%
6	Utility	0.0	0.0%
7	Other/Esoteric	47.3	24.9%
8	Total	190.2	100.0%

Source: Finsight.

The securitization market has settled into a mature market since the financial crisis, with issuance totaling $190 billion in 2020, which was down 20% from $239 billion in 2019.[3] While the first two months of 2020 saw strong issuance volumes in the securitization market that outpaced the first two months of 2019, the spread of COVID-19 caused the

[3] Source: Finsight.

securitization market to see nearly no new issuance from March 16, 2020, to April 13, 2020. During that same period, the charge for credit, in the asset-backed security (ABS) secondary markets increased significantly relative to both historical levels and levels in effect immediately prior to the onset of COVID-19.

Following the four-week shutdown, the securitization market recovered significantly, with new issuance volumes in June and July of 2020 slightly outpacing the same period in 2019. Additionally, investor demand for new issuance has continued near historic highs in 2021 as evidenced by the contraction of credit risk spreads. The same dynamic has played out in the ABS secondary market, where renewed ABS demand has resulted in significant credit risk spread tightening from the March 2020 peak. The securitization market has remained strong through the end of 2020, and has continued these trends through the first half of 2021. Illustrating the current breadth and depth of the market, Golden State Tobacco Securitization Corporation successfully priced a tobacco securitization in the amount of approximately $1.8 billion on September 29, 2021 to refund bonds issued to securitize tobacco settlement receipts by the State of California.

With regard to utility securitizations, we estimate that over $57 billion of utility securitization bonds have been successfully issued by or on behalf of electric utilities in various states since the inception of the sector in 1995. We anticipate a significant amount of future utility securitization bonds as a result of Winter Storm Uri, as the storm impacted multiple jurisdictions, and wildfires in California, where the state has authorized the recovery of certain wildfire mitigation expenses through securitization. We are aware other jurisdictions are considering, or have passed legislation, allowing for the issuance of securitization bonds to recover costs associated with natural disasters. The amount and timing of such issuance is not exactly known, but we expect a large issuance of utility securitization bonds.

Utility securitizations by definition are episodic in nature, raising funds in a very specific amount and for a specific purpose. The aggregate size of the preceding referenced historical transactions is therefore not necessarily a reflection of market capacity at that time.

A broad range of investors have participated in utility securitization bond issues to date, including, but not limited to, domestic and international banks, institutional and retail trust funds, money managers, investment advisors, pension funds, insurance companies, securities lenders, state trust funds, and corporate cash managers. Traditional utility unsecured and first mortgage bond investors, as well as municipal investors, have also participated broadly, as some perceive utility securitization bonds as a highly-rated substitute for the investment products they traditionally purchase.

Utility securitization bonds, predominantly centered on the delivery of electricity, are a well-established asset class and broadly understood by a diverse set of investors. Utility securitization bonds backed by securitization property and financing orders have maintained their high ratings and investors have received timely payment of principal and interest, even when the credit of the utility has been downgraded or the utility has entered bankruptcy, thus justifying investors' confidence in the bonds.

The interest income received on the vast majority of traditional utility securitization bonds, including the Bonds, is taxable for federal income tax purposes for investors (some have been tax-exempt for state purposes). However, there have also been some transactions issued into the municipal market where interest is tax-exempt for federal income tax purposes. Pursuant to the Act, the interest on the Bonds is exempt from Oklahoma state income tax.[4]

IV. FINANCING BACKGROUND

Q. PLEASE PROVIDE SOME BACKGROUND FOR THE PROPOSED SECURITIZATION, ITS STRUCTURE AND THE ACT.

A. As discussed in the Act, in February 2021, the State of Oklahoma (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 utilities operating in the State. To mitigate such extraordinary costs the Oklahoma Legislature enacted and the Governor of Oklahoma signed into law the Act to provide financing options to lower the immediate impact on customers.

The Act authorizes the Commission, in any case where a regulated utility is requesting recovery of extraordinary costs related to the February 2021 extreme weather event, to issue a financing order authorizing the creation and securitization of an irrevocable and nonbypassable surcharge levied on utility customers of the regulated utility to repay "ratepayer-backed" bonds, subject to a true-up and reconciliation.[5] ODFA is authorized to issue the "ratepayer-backed" bonds for the purpose of financing the extraordinary costs of the utility. ODFA may only pledge the securitization property and revenues received from

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[4] § 8(B) of the Act (to be codified at 74 OKLA. STAT. ANN. § 9077(B)).

[5] §5 of the Act (to be codified at 74 OKLA. STAT. ANN. § 9074).

such property arising from a single financing order for a single series of bonds.[6] The ratepayer-backed bonds are not an indebtedness of the State of Oklahoma, but are special obligations of ODFA payable solely from revenues related to the securitization property.[7]

Q. HAS THE COMMISSION PREVIOUSLY ISSUED ANY FINANCING ORDERS UNDER THE ACT THAT RESULTED IN THE ISSUANCE OF RATEPAYER-BACKED BONDS?

A. No. While other utilities have applied for financing orders under the Act, the Commission has not yet issued a financing order in connection with such proceedings.

Q. DO YOU EXPECT THE FORM OF FINANCING ORDER PROPOSED FOR USE IN THE PSO FINANCING TO BE USED IN OTHER FINANCINGS UNDER THE ACT?

A. The form of Financing Order attached as Exhibit B is substantially similar to the forms of the financing orders submitted in Cause No. 202100072 for an electric utility and Cause Nos. 202100079 and 202100087 for natural gas utilities. As the form financing order in Cause No. 20210072 was prepared for an electric utility, OG&E, the form financing order submitted in that Cause and the form of Financing Order attached as Exhibit B will be more comparable relative to the forms of the financing orders submitted in Cause No. 202100079 and 202100087 for natural gas utilities.

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[6] §§7,8 of the Act (to be codified at 74 OKLA. STAT. ANN. §§ 9076, 9077).

[7] §8(F) of the Act (to be codified at 74 OKLA. STAT. ANN. §§ 9077(F)).

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V. DESCRIPTION OF THE PROPOSED TRANSACTION STRUCTURE

Q. PLEASE PROVIDE A BASIC DESCRIPTION OF THE PROPOSED FINANCING AUTHORIZED BY THE ACT.

A. Pursuant to the Act, and upon a determination by the Commission that a regulated utility has incurred extreme purchase costs, extraordinary costs or both[8] that may be mitigated by issuing ratepayer-backed bonds, the Commission shall make necessary findings and conclusions to result in the issuance of a financing order authorizing the issuance of ratepayer-backed bonds by the Authority.[9]

Prior to the issuance of a Financing Order, the Commission is required to consult with the State Deputy Treasurer for Policy and Debt Management regarding the marketability and efficiency of any proposed financing.[10]

Pursuant to the Financing Order, the Commission will create the utility "securitization property", being the right to receive revenue collected by the Utility from customers pursuant to an irrevocable and nonbypassable mechanism authorized by the Financing Order. The revenues will consist of nonbypassable customer charges payable by any utility customer at an address located within the Utility service area. The Financing Order will authorize the imposition of a securitization charge which cannot be modified or avoided by the Utility's customers by switching utility providers, switching fuel sources or

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[8] Terms used herein shall have the meanings assigned to them in the Act.

[9] §5(A) of the Act (to be codified at 74 OKLA. STAT. ANN. §§ 9074(A)).

[10] §5(B) of the Act (to be codified at 74 OKLA. STAT. ANN. §§ 9074(B)).

materially changing usage, and must be paid by the customer for as long as the ratepayer-backed bonds are outstanding.[11]

The securitization property will be sold by the Utility to the Authority, which in turn, will issue ratepayer-backed bonds, and pledge the securitization property and any other collateral to the payment of the Bonds.

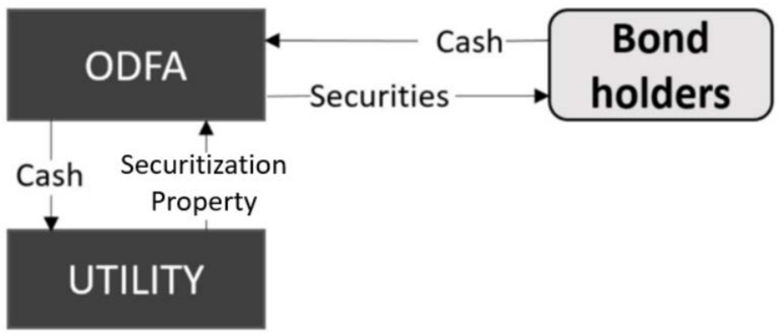
The proceeds of the Bonds, net of the underwriter's discount, will be deposited with the State Treasury and disbursed pursuant to the instructions of the Authority to (a) the Utility to pay the cost of purchasing the securitization property, and (b) pay bond issuance costs other than those of the Utility pursuant to the terms of the Financing Order. The Utility, in turn, will use the net proceeds, to pay or reimburse itself for extraordinary costs or extreme purchase costs or both, and to pay any bond issuance costs payable by the Utility pursuant to the terms of the Financing Order. The State Treasurer will contract with a commercial bank or trust company to provide the services of a Trustee with respect to the Bonds and 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 Utility will perform routine billing, collection, remittance and reporting duties on behalf of the Authority as a servicer pursuant to a Servicing Agreement between the Utility and the Authority, which agreement will provide that the Utility may not resign unless it is unlawful for if to continue to serve in that capacity. The Utility's resignation would not be effective until a successor servicer assumes its obligations in order to continue servicing

[11] §§3 (definitions of "Nonbypassable mechanism" and "Securitization Property"), 6(A) (to be codified at 74 OKLA. STAT. ANN. §§ 9072, 9075(A)) of the Act.

the securitization property without interruption. The Financing Order must bind successor utilities, in order to ensure the nonbypassability of the charge. Credit enhancements, such as a debt service reserve and a true-up mechanism, are generally necessary to get the highest possible rating. A diagram representative of the initial transactions follows as Figure 3.

Figure 3

Initial Cash Transfers



Q. WHAT MAKES UP THE "SECURITIZATION PROPERTY" THAT IS TO BE OWNED BY THE AUTHORITY AND PLEDGED TO PAY THE BONDS?

A. The securitization property is the right to receive revenue collected by the Utility from customers pursuant to an irrevocable and nonbypassable mechanism included in the Financing Order. The revenues consist of nonbypassable customer charges ("securitization charges") payable by any utility customer at an address located within the Utility's service area. Pursuant to the Act, the securitization charge cannot be modified or avoided by customers by switching utility providers, switching fuel sources or materially changing usage, and must be paid by customers for as long as the ratepayer-backed bonds are outstanding. Pursuant to the Act, the securitization charge must be separately identified on

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the customer bill.[12] The securitization property includes the right to "true-up and reconciliation", meaning the right to adjust the customer charge to ensure the timely payment of principal of and interest on the ratepayer-backed bonds and certain other ongoing financing costs.[13]

Pursuant to the Act, once the securitization property has been created, it will continue to exist until the Bonds are paid in full and all ongoing financing costs have been recovered.[14] The Rating Agencies will require that the Bonds be structured such that adequate securitization charges can be collected prior to the final payment date on the Bonds. The Bonds should be structured to amortize with scheduled principal payments through the expected life of the transaction, providing a "safety net" between the expected payment dates and final legal maturity date to assure full repayment of principal by the final legal maturity date. The Rating Agencies will develop and require a series of stress tests that will impact the structure and amortization of debt. Bonds are usually structured in tranches with an expected weighted average life with a stated final maturity. Within the tranches, the Bonds are structured to amortize to meet the expected cash flows being securitized and Rating Agency criteria. The final amortization within a tranche is affected by the true-up and reconciliation mechanism. The true up and reconciliation mechanism is contained in the Financing Order and implemented through the servicing agreement. This amortizing

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[12] §5(A)(3) of the Act (to be codified at 74 OKLA. STAT. ANN. §§ 9074(A)(3)).

[13] §3(11) and (12) of the Act (definitions of "Securitization Property" and "True-up and Reconciliation") (to be codified at 74 OKLA. STAT. ANN. § 9072).

[14] "Qualified costs" includes "any costs of managing rate-payer backed bonds." §3(7) of the Act (to be codified at 74 OKLA. STAT. ANN. § 9072),

structure is typical of a utility securitization. This amortizing structure is different from traditional corporate utility bonds as well as traditional municipal securities, which customarily have fixed maturities and amortization requirements. It is important to note that securitization property is derived from the Financing Order, which must be carefully crafted to satisfy the specific provisions of the Act and to meet the Rating Agency criteria. It is the Act, in combination with the Financing Order and the actions contemplated therein, which together create the current property rights that are required for the Bonds to achieve the highest possible ratings. The proposed form of Financing Order has been drafted to meet certain bond-related provisions of the Act, satisfy the anticipated requirements of the Rating Agencies to achieve the desired credit rating on the Bonds and conform to the expectations of the financial markets.

Q. WHAT ARE THE "ONGOING FINANCING COSTS" REFERRED TO IN YOUR PRIOR ANSWER?

A. "Ongoing Financing Costs" that will be payable on an ongoing basis over the life of the Bonds from securitization charge collections will include, but are not limited to, the replenishment, if necessary, of the debt service reserve, servicing fees, Trustee fees and expenses, Rating Agency fees, legal fees, accounting fees, third-party administrative fees, other operating expenses, Authority fees and expenses, and any additional credit enhancement expenses, if any. These costs are described in greater detail and estimated later in my testimony. It is currently anticipated that two Rating Agencies will be required to market the Bonds, however additional Rating Agencies may be used if justified by investor demand.

Q. WHAT IS THE COMPOSITION OF THE "OTHER COLLATERAL" THAT YOU MENTION IN YOUR EARLIER DESCRIPTION OF THE FINANCING?

A. The "other collateral" is a trust account established by the Authority to be held by the Trustee to ensure that the scheduled payment of principal, interest and other costs associated with the Bonds are paid in full and on a timely basis (the "Collection Account"). The Collection Account, in turn, includes the general subaccount, the debt service reserve subaccount (the "DSRS") and the excess funds subaccount, each of which is described below. "Other collateral" also includes a pledge and assignment of the Authority's rights under related agreements, including the servicing agreement, as well as any other "external" credit enhancement (such as bond insurance) provided by or on behalf of the Authority, if necessary or beneficial. As I testify below, no "external" credit enhancement is anticipated for the proposed bond structure, but I recommend the Commission authorize the ability to utilize such credit enhancement if it is expected to result in substantial revenue requirement savings.

The general subaccount is the subaccount into which the Trustee will deposit securitization charge remittances and investment earnings on the various subaccounts. Money in the general subaccount will be applied by the Trustee to pay on a periodic basis ongoing financing costs, to pay principal of and interest on the Bonds, and to meet the funding requirements of the other subaccounts pursuant to the waterfall set forth in the indenture for the Bonds ("Bond Indenture").

The DSRS is to be funded from bond proceeds, and will serve as additional security for the payment of the Bonds and provide funds in the event securitization charge collections do not provide sufficient funds to pay the debt service requirements of the Bonds on a timely basis. Based upon industry precedent and Rating Agency criteria, I expect that the DSRS will be funded, at least initially, in an amount at least equal to 0.5% of the initial principal balance of the Bonds, or as may be required by the Rating Agencies to achieve the desired rating level. This amount has been accepted by the Rating Agencies to support triple-A ratings in other utility securitizations. However, the funding level may be greater, depending upon rating agency requirements for any specific utility securitization. If that subaccount is drawn upon and/or the value of the investments accounted for therein decline and the balance falls below the 0.5% threshold (or any other required level) as a result thereof, the DSRS is replenished from securitization charge collections through the true-up mechanism (described later in my testimony) and any available excess securitization charge collections. In addition, if the DSRS is drawn upon and not replenished within a certain period of time, the amount required to be deposited to the DSRS may exceed the initial deposit (0.5% of the initial principal amount of the Bonds or such greater amount as determined in accordance with the factors described earlier in this paragraph). To the extent not used earlier to pay debt service on the Bonds, funds in the DSRS will be applied to the final payment of principal of the Bonds.

The excess funds subaccount will have an initial and target balance of zero and is the subaccount into which any securitization charges and investment earnings in excess of collections required to meet scheduled revenue requirements of the Bonds will be deposited. Upon a true-up adjustment and reconciliation, amounts in the excess funds subaccount will be taken into account when calculating any true-up; if there is a balance, it will count toward the amount needed to pay debt service and other ongoing costs in the next payment period, thereby reducing the amount needed to be raised from utility customers via the securitization charge. Funds in this subaccount are available to cover shortfalls in securitization charge collections in order to meet scheduled revenue requirements of the Authority, including payments of principal of and interest on the Bonds and other ongoing financing costs.

Additionally, the Authority will pledge to the bondholders its rights under the Financing Order, including the non-impairment pledge of the Commission. Pursuant to 74 Okla. Stat. § 5062.15 of Title 74, the State has also agreed not to impair the rights of Authority bondholders (the "State Pledge").

This State Pledge, which will be included in each bond, has historically been and is expected to be essential to secure the highest possible ratings on the Bonds.

Q. HOW FREQUENTLY WILL THE UTILITY BE REQUIRED TO REMIT SECURITIZATION CHARGES TO THE TRUSTEE?

A. To limit the credit risk associated with the utility holding securitization charges, the Rating Agency criteria provides that the charges should be transferred to the Trustee on a regular basis, with the tenor based on creditworthiness of the utility. In most precedent transactions, utilities have been required to remit securitization charges to the Trustee on a daily basis, within two business days of receipt of such charges from the customer. Remittances may be made on an estimated basis, based on metrics such as proportion of the charges to the overall bill, average days outstanding, and seasonality of customer bills. I recommend if at all possible, going with the standard remittance of a daily basis within two days of collection. If estimated remittances are utilized, the estimated remittances should be reconciled with actual collections no less often than semi-annually and quarterly if Bonds are outstanding after the scheduled maturity date, with any over-remittances being returned to the Utility from cash flow pursuant to the terms of the Bond Indenture on a subordinated basis and any under-remittances being paid over to the Trustee by the Utility within five business days.

Q. PLEASE DESCRIBE THE TREATMENT OF ANY FUNDS REMAINING IN THE COLLECTION ACCOUNT AT THE FINAL MATURITY OF THE TRANSACTION.

A. Funds remaining in the Collection Account upon payment of the Bonds and all ongoing financing costs in full will be released by the Trustee to the Authority. The Authority shall notify the Commission of such release and shall disburse such funds as provided under the Financing Order. The Financing Order should describe how these revenues will be credited back to customers.

Q. DO YOU HAVE ANY OPINION AS TO HOW INSURANCE PROCEEDS, GOVERNMENT GRANT AND OTHER FUNDING SOURCES SHOULD BE APPLIED IF RECEIVED BY THE UTILITY?

A. Section 4(G) of the Act permits the Commission to order that any such proceeds, grants or other moneys received after the issuance of the Bonds be provided to the Authority to offset customer charges or returned to customers through some other appropriate regulatory mechanism.[15] To address Rating Agency concerns about third party money being used to

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[15] To be codified at 74 OKLA. STAT. ANN. § 9073(G)).

pay the Bonds, I recommend that such moneys be returned to customers through another appropriate regulatory mechanism as authorized by the Financing Order.

Q. DO YOU HAVE ANY COMMENT ABOUT SECTION 8(J) OF THE STATUTE?

A. Yes. It is unclear to me what "alternative funds" refers to in Section 8(J).[16] However, after issuance of the Bonds, they should not be provided to the Authority and used to pay debt service on the Bonds in any manner that would jeopardize the credit rating on the Bonds.

VI. DESCRIPTION OF HOW SECURITIZATION BONDS ARE STRUCTURED AND PRICED

Q. PLEASE DESCRIBE HOW THE PRICING AND FINAL TERMS OF THE BONDS WILL BE DETERMINED AND APPROVED.

A. The final terms and conditions of the Bonds, including the final principal amount, amortization and maturity schedule, scheduled payment dates, etc. will not be known until after they are rated by the Rating Agencies and priced in the capital markets. The final terms and pricing of the Bonds will be approved by the Authority and the State Deputy Treasurer for Policy and Debt Management, acting in consultation with Hilltop, as financial advisor to the Authority and the Commission, within the parameters set forth in the Financing Order (the "Parameters"), and will be conclusively evidenced by the execution of the bond purchase agreement (the "Bond Purchase Agreement"), by and among the Authority and the underwriters of the Bonds. This process will afford sufficient flexibility

[16] To be codified at 74 OKLA. STAT. ANN. § 9078(J)).

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to allow the proposed financing to be tailored to then-existing Rating Agency considerations, market conditions and investor preferences so that the lowest financing costs can be achieved in the markets at the time of pricing based on the proposed structure of the Bonds, including the ratings assigned the Bonds by the Rating Agencies Thus, Commission approval of the Financing Order establishes the Parameters within which the sale of the Bonds may be concluded by the Authority.

Q. DO SECURITIZATION BONDS HAVE FIXED MATURITIES?

A. Unlike corporate or municipal bonds where principal is payable on a specific maturity date, the payment of principal of securitization bonds is based on a scheduled and legal maturity date. Actual principal payments on any tranche of securitization bonds could vary from the scheduled principal payments based on the actual cash flows received by the Authority, unlike corporate or municipal bonds. Interest accrues on principal outstanding until paid with respect to both corporate, municipal and securitization bonds. While each tranche of an issue of securitization bonds has the same nominal scheduled and final maturity date, the actual principal payments on a tranche of securitization bonds may be less than the scheduled principal amount on any given payment date. Tranches are amortized according to the Indenture with principal and interest usually being paid semi-annually. The sum of the principal amount of all of the tranches of the bonds is the par amount of the bonds issued.

Q. WHAT IS THE DIFFERENCE BETWEEN THE SECURITIZATION BONDS' SCHEDULED FINAL MATURITY AND THEIR LEGAL FINAL MATURITY?

A. The scheduled final maturity of a tranche of bonds represents the date at which final payment is expected, but no legal obligation exists to retire the tranche in full by that date. The legal final maturity is the date by which the principal must be paid or a default will be declared in the payment of principal. The difference between the scheduled final maturity and legal final maturity provides additional credit protection to investors by allowing shortfalls in principal payments to be recovered over this additional time period through the implementation of the true-up mechanism. The ratings on the Bonds are based on the expectation that the outstanding principal of a tranche will be paid in full by the legal final maturity date and a sufficient period of time between the scheduled final maturity and legal final maturity.

Q. DO YOU HAVE A RECOMMENDATION WITH RESPECT TO THE ADDITIONAL TIME PERIOD BETWEEN SCHEDULED AND FINAL MATURITIES?

A. The required gap between scheduled and final maturities will be determined by Rating Agency considerations. Generally, the gap is between one and two years. The actual gap will be determined at the time of pricing and provided in the Issuance Advice Letter.

Q. WHAT ARE THE FACTORS THAT AFFECT THE MAXIMUM FINAL MATURITY AND AMORTIZATION?

A. There are many factors that go into determining the shape and structure of the amortization of the Bonds, many of which are interrelated and circular, starting with the principal and interest requirements over a period of time. The affordability of the charge will be a key issue affecting the amortization schedule and the scheduled final payment date as well as interest cost. In addition, the quantum of debt service, time period outstanding, costs and security provision all have an impact. Debt amortizing over a shorter time period usually results in higher periodic payments as a result of a shorter amortization versus reduced interest payments. Interest rates are a function of the scheduled final payment date, credit risk spread and referenced rates in the market at the time of sale. Traditionally and in the current environment, the longer the period of time until the scheduled final payment date, the higher the interest rate. Credit risk spread, or credit spread, is primarily driven by credit rating. The higher the rated security, the lower the credit spread.

The differences in cash flow and the nonbypassability provisions relating to the charge are policy decisions and beyond the scope of this testimony. We propose to work with the Commission, the State Deputy Treasurer for Policy and Debt Management, the Authority and the Utility and the underwriter of the Bonds to construct scenarios for the Commission to review and consider, from which they can give direction on the length of amortization. Potential issues that should be factored into this analysis include, but are not limited to, the maturity of the Bonds desired, taking into consideration the potential for additional securitizations or borrowings by or for the benefit of the Utility, effect on intergenerational impact, trends relating to the demand for electricity that is subject to the nonbypassable charge, as well as the what would be considered affordable by a policy decision maker. We are not opining as to affordability.

Q. WHAT IS THE IMPACT OF THE MAXIMUM FINAL MATURITY AND INTEREST RATE, WHICH IS A FUNCTION OF THE SCHEDULED FINAL PAYMENT DATE, CREDIT RISK SPREAD AND REFERENCED INTEREST RATES IN THE MARKET AT THE TIME OF SALE, ON PRINCIPAL AND INTEREST REQUIREMENTS OF THE BONDS?

A: As the maximum final maturity date of the Bonds is lengthened, the interest rate increases. The increase in absolute interest rate on the security and increasing the length of time the debt is outstanding results in greater aggregate debt service. In Figure 4 below, we have quantified these relationships estimated interest rates as of the week of October 15, 2021, assuming the bonds are assigned a credit rating of triple- A. Similar conclusions with respect to time debt is outstanding can be reached in today's market regardless of rating category.

Figure 4

"AAA" Securities	25 Year Maturity	20 Year Maturity	15 Year Maturity
Dated Date	5/1/2022	5/1/2022	5/1/2022
Delivery Date	5/1/2022	5/1/2022	5/1/2022
True Interest Cost (TIC)	2.7859%	2.5986%	2.3158%
Net Interest Cost (NIC)	2.8077%	2.6164%	2.3268%
All-In TIC	2.8200%	2.6394%	2.3678%
Weighted Average Maturity	14.2440	11.2233	8.3506
Par Amount	677,215,000	677,215,000	677,215,000
Total Interest	267,795,351	195,817,837	128,544,569
Total Debt Service	945,010,351	873,032,837	805,759,569

Q. DO UTILITY SECURITIZATION BONDS PAY FIXED INTEREST RATES OR VARIABLE INTEREST RATES?

A. To date, most utility securitization bonds issued in other states have been bonds that bear a fixed interest rate to maturity. Fixed interest rates are necessary to permit the likely costs and benefits of the Bonds to be evaluated in advance and to maintain predictable revenue requirements over time. Fixed interest rates can be achieved by either issuing fixed interest rate bonds, or by issuing variable interest rate bonds and converting the variable interest rate into a fixed interest rate through a related interest rate swap. Pursuant to the terms of such an interest rate swap, the Authority would pay, to the extent of the receipt of securitization charges, a fixed rate of interest to the swap counterparty and, in exchange, would receive the interest index on which the Bonds' variable interest rate is based, plus possibly a margin, from the swap counterparty. The Authority would use the payments from the swap counterparty to pay the variable interest rate to holders of the Bonds. The economic effect upon customers of such exchange in payments is substantially similar as if the Bonds had been issued at the fixed interest rate stated in the swap agreement.

However, with an interest rate swap, there may be a difference in the amount received by the Authority based on the variable interest rate pursuant to the interest rate swap and the variable interest rate borne by the Bonds. Other considerations on the use of an interest rate swap must be taken into account when entering into such a contract as discussed below.

Q. WOULD AN INTEREST RATE SWAP WITHIN THE BOND STRUCTURE CREATE ADDED RISKS FOR CUSTOMERS?

A. Yes. Interest rate swap agreements are separate and distinct from bond contracts and may introduce a number of additional risks, including, but not limited to, counterparty risk, termination risk, and amortization risk, a few of which are discussed below.

Counterparty risk is the risk that the swap counterparty (seller) of the interest rate swap agreement does not fulfill its obligations under the terms of the interest rate swap agreement. The Authority may not receive amounts from the swap counterparty to which it would otherwise be entitled, including but not limited to ongoing payments under the interest rate swap agreement, termination payments and the return of any excess collateral if applicable. If the swap counterparty defaults on its payment obligations under the interest rate swap agreement, the true-up and reconciliation process may need to be implemented to cover the interest payments on the associated variable interest rate bonds, resulting in a higher securitization charge. Moreover, a swap counterparty could be downgraded to a level that is unacceptable to the Authority and an appropriate replacement swap counterparty may not be able to be obtained, or such replacement could significantly increase the effective fixed rate paid under the interest rate swap agreement.

Termination risk is the risk that the interest rate swap could be terminated prior to its scheduled termination date as a result of one of several defined "termination events," which include a payment default on an interest rate swap or the Bonds or a ratings downgrade of the Bonds or the swap counterparty. Upon an early termination, a substantial termination payment could be due and payable by the Authority from the trust estate securing the Bonds regardless of the condition(s) causing the early termination. The Authority may either owe a termination payment to the swap counterparty, payable from the trust estate securing the Bonds, or receive a termination payment from the swap counterparty depending on then-prevailing interest rates in the relevant market for a swap with the same term and structure. Amortization risk is the risk of a mismatch between the notional (principal) amount of the interest rate swap and the principal amount of the Bonds. An interest rate swap requires payment of interest on a notional amount specified in the swap instrument, which notional amount is used to calculate the exchange of payments between the swap parties. Any swap instrument used in a utility securitization transaction would be an "amortizing swap." This means that the notional amount of the interest rate swap on each payment date would reduce over time, equaling the principal amount that is scheduled to remain outstanding on the related tranche of Bonds, assuming principal payments are made as scheduled. However, the actual principal payments on any tranche of Bonds could vary from the scheduled principal payments, depending on the actual cash flows received by the Authority. The cash flows could be affected by several variables, such as weather-driven consumption volatility, customer delinquencies, the true-up and charge-offs. Therefore, the actual principal balance of the tranche of Bonds may be less than the scheduled notional amount of the interest rate swap. If the bond principal balance is more, the variable interest rate payment from the swap counterparty may not be adequate to satisfy the Authority's actual interest payment obligation. Since the Authority will have no significant available assets other than the right to impose, charge and collect securitization charges, this risk would likely be borne by Utility customers, who would have to pay, with increased charges, for the shortfall between the variable interest rate payments owed to bondholders and the variable interest rate payments received from the swap counterparty.

Q. WHAT IS YOUR RECOMMENDATION WITH RESPECT TO FIXED INTEREST RATE SECURITIES VERSUS VARIABLE INTEREST RATE SECURITIES AND THE USE OF ANY INTEREST RATE SWAPS?

A. I recommend that the Bonds be issued with a fixed interest rate to maturity. As discussed above, the use of interest rate swaps related to the Bonds expose customers of the Utility to additional risks, which may be significant, and require a nonscheduled implementation of the true-up mechanism, potentially leading to higher costs to Utility customers and complicating the Rating Agency assessment, and furthermore may not timely align cost and benefits as early beneficiaries may not be the same parties that pay potential higher costs associated with a swap termination, collateral positing or other event. Thus, when I consider the additional risks for Utility customers, combined with the added complexity to the structure, I do not believe that the devotion of significant resources and time of the Authority, its advisors, the Utility and the lead underwriter, as well as the incremental legal expenses, associated with the use of interest rate swaps related to the Bonds is justified in this circumstance. In the unlikely event significant numbers of potential investors request

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a variable rate coupon at the time of marketing the Bonds, interest rate swaps may be executed by the investors away from the Authority to achieve a variable rate of interest.

Q. ARE SECURITIZATION BONDS TYPICALLY SUBJECT TO OPTIONAL REDEMPTION BY THE ISSUER THEREOF?

A. Bonds in the asset-backed or securitization market are typically issued as non-callable securities, meaning they are not subject to optional redemption. While a make-whole call option is used in the corporate and municipal markets, which provides an investor with similar economics to non-callable securities, make-whole call options are not used in the asset-backed or securitization market.

Other than the expected amortization of securitization bonds based on the original pricing assumptions, I can only think of two examples of common bond provisions that result in a variation of average life in the asset-backed security, or broader securitization, market. They are (i) excess funding triggers, currently common in automobile floorplan transactions, due to car dealers selling cars before they are delivered and thus resulting in excess cash, and (ii) the collateral pool has delinquencies that create some lengthening of the average life of the bonds but this is typically minimal given the stress tests of the Rating Agencies for receipt of a triple-A rating on securitization bonds.

Q. WOULD YOU RECOMMEND THAT THE BONDS HAVE OPTIONAL CALL FEATURES?

A. While it is unlikely that an optional call feature would benefit the pricing, my recommendation is that the Commission give the Authority the flexibility to include such a feature if such a feature could lower the cost of the financing, subject to the approval of the State Deputy Treasurer for Policy and Debt Management.

A. **APPROVAL OF FINAL BOND TERMS**

Q. DOES THE FINANCING ORDER PROVIDE GUIDELINES RELATING TO THE FINAL TERMS OF THE BONDS, INCLUDING INTEREST RATES?

A. Yes. The Parameters contained in the Financing Order include limits to the maximum maturity and maximum interest rate on the Bonds, certain limits on the Utility's issuance costs and servicing cost.

Q. WHAT IS THE INTENDED PURPOSE OF THE PARAMETERS?

A. The Parameters are designed to ensure that the substantial revenue requirement savings, compared with conventional means of utility financing and other methods of cost recovery, are not compromised. The Parameters in the Financing Order will be established at levels that still satisfy the requirement of the Act to provide substantial revenue requirement savings

The Parameters also establish limits on certain Utility costs, to further ensure the reasonableness of such costs as well as substantial revenue requirement savings. Subject to the Parameters, the Authority, with the advice of Hilltop as its financial advisor (the

"Financial Advisor") and the approval of the State Deputy Treasurer for Policy and Debt Management, should be given the flexibility to structure the Bond issuance in a manner which will provide the best execution and lowest cost to customers. As stated, the Bond Purchase Agreement with the underwriters will establish the final terms of the Bonds.

Q. ARE THE INTEREST RATE ASSUMPTIONS ASSUMED IN THE DIRECT TESTIMONY OF THE UTILITY REASONABLE?

A. The interest rate assumptions presented in the Direct Testimony of Keith Helwig were based on then-current rates for U.S. treasuries and comparable swap benchmarks plus a credit spread. In presenting the analysis, Mr. Helwig appeared to assume that the Bonds would be rated triple-A and the model used a 20-year scheduled final maturity date (with a 22-year legal final maturity date) recommended by the Utility in the Direct Testimony of Shawnna G. Jones. The interest rate assumptions were, given the other assumptions in the model presented in the Direct Testimony of Keith Helwig, at the time of submission of the testimony.

That said, gauging current market conditions and finding comparable transactions in a long-dated asset-backed market is challenging and we expect more utility securitizations to be issued, primarily as a result of Winter Storm Uri, which was a multi-state event, and wildfires in California. Currently, we can estimate interest rates to some extent by using roughly comparable recent transactions. For example, as of the week of October 15, 2021, certain AAA-rated 3-year, fixed rate automobile securitization are yielding approximately .67% to .70%, with AA 3-year, fixed rate automobile securitization yielding around .86% to .90%. Looking for longer-dated, frequently-issued securitization debt, besides the

California tobacco securitization discussed below, we have seen 7-year AAA student loan variable rate securities, yielding approximately 1.98%. As stated earlier, California Tobacco Securitization Corporation issued approximately $1.8 billion of bonds, with ratings of Aa3, A+ and AA- from Moody's Investors Service, Inc., S&P Global Rating, and Fitch Rating respectively. Such bonds priced September 29, 2021, with the June 1, 2022 maturity priced at par to yield 0.50%; increasing to 3.293% on the term bond due June 1, 2042; and 3.00% on the turbo term bond due June 1, 2046. Finding comparable long-dated transactions that trade with a level of frequency and sized similarly to the proposed Bonds will require time and, consequently, it will be difficult to determine the appropriate levels until this effort is undertaken. That being said, the current scarcity of long-dated stable weighted average life asset-backed securities should lead to improved market acceptance, though we expect this dynamic of the market to lessen as other utility securitizations enter the market. Because of the dynamics of the utility securitizations, we will work with ODFA, the State Deputy Treasurer for Policy and Debt Management, the Utility and the Underwriters to drive a process that will yield indications of investor demand and preference and create a constructive tension to arrive at a market clearing price that meets the goal of the Authority and the State Deputy Treasurer for Policy and Debt Management. Given the Commission has not yet approved the structure recommended by the Utility and, consequently, a final structure of the transaction has not been settled on, at this time the interest rate assumptions and the model presented in the Direct Testimony of Keith Helwig are a reasonable starting point for beginning to develop the required financial analysis. The actual interest rate and true interest cost will be based on numerous factors including, but not limited to, the maturity of and ratings on the Bonds, the amount of Bonds being sold, the costs of issuance, the level of credit enhancement used, if any, and market conditions and other competing transactions at the time of sale.

Q. CAN UTILITY SECURITIZATION BONDS ASSIGNED A CREDIT RATING OF LESS THAN “AAA” PROVIDE A SIGNIFICANT ECONOMIC BENEFIT RELATIVE TO A TRADITIONAL UTILITY FINANCING BY PSO AS REQUIRED BY THE ACT?

We have prepared an analysis of the estimated debt service on securitization bonds issued for the benefit of the Utility relative to a traditional utility financing by PSO based on various credit ratings and terms to maturity, while assuming a level debt service structure, Based on estimated interest rates as of October 15, 2021 and assumed costs of issuance, based on the costs of issuance set forth in Attachment 1, securitization bonds provide a significant economic benefit relative to traditional utility financing by PSO based on their weighted cost of capital as set forth in the Utility’s testimony if the securitization bonds are assigned a minimum rating of single-A, regardless whether the term is 25, 20 or 15 years. With respect to the modeled financing by PSO, we have assumed the use of maturity schedule shown in the model in the Direct Testimony of Keith Helwig; a level annual debt service structure, with a level principal repayment structure not having a material affect or resulting in change in conclusion; and a cost of capital of 8.55% reflecting the weighted cost of capital of PSO (grossed-up at 21% federal income tax rate).

	25 Year Final Maturity			PSO Traditional Financing
	AAA	AA	A	Weighted Cost of Capital of 8.55%
Dated & Delivery Date	5/1/2022	5/1/2022	5/1/2022	5/1/2022
Last Maturity	5/1/2047	5/1/2047	5/1/2047	5/1/2047
True Interest Cost (TIC)	2.7859%	2.9275%	3.1602%	8.6039%
Net Interest Cost (NIC)	2.8077%	2.9514%	3.1875%	8.5764%
All-In TIC	2.8200%	2.9618%	3.1950%	8.6306%
Weighted Average Maturity	14.2440	14.3079	14.4140	16.9938
Par Amount	677,215,000	677,215,000	677,215,000	676,100,000
Total Interest	267,795,351	282,936,898	308,107,034	982,351,395
Total Debt Service	945,010,351	960,151,898	985,322,034	1,658,451,395

Interest Rates as of October 15, 2021

	20 Year Final Maturity			PSO Traditional Financing
	AAA	AA	A	Weighted Cost of Capital of 8.55%
Dated & Delivery Date	5/1/2022	5/1/2022	5/1/2022	5/1/2022
Last Maturity	5/1/2042	5/1/2042	5/1/2042	5/1/2042
True Interest Cost (TIC)	2.5986%	2.7332%	2.9523%	8.6114%
Net Interest Cost (NIC)	2.6164%	2.7532%	2.9753%	8.5843%
All-In TIC	2.6394%	2.7743%	2.9938%	8.6418%
Weighted Average Maturity	11.2233	11.2608	11.3247	13.1126
Par Amount	677,215,000	677,215,000	677,215,000	676,100,000
Total Interest	195,817,837	206,918,414	225,140,451	757,993,410
Total Debt Service	873,032,837	884,133,414	902,355,451	1,434,093,410

Interest Rates as of October 15, 2021

	15 Year Final Maturity			PSO Traditional Financing
	AAA	AA	A	Weighted Cost of Capital of 8.55%
Dated & Delivery Date	5/1/2022	5/1/2022	5/1/2022	5/1/2022
Last Maturity	5/1/2037	5/1/2037	5/1/2037	5/1/2037
True Interest Cost (TIC)	2.3158%	2.4361%	2.6264%	8.6243%
Net Interest Cost (NIC)	2.3268%	2.4487%	2.6401%	8.5973%
All-In TIC	2.3678%	2.4882%	2.6788%	8.6610%
Weighted Average Maturity	8.3506	8.3685	8.4024	9.4939
Par Amount	677,215,000	677,215,000	677,215,000	676,100,000
Total Interest	128,544,569	135,734,241	147,184,744	548,810,393
Total Debt Service	805,759,569	812,949,241	824,399,744	1,224,910,393

Interest Rates as of October 15, 2021

	PSO Proposed "AAA" 20 Year Maturity 3 Term Bond Tranches	20 Year PSO Traditional Financing Weighted Cost of Capital of 8.55%
Dated & Delivery Date	5/1/2022	5/1/2022
Last Maturity	5/1/2042	5/1/2042
True Interest Cost (TIC)	2.7943%	8.6114%
Net Interest Cost (NIC)	2.7998%	8.5843%
All-In TIC	2.8355%	8.6418%
Weighted Average Maturity	11.3399	13.1126
Par Amount	677,215,000	676,100,000
Total Interest	211,968,929	757,993,410
Total Debt Service	889,183,929	1,434,093,410

Interest Rates as of October 15, 2021

Q. WHAT ARE THE EFFECT OF THE PARAMETERS?

A. Under the proposed financing order, the Authority will not be permitted to execute a Bond Purchase Agreement unless the Authority determines that the terms of the Bonds do not violate any of the Parameters. The execution of the Bond Purchase Agreement will conclusively evidence the Authority's determination of such issues.

Q. IS THE USE OF THIS METHOD OF APPROVAL COMMON?

A. Yes. In the resolution authorizing the issuance of most corporate and municipal securities, including but not limited to those of the State of Oklahoma through the Capital Improvement Authority, the governing body frequently delegates the details of the sale of the securities to officers and staff subject to parameters such as the Parameters set forth in the Financing Order.

Q. ARE THERE ANY OTHER FACTORS THAT WILL HELP ASSURE EFFICIENT EXECUTION AT THE LOWEST RATE ACHIEVABLE IN THE MARKET AT THE TIME OF PRICING?

A. As discussed herein and as provided in the Act and in the State's Finance Law, the State Deputy Treasurer for Policy and Debt Management will be involved in all aspects of the transaction, including selection of professionals, and the structuring, marketing, and timing of the transaction. In accordance with the State's Finance Law, the State Deputy Treasurer for Policy and Debt Management will approve the final pricing and structure of the Bonds and each of the non-Utility bond issuance costs and ongoing costs associated with the Bonds. In fact, the Act requires the Commission to consult with State Deputy Treasurer for Policy and Debt Management, *prior to issuing a financing order under the Act*, regarding the marketability and efficiency of any proposed financing structure authorized by a financing order. Thus, the State Deputy Treasurer for Policy and Debt Management will help establish the very parameters of the Bonds. We believe that the expertise of the State Deputy Treasurer for Policy and Debt Management, together with the advice from us as financial advisor to the Oklahoma Development Finance Authority as issuer of the Bonds, will help ensure that the Bonds are sold at the lowest cost based upon the terms of the Bonds and then-existing market conditions.

Additional oversight of the Bond issuance process is provided by the Council of Bond Oversight. The Council of Bond Oversight was created to implement the Oklahoma Bond Oversight and Reform Act found at 62 Okla. Stat. § 695.1 *et. seq*., and it is responsible for oversight of debt issuance by State Governmental Entities and certain Local Governmental

Entities as provided in 62 Okla. Stat. § 695.9(C), including but not limited to issuance of the Bonds.

Q. ARE THE UTILITY'S ASSUMPTIONS RELATING TO PROVIDING SUBSTANTIAL REVENUE REQUIREMENT SAVINGS REASONABLE?

A. PSO has proposed a twenty year term for the Bonds. The Direct Testimony of William H. Thompson showed the estimated savings from using securitization versus traditional utility financing over this recovery period. Mr. Thompson's Direct Testimony shows that the present value of customer savings of using securitization rather than traditional utility financing of $133.0 million over a 20-year term, assuming an annual weighted average interest rate of 2.12%. Mr. Thompson's Direct Testimony further provides that, even if the annual weighted average interest rate was 5.00%, the use of securitization rather than traditional utility financing would still provide $57.0 million of savings on a net present value basis over a 20-year term. The actual benefit of securitization relative to conventional financing will take into account a number of variables, such as interest rates, and, as the Direct Testimony of Keith Helwig and William H. Thompson demonstrate, term, which will not be determined until the date of pricing.

Please refer to our earlier testimony regarding the estimated potential savings of a securitization relative to a conventional utility financing by PSO for various terms.

B. **CREDIT ISSUES**

Q. IS THE FINANCING ORDER CRITICAL TO ACHIEVING A SUCCESSFUL SECURITIZATION BOND FINANCING?

A. Yes. The Financing Order, when taken together with the Act, establishes the legal right to receive securitization charges in amounts necessary to pay the interest on and principal of the Bonds and other ongoing financing costs in full and on a timely basis.

As I mentioned earlier, the Financing Order must be crafted to meet the specific provisions of the Act and the Rating Agencies to achieve the highest rating possible. The proposed form of Financing Order conforms to the Act.[17] The Financing Order specifies the mechanisms and structures for payments of interest on and principal of the Bonds and ongoing financing costs in a manner that I believe will minimize the amount of additional credit enhancement required by the Rating Agencies to achieve the highest possible credit ratings. Based upon previous experience with electric utilities, these mechanisms and structures can be reasonably expected to allow the highest possible ratings to be obtained, unless there is a change in Rating Agency criteria. Nevertheless, there can be no guarantee of any specific rating, as the Rating Agencies are independent entities and will issue such rating they deem appropriate for the Bonds. In addition, the Financing Order, when taken together with the Act, will enable the Authority and the Utility to structure the financing in a manner reasonably consistent with investor preferences and Rating Agency considerations at the time of pricing.

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[17] See § 5 of the Act (to be codified at 74 OKLA. STAT. ANN. § 9074) (setting forth the requirements of the financing order under the Act).

Q. HOW DOES THE FINANCING ORDER ENSURE CREDIT STRENGTH OF THE SECURITIZATION PROPERTY?

A. To analyze the credit strength of the securitization property, the Rating Agencies will require the lead underwriter or advisor to the Utility to prepare a variety of cash flow scenarios to ensure that the Bonds will be paid on a timely basis if certain stress scenarios occur. In particular, the Rating Agencies will make assumptions and draw conclusion on the following significant factors related to an electric utility securitization:

- dramatic reductions in electricity usage by customers of the Utility;
- the dramatic loss of customers of the Utility;
- dramatic increases in delinquencies and losses on payments from customers of the Utility; and
- the length of time between the scheduled maturity and the legal final maturity.

The Act, requires and the proposed Financing Order includes, a "true-up and reconciliation" process to ensure that revenues from the securitization charges are sufficient to ensure the timely payment of the Bonds and all ongoing financing costs.[18] The true-up and reconciliation process included in the form of Financing Order includes the proposal of the Utility, included in the Direct Testimony of Shawnna G. Jones, which provides for an annual true-up, a semi-annual true-up (if necessary between annual true-ups), an interim true-up (which may occur at any time if there is a substantial under-collection) and a non-standard true-up (which will occur if there is a 10% decrease in the

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[18] § 5(A)(4) of the Act (to be codified at 74 OKLA. STAT. ANN. § 9074(A)(4)).

forecasted billing units for one or more rate classes). The process in the proposed Financing Order, and particularly the provisions implementing this true-up process authorized by the Act, should ensure the collection of securitization charges arising from the securitization property are expected to be sufficient to pay securitization bond obligations on a timely basis by their terms, even in the face of such stress scenarios.

Q. MUST THE FINANCING ORDER BE FINAL, IRREVOCABLE AND NON-APPEALABLE BEFORE ISSUANCE OF THE BONDS?

A. Yes, to ensure the highest possible ratings on the Bonds, the Financing Order should be final, irrevocable and non-appealable. The Rating Agencies and the underwriters of the Bonds will expect to receive an opinion from regulatory counsel to such effect.

Q. DOES THE PROPOSED FORM OF FINANCING ORDER INCORPORATE THE USE OF A BANKRUPTCY REMOTE STRUCTURE SIMILAR TO OTHER UTILITY SECURITIZATIONS?

A. Yes, it should, as described below. As I have previously described, in a typical utility securitization, the issuer of the bonds is a bankruptcy-remote subsidiary of the investor owned utility (SPE). It is my understanding based on discussions with the Authority's counsel that, under the Federal Bankruptcy Code, payments on the debt obligations of the issuer in a bankruptcy proceeding may become subject to an automatic stay – *i.e.*, the payments are suspended until the courts decide which creditors of the issuer are to be paid, when they will be paid, and whether they are to be paid in whole or in part. The creation of an SPE, which is bankruptcy remote from the utility, as issuer of the bonds allows the

Rating Agencies and investors to conclude that the issuer of the utility securitization bonds is highly unlikely to become the subject of a bankruptcy proceeding in the event that the utility is subject to a bankruptcy proceeding. My testimony in respect of bankruptcy considerations is based on my prior experience, Rating Agency criteria and discussions with the Authority's counsel and neither Hilltop nor I render any opinion in respect of the legal arrangements in respect of the proposed transactions.

Under the Act, ODFA will be the issuer of the Bonds.[19] ODFA, as a State instrumentality, should be unrelated to PSO (or any other utility) from a bankruptcy perspective. Further ODFA will receive opinions of counsel with respect to certain bankruptcy issues, including an opinion to the effect that the bankruptcy of the Utility should not result in the securitization property being recharacterized as property of the Utility[20], as well as an opinion to the effect that the Authority, as a State instrumentality, is subject to the provisions of Chapter 9 of the Federal Bankruptcy Code. Under Chapter 9, no creditor of ODFA is able to put the Authority into bankruptcy. Further, it is anticipated that the Authority will pledge not to exercise any power it may have, if any, to put itself into bankruptcy so long as the Bonds are outstanding. While these legal opinions and the pledge language have not yet been reviewed by the Rating Agencies, I am hopeful that Rating

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[19] §§ 7, 8 of the Act (to be codified at 74 OKLA. STAT. ANN. § 9076, 9077).

[20] See §6(F) of the Act (to be codified at 74 OKLA. STAT. ANN. § 9075 (F) ("Any sale, assignment or transfer of the securitization property to the Authority that expressly states that a transfer is a sale or other absolute transfer signifies that the transaction is a true sale and is not a secured transaction and that title, legal and equitable, has passed to the Authority.").

Agencies will treat the Authority as bankruptcy remote for all relevant purposes and allow the Bonds to be rated in the highest possible rating category.

Q. SHOULD THE FINANCING ORDER AUTHORIZE OBTAINING ADDITIONAL CREDIT SUPPORT IF REQUIRED TO ACHIEVE THE HIGHEST POSSIBLE RATINGS BY THE RATING AGENCIES?

A. It is my recommendation that the Financing Order provide flexibility to obtain further credit support such as additional reserve accounts, or letters of credit, bond insurance and surety policies from providers with credit ratings consistent with the goal of securing the highest possible ratings. It is not expected such credit enhancement will be actually required or beneficial; however, it may be valuable to maintain the flexibility for such credit enhancement in the Financing Order. The final decision to utilize credit enhancement will be made by the Authority, acting with the advice of the Hilltop, as the Authority's Financial Advisor and the State Deputy Treasurer for Policy and Debt Management.

Q. WHAT LEVEL OF SUPPORT WILL THE AUTHORITY REQUIRE TO ACT AS ISSUER OF THE BONDS?

A. As I describe below, the Utility acts as servicer to ensure the imposition and collection of the securitization charges, and their remittance to the Trustee. The Utility will also implement any true-up adjustment of the securitization charge. However, the Authority will have certain ongoing responsibilities as issuer of the Bonds, including calculating and confirming debt service requirements as well as certain reporting obligations under the

Act[21], the Bond Indenture and federal securities law. Accordingly, it will be important for the Authority to assign or obtain administrative support to carry out these functions. All costs incurred by the Authority should be recoverable from securitization charges.

Q. DO YOU HAVE ANY COMMENTS CONCERNING THE NONBYPASSABILITY PROVISIONS OF THE ACT OR THE FINANCING ORDER?

A. As noted above, it is an essential credit feature that the securitization charge be imposed by a mechanism that makes the charge nonbypassable by customers. The statute states: "Nonbypassable mechanism" shall mean that the payment of the utility customer charges under this act shall not be modified or avoided by any utility customer at an address located within a utility service area by switching providers, switching fuel sources or materially changing usage…."[22]

Q. DO YOU HAVE ANY COMMENTS ABOUT THE STATE NON-IMPAIRMENT COVENANT (OR "STATE PLEDGE") TYPICALLY REQUIRED IN SECURITIZATION LEGISLATION?

A. Yes. One of the Rating Agency criteria is that the State covenant in its securitization legislation not to amend or revoke the securitization legislation or take any other action which would impair the security for the utility securitization bonds. To my knowledge, this non-impairment covenant has been included in all utility securitization legislation

[21] See §7(B)(2) of the Act (to be codified at 74 OKLA. STAT. ANN. § 9076(B)(2)).

[22] §3(5) of the Act (to be codified at 74 OKLA. STAT. ANN. § 9072(5)).

enacted to date.[23] Reviewing the Act from a credit perspective, it does not contain a non-impairment covenant. However, the Authority's legislation does contain a non-impairment covenant by the State which applies to all bonds issued by the Authority.[24] Further it is my understanding that appropriate legal counsel will deliver an opinion to the effect that this non-impairment covenant protects against any amendment to the Act (as well as the Authority Act) which would impair bondholder security.

Q. DO YOU HAVE ANY ADDITIONAL THOUGHTS ABOUT THE "NON-IMPAIRMENT" OF BONDHOLDER RIGHTS?

A. Yes. In additional to the State Pledge, it is typical for the public utility commission, as the issuer of the financing order, to covenant that it will not take any action which would impair the value of the securitization property.[25] The non-impairment provisions, a financing order that is irrevocable and authorizes nonbypassable charges that constitute a recognized property right are key criteria that Rating Agencies will expect to see. Section 5(H) of the Act supports, and the proposed form of Financing Order included as Exhibit B, includes such a covenant by the Commission to address this rating criteria. [26]

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[23] See, e.g., FLA. STAT. ANN § 366.8260 (11); TEX. PUB. UTILITY REG. ACT § 39.310; LA. REV. STAT. §45:1259.

[24] 74 OKLA. STAT. ANN. § 5062.15.

[25] See, e.g., *Application of AEP Texas, Inc. for a Financing Order,* Docket No. 49308, Conclusion of Law 40 (June 17, 2019); *In re. Petition for issuance of a storm recovery financing order, by Florida Power & Light Company,* Docket No. 060038-EI, Order No. PSC-06-0464-FOF-EI, Conclusions of Law 28, 30, 31 (May 30, 2006).

[26] See §5(H) of the Act (to be codified at 74 OKLA. STAT. ANN. § 9074(H)).

Q. HOW WILL THE VALIDATION PROCESS SUPPORT OR ENHANCE THE CREDIT QUALITY OF THE BONDS?

A. Pursuant to Section 10 of the Act, each bond issuance by the Authority must be approved as to validity (or "validated") by the Oklahoma Supreme Court.[27] The Court will then determine whether the Bonds "constitute a valid obligation in accordance with their terms." It is our understanding the Court decision will bind all persons as to matter relating to the Bonds and make the Bonds and "the revenues pledged to their payment" incontestable in any court of the State. The validation process should help ensure that the security related to the Bonds, including the provisions of the Act, the Authority Act and the Financing Order which provide such security, are final and incontestable.

C. **THE PROPOSED FORM FINANCING ORDER**

Q. DO YOU HAVE ANY INTRODUCTORY COMMENTS CONCERNING THE PROPOSED FORM OF FINANCING ORDER

A. Yes. The attached Financing Order is a template proposed for use by the Commission in connection with the securitization. The form was developed with the assistance of special counsel. Although the form contains conclusions of law and other legal statements, I do not express any view as to the correctness of legal matters set forth in the proposed form.

[27] To be codified at 74 OKLA. STAT. ANN. § 9079.

Q. PLEASE DESCRIBE SPECIFIC ELEMENTS OF THE FORM FINANCING ORDER, BEGINNING WITH THE STATUTORY OVERVIEW PROVIDED IN SECTION I.

Part I of the Financing Order provides a statutory overview of the Act to give context to the Financing Order.

In Part II of the Financing Order, the Commission will make its determinations regarding the Utility's qualified costs eligible for recovery in the securitization.

In Part III of the Financing Order, the Commission will set forth its findings and determinations regarding substantial revenue requirement savings required to be made by the Commission before issuing a financing order.

Part IV of the Financing Order, the Commission will make additional findings in respect of certain structural provisions of the Bond structure, such as the irrevocable and nonbypassable mechanism and true-up and reconciliation process, that must be included in the Financing Order.

Part V of the Financing Order, which is described in further detail below, provides a detailed summary of the proposed financing structure, which I believe is consistent with Rating Agency criteria.

In Part VI of the Financing Order provides a description of certain Bond issuance cost and ongoing financing costs associated with the Bond issuance process and their recovery from bond proceeds or the securitization charges (referred to as WSC Charges in the Financing Order), as appropriate.

Parts VII, VIII and IX of the Financing Order provide the requisite findings of fact, conclusions of law and ordering paragraphs, respectively, to finalize implement the foregoing.

Q. WOULD YOU LIKE TO COMMENT ON ANY PARTICULAR PART OF THE FINANCING ORDER?

Yes, Part V provides a description of the financing structure which I recommend in my testimony. As described in this section, the Commission will grant the Utility the right to impose and receive the securitization charges, among other rights, under the Financing Order.

The imposition and amount, collection period, nonbypassability, and true-up and reconciliation of securitization charges are authorized and affirmed by the Commission in this section of the Financing Order. This section implements the "nonbypassability mechanism" and the true-up and reconciliation requirements of the Act.[28] The nonbypassability element minimizes the degree to which the collection of securitization charges will be affected by any customers who, following any fundamental change in Oklahoma utility regulation, are permitted to switch generation suppliers. To this end, the Financing Order provides that the Utility customers directly or indirectly connected to the Utility (or a successor) must pay the securitization charge regardless of the customers' distribution system or power supplier and whether the distribution system is being operated by the Utility or a successor. The Financing Order reflecting the Act, also addresses how

[28] §§3(5), (12) of the Act (to be codified at 74 OKLA. STAT. ANN. § 9072(5), (12)).

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the nonbypassability mechanism addresses customers that switch fuel suppliers or materially change their usage (due, for example, to self-generation or other distributive generation).

The Financing Order also creates a binding obligation for the Utility, its successor or assignee to collect the charges for a servicing fee and allows that obligation to be performed by a successor servicer appointed by the Authority, or the Trustee, on behalf of the Authority, if the servicer does not so perform. Thus, the binding obligation to collect and account for securitization charges should survive any event adversely affecting the servicer. I describe some of the contents and purpose of the servicing agreement later in my testimony.

The true-up mechanism represents the most fundamental component of credit enhancement to investors and is a cornerstone of the triple-A ratings achieved in prior utility securitizations. True-ups are incorporated so that securitization charges may be adjusted on a periodic basis to correct for any over- or under-collection of securitization charges for any reason and to ensure that the expected collection of future securitization charges is in accordance with the payment terms of the Bonds. To satisfy Rating Agency considerations, I believe that true-up adjustments should be made on a periodic basis, at least annually, and more frequently as requested by the Utility or as otherwise required or beneficial, throughout the life of the Bonds in accordance with the objectives of minimizing credit enhancement and achieving the highest credit ratings per Rating Agency and investor requirements. The frequency of true-up adjustments throughout the life of the Bonds will be set forth in the servicing agreement, and will be subject to the Parameters, consistent with Rating Agency considerations for achieving the highest credit ratings and minimizing credit enhancement levels. In the event any Bonds remain outstanding after the scheduled final maturity date of the last Bond tranche, the mandatory interim true-up adjustment must be implemented on a quarterly basis.

It is critical for Rating Agency purposes that, insofar as Commission action is required, true-up adjustments (1) are automatic and (2) are implemented on an immediate basis subject only to mathematical review. True-up adjustments must take into account debt service, ongoing financing costs, updated sales forecasts and an updated projection of customer payment reconciliations due to customer uncollectibles and delinquencies. The proposed from of Financing Order incorporates this approval process.

Q. PLEASE DESCRIBE SECTIONS VII, VIII AND IX OF THE FINANCING ORDER: "FINDINGS OF FACT," "CONCLUSIONS OF LAW," AND "ORDERING PARAGRAPHS."

A. My answer to this question is qualified as described above in the introduction to questions related to the Financing Order. The Findings of Fact, Conclusions of Law and the Ordering Paragraphs constitute the means by which the Commission definitively affirms the conformity of the financing with the applicable provisions of the Act. With these findings and conclusions, counsel will have the basis that they need for the highly technical and specialized legal opinions they must issue in connection with the financing, and upon which the Rating Agencies will rely in assigning the highest possible ratings to the Bonds. I emphasize that the provisions of the Financing Order have been drafted with a view to providing the basis that counsel will need for these essential opinions. With the structure authorized thereby, the stability of the cash flows securing the Bonds will be maximized.

The combination of maximized cash flow stability and highest possible credit ratings will allow the Bonds to be structured and priced so as to meet statutory requirements.

The servicer discussion contained in the Financing Order delineates standard arrangements for servicing the securitization property, in particular, ensuring that such servicer obligations are assignable and will be so assigned in the event of a servicer default. Allowing for commingling of securitization charges with funds of the Utility for a limited period before remittance to the Collection Account eases administration and is standard for servicers who are sufficiently creditworthy or who provide credit enhancement that the Rating Agencies find acceptable. The remittance of estimated customer payments (subject to subsequent reconciliation with actual customer receipts) is also normal for this transaction and eases administrative burdens for servicers. Undue servicer administrative burdens are not viewed favorably by either Rating Agencies or investors.

The Financing Order addresses two additional key issues that merit further discussion. The finality and irrevocability of the Financing Order is affirmed, subject to the Act itself, with regard to true-ups and refinancing. Thus, so long as the Bonds are outstanding, all of the rights and benefits arising from the securitization property created by virtue of the Financing Order may be definitively relied upon by investors and the Rating Agencies. Relatedly, the Commission must give up any right it may have to rescind the Financing Order as previously discussed herein. The finality and irrevocability of the Financing Order will also be supported by a non-impairment opinion delivered by counsel, which is customary in utility securitizations.

Equally important, the Commission pledges in the Financing Order not to take or permit any action that would impair the value of the securitization property authorized by the

Financing Order or, except to allow for refinancing or to implement a true-up permitted by the Financing Order and the Act, that would reduce, alter or impair the securitization charges to be imposed, collected, and remitted to the financing parties, until the principal, interest, and any other charges incurred and contracts to be performed in connection with the Bonds have been paid and performed in full.[29] The Financing Order also requires the Authority to include in the Bonds a recitation of the State Pledge regarding any Bonds authorized by the Authority. This Commission pledge and the State Pledge are key elements of the Financing Order.

Investors generally perceive that the greatest risk that the Bonds might not be paid according to their terms is a change in law that adversely affects the securitization property or their rights under the Act or the Financing Order. The Commission's affirmation in the Financing Order of the Commission pledge and the State Pledge will enhance investor understanding that the risk of an adverse change in law or regulation is remote and will permit counsel to deliver important legal opinions that such adverse changes would not be legally valid.

In addition, in the Ordering Paragraphs, the Commission recognizes the need for, and affords the Authority, with the advice of its Financial Advisor and with the approval of the State Deputy Treasurer for Policy and Debt Management, to establish the final structure and terms of the Bonds, within the Parameters established by the Financing Order, consistent with investor preference, market conditions on the day of pricing, Rating Agency considerations and the terms of the Financing Order.

[29] See §5(H) of the Act (to be codified at 74 OKLA. STAT. ANN. § 9074).

Q. WILL THE ISSUANCE OF BONDS BY THE AUTHORITY, AS AUTHORIZED BY THE ACT TOGETHER WITH THE FINANCING ORDER, BE ABLE TO ACHIEVE THE RECEIPT OF THE HIGHEST POSSIBLE RATINGS?

A. While we cannot assure a specific credit rating, we are presenting our view of established rating criteria and historical ratings on transactions we have been involved in. A credit rating is the summation of many different elements, data, credit profile and legal authority acting in concert. The Financing Order in conjunction with existing state law and rulings as well as the strength of the legal opinions work together. Experience has shown that foundational elements consistent with a high rating include an irrevocable nonbypassable charge that has sufficiently frequent true-up mechanisms, with a non-impairment pledge by the State and Commission, and that certain findings by the policy-making arm of the State having rate-setting authority support the framework of a securitization that complies with all the applicable rules and strong financial credit fundamentals. The Financing Order will address several of these elements. The Financing Order will authorize the Authority to issue the Bonds, to purchase the securitization property in a "true sale" and pledge the securitization property to the Authority.[30] The effect of this structure, together with associated legal opinions standard to utility securitizations and the Supreme Court validation process, should, in my opinion, allow the Rating Agencies to be comfortable that while the statutory provisions may vary somewhat from industry standards, the Act supports the issuance of the highest possible ratings. The Rating Agencies can then focus strictly on the credit strengths of the securitization property, the true-up and reconciliation

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[30] See §6(F) of the Act (to be codified at 74 OKLA. STAT. ANN. § 9075(F)).

mechanism, which other elements of the Financing Order ensure will, in my opinion, be sufficient to achieve the highest possible ratings given all the factors described above.

D. SERVICING AGREEMENT

Q PLEASE DESCRIBE THE CONTENTS AND PURPOSE OF THE SERVICING AGREEMENT.

A. As explained in Section V.C(4) of the Financing Order, the servicing agreement is an agreement between the Utility as the initial servicer of the securitization property and the Authority, as owner of the securitization property. It sets forth the responsibilities and obligations of the servicer, including, among other things, billing and collection of securitization charges, responding to customer inquiries, terminating electric service, filing for true-up adjustments, and remitting collections to the Trustee for distribution to bondholders. The servicing agreement prohibits the Utility from resigning as initial servicer unless it is unlawful for the utility to continue in such a capacity. The Utility's resignation would not be effective until a successor servicer assumes its obligations in order to continue servicing the securitization property without interruption. The servicer may also be terminated from its responsibilities under certain instances, such as the failure to remit collections within a specified period of time, or upon a vote of requisite bondholders (as defined in the Financing Order). Any merger or consolidation of the servicer with another entity would require the merged entity to assume the 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.

Q. PLEASE DESCRIBE THE COMPENSATION PAYABLE TO THE SERVICER.

A: As compensation for its role as initial servicer, the Utility is entitled to earn a servicing fee payable out of securitization charge collections, usually expressed as a percentage of the original principal amount of the Bonds. It is important to the Rating Agencies analysis of the transaction that the Utility receives an arm's-length fee as servicer of the securitization property. However, it has become customary in utility securitizations for utilities to be 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 as part of their reported revenue requirements in their base rate proceedings. This process ensures that utilities are not paid more than what is minimally required to support the bankruptcy analysis of legal counsel and to ensure that any excess payment be credited back to customers. The Financing Order incorporates these customer-benefit concepts.

Utility securitizations to date have also required an increase in the servicing fee should a successor servicer, which is not an affiliate of the Utility 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 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 of the bonds. 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, I recommend 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% 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.

E. OTHER TRANSACTION-RELATED MATTERS

Q. WHAT ARE THE MAIN TRANSACTION DOCUMENTS?

A. The main transaction documents include:

Financing Order

Official Statement

Indenture (or Trust Agreement)

Sale Agreement

Servicing Agreement

Bond Purchase Agreement

Legal Opinions

Rating Agency Reports

The Authority's special counsel, bond counsel and disclosure counsel (as the case may be) will provide drafts of the above transaction documents in sufficient time for the parties, including the Commission Staff and its advisors, to review before the commencement of the marketing process of the Bonds.

Q. WILL THERE BE ANY RELATIONSHIP BETWEEN THE RATEPAYER-BACKED BONDS ISSUED PURSUANT TO THE PSO FINANCING ORDER WITH THE RATEPAYER-BACKED BONDS ISSUED PURSUANT TO OTHER FINANCING ORDERS?

A. No. Each utility's bonds will be separately secured. The Act provides that the Authority may only pledge the securitization property and the revenues received from such property arising from a single financing order.

Q. WILL THERE BE ANY RECOURSE TO THE AUTHORITY OR THE STATE FROM THE ISSUANCE OF THE BONDS?

A. No. The Act states that ratepayer-backed bonds shall not be an indebtedness of the State of Oklahoma or of the Authority but shall be special obligations of the Authority payable solely from the securitization property and other bond collateral.[31]

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[31] §8(F) of the Act (to be codified at 74 OKLA. STAT. ANN. §§ 9077(F)).

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F. **BOND ISSUANCE COSTS**

Q. PLEASE DESCRIBE THE BOND ISSUANCE COSTS ASSOCIATED WITH THE TRANSACTION.

A. "Bond issuance costs" are those costs that will be incurred in advance of, or in connection with, the issuance of ratepayer-backed bonds. Those costs include all amounts required to fund any debt service reserve and any other costs related to the issuance of the Bonds, including but not limited to Trustee fees, legal fees, consulting fees, accounting fees, administrative fees, printing fees, financial advisor fees and expenses, Authority fees, placement and underwriter fees, Rating Agency fees and expenses, the Utility's set-up costs, servicer set-up costs, original issuance discount, and filing fees (including costs related to obtaining the Financing Order). Issuance costs also include, without limitation, costs of the Utility, the Authority, the Commission and the State Treasurer or other State officials.

Q. HOW WILL THE AMOUNT OF UTILITY ISSUANCE COSTS BE DETERMINED, AND HOW WILL SUCH COSTS BE RECOVERED?

A. The actual costs of issuing the Bonds will not be known until after the Bonds are priced and issued. Accordingly, it is necessary to estimate the costs of those items. The issuance costs generally incurred directly by the Utility include 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's Issuance Costs should be estimated in the Utility's testimony for review by the Commission.

Q. DO YOU RECOMMEND THAT THE UTILITY'S ISSUANCE COSTS BE CAPPED OR OTHERWISE SUBJECT TO AUDIT?

A. Since so many of the Utility Issuance Costs are subject to change, I recommend that the issuance costs either be capped or be subject to review and audit following issuance, to ensure such costs are just and reasonable. If the Utility's Issuance Costs will be subject to a cap, there may not be a mechanism to recover additional Utility Issuance Costs above the cap.

Q. IF THE UTILITY ISSUANCE COSTS ARE LESS THAN THE ESTIMATE, HOW SHOULD SUCH EXCESS BE APPLIED?

A. If the Utility Issuance Costs are less than those estimated, the amounts can be credited back to customers through the securitization charge.

Q. PLEASE DISCUSS NON-UTILITY ISSUANCE COSTS AND HOW THOSE COSTS WILL BE DETERMINED AND RECOVERED.

A. The Utility has control over some, but not all, of the issuance costs to be incurred in the proposed transaction. The costs incurred by the Authority, the Commission and the State and their respective advisors and counsel must also be recovered. These costs will be identified in the Issuance Advice Letter, the form of which is included in the Financing Order and is intended to provide the Commission with the final details of the Bonds, and will paid from proceeds of the Bonds. Such costs include, but are not limited to, the fees and expenses of Bond Counsel, Special Counsel and Disclosure Counsel of the Authority; financial advisor to the Authority; Trustee and its counsel; underwriters of the Bonds and their counsel; financial printer; Rating Agencies; State of Oklahoma Attorney General; Council of Bond Oversight; and the provider of any credit enhancement, if applicable, and their counsel (the "Non-Utility Issuance Costs"). No cap should be applied to these costs, as they are incurred by the State and its instrumentalities. If the Non-Utility Issuance Costs are greater than estimated the Authority, the Commission or the State should be able to recover those costs from securitization charges, subordinate to the payment of the Bonds. If the Non-Utility Issuance Costs are less than estimated, the difference should be credited back to ratepayers through the securitization charge.

The Issuance Advice Letter will contain the Utility's and the Authority's good faith estimate of the total issuance costs of the financing, though it is recognized that certain of the issuance costs may not have been invoiced at such time and, in the case of expenses that continue through the closing of the Bonds, will not have been fully incurred on the date of the Issuance Advice Letter.

Q. PLEASE DESCRIBE THE ORIGINAL ISSUE DISCOUNT AND ORIGINAL ISSUE PREMIUM WITH RESPECT TO THE BONDS.

A. As described herein, I recommend the Bonds be issued with a fixed interest rate to maturity, and are expected to bear a taxable rate of interest similar to other utility securitizations. Taxable bonds typically are sold at par, absent original issue premium or original issue discount. While the Bonds are expected to be sold at par, we recommend the flexibility to sell the Bonds with original issue discount or original issue premium if advantageous to secure the lowest interest rate possible based on the conditions at the time of sale of the Bonds given the final structure of the Bonds. Bond Counsel to the Authority will provide guidance to investors relating to the tax treatment of original issue discount and premium and the Bonds will be structured subject to this advice.

Q. SHOULD THE COSTS OF CREDIT ENHANCEMENTS, IF ANY, BE CAPPED?

A. Customer interests can be fully protected without using the proposed Financing Order to impose caps on costs relating to credit enhancement designed to promote credit quality and marketability. If such credit enhancements are proposed by the underwriters or the Financial Advisor, the Authority, with the advice of its Financial Advisor, will determine if such credit enhancements will assist in substantial revenue requirement savings, subject to the approval of the State Deputy Treasurer for Policy and Debt Management. If there are benefits, such credit enhancements will likely be approved by the State Deputy Treasurer for Policy and Debt Management and the costs of such credit enhancements will be fully reflected in the Issuance Advice Letter.

Q. PLEASE DISCUSS UNDERWRITERS' FEES AND EXPENSES.

A. Underwriters' fees may not be confirmed until the actual time of issuance of the Bonds as they are based on the principal amount of the Bonds. Such costs will be fully reflected in the Issuance Advice Letter. Based upon the receipt of responses to Requests for Proposals to Provide Underwriting Services for ratepayer-backed bonds and discussions with the State Deputy Treasurer for Policy and Debt Management, for purposes of estimating the issuance costs shown on Attachment 1, I have assumed that underwriters' fees will be $4.00 per $1,000 plus reasonable and customary expenses, including underwriters' counsel. This estimate will be updated to the extent necessary, and the final compensation and fees to be paid to the underwriters will be approved by the Authority, acting in consultation with Hilltop, as the Authority's Financial Advisor, and the State Deputy Treasurer for Policy and Debt Management and included in the Issuance Advice Letter.

Q. PLEASE DESCRIBE RATING AGENCY FEES.

A. Based on prior asset backed security ("ABS") bond issuances, in order to sell the Bonds at the lowest available interest rates at the time of sale based on the structure of the Bonds, it will be desirable to have the Bonds rated by at least two of the three major rating agencies: Standard & Poor's, a division of The McGraw-Hill Companies, Inc., Fitch Ratings, and Moody's Investors Service, Inc. There is typically a fee schedule or a fee that is required by each of the Rating Agencies to rate the Bonds. The fees charged by the Rating Agencies are subject to change at any time and are typically a function of the size and structure of the offering. The issuance fees are calculated by applying a charge to the initial principal balance that may be subject to a minimum and/or maximum amount, plus the annual fee payable for the first year. Additionally, while the Bonds are outstanding, the Rating Agencies charge annual surveillance fees. Neither the Utility, the Authority, nor the Commission has any effective control over the fees charged by the Rating Agencies. However, the Utility may join with the Authority's Financial Advisor in negotiating with the Rating Agencies to secure the lowest practicable Rating Agency costs. The amount shown in Attachment 1 reflects a current estimate of the fees that are likely to be incurred for the financing. Rating Agency fees can change due to a change in transaction size, transaction structure, or increase in the Rating Agencies' fees and/or fee structure, which could cause the amount due to the agencies to vary from the estimate. Accordingly, the possibility of such a change should be taken into account in determining the appropriate level of fees. As discussed previously with respect to underwriting fees and expenses, these Rating Agency fee estimates will be updated in the Issuance Advice Letter. Any Rating Agency fees incurred above the estimate and not included in the amount of issuance costs to be financed should be recoverable through the securitization charge. Ongoing Rating Agency fees will be subject to adjustment in the future based on the actual cost of such fees.

In addition to Rating Agency fees and expenses, there will be costs to the Authority related to creating a website to exchange information and questions and answers with the Rating Agencies as required by Rule 17g-5 adopted by the Securities Exchange Commission.

Q. PLEASE DESCRIBE THE DEBT SERVICE RESERVE SUBACCOUNT (THE "DSRS").

A. Upon the issuance of the Bonds, the Authority will make a deposit into the DSRS from the proceeds of the Bonds. The size of the DSRS will be determined based upon Rating Agency criteria and the desire to achieve the highest possible ratings and thus contribute to the achievement of the lowest possible cost to customers at the time of sale of the Bonds based upon the structure of the Bonds. Lowest possible cost is defined to be the lowest interest rate needed by the underwriters to have a market clearing interest rate for all the Bonds as structured. Based upon prior electric utility securitizations, I estimate a DSRS equal to 0.5% of the initial principal amount of the Bonds. The exact amount will be determined based upon Rating Agency input, and will be included in the Issuance Advice Letter.

The DSRS will serve as collateral to ensure timely payment of principal of and interest on the Bonds and all other components of the periodic payment requirement ("PPR"). The funds in this subaccount will be invested by the Trustee in high-quality investments in accordance with the Act. Any amounts in the DSRS will be available to be used by the Trustee to pay principal of and interest on the Bonds and all other components of the PPR if necessary due to a shortfall in securitization charge collections. Any funds drawn from the DSRS to pay these amounts due to a shortfall in the securitization charge collections will be replenished through future securitization charge remittances. Funds in the DSRS will be applied to the final payment of Bond principal, if not previously applied.

Q. WHAT IS A REASONABLE ESTIMATE OF THE UPFRONT FINANCING COSTS?

A. William H. Thompson provided the Utility's estimate of upfront financing costs of a securitization in his direct testimony, which did not include fees of the ODFA and its counsel, counsel to the Commission, and funding the DSRS and did include certain items that will not be incurred, such as the Securities and Exchange Commission filing fee. Nevertheless, the Utility estimated upfront financing costs of approximately $7.8 million (after excluding the servicing fee and administration fee, which constitute ongoing financing costs) or approximately 1.1% of the original principal amount of the Bonds. Our estimate of the upfront financing costs for the proposed transaction, which adjusts for the fees excluded from the Utility's estimates and includes certain fees omitted from the Utility's estimates, is approximately 0.38% of the original principal amount of the Bonds, based on an assumed bond issuance of approximately $677 million, as set forth in Attachment 1, which estimate excludes the cost of funding the DSRS.

G. **ONGOING FINANCING COSTS**

Q. WHAT ARE THE ONGOING FINANCING COSTS WHICH WILL BE INCURRED TO SERVICE AND ADMINISTER THE RATEPAYER-BACKED BONDS?

A. Ongoing financing costs are those costs that will be incurred annually to support and service the Bonds after issuance, and they will be recovered from securitization charges as approved by the Commission to be assessed by the Authority. Ongoing costs include among other costs, Trustee fees, administration fees, servicing fees, accounting fees related to the validation and certification of the true-up and auditing fees, legal fees and expenses, administrative fees, Rating Agency fees, fees relating to the Rule 17g-5 website, filing fees, and any ongoing fees and expenses of the Authority.

Certain on-going financing costs will be determined by pre-existing schedules, with others subject to a competitive procurement process. As previously discussed, Rating Agency annual fees will be based on the fee schedules of the Rating Agencies and negotiations. The fees and expenses of accounting firms related to the validation and certification of the true-up and auditing, and Trustee fees will be determined through a Request for Proposals. With respect to servicing fees, please refer to my prior discussion of servicing fees herein. While different in principal amount, we reasonably expect the ongoing financing costs of the Bonds to be comparable, after adjustment for the difference in principal amounts, to those related to the Southern California Edison Company Senior Secured Recovery Bonds Series 2021-A delivered on February 24, 2021 in the principal amount of $337,783.000 which are as follows:

Servicing Fee:	0.05% of the initial principal amount of the Bonds
Administration Fee:	$75,000 for initial 12 months
Accounting Fees and Expenses:	$94,889 for first 15 months
Legal Fees and Expenses:	$41,514 for first 15 months
Rating Agency Surveillance Fees:	$74,132 for first 15 months
Trustee Fees and Expenses:	$5,931 for first 15 months
Miscellaneous Expenses:	$11,861 for the first 15 months

PSO provides estimates of certain ongoing financing costs, such as the servicing fee and administration fee, which estimates are roughly comparable to those shown above.

Q. WHAT ARE ADMINISTRATION FEES?

A. In most utility securitizations, the bonds are issued by special-purpose entities that have no staff. Consequently, the sponsoring utility typically performs certain reporting, monitoring and other related administrative functions on behalf of the SPE for a fee pursuant to the terms of an administration agreement. As the Act provides that the Authority will be the issuer of the Bonds, the Authority will be required to provide, or cause a third party to provide, such services.

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Q. WHAT AMOUNT OF ONGOING COSTS ARE PAYABLE TO THE UTILITY IN CONNECTION WITH SERVICING AND SUPPORTING THE BONDS?

A. The only fee payable to the Utility will be the servicing fee, which will be fixed in accordance with the Financing Order and payable in accordance with the terms of the servicing agreement (so long as the Utility performs the role of servicer). The Utility should also be entitled to reimbursement for its external accounting costs incurred in connection with its role as servicer.

Q. IN ADDITION TO THESE SERVICING FEES AND EXTERNAL ACCOUNTING COSTS, WHAT AMOUNT OF OTHER ONGOING FINANCING COSTS WILL BE INCURRED IN CONNECTION WITH SERVICING AND SUPPORTING THE BONDS?

A. These costs include the costs of the Authority's fees; legal and financial advisors and external accountant's fees; Rating Agency annual fees; and the Trustee's fees. I have estimated the annual ongoing financing costs (exclusive of debt service on the Bonds) for the first year following the issuance of the Bonds to be 0.11% of the original principal amount of the Bonds, based on an assumed bond issuance of approximately $677 million. These estimated ongoing financing costs are itemized by category of cost in Attachment 1. The Authority will update the estimate of the first year of ongoing financing costs in the Issuance Advice Letter. It is not possible to determine how the ongoing financing costs will change over time. For example, rating agency surveillance fees as well as Trustee and other professional fees likely will increase over time. In addition, it is virtually certain that the other ongoing financing costs will increase over that time due to inflation, as service providers periodically increase their fees (and the compounding effect of such increases would magnify the increase over time). Even inflation increases at average historical levels would have a significant effect on costs. Because prospective increases in these ongoing financing costs are impossible to predict, the amounts for such costs in Attachment 1 (except for the servicing fee, which is fixed) are presented only for the first year and do not reflect any increases that may occur.

Q. HOW WILL ACTUAL ONGOING FINANCING COSTS BE PAID?

A. Actual ongoing financing costs will be recovered through securitization charges assessed by the Authority, which will be periodically adjusted as appropriate by the servicer on behalf of the Authority through the true-up mechanism.

H. **RATING AGENCY PROCESS**

Q. PLEASE DESCRIBE THE RATING AGENCY PROCESS.

A. An important element of preparing for the marketing and pricing of the Bonds is obtaining the highest possible credit ratings on the Bonds from the Rating Agencies, but no assurance can be made of a Rating Agency outcome.

The Utility, the Authority, their financial and legal advisors and the lead underwriter of the Bonds will prepare written presentations and will meet with Rating Agency personnel to discuss the credit framework and credit strengths of the Bonds. Each Rating Agency will perform a diligence review of the Utility's forecasting capabilities and its billing and collections operations and legal protections afforded in the Financing Order, State Law, and rulings. Each Rating Agency will follow-up with additional questions for the Utility, the Authority, their legal counsel, financial advisors and lead underwriter of the Bonds. Furthermore, each Rating Agency is expected to require the lead underwriter or advisor to the Utility to prepare various cash flow stress scenarios to ensure that the Bonds will be repaid under extremely stressful cash flow projections.

Important rating elements include:

- Legal and Regulatory Framework
  - Current property right established through statute and Financing Order and the establishment of the validity of the securitization charges
  - Nonbypassability of the securitization charges
  - Bankruptcy-proof status of the Authority and perfected security interest in securitization property
  - Automatic securitization charge true-up mechanism to adjust securitization charges
  - Irrevocability of Financing Order and strength of state pledge
  - Federal and state constitutional protections available for bondholders
  - Assurance that the introduction of alternative energy suppliers will not adversely affect the ability of the securitization charge to satisfy principal of and interest on the Bonds
- Political Environment
  - The political environment surrounding the passage of the authorizing statute

- The degree of state regulatory support for the Financing Order and the financing
- The degree of opposition to the financing from various constituencies
- The degree of customer benefits expected to result from the financing

- Transaction Structure
  - Bond structure, including scheduled maturities being shorter than legal final maturities
  - Collection Account and proposed revenue waterfall through various indenture subaccounts
  - Proposed frequency of true-ups
- Utility as Servicer
  - Electricity consumption forecasting capabilities and historical forecast variances
  - Customer credit guidelines
  - Customer delinquency and write-off experience, including collection rights and service disconnection
  - Billing systems
  - Proposed servicer remittance frequency
  - Successor and/or back-up servicers and back-up servicing fees
- Jurisdictional Area Credit Analysis
  - Customer base
  - Forecasted monthly electricity consumption

- Consumption cyclicality and seasonality
- Risk of alternative power sources
- Size of the securitization charge as a percentage of the average customer bill, including previously imposed securitization charges

- Cash Flow Stress Scenarios
  - Consumption forecast variances
  - Customer concentration and customer classification
  - Customer delinquencies and charge-offs
  - Bond default stress level

I. MARKETING PROCESS

Q. PLEASE DESCRIBE THE BOND MARKETING PROCESS.

A. The Bonds will be offered for sale to investors through one or more lead underwriter(s), each of which should have deep experience in the marketing of utility securitization bonds in various markets and the ability to underwrite unsold balances. The lead underwriter, working with the Authority and their advisors and the State Deputy Treasurer for Policy and Debt Management, will develop a marketing plan that is consistent with the structure and amount of the Bonds to be sold. The underwriters should prepare the marketing plan at least three weeks in advance of the actual marketing date and give notice to the market of the impending transaction in conjunction with the Authority. The interest rate or bond coupon is a function of many factors including market conditions at the time the Bonds are sold and is influenced not only by general market conditions, and economic releases, but also by factors including the size of the offering, the pricing of comparable securities, ratings of the Bonds, expected final payment date and expected average life of maturities, as well as the number and quality of bond offerings coming to the market at or around the same time and geo political and other world events. The underwriter's plan to market and price the Bonds includes the following components:

- The Bonds will be rated by at least two Rating Agencies.
- No legal maturity of any series or class of the Bonds is expected to exceed the maximum period of time selected by the Commission from the date of issuance, and some tranches will have scheduled maturities. Recognizing that investors frequently are interested in bonds of one maturity but not another, the Bonds may consist of several tranches to present maturity offerings across a spectrum of potential demand in an effort to achieve the widest appeal to investors thereby creating investor demand with the goal of driving down interest rates to the marginal clearing rate that will support demand for the Bonds. The final tranches will be selected to achieve the lowest bond cost based on actual investor demand and investor liquidity considerations at the time of sale given the structure of the Bonds.
- Information will be provided to investors regarding the Bonds, including statistical data relating to the Utility's service territory. Following the delivery of the preliminary official statement to potential investors, the Utility, the Authority, their financial advisors and the underwriters will work together to bring the Bond transaction to the attention of such investors, to inform them of its structure and terms, and to answer directly any questions they may have. This process may

include an electronic, virtual or in-person roadshow, one-on-one conference calls with significant potential investors, and open conference calls which investors may join. The purpose of this process is to stimulate broad investor demand for the issue, so that the pricing process will result in the lowest available interest rates reasonably consistent with market conditions at the time of pricing based on the structure and ratings of the Bonds.

- During the marketing phase of the transaction, the underwriters will disclose benchmark rates, likely both on an interest rate swap and Treasury basis, and informal credit spread ranges for the Bonds relative to the benchmark rates for each tranche, in response to which investors will provide indications of interest and identify comparable transactions. The underwriters and Financial Advisor will survey the market for other transactions that could affect the pricing of the Bonds. The timing of the Bond sale could also affect the rate on the Bonds due to economic press releases, competing transactions, and time of year. The lead underwriter (the book-running lead underwriter) will be charged with keeping the master record (known as "the book") in which all indications of investment interest received by the underwriters from potential investors are recorded. Based on the book of indicated interest, the tranches will be adjusted to achieve lower overall interest rates, if possible through what is usually a multi-step process of gauging investor interest and adjusting interest rate to get to a subscription level at which the underwriters will underwrite the Bonds.
- At the official launch of the transaction, the underwriters will disclose specific credit spreads for each tranche of Bonds and investors will be invited to place orders

through the underwriters for the amount and specific tranches of Bonds they are willing to purchase, at certain prices and bond coupon rates.

- The book-running lead underwriter, exercising professional judgment based on the amounts of orders received from investors and co-managers, if any, and with concurrence of the Authority, based upon the advice of its Financial Advisor and approval of the State Deputy Treasurer for Policy and Debt Management, may adjust the prices and bond coupon rates to ensure maximum distribution of the Bonds at the lowest bond yields reasonably consistent with a market clearing offering at the time of sale. If a tranche is oversubscribed, the book-running lead underwriter may lower the coupon, provided that this adjustment does not decrease the aggregate investor interest below the size of the tranche; or, if the tranche is undersubscribed, the book-running lead underwriter may increase the coupon to attract sufficient investor orders to sell the entire tranche.
- In the event one or more tranches of the Bonds continues to generate no or insufficient investor orders, the underwriters acting through the book-running lead underwriter may again increase the coupon to attract sufficient investor orders to sell the entirety of the tranche(s) or choose to underwrite unsold balances. In the event there are no market clearing coupons and prices for one or more tranches, the transaction may be restructured in order to ascertain the tranches and market clearing interest rates required to sell all the Bonds to investors.
- It is important to note that the interest rate or price of one tranche of the Bonds most likely will have an effect on the price or interest rate on other tranches of the Bonds, since the price and interest rate on a per maturity basis is relative to other maturities.

A longer maturity usually has a higher interest rate or spread to the related benchmark than shorter maturities. Keeping the aggregate book in tack is also a key consideration when pricing and repricing specific tranches of the Bonds.

- Taking into account the actual demand for the Bonds on the day and time of pricing, the underwriters (acting through the book-running lead underwriter(s) and pursuant to an executed underwriting (or bond purchase) agreements with the Authority), will agree to purchase the Bonds at specified investor market clearing prices and coupon rates.

In summary, it is through this marketing and price discovery process which I have described that the actual investor market clearing interest rates for the Bonds are determined. It should be noted that this determination is specific to the issue of the Bonds in question. The final price and interest rate for the Bonds will be based on the actual investor orders for the Bonds on the actual day of pricing and involves professional judgment. Upon request, the Commission and its staff will be updated throughout the marketing and pricing process. It is this process of testing and retesting that provides assurance that the Bonds in fact have been sold at the lowest rates reasonably consistent with market conditions on the day and time of pricing based on their structure and specific credit and legal characteristics.

VII. CONCLUSION

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. Based on my review of the Act and the Financing Order and discussions with Bond Counsel and Special Counsel that certain issues related to validity of the securitization charge, non-impairment and an irrevocable nonbypassable charge with an automatic true-up mechanism meet Rating Agency criteria, I believe that the structure proposed in the Financing Order will likely enable the Authority and the Utility to achieve the highest possible ratings for the financing. We cannot assure a specific rating outcome. As work on the transaction continues, there are factors, information and market conditions that could affect my testimony and I reserve the right to modify my testimony as facts and circumstances change and come to my attention. Structuring the financing in a manner reasonably consistent with investor preferences at the time of pricing and having a high rating by at least two nationally recognized rating agencies, should allow for sufficient investor demand resulting in the lowest market clearing interest costs for the financing reasonably consistent with investor demand, market conditions on the day of pricing and the terms of the Financing Order and specific credit characteristics the bonds. For the reasons set forth in my testimony, I recommend that the Financing Order be adopted by the Commission without changes.

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

Michael Bartolotta

Michael Bartolotta

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ATTACHMENT 1

ESTIMATE OF BOND ISSUANCE EXPENSES (EXCLUSIVE OF UTILITY ISSUANCE COSTS)

Estimated costs of issuance are as follows:

Bond Counsel:	$120,000 fee plus $5,000 expenses based on Request for Proposal response
Special Counsel:	$520,000 fee plus $10,000 expenses based on Request for Proposal response
Disclosure Counsel:	$250,000 fee plus estimated expenses of $10,000 based on Request for Proposal response
Financial Advisor	$410,000 based on Request for Proposal response
Counsel to Financial Advisor:	$175,000 estimated. Actual fee will be based on actual time and hourly contractual rate.
Counsel to Commission:	$50,000
ODFA Fee:	$150,000
ODFA Counsel:	$50,000 based on discussions with law firm serving in such capacity
BondLink:	$23,000
Council of Bond Oversight Fee:	Fee set by formula which is as follows 3bps on the first $5 million = $1,500 2bps on the next $45 million = $9,000 1bps on amount in excess of $50 million Based on an issue of $677 million, the fee would be $73,222 (subject to possible cap)
State of Oklahoma Attorney General:	Fee set by formula which is as follows 3bps on the first $5 million = $1,500 2bps on the next $45 million = $9,000 1bps on amount in excess of $50 million Based on an issue of $677 million, the fee would be $73,222 (subject to possible cap)
Underwriter:	$4.00 per $1,000 Bond plus expenses based on Request for Proposal response Based on $677 million financing: $3,041,295 Estimated expenses: $332,435, including an estimated underwriters' counsel fee of $250,000 based on Request for Proposal response. Underwriter expenses based on October 20,

	2021 estimate by Hilltop underwriting desk assuming two tranches.
Trustee	$5,000 acceptance fee – Estimate provided by trustee on August 20
Trustee Counsel:	$20,000 – estimate provided by prospective trustee on August 20, 2021
Printer:	$5,000 - estimate
Net Roadshow (marketing):	$7,500 - estimate
Rating Agencies	Expected to use two of the three of the following Rating Agencies Fitch: $237,025 (based on fee schedule, assuming $677 million transaction and used in estimated costs of issuance S&P: $389,399 (based on fee schedule, assuming $677 million transaction) and used in estimated costs of issuance Moody's: $507,911 (based on the fee schedule, assuming a $677 million transaction)
Rule 17g-5 Website:	Approximately $16,000, based on price quote and assumed need for 4 gigabytes for the first year

ESTIMATE OF ANNUAL ONGOING FEES
(FIRST YEAR ILLUSTRATIVE)

Rating Agencies: (Expected to use two of three)	
S&P	$20,000 (based on S&P estimate provided October 15, 2021 and used in estimated ongoing fees)
Fitch	$10,000 (based on Fitch estimate provided October 15, 2021 and used in estimated ongoing fees)
Moody's	$46,500 (based on Moody's estimate provided October 15, 2021)
Rule 17g-5 Website:	$4,000 (based on 4 gigabyte usage per 17g-5 quote)
Trustee:	$5,000 (based on fee quote from prospective trustee on August 23, 2021)
ODFA Administrative Fee:	$125,000 (estimate based on precedent from Louisiana Utilities Restoration Corporation transactions)
ODFA Counsel Fees:	$75,000 (estimate based on precedent from Louisiana Utilities Restoration Corporation transactions)
Accounting Fees:	$100,000 (estimate based on indication from Price Waterhouse Coopers provided approximately August 26, 2021)
Miscellaneous Expenses:	$50,000 (estimate based on precedent from Louisiana Utilities Restoration Corporation transactions)
Servicing Fee	0.05% of the original principal amount of the Bonds (based Southern California Edison and Entergy Texas precedents)

BEFORE THE

CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION PUBLIC COMPANY OF OKLAHOMA ("PSO") FOR APPROVAL OF A FINANCING ORDER FOR THE COLLECTION OF INCREASED COSTS, CAUSED BY THE EXTREME WINTER WEATHER AND CONTAINED IN THE REGULATORY ASSET AUTHORIZED BY ORDER 717625, INCLUDING AN APPROPRIATE CARRYING COST, AND SUCH OTHER RELIEF AS THE COMMISSION DEEMS PSO IS ENTITLED	**))))))))))))**	**Cause No. PUD 202100076**

DRAFT PSO FINANCING ORDER

TABLE OF CONTENTS

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DRAFT FINANCING ORDER

INTRODUCTION

Pursuant to 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 Public Service Company of Oklahoma ("PSO" or the "Utility"), and other utilities subject to the regulatory jurisdiction of the Oklahoma Corporation Commission (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 securitization of qualified costs to mitigate the impact of such costs on utility customers, allowing customers to pay their utility bills at a lower amount over a longer period of time.

On April 28, 2021, PSO filed an application requesting the Commission to issue a Financing Order to recover the associated with the 2021 Winter Weather Event as set forth in the Act.

In this Financing Order, we have determined that PSO is eligible to recover $XX of 2021 Winter Weather Event related costs as qualified costs, together with adjustment 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, "WSC 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 WSC Charges as long as the Bonds are outstanding; (6) approve a "true-up and reconciliation" procedure to ensure that the WSC Charges will be adjusted from time to time such that the amounts collected will be sufficient to pay the Bonds and associated financing costs; and (7) approve a tariff to implement the WSC Charge (the "WSC Rider"), 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 the 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 WSC Charges in a manner which satisfies the requirements of the Act.

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

In Part VI, we describe certain bond issuance cost and ongoing financing costs associated with the bond issuance process and their recovery from bond proceeds or WSC 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 enacted and the Governor of Oklahoma signed into law the Act to provide financing options to lower the immediate economic impact on consumers. The Act is 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.[1] The Act provides that the Commission must consider certain factors ("Section 9073 factors") when determining whether the costs should be 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 and the ability to issue bonds at a cost which would not exhaust the potential savings.[2] The Commission is also required to review the extreme purchase costs and extraordinary costs of the Utility and determine whether the

[1] 74 Okla. Stat. § 9073.

[2] 74 Okla. Stat. § 9073(C).

amounts incurred would otherwise be recoverable from customers as fair, just, and reasonable expenses and prudently incurred.[3]

Upon the determination that the costs are subject to recovery under the Act, 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.[4] The securitization property consists of the right to receive revenues, in the form of a customer utility charge (herein referred to as the "winter storm cost charge" or "WSC Charge"), which must be imposed on and collected from customers through a nonbypassable mechanism to ensure that customers cannot avoid paying the WSC Charge. The nonbypassable mechanism must provide that the WSC Charge is payable by each utility customer within the service territory of the utility and such charge cannot be modified or avoided by a customer through switching utility providers, switching fuel sources or materially changing usage, and must be paid by a customer for as long as the ratepayer-backed bonds are outstanding.[5] In addition, the nonbypassable mechanism also requires a true-up and reconciliation process by which the WSC Charge must be adjusted from time to time to ensure that expected revenues from the charge are sufficient to ensure the timely payment of the bonds, together with all costs necessary

[3] 74 Okla. Stat. § 9073(E).

[4] 74 Okla. Stat. § 9075(A)

[5] 74 Okla. Stat. § 9072(5).

to service and administer the bonds.[6] 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 property 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.[7] 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.[8]

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

[6] 74 Okla. Stat. § 9072(12).

[7] 74 Okla. Stat. § 9075(B).

[8] 74 Okla. Stat. § 9075(D).

of sufficient revenues to service and repay ratepayer-backed bonds."[9] 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 bonds, 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, 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").[10] 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.[11] ODFA and the Utility have not requested 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 to retire or refund the Bonds approved in this Financing Order upon a showing that the customers would benefit and that such a financing is consistent with the terms of the Bonds.

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[9] 74 Okla. Stat. § 9074(H).

[10] 74 Okla. Stat § 74-5062.15 (2016).

[11] 74 Okla. Stat § 9077(D).

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 have determined that PSO is eligible to recover $[667.6] million 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 approve 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 should be mitigated by the recovery through ratepayer-backed bonds, including whether substantial revenue requirement savings will be realized 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 and the ability to issue bonds at a cost which would not exhaust the potential savings.

In its testimony, the Utility's evidence shows that as a result of the Bonds, customers will realize substantial revenue requirement savings when compared to conventional financing methods. [Based on the amount that the Utility seeks to securitize ($732.53 million) and the 20-year anticipated final scheduled maturity date[12] for the Bonds requested by the Utility, the Utility's financial analysis indicated that ratepayers will realize benefits estimated to be $57.0 million on a present value basis in the sensitivity case scenario (based on weighted average interest rate of 5%). At the expected weighted-average interest rate of 2.12%, securitization confers benefits of $133.0 million on a present-value basis. In addition, under the sensitivity-case scenario, the securitization will result in a reduction in the amount of revenues collected by the Utility of $198.2 million, on a nominal basis, when compared to the amount that would have been collected under conventional

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[12] Such a 20-year anticipated final payment date would most likely result in a 22-year legal final maturity for the latest maturing tranche of Bonds. See Direct Testimony of Keith Helwig, p.31, lines 10-11.

financing methods that would otherwise be used to recover the costs. In the expected case, the securitization will result in a reduction in the amount of revenues collected by the Utility of $462.2 million.[13] Accordingly, the Commission concludes that the substantial revenue requirement savings for ratepayers set forth in the Utility's evidence are fully indicative of the savings that ratepayers will realize from the securitization approved 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 20 year period (with a 22-year final maturity)[14], which is a longer amortization 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.

Further, in the Issuance Advice Letter, the Utility will provide an updated savings analysis based upon the actual pricing 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 criteria and should be approved.

IV. DISCUSSION OF CERTAIN FINANCING ORDER REQUIREMENTS

Section 4(A) of the Act, which will be codified at 74 OKLA. STAT. §9074(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.

[13] Direct Testimony of William H. Thompson, Exhibits WHT-2, WHT-3.

[14] See Direct Testimony of Shawnna G. Jones, p.2, lines 13-14; p 7, lines 1-8.

Bond Maturities: The Utility has requested that the Commission authorize that the Bonds be amortized over a period of 20 years, using level debt amortization.[15] The Utility analyzed the impact of amortizing the costs of recovering the qualified costs over 10, 15 and 20 years to derive estimates of customer impacts associated with securitization as well as calculating the impact of tradition utility financing.[16] Such analysis demonstrated that a 20-year securitization would have the smallest impact on residential customers, while avoiding the intergenerational issues of customers who did not experience the storm paying WSC Charges that might be possible with a 30-year term. 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 20 years from the date of issuance and a legal final maturity not later than two years after.

Irrevocable and Nonbypassable Mechanism to impose and adjust Winter Storm Charges: The Utility has proposed a mechanism to impose a consumption-based charge (per kWh) on its customers, with a separate per kWh WSC Charge for each service level (each, a "Service Level") in order to generate sufficient cash flow to pay the Bonds and related ongoing financing costs.[17] The Utility has proposed to review and adjust the WSC Charges at least annually to correct for any over-collection or under-collection for the upcoming payment period.[18] The mechanism will remain in effect until the complete repayment and retirement of the Bonds and ongoing financing costs authorized by this Financing Order.

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[15] Direct Testimony of Shawnna G. Jones, p.2, lines 13-14; p. 7, lines 1-8.

[16] Direct Testimony of Shawnna G. Jones, p.5, line 21 – page 6, line 20.

[17] Direct Testimony of Shawnna G. Jones, p.8, lines 4-5.

[18] Direct Testimony of Shawnna G. Jones, p.9, lines 1-6.

The Utility has also described features demonstrating how the WSC Charge will be nonbypassable to customers, even if such customers switch providers, change fuel sources or materially change usage. The Utility has proposed that the WSC Charge will be payable by Customers including customers purchasing energy from any electric service provider (ESP) or any other individual, governmental body, trust, business entity, or nonprofit organization located in the service territory of PSO as of the date of this financing order that consumes electricity that has been transmitted or distributed by means of transmission or distribution facilities, whether those electric transmission or distribution facilities are owned by the customer, PSO, or any other party. Therefore, in general, customers can only avoid paying WSC Charges if they move out of PSO's service territory.[19] In this Financing Order, we find that the nonbypassable mechanism satisfies the requirements of the Act, and is consistent with obtaining the highest possible ratings on the Bonds.

Adjustment Methodology: The Utility has proposed to periodically review and adjust the WSC Charges to ensure that expected collections are sufficient to satisfy the payment requirement during the next period.[20] Specifically, the Utility has proposed three true-up mechanism to adjust the WSC Charges in different circumstances: (1) a standard true-up, (2) an interim true-up and (3) a non-standard true-up.

Each standard true-up and interim true-up will be based upon the cumulative differences between the periodic payment requirement (the "PPR", which includes all scheduled payments of principal (including, if any, prior scheduled but unpaid principal payments), interest, and other ongoing financing costs to be paid with WSC Charge revenues during such the related period of

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[19] Direct testimony of Keith Helwig, p. 16, line 22 – p. 17, line 8.

[20] Direct testimony of Shawnna G. Jones, p. 9, lines 1-8.

measurement, or "Payment Period") and the amount of WSC remittances to the indenture trustee. In order to ensure adequate revenues to fund the PPR and to avoid large over-collections and under-collections over time, the servicer (initially PSO or any successor) will reconcile the WSC Charge using PSO's most recent forecast of electricity deliveries (i.e., forecasted billing units and estimates of transaction-related expenses), a projection of the uncollectible WSC Charges and a projection of payment lags between the billing and collection of the WSC Charges based upon the Utility's most recent experience to determine the amount of WSC Charge revenue that must be billed during each Payment Period to ensure that sufficient WSC 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.". The Utility will make WSC Charge adjustments in the following manner:

(a) allocate the PBR for upcoming Payment Period billing requirement based on the Periodic Billing Requirement Allocation Factor, or PBRAF (as described below), approved in the financing order;

(b) calculate under-collections or over-collections from the preceding period in each Rate Class (as defined below) by subtracting the previous Payment Period's WSC revenues collected from each Rate Class from the PBR determined for that Rate Class for the same period;

(c) sum the amounts allocated to each Rate Class in steps (a) and (b) to determine an adjusted PBR for each Rate Class; and

(d) divide the amount assigned to each Rate Class in step (c) above by the appropriate forecasted billing units to determine the WSC Charge for each rate class for the upcoming Payment Period.

Each True-Up Letter and Non-Standard True-Up Letter (as described below), the forms of which are included as Exhibit D and Exhibit E, respectively, to this Financing Order, will calculate a revised WSC Charge for the Bonds in accordance with the methodology set forth above.

Frequency of True-Ups and Reconciliation:

The Utility has proposed that the WSC Charge be adjusted (or trued-up) annually to ensure that the WSC Charge collections are sufficient to ensure the timely payment of the Bonds (each, a "Annual True-Up"). The Utility has also proposed to make mandatory semi-annual true-ups semi-annually (each, as "Semi-Annual True-Up") if the servicer forecasts that collections will be insufficient to make all scheduled payments of principal, interest and other amounts in respect of the bonds on a timely basis during the current or next succeeding payment period and/or or to replenish any draws on the DSRS.[21] The Utility has further proposed that the WSC Charge should be subject to change at any time to correct any under-collection, as provided in order to ensure timely payment of the bonds based on rating agency and bondholder considerations (each, an "Interim True-Up").[22] Hilltop Securities, as financial advisor to the Authority and the Commission (the "Financial Advisor") has similarly testified that true-up adjustment should be allowed more frequently if required to obtain the highest possible bond ratings.

In the case of an Annual True-Up, Semi-Annual True-Up and an Interim True-Up, the Utility has proposed that each true-up adjustment will be submitted not less than 15 days prior to the proposed effective date and that the Public Utility Division ("PUD") of the Commission will have 15 days after the submission to confirm the mathematical accuracy of the submission. Any necessary corrections, due to mathematical errors in the calculation, to a true-up adjustment would

[21] Direct testimony of Shawnna G. Jones, p. 11, lines 12-20.

[22] Direct testimony of Shawnna G. Jones, p. 11, lines 5-7.

be made in the succeeding true-up adjustment submission.[23] The Financial Advisor also testified that, to ensure the highest possible rating on the Bonds, the true-up adjustments requested by the 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 to ensure the highest possible rating on the Bonds.

The Utility has proposed that mandatory interim true-up adjustments should be required quarterly after the final scheduled payment date of the latest maturing tranche of Bonds.[24] The Financial Advisor has testified that Interim True-Ups should occur whenever the Utility forecasts an under-collection of revenue and also testified that the true-up should be permitted to occur quarterly following the final scheduled payment date of the Bonds.

In this Financing Order we adopt the proposal of the Utility and the recommendations of the Financial Advisor. The Annual True-Up will be required annually, a Semi-Annual True-Up will be required if the servicer forecasts that collections will be insufficient to make all scheduled payments of principal, interest and other amounts in respect of the bonds on a timely basis during the current or next succeeding payment period and/or or to replenish any draws on the DSRS, and an Interim True-Up should be subject to change at any time to correct any under-collection, as provided in order to ensure timely payment of the bonds, and will be required quarterly following the last scheduled payment of the Bonds. The frequency of true-ups shall be documented in the Issuance Advice Letter.

Allocation of Revenue Requirements Among Various Customer Classes:

[23] Direct testimony of Shawnna G. Jones, p. 10, lines 12-18.

[24] Direct testimony of Shawnna G. Jones, p. 10, lines 20-23.

The Utility has allocated costs using actual usage (kWh) adjusted for line losses during the 2021 Winter Storm Event. The total kwH usage for each service level of the utility's customers (each, a "Rate Class") used to calculate the Periodic Billing Requirement Allocation Factor (the "PBRAF") for each Rate Class.[25] [In this Financing Order, we find that this method of allocating the costs relating to the 2021 Winter Storm Event is equitable and adopt the Utility's proposed methodology.]

Non-Standard True-Up Adjustments:

The Utility has proposed to allow the servicer to request a true-up to address possibility that a decline in demand in a Rate Class or Rate Classes would cause the WSC Charge for such Rate Class or Rate Classes to rise to an unsustainable level.[26] Such a true-up (each, a "Non-Standard True-Up") would be implemented if the forecasted billing units for one or more Rate Class for an upcoming Payment Period decreased by more than 10% compared to the billing units set forth in the Direct Testimony of Shawnna Jones (the "threshold billing units').[27]

In a Non-Standard True-Up, the servicer will:

(a) allocate the upcoming period's PBR based on the PBRAF;

(b) calculate under-collections or over-collections from the preceding Payment Period in each Rate Class by subtracting the previous period's WSC revenues collected from each Rate Class from the PBR determined for that rate class for the same period;

(c) sum the amounts allocated to each Rate Class in steps (a) and (b) to determine an adjusted billing requirement for each Rate Class;

[25] Direct testimony of Shawnna G. Jones, p. 7, line 21- page 8, line 2.

[26] Direct testimony of Shawnna G. Jones, p. 12, lines 10-12.

[27] Direct testimony of Shawnna G. Jones, p. 12, lines 14-17, Exhibit SGJ-6.

(d) divide the billing requirement for each Rate Class by the maximum of the forecasted billing units or the threshold billing units for that class, to determine the "threshold rate;"

(e) multiply the threshold rate by the forecasted billing units for each Rate Class to determine the expected collections under the threshold rate;

(f) allocate the difference in the adjusted billing requirement and the expected collections calculated in step (e) among the rate classes using the PBRAF;

(g) add the amount allocated to each class in step (f) above to the expected collection amount by Rate Class calculated in step (e) above to determine the final billing requirement for each Rate Class; and

(h) divide the final billing requirement for each rate class by the forecasted billing units to determine the Adjusted WSC Charge for each Rate Class for the upcoming period.[28]

The Utility has further proposed that a Non-Standard True-Up will be submitted by the servicer to the PUD 90 days before the proposed effective date in the Non-Standard True-Up Letter, which will contain the proposed changes to the WSC Charges, justification for such changes as necessary to specifically address the cause(s) of the proposed Non-Standard True-Up, and a statement of the proposed true-up date. The servicer would further notify all parties to PUD Cause 202100076 as to the submission. [In this Financing Order, the Commission has determined that Non-Standard True-Ups are an equitable way to reallocate costs upon the occurrence of the events described above and adopt the Utility's proposal.]

Frequency of Remittances:

The Financial Advisor has testified that it is customary for a utility to remit securitization charges to the bond trustee on a daily basis, within two business days of receipt of such charges.

[28] Direct testimony of Shawnna G. Jones, p. 12, line 17 – p. 13, line 13.

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 within five business days. In this Financing Order we adopt the recommendations of the Financial Advisor.

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 an irrevocable charge;
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 Utility[29] in consideration for the sale of the securitization property pursuant to the Sale Agreement;
5. the collection on behalf of the ODFA of WSC Charges by the Utility or its successors, as collection agent and servicer, who will be responsible for billing and collecting the WSC Charges from Customers;
6. the pledge of the WSC 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; and
7. an automatic true-up and reconciliation mechanism.

[29] 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.

ODFA will issue the Bonds pursuant to an indenture administered by a bond trustee. The Bonds will be secured by and payable solely out of the securitization property created pursuant to this Financing Order 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) of the Act 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 of the WSC Charges for the Utility, and will undertake to collect such charges from the Customers and remit these collections to the bond trustee on behalf of the ODFA. The Utility will perform routine billing, collection and reporting duties on behalf of the Authority and will not be permitted to resign 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 servicer will be responsible for making any required or allowed True-Up and Reconciliation of the WSC Charges. If the servicer defaults on its obligations under the servicing agreement, the Authority, or the bond trustee, at the direction of a majority of the bondholders, may appoint a successor servicer.

WSC Charges will be calculated and adjusted from time to time, pursuant to the nonbypassable mechanism as approved in this Financing Order, to be sufficient at all times to pay all debt service and other related ongoing financing costs for the Bonds.

B. The Indenture and Flow of Funds.

A bond trustee will be appointed by the Authority and approved by the State Treasurer 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 collection and administration of the WSC Charges and payment or funding of the principal of 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 may include other subaccounts as required to accommodate other credit enhancement.[30]

The bond trustee will deposit the WSC Charge remittances that the 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, to pay principal of 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 of and interest on the Bonds and all ongoing financing costs in accordance with the terms of the indenture.

[30] References to accounts and subaccounts herein are for purposes of clarity. The account names and structure will be set forth in 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 input and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt Management, and reflected in the Issuance Advice Letter. The DSRS will serve as collateral to ensure timely payment of principal of 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 of and interest on the Bonds and certain limited ongoing financing costs if necessary due to a shortfall in WSC Charge collections. Any funds drawn from the DSRS to pay these amounts due to a shortfall in the WSC Charge collections will be replenished through future WSC Charge remittances. Funds in the DSRS will be applied to the final payment of principal on the Bonds.

The excess funds subaccount will hold any WSC Charge remittances and investment earnings on the collection account in excess of the amounts needed to pay current principal of 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 a 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 of and interest on the Bonds and ongoing financing costs.

Other credit enhancement 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 input and with the advice of the Financial Advisor and the State Deputy Treasurer for Policy and Debt Management. Such credit enhancement will be described in the Issuance Advice Letter.

In addition to the collection, 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 by ODFA to the Utility, for crediting to customers, 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 of the securitization property, and the Authority, as owner of the securitization property. It sets forth the responsibilities and obligations of the 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 bond trustee for distribution to bondholders. The servicing agreement prohibits the Utility from resigning as initial servicer unless it is unlawful for the utility to continue in such a capacity. The Utility's resignation would not be effective until a successor servicer assumes its obligations in order to continue servicing the securitization property without interruption. The 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 or upon a majority vote of bondholders. Any merger or consolidation of the servicer with another entity would require the merged entity to assume the 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 possible category.

As compensation for its role as initial servicer, the Utility is entitled to earn a servicing fee payable out of WSC Charge collections. It is important to the Rating Agencies analysis of the transaction that the Utility receives an arm's-length fee as servicer of the securitization property. However, it is customary in other utility securitizations for utilities to be 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 are not paid more than what is minimally required to service the Bonds and to ensure that any excess payment 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 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% 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 underwriter's discount, 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 and pay Bond issuance costs other than those of the Utility pursuant to the terms hereof. 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 enhancement 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 WSC Charge. Failure or delay in filing such report will not affect the 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 enhancement (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 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 the DSRS, rating agency fees, the fees and expenses of the State of Attorney General, fees and expenses of the Council of Bond Oversight, 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 are authorized to be recovered through the WSC 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 0.11% of the principal of the Bonds (based on an assumed Bond issuance of $677 million) for the first year following the issuance of the Bonds (assuming the Utility is the initial servicer), but many ongoing costs will not be known until they are incurred. The Utility has proposed an annual servicing fee equal to 0.05% of the original principal amount of the Bonds for acting as initial servicer. This fee will be fixed for the life of the Bonds. In addition, the Utility, as initial servicer, 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 collect more than its incremental costs.

In the event that a servicer default occurs, the Authority, or the Authority acting at the direction of a majority of the bondholders, 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 WSC 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. [PSO is an investor-owned electric public utility that is engaged in the generation, transmission and distribution of electric power to approximately 565,000 retail customers in eastern and southwestern Oklahoma, and in supplying and marketing electric power at wholesale to other electric utility companies, municipalities, rural electric cooperatives and other market participants.]

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 both[31] that would be mitigated by issuing the Bonds.

(2) Procedural History.

3. On April 26, 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 prudency of costs and demonstrated savings]

5. Prior to issuing this Financing Order, the Commission has consulted with the Deputy Treasurer for Policy and Debt Management regarding the marketability and efficiency of

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[31] Terms used herein shall have the meanings assigned to them in the Act.

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 $667.6 million, plus carrying costs, 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, are eligible for recovery through the issuance of the Bonds.

7. [In the Direct Testimony of William H. Thompson, the Utility has estimated carrying costs of $57.1 million (assuming the Bonds are issued on April 28, 2022) based on PSO's current Commission-approved weighted average carrying cost of 8.55% (grossed up at 21% federal income tax rate).]

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 [April 28, 2022] 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 $[________] 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 bond proceeds (or, if necessary, from WSC 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)], the ongoing financing costs that will be incurred by the Utility 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 0.11% of the original principal amount of the Bonds, based on an assumed Bond issuance of $677 million, excluding the costs of funding the DSRS. 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 servicer, 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 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 WES Rider. 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 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 and the ability to issue Bonds at a cost which would not exhaust the potential savings.

21. As described in the Utility testimony of William H. Thompson 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. [PSO is an investor-owned electric public utility that is engaged in the generation, transmission and distribution of electric power to approximately 565,000 retail customers in eastern and southwestern Oklahoma, and in supplying and marketing electric power at wholesale to other electric utility companies, municipalities, rural electric cooperatives and other market participants.]

23. 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.

24. 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 proceeds of a bond issuance, which shall offset and complete the recovery of these costs for the Utility.

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

(2) ODFA.

26. 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, 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.

27. 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 WSC Charges as and when collected, and any other collateral under the indenture.

(3) Structure, Security and Documents.

28. 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.

29. 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 and 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.

30. 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 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

31. The Authority will direct the State Treasurer to deposit 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.

32. 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.

33. 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 statement.

(4) Credit Enhancement and Arrangements to Enhance Marketability.

34. 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.

35. 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 bond financing will outweigh the costs and risks in this particular case of researching and preparing the swap that could result in lower WSC Charges.

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

37. 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.

38. 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.

39. ODFA should be permitted to use, and to recover the bond issuance costs and ongoing financing costs associated with, credit enhancement 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 enhancement 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.

40. 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 WSC Charges for the benefit

and account of the ODFA or its pledgees, to make the true-up adjustments of WSC Charges required or allowed by this Financing Order, and to account for and remit the applicable WSC 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, 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 servicer under the servicing agreement. The obligations of the servicer 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.

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

42. The servicer will be entitled to an annual servicing fee fixed at [0.05]% of the initial principal amount of the Bonds. [In addition, the Utility, as initial servicer, 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 servicer, under the servicing agreement shall be included as an identified revenue credit and reduce revenue requirements for the benefit of the Customers 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 WSC Charges will be binding upon the Utility, its assigns and successors and any other entity that provides transmission and distribution electric services or, in the event that transmission and distribution electric services are not provided by a single entity, any other entity providing electric distribution services to the Customers. The Commission will enforce the obligations imposed by this Financing Order, its applicable substantive rules, and statutory provisions.

43. No provision of this Financing Order shall prohibit the Utility from selling, assigning or otherwise divesting any of its transmission or distribution system or any facilities providing service to the customers, 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 customers and collect the WSC Charges under the existing servicing agreement,

subject to ODFA approval.

44. The servicing arrangements described in Findings of Fact Nos. [40 through 44] are reasonable, will reduce risk associated with the proposed financing and should, therefore, result in lower WSC Charges and greater benefits to the Customers and should be approved.

(6) Ratepayer-Backed Bonds.

45. 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 this Financing Order.

46. The scheduled final payment date of any series of the Bonds is not expected to exceed [20] 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. 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.

47. The Bonds will be amortized using a substantially level debt service, mortgage-style amortization

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

49. ODFA will cause the Bonds to be issued no earlier than the third business day after pricing of the Bonds.

50. The Utility may file 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 customers 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.

51. 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) WSC Charges—Imposition and Collection and Nonbypassability.

52. The Utility seeks to impose on and to collect from all customers, WSC Charges in an amount sufficient to provide for the timely recovery of its costs approved in this Financing Order (including payment of 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 WSC Charges, as 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 bonds have been recovered in full.

53. WSC Charges collected pursuant to the WES Rider shall be a separate line-item on the monthly bill of the customer.

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

55. The Utility, acting as servicer, and any subsequent servicer, will collect WSC Charges from all current and future customers of the Utility and any successor or assign of the Utility will be obligated to bill the WSC Charge to customers within the service area of the Utility as of the date of this Financing Order 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.

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

57. The Utility's proposal related to the collection of WSC Charges, as servicer on behalf of the ODFA, is reasonable and consistent with the nonbypassability mechanism contemplated by the 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.

58. The Periodic Payment Requirement ("PPR") 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 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.

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

60. The Utility's proposed allocation of the PBR between Rate Classes as provided in the PBRAF, is reasonable and should be approved.

(9) True-up of WSC Charges.

61. The servicer of the Bonds will be required to make annual adjustments to the WSC 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 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.

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

63. True-up filings will 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 WSC 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 WSC Charge revenues to fund the PPR and to avoid large over collections and under collections over time, the servicer will reconcile the WSC Charges using its most recent forecast of usage and demand and the Authority's estimates of financing costs. The calculation of the WSC Charges will also reflect both a projection of uncollectible WSC Charges and a projection of payment lags between the

billing and collection of WSC Charges based upon the servicer's most recent experience regarding collection of WSC Charges.

64. The servicer will set the initial WSC Charges and make Annual True-Ups and Semi-Annual True-Ups, if necessary, based upon the methodology set forth in this Financing Order.

65. The servicer may also make Interim True-Up adjustments at any time during the term of the Bonds: (i) if the servicer forecasts that WSC 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 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.

66. Annual True-Ups, Semi-Annual True-Ups, if necessary, and Interim True-Up adjustments, if necessary, shall be filed not less than 15 days prior to the first billing cycle of the month in which the revised WSC Charges will be in effect.

(10) Additional True-up Provisions.

67. The true-up adjustment filing will set forth the servicer's calculation of the true-up adjustment to the WSC Charges. The PUD will have [15] days after the date of a true-up adjustment filing in which to confirm the mathematical accuracy of the 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 [15] 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 12 months if required by the servicing agreement.

68. 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 WSC Charges and greater benefits to customers and should be approved.

69. The servicer shall request a non-standard true-up adjustment to address any decrease in the threshold billing units of 10% or more in one or more Rate Classes. The form of notice for a non-standard true-up adjustment is attached as Appendix E to this Financing Order.

(11) Use of Proceeds.

70. The Authority will direct the State Treasurer to 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 William H. Thompson.

71. In accordance with Section 5(G) of the Act, upon the entry of a Financing Order, PSO 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, 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.

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. OG&E 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 be 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 71 and 72 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, 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 WSC 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 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 WSC 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

WSC 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 WSC 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 WSC 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 sale agreement and the related bill of sale, including the irrevocable right to impose, collect and receive WSC Charges and the revenues and collections from WSC 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 WSC 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 WSC 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 WSC 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 WSC Charges are required to be imposed and adjusted on customers and be paid to the 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 WSC 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 WSC 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 WSC Charges and to issue the Bonds, the servicer will be able to recover the WSC Charges associated with such securitization property only for the benefit of the ODFA and the holders of the Bonds in accordance with the servicing 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 collector of WSC Charges relating to the securitization property, 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 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 shall be special obligations of the Authority payable solely from revenues received from the securitization property. The Bonds authorized by this Financing Order are not an indebtedness of the Utility.

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 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"[32]).

[32] 74 Okla. Stat § 74-5062.15 (2016).

For these purposes, "the rights hereby vested in the Authority" stated above include rights embedded in the securitization property vested in the Authority, in owners of the Bonds or in the Commission under the Act to impose, adjust, collect and remit WSR 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 Constitution. 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 retirement or refunding or implementing 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 WSC Charges approved in this Financing Order

40. As provided in Section 8(B) of the Act, the Bonds and the interest earned on the Bonds shall not be subject to taxation by the state, or by any county, 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. 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. 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. This Financing Order is final, is not subject to rehearing by this Commission, and is not subject to review or appeal except as expressly provided in Section 5(F) of the Act.

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

47. 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 WSC Charges.** The Utility 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 WSC Charges, as provided

in this Financing Order, WSC 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 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 Rider tariff provisions attached to this Financing Order.

B. WSC Charges.

9. **Imposition and Collection.** The Utility is authorized to impose on, and the 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 WSC Charges in an amount sufficient to provide for the timely recovery of the principal of 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 electric service and to assess and collect any amounts payable by any customer in respect of the securitization property.

11. **Collector of WSC Charges.** The Utility, including any successor to the Utility, or any subsequent servicer of the Bonds, or other entity which, under the terms of this Financing Order or the tariffs approved hereby, is required to bill the WSC Charges, must bill and collect WSC Charges from customers

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

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

14. **Nonbypassability.** The Utility and any other entity providing electric transmission or 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 WSC Charges from such customers, and such customers are required to pay such WSC Charges. The Commission will ensure that such obligations are undertaken and performed by the Utility and any other entity providing electric 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 WSC Charges, including non-standard true-ups, must be undertaken and conducted as described in this the WES 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 or any other entity that bills WSC Charges to customers must, at least annually, provide written notification to each customer for which the entity bills WSC Charges that the WSC Charges are the property of ODFA and not of the entity issuing such bill. The Utility shall impose the WSC Charge as a separate line item on 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.** All ongoing financing costs shall be recovered through the WSC Charges. The estimated ongoing financing costs as shown on 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 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 WSC 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 customers 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 servicer, 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 customer class that paid the WSC Charges during the last 12 months that the WES 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 WSC Charges paid by the customer class during the last 12 months the WES Rider charges were in effect and the denominator of which is the total WSC Charges paid by all customer classes during the last 12 months the WES Rider was in effect. The amount allocated by each Service Level shall be divided by the forecasted billing units, units or kWh, for the month in which the refund will take place in order to arrive at a per customer refund amount per [unit] or [kWh], as applicable.]

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

25. **Life of Bonds.** The scheduled final payment date of the Bonds authorized by this Financing Order must not exceed 20 years after issuance.

26. **Amortization Schedule.** The Commission approves, and the Bonds must be structured, to provide a WSC 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 servicing agreement with ODFA and to perform the servicing duties approved in this Financing Order. The 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 (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 shall be included as an identified revenue credit and reduce revenue requirements for the 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 WSC Charges, the ODFA, or a majority of the bondholders, may replace the Utility as the servicer in accordance with the terms of the servicing 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 WSC 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 must remit collections of the WSC 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 servicing agreement.

31. **Contract to Provide Service.** The Utility shall agree in the sale agreement and in the servicing agreement to continue to operate its transmission and distribution system (or, if by

law, the Utility or its successor is no longer required to own and/or operate both the transmission and distribution systems, then the Utility's distribution system) in order to provide electric services to the Utility's customers; provided, however, that this provision must not prohibit the Utility from selling, assigning, or otherwise divesting its transmission and distribution systems or any part thereof so long as the entities acquiring such system agree to continue operating the facilities to provide electric 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 servicer is billing customers for WSC Charges, the servicer must have the right to terminate transmission and distribution service to the end-use customer for non-payment by the end-use customer 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 [71] and [72].

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 becomes final [and no longer subject to any appeal.]

37. **Binding on Successors.** This Financing Order, together with the WSC Charges authorized in it, must be binding on the Utility and any successor to the Utility that provides transmission and distribution service directly to customers in the Utility's service area, any other entity that provides transmission or distribution services to customers within that service area (or if there are separate 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 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 premium, 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. Notwithstanding the foregoing, no securitization property must be created hereunder, and the Utility must not be authorized to impose, collect, and receive WSC Charges, until concurrently with the transfer of the Utility's rights hereunder to 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 WSC Charges associated with the costs that are the subject of the application, 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.] 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 WSC 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 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 WSC Charge revenues are sufficient to pay on a timely basis scheduled principal of 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 Public Service of Oklahoma ("PSO") for Approval of a Financing Order for the Collection of Increased Costs, Caused by the Extreme Winter Weather and Contained in the Regulatory Asset Authorized by Order 717625, including an Appropriate Carrying Cost, and such Other Relief as the Commission Deems PSO is Entitled*, Cause No. PUD 202100076 (the "Financing Order"), OKLAHOMA GAS AND ELECTRIC 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 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 WSC 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 Bonds (excluding costs of issuance and ongoing financing costs) is less than [____]%, accordingly, the proposed structuring, expected pricing, and financing costs of the 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 Bonds.

4. INITIAL WSC CHARGE

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

TABLE I
Input Values For Initial WSC Charges
Applicable period: from _________ __, ____ to _________ __, ____

Forecasted base rate revenue sales for each Customer classes for the applicable period:	
Bond debt service for the applicable period:	$ ___________
Charge-off rate for each Customer classes:	
Forecasted annual ongoing financing costs (See Attachment 2, Schedule B):	$ ___________
Current Bond outstanding balance:	$ ___________
Target Bond outstanding balance as of __/__/____:	$ ___________
Total Periodic Billing Requirement for applicable period:	$ ___________

Based on the foregoing, the initial WSC Charges calculated for each Rate Class are detailed in Attachment 3.

EFFECTIVE DATE

[In accordance with the Financing Order, the WSC Charge shall 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,

PUBLIC SERVICE OF OKLAHOMA

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 2021000076 (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 WES 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 CUSTOMER CLASSES

(1) Rate Class (Service Level)	(2) Periodic Billing Requirement Allocation Factor[1]
Residential SL6	%
Commercial and Industrial SL4/5	%
SL3 Primary	%
SL2 Primary Sub	%
SL1 Transmission	%
Total	100.0000%

[1] Determined in accordance with the methodology in the Financing Order.

<u>ATTACHMENT 4</u>

<u>UTILITY CERTIFICATION</u>

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 Public Service of Oklahoma ("PSO") for Approval of a Financing Order for the Collection of Increased Costs, Caused by the Extreme Winter Weather and Contained in the Regulatory Asset Authorized by Order 717625, including an Appropriate Carrying Cost, and such Other Relief as the Commission Deems PSO is Entitled,* Cause No. PUD 202100076 (the "Financing Order"), PUBLIC SERVICE OF OKLAHOMA (the "Utility" or the "Applicant") certifies that the calculation of the WSC Charges included in the Issuance Advice Letter were calculated in accordance with Financing Order. If the Commission determines that the calculation of the WSC 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,

PUBLIC SERVICE OF OKLAHOMA

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 Utility 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 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 servicer.

TRUE-UP LETTER

Date: ____________, 202_

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

Re: Application of Public Service of Oklahoma ("PSO") for Approval of a Financing Order for the Collection of Increased Costs, Caused by the Extreme Winter Weather and Contained in the Regulatory Asset Authorized by Order 717625, including an Appropriate Carrying Cost, and such Other Relief as the Commission Deems PSO is Entitled, Cause No. PUD 202100076

Dear___________:

Pursuant to the Financing Order adopted on the _____ day of _____, 202_ in *Application of Public Service of Oklahoma ("PSO") for Approval of a Financing Order for the Collection of Increased Costs, Caused by the Extreme Winter Weather and Contained in the Regulatory Asset Authorized by Order 717625, including an Appropriate Carrying Cost, and such Other Relief as the Commission Deems PSO is Entitled*, Cause No. PUD 202100076 (the "Financing Order"), Oklahoma Gas and Electric Company (the "Utility"), as Servicer of the R Bonds, or any successor Servicer on behalf of bond trustee as assignee of the ODFA shall apply [annually][quarterly] for a mandatory periodic adjustment to the WSC Charge. The Utility may apply for more frequent periodic adjustments in accordance with the Financing Order. 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 true-up adjustment shall be filed with the Commission not less than [15] days prior to the first billing cycle of the month in which the revised WSC Charges will be in effect. The Commission staff will have [15] 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 WSC Charge will be made in future true-up adjustment filings and will not delay the effectiveness of the WSC Charge.

Using the formula approved by the Commission in the Financing Order, this filing modifies the variables used in the WSC Charge calculation and provides the resulting modified WSC Charge. Attachments 1, 2 and 3 show the resulting values of the WSC Charge for each Customer class, as calculated in accordance with the Financing Order. The assumptions underlying the current WSC 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 WSC 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 WSC Charges	
Projected 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 WSC 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
WSC CHARGE CALCULATIONS

[Calculation Workpapers to be included.]

ATTACHMENT 3

WSC CHARGE FOR PAYMENT PERIOD

Customer classes (Service Level)	WSC Charge
Residential SL6	
Commercial and Industrial SL4/5	
SL3 Primary	
SL2 Primary Sub	
SL1 Transmission	

FORM OF NON STANDARD TRUE-UP LETTER

TRUE-UP LETTER

Date: ____________, 202_

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

Re: Application of Public Service of Oklahoma ("PSO") for Approval of a Financing Order for the Collection of Increased Costs, Caused by the Extreme Winter Weather and Contained in the Regulatory Asset Authorized by Order 717625, including an Appropriate Carrying Cost, and such Other Relief as the Commission Deems PSO is Entitled, Cause No. PUD 202100076

Dear___________:

Pursuant to the Financing Order adopted on the _____ day of _____, 202_ *in 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 Extreme Winter Weather Event of February 2021, and Related Relief*, OCC Docket No. ___________ (Financing Application) (the "Financing Order"), Oklahoma 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, shall apply for a Non Standard True-Up to the WSC Charge as it deems necessary to address any material deviations in usage and to change the Energy Allocation Factors . 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 [90] days prior to the first billing cycle of the month in which the revised methodology for calculating WSC Charges will be in effect.

The reason for this Non-Standard True-Up is:

Attachments [___________] show the revised methodology for calculating the WSC Charges.

Respectfully submitted,

[Utility]

By:____________________________________
Name:____________________________________
Title:____________________________________

Attachments

[ATTACHMENTS TO COME]

Mike Bartolotta

Senior Managing Director

Contact Information:

700 Milam Street
Suite 500
Houston, TX 77002

Telephone: 713.654.8641
michael.bartolotta@hillltopsecurities.com

Areas of Focus

- Head of Debt Capital Markets Banking and Head of Public Finance Banking – Southern Texas Region

Profile

- Over 35 years of experience in public finance industry with excess of $100 billion of financings
- Served as a Board Member of First Southwest from 1996 through 2014
- Served as a Board Member of PlainsCapital Bank from 2008 to 2013
- Founding Board Member of TexStar, a Texas local government pool
- Chairman of the Municipal Securities Rulemaking Board ("MSRB") from 2010 to 2011
- Member of the MSRB in 2008 and from 2009 to 2012
- Past chairman of the Securities Industry and Financial Markets Association, ("SIFMA"), Municipal Division executive steering committee and now life member
- Developed the fundamental analytical framework for the evaluation of public-private partnerships from a governmental perspective in 2006 with the analysis of potential disposition of wholly owned revenue assets
- Regular, recognized speaker at industry conferences including those sponsored by the Bond Buyer, the Society of Municipal Analysts, the National Association of Municipal Analysts, the American Association of Port Authorities and the International Bridge, Tunnel and Turnpike Association
- Recognized in New Orleans Federal Court as an expert in municipal securities

Public Benefit Affiliations Current and Past

- Municipal Securities Rulemaking Board
- Securities Industry and Financial Market Association, Municipal Division
- MD Anderson Cancer Center, Board of Visitors Member
- Memorial Hermann Health Systems, Investment Committee Member
- Save Our ER's Board Member

Education

- Bachelor of Science in Actuarial Science, University of Illinois at Urbana-Champaign

Licenses Held

- Registered Representative of the Financial Industry Regulatory Authority (FINRA)
  - General Securities Representative, Series 7
  - General Securities Principal, Series 24
  - Municipal Securities Representative, Series 52
  - Municipal Securities Principal, Series 53
  - Uniform Securities Agent, Series 63
  - Investment Banking Representative, Series 79

CERTIFICATE OF ELECTRONIC SERVICE

I, the undersigned, do hereby certify that on the 21st day of October 2021, a true and correct copy of the above and foregoing was sent electronically to:

Office of Attorney General
Attn: Utility Regulation
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Oklahoma City, OK 73105
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