

LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NUMBER U-36174-B

SOUTHWESTERN ELECTRIC POWER COMPANY, EX PARTE.

Docket No. U-36174, In re: Application for Recovery of Certain Storm Damage Costs Incurred as a Result of Hurricane Laura and Delta and the February 2021 Winter Storm Event, related securitization financing, establishment of a storm reserve, and for recovery of storm damage costs associated with the June 2023 storms.

(Decided at the June 19, 2024 Business and Executive Session.)

FINANCING ORDER

SOUTHWESTERN ELECTRIC POWER COMPANY

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In addition, the Financing Order adopts the definitions in Section 1227 of the Securitization Act.

INTRODUCTION AND JURISDICTION

Introduction

This Financing Order addresses the request of Southwestern Electric Power Company (“SWEPCO” or “the Company”) under the Louisiana Electric Utility Storm Recovery Securitization Act (the “Securitization Act”), codified at La. R.S. 45:1226-1240: (1) to finance, through the issuance of storm recovery bonds in the amount of approximately \$343 million, as set forth and more fully described in Order No. U-36174-A, which includes (a) LPSC-jurisdictional storm recovery costs of SWEPCO of \$180 million representing the total storm costs from both Hurricane Laura and Hurricane Delta and the February 2021 Winter Storm (as defined below) as authorized by separate order in this LPSC Docket No. U-36174, Order No. U-36174 (b) a \$150 million storm reserve liability of SWEPCO for the recovery of capital and distribution and transmission operation and maintenance expenses associated with the June 2023 Storms (as defined below) and storm recovery costs for future storms (the “Reserve”), (c) \$6.4 million in estimated carrying charges and (d) \$6.6 million in estimated upfront financing costs associated with the issuance of storm recovery bonds; (2) to approve the proposed financing structure and issuance of storm recovery bonds; (3) to approve the creation of storm recovery property, including the right for the imposition, collection, and periodic adjustments of storm recovery charges sufficient to pay the storm recovery bonds and associated financing costs; (4) to approve the sale of storm recovery property by SWEPCO to its financing subsidiary; and (5) to approve a rate schedule rider to implement the storm recovery charges.

As discussed in this Financing Order, the Louisiana Public Service Commission (“Commission” or “LPSC”) finds that SWEPCO’s application for authorization of the securitization transaction and its supplemental application for the establishment of a storm recovery reserve for storm recovery costs associated with the June 2023 Storms and future storm recovery costs, is granted and approved. The Commission also finds that the securitization transaction authorized in this Financing Order meets all applicable requirements of the Securitization Act. Accordingly, in accordance with the terms of this Financing Order, the Commission: (1) approves and authorizes the securitization financing transaction requested by SWEPCO; (2) authorizes the issuance by SWEPCO’s financing subsidiary of storm recovery bonds in one or more tranches in an aggregate principal amount of \$343 million, equal to the sum of: (a) \$180 million of LPSC-jurisdictional storm recovery costs, pursuant to the separate Order No. U-36174-A approved by the Commission in this LPSC Docket No. U-36174 (Phase II) on June 19, 2024 (the “Revenue Requirement Order”), plus (b) the costs of funding the Reserve in the amount of \$150 million segregated on the balance sheet of SWEPCO as a liability for the recovery of capital and distribution and transmission operation and maintenance expenses associated with the June 2023 Storms and for future storms, plus (c) upfront financing costs, which are estimated at \$6.6 million and are subject to further review, plus (d) carrying charges estimated to be \$6.4 million, with such sum being further subject to any plus or minus adjustment pursuant to the Issuance Advice Letter (as described below) authorized herein, including to reflect the costs of any approved credit enhancement; (3) approves the structure of the proposed securitization financing, including the ongoing financing costs; (4) approves the sale of storm recovery property;

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(5) approves the creation of storm recovery property, including the right for the imposition, collection and periodic adjustments of storm recovery charges in an amount to be calculated as provided in this Financing Order; and (6) approves the form of the storm cost recovery rider set forth in Appendix B to this Financing Order (the “SCR Rider”) to implement those storm recovery charges.

In the Issuance Advice Letter discussed herein, SWEPCO shall update the initial principal amount of the storm recovery bonds to be rounded up to the nearest \$100,000, with further potential adjustments pursuant to the Issuance Advice Letter process described herein. The rounding amount will be an addition to the Reserve. In the Revenue Requirement Order, the Commission determined the adjusted estimated securitization principal based on items agreed by the Company and Commission Staff to be \$343 million, including funding reasonable and prudent LPSC-jurisdictional storm recovery costs of \$180 million, the \$150 million Reserve for the June 2023 Storms and future storms, \$6.6 million in estimated upfront financing costs and \$6.4 million in estimated carrying charges.

The amount to be financed reflects that SWEPCO has received no insurance proceeds or government grants prior to the date of this Financing Order relating to these storm recovery costs. SWEPCO is not expected to receive any such insurance or grant proceeds. If SWEPCO receives insurance or permanent governmental grant proceeds after the date of this Financing Order, these amounts shall be returned dollar-for-dollar to customers through the Formula Rate Plan Rider (the “FRP”) or as the Commission shall otherwise direct.

SWEPCO is authorized to cause its wholly-owned subsidiary, referred to herein as the “SPE” (as further defined below), to issue storm recovery bonds to finance the updated aggregate principal amount reflected in the Issuance Advice Letter in accordance with the terms of this Financing Order.

SWEPCO submitted evidence demonstrating that the proposed securitization transaction is reasonably expected to result in lower overall costs as compared to traditional methods of financing or recovering utility storm recovery costs (including storm recovery reserves). SWEPCO’s financial analysis and testimony indicates that customers will realize significant benefits from securitization financing through lower surcharges as compared to traditional methods of financing or recovering utility storm recovery costs. Accordingly, the Commission concludes that the benefits for customers set forth in SWEPCO’s evidence are indicative of the benefits that customers will realize from the financing approved hereby, and that these benefits will result in lower overall costs or would avoid or mitigate rate impacts to customer as compared to traditional methods of financing or recovering utility storm recovery costs so long as the weighted average interest rate on all tranches of the storm recovery bonds is less than SWEPCO’s weighted average cost of capital, which was 8.357 % (grossed-up for taxes) as of February 17, 2023. SWEPCO’s weighted average cost of capital includes the equity component from SWEPCO’s Commission-authorized return on equity, which was established pursuant to Commission Order No. U-35441 issued February 17, 2023.

SWEPCO provided a general description of the storm damage and requested cost recovery in the testimony and exhibits submitted in Phase I of this LPSC Docket No. U-36174 its *Application of Southwestern Electric Power Company For (I) Recovery of Certain Storm Damage Costs Incurred as a Result of Hurricanes Laura and Delta; (II) Recovery of Certain Storm Restoration Costs Associated with the February Winter Storm Event; and (III) Expedited Treatment* filed October 18, 2021 (the “Phase I Application”). SWEPCO filed an application on July 31, 2023, requesting an increase in the amount to recover the costs for Hurricane Laura and Hurricane Delta (the “2020 Hurricanes”), the February 2021 Winter Storm, and the Reserve for the June 2023 severe storms and for future storms (the “Phase II Application,” and collectively with the Phase I Application, the “Applications”). The proposed financing transaction structure is consistent with the Securitization Act. Certain details of the final transaction structure, such as any overcollateralization requirements to support payment of the storm recovery bonds, and the final terms of the storm recovery bonds, will depend in part upon the requirements of the (up to three) nationally-recognized credit rating agencies, which will rate the storm recovery bonds, and in part upon the market conditions that exist at the time the storm recovery bonds are taken to the financial market.

The Commission recognizes the final financing transaction structure and pricing terms of the storm recovery bonds will affect the size of the storm recovery charges. Accordingly, this Financing Order provides for a process by which the Commission’s Staff and advisors, including the Commission’s financial advisor, Estrada Hinojosa, and any Commission legal counsel and regulatory consultants (in connection with the securitization financing) (collectively, the “Commission Advisors”), may review and comment on the bond issuance structure and pricing. This Financing Order also provides for a procedure by which the Commission, acting through a Commission designee, shall approve (or disapprove, with reasons) the final structure and pricing of the storm recovery bonds without further Commission action. The Commission determines that the Executive Secretary or the Chairman should be the Commission’s designee under this Financing Order, with individual authority to take action in that capacity. This review and approval process proposed by SWEPCO is in the best interest of customers and provides the necessary timeliness and finality to the issuance process.

Jurisdiction

The Louisiana Constitution, Article IV, Section 21(B), provides:

The commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations, and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.

Louisiana Revised Statute 45:1163(A)(1) provides:

The commission shall exercise all necessary power and authority over any street railway, gas, electric light, heat, power, waterworks, or other local public utility for the purpose of fixing and regulating the rates charged or to be charged by and service furnished by such public utilities.

Louisiana Revised Statutes 45:1168 provides in pertinent part:

No public utility shall issue any security, or assume any obligation or liability as guarantor, endorser, surety, or otherwise in respect of any security of any other public utility,... or of any other person until it has been authorized to do so by order of the commission.

Louisiana Revised Statute 45:1176 provides in pertinent part:

The Commission...shall investigate the reasonableness and justness of all contracts, agreements and charges entered into or paid by such public utilities with or to other persons, whether affiliated with such public utilities or not....

Sections 1228 and 1236 of the Securitization Act provide in pertinent part:

1228(B). The commission may grant an application under Subsection A of this Section in whole or in part by a financing order, and with such modifications thereto and upon such terms and conditions as the commission prescribes. If the commission issues a financing order approving any issue of storm recovery bonds under [the Securitization Act], the commission may consider whether the proposed structuring, expected pricing, and financing costs of the storm recovery bonds are reasonably expected to result in lower overall costs or would avoid or mitigate rate impacts to customers as compared with traditional methods of financing or recovering storm recovery costs. The commission may determine what degree of flexibility to afford to the electric utility in establishing the terms and conditions of the storm recovery bonds, including but not limited to repayment schedules, interest rates, and other financing costs. 1236. Nothing in this [Securitization Act] is intended to be nor shall be construed to constitute any limitation, derogation, or diminution of the jurisdiction or authority of the commission provided by law, including that provided in or exercised by the Public Service Commission pursuant to the Constitution of Louisiana

The Company is an electric public utility, as defined in La. R.S. 45:121. The SPE to be used in the financing transaction sought by SWEPCO's Phase II Application will be a wholly-owned subsidiary of the Company. As a result of all of the foregoing, the Commission has jurisdiction and authority over the Applications.

DISCUSSION AND STATUTORY OVERVIEW

In 2020, SWEPCO's service territory was struck by two hurricanes (the "2020 Hurricanes"): Laura (August 27, 2020) and Delta (October 9, 2020), causing substantial damage to SWEPCO's transmission and distribution facilities. In 2021, SWEPCO's service territories were impacted by winter storm Uri (February 14, 2021) (the "2021 Winter Storm"), causing power outages due to prolonged freezing temperatures. In Phase I of this LPSC Docket No. U-36174, the Commission approved an interim storm surcharge for the Company to commence recovery relating to its storm recovery costs.

Subsequent to the Phase I filing, on June 16, 2023, hurricane-force straight-line winds left nearly a quarter of a million customers without power in SWEPCO's three retail service territories (the "June 2023 Storms"). SWEPCO has requested that the Commission grant authorization for the requested securitization financing to recover its storm recovery costs from the 2020 Hurricanes, the 2021 Winter Storm and the June 2023 Storms, and to fund the Reserve.

Discussion and Statutory Overview

In 2006, the Louisiana Legislature authorized electric utilities to use securitization financing for storm recovery costs, including the financing of any storm recovery reserves, through the issuance of “storm recovery bonds.” The Securitization Act defines “storm” to include hurricanes and ice storms. Storm recovery bonds must be approved in a financing order by the LPSC (for utilities outside New Orleans). This Securitization Act, as amended, is codified at La. R.S. 45:1226-1240.¹

If storm recovery bonds are approved and issued, the customers of SWEPCO must pay the principal of the storm recovery bonds, together with interest and related financing costs, through storm recovery charges. Storm recovery charges, to the extent provided in the Securitization Act and this Financing Order, are nonbypassable charges paid by all of SWEPCO’s LPSC-jurisdictional customers as a component of the monthly charge for electric service. This Financing Order contains terms ensuring² that the imposition and collection of storm recovery charges authorized herein shall be from all customers; that is, all existing and future LPSC-jurisdictional customers who remain attached to SWEPCO’s (or its successors or assigns) electric transmission or distribution lines, and who, via such lines, receive any type service from SWEPCO or its successors or assigns under rate schedules or special contracts approved by the Commission, even if a customer has chosen to switch to self-generation or co-generation. These provisions make the storm recovery charges “nonbypassable”, as required for favorable federal income tax and rating agencies treatment. Storm recovery charges will be collected by SWEPCO, as initial servicer, or its successor as provided for in this Financing Order.

The Securitization Act permits the Commission to consider whether the proposed structuring, expected pricing, and financing costs of the storm recovery bonds are reasonably expected to result in lower overall costs or would avoid or mitigate rate impacts to customers as compared with traditional methods of financing or recovering storm recovery costs, including any storm recovery reserves deemed appropriate by the Commission.³ The primary benefits of the proposed structure arise from replacing traditional debt and equity of the utility with highly rated debt with lower interest costs. In this proceeding, SWEPCO’s financial analysis and testimony shows that the securitization financing, as proposed by SWEPCO, will produce significant benefits through lower surcharges to customers as compared to traditional financing methods for recovering utility storm recovery costs. SWEPCO’s weighted average cost of capital from February 17, 2023, was 8.357% (grossed-up for taxes). SWEPCO’s weighted average cost of capital includes the equity component from SWEPCO’s Commission-authorized return on equity, which was established pursuant to Commission Order No. U-35441 issued February 17, 2023. In comparison, assuming for instance a weighted average annual interest rate of the storm recovery bonds of 5.702% in a base case scenario, this difference in the cost of capital yields savings (calculated using the amount requested to be financed by SWEPCO) of approximately \$41.7 million on a net present value basis compared to the amount that would be recovered under

¹ As permitted by La R.S. 45 § 1227(15).

² As permitted by La R.S. 45 § 1227(15).

³ La R.S. 45 § 1228(B).

Discussion and Statutory Overview

traditional financing methods. SWEPCO will be required to update the benefit analysis in the final Issuance Advice Letter to verify that the final amount financed provides savings compared to traditional financing methods.

This Financing Order also includes a mechanism requiring that storm recovery charges be reviewed and adjusted at least semi-annually (*i.e.*, every six (6) months),⁴ to correct over-collections or under-collections during the preceding collection period and to ensure the projected recovery of amounts sufficient to provide timely payment of debt service on the storm recovery bonds and related financing costs. In addition, other interim adjustments to the storm recovery charges may be requested if necessary to assure timely payment of the storm recovery bonds. As an example, in addition to the semi-annual reviews, during the 12 months prior to the scheduled final payment date for the latest maturing tranche of the storm recovery bonds, quarterly reviews and adjustments will be required in order to assure the payment of debt service on the bonds and related ongoing financing costs. These provisions will help to ensure that the amount of storm recovery charges paid by customers is neither more nor less than the amount necessary to cover the storm recovery costs, storm recovery reserves amounts and financing costs of this financing.

The State of Louisiana has pledged to and agreed with the storm recovery bondholders, the owners of the storm recovery property, and other financing parties that the State of Louisiana will not:

Alter the provisions of the Securitization Act which authorize the Commission to create a contract right by the issuance of this Financing Order, to create storm recovery property, and to make the storm recovery charges imposed by this Financing Order irrevocable, binding, and nonbypassable charges;

Take or permit any action that impairs or would impair the value of the storm recovery property created pursuant to this Financing Order; or

Except for adjustments under any true-up mechanism established by the Commission, reduce, alter, or impair storm recovery charges that are to be imposed, collected, and remitted for the benefit of the bondholders and other financing parties, as applicable, until any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the storm recovery bonds have been paid and performed in full.⁵

In addition, the Commission pledges and covenants below in this Financing Order that after the earlier of the transfer of storm recovery property to an assignee or the issuance of storm recovery bonds authorized by this Financing Order, this Financing Order is irrevocable until the

⁴ As provided by La R.S. § 1228(C)(4).

⁵ La R.S. 45 §1234(B).

Discussion and Statutory Overview

indefeasible payment in full of the storm recovery bonds and the related financing costs. “Indefeasible” in this context does not refer to the potential defeasance in the future of the storm recovery bonds, but rather that the payment and satisfaction of the bonds and related financing costs are permanent and cannot be revoked or made void. Except in connection with a refinancing or refunding of the bonds⁶ or to implement 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 storm recovery charges approved in this Financing Order.

Nothing in the State of Louisiana and Commission pledges and agreements described above precludes a limitation or alteration of this Financing Order and the storm recovery property if and when full compensation is made for the full protection of the storm recovery charges collected pursuant to this Financing Order and the full protection of the bondholders and any assignee or financing party.

Storm recovery property constitutes an existing, present contract right susceptible of ownership, sale, assignment, transfer, and security interest, and the property will continue to exist until the storm recovery bonds issued pursuant to this Financing Order are paid in full and all financing costs of the storm recovery bonds have been recovered in full. In addition, the interests of an assignee or financing party in storm recovery property (as well as the revenues and collections arising from that property) are not subject to setoff, counterclaim, surcharge, or defense by SWEPCO or any other person or in connection with the bankruptcy of SWEPCO or any other entity.

SWEPCO has not requested, and this Financing Order does not grant, any authority to refinance storm recovery bonds authorized by this Financing Order. This Financing Order does not preclude SWEPCO from filing a request for a financing order to refinance, retire or refund the storm recovery bonds approved in this Financing Order upon a showing that the customers of SWEPCO would benefit and that such a financing is consistent with the terms of the outstanding storm recovery bonds. The Commission then may adopt a financing order providing for the retiring and refunding of storm recovery bonds.

To facilitate compliance and consistency with applicable statutory provisions, this Financing Order adopts the definitions in Section 1227 of the Securitization Act.

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⁶ As permitted in La R.S. 45 § 1228(F).

Description of Proposed Transaction

DESCRIPTION OF PROPOSED TRANSACTION

A brief summary of the proposed financing transaction is provided in this section. A more detailed description is included in Section IV.C, titled “Structure of the Proposed Financing,” and in all the testimony and exhibits supporting the Phase II Application (the “Securitization Testimony”).

The proposed financing structure has been used in a previous securitization financing transactions approved by the Commission and the City of New Orleans,⁷ and includes all of the following:

- the creation of storm recovery property in favor of the Company;
- the issuance of storm recovery bonds by the SPE subsidiary of the Company (as detailed below);
- the sale of storm recovery property by the Company to the SPE assignee;
- the collection on behalf of the SPE of storm recovery charges by SWEPCO or its successors, as collection agent and servicer, which will be responsible for billing and collecting storm recovery charges from customers, and which charges will be trued-up periodically in order to ensure projected recovery of amounts sufficient to provide timely payment of the storm recovery bonds and financing costs; and
- the pledge of the storm recovery charges and rights under the servicing agreement by the SPE to the indenture trustee for the bondholders as security for the storm recovery bonds.

To facilitate the proposed securitization financing, SWEPCO proposes to use a special purpose storm recovery funding entity, the SPE, a wholly-owned subsidiary of SWEPCO, to which SWEPCO will transfer the storm recovery property, which includes the right to impose, bill, charge, collect, and receive storm recovery charges along with certain other rights arising pursuant to this Financing Order. Upon the effectiveness of this Financing Order, these rights are storm recovery property, a vested contract right of SWEPCO.

The SPE will issue storm recovery bonds and will transfer the net proceeds from the sale of the storm recovery bonds to SWEPCO in consideration for SWEPCO’s transfer of the storm recovery property to the SPE. The SPE is organized and will be managed in a manner designed to achieve the objective of maintaining the SPE as a bankruptcy-remote entity that would not be affected by the bankruptcy of SWEPCO or any other affiliates of SWEPCO or any of their respective successors or assigns. In addition, the SPE will have at least one independent manager whose approval will be required for major actions or organizational changes by the SPE.

⁷ Order No. U-29157-B, authorizing securitization financing for Cleco’s storm recovery costs incurred as a result of Hurricanes Katrina and Rita, Order No. U-31894-B, authorizing securitization financing under the similar Louisiana Electric Utility Investment Recovery Securitization Act for Entergy Louisiana LLC’s investment costs related to the Little Gypsy Unit 3 repowering project. In addition, the proposed financing structure was used after Hurricane Isaac in Entergy New Orleans, Inc.’s 2015 securitization financing under the Securitization Act authorized by New Orleans City Council Resolution No. R-15-193, and Order No. U-35807-B, authorizing securitization financing for Cleco’s storm recovery costs incurred as a result of Hurricanes Laura, Delta, and Zeta, Winter Storms Uri and Viola and the establishment of a storm reserve.

Description of Proposed Transaction

The storm recovery bonds will be issued pursuant to an indenture administered by an indenture trustee. The storm recovery bonds will be secured by and payable solely out of the storm recovery property created pursuant to this Financing Order and other collateral described in SWEPCO's Securitization Testimony, including the SPE's rights under the servicing agreement with SWEPCO (collectively, the "Collateral"). That Collateral will be pledged by the SPE to the indenture trustee for the benefit of the holders of the storm recovery bonds and to secure payments due with respect to the bonds and related financing costs.

Pursuant to a servicing agreement, SWEPCO will act as the initial servicer of the storm recovery charges for the SPE, and it will undertake to collect such charges from the customers of SWEPCO and remit these collections to the indenture trustee on behalf of and to the account of the SPE. The servicer will be responsible for making any required or allowed true-ups of the storm recovery charges. If the servicer defaults on its obligations under the servicing agreement, the indenture trustee may appoint a successor servicer.

Storm recovery charges will be calculated to be sufficient at all times to pay the scheduled principal, interest and other related financing costs for the storm recovery bonds (including, when necessary, adjusting to bring principal payments on schedule for each of the next two (2) succeeding payment dates). The initial storm recovery charges will be calculated pursuant to the SCR Rider. Semi-annual, or, during the 12 months prior to the scheduled final payment date for the latest maturing tranche of the storm recovery bonds, quarterly true-ups will be required and performed to ensure that the amount projected to be collected from storm recovery charges is sufficient to service the storm recovery bonds. The methodology for calculating the storm recovery charges is illustrated in Appendix B and the form of true-up notice letter is attached as Appendix D. This methodology includes the allocation of revenue requirements among customer classes approved by the Commission in this Financing Order.

The Commission determines that SWEPCO's proposed transaction structure for the storm recovery charges should be utilized. The storm recovery bonds' amortization schedule is designed to result in relatively level and stable annual debt service and revenue requirements each year over the life of the storm recovery bonds.

The Commission has considered what degree of flexibility to afford to SWEPCO in establishing the terms and conditions of the storm recovery bonds, including but not limited to upfront and ongoing financing costs, scheduled final payment dates and legal maturity of the storm recovery bonds within the recommended duration, repayment schedules, variable versus fixed interest rates, the type and form of the transaction's securities registration (such as form of registration, and public vs. private offering), credit enhancement features, and selection of certain transaction participants. SWEPCO and the SPE will be granted flexibility in such matters, subject to the terms of this Financing Order and the Issuance Advice Letter process.

In its Securitization Testimony, SWEPCO requested the authority to cause the issuance of storm recovery bonds in an aggregate principal amount of approximately \$343 million, equal to the sum of: (a) approximately \$180 million of the LPSC-jurisdictional portion of the storm

Description of Proposed Transaction

recovery costs for the 2020 Hurricanes and the 2021 Winter Storm, plus (b) the costs of funding the Reserve in the amount of approximately \$150 million as an amount segregated on the balance sheet of SWEPCO as a liability for storm recovery costs for the June 2023 Storms and for future storms, plus (c) upfront financing costs, which were estimated at \$6.6 million, and which are subject to further review (as provided in the next paragraph), plus (c) costs charges of approximately \$6.4 million. SWEPCO has received no pertinent permanent governmental grant or insurance proceeds prior to the issuance of this Financing Order.

The Commission finds that SWEPCO should be permitted to finance its storm recovery costs (including storm recovery reserves costs) and upfront financing costs, as SWEPCO requests in the Applications, as adjusted in accordance with the terms of this Financing Order. The Commission is mindful of the fact that several of the components of these upfront financing costs will vary depending upon the size of the final issuance of the storm recovery bonds. Specifically, the Commission realizes that the SEC registration fee, the rating agency fees and underwriters' fees typically are proportional to the principal amount of the pertinent bonds. In addition, the SEC formula for calculating registration fees changes from time to time. Further, other upfront financing costs, such as legal and accounting fees and expenses, printing expenses and trustee costs will not be known until the issuance of the storm recovery bonds or even thereafter, when final invoices are submitted. Accordingly, in the Issuance Advice Letter, SWEPCO should update the financing costs being financed to reflect any change in the estimates of the SEC registration fee, the rating agency fees and underwriters' fees, as a result of a change in the size of the bond financing or a change in the SEC registration fee formula and should otherwise update the estimates in light of then current information. The final upfront financing costs also will include the costs of the Commission Advisors. SWEPCO's total upfront financing costs are estimated at \$6.6 million, but the amount of upfront financing costs set forth in the Issuance Advice Letter will be used for purposes of calculating the aggregate principal amount of the storm recovery bonds. These amounts are preliminary and will be subject to further review on the following basis. Within ninety (90) days after the issuance of the storm recovery bonds, the initial upfront financing costs will be reviewed and reconciled to the actually incurred costs. If actual upfront financing costs are less than the estimated upfront financing costs included in the principal amount financed, the periodic billing requirement for the first semi-annual true-up adjustment will be reduced by the difference between the estimated upfront financing costs minus the actual upfront financing costs (together with income earned thereon through investment by the indenture trustee in eligible investments) and such unused difference (together with income earned thereon through investment by the indenture trustee in eligible investments) shall be available for payment of debt service on the bond payment date next succeeding such true-up adjustment. The Commission will not make or cause adjustments to the storm recovery charges, the storm recovery property, or the storm recovery bonds as a result of this review of the upfront financing costs, except in the manner expressly stated in Ordering Paragraph 3.

In addition, SWEPCO has requested that the ongoing financing costs incurred by the SPE in connection with the administration and servicing of the storm recovery bonds should not be

Description of Proposed Transaction

included in the principal amount of the storm recovery bonds, but instead should be recovered through the storm recovery charges, subject to the periodic true-up of those charges as provided in this Financing Order. Many of these ongoing costs will not be known until they are incurred. SWEPCO will be the initial servicer and administrator. The annual servicing fee payable to SWEPCO following the issuance of the storm recovery bonds will be fixed at 0.10% of the initial principal amount of the storm recovery bonds, subject to the mechanism referred to in Findings of Fact Paragraph 58. The annual administration fee compensation to SWEPCO for providing administrative and support services to the SPE will be fixed at \$100,000.00. In addition, SWEPCO, as initial servicer and administrator, shall be entitled to receive reimbursement for its out-of-pocket costs for external accounting and legal services as well as for other items of costs that will be incurred annually to support and service the storm recovery bonds after issuance. The servicing fee and the administration fee and any expenses incurred by SWEPCO under the servicing agreement and the administration agreement shall be included in any SWEPCO rate case in the manner provided in Ordering Paragraph 26. In the event that a servicer default occurs, the indenture trustee for the storm recovery bonds will be permitted to appoint a successor servicer with the consent of the SPE, which shall not be unreasonably withheld. The compensation of the successor servicer will be what is required to obtain the services and may be up to 0.60% of the initial principal amount of the storm recovery bonds per year without need of further Commission approval, or if SWEPCO (or the SPE or the financing parties) can reasonably demonstrate to the Commission that the services cannot be obtained at that compensation level under the market conditions at that time then at a higher annual servicing fee approved by the Commission. Furthermore, the Commission finds that SWEPCO may earn a rate of return on its capital investment in the SPE until returned by the SPE equal to the rate of interest established on the longest maturity tranche of the storm recovery bonds, to be paid by means of periodic distributions from the SPE that are funded first by the income earned thereon through investment by the indenture trustee in eligible investments and second by any deficiency being collected through the true-up adjustments, and further, any actual earnings in excess of that rate will be credited to customers through the FRP. SWEPCO will make its capital contributions from its own funds and not from the proceeds of the storm recovery bonds. The Commission finds that SWEPCO should be permitted to recover its ongoing financing costs, as SWEPCO requests, in accordance with the terms of this Financing Order.

Finally, SWEPCO has requested the establishment of a \$150 million Reserve to allow SWEPCO to fund storm recovery costs associated with the June 2023 Storms and future storm recovery costs at the lowest reasonable cost, without the delay and additional transaction costs associated with a separate later securitization financing transaction. To the extent that the June 2023 Storms storm recovery costs are ultimately less than \$150 million, SWEPCO proposed that such remaining amounts in the Reserve would then be applicable to future storms, to be used exclusively for storm damage and other storm-related costs. Because the storm recovery costs associated with the June 2023 Storms will not be final prior to the consummation of the securitization financing, SWEPCO is requesting the establishment of the Reserve. Upon completion of the securitization financing and the finalization of the June 2023 storm costs,

Description of Proposed Transaction

SWEPCO proposes to draw on the Reserve for both the capital costs and the operations and maintenance expense associated with the June 2023 Storms, as described in further detail in the Securitization Testimony of SWEPCO witnesses J. David Spring and Renee Hawkins. The June 2023 Storms storm recovery costs would be subject to prudence review by the Commission, and any cost deemed by the Commission upon audit to not be prudently incurred would be refunded to SWEPCO's LPSC-jurisdictional customers in the manner ordered by the Commission.

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Identification and Procedure

Identification of Applicant and Application

SWEPCO is a Delaware corporation, providing integrated electric utility services, including the generation, purchase, transmission, distribution, and sale of electricity, to approximately 235,287 retail customers located in central and northwestern Louisiana.

SWEPCO is a wholly-owned subsidiary of American Electric Power Company, a New York corporation.

Procedural History

On October 18, 2021, SWEPCO filed its Phase I Application with the Commission requesting, among other relief, authorization to recover on an interim basis its return on (calculated at the Company's weighted average cost of capital) the Company's storm damage costs incurred as a result of the 2020 Hurricanes and the 2021 Winter Storm. The Company proposed two phases for this proceeding. Phase I was a request for authorization for interim recovery relating to storm recovery costs. Phase II was a request for authorization to recover storm recovery costs in respect of the 2020 Hurricanes and 2021 Winter Storm, to establish a new funded storm recovery reserve for the June 2023 Storms and future storms, and for securitization financing of the final storm damages costs and the new funded storm recovery reserve. At the time of the filing in October 2021, SWEPCO estimated the LPSC-jurisdictional share of its total storm damage costs from the 2020 Hurricanes and 2021 Winter Storm to be approximately \$180 million. SWEPCO stated that an immediate interim amount of retail jurisdictional revenue relief was needed in order to maintain the Company's financial metrics and avoid significant constraints upon operations as well as capital projects.

On April 26, 2023, the Commission authorized interim recovery as reflected in Order No. U-36174, issued May 24, 2023, determining that the distribution and transmission O&M portion of SWEPCO's LPSC-jurisdictional storm damage costs to be recovered were reasonable and prudent and eligible for recovery. The Commission allowed SWEPCO to collect through interim carry charges approximately \$16 million annually as interim recovery.

On July 31, 2023, SWEPCO submitted its Phase II Application to the Commission requesting (a) authorization to create a funded storm reserve liability account in the amount of approximately \$150 million and (b) the Commission to issue two orders simultaneously in the Phase II proceeding, a "Revenue Requirement Order" and a "Financing Order". The Phase II Application further requested authorization to finance, through the issuance of securitized storm recovery

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bonds, the amount of approximately \$343 million, equal to the sum of: (i) approximately \$180 million of the LPSC-jurisdictional portion of the storm recovery costs for the 2020 Hurricanes and 2021 Winter Storm, plus (ii) the costs of funding a new storm recovery reserve in the amount of \$150 million segregated on the balance sheet of SWEPCO as a liability, plus (iii) upfront financing costs, which were estimated at \$6.6 million but which would be subject to further review and adjustment as provided in this Financing Order plus (iv) carrying charges estimated to be \$6.4 million. The Phase II Application also requested approval and authorization of the proposed financing structure, including the ongoing financing costs, the creation of storm recovery property and its sale by SWEPCO to its special purpose financing subsidiary, and rate schedules implementing these requests.

In its Securitization Testimony, SWEPCO submitted evidence demonstrating additional storm recovery costs incurred by SWEPCO in connection with additional significant weather events that occurred after the filing of SWEPCO's Phase I Application for interim rate relief, the June 2023 Storms. SWEPCO requested to include an additional approximately \$150 million as an amount segregated on the balance sheet of SWEPCO as a liability (but not in a separately managed bank account) to fund storm recovery costs associated with the June 2023 Storms as well as future storms, as part of the securitization financing.

In its Phase II Application filed on July 31, 2022, SWEPCO requested the recovery of \$336.2 million. SWEPCO requested such amount to be financed through the storm recovery bonds and accordingly adjusted various costs, benefits, calculations and proposed amortization schedule for the securitization financing.

In its Securitization Testimony (as supplemented) for a financing order under Section 1228(A) of the Securitization Act, SWEPCO sought to finance and to cause the issuance of storm recovery bonds in an aggregate principal amount of approximately \$343 million, equal to the sum of: (a) approximately \$180 million in LPSC-jurisdictional storm recovery costs plus (b) the costs of funding the Reserve in the amount of \$150 million, plus (c) upfront financing costs, which were estimated at \$6.6 million but which are subject to further review and adjustment as provided in this Financing Order, plus (d) estimated carrying charges of \$6.4 million.

The Applications include the respective schedules, attachments, and testimony and related exhibits to each.

SWEPCO and the Commission Staff have entered into an Uncontested Proposed Stipulated Settlement dated April 24, 2024 for Phase II (the "Stipulated Settlement") and have filed, with supporting testimony, an Unopposed Joint

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Motion for Consideration by the Commission Pursuant to Rule 6 of the Commission's Rules of Practices and Procedures and Approval of the Uncontested Proposed Stipulated Settlement. There were no intervenors, and no party opposed the resolution of all issues in this Docket No. U-36174.]

On June 19, 2024, the Commission, pursuant to its Rules of Practice and Procedure, approved the Revenue Requirement Order determining that SWEPCO is entitled to recover (a) \$180 million of storm recovery costs, (b) \$150 million to fund the Reserve, and (c) for purposes of calculating the principal amount financed (i) \$6.6 million in estimated upfront financing costs and (ii) \$6.4 million in estimated carrying charges.

On June 19, 2024, the Commission, pursuant to its Rules of Practice and Procedure, approved this Financing Order at its Business and Executive Session (and the U-36174 Revenue Requirement Order, concluding Phase II as well as Phase I).

Financing Costs and Amount to be Financed

Storm Recovery Costs

Storm recovery costs are defined by Sections 1227(13) and (16) to include costs incurred by SWEPCO in activities connected to the restoration of service associated with electric power outages affecting its customers as a result of storms and the costs to fund and finance the approved storm recovery reserves. The 2020 Hurricanes, the 2021 Winter Storm and the June 2023 Storms all are included within the scope of the definition of storm in Section 1227(12).

Pursuant to the Revenue Requirement Order, the Commission determined that SWEPCO has incurred LPSC-jurisdictional storm recovery costs that were reasonable and prudent in the aggregate amount of approximately \$180 million. In addition to the foregoing, there are additional storm recovery costs estimated to be \$45 million for identified June 2023 Storms storm recovery activities that are not yet complete. After these projects are complete, as provided in the Revenue Requirement Order, SWEPCO will submit to the Commission Staff a final accounting which will be reviewed and reconciled by the Commission Staff to prudently and actually incurred storm recovery costs for these projects. If the actual prudently incurred storm recovery costs for these projects are lower than the estimated \$45 million included in the principal amount financed, the difference will be credited to the Reserve liability account. If the actual prudently incurred storm recovery costs are higher than the estimated \$45 million, the balance will be charged to the Reserve liability account. The Commission will not make or cause adjustments to the storm recovery charges, the storm recovery property, or the storm recovery bonds as a result of this review and reconciliation. The resulting costs constitute storm

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recovery costs under the Securitization Act and are eligible for recovery pursuant to this Financing Order.

SWEPCO has proposed securitization financing of the gross amount of storm recovery costs before any reduction for the income tax benefits and other tax effects relating to the incurrence of such costs. The tax benefits or other tax effects include with respect to accumulated deferred income taxes (a) the deduction of storm related operation and maintenance expenses and (b) the tax depreciation relating to the capitalized storm recovery costs. SWEPCO has agreed that the allowed benefits associated with these deferred taxes inure to the benefit of customers as reflected in the FRP.

Pursuant to the Revenue Requirement Order, the Commission determined that the level of storm recovery reserves for the June 2023 Storms and for future storms in the amount of \$150 million is appropriate. The storm recovery reserve costs constitute “storm recovery costs” under the Securitization Act and are eligible for recovery and financing through storm recovery bonds pursuant to this Financing Order.

Upfront and Ongoing Financing Costs

Upfront financing costs are those that will be incurred in advance of, or in connection with, the issuance of the storm recovery bonds, and those costs will be recovered or reimbursed from storm recovery bond proceeds, except as otherwise provided in this Financing Order. Consistent with Section 1227(5)(c), upfront financing costs include, without limitation, underwriting costs (fees and expenses of underwriters and their counsel), rating agency fees, costs of obtaining additional credit enhancements (if any), costs of entering into hedge and swap transactions (if any), fees and expenses of SWEPCO’s legal advisors, accountants, and structuring advisor, SEC registration fees, original issue discount, external servicing costs, fees and expenses of the Commission Advisors, fees and expenses of the indenture trustee for the bondholders and its counsel, printing and filing costs, formation and setup costs relating to the SPE, non-legal securitization proceeding costs and expenses of SWEPCO, and miscellaneous administrative costs. The upfront financing costs (excluding costs of obtaining any credit enhancements, if any) are estimated to be \$6.6 million, which \$6.6 million amount will be included in the principal amount of the storm recovery bonds under this Financing Order, subject to later review under Findings of Fact Paragraph 21 and Ordering Paragraph 3.

Ongoing financing costs are those that will be incurred annually to support and service the storm recovery bonds after issuance, and those costs will be recovered or paid from storm recovery charges. Consistent with Section 1227(5)(c), the ongoing financing costs include, among other costs, servicing fees, administrative fees, fees and expenses of the indenture trustee and its counsel, external accountants’ fees,

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external legal fees and expenses, ongoing costs of additional credit enhancement (if any), costs of hedge and swap transactions (if any), independent manager's fees, rating agency fees, printing and filing costs, true-up administration fees, fees and expenses of counsel for SWEPCO and the SPE, the ongoing financing costs set forth in Findings of Fact Paragraph 80, and other miscellaneous costs.

The actual upfront financing costs and certain ongoing financing costs will not be known until on or about the date the storm recovery bonds are issued; other upfront and ongoing financing costs may not be known until such costs are incurred. In consultation with the Commission Staff and Commission Advisors, SWEPCO and the SPE will select the underwriters. Except for underwriters and indenture trustee services, it will not be practical for SWEPCO or the SPE to solicit proposals for other ongoing services.

SWEPCO has provided estimates of upfront financing costs totaling approximately \$6.6 million in Appendix C. SWEPCO has also provided in Appendix C estimates of ongoing financing costs for the first year following the issuance of the storm recovery bonds to be approximately \$750,000.00, assuming SWEPCO is the servicer. SWEPCO shall update the estimate of ongoing financing costs prior to the pricing of the storm recovery bonds as part of the Issuance Advice Letter process.

Within ninety (90) days after the issuance of the storm recovery bonds, SWEPCO will submit to the Commission Staff a final accounting of its upfront financing costs which will be reviewed and reconciled by the Commission Staff to the actually incurred costs. If the actual upfront financing costs are less than the estimated \$6.6 million upfront financing costs included in the principal amount financed, the periodic billing requirement for the first semi-annual true-up adjustment shall be reduced by the difference between the estimated upfront financing costs minus the actual upfront financing costs (together with income earned thereon through investment by the indenture trustee in eligible investments) and such unused difference (together with income earned thereon through investment by the indenture trustee in eligible investments) shall be available for payment of debt service on the bond payment date next succeeding such true-up adjustment. The Commission will not make or cause adjustments to the storm recovery charges, the storm recovery property, or the storm recovery bonds as a result of this review of the upfront financing costs, except in the manner expressly stated in Ordering Paragraph 3.

Adjustments to the Amount Financed for Rounding; Carrying Charges

SWEPCO should be authorized, as part of the Issuance Advice Letter process, to adjust the initial principal amount of the storm recovery bonds to be rounded up to the nearest \$100,000. The rounding amount will be an addition to the Reserve.

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Carrying charges incurred by SWEPCO after March 31, 2024 and before the issuance of the securitization shall accrue at 3.125% on the storm recovery costs balance of the 2020 Hurricanes and the 2021 Winter Storm, and shall accrue at 5.65% for the June 2023 Storm from July 1, 2023 and before the issuance of the securitization, including the capital costs and including the amount accrued through the date of securitization in the principal amount of the storm recovery bonds.

Amount to be Financed

SWEPCO is authorized to cause storm recovery bonds to be issued by its SPE in an aggregate principal amount of \$343 million, to be established pursuant to Ordering Paragraph 25, equal to the sum of: (a) \$180 million of storm recovery costs pursuant to the Revenue Requirement Order, plus (b) the costs of funding the Reserve in the amount of \$150 million, plus (c) upfront financing costs which are estimated (for this purpose) at \$6.6 million (but are subject to further review as provided in Findings of Fact Paragraph 21) plus (d) carrying charges which are estimated (for this purpose) at \$6.4 million, with such sum being further subject to any plus or minus adjustment, pursuant to the Issuance Advice Letter, including to reflect the costs of any approved credit enhancement or any rounding amount under Findings of Fact Paragraph 23.

Designee Appointment; Issuance Advice Letter Process

Because the actual structure and pricing of the storm recovery bonds and the precise amounts of upfront and ongoing financing costs will not be known at the time that this Financing Order is issued, SWEPCO has proposed a process by which the terms of the storm recovery bonds can be reviewed by the Commission Staff, the Commission Advisors and the Commission designee appointed below as they are developed and finalized and by which the final transaction terms and costs can be approved.

SWEPCO has requested that the Commission appoint a designee (the “Designee”) who is authorized to approve, by concurrence, the final terms, structuring and pricing of the transaction as set forth in the final Issuance Advice Letter. The Designee’s review of and concurrence with the Issuance Advice Letter, based upon advice of the Commission’s Staff and Commission Advisors, shall be limited to determining that (i) the final structuring, terms and pricing of the storm recovery bonds in the Issuance Advice Letter are consistent with the criteria established in this Financing Order and (ii) the mathematical calculations are accurate. The Designee shall approve the final Issuance Advice Letter if he determines that those two standards are met and such approval will be final, irrevocable and incontestable without need of further action by the Commission. The Commission finds that the appointment of a Designee is a reasonable method to protect customers and to assure SWEPCO and the investing public that all approvals in connection with the issuance of the

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storm recovery bonds have been obtained as further provided in Findings of Fact Paragraphs 34 and 35. The Commission Executive Secretary, or in his absence or incapacity the Chairman (and in his absence or incapacity, the Vice Chairman), is appointed as Designee, with individual authority to take action in that capacity (subject to Ordering Paragraph 8).

Following determination of the final terms of the storm recovery bonds and prior to the issuance of such bonds, SWEPCO must submit to the Commission Staff no later than two (2) business days after the pricing of the bonds an “Issuance Advice Letter”. The Issuance Advice Letter will include the estimated total upfront financing costs of the storm recovery bonds estimated to be \$6.6 million, the updated estimated ongoing financing costs of administering and supporting the bonds, the required principal amount of the bonds, as well as the interest rates and other terms of the bonds. The Issuance Advice Letter will be completed to report the actual dollar amount of the initial storm recovery charges and other information specific to the storm recovery bonds to be issued. The submitted Issuance Advice Letter shall be substantially in the form of Appendix A to this Financing Order.

SWEPCO will submit a draft Issuance Advice Letter to the Commission Staff for review no later than two (2) weeks prior to the expected date of initial marketing of the storm recovery bonds. Within one (1) week after receipt of the draft Issuance Advice Letter, Commission Staff will provide to SWEPCO any comments that Staff may have regarding the adequacy of the information provided, in comparison to the required elements of the Issuance Advice Letter.

A second draft Issuance Advice Letter shall be submitted by SWEPCO to the Commission Staff within two (2) business days before the scheduled pricing date of the storm recovery bonds, or such other date agreed to by the Company and the Commission’s Designee.

A final Issuance Advice Letter shall be submitted by SWEPCO to the Commission Staff within two (2) business days after the pricing of the storm recovery bonds, which shall contain or attach certificates from the Company and its bookrunning underwriters that include certification that the structure and pricing of the bonds complies with the terms of this Financing Order, including without limitation Findings of Fact Paragraph 98 and Ordering Paragraph 6. Only SWEPCO is required to sign the final Issuance Advice Letter. The bookrunning underwriter(s) certificate(s) will be attached to the final Issuance Advice Letter.

The Commission Staff, the Designee and the Commission Advisors shall provide prompt input to SWEPCO on Issuance Advice Letter filings so that any potential objections or issues regarding the information provided, including but not limited to the structuring and pricing of the storm recovery bonds, can be addressed as soon as practicable. The Commission acknowledges that the rejection of any pricing of the

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storm recovery bonds after an underwriting agreement is executed could have adverse consequences to SWEPCO in its future financing activities.

The completion and filing of an Issuance Advice Letter substantially in the form of the issuance advice letter attached as Appendix A is necessary to ensure that any securitization financing actually undertaken by SWEPCO complies with this Financing Order.

The final Issuance Advice Letter will update the benefit analysis of the net present value of the savings resulting from securitization, or the degree of customer rate mitigation, as compared to traditional methods of financing storm recovery costs.

Within one business day of receipt of the final Issuance Advice Letter, the Designee shall either (a) approve the transaction by executing a concurrence statement (the “Concurrence”) and delivering a copy to SWEPCO, or (b) reject the Issuance Advice Letter and state the reasons therefor. The Designee’s review of the Issuance Advice Letter shall be limited to the matters specified in Findings of Fact Paragraph 26. The Designee shall approve the transaction using the form of Concurrence attached as Attachment 5 to the Issuance Advice Letter. A change in market conditions between the date and time of the actual pricing of the storm recovery bonds and that of the Designee’s review of the Issuance Advice Letter shall not constitute grounds for rejecting the Issuance Advice Letter.

The Designee’s approval of the Issuance Advice Letter through the Concurrence shall be final, irrevocable, and incontestable without need of further action by the Commission and shall establish and evidence the binding approval by the Commission of the structuring, terms and pricing of the storm recovery bonds and all related documents and security as being consistent with this Financing Order. The Designee’s approval of the Issuance Advice Letter shall, pursuant to the Commission’s authority under this Financing Order and without the need for further action by the Commission, constitute the affirmative and conclusive authorization for SWEPCO and the SPE to execute the issuance of the storm recovery bonds on the terms set forth in the Issuance Advice Letter.

Customer Benefits

The Securitization Act permits the Commission to consider whether the proposed structuring, expected pricing, and financing costs of the storm recovery bonds are reasonably expected to result in lower overall costs or would avoid or mitigate rate impacts to customers as compared with traditional methods of financing or recovering storm recovery costs. The primary benefits of the proposed structure arise from replacing traditional debt and equity of the utility with highly rated, lower interest-bearing debt. In this proceeding, the Commission finds that

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SWEPCO's financial analysis and Securitization Testimony shows that the financing as proposed by SWEPCO will (a) produce a significant benefit to customers on a net present value basis [and/or] (b) avoid or mitigate rate impacts to customers, in each case as compared to conventional utility financing methods or alternative methods of recovery of storm recovery costs (including any storm recovery reserves). SWEPCO's weighted average cost of capital from February 17, 2023, is 8.357% (grossed-up for taxes). SWEPCO's weighted average cost of capital includes the equity component from SWEPCO's Commission- authorized return on equity, which was established pursuant to Commission Order No. U-35441 issued February 17, 2023. In comparison, assuming for instance a weighted average annual interest rate of the storm recovery bonds of 5.702% under a base case scenario, this difference in the cost of capital yields savings, on a net present value basis, of approximately \$41.7 million for the customers as compared to traditional methods of financing. The Commission finds that these benefits are reasonably expected to result in lower overall costs, and would avoid or mitigate rate impacts, to customers as compared to traditional methods of financing or recovering storm recovery costs so long as the weighted average interest rate on all tranches of the storm recovery bonds is less than SWEPCO's weighted average cost of capital.

The Securitization Act recognizes that this securitization financing is a valid public purpose. The Commission acknowledges that the lower interest rate obtainable on the storm recovery bonds requires that the Commission's obligations under this Financing Order be direct, irrevocable, unconditional and legally enforceable against the Commission.

Structure of the Proposed Financing

The Special Purpose Entity (The "SPE")

For purposes of this securitization, SWEPCO has created, or will create, the "SPE", a special purpose storm recovery funding entity that, as contemplated by Section 1228(D)(2), is a Louisiana limited liability company formed with SWEPCO as its sole member. The SPE is formed for the limited purpose of acquiring storm recovery property, issuing storm recovery bonds in one or more tranches, and performing other activities relating thereto or otherwise authorized by this Financing Order. The SPE will not be permitted to engage in any other activities and will have no assets other than storm recovery property and related assets to support its obligations under the storm recovery bonds. Obligations relating to the storm recovery bonds will be the SPE's only significant liabilities. These restrictions on the activities of the SPE and restrictions on the ability of SWEPCO to take action on the SPE's behalf are imposed to achieve the objective of ensuring that the SPE will be bankruptcy remote and not affected by a bankruptcy of SWEPCO. The SPE will be managed by a board of managers with rights and duties

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similar to those of a board of directors of a corporation. As long as the storm recovery bonds remain outstanding, the SPE will have at least one independent manager with no organizational affiliation with SWEPCO other than acting as independent manager for any other bankruptcy-remote subsidiary of SWEPCO or its affiliates. The SPE will not be permitted to amend the provisions of the organizational documents that ensure bankruptcy- remoteness of the SPE without the written consent of SWEPCO as the sole member plus the affirmative vote of a majority of its managers, including the affirmative vote of all independent managers. Similarly, the SPE will not be permitted to institute bankruptcy or insolvency proceedings or to consent to the institution of bankruptcy or insolvency proceedings against it, or to dissolve, liquidate, consolidate, convert, or merge, without the affirmative vote of SWEPCO as the sole member plus the unanimous affirmative vote of its managers, including the affirmative vote of all independent managers.⁸ Additionally, SWEPCO shall not apply for judicial dissolution of the SPE, and SWEPCO is not permitted to and shall not withdraw from or otherwise cease to be a member of the SPE for any reason whatsoever, including that SWEPCO itself shall not dissolve or otherwise terminate its legal existence, unless an acceptable new member of the SPE is substituted for SWEPCO, until all storm recovery bonds issued pursuant to this Financing Order and all financing costs have been paid in full. Other restrictions to facilitate bankruptcy-remoteness may also be included in the organizational documents of the SPE as required by the rating agencies. In addition, the Commission will waive any rights it may have to rescind this Financing Order under La. R.S. 12:1308.2(E) if the SPE becomes delinquent in filing its annual report required under La. R.S. 12:1308.1.

The initial capital of the SPE is expected to be a nominal amount. Concurrently with the issuance of the storm recovery bonds, an amount that will not be less than 0.50% of the original principal amount of the storm recovery bonds will be invested by SWEPCO (from separate funds) in the SPE as provided in Findings of Fact 67. Adequate funding of the SPE will minimize the possibility that SWEPCO would have to extend funds to the SPE in a manner that could jeopardize the bankruptcy remoteness of the SPE, and is a factor in treating the financing as a borrowing by SWEPCO for federal income tax purposes. A sufficient level of capital is necessary to minimize the risk that the SPE would not be treated as bankruptcy remote from SWEPCO and, therefore, assist in achieving the lowest reasonable cost to customers for the storms' damage.

The use and proposed structure of the SPE and the limitations related to its organization and management are necessary to minimize risks related to the proposed securitization transaction and to minimize the storm recovery charges. Therefore, the use and proposed structure of the SPE should be approved. The Commission

⁸ § 1228(D)(2).

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will not exercise any authority to approve or not approve any independent manager of the SPE selected by the Company.

Structure and Documents

The SPE will issue storm recovery bonds in one or more tranches, in an aggregate amount not to exceed the principal amount approved pursuant to this Financing Order, as adjusted pursuant to the Issuance Advice Letter. The SPE will pledge to the indenture trustee, as collateral for payment of the storm recovery bonds, the storm recovery property, including the SPE's right to impose and receive the storm recovery charges as and when collected, and certain other collateral described in SWEPCO's Securitization Testimony.

Concurrent with the issuance of any of the storm recovery bonds, SWEPCO will transfer to the SPE SWEPCO's rights under this Financing Order, including without limitation rights to impose, bill, charge, collect, and receive storm recovery charges approved in this Financing Order, but excluding SWEPCO's rights (i) to earn and recover the authorized rate of return on SWEPCO's capital investment in the SPE, and (ii) to receive the annual administrative fee and annual servicing fee and expenses under the contracts approved pursuant to this Financing Order (collectively, the "Company Retained Rights"). This transfer will be structured so that it will qualify as a true sale within the meaning of Section 1230(1). By virtue of the transfer, the SPE will acquire all of the right, title, and interest of SWEPCO in the storm recovery charges arising under this Financing Order.

The revenue calculation of the storm recovery charges authorized by this Financing Order will be at all times sufficient to pay the scheduled principal of and interest on the storm recovery bonds, together with related financing costs. The storm recovery bonds will be issued pursuant to the indenture administered by the indenture trustee for the bondholders. The indenture will include provisions for a collection account and subaccounts for the collection and administration of the storm recovery charges and payment or funding of the principal and interest on the storm recovery bonds and other financing costs in connection with the storm recovery bonds, as described in SWEPCO's Securitization Testimony. Any storm recovery charge revenues not required for the current payment of scheduled principal and interest due on the storm recovery bonds, together with related financing costs, including but not limited to the funding of any overcollateralization or reserve account, will be available to pay such amounts in a future period.

SWEPCO will prepare and submit to the Commission Staff and Commission Advisors proposed forms of an Indenture, a Limited Liability Company Agreement (for the SPE), a Sale Agreement, an Administration Agreement, and a Servicing Agreement, which set out in substantial detail certain terms and conditions relating to the transaction and security structure. Each of these documents will be reviewed

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and approved by the Commission Staff and Commission Advisors consistent with Findings of Fact Paragraph 95 and the Issuance Advice Letter process.

SWEPCO will also prepare and submit a proposed form of prospectus and term sheet or other offering documents to be used in connection with the offering and sale of the storm recovery bonds. These offering materials will be subject to review and comment by Commission Staff and Commission Advisors consistent with Findings of Fact Paragraph 95 and the Issuance Advice Letter process.

Credit Enhancement and Arrangements to Enhance Marketability

SWEPCO has not requested approval to use variable rate bonds or any hedges or swaps that might be used in connection therewith.

In current market conditions, it is uncertain whether the benefits of an interest rate swap within the storm recovery bond structure will outweigh the costs of researching and preparing the swap and result in lower storm recovery charges.

An interest rate swap within the storm recovery bond structure could expose customers to higher risks in relation to the storm recovery charges and the ability of the swap counterparty to meet its obligations.

The Commission concurs that the use of variable rate debt and the associated interest rate swaps or hedges is not advantageous or cost effective for customers.

Credit enhancements are not anticipated to be necessary. Nonetheless, the Company will propose the use of additional forms of credit enhancement (including letters of credit, overcollateralization accounts or reserve or other subaccounts, or surety bonds) and other mechanisms designed to promote the credit quality and marketability of the storm recovery bonds, if necessary, but only if such arrangements are reasonably expected to result in net benefits to customers. It may not be known until the storm recovery bonds are about to be issued whether the use of credit enhancements will be necessary. That decision therefore is appropriate to be made as part of the Issuance Advice Letter process. SWEPCO also asked that the costs of any credit enhancements as well as the costs of arrangements to enhance marketability be included in the amount of upfront financing costs to be financed. SWEPCO should be permitted to recover the upfront financing and ongoing financing costs of credit enhancements and arrangements to enhance marketability, provided that the Commission's financial advisor Estrada Hinojosa and SWEPCO agree in advance that such enhancements and arrangements provide benefits greater than their tangible and intangible costs pursuant to the Issuance Advice Letter process and Findings of Fact Paragraph 70. If the use of credit enhancements or other arrangements is proposed by SWEPCO, SWEPCO shall provide to the Commission's financial advisor copies of cost/benefit analyses, if any, performed by or for SWEPCO that support the request to use such arrangements. It would not

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be equitable for SWEPCO to have to bear any of the costs for such credit enhancements when the only reason for their incurrence would be to achieve lower storm recovery costs to customers than would result without the credit enhancement. The costs of credit enhancements provided for herein shall not be included in the adjustment calculations described in Findings of Fact Paragraph 20. Any such upfront costs will be reflected in the Issuance Advice Letter. This finding does not apply to the collection account, or its subaccounts, including any reserve account, which are approved elsewhere in this Financing Order.

SWEPCO's proposed use of credit enhancements and arrangements to enhance marketability is reasonable and should be approved, if the Commission's Designee determines, based upon the advice of the Commission's financial advisor Estrada Hinojosa, that the enhancements or arrangements provide benefits greater than their costs.

Storm Recovery Property

Pursuant to Section 1227(17), the storm recovery property consists of the following:

the rights and interests of SWEPCO or the successor or assignee of SWEPCO under this Financing Order, including the right to impose, bill, charge, collect, and receive storm recovery charges authorized in this Financing Order and to obtain periodic adjustments to such charges as are provided in this Financing Order, except for the Company Retained Rights, and

all revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in the first numbered bullet of this Paragraph, regardless of whether such revenues, collections, claims, rights to payments, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money, or proceeds.

The storm recovery property does not include SWEPCO's rights and obligations under the storm recovery bonds transaction documents, such as the Servicing Agreement and the Administration Agreement, and the other Company Retained Rights; provided, however, that storm recovery property shall include all of the SPE's rights and obligations under the storm recovery bonds transaction documents.

As of the effective date of this Financing Order, storm recovery property is created and established for the benefit of SWEPCO, which storm recovery property, pursuant to Section 1229(A) and Section 1230(3), is incorporeal movable property in the

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form of a vested contract right and is a contractual obligation of irrevocability by the Commission in favor of SWEPCO, its assignees and the financing parties.

Pursuant to Section 1228(C)(7) and Section 1229(B), the storm recovery property created by this Financing Order will continue to exist until the storm recovery bonds issued pursuant to this Financing Order are paid in full and all financing costs of the bonds have been recovered in full.

Storm recovery property and all other Collateral will be held (in pledge) and administered by the indenture trustee pursuant to the indenture, as described in SWEPCO's Securitization Testimony. This proposal will help ensure the desired highest bond credit ratings and therefore lower storm recovery charges and should be approved.

Servicer and the Servicing Agreement

SWEPCO will execute a servicing agreement with the SPE. The servicing agreement may be amended, renewed or replaced by another servicing agreement. SWEPCO will be the initial servicer. SWEPCO will not voluntarily assign or outsource this responsibility except with the Commission's prior approval and upon a demonstration that the costs under an alternative arrangement will be no more than if SWEPCO continued to perform such services itself, or there is another affiliate that will provide such services at the same or lower cost than if SWEPCO continued to perform such services itself, or there is a successor entity to SWEPCO as the result of a merger or other restructuring that assumes SWEPCO's responsibilities as the servicer and administrator. However, SWEPCO 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 impose and collect the applicable storm recovery charges for the benefit and account of the SPE or its assigns or pledgees, to make the periodic true-up adjustments of storm recovery charges required or allowed by this Financing Order, and to account for and remit the applicable storm recovery charges to or for the account of the SPE or its assigns or 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 indenture trustee acting under the indenture for the storm recovery bonds, or the indenture trustee's designee, may, or, upon the instruction of the requisite percentage of holders of the outstanding amount of storm recovery bonds, shall appoint an alternate party to replace the defaulting servicer, with the SPE's prior written consent (which shall not be unreasonably withheld), in which case the replacement servicer will perform the obligations of the servicer under the servicing agreement and Ordering Paragraph 42. The obligations of the servicer under the servicing agreement and the

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circumstances under which an alternate servicer may be appointed are more fully described in the servicing agreement. The rights of the SPE under the servicing agreement will be included in the storm recovery property and thus as Collateral pledged by the SPE to the indenture trustee under the indenture for the benefit of holders of the storm recovery bonds.

The servicer shall remit storm recovery charges to the SPE or the indenture trustee each servicer business day in accordance with the methodology described in the servicing agreement consistent with the Stipulated Settlement. Thus, while SWEPCO is the servicer, this methodology will include remittances based on estimated daily collections (subject to subsequent reconciliation with actual customer receipts), using a weighted average balance of days outstanding on retail bills and prior year's write-off experience. SWEPCO will not be required to credit customers with any earnings accruing to SWEPCO on transferred and untransferred daily collections of storm recovery charges.

The servicer will be entitled to an annual servicing fee fixed at 0.10% of the initial principal amount of the storm recovery bonds, subject to the mechanism described in Ordering Paragraph 26 (to include those fees as an identified revenue credit in each rate case next following collection of those fees), which ensures that both the customers and the Company are protected in the event the costs of servicing are greater or lesser than the fixed servicing fee. That methodology (the fixed fee and mechanism contained in that Ordering Paragraph) ensures that the annual servicing fee will include only those costs related to the servicing function and that customers will not be charged twice for the same costs. Ongoing external information technology costs, bank wire fees, and internal legal fees related to the servicing agreement are part of this servicing fee. In addition, SWEPCO, as initial servicer and administrator, shall be entitled to receive reimbursement for its out-of-pocket costs for external accounting and external legal services as well as for other items of costs that will be incurred annually to support and service the storm recovery bonds after issuance. The Commission approves the servicing fee as described herein as reasonable. The Commission also approves, in the event of a default by SWEPCO as the initial servicer resulting in the appointment of a successor non-affiliate servicer, a higher annual servicing fee not to exceed 0.60% of the initial principal amount of the storm recovery bonds, unless SWEPCO (or the SPE or the financing parties) demonstrates to the Commission that a higher servicing fee must be paid in order to obtain the services based on the prevailing market conditions at that time and the Commission approves such higher fee at such time as provided in Ordering Paragraph 42. To the extent a higher servicing fee is caused by the replacement appointment of a non-affiliate servicer due to the gross negligence, misconduct or termination for cause of SWEPCO or affiliate servicer, the servicing agreement will provide (for the benefit of the Commission) that SWEPCO shall

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bear the increased portion, and not its customers. In addition to the annual servicing fee, SWEPCO will be entitled to an annual administration fee for providing administrative and support services to the SPE fixed at \$100,000.00 (with no escalation). The Commission approves the administration fee as described herein as reasonable.

The obligations to continue to provide service and to collect and account for storm recovery charges will be binding upon SWEPCO and any other entity that provides transmission and distribution electric services to SWEPCO's LPSC-jurisdictional customers or, if the Company's transmission and distribution business is split, binding upon the entity that the Commission designates in connection with an order relating to such split. The Commission will enforce the obligations imposed by this Financing Order, the Commission's applicable substantive rules, and applicable statutory provisions.

When the storm recovery property created by this Financing Order is sold to the SPE, SWEPCO will enter into a contract with that assignee SPE that will require SWEPCO (or its successor under such contract) to continue to operate SWEPCO's electric transmission and distribution system providing service to SWEPCO's LPSC- jurisdictional customers. That contract with the SPE will further provide that if the transmission and distribution business of SWEPCO or its successor is split, SWEPCO or its successor will require that the entity acquiring the electric transmission or distribution system to agree to continue to operate the facilities to provide electric service to SWEPCO's LPSC-jurisdictional customers. Furthermore, if the entity acquiring the electric transmission or distribution system is so designated by the Commission in connection with an order relating to that split, then SWEPCO's contract with that acquiring entity also will require that acquiring entity undertake to collect, account and remit amounts in respect of the storm recovery charges for the benefit and account of SPE (or its financing party).

No provision of this Financing Order shall prohibit SWEPCO from selling, assigning or otherwise divesting any of its transmission system or distribution system or any portion thereof providing service to SWEPCO's LPSC-jurisdictional customers, by any method whatsoever, including those specified in Ordering Paragraph 57 pursuant to which an entity becomes a successor, so long as the entities acquiring either such system or portion thereof agree to continue operating such facilities to provide service to LPSC-jurisdictional customers. Nothing in this Financing Order is intended to limit or impair any authority of the Commission concerning the transfer of ownership or control of SWEPCO or its assets.

The servicing arrangements described in Findings of Fact Paragraphs 56 through 63 is reasonable, will reduce risk associated with the proposed securitization and should,

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therefore, result in lower storm recovery charges and greater benefits to customers and should be approved.

Storm Recovery Bonds: Maturity and Issuance

The scheduled final payment date of any of storm recovery bonds will not exceed approximately fifteen (15) years from the date of issuance of such bonds. The legal final maturity date of any tranche of storm recovery bonds may be longer than the scheduled final payment date, based upon rating agency and market considerations. The scheduled final payment date and legal final maturity date and interest rate of each tranche and amounts in each tranche will be finally determined by SWEPCO, consistent with market conditions and indications of the rating agencies, at the time the storm recovery bonds are priced, but subject to SWEPCO's compliance with the Issuance Advice Letter process. Pursuant to Section 1228(E), but subject to the limitations set forth in this Financing Order including required consultation with the Commission Staff and financial advisor as part of the Issuance Advice Letter process, SWEPCO will retain sole discretion regarding whether or when to assign, sell, or otherwise transfer any rights arising under this Financing Order, or to cause the issuance of any storm recovery bonds authorized in this Financing Order. The SPE will issue the storm recovery bonds no earlier than the third business day after pricing of the storm recovery bonds.

The Commission further has considered the proposed financing structure providing projected aggregate annual storm recovery charges to customers that would be relatively level or modestly decreasing (excluding possibly the first payment period) as a percentage of base rate revenues for each customer class over the term of the storm recovery bonds, if the actual year-to-year changes in customer delivery load match the changes forecast at the time the storm recovery bonds are structured and other assumptions are realized, subject to rating agencies requirements and to further modification in accordance with the true-up mechanism approved in this Financing Order. The Commission finds that this proposed financing structure is in the public interest and should be adopted.

Security for Storm Recovery Bonds

The payment of the storm recovery bonds and related charges authorized by this Financing Order is to be secured by the storm recovery property created by this Financing Order and by certain other Collateral as described in the Securitization Testimony. The storm recovery bonds will be issued pursuant to the indenture administered by the indenture trustee (any such indenture, the "indenture," and the indenture trustee under an indenture, the "indenture trustee"). The indenture will include provisions for a collection account and subaccounts for the collection and administration of the storm recovery charges and payment or funding of the principal and interest on the storm recovery bonds and other costs, including fees and expenses, in

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connection with the storm recovery bonds. Pursuant to the indenture, the SPE will establish a collection account as a trust account to be held by the indenture trustee as Collateral to ensure the payment of the principal, interest, and other financing costs approved in this Financing Order related to the storm recovery bonds in full and on a timely basis. The collection account will include the general subaccount, the capital subaccount, and the excess funds subaccount, and may include other subaccounts. A form of the indenture will be filed with the Commission Staff, as described in Findings of Fact Paragraph 44.

The General Subaccount

The indenture trustee will deposit the storm recovery charge remittances that the servicer remits to the indenture trustee for the account of the SPE into one or more segregated trust accounts and allocate the amount of those remittances to the general subaccount. The indenture trustee will on a periodic basis apply monies in this subaccount to pay expenses of the SPE, to pay principal of and interest on the storm recovery bonds, and to meet the funding requirements of the other subaccounts. The funds in the general subaccount will be invested by the indenture trustee in short-term high-quality investments meeting rating agencies requirements as provided in the indenture, and such funds (including, to the extent necessary, investment earnings) will be applied by the indenture trustee to pay principal of and interest on the storm recovery bonds and all other components of the periodic payment requirement (as defined in Findings of Fact Paragraph 80), and otherwise in accordance with the terms of the indenture and this Financing Order.

The Capital Subaccount

Concurrently with the issuance of the storm recovery bonds, SWEPCO will make a capital investment to the SPE from SWEPCO's own funds, which the SPE will deposit into the capital subaccount. The total amount of the capital investments, combined with the initial capital contribution as stated in Findings of Fact Paragraph 39, will be not less than 0.50% of the original principal amount of the storm recovery bonds. The capital subaccount will serve as Collateral to ensure timely payment of scheduled principal and interest on the storm recovery bonds and all other components of the periodic payment requirement. The funds in this subaccount will be invested by the indenture trustee in short-term high-quality investments meeting rating agencies' requirements as provided in the indenture. Any amounts in the capital subaccount will be available to be used by the indenture trustee to pay principal and interest on the storm recovery bonds and all other components of the periodic payment requirement if necessary due to a shortfall in storm recovery charge collections. Any funds drawn from the capital subaccount to pay these amounts due to a shortfall in the storm recovery charge collections will be replenished through future storm recovery charge remittances as part of the true-up process. After payment in full of all storm recovery bonds and the discharge of all

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obligations that may be paid by use of storm recovery charges (including after any mandated delay in the discharge of the servicer under the servicing agreement), all amounts in the capital subaccount, including any allowed return amounts, will be released to the SPE for distribution to and retention by SWEPCO (except any excess earnings over and above the allowed return amounts).

The capital investment to the SPE will be funded by SWEPCO from its own funds. Proceeds from the sale of the storm recovery bonds will not be used to make the capital contribution. The Commission determines that SWEPCO may earn a rate of return on its capital investment in the SPE until returned by the SPE equal to the rate of interest established on the longest maturity tranche of the storm recovery bonds, to be paid by means of periodic distributions from the SPE that are funded first by the income earned thereon through investment by the indenture trustee in eligible investments and second by any deficiency being collected through the true-up adjustments, and further, any actual earnings in excess of that rate will be credited to customers through the FRP.

The Excess Funds Subaccount

The excess funds subaccount will hold any storm recovery charge remittances and investment earnings on the collection account in excess of the amounts needed to pay current principal of and interest on the storm recovery bonds and to pay other periodic payment requirements (including, but not limited to, replenishing the capital subaccount). Any balance in or allocated to the excess funds subaccount on a true-up adjustment date will be subtracted from the periodic billing requirement (as described in Findings of Fact Paragraph 81) for purposes of the true-up adjustment. The money in this subaccount will be invested by the indenture trustee in short-term high-quality investments meeting rating agencies requirements as set forth in the indenture, and such money (including investment earnings thereon) will be used by the indenture trustee to pay principal of and interest on the storm recovery bonds and other periodic payment requirements.

Other Subaccounts

Other credit enhancements required by rating agencies or otherwise proposed by SWEPCO in the form of reserve or overcollateralization or other subaccounts may be utilized for the transaction if such enhancements are required to secure a highest debt rating, or to provide benefits greater than their tangible and intangible costs as demonstrated pursuant to Findings of Fact Paragraph 50 and are approved pursuant to the Issuance Advice Letter process. Such credit enhancements are not part of the \$6.6 million estimate of upfront financing costs and will not be included in the adjustment calculations described in Findings of Fact Paragraph 20. In addition, the Reserve liability account, and the amounts allocated therein, shall not constitute Collateral.

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Subaccounts Order of Use

The collection account and the subaccounts described above are intended to provide for full and timely payment of scheduled principal and interest on the storm recovery bonds and all other components of the periodic payment requirement. If the amount of storm recovery charges remitted to the general subaccount is insufficient to make all scheduled payments of principal and interest on the storm recovery bonds and to make payment on all of the other components of the periodic payment requirement, the excess funds subaccount and the capital subaccount will be drawn down, in that order, to make those payments. Any reduction or deficiency in the capital subaccount due to such withdrawals must be replenished to the capital subaccount on a periodic basis through future storm recovery charge remittances as part of the true-up process. In addition to the foregoing, there may be such additional accounts and subaccounts as are necessary to segregate amounts received from various sources, or to be used for specified purposes. Such additional accounts and subaccounts will be administered and utilized as set forth in the servicing agreement and the indenture. Upon the payment in full of all storm recovery bonds and the discharge of all obligations including financing costs in respect thereof that may be paid by use of storm recovery charges, all remaining amounts in the collection account, other than amounts that were in the capital subaccount (including earnings thereon), will be released to the SPE and equivalent amounts will be added to a storm recovery reserve, or credited by SWEPCO to customers, all as prescribed by the Commission consistent with Ordering Paragraph 31.

The use of a collection account and its subaccounts in the manner proposed by SWEPCO is reasonable, will lower risks associated with the securitization and thus lower the costs to customers, and is, therefore, approved.

Storm Recovery Charges—Imposition and Collection; Nonbypassability; Pledges

SWEPCO seeks authorization to impose on and to collect from its customers, storm recovery charges in an amount sufficient to provide for the timely recovery of its costs approved in this Financing Order (including payment of scheduled principal and interest on the storm recovery bonds and financing costs related to the storm recovery bonds on a timely basis). SWEPCO seeks to impose and collect the storm recovery charges until the storm recovery bonds issued pursuant to this Financing Order are paid in full and all financing costs of the bonds have been recovered in full. The term of the storm recovery bonds will be consistent with Findings of Fact Paragraph 63.

Storm recovery charges will be separately identified on bills, or included on the line item on bills for (and with) other storm recovery charges (and similar securitization charges) subsequently approved by the Commission. If such a notification is not already included on prior customer bills during the applicable year, then (a) at least

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annually the servicer shall notify all customers, either by annual bill notifications with mailed bills or by notifications posted on the “my account” website pages of SWEPCO’s internet website, to the effect that the SPE (or its assignee) is the owner of the rights to the storm recovery property and that the servicer is merely the collection agent for the SPE (or its assignee or pledgee) and (b) SWEPCO will work with the Commission Staff and Commission Advisors to develop the appropriate language that should appear on such annual customer bills notifications and the “my account” website pages as well as the timing of these annual bill notifications.

Subject to the terms of any required intercreditor arrangements, if any customer does not pay the full amount of any bill to SWEPCO, the amount paid by the customer will be applied to all charges on the bill, including without limitation electric service charges and all storm recovery charges (under this or future Commission orders) and all similar securitization charges, based, as to a bill with charges covering more than one month, on the chronological order of billing, and, as to those charges with the same billing date, pro-rata. In addition, such partial collections representing storm recovery charges and any other similar securitization charges shall be allocated among all such securitization bonds pro-rata based upon the amounts billed with respect to each issuance of securitization bonds, provided that late fees and charges may be allocated to the servicer as provided in the tariff. The foregoing allocations will facilitate a proper balance between the competing claims to this source of revenue in an equitable manner.

SWEPCO, acting as servicer, and any subsequent servicer, will collect nonbypassable storm recovery charges that are applied to all existing and future LPSC-jurisdictional customers who remain attached to SWEPCO’s (or its successors or assigns) electric transmission or distribution lines, and who, via such lines, receive any type service from SWEPCO or its successors or assigns under rate schedules or special contracts approved by the Commission. SWEPCO has proposed that the storm recovery charge be nonbypassable within the meaning of Internal Revenue Service Revenue Procedure 2005-62. SWEPCO proposes that storm recovery charges for customers choosing to self-generate or co-generate will be assessed on the total amount, in the aggregate, of their firm and standby load served by SWEPCO (or its successors or assigns). Any customer who completely severs interconnection with SWEPCO may become exempt from continued payment of the storm recovery charges. Customers utilizing standby service will continue to pay a proportional share of the storm recovery charges. The rate design will utilize various combinations of Customer, Demand, and Energy charges for the various classes of customers. The charge will include a Customer component, so that even accounts which may for various reasons require no energy usage on a monthly basis will contribute to the collection of storm recovery charges. The Securitization Testimony of Renee Hawkins describes this charge with greater specificity. The

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Commission finds that such nonbypassability provision is appropriate to ensure an equitable allocation of storm recovery costs among customers and to secure the desired highest rating for the storm recovery bonds.

Pursuant to Section 1227(15) and constitutional and other statutory authority, the Commission herein provides that, if restructuring of retail sales and distribution of electricity in Louisiana subsequently provides that customers may choose to receive their electric supply service from another provider, including without limitation if retail access is mandated by the Commission or through action by the Federal Energy Regulatory Commission or federal legislation, such selection of another provider will not allow such customers to bypass the storm recovery charge, so long as they continue to be attached to SWEPCO's (or its successors or assigns) transmission or distribution lines. In the event of such restructuring, those customers who choose another provider for partial or full electric supply requirements, but remain attached to SWEPCO's (or its successors or assigns) transmission or distribution lines, would be assessed the storm charge at the highest peak demand imposed on the SWEPCO (or its successors or assigns) system by demand metered customers and the highest peak consumption level of customers who are not demand metered, in each case during the twelve (12) months immediately preceding the switch.

SWEPCO's proposal related to imposition and collection of storm recovery charges is reasonable and is necessary to ensure collection of storm recovery charges sufficient to support recovery of the costs approved in this Financing Order and should be approved. It is reasonable to approve the forms of Appendix B (SCR Rider) to this Financing Order and require that these tariff provisions be filed before any storm recovery bonds are issued pursuant to this Financing Order. The storm recovery charges imposed by this Financing Order are irrevocable, binding, and nonbypassable charges.

SWEPCO's Securitization Testimony included support that the rating and credit quality of the storm recovery bonds would be enhanced by the provision of a Commission pledge, as permitted under Section 1228(C)(5), as well as the State pledge set forth in Section 1234, protecting the storm recovery charges.

Periodic Payment and Billing Requirements; Allocations

The "periodic payment requirement" is the required periodic payment for a given period (i.e., semi-annually, or such other applicable period) due under (or otherwise payable with respect to) the storm recovery bonds. As to be more fully specified in the bond financing documents, each periodic payment requirement includes: (a) the principal amortization of the storm recovery bonds in accordance with the expected amortization schedule (including deficiencies of previously scheduled principal for any reason); (b) periodic interest on the storm recovery bonds (including any

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accrued and unpaid interest); and (c) ongoing financing costs consisting of, without limitation, any necessary replenishment of the capital subaccount, any deficiency between the capital subaccount’s income from investment and the amount of return on investment earned by SWEPCO, the servicing fee, the administration fee, rating agencies’ fees, indenture trustee fees, any indemnity payments to the indenture trustee, external legal and external accounting fees, other ongoing fees and expenses, and the costs, if any, of maintaining any credit enhancements. The initial periodic payment requirement for the storm recovery bonds issued pursuant to this Financing Order shall be updated in the Issuance Advice Letter.

The “periodic billing requirement” represents the aggregate dollar amount of storm recovery charges that must be billed during a given period (i.e., semi-annually, or such other applicable period) so that the projected storm recovery charge collections will be timely and sufficient to meet the entire aggregate periodic payment requirement for that period, based upon: (i) forecast usage data for the period; (ii) forecast uncollectibles for the period; and (iii) forecast lags in collection of billed storm recovery charges for the period. In the true-up process, the over or under collection from any period will be added to or subtracted from, as the case may be, the periodic billing requirement for the upcoming period.

SWEPCO’s proposed allocation methodology of the periodic billing requirement among the transmission and distributions functions (each a “Function”) and the applicable customer rate classes (each a “Customer Class”), as described in Findings of Fact Paragraph 83, Appendix B hereto and in the Securitization Testimony of John O. Aaron, is appropriate and should be approved. The following constitutes the initial Customer Class allocations within each Function:

Customer Class	Transmission Function	Distribution Function
Residential	55.08%	56.67%
Commercial / Small Industrial	41.76%	40.11%
Transmission	2.10%	0.00%
Municipal	1.00%	1.20%
Lighting	0.05%	2.01%
Total	100.00%	100.00%

If updated Customer Class allocation factors are approved by the Commission in a future base rate proceeding, the functional Customer Class allocation factors will be updated in the subsequent SCR Rider factor filing following the base rate case final order.

The functionalization of SWEPCO’s storm recovery costs and storm reserve costs, as described in Appendix B hereto and the Securitization Testimony of John O. Aaron, were allocated as follows: (x) the costs for the historic storm restoration and

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carrying charge extension were allocated to functions based on the actual storm costs incurred, 1.0% for the transmission Function and 99.0% for the Distribution function and (y) the costs for the storm reserve were allocated to functions reflecting a 38.5% transmission allocation and a 61.5% distribution allocation as calculated in the cost-of-service study used in LPSC Docket No. U-35441, SWEPCO's last base rate case. The application of these discrete functional allocations results in a blended 17.7% transmission allocation and a blended 82.3% distribution allocation.

The 17.7% transmission portion of periodic billing requirements shall be allocated to all retail Customer Classes.

The Transmission Customer Class, all of which take service at transmission voltage, shall be allocated none of the 82.3% distribution portion of periodic billing requirements.

The transmission periodic billing requirements and distribution periodic billing requirements shall be allocated in accordance with the class-by-class allocations approved by the Louisiana Public Service Commission in Docket No. U-35441.

The true-up methodology approved in this Financing Order requires that any delinquencies or under-collections in one Customer Class will be taken into account in the application of the true-up mechanism to adjust the storm recovery charge for all customers of SWEPCO, not just the Customer Class from which the delinquency or under-collection arose, subject to clause (b) above.

Calculation and True-Up of Storm Recovery Charges

Consistent with Section 1228(C)(4), the servicer of the storm recovery bonds will make mandatory semi-annual adjustments (i.e., every six (6) months, except that the first true-up adjustment period may be longer or shorter than six (6) months, but in no event more than nine (9) months) to the storm recovery charges to:

correct, over a period covering the next two (2) succeeding bond payment dates as provided in Findings of Fact Paragraph 88, any under-collections or over-collections, for any reason, during the preceding six months; and

to ensure the projected recovery of amounts sufficient to provide timely payment of the scheduled principal of and interest on the storm recovery bonds and all other financing costs (including any necessary replenishment of the capital subaccount) for each of the next two (2) succeeding bond payment dates (or in the case of quarterly true-up adjustments described below, the

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period ending on the next bond payment date), consistent with the methodology described in Findings of Fact Paragraph 88.

However, beginning 12 months prior to the scheduled final payment date of the last bond tranche or class, mandatory true-up adjustments shall be made quarterly until all bonds and associated financing costs are paid in full (and any under-collection shall be corrected for the next bond payment date). The form of true-up notice is attached as Appendix D to this Financing Order.

The Commission Staff will have fifteen (15) days after the date of the true-up filing in which to confirm the mathematical accuracy of the servicer's adjustment, after which the adjusted storm recovery charges will become effective on its proposed date. The Commission's review will be solely for the correction of mathematical error; the true-up adjustments requested by the servicer will otherwise be automatic and implemented on an immediate basis.

True-up filings will be based upon the cumulative differences, regardless of the reason, between the periodic payment requirement (including scheduled principal and interest payments on the storm recovery bonds and ongoing financing costs) and the amount of storm recovery charge remittances to the indenture trustee. True-up procedures are necessary to ensure full recovery of amounts sufficient to meet on a timely basis the periodic payment requirement over the scheduled life of the storm recovery bonds. In order to assure adequate storm recovery charge revenues to fund the periodic payment requirement and to avoid large over-collections and under-collections over time, the servicer will reconcile the storm recovery charges using SWEPCO's most recent forecast of electricity deliveries and estimates of ongoing financing costs. The calculation of the storm recovery charges will also reflect both a projection of uncollectible storm recovery charges and a projection of payment lags between the billing and collection of storm recovery charges based upon SWEPCO's most recent experience regarding collection of storm recovery charges.

The servicer will make true-up adjustments in the following manner:

subtract the previous period's storm recovery charge revenues collected and remitted from the previous period's periodic payment requirement to calculate the under-collection or over-collection from the preceding period;

add the amount calculated in step (a) to the upcoming period's true-up periodic billing requirement to determine an adjusted periodic billing requirement for the upcoming period;

sum the amounts calculated in steps (a) and (b) and allocate the result using the allocation factors approved by the Commission in this Financing Order (including the allocations between the transmission and distribution Functions and among the Customer Classes) and develop Customer Class

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specific storm recovery charge rates based on those allocated dollar amounts; and

file those adjusted storm recovery charge rates with the LPSC not less than fifteen (15) days prior to the first billing cycle of the SWEPCO revenue month in which the revised storm recovery charges will be in effect.

As discussed in Findings of Fact Paragraphs 82 and 83, the allocation of payment responsibility among Customer Classes in calculating the storm recovery charges is presented in SWEPCO's Securitization Testimony and illustrated in Appendix B. Pursuant to the mandatory semi-annual true-up procedure, the calculations will change, after the initial SCR Rider period calculated from the effective date of SCR Rider through the first payment date, over two payment dates. The servicer will calculate the initial storm recovery charges consistent with Findings of Fact Paragraphs 80 through 83 and 86.

The servicer may also make interim true-up adjustments more frequently at any time during the term of the storm recovery bonds: (i) if the servicer forecasts that storm recovery charge collections will be insufficient to make on a timely basis all scheduled payments of interest and other financing costs in respect of the storm recovery bonds during the current or next succeeding payment period or bring all principal payments on schedule for each of the next two succeeding payment dates and/or (ii) to replenish any draws upon the capital subaccount. Each such interim true-up shall use the methodology identified in Findings of Fact Paragraphs 84 through 88 applicable to the semi-annual true-up.

Semi-annual (or, if applicable, quarterly) and interim true-up adjustments shall be filed not less than fifteen (15) days prior to the first billing cycle of the SWEPCO revenue month in which the revised storm recovery charges will be in effect.

Additional True-Up Provisions

The true-up adjustment filing will set forth the servicer's calculation of the true-up adjustment to the storm recovery charges. The Commission Staff will have fifteen (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 fifteen (15) days after filing. If the Commission Staff informs the servicer of a mathematical error in the calculation, the servicer will correct its error and supplement its filing with the corrected calculation. If such correction is filed within the fifteen (15) days after initial filing then the confirmed corrected numbers shall take effect; otherwise 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

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account the periodic payment requirement for the next succeeding twelve (12) months if required by the servicing agreement. No error by the servicer shall affect the validity of any true-up adjustment.

The true-up mechanism described in this Financing Order and contemplated by Appendix D to this Financing Order is reasonable and will reduce risks related to the storm recovery bonds, resulting in lower storm recovery charges and greater benefits to customers and should be approved.

To improve the credit quality of the storm recovery bonds in light of the scheduled final payment date of up to approximately fifteen (15) years for the longest maturity tranche of the storm recovery bonds, the true-up methodology approved in this Financing Order requires that any delinquencies or under-collections in one Customer Class will be taken into account in the application of the true-up mechanism to adjust the storm recovery charge for all customers of SWEPCO, not just the Customer Class from which the delinquency or under-collection arose. The Commission finds that this cross-collateralization methodology including as specified in Findings of Fact Paragraph 83 will enhance the credit quality of the storm recovery bonds and lower storm recovery charges.

The servicer shall request Commission approval of an amendment to the true-up mechanism described herein, to make a non-standard true-up (under such procedures as shall be proposed by the servicer and approved by the Commission at the time) that it deems necessary or appropriate to address any material deviations between storm recovery charge collections and the periodic billing requirement and to allow for changes in transmission and distribution class allocation factors. No such change shall cause any of the then-current credit ratings of the storm recovery bonds to be suspended, withdrawn or downgraded.

Commission Consultation and Designee

The Commission's Designee, the Commission Staff, and the Commission Advisors may review and provide input in the documentary process as contemplated by Findings of Fact Paragraphs 44 and 45; consulted in the Company's selection of underwriters; consulted regarding the rating agency preparation process; and consulted regarding the transactional elements relating to the structuring, marketing and pricing of the storm recovery bonds, including advance planning and strategy sessions, road-shows, and marketing presentations. In order to facilitate this involvement, the Company will provide for the timely flow of information and updates, hold periodic update meetings and/or conference calls, provide periodic reports from underwriters, and answer requests for confirmatory information and data. The LPSC Staff will cooperate with SWEPCO and its advisors to assure that the Commission's and the Commission Advisors' actions are consistent with all applicable federal securities laws.

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Storm Recovery Bond Transaction Structure

SWEPCO has proposed a transaction structure that is expected to include (but is not limited to):

the creation of storm recovery property in favor of the Company;

the sale of the storm recovery charges to the SPE as issuer of the storm recovery bonds, limiting the risks to bondholders of any adverse impact resulting from a bankruptcy proceeding of its parent SWEPCO or any affiliate;

the right to impose, bill, charge, collect and pledge to the bondholders storm recovery charges that are nonbypassable and which must be trued-up at least semi-annually, and more frequently under certain circumstances, in order to ensure projected recovery of amounts sufficient to provide timely payment of all scheduled principal and financing costs;

additional collateral in the form of a collection account, which includes a capital subaccount funded in cash in an amount equal to not less than 0.50% of the original principal amount of the storm recovery bonds, and other subaccounts resulting in greater certainty of payment of interest and principal to investors, all of which are consistent with the IRS requirements to assure the desired federal income tax treatment for the storm recovery bond transaction;

the collection on behalf of the SPE of nonbypassable storm recovery charges by SWEPCO or its successors, as collection agent and servicer, which will be responsible for billing and collecting storm recovery charges from customers;

protection of the holders of storm recovery bonds against potential defaults by any servicer that is responsible for billing and collecting the storm recovery charges from existing or future customers;

the treatment for federal income tax purposes to include: (i) the transfer of the rights under this Financing Order to the SPE not resulting in gross income to SWEPCO, and the future revenues under the storm recovery charges being included in SWEPCO's gross income under its usual method of accounting, (ii) the issuance of the storm recovery bonds and the transfer of the proceeds of the storm recovery bonds to SWEPCO not resulting in gross income to SWEPCO, and (iii) the storm recovery bonds constituting borrowings of SWEPCO;

the marketing of the storm recovery bonds using proven underwriting and marketing processes, through which market conditions and investors'

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preferences, with regard to the timing of the issuance, the terms and conditions, related maturities, interest rate prices and other aspects of the structuring and pricing will be determined, evaluated and factored into the structuring and market-clearing pricing of the storm recovery bonds;

a scheduled final payment date of the last tranche of storm recovery bonds that does not exceed approximately fifteen (15) years from the date of issuance of the storm recovery bonds (although the legal final maturity of that last tranche of the storm recovery bonds may be longer, due to rating agency and market considerations);

relatively level or modestly decreasing projected aggregate annual storm recovery charges to customers as a percentage of base rate revenues for each Customer Class (excluding possibly the first payment period), assuming various assumptions and forecasts are realized, subject to ratings agencies requirements and the operation of the true-up mechanism; and

consultation with Commission Staff and Commission Advisors regarding all related financing documents and the structuring, marketing and pricing of the storm recovery bonds.

SWEPCO's proposed transaction structure is consistent with the Securitization Act and necessary to enable the storm recovery bonds to obtain the highest possible bond credit rating and to either lower overall costs or avoid or mitigate rate impacts to customers.

Accompanying the final Issuance Advice Letter, each of the Company's bookrunning underwriter(s) will provide a certificate as provided in Findings of Fact Paragraph 30 confirming that, based on its review of the final terms of the storm recovery bonds and its assumptions and qualifications stated therein, the marketing, pricing and structuring (including the sizing and principal amortization of each tranche of storm recovery bonds) have resulted in the lowest yield to bondholders consistent with market conditions at the time of pricing and the terms of this Financing Order. Each such bookrunning underwriter's certification will be filed with Commission Staff under seal as trade secret, proprietary, and confidential.

Use of Proceeds

Upon the issuance of storm recovery bonds, the SPE will use the net proceeds from the sale of the bonds (after payment of upfront financing costs payable by or reimbursable from the SPE) to pay to SWEPCO the purchase price for SWEPCO's rights under this Financing Order (except the Company Retained Rights), which are storm recovery property.

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The net proceeds from the sale of the storm recovery property (after payment of upfront financing costs payable by or reimbursable from SWEPCO) will be used by SWEPCO as follows: SWEPCO will use \$150 million to fund the Reserve segregated on the balance sheet of SWEPCO as a liability (but not in a separately managed bank account). SWEPCO will use the remaining portion of the proceeds (approximately \$180 million), which is reimbursement for storm recovery costs previously expended by SWEPCO.⁹

SWEPCO shall receive \$150 million of the funds paid by the SPE for purposes of establishing the Reserve, which Reserve and proceeds thereof shall not constitute Collateral.

SWEPCO may apply prudently incurred future storm costs against the Reserve liability account exclusively for reimbursement of the June 2023 Storms storm recovery costs, both the capital costs and the operations and maintenance expense, and for the payment of future storm costs. If the Commission determines any of the costs are imprudent the Reserve liability account shall be adjusted in accordance with the Revenue Requirement Order.

SWEPCO has acknowledged that the Reserve is discretionary by the Commission, both as a general ratemaking matter and pursuant to the Securitization Act, and that the Commission has exercised its discretion in this case solely to achieve ratepayer savings through securitization financing of these amounts.

The use of proceeds from the sale of the storm recovery bonds in violation of this Financing Order shall subject the Company 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 or the storm recovery property irrevocably created hereby, or the approvals of the transaction by the Designee granted in the Concurrence by authority of this Financing Order, or the storm recovery bonds.

Customer Credits for Post Financing Order Insurance Proceeds or Government Grants

To the extent SWEPCO receives insurance proceeds or receives grants from the State of Louisiana or the government of the United States of America, or any similar source of reimbursement, after the date of this Financing Order, the purpose of which is to provide for permanent recovery of storm recovery costs covered by this Financing Order that have been financed, SWEPCO has proposed that such amounts be credited to customers dollar-for-dollar through the FRP outside of any sharing

⁹ § 1227(16).

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mechanism or as the Commission may otherwise direct. The use of such insurance proceeds and grants is appropriate.

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CONCLUSIONS OF LAW

Jurisdiction

SWEPCO is an electric utility as defined in La. R.S. 45:121 and Section 1227(4).

SWEPCO is entitled to file, and the Phase II Application, as supplemented, constitutes an application for a financing order pursuant to Section 1228(A). The Phase II Application satisfies any requirement in Order No. U-36174 in Phase I of this LPSC Docket No. U-36174 that SWEPCO files an application seeking to securitize its storm recovery costs.

The Commission has jurisdiction and authority over SWEPCO's Applications pursuant to Article 4, Section 21 of the Louisiana Constitution, La. R.S. 45:1163, 45:1168 and 45:1176, Sections 1228 and 1236 of the Securitization Act, and other applicable law.

The Commission has authority to approve this Financing Order under Section 1228(B) and the Commission's constitutional plenary power.

Statutory Requirements

Notice of SWEPCO's Phase I Application, and notice of SWEPCO's Phase II Application, each was provided in compliance with Article 4, Section 21(D)(1) of the Louisiana Constitution.

The transaction structure proposed by SWEPCO in the Phase II Application and Securitization Testimony and in the Stipulated Settlement is consistent with the Securitization Act.

The proceeds of the storm recovery bonds approved in this Financing Order will be used to reimburse, finance or refinance SWEPCO's Commission-approved storm recovery costs, financing costs, and the costs to fund a storm recovery reserve, pursuant to Section 1227(5), (14), (16), and (18). Pursuant to Section 1228(A), the proceeds may not be used for any other purpose. The use of proceeds from the sale of the storm recovery bonds in violation of this Financing Order shall subject the Company 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, or the storm recovery property irrevocably created hereby or the approval of the transaction by the Designee granted in the Concurrence by authority of this Financing Order, or the storm recovery bonds.

This Financing Order meets the requirements for a financing order under the Securitization Act.

Pursuant to Section 1228(C)(8), this Financing Order will remain in full force and effect and unabated notwithstanding the reorganization, bankruptcy or other insolvency proceedings, or merger or sale of SWEPCO or its successors or assigns.

Storm Recovery Costs and Financing Costs

The storm recovery costs in the amount of \$343 million and the LPSC-jurisdictional portion thereof of \$180.1 million identified in the Revenue Requirement Order constitute storm

Conclusions of Law

recovery costs under the Securitization Act and are eligible for recovery through the storm recovery charges under this Financing Order. Each of the 2020 Hurricanes, the 2021 Winter Storm, and June 2023 Storms constituted a storm under the Securitization Act.

The level of the Reserve in the amount of \$150 million is appropriate, constitutes storm recovery costs under the Securitization Act and is eligible for recovery through the storm recovery charges under this Financing Order.

The approval and funding of the Reserve is consistent with the Securitization Act. The Reserve is a “storm recovery reserve” as defined in the Securitization Act.

The upfront financing costs described in the Securitization Testimony and Findings of Fact Paragraph 17, and the estimate in Appendix C set at \$6.6 million, plus the cost of credit enhancements and other mechanisms designed to promote the credit quality and marketability of the storm recovery bonds, if any, and the carrying charges described in the Securitization Testimony, the Stipulated Settlement and the Revenue Requirement Order, all are reasonable and eligible for recovery through the storm recovery charges under this Financing Order, subject to review as set forth in this Financing Order.

The carrying charges described in the Securitization Testimony, estimated at \$6.4 million, are reasonable and eligible for financing and recovery through the storm recovery charges under this Financing Order.

The ongoing financing costs described in the Securitization Testimony and estimated in Appendix C are reasonable and eligible for financing and recovery through the storm recovery charges under this Financing Order.

The SPE will be an “assignee” as defined by Section 1227(2) when storm recovery property is transferred to the SPE pursuant to Section 1228(C)(3) and 1230(3).

The holders of storm recovery bonds, the indenture trustee, and any collateral agent will each be a “financing party” as defined in Section 1227(7).

Sale of Storm Recovery Property

SWEPCO shall transfer the storm recovery property to the SPE in accordance with Section 1228(C)(3).

If and when SWEPCO transfers its rights under this Financing Order (other than the Company Retained Rights) to the SPE 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 1230, then, pursuant to that statutory provision, that transfer shall be a true sale of an interest in storm recovery property and not a security interest in the transferor’s right, title, and interest in, to, and under the storm recovery property. As provided by Section 1230, this true sale shall apply regardless of whether, without limitation, the purchaser has any

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recourse against the seller,¹⁰ or any other term of the parties' agreement, including the seller's retention of a partial or residual interest in the storm recovery property, SWEPCO's role as the collector of storm recovery charges relating to the storm recovery property, or the treatment of the transfer as a financing for tax, financial reporting, or other purposes.

As provided in Section 1230(6), the priority of a sale of storm recovery property under the Securitization Act is not impaired by any later modification of this Financing Order or storm recovery property or by the commingling of funds arising from storm recovery property with other funds. Further, storm recovery property that has been transferred to an assignee or financing party, and any proceeds of that property, will be held for and delivered to the assignee or financing party by SWEPCO or any other servicer as a mandatary and fiduciary.

Storm Recovery Bonds

The SPE may issue storm recovery bonds in accordance with this Financing Order.

The bonds issued pursuant to this Financing Order will be "storm recovery bonds" within the meaning of Section 1227(14), and the storm recovery bonds and holders thereof will be entitled to all of the protections provided under the Securitization Act.

As provided in Section 1229(F), if SWEPCO defaults on any required payment of charges arising from storm recovery property specified in a financing order, the district court of the domicile of the Commission, upon application by an interested party, and without limiting any other remedies available to the applying party, shall order the sequestration and payment of the revenues arising from the storm recovery property to the financing parties or their representatives. Any such order shall remain in full force and effect notwithstanding any reorganization, bankruptcy, or other insolvency proceedings with respect to the electric utility or its successors or assigns.

As provided in Section 1233, storm recovery bonds are not a debt or a general obligation of the state or any of its political subdivisions, agencies, or instrumentalities and are not a charge on their full faith and credit. An issue of storm recovery bonds does not, directly or indirectly or contingently, obligate the state or any agency, political subdivision, or instrumentality of the state to levy any tax or make any appropriation for payment of the bonds, other than for paying storm recovery charges in their capacity as LPSC-jurisdictional electric customers of SWEPCO.

As provided in Section 1227(14), the storm recovery bonds shall be nonrecourse to the credit or any assets of SWEPCO other than SWEPCO's obligation as servicer to collect and remit the storm recovery charges as specified in this Financing Order.

Storm Recovery Property

¹⁰ Except, pursuant to Section 1230(2)(c), that no recourse against the transferor shall result from the inability or failure of customers to timely pay the storm recovery charges.

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The storm recovery property created by this Financing Order is “storm recovery property” within the meaning of Section 1227(17). As provided in Section 1229(A) and (E) and Section 1230(3), the storm recovery property created by this Financing Order constitutes an existing, present, vested contract right constituting an individualized, separate incorporeal movable susceptible of ownership, sale, assignment, transfer, and security interest, including without limitation for purposes of contracts concerning the sale of property and security interests in property, notwithstanding that the value of the property and the imposition and collection of storm recovery charges depends on future acts such as SWEPCO performing its servicing functions relating to the collection of storm recovery charges and on future electricity consumption. Such property shall exist whether or not the revenues or proceeds arising from the property have been billed, have accrued, or have been collected and notwithstanding the fact that the value or amount of the property is or may be dependent on the future provision of service to customers by SWEPCO or its successors or assigns and the future consumption by customers of electricity.

As provided in Section 1229(D), the description of this storm recovery property in any contract is only sufficient if such description refers to this Financing Order and such contract states that it covers all or part of the storm recovery property described in this Financing Order.

All revenues and collections resulting from the storm recovery charges will constitute proceeds only of the storm recovery property arising from this Financing Order, in accordance with Section 1231(A).

Pursuant to Section 1229(A) and Section 1230(3), the storm recovery property created by this Financing Order as of this Financing Order’s effective date is incorporeal movable property in the form of a present and vested contract right. Pursuant to Section 1228(C)(5), the sale of the storm recovery property will create a contractual obligation of irrevocability by the Commission in favor of SWEPCO, its assignees and the financing parties.

The rights and interests of SWEPCO or its successor transferred to the SPE in the Storm Recovery Property Sale Agreement and the related Bill of Sale, including the right to impose, bill, charge, and collect storm recovery charges, are storm recovery property.

As provided in Section 1229(G), the interest of an assignee or secured party in storm recovery property is not subject to setoff, counterclaim, surcharge, or defense by SWEPCO or any other person or in connection with the reorganization, bankruptcy or other insolvency of SWEPCO or any other entity.

Storm Recovery Charges

Amounts that are required to be paid to the servicer as storm recovery charges under this Financing Order or the rate schedules approved hereby are “storm recovery charges” as defined in Section 1227(15), whether or not such charges are set out as a separate line item on the customer’s bill. When customers pay the storm recovery charges, they are paying for the

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use of electric service. The storm recovery charges under this Financing Order are irrevocable, binding, and nonbypassable charges.

The specification of the time period over which charges may be imposed and collected in Findings of Fact Paragraph 73 and the specification of the maximum legal final maturity for the storm recovery bonds in Findings of Fact Paragraph 63 satisfies Section 1228(C)(1).

Any payment of storm recovery charges by a customer to SWEPCO, as servicer, or to another entity responsible for collecting storm recovery charges from customers under this Financing Order or the rate schedules approved hereunder, will discharge the customer's obligations in respect of that payment.

The allocation of partial payments proposed in Findings of Fact Paragraph 75 satisfies Section 1228(C)(6).

SWEPCO, as servicer, must collect the storm recovery charges associated with the storm recovery property only for the benefit of the SPE as owner or the financing parties, including the indenture trustee or the holders of the storm recovery bonds, in accordance with the servicing agreement.

Security Interest in Storm Recovery Property

Pursuant to Section 1229(C), the storm recovery property may be encumbered by a security interest to secure storm recovery bonds issued pursuant to this Financing Order.

As provided in Section 1231(C), a valid and enforceable security interest in favor of the bondholders or a trustee on their behalf attaches after: (1) this Financing Order is issued, (2) a security agreement with a financing party in connection with the issuance of storm recovery bonds is executed and delivered, and (3) value for the storm recovery bonds is received.

As provided in Section 1231(D), a security interest in storm recovery property is perfected only if it has attached and a financing statement indicating the storm recovery property collateral covered thereby has been filed in accordance with the Louisiana Uniform Commercial Code. The filing of such a financing statement shall be the only method of perfecting a lien or security interest on storm recovery property.

The priority of a security interest perfected under the Securitization Act is not defeated or impaired by any later modification of this Financing Order or storm recovery property or by the commingling of funds arising from storm recovery property with other funds.

True-Up of Storm Recovery Charges

The methodology approved in this Financing Order (including without limitation as described in Findings of Fact Paragraphs 84 through 90) and contemplated by Appendix D to calculate and adjust the storm recovery charges constitutes a true-up mechanism which satisfies Section 1228(C)(4).

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The allocation of payment responsibility among Customer Classes which is included in the methodology approved in this Financing Order and illustrated in Appendix B is appropriate.

The true-up mechanism, and all other obligations of the State of Louisiana and the Commission set forth in this Financing Order, are direct, explicit, irrevocable and unconditional upon issuance of the storm recovery bonds and are legally enforceable against the State of Louisiana and the Commission.

Irrevocability and State and Commission Pledges

Pursuant to Section 1234 of the Securitization Act, the State of Louisiana has pledged to and agreed with the bondholders, the owners of the storm recovery property, and other financing parties that the State of Louisiana will not:

Alter the provisions of the Securitization Act which authorize the Commission to create a contract right by the issuance of this Financing Order, to create storm recovery property, and to make the storm recovery charges imposed by a financing order irrevocable, binding, and nonbypassable charges;

Take or permit any action that impairs or would impair the value of the storm recovery property created pursuant to this Financing Order;
or

Except as allowed under this Conclusions of Law Paragraph 44 (and Section 1234 of the Securitization Act) and except for adjustments under any true-up mechanism established by the Commission, reduce, alter, or impair storm recovery charges that are to be imposed, collected, and remitted for the benefit of the bondholders and other financing parties, as applicable, until any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the storm recovery bonds have been paid and performed in full.

Nothing in this Conclusions of Law Paragraph 44 shall preclude limitation or alteration if and when full compensation is made by law for the full protection of the storm recovery charges collected pursuant to this Financing Order and full protection of the bondholders and any assignee or financing party.

Pursuant to Section 1228(C)(5), the Commission provides and pledges that after the earlier of the transfer of storm recovery property to an assignee or the issuance of storm recovery bonds authorized by this Financing Order, this Financing Order is irrevocable until the indefeasible (i.e., not voidable) payment in full of the storm recovery bonds and the financing costs. Except in connection with a refinancing or refunding as described in

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Section 1228(F), or to implement any true-up mechanism adopted by the Commission as described in Section 1228(C)(4), the Commission may not amend, modify, or terminate this Financing Order by any subsequent action or reduce, impair, postpone, terminate, or otherwise adjust the storm recovery charges approved in this Financing Order, provided that nothing shall preclude limitation or alteration if and when full compensation is made for the full protection of the storm recovery charges collected pursuant to this Financing Order and the full protection of the bondholders and any assignee or financing party.

The SPE has the continuing irrevocable right at the request of SWEPCO to cause the issuance of storm recovery bonds consisting of one or more tranches in accordance with this Financing Order for an issuance period commencing with the date of this Financing Order and extending twenty-four (24) months following the latest of (i) the date on which this Financing Order becomes final and not appealable; (ii) the date on which the Revenue Requirement Order becomes final and not appealable; or (iii) the date on which any other regulatory approvals necessary to issue the storm recovery bonds are obtained and not appealable.

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COMMISSION ACTION: ORDERING PARAGRAPHS

Commission Consideration

This matter was considered by the Commission at its June 19, 2024, Business and Executive Session. On motion of Commissioner Skrmetta, seconded by Commissioner Greene, and unanimously adopted, the Commission voted to accept the Uncontested Proposed Stipulated Settlement filed into the record on April 24, 2024, and the issuance of a Revenue Requirement Order and a Financing Order, consistent with the Settlement.

IT IS THEREFORE ORDERED THAT:

Approval

Approval of Applications. The Phase I Application and the Phase II Application of SWEPCO for the issuance of a financing order under the Securitization Act are approved, except as specifically modified in this Financing Order.

Authority to Finance and Issue Storm Recovery Bonds. SWEPCO is authorized to finance and to cause the issuance of storm recovery bonds with an aggregate principal amount established pursuant to the Issuance Advice Letter and Ordering Paragraph 25 as the sum of (i) \$343 million, plus or minus (ii) any adjustment, pursuant to the Issuance Advice Letter, including to reflect the costs of any approved credit enhancement and any approved rounding. The known component of \$343 million is comprised of: (a) \$180 million of LPSC-jurisdictional storm recovery costs pursuant to the Revenue Requirement Order, plus (b) the costs of funding the Reserve in the amount of \$150 million as an amount segregated on the balance sheet of SWEPCO as a liability, plus (c) upfront financing costs, which are estimated to be (for purposes of calculating the aggregate principal amount) \$6.6 million, but will be reviewed later (without affecting this calculation) in accordance with Ordering Paragraph 3, plus (d) carrying charges, which are estimated to be (for purposes of calculation the aggregate principal amount) \$6.4 million. The initial principal amount of the storm recovery bonds will be rounded up to the nearest \$100,000, in accordance with Findings of Fact Paragraph 22. The rounding amount will be an addition to the Reserve. The review of the final actual prudently incurred costs versus the estimated amount included in the principal amount financed for identified storm recovery activity projects completed after the issuance of this Financing Order shall be conducted as set forth in Findings of Fact Paragraph 14. The Commission will not make or cause adjustments to the storm recovery charges, the storm recovery property, or the storm recovery bonds as a result of this review of final storm recovery costs for these projects.

Authority to Adjust for Upfront Financing Costs. Within ninety (90) days after the issuance of the storm recovery bonds, SWEPCO will submit to the Commission Staff a final accounting of its upfront financing costs, which then will be reviewed and reconciled by the Commission Staff to the actually incurred costs. If the actual upfront financing costs are less than the estimated upfront financing costs included in the principal amount

financed, the periodic billing requirement for the first semi-annual true-up adjustment shall be reduced by the amount of such unused funds (together with income earned thereon through investment by the indenture trustee in eligible investments) and such unused funds (together with income earned thereon through investment by the indenture trustee in eligible investments) shall be available for payment of debt service on the bond payment date next succeeding such true-up adjustment. The Commission will not make or cause adjustments to the storm recovery charges, the storm recovery property, or the storm recovery bonds as a result of this review of the upfront financing costs, except in the manner expressly stated in this paragraph.

Recovery of Storm Recovery Charges; Regulatory Change. SWEPCO shall impose, and the servicer shall collect, the nonbypassable storm recovery charges that are applied to all existing and future LPSC-jurisdictional customers who remain attached to SWEPCO's (or its successors or assigns) electric transmission or distribution lines, and who, via such lines, receive any type service from SWEPCO or its successors or assigns under rate schedules or special contracts approved by the Commission. Storm recovery charges for customers choosing to self-generate or co-generate will be assessed as provided in Ordering Paragraph 15. Further, if restructuring of retail sales and distribution of electricity in Louisiana subsequently provides that customers may choose to receive their supply service from another provider, such selection of another provider will not allow such customers to bypass the storm recovery charge, so long as they continue to be attached to SWEPCO's (or its successors or assigns) transmission or distribution lines. In the event of such restructuring, those customers who choose another provider for partial or full electric supply requirements, but remain attached to SWEPCO's (or its successors or assigns) transmission or distribution lines, will be assessed the storm charge at the highest peak demand imposed on the SWEPCO (or its successors or assigns) system by demand metered customers and the highest peak consumption level by customers who are not demand metered, in each case during the twelve (12) months immediately preceding the switch. In the event that there is a fundamental change in the manner of Louisiana's regulation of public utilities, including without limitation allowing retail access, and parties other than the servicer are authorized to bill and collect the storm recovery charges, the storm recovery charges shall be billed, collected and remitted to the servicer in a manner that will not cause any of the then current credit ratings of the storm recovery bonds to be suspended, withdrawn or downgraded.

Recovery Time Period for Storm Recovery Charges. The storm recovery charges shall become effective as provided in Ordering Paragraph 9 and thereafter shall be imposed and collected until the storm recovery bonds issued pursuant to this Financing Order and all financing costs have been paid in full (which period of imposition and collection if necessary may extend beyond the legal final maturity dates of the storm recovery bonds), consistent with Ordering Paragraph 51. The term of the storm recovery bonds will be consistent with Ordering Paragraph 35.

Issuance Advice Letter. SWEPCO shall submit a draft Issuance Advice Letter to the Commission Staff, substantially in the form of Appendix A to this Financing Order, for review no later than two (2) weeks prior to the expected date of the initial marketing of the storm recovery bonds. Within one (1) week after receipt of the draft Issuance Advice Letter, Commission Staff shall provide SWEPCO comments and recommendations regarding the adequacy of the information provided. Within not more than two (2) business days before the scheduled pricing date of the storm recovery bonds, or such other date agreed to by the Commission's Designee, SWEPCO shall submit an updated draft Issuance Advice Letter, substantially in the form of Appendix A to this Financing Order, reflecting then current information and calculations. Within two (2) business days after pricing of the storm recovery bonds and prior to issuance of the storm recovery bonds, SWEPCO shall submit to the Commission Staff a final Issuance Advice Letter substantially in the form of Appendix A to this Financing Order. The completed Issuance Advice Letter shall evidence the actual dollar amount of the initial storm recovery charges and other information specific to the storm recovery bonds to be issued, as set forth in Appendix A. As part of the Issuance Advice Letter, SWEPCO, through an officer of SWEPCO, shall provide a certification in the form provided in the Issuance Advice Letter approved by the Commission. Each bookrunning underwriter shall provide a certification attached to the Issuance Advice Letter consistent with Findings of Fact Paragraph 98. Each bookrunning underwriter certification will be filed with the Commission Staff under seal as trade secret, proprietary, and confidential. As part of the final Issuance Advice Letter as Attachment 2 thereof, SWEPCO will provide an update of the net present value of the savings or rate mitigation resulting from the transaction, as compared to traditional methods of financing storm recovery costs. In addition, if additional credit enhancements or arrangements to enhance marketability are used, the Issuance Advice Letter shall include certification that the additional credit enhancements or other arrangements are reasonably expected to provide benefits as required by this Financing Order.

Designee Approval of Issuance Advice Letter. Within one business day after receipt of the final Issuance Advice Letter, the Designee shall either (a) approve the transaction by executing a Concurrence and delivering a copy to SWEPCO, or (b) reject the Issuance Advice Letter and state the reasons therefor. The Designee's review of and concurrence with the Issuance Advice Letter shall be limited to determining that (i) the final structuring, terms and pricing of the storm recovery bonds in the Issuance Advice Letter are consistent with the criteria established in this Financing Order and (ii) the mathematical calculations are accurate. The Designee shall approve the final Issuance Advice Letter if he determines that those two (2) standards are met and such approval shall be final, irrevocable, and incontestable without need of further action by the Commission. The Designee shall approve the transaction using the form of Concurrence attached as Attachment 5 to the Issuance Advice Letter (Appendix A). The Designee's approval through the Concurrence shall establish and evidence the binding approval by the Commission of the structuring, terms and pricing of the storm recovery bonds and all related documents and security as

consistent with this Financing Order. The Designee's approval of the transaction shall, pursuant to the Commission's authority under this Financing Order and without need for further action by the Commission, constitute affirmative and conclusive authorization for SWEPCO and the SPE to execute the issuance of the storm recovery bonds and the transaction on the terms set forth in the Issuance Advice Letter. A change in market conditions between the date and time of the actual pricing of the storm recovery bonds and that of the Designee's review of the Issuance Advice Letter shall not constitute grounds for rejecting the Issuance Advice Letter.

Commission Designee. The Executive Secretary of the Commission is hereby appointed to act as Designee in accordance with the terms of this Financing Order. In the event of his absence or incapacity, the Chairman shall act as substitute Designee. In the event of his absence or incapacity, the Vice Chairman shall act as substitute Designee. The Designee shall act in accordance with the terms of this Financing Order, with individual authority to take action in that capacity. The Designee shall act in accordance with the terms of this Financing Order.

Approval of Initial Storm Recovery Charges. The initial storm recovery charges, as set forth in the Issuance Advice Letter, shall be billed commencing on the first day of the first billing cycle after the date of issuance of the storm recovery bonds (which date of issuance shall not occur prior to the third business day after pricing of the storm recovery bonds).

Approval of SCR Rider. The form of the SCR Rider attached as Appendix B to this Financing Order is approved. Prior to the issuance of any storm recovery bonds under this Financing Order, SWEPCO shall file a rate schedule rider that conforms to the form of Appendix B attached to this Financing Order.

Creation of Storm Recovery Property. Subject to Ordering Paragraph 55, on the effective date of this Financing Order storm recovery property within the meaning of Section 1227(17) is hereby created in favor of SWEPCO as described in Conclusions of Law Paragraphs 26 and 29 through 31, Findings of Fact Paragraphs 52 and 53, and elsewhere in this Financing Order. This storm recovery property includes without limitation the irrevocable right to impose, bill, charge, collect, and receive the storm recovery charges authorized by this Financing Order and to obtain periodic adjustments to such charges as provided in this Financing Order, but excludes the Company Retained Rights.

Storm Recovery Charges

Imposition and Collection. SWEPCO is authorized to impose on, and the servicer is authorized to collect from, all LPSC-jurisdictional customers (except to the limited extent expressly provided in Ordering Paragraph 15) of SWEPCO (or its successor) storm recovery charges in an amount sufficient at all times to provide for the recovery of the aggregate periodic payment requirements (including payment of scheduled principal and interest on the storm recovery bonds) by means of the projected periodic billing requirement, as approved in this

Financing Order. The initial amount of such storm recovery charges shall be as set forth in the Issuance Advice Letter of SWEPCO, calculated in the manner required by this Financing Order. Thereafter, the amount of such storm recovery charges shall be periodically corrected or “trued-up,” as required or permitted by this Financing Order. The storm recovery charges shall be imposed and collected until all storm recovery bonds issued pursuant to this Financing Order and all financing costs have been paid in full.

Allocation of Payment Responsibility. SWEPCO’s proposed method of allocating the payment requirements for the storm recovery bonds and financing costs, which includes cross-collateralization among Customer Classes, is approved.

Bondholder’s Rights and Remedies. Upon the transfer by SWEPCO of the storm recovery property to the SPE and the SPE’s pledge of such property to the indenture trustee, the bondholders shall have as collateral all of the rights of SWEPCO (except the Company Retained Rights) with respect to such storm recovery property pledged under such documents, including, without limitation, the right to exercise any and all rights and remedies with respect thereto, including the rights, subject to the terms of the servicing agreement, to assess and collect any amounts payable by any customer in respect of the storm recovery property.

Nonbypassability. SWEPCO and any other entity providing electric transmission or distribution services are required to collect and must remit, consistent with this Financing Order, the nonbypassable storm recovery charges that are applied to all existing and future LPSC-jurisdictional customers who remain attached to SWEPCO’s (or its successors) electric transmission or distribution lines, and who, via such lines, receive any type of service from SWEPCO (or its successor) under rate schedules or special contracts approved by the Commission. The storm recovery charges shall be nonbypassable within the meaning of Internal Revenue Service Revenue Procedure 2005-62. Storm recovery charges for customers choosing to self-generate or co-generate will be assessed on the total amount, in the aggregate, of their firm and standby load served by SWEPCO. Customers utilizing standby service will continue to pay a proportional share of the storm recovery charges, which will include a Customer component so that even accounts which may for various reasons require no energy usage on a monthly basis will contribute to the collection of storm recovery charges. Any customer who completely severs interconnection with SWEPCO may become exempt from continued payment of the storm recovery charges. Consistent with Ordering Paragraph 45, the Commission will ensure that such obligations are undertaken and performed by SWEPCO or any other entity providing electric transmission and distribution services, or in the event that the Company’s transmission and distribution services are split, by an entity providing transmission or distribution services to SWEPCO’s LPSC- jurisdictional customers designated by the Commission in connection with an order relating to such split.

True-Ups. True-ups of the storm recovery charges shall be undertaken and conducted as described in this Financing Order, including without limitation Findings of Fact Paragraphs 80 through 94. True-up filings shall be made substantially in the form of Appendix D to this Financing Order. The servicer shall file the true-up adjustments in a compliance filing and shall give notice of the filing to all parties in this LPSC Docket No. U-35807. The Commission covenants and agrees that it shall act to ensure that the true-up mechanism is used in order to ensure the projected recovery of amounts sufficient to provide timely payment of all scheduled principal and interest and other financing costs (including, when necessary, to bring all principal payments on schedule for each of the next two (2) succeeding payment dates). SWEPCO shall return all over-collateralization and other excess recoveries to customers either in the final year true-up or as determined in accordance with Ordering Paragraph 31. No error by the servicer, or failure of any party to receive notice of such true-up (other than the Commission Staff), shall affect the validity of any true-up adjustment.

Remittances. While SWEPCO is the servicer, the storm recovery charges shall be remitted by SWEPCO to the SPE (or the indenture trustee) as described in this Financing Order every servicer business day in accordance with the methodology described in servicing agreement consistent with this Financing Order.

Partial Payments. Subject to the terms of any required intercreditor arrangements, if any customer does not pay the full amount of any bill to SWEPCO, the amount paid by the customer will be applied to all charges on the bill, including without limitation electric service charges and all storm recovery charges (under this or future Commission orders) and all similar securitization charges, based, as to a bill with charges covering more than one month, on the chronological order of billing, and, as to those charges with the same billing date, pro-rata. In addition, such partial collections representing storm recovery charges and any other similar securitization charges shall be allocated among all such securitization bonds pro-rata based upon the amounts billed with respect to each issuance of securitization bonds, provided that late fees and charges may be allocated to the servicer as provided in the tariff.

Line Item. SWEPCO shall separately identify storm recovery charges on bills, or include these storm recovery charges on the line item on bills for (and with) other storm recovery charges (and similar securitization charges) subsequently approved by the Commission, all in a manner consistent with Findings of Fact Paragraph 74.

Ownership Notification. If such a notification is not already included on prior customer bills during the applicable year, (a) the servicer must provide a written notification, at least annually to all customers, to the effect that the SPE (or its assignee) is the owner of the rights to the storm recovery property, and that SWEPCO (or other servicer) is merely the collection agent for the SPE (or its assignee or pledgee) and (b) the Company will work with the Commission Staff and Commission Advisors to develop the appropriate language for and timing of these annual bill notifications or website notifications. Any failure of

SWEPCO or a successor servicer to comply with this paragraph shall not invalidate, impair, or affect this Financing Order, or any storm recovery property, storm recovery charge, or storm recovery bonds.

No Setoff. As provided in Section 1229(G), the interest of the SPE or another assignee or a secured party in storm recovery property shall not be subject to setoff, counterclaim, surcharge, or defense by SWEPCO or any other person or in connection with the reorganization, bankruptcy or other insolvency of SWEPCO or any other entity.

Storm Recovery Bonds

Issuance. The SPE is authorized to issue storm recovery bonds as specified in this Financing Order. The SPE may not issue variable rate bonds or enter into an interest rate swap or hedge arrangement in connection therewith. The principal amount of the storm recovery bonds shall be as set forth in the Issuance Advice Letter, delivered to the Commission Staff and approved by the Commission's Designee in compliance with this Financing Order (consistent with Ordering Paragraph 25). The Commission approves, and the storm recovery bonds shall be structured to provide, an amortization schedule with relatively level debt service requirements and projected corresponding aggregate storm recovery charges that are modestly declining over the period of recovery (excluding possibly the first payment period), if the actual year-to-year changes in customer delivery load match the changes forecast at the time the storm recovery bonds are structured and priced and other assumptions are realized, subject to rating agencies requirements and to further modification in accordance with the true-up mechanism approved in this Financing Order.

Sale of Storm Recovery Property. SWEPCO shall sell and transfer the storm recovery property to the SPE in accordance with Section 1228(C)(3).

Commission Consultation in Bond Issuance. To ensure that the pricing and structuring of the storm recovery bonds will produce maximum benefits for customers, including the pricing of the storm recovery bonds consistent with market conditions at the date and time of pricing and the terms of this Financing Order, the Commission has determined that Commission Staff, including the Commission's Designee, and the Commission Advisors, will be consulted by SWEPCO in respect of the structuring, documenting, marketing and pricing of the storm recovery bonds through the process described in Findings of Fact Paragraph 95 and Ordering Paragraph 58 (subject to any requirements under, and to the extent permissible by, all applicable federal securities laws), as well as through the Issuance Advice Letter process. The Designee's submission of the Concurrence at the conclusion of the Issuance Advice Letter process shall be sufficient evidence for all purposes of the whole and complete compliance by the Company with the requirements of this Paragraph.

Principal Amount. The principal amount of the storm recovery bonds shall be an amount sufficient to recover and fund SWEPCO's LPSC-jurisdictional storm recovery costs, estimated carrying charges (including debt issuance costs for interim financing),

SWEPCO's storm recovery reserve, SWEPCO's upfront financing costs estimated (for purposes of this calculation) at \$6.6 million, the adjustments consistent with Findings of Fact Paragraph 24 and Ordering Paragraph 2, and any rounding amount, all as reflected in the final Issuance Advice Letter at the time of pricing of the bonds as described in Findings of Fact Paragraph 27. The final Issuance Advice Letter shall thereby establish the updated and final aggregate authorized securitization principal amount.

Ongoing Financing Costs. The ongoing financing costs, as described in this Financing Order and the final Issuance Advice Letter, shall be recovered on a current basis through the storm recovery charges. The initial amount of the ongoing financing costs shall be revised and updated in the Issuance Advice Letter to reflect any change in the expected principal amount of the storm recovery bonds and other relevant information available at the time of pricing the bonds. Any changes to the initial estimated ongoing financing costs shall be revised and updated on a timely basis, by the servicer, in connection with the true-up process authorized in this Financing Order. The compensation servicer fee paid to SWEPCO per year is fixed at 0.10% of the initial principal amount of the storm recovery bonds. The amount to be paid to SWEPCO as an administration fee, under the administration agreement, for providing administrative and support services to the SPE, is fixed at \$100,000.00 per year (with no escalation). In addition, SWEPCO, as initial servicer, shall be entitled to receive reimbursement for its out-of-pocket costs for external accounting and external legal services as well as for other items of cost that will be incurred annually to support and service the storm recovery bonds after issuance, consistent with Findings of Fact Paragraph 58. Only actual ongoing financing costs associated with these external services will be collected from customers. The revenues collected by SWEPCO, or by any affiliate of SWEPCO, acting as servicer under the servicing agreement and for administrative services under the administration agreement will be included as an identified revenue credit and thus reduce revenue requirements for the benefit of the LPSC-jurisdictional customers of SWEPCO in its next rate case following collection of such revenues. The expenses of acting as the servicer and for administration services likewise will be included as a cost of service in each such rate case for SWEPCO.

Transaction Structure. The financing and transaction structure as described in this Financing Order is approved. The forms of documents described in Findings of Fact Paragraphs 44 and 45 will be reviewed and approved by the Commission Staff and Commission Advisors consistent with the Issuance Advice Letter approval process and Ordering Paragraph 24.

Not an Obligation of the State. The storm recovery bonds must contain on their face pursuant to Section 1233 the following statement: "Neither the full faith and credit nor the taxing power of the State of Louisiana is pledged to the payment of the principal of, or interest on, this bond."

Refinancing. SWEPCO may apply for a subsequent financing order to refinance, retire or refund storm recovery bonds issued under this Financing Order pursuant to Section 1228(F).

Collateral. All storm recovery property and other Collateral shall be held in pledge and administered by the indenture trustee pursuant to the indenture as described in SWEPCO's Securitization Testimony. The SPE shall establish a collection account with the indenture trustee as described in the Securitization Testimony and Findings of Fact Paragraphs 65 through 70.

Distribution Following Repayment. Upon payment in full of all storm recovery bonds authorized in this Financing Order and the discharge of all obligations including financing costs in respect thereof that may be paid by use of storm recovery charges, all remaining amounts in the collection account, including investment earnings, other than amounts that were in the capital subaccount (including earnings thereon) dealt with in Ordering Paragraph 32, shall be released by the indenture trustee to the SPE for distribution to SWEPCO. Within thirty (30) days after the payment of all obligations (including final financing costs) payable from those funds, SWEPCO shall notify the Commission of the amount of such funds available for crediting to the benefit of customers, and such amount shall be added to the Reserve, or credited to SWEPCO's customers, all as mandated by and in the manner to be prescribed by the Commission at that time.

Funding of Capital Subaccount. The capital investment by SWEPCO to the SPE to be deposited into the capital subaccount shall be funded by SWEPCO from its own funds and not from the proceeds of the sale of storm recovery bonds. After payment in full of all storm recovery bonds and the discharge of all obligations including financing costs in respect thereof (including after any mandated delay in the discharge of the servicer under the servicing agreement), all amounts in the capital subaccount shall be released to the SPE for distribution to and retention by SWEPCO (except any excess earnings). SWEPCO may earn a rate of return on its capital investment in the SPE until returned by the SPE equal to the rate of interest that was established on the longest maturity tranche of the storm recovery bonds, to be paid by means of periodic distributions from the SPE that are funded first by the income earned thereon through investment by the indenture trustee in eligible investments and second by any deficiency being collected through the true-up adjustments, and further, any actual earnings in excess of that rate will be credited to customers through the FRP.

Original Issue Discount. The SPE may determine to provide for original issue discount on the storm recovery bonds through the Issuance Advice Letter process.

Credit Enhancement. SWEPCO may provide for various forms of credit enhancement including letters of credit, an overcollateralization account or reserve or other subaccounts, and surety bonds, and other mechanisms designed to promote the credit quality or marketability of the storm recovery bonds. SWEPCO may include the costs of credit enhancements or other

arrangements to promote credit quality or marketability as financing costs, provided that the Commission's financial advisor Estrada Hinojosa and SWEPCO agree in advance that such enhancements or arrangements provide benefits greater than their tangible and intangible costs pursuant to Findings of Fact Paragraphs 50 and 70. The costs of credit enhancements shall not be included in the adjustment calculations under Ordering Paragraph 3. If the use of credit enhancements or other arrangements is proposed by SWEPCO, SWEPCO shall provide the Commission's financial advisor with copies of cost/benefit analyses, if any, performed by or for SWEPCO that support the request to use such arrangements. SWEPCO shall not be required to enter any arrangements to promote credit quality or marketability unless all related costs and liabilities can be included in financing costs recoverable as upfront costs or through the SCR Rider. This Ordering Paragraph does not apply to the collection account or its subaccounts approved in this Financing Order.

Life of Bonds. The scheduled final payment date of any tranche of the storm recovery bonds authorized by this Financing Order shall not exceed approximately fifteen (15) years from the date of issuance of the bonds. The legal final maturity of any tranche of the storm recovery bonds may be longer than the scheduled final payment date based upon rating agency and market considerations.

Allocations. The Commission approves the allocation methodology set forth in this Financing Order for apportioning the periodic billing requirement for each Customer Class, subject to further modification in accordance with rating agencies requirements and the true-up mechanism approved in this Financing Order.

Use of the SPE. SWEPCO shall use the SPE, a special purpose storm recovery funding entity as proposed in its Phase II Application and the Securitization Testimony, in conjunction with the issuance of any storm recovery bonds authorized under this Financing Order. The SPE shall be funded with an amount of capital that is sufficient for the SPE to carry out its intended functions and to avoid the possibility that SWEPCO would have to extend funds to the SPE in a manner that could jeopardize the bankruptcy remoteness of the SPE, as well as to assure that the storm recovery bonds will be treated as borrowings of SWEPCO for federal income tax purposes. The SPE shall be formed under Louisiana law. The Commission shall not exercise any authority to approve or not approve any independent manager of the SPE selected by SWEPCO.

Voluntary Bankruptcy of the SPE; Dissolution. Pursuant to Section 1228(D)(2) and consistent with Finding of Fact Paragraph 40, the SPE is authorized to include in its organizational documents a provision that in order for a person to file a voluntary bankruptcy petition on its behalf, there must first be prior unanimous consent of the SPE's managers. Such provision concerning the voluntary bankruptcy of the SPE shall constitute a legal, valid, and binding agreement of SWEPCO as the member of the SPE and is enforceable against such member. Further, a person shall have authority under

the laws of Louisiana to file a voluntary bankruptcy petition on behalf of the SPE only after compliance with such provision. Additionally, SWEPCO shall not apply for judicial dissolution of the SPE, and SWEPCO is not permitted to and shall not withdraw from or otherwise cease to be a member of the SPE for any reason whatsoever, including that SWEPCO itself shall not dissolve or otherwise terminate its legal existence, unless an acceptable new member of the SPE is substituted for SWEPCO, until all storm recovery bonds issued pursuant to this Financing Order and all financing costs have been paid in full.

Financial and Other Advisors

Commission Advisors. The Commission will have the sole authority to select and retain its financial advisor and any outside legal counsel and regulatory consultants for approval of the bond issuance. The costs of the Commission Advisors will be paid as financing costs from storm recovery bond proceeds or storm recovery charges.

Servicing

Servicing Agreement. SWEPCO shall act as initial servicer as described in this Financing Order and shall enter into the servicing agreement with the SPE and perform the servicing duties approved in this Financing Order.

Servicing Fees. The servicer shall be entitled to collect servicing fees in accordance with the provisions of the servicing agreement, provided that the annual servicing fee payable to SWEPCO while it is serving as servicer (or to any other servicer affiliated with SWEPCO) shall be fixed at 0.10% of the original principal amount of the storm recovery bonds, plus reimbursement for its out-of-pocket costs for external accounting and legal services and other items of costs consistent with, and subject to the mechanism described in, Findings of Fact Paragraph 58 and Ordering Paragraph 26. The annual servicing fee payable to any other servicer not affiliated with SWEPCO shall not at any time exceed per year 0.60% of the original principal amount of the storm recovery bonds unless such higher rate is approved by the Commission pursuant to Ordering Paragraph 42. As provided in Findings of Fact Paragraph 58, in the event that SWEPCO is replaced as initial servicer, pursuant to the terms of the servicing agreement, the servicing fee shall be an amount that the indenture trustee finds reasonably necessary to pay, in order to engage a utility or other qualified unrelated third party to undertake such duties as servicer, whether or not it has any other commercial relationship to the customers to whom the storm recovery charges must be billed, not to exceed 0.60% of the initial principal amount of the storm recovery bonds unless SWEPCO (or the SPE or the financing parties) demonstrates to the Commission that a higher servicing fee must be paid in order to obtain the services based on the prevailing market conditions at that time and the Commission approves such higher fee at that time as provided in Ordering Paragraph 42.

Replacement of SWEPCO 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 storm recovery charges, the financing parties may replace SWEPCO as the servicer in accordance with the terms of the servicing agreement and any applicable intercreditor agreement with the SPE's prior written consent (which shall not be unreasonably withheld). If the servicing fee of the replacement servicer will exceed the applicable maximum servicing fee specified in Ordering Paragraph 41, the replacement servicer shall not begin providing service until (i) the date the Commission approves the appointment of such replacement servicer or unless (ii) the Commission does not act to either approve or disapprove the appointment within forty-five (45) days after notice of appointment of the replacement servicer is provided to the Commission. No entity may replace SWEPCO as the servicer in any of its servicing functions with respect to the storm recovery charges and the storm recovery property authorized by this Financing Order, if the replacement would cause any of the then current credit ratings of the storm recovery bonds to be suspended, withdrawn, or downgraded. To the extent a higher servicing fee is caused by the replacement appointment of a servicer not affiliated with SWEPCO due to the negligence, misconduct or termination for cause of SWEPCO or an affiliate servicer, the servicing agreement shall provide (for the benefit of the Commission) that SWEPCO shall bear the increased portion, and not its customers.

Amendment of Agreements. The parties to the servicing agreement, administration agreement, indenture, sale agreement, and SPE limited liability company operating agreement may amend the terms of such agreements; provided, however, that no amendment to any such agreement that would increase the ongoing financing costs shall be permitted without the prior approval of the Commission. Any amendment that does not increase the ongoing financing costs shall be effective without prior Commission authorization. Any amendment to any such agreement that may have the effect of increasing ongoing financing costs shall be provided by the SPE to the Commission along with a statement as to the possible effect of the amendment on the ongoing financing costs. The amendment shall become effective on the later of (i) the date proposed by the parties to the amendment or (ii) thirty-one (31) days after such submission to the Commission unless the Commission issues an order disapproving the amendment within a thirty (30) day period.

Collection Terms. The servicer shall remit collections of the storm recovery charges to the indenture trustee for the SPE's account as described in this Financing Order every servicer business day in accordance with the terms of the servicing agreement and Findings of Fact Paragraph 57.

Contract to Provide Service. As a part of the sale agreement or the servicing agreement with the SPE, or both, and pursuant to Section 1228(C)(9) and Section 1229(H), SWEPCO shall undertake that, in consideration of the SPE's purchase of SWEPCO's rights under this Financing Order (other than the Company Retained Rights), SWEPCO will continue to operate its system to provide transmission and distribution delivery service to its LPSC-

jurisdictional customers; and, to the extent that any interest in storm recovery property created by this Financing Order is assigned, sold or transferred to another assignee, SWEPCO shall enter into a contract with that assignee that requires SWEPCO (or its successor) to continue to operate its transmission and delivery system to provide service to SWEPCO's LPSC-jurisdictional customers; and further (in each case) SWEPCO will undertake to collect, account and remit amounts in respect of the storm recovery charges for the benefit and account of such assignee (or its financing party); provided, however, that this provision shall not prohibit SWEPCO from selling, assigning, or otherwise divesting its transmission system or distribution system (or any portions thereof) providing service to SWEPCO's LPSC-jurisdictional customers, by any method whatsoever, including those specified in Ordering Paragraph 57 pursuant to which an entity becomes a successor, so long as the entities acquiring either such system or portion thereof agree to continue operating such facilities to provide service to LPSC-jurisdictional customers.

Use of Proceeds; Application of Post Financing Order Insurance Proceeds and Grants

Use of Proceeds. The SPE will use the net proceeds from the sale of the storm recovery bonds (after payment of upfront financing costs payable by or reimbursable from the SPE in an amount consistent with this Financing Order) to pay to SWEPCO the purchase price of the storm recovery property. Such net proceeds (after payment of upfront financing costs payable by or reimbursable from SWEPCO in an amount consistent with this Financing Order) will be used by SWEPCO as follows: SWEPCO will use \$150 million to fund the Reserve in an account of SWEPCO, which account does not need to be a separately managed bank account. SWEPCO will use the remaining portion of the proceeds (approximately \$180 million) to fund its operations and capital expenditure program. This use of proceeds is approved and the proceeds may not be used for any other purpose. The use of proceeds from the sale of the storm recovery bonds in violation of this Financing Order shall subject the Company 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 or the storm recovery property irrevocably created hereby, or the approval of the transaction by the Designee granted in the Concurrence by authority of this Financing Order, or the storm recovery bonds.

Reserve. The Commission directs SWEPCO to deposit \$150 million of the funds paid by the SPE to establish the Reserve, which Reserve and proceeds thereof shall not constitute Collateral. Pursuant to the Revenue Requirement Order, SWEPCO may apply prudently incurred future storm costs against the Reserve liability account for reimbursement of June 2023 Storms storm recovery costs, both the capital costs and the operations and maintenance expense, as well as future storm recovery costs. Any such determination mandating a refund shall not invalidate, impair, or affect this Financing Order, or any storm recovery property, storm recovery charges, or storm recovery bonds.

Tax Reconciliation. SWEPCO will finance the gross amount of storm recovery costs before any reduction for the benefit associated with the return on accumulated deferred income taxes or other tax effects relating to the incurrence of such costs. All such tax benefits or other tax effects shall inure dollar-for-dollar to the benefit of customers through the FRP outside of any sharing mechanism.

Post-Financing Order Insurance and Grant Proceeds. To the extent SWEPCO receives insurance proceeds or receives grants from the State of Louisiana or the government of the United States of America or receives similar sources of reimbursement after the date of this Financing Order, the purpose of which is to provide for permanent recovery of storm recovery costs that have been financed, SWEPCO shall credit such amounts to customers dollar-for-dollar through the FRP.

Commission Pledge

Irrevocable. After the earlier of the transfer of the storm recovery property to the SPE or issuance of the storm recovery bonds authorized by this Financing Order, this Financing Order is irrevocable until the indefeasible payment in full of such bonds and the related financing costs. The Commission covenants, pledges, and agrees it thereafter shall not amend, modify, or terminate this Financing Order by any subsequent action, or reduce, impair, postpone, terminate, or otherwise adjust the storm recovery charges approved in this Financing Order, or in any way reduce or impair the value of the storm recovery property created by this Financing Order, except as may be contemplated by a refinancing authorized in strict accordance with the Securitization Act by a subsequent order of the Commission or by the periodic true-up adjustments authorized by this Financing Order, until the indefeasible payment in full of the storm recovery bonds and the related financing costs.

Duration. Consistent with Ordering Paragraph 5, this Financing Order and the storm recovery charges authorized hereby shall remain in effect until the storm recovery bonds and all financing costs related thereto have been indefeasibly paid or recovered in full. Consistent with Section 1228(C)(8), this Financing Order shall remain in effect and unabated notwithstanding the reorganization, bankruptcy, or other insolvency proceedings, or the merger or sale, of SWEPCO or its successors or assigns. Pursuant to Section 1229(H), any successor to SWEPCO, whether pursuant to any reorganization, bankruptcy, or other insolvency proceeding or whether pursuant to any merger or acquisition, sale, or other business combination, or transfer by operation of law, as a result of electric utility restructuring or otherwise, shall perform and satisfy all obligations of, and have the same rights under this Financing Order as, SWEPCO in the same manner and to the same extent as SWEPCO, including collecting and paying to the person entitled to receive them, the revenues, collections, payments, or proceeds of the storm recovery property.

Contract. The Commission acknowledges that the storm recovery bonds approved by this Financing Order will be issued and purchased in express reliance upon this Financing Order

Order No. U-36174-B

and the Commission's covenant and pledge herein of irrevocability and the vested contract right created hereby. The provisions of this Financing Order shall create a contractual obligation of irrevocability by the Commission in favor of the owners from time to time of the storm recovery bonds, and any such bondholders may by suit or other proceedings enforce and compel the performance of this Financing Order against the Commission in accordance with the indenture. It is expressly provided that such remedy as to individual commissioners of the Commission is strictly limited to a claim solely for prospective relief of declaratory and injunctive relief only; there shall be no other cause or right of action for damages or otherwise against the individual commissioners. The purchase of the storm recovery bonds, which reference in their related documentation the covenant and pledge provided in this Financing Order, is acknowledged by the Commission to be adequate consideration by the owners of the bonds for the Commission's covenant of irrevocability contained in this Financing Order. The Commission acknowledges that it would be unreasonable, arbitrary, and capricious for the Commission to take any action contrary to the covenant and pledge set forth in this Financing Order after the issuance of the storm recovery bonds.

Full Compensation. Nothing in this Financing Order shall preclude limitation or alteration of this Financing Order if and when full compensation is made for the full protection of the storm recovery charges approved pursuant to this Financing Order and the full protection of the holders of storm recovery bonds and any assignee or financing party.

Inclusion of Pledges. The SPE, as issuer of the storm recovery bonds, is authorized, pursuant to Section 1234(C) of the Securitization Act and this Financing Order, to include the State of Louisiana pledge contained in Section 1234 of the Securitization Act and the Commission pledge contained in Ordering Paragraph 50 with respect to the storm recovery property and storm recovery charges in the bonds and related bond documentation. This Financing Order is subject to the State pledge.

Miscellaneous Provisions

Continuing Issuance Right. The SPE has the continuing irrevocable right at the request of SWEPCO to cause the issuance of storm recovery bonds in accordance with this Financing Order for an issuance period commencing with the date of this Financing Order and extending twenty-four (24) months following the latest of (i) the date on which this Financing Order becomes final and not appealable; (ii) the date on which the Revenue Requirement Order becomes final and not appealable; or (iii) the date on which any other regulatory approvals necessary to issue the storm recovery bonds are obtained and not appealable. If the storm recovery bonds authorized by this Financing Order are not issued during this issuance period (as it may be extended), the storm recovery property created by this Financing Order shall cease to exist. If at any time during the issuance period of this Financing Order there is a severe disruption in the financial markets of the United States, the issuance period shall automatically be extended to a date which is not less than ninety

(90) days after the date such disruption ends. Pursuant to Section 1228(E), and consistent with Findings of Fact Paragraph 63, nothing in this Financing Order compels SWEPCO to cause the issuance of storm recovery bonds.

Internal Revenue Service Private Letter or Other Rulings. SWEPCO is not required by this Financing Order to obtain a ruling from the IRS. SWEPCO shall obtain an opinion of tax counsel sufficient in SWEPCO's judgment to support the issuance of the storm recovery bonds.

Binding on Successors. This Financing Order, together with the storm recovery charges authorized in it, shall be binding on SWEPCO and any successor to SWEPCO that provides electric transmission and distribution service to SWEPCO's LPSC-jurisdictional customers,¹¹ and if SWEPCO or its successor no longer owns and operates both the transmission and distribution systems servicing SWEPCO's LPSC-jurisdictional customers then any entity that the Commission designates in connection with an order relating to such split shall be bound by this Financing Order. This Financing Order is also binding on any other entity responsible for billing and collecting storm recovery charges on behalf of the SPE and on any successor to the Commission. In this paragraph, a "successor" means any entity that succeeds by any means whatsoever to any interest or obligation of its predecessor or transferor, including by way of bankruptcy, reorganization or other insolvency proceeding, merger, acquisition, division, consolidation or other business combination, conversion, assignment, sale, transfer, lease, management contract, pledge or other security, by operation of law, as a result of electric utility restructuring, governmental reorganization, or otherwise. Nothing in this Financing Order is intended to limit or impair any authority of the Commission concerning the transfer of ownership or control of SWEPCO or its assets.

Flexibility; Underwriting. Subject to compliance with the requirements of this Financing Order and consistent with Section 1228(B), SWEPCO shall be afforded flexibility in establishing the terms and conditions of the storm recovery bonds, including repayment schedules, term, scheduled final payment dates and legal maturity (within the limits established herein), payment dates, required debt service, interest rates, use of original issue discount, indices, reserves, collateral, credit enhancement (within the limits provided herein), the type and form of the transaction's securities registration, selection of certain transaction participants (consistent with this Paragraph), and upfront and ongoing financing costs. In addition, the storm recovery bonds will be issued through a negotiated offering. Satisfaction of the requirements of this Paragraph shall be evidenced as provided in Ordering Paragraph 24.

¹¹ Any such successor shall perform and satisfy all obligations of and have the same rights under this Financing Order as SWEPCO, including collecting and paying to the person entitled to receive them the revenues, collections, payments, or proceeds of the storm recovery property created by this Financing Order.

Waiver. The Commission waives any rights it may have to rescind this Financing Order under La. R.S. 12:1308.2(E) if the SPE becomes delinquent in filing its annual report required under La. R.S. 12:1308.1.

Regulatory Approvals. All regulatory approvals and authorizations within the jurisdiction of the Commission that are necessary for the imposition of the storm recovery charges associated with the storm recovery costs that are the subject of the Applications, and for the financing and all related aspects of the transaction contemplated in the Applications, are granted.

Effect. This Financing Order constitutes a legal financing order for SWEPCO under the Securitization Act. The Commission finds this Financing Order complies with the provisions of the Securitization Act. A financing order gives rise to rights, interests, obligations and duties as expressed in the Securitization Act. It is the Commission's express intent to give rise to those rights, interests, obligations and duties by issuing this Financing Order. This Financing Order, including without limitation all of the foregoing findings of fact and conclusions of law, is final administrative action.

Further Commission Action. The Commission will act pursuant to this Financing Order as expressly authorized by the Securitization Act to ensure that expected storm recovery charge revenues are sufficient to pay at all times the scheduled principal of and interest on the storm recovery bonds issued pursuant to this Financing Order and all other financing costs in connection with the storm recovery bonds (including, when necessary, to bring all principal payments on the storm recovery bonds on schedule for each of the next two (2) succeeding bond payment dates).

Further Actions by Others. SWEPCO is directed to take all actions as are required to effectuate the transaction approved and authorized in this Financing Order, subject to compliance with the criteria established in this Financing Order. SWEPCO, the SPE, the Commission Staff and the Commission's Designee are directed to take all other actions required by this Financing Order.

Effectiveness of Order. This Financing Order is effective immediately.

All Other Motions, etc., Denied. All motions, requests for entry of specific findings of fact and conclusions of law, and any other requests for general or specific relief not expressly granted herein, or in the Revenue Requirement Order, are denied for want of merit.

Revenue Requirement Order. To the extent that the terms of this Financing Order and the terms of the Revenue Requirement Order are inconsistent or conflict, the terms of this Financing Order shall control.

Interim Relief Termination. Consistent with the Revenue Requirement Order, collections authorized pursuant to interim storm relief will terminate automatically upon the first billing cycle following the month in which the storm recovery bonds are issued.

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
July 3rd, 2024



A handwritten signature in blue ink, appearing to read "Brandon M. Frey".

BRANDON M. FREY
SECRETARY

/S/ MIKE FRANCIS
DISTRICT IV
CHAIRMAN MIKE FRANCIS

/S/ DAVANTE LEWIS
DISTRICT III
VICE CHAIRMAN DAVANTE LEWIS

/S/ FOSTER L. CAMPBELL
DISTRICT V
COMMISSIONER FOSTER L. CAMPBELL

/S/ ERIC F. SKRMETTA
DISTRICT I
COMMISSIONER ERIC F. SKRMETTA

/S/ CRAIG GREENE
DISTRICT II
COMMISSIONER CRAIG GREENE

LIST OF APPENDICES

Appendix A Form of Issuance Advice Letter

Attachment 1

Schedule A Total Securitization Principal Amount

Schedule B Estimated Upfront Costs and Carrying Charges

Attachment 2

Schedule A Bonds Revenue Requirement Information

Schedule B Ongoing Costs

Schedule C Calculation of Storm Recovery Charges

Schedule D Net Present Value Benefit

Schedule E Typical Residential Bill Comparison

Attachment 3 Initial Allocation to Customer Classes

Attachment 4 Company's Certification

Attachment 5 Commission Designee's Concurrence

Attachment 6 Service List

Appendix B SCR Rider and Factor Calculation

Appendix C Estimate of Upfront and Ongoing Financing Costs

Appendix D Form of True-Up Calculation Notice Letter

ISSUANCE ADVICE LETTER

[insert date]

ORDER NO. U-36174-[]

LOUISIANA PUBLIC SERVICE COMMISSION

SUBJECT: ISSUANCE ADVICE LETTER FOR STORM RECOVERY BONDS

Pursuant to the Financing Order adopted in Docket No. U-36174, Application of Southwestern Electric Power Company for: (I) Recovery of Certain Storm Damage Costs Incurred as a result of Hurricanes Laura and Delta and the February 2021 Winter Storm Event; (II) Related Securitization Financing; (III) Establishment of a Storm Reserve; and (IV) Recovery of Storm Damage Costs Associated with the June 2023 Storms, Order No. U-36174-B (the “Financing Order”), SOUTHWESTERN ELECTRIC POWER COMPANY (“Applicant”) hereby submits, no later than two (2) business days after the pricing of the Storm Recovery Bonds, the information referenced below. This Issuance Advice Letter is for the [SPE Name] Storm Recovery Bonds, tranches []. Any capitalized terms not defined in this letter shall have the meanings ascribed to them in the Financing Order.

PURPOSE

This filing establishes the following:

- (a) the total amount to be financed, consisting of the approved storm recovery costs, two (2) storm recovery reserves, and upfront financing costs;
- (b) confirmation that customers will experience savings relative to traditional methods of financing;
- (c) confirmation that the structuring, terms and pricing of the storm recovery bonds are consistent with the Financing Order;
- (d) confirmation that the pricing of the storm recovery bonds is consistent with market conditions at the time of pricing;
- (e) the actual terms and structure of the storm recovery bonds being issued;
- (f) the initial storm recovery charges for retail users; and
- (g) the identification of the SPE.

The Concurrence by the Commission’s Designee to this filing will establish the Commission’s approval of the final forms of the indenture, SPE limited liability company operating agreement, sale agreement, administration agreement, and servicing agreement.

The Applicant hereby confirms, pursuant to the Financing Order, the following:

COSTS BEING FINANCED

The total amount of approved costs being financed (the “Financed Costs”) is presented in Attachment 1.

COMPLIANCE WITH ISSUANCE STANDARDS

The Financing Order requires Applicant to confirm, using the methodology approved therein, that the actual terms of the storm recovery bonds result in compliance with the standards set forth in the Financing Order. These standards are:

- 1. The securitization financing of approved storm recovery costs will provide significant benefits to ratepayers, greater than would be achieved absent the issuance of storm recovery bonds (See Attachment 2, Schedule D);
- 2. The total principal amount financed (see Attachment 1, Schedule A) will not exceed the present value of the conventional financing revenue requirement over the life of the proposed storm recovery bonds when the present value calculation is made using a discount rate equal to the weighted average effective interest rate on the storm recovery bonds (See Attachment 2, Schedule D);

APPENDIX A
FINANCING ORDER

3. The total amount of revenues to be collected under the Financing Order is less than the revenue requirement that would be recovered using conventional financing methods (See Attachment 2, Schedule C and D);
4. The storm recovery bonds will be issued in one or more tranches having scheduled final payment dates of up to approximately fifteen (15) years. Legal final maturities may be longer than the scheduled final payment dates based upon rating agency and market considerations (See Attachment 2, Schedule A);
5. The storm recovery bonds may be issued with an original issue discount on several of the tranches to promote marketability while providing yields that match market conditions; the original discount will be fully reflected in the interest rates used to calculate ratepayer benefits; and
6. The structuring and pricing of the storm recovery bonds are certified by the Applicant to result in the lowest storm recovery bond charges consistent with market conditions at the time of pricing and the terms (including the amortization structure ordered by the Commission, if any) set out in the Financing Order (See Attachment 4).

ACTUAL TERMS OF ISSUANCE

Name of Storm Recovery Bonds: _____
Name of Storm Recovery Bond Issuer SPE: [*SPE Name*] Trustee: []
Closing Date: []
Bond Ratings (up to 3 rating agencies): S&P [AAA] (sf), Fitch [AAA] sf, Moody's [Aaa] (sf)
Amount Issued: [____]
Storm Recovery Bond Issuance Costs: See Attachment 1, Schedule B.
Storm Recovery Bond Support and Servicing: See Attachment 2, Schedule B.

APPENDIX A
FINANCING ORDER

Tranche	Interest Rate	Scheduled Final Payment Date	Legal Final Maturity
A-1			
A-2			
A-3			
A-4			

Weighted Average Coupon: ¹	%
Weighted Average Interest Rate: ²	
Life of Bonds:	
Weighted Average Life of Bonds:	
Call Provisions (including premium, if any):	None
Amortization Schedule:	Attachment 2, Schedule A
Scheduled Final Payment Dates:	Attachment 2, Schedule A
Legal Final Maturity Dates:	See Table Above
Annual Overcollateralization Funding Requirements:	
Payments to Investors:	Semi-annually, Beginning [, 202_]
Initial annual Servicing Fee as a percent of original Storm Recovery Bond principal balance:	[.10]%
Initial annual administration fee	\$

¹ The annual coupon rates are weighted by the principal amount of each tranche.

² The annual coupon rates are weighted by the principal amount and modified duration of each tranche.

INITIAL STORM RECOVERY CHARGE

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

TABLE I	
Input Values For Initial Storm Recovery Charges	
Applicable period: from [] to []	
Forecasted retail kWh/kW sales for the applicable period ³ :	
Storm Recovery Bond debt service for the applicable period ⁴ :	\$
Percent of billed amounts expected to be charged-off:	%
Forecasted % of Billings Paid in the Applicable Period:	%
Forecasted retail kWh/kW sales billed and collected for the applicable period ⁵ :	
Forecasted annual ongoing transaction expenses (Excluding Storm Recovery Bond principal and interest):	\$
Current Storm Recovery Bond outstanding balance:	\$
Target Storm Recovery Bond outstanding balance as of []:	\$
Total Periodic Billing Requirement for applicable period:	\$

Allocation of the periodic billing requirement (the “PBR”) among customer classes:
See Attachment 3.

Based on the foregoing, the initial Storm Recovery Charges calculated for retail users are as follows:

TABLE II

<u>Rate Class</u>	<u>Initial Storm Recovery Charge</u>

IDENTIFICATION OF SPE

The owner of the Storm Recovery Property (the “SPE”) will be: [*SPE Name*], a Louisiana limited liability company.

EFFECTIVE DATE OF CHARGES

In accordance with the Financing Order, the Storm Recovery Charge shall be billed commencing on the first day of the first billing cycle after the date of issuance of the storm recovery bonds and Applicant’s receipt of payment in the amount of \$[] from [*SPE Name*] following Applicant’s execution and delivery to [*SPE Name*] of the Bill of Sale transferring Applicant’s rights and interests under the Financing Order and other rights and interests that are Storm Recovery Property as described in the Financing Order (which will not occur prior to the third business day after pricing of the Storm Recovery Bonds).

NOTICE

³ See Attachment 3, column 5, for billing determinants by rate class.

⁴ Cash paid to service debt within the applicable period – not an accrued amount.

⁵ Assumed collection curve for each rate class is []% in the first month following billing; []% in the second month following billing, and []% for amounts charged-off.

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Copies of this filing are being furnished to the parties on the attached service list (See Attachment 6). Notice to the public is hereby given by filing and keeping this filing open for public inspection at Applicant’s corporate headquarters.

APPROVAL

[____], the duly designated Designee of the Commission under the Financing Order, shall notify Applicant and the Commission, no later than one business day after receipt of this Issuance Advice Letter via email, and using the form of concurrence letter attached hereto as Attachment 5, in the case of acceptance and approval of the Issuance Advice Letter by the Designee.

AUTHORIZED OFFICER

The undersigned is an officer of Applicant and authorized to deliver this Issuance Advice Letter on behalf of Applicant.

Respectfully submitted,

SOUTHWESTERN ELECTRIC POWER
COMPANY

By: _____
Name:
Title:

ATTACHMENT 1
SCHEDULE A
CALCULATION OF TOTAL PRINCIPAL AMOUNT

Total Adjusted Recoverable Storm Recovery Costs permitted to be financed by Financing Order ⁶ :	\$[__]
LPSC-Jurisdictional Base Revenue Allocator:	[__]%
LPSC-Jurisdictional Portion of Storm Recovery Costs (Line 1 times Line 2)	\$[__]
Storm Recovery Reserve	\$[__]
Adjustments for any insurance or government grants	\$[__]
Estimated upfront costs (Attachment 1, Schedule B)	\$[__]
Estimated carrying charges (Attachment 1, Schedule B)	\$[__]
TOTAL PRINCIPAL AMOUNT TO BE FINANCED⁷	\$[__]

⁶ The total amount is calculated per Ordering Paragraphs 2 and 25 of the Financing Order.

⁷ Amount due to rounding up \$[__] per Ordering Paragraph 2 and adding increase of \$[__] to the Reserve.

Attachment 1 Schedule B	
Estimated Upfront Financing Costs and Carrying Charges	
Company’s Structuring Fees:	
Legal Fees and Expenses for Company and SPE Counsel:	
Underwriters’ Fees and Expenses:	\$
Legal Fees and Expenses for Underwriters’ Counsel	\$
Indenture Trustee’s Fees and Counsel’s Fees:	
Rating Agency Fees:	\$
Accountant’s/Auditor’s Fees:	\$
SEC Registration Fee:	
Printing and Filing Costs:	\$
SPE Setup Costs:	\$
Commission Advisors Fees:	
Initial annual Servicing Fee:	\$
Initial annual Administration Fee:	\$
Non-legal Securitization Costs (including marketing):	\$
Miscellaneous Administrative Costs:	\$
Original Issue Discount ⁸ :	\$
[Cost of Swaps & Hedges or Credits Enhancement]:	\$
Total Estimated Upfront Financing Costs:	\$
Total Estimated Carrying Charges:	\$

Note: Any excess of the Estimated Upfront Financing Costs over the actual upfront Financing Costs incurred will be resolved by adding to the storm recovery reserve liability account as described in the Financing Order.

⁸ Actual Original Issue Discount as reflected in the final [Prospectus] was [\$_____].

<u>ATTACHMENT 2</u>						
<u>SCHEDULE A</u>						
<u>STORM RECOVERY BOND REVENUE REQUIREMENT</u>						
<u>INFORMATION</u>						
<u>TRANCHE A-1</u>						
Revenue Requirement	Ongoing Financing Costs	Payment Date	Principal Balance	Interest	Principal	Total Payment

<u>ATTACHMENT 2</u>						
<u>SCHEDULE A</u>						
<u>STORM RECOVERY BOND REVENUE REQUIREMENT</u>						
<u>INFORMATION</u>						
<u>TRANCHE A-[]</u>						
Revenue Requirement	Ongoing Financing Costs	Payment Date	Principal Balance	Interest	Principal	Total Payment

ATTACHMENT 2
SCHEDULE B
ONGOING FINANCING COSTS

[other item boxes to be inserted]

Ongoing Financing Costs Items	First Year’s Estimated Annual Ongoing Financing Costs
Servicing Fee 0.10% of Storm Recovery Bonds	\$
Administration Fee (annual):	\$100,000
Administrative Expenses (outside legal, accounting):	\$
Ratings Maintenance:	\$
Indenture Trustee Fees:	\$
Return on SPE Equity	\$
Independent Manager’s Fee:	\$
TOTAL ANNUAL ONGOING FINANCING COSTS (with SWEPCO as servicer)	\$

NOTE: The amounts shown for each category of ongoing financing costs on this page are the expected estimated costs for the first year of the storm recovery bonds. Storm recovery 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 Applicant is the servicer and the administration fee is fixed.

ATTACHMENT 2
SCHEDULE C
CALCULATION OF STORM RECOVERY CHARGES

Year	Storm Recovery Bond Payments ⁹	Ongoing Financing Costs ¹⁰	Total Nominal Storm Recovery Charge Requirement ¹¹	Present Value of Storm Recovery Charges ¹²
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
Total				

⁹ From Attachment 2, Schedule A.

¹⁰ From Attachment 2, Schedule B.

¹¹ Sum of storm recovery bond payments and ongoing Financing Costs.

¹² The discount rate used is the weighted average effective annual interest rate of the storm recovery bonds ([__]%), calculated including upfront Financing Costs, and giving effect to compounding.

ATTACHMENT 2
SCHEDULE D
COMPLIANCE WITH SECURITIZATION ACT

NET PRESENT VALUE BENEFIT:¹³

	Securitization Rate	Conventional Rate	Cost Savings
Nominal Value			
Present Value			

Attachment 2							
Schedule E							
Typical Residential Bill Comparison – [] kWh							
					Phase 2		
	Description		Phase 1		Securitized		Change
	(a)		(b)		(c)		(d)
1	Billing without Storm Recovery						
2	Storm Recovery						
3	Adjusted Total Bill						
4	% Change before Storm Recovery						
5	% Change from Phase 1 Recovery						
6	ADIT Surcredit						
7	Adjusted Total Bill						
8	% Change from Phase 1 Recovery						
9	Base Rate Reduction						
10	Adjusted Total Bill						
11	% Change from Phase 1 Recovery						

[To be revised.]

¹³ Calculated consistent with the methodology cited in the Financing Order.

Attachment 3							
SOUTHWESTERN ELECTRIC POWER COMPANY							
Initial Allocation to Customer Classes							
Line No.	Description	Total Retail	Residential	Commercial / Small Industrial	Transmission	Municipal	Lighting
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	STORM RECOVERY - SECURITIZATION						
	Billing Requirement Allocation						
1	Forecasted Base Revenue						
2	Revenue Allocators						
3	Securitization Revenue Requirement						
4	True Up Adjustment						
5	Securitization Recovery						
	Billing Determinants						
6	Customer Bills						
7	Billing Demands						
8	All MWh						
	STORM SURCHARGE FACTORS						
9	Customer Charge						
10	Demand Charge -						
11	Energy Charges						
	Securitization Recovery - Proof of Revenue Recovery						
12	Customer Chg Recovery						
13	Demand Chg Recovery						
14	KWh Chg Recovery						
15	Total Expected Recovery						
16	Difference						

[To be revised.]

ATTACHMENT 4

COMPANY’S CERTIFICATION

[SWEPCO Letterhead]

[DATE]

Louisiana Public Service Commission
Galvez Building, 12th Floor
602 North Fifth Street PO Box 91154
Baton Rouge, Louisiana 70821-9154

Re: Storm Recovery Rate Order; Docket No. U-36174-B

Dear _____:

Pursuant to the Louisiana Public Service Commission’s (“LPSC”) Financing Order in the above-captioned Docket (the “Financing Order”), Southwestern Electric Power Company (“SWEPCO”) hereby transmits for filing this Pricing Advice Certificate. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order.

In the Financing Order, the LPSC requires SWEPCO to file a Company Certification when pricing terms for the storm recovery bonds (the “Storm Recovery Bonds”) have been approved by SWEPCO. The proposed terms of pricing and issuance of the Storm Recovery Bonds are as follows:

- Name of Storm Recovery Bonds: [[__] Senior Secured Storm Recovery Bonds]
- Name of SPE to which the Storm Recovery Property will be assigned: [*SPE Name*]
- Name of Trustee: _____
- Closing Date: _____
- Principal Amount of Storm Recovery Bonds Issued: _____
- Bond Ratings: _____
- Scheduled Final Payment Dates and Legal Final Maturities: _____
- Amount of Upfront Financing Costs financed: \$ _____
- Interest Rates and Expected Amortization Schedule: See Attachment 1
- Distributions to Investors (quarterly or semi-annually): _____
- Annual Servicing Fee as a percent of initial principal balance: 0.10%
- Weighted Average Coupon Interest Rate¹⁴: _____
- Weighted Average Effective Annual Interest Rate¹⁵: _____
- Initial Balance of Capital Subaccount: _____

The following actions were taken in connection with the design, structuring and pricing of the bonds:

- [Included credit enhancement in the form of the true-up mechanism and an equity contribution of 0.50% of the original principal amount.]
- [Eliminated the overcollateralization account.]
- [Registered the storm recovery bonds with the Securities and Exchange Commission to facilitate greater liquidity.]
- [Achieved Aaa(sf)/AAA(sf)/AAA sf ratings from up to three major rating agencies.]

¹⁴ The annual coupon rates are weighted by the principal amount of each tranche.

¹⁵ The annual coupon rates are weighted by the principal amount and modified duration of each tranche.

**APPENDIX A
FINANCING ORDER**

- [Selected underwriters that have relevant experience and execution capabilities (affirmed by the Commission Staff and the Commission’s Financial Advisor).]
- [Developed the marketing presentations to emphasize the credit quality and security related to these bonds, and provide comparative analysis to other competing securities.]
- [Provided the term sheet and [preliminary prospectus/offering memorandum] by e-mail to prospective investors.]
- [Allowed sufficient time for investors to review the term sheet and preliminary prospectus and to ask questions regarding the transaction.]
- [Held one-on-one and group conference calls with potential investors to describe the legislative, political and regulatory framework and the bond structure with a focus on [corporate/agency/other crossover buyers] specifically targeted to achieve the transaction objectives.]
- [Arranged issuance of rating agency pre-sale reports during the marketing period.]
- [Held daily market update discussions with the underwriting team to develop recommendations for pricing, during the period that the bonds were marketed.]
- [Coordinated multiple conversations with all of the members of the underwriting team during the marketing phase in which we stressed the requirements of the Financing Order.]
- [Developed and implemented a marketing plan designed to incent each of the underwriters to aggressively market the bonds to their customers and to reach out to a broad base of potential investors, including investors who have not previously purchased this type of security.]
- [Provided potential investors with access to an electronic roadshow for viewing on repeated occasions at investors’ convenience.]
- [Adapted the storm recovery bond offering to market conditions and investor demand (including the consideration of demand in accordance with the flexibility afforded under the Financing Order) at the time of pricing. Variables impacting the final structure of the transaction were evaluated including the length of average lives and maturities of the bonds, as well as the interest rate requirements at the time of pricing, so that the structure of the transaction would correspond to investor preferences and rating agency requirements for AAA ratings.]

SWEPCO hereby certifies that to the best knowledge, information and belief of SWEPCO, its officers, agents and employees after reasonable inquiry, the selection of a negotiated sale of the Storm Recovery Bonds, through [a public offering]/ [or a limited public offering under Rule 144A of the SEC], has resulted in the highest possible bond ratings and the lowest possible interest and transaction costs consistent with market conditions and the terms of the Financing Order.

SWEPCO hereby certifies that: (i) all proposed terms of pricing and issuance of the Storm Recovery Bonds are within the parameters established in the Financing Order, and (ii) to the best knowledge, information and belief of the Company, its officers, agents and employees after reasonable inquiry, the structuring and pricing of Storm Recovery Bonds, as described in this Company Certification, has resulted in the lowest storm recovery charges consistent with market conditions at the time of pricing and the terms of the Financing Order.

Respectfully submitted,

Southwestern Electric Power Company

By: _____
Chief Financial Officer

ATTACHMENT 5

COMMISSION DESIGNEE’S CONCURRENCE

[Letterhead]

Date: _____

Louisiana Public Service Commission
Galvez Building, 12th Floor
602 North 5th Street
Baton Rouge, Louisiana 70802

Pursuant to the Financing Order of the Louisiana Public Service Commission (“LPSC”) dated, [___], LPSC Docket No. U-36174

I, _____, (the “Designee”), in accordance with the Louisiana Electric Utility Storm Recovery Securitization Act, codified at La. R.S. 45:1226–1240, and the Financing Order, for the purpose of (a) establishing that the structuring and pricing of the Storm Recovery Bonds will result in the lowest Storm Recovery Charges consistent with market conditions and the terms of the Financing Order and (b) approving at the time of pricing of the Storm Recovery Bonds, the terms and conditions of the Storm Recovery Bonds, servicing fees, if any, with respect to the collection of such Storm Recovery Charges and the pledging, assignment and sale of the Storm Recovery Bonds in connection with the initial Storm Recovery Charge, HEREBY CONCUR as follows:

1. I have received and reviewed in accordance with the Financing Order a copy of the Company’s Certification, a copy of which is attached hereto, and find that such certificate is in proper form as evidenced by such Financing Order. I have also reviewed other information as I have deemed necessary to provide this certification. Any capitalized terms not defined herein shall have the meanings ascribed thereto in the Financing Order.
2. The following are the terms of the Storm Recovery Bonds:

Name of Storm Recovery Bonds: _____
SPE: [SPE Name]
Closing Date: _____
Principal Amount Issued: _____
Interest Rates and Expected Amortization Schedule: See Attachment 7, Schedule A
Distributions to Investors (quarterly or semi-annually): _____
Weighted Average Coupon Interest Rate¹⁶: _____
Annualized Weighted Average Yield¹⁷: _____
Initial Balance of Capital Subaccount: _____
3. The final structuring, terms and pricing of the Storm Recovery Bonds in the Issuance Advice Letter are consistent with the criteria established in the Financing Order, and the mathematical calculations are accurate. Accordingly, the terms and conditions of the Storm Recovery Bonds and the schedule of payments of principal and interest on the Storm Recovery Bonds are approved.
4. The final forms (subject to completion with final numbers and information) of the indenture, the SPE limited liability company operating agreement, sale agreement, administration agreement, and servicing agreement have been reviewed by the Commission Staff and Commission Advisors and are approved.

Respectfully submitted,

¹⁶ The annual coupon rates are weighted by the principal amount of each tranche. [footnotes will be renumbered]

¹⁷ The annual coupon rates are weighted by the principal amount and modified duration of each tranche.

APPENDIX A
FINANCING ORDER

By: _____
Name: _____
Title: _____

ATTACHMENT 6

SERVICE LIST

[TO BE UPDATED WHEN ISSUE IAL]

Service List

Docket No.: U-36174

All Commissioners

_____ - LPSC Supervising Attorney
_____ - LPSC Utilities Division
_____ - LPSC Economics Division

SC- [____]

AA- [____]

[TO BE UPDATED WHEN ISSUE IAL]

APPENDIX B

SEE ATTACHED SCR RIDER AND FACTOR CALCULATION

[FOLLOWS THIS PAGE]

SOUTHWESTERN ELECTRIC POWER COMPANY
Louisiana Public Service Commission Tariff
Rate/Rider: Storm Cost Recovery Rider

Revision #: NA

Page 69.1
Original
Effective Date: First Billing Cycle After
LPSC Approval
Supersedes: NA
Authority: Docket No. LPSC U-36174

STORM COST RECOVERY RIDER

AVAILABILITY

The Storm Cost Recovery (SCR) Rider is applicable for bills rendered to customers of Southwestern Electric Power Company (SWEPCO), during the term that this schedule is in effect.

APPLICATION

There shall be added to each customer's bill an adjustment which will be calculated as a percentage of the customer's base rate revenue for the financing of storm recovery costs, storm damage reserve costs, and storm recovery bond financing costs as approved by the LPSC. Base rate revenue includes all retail base rate revenues with the exception of revenues associated with miscellaneous services, fees, and facility rentals. Facilities charges paid by customers taking service in accordance with lighting rates providing for such charges will be considered base rate revenues.

For purposes of billing the SCR Rider, each Louisiana retail customer shall be designated as a customer in one of the following five major customer classes: Residential, Commercial/Small Industrial, Transmission, Municipal, or Lighting, and shall remain in that class for the duration of the securitization period. Customers may move between classes; however, the SCR Rider will be nonbypassable from a rate class perspective based on the customer's class at the time of LPSC approval of the SCR Rider. A new customer shall be assigned to the appropriate major customer class based on usage characteristics.

TRUE-UP

The SCR Rider shall be subject to true-up in accordance with the schedule prescribed in the Commission's financing order approved in LPSC Docket No. U-36174 and shall be performed at least semi-annually.

STORM COST RECOVERY RATES

Customer Class

Residential
Commercial / Small Industrial
Transmission
Municipal Service
Lighting Service

SCR Rider Rates

X.XXXX%
X.XXXX%
X.XXXX%
X.XXXX%
X.XXXX%

SCR RIDER FACTOR CALCULATION

SOUTHWESTERN ELECTRIC POWER COMPANY								
Storm Cost Recovery (SCR) Rider Factor Calculation								
Annual Revenue Requirement	\$	35,576,000						
Annual Ongoing Costs		750,000						
Subtotal	\$	36,326,000						
Over/Under Recovery	\$	-						
Total Revenue Requirement	\$	36,326,000						
ALLOCATIONS								
			Major Class					
Description	Retail		Residential	Commercial / Small Industrial	Transmission	Municipal	Lighting	Total
Transmission	17.7043%		55.0825%	41.7631%	2.0975%	1.0043%	0.0526%	100.0000%
Distribution	82.2957%		56.6743%	40.1093%	0.0000%	1.2048%	2.0116%	100.0000%
Total	100.0000%							
REVENUE REQUIREMENT ALLOCATION								
			Major Class					
Description	Retail		Residential	Commercial / Small Industrial	Transmission	Municipal	Lighting	Total
Transmission	\$ 6,431,263		\$ 3,542,501	\$ 2,685,895	\$ 134,896	\$ 64,589	\$ 3,383	\$ 6,431,263
Distribution	29,894,737		\$ 16,942,633	\$ 11,990,570	\$ -	\$ 360,172	\$ 601,363	\$ 29,894,737
Total	\$36,326,000		\$ 20,485,133	\$ 14,676,465	\$ 134,896	\$ 424,761	\$ 604,745	\$ 36,326,000
CALCULATION OF SCR CHARGE RATES								
Forecast Base Rate Revenue			\$ 226,595,241	\$ 176,886,678	\$ 8,224,401	\$ 5,634,522	\$ 10,986,158	\$ 428,327,000
SCR Charge Rate % of Base Rate Revenue			9.0404%	8.2971%	1.6402%	7.5385%	5.5046%	

APPENDIX C

PRELIMINARY ESTIMATE OF UPFRONT FINANCING COSTS
AND ONGOING COSTS

Description of Cost items	Upfront Costs
<u>Based on averages of recent deals for fixed costs</u>	
Legal Fees/Exp for Company's/Issuer's Counsel	\$ 2,937,500
Fees for Commission and Company Financial Advisor	\$ 1,100,000
Printing/Edgarizing Expenses	\$ 50,000
Miscellaneous Administrative Costs	\$ 238,088
17g-5 Website	\$ 10,000
Rating Agency Fees	\$ 553,273
Accountant's Fees	\$ 150,000
Servicer Set-up Costs	\$ 125,000
Trustee's/Trustee's Counsel Fees and Expenses	\$ 45,000
Underwriting Fee (.40%)	\$ 1,372,000
SEC Fees	\$ 19,139
Total Fixed Qualified Costs	\$ 6,600,000
	Ongoing Costs
Ongoing Servicer Fee (SWEPCO as Servicer)	\$ 343,000
Administration Fee	\$ 100,000
Accountants' Fees	\$ 50,000
Legal Fees/Expenses for Company's/Issuer's Counsel	\$ 40,000
Trustee's/Trustee's Counsel Fees and Expenses	\$ 5,000
Independent Managers' Fee	\$ 5,000
Rating Agency Fees	\$ 50,000
Return on Capital Account (5.753%)	\$ 98,664
Miscellaneous	\$ 58,336
TOTAL	\$ 750,000

TO BE UPDATED IN ISSUANCE ADVICE LETTER

**APPENDIX D
FINANCING ORDER**

Louisiana Public Service Commission
Galvez Building, 12th Floor
602 North Fifth Street
PO Box 91154
Baton Rouge, Louisiana 70821-9154

Re: Storm Recovery Financing Order No. U-36174-[__]; Southwestern Electric Power Company Periodic True-up Adjustment

Dear _____:

Pursuant to the Louisiana Public Service Commission's ("LPSC") Order No. U-36174-[__] (the "Financing Order") in Docket U-36174, Southwestern Electric Power Company ("SWEPCO") as servicer hereby transmits for filing and approval the periodic true-up adjustment of the recovery of approved financed storm recovery amounts and the resulting changed storm recovery charges as set out on SWEPCO Storm Cost Recovery Rider. This periodic true-up adjustment covers the period from [*Month/Yr*] through [*Month/Yr*].

In support of this revised rate schedule, SWEPCO provides the following attachments for review:

1. Revised Storm Cost Recovery Rider,
2. Updated allocation to customer rate classes of periodic payment requirement adjusted for the periodic true-up amount and resulting rate changes, and
3. Detailed workpapers showing the calculation of the true-up amount based on the criteria as set out in Findings of Fact [86-90] of the Financing Order approved by the LPSC in this docket.

Each semi-annual true-up adjustment shall be filed with the LPSC not less than fifteen (15) days prior to its proposed effective date. The LPSC will have fifteen (15) days after the date of a true-up adjustment filing in which to confirm the mathematical accuracy of the servicer's adjustment. Any mathematical correction not made prior to the effective date of the adjusted storm recovery charge will be made in future true-up adjustment filings and will not delay the effectiveness of the adjusted storm recovery charge.

Please advise if the LPSC has questions concerning this matter.

Respectfully submitted,

Southwestern Electric Power Company