

*In the opinion of Nixon Peabody LLP (“Bond Counsel”), under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by Oklahoma Municipal Power Authority described herein, interest on the Series 2021A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that such interest on the Series 2021A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. The interest on the Series 2021B Bonds is not excluded from gross income for Federal income tax purposes under the Code. Bond Counsel is further of the opinion that interest on the Series 2021A/B Bonds is exempt from income taxation imposed by the State of Oklahoma under the Oklahoma Income Tax Act. See “TAX MATTERS” herein regarding certain other tax considerations.*



**OKLAHOMA MUNICIPAL POWER AUTHORITY**  
**\$125,963,000 Power Supply System Revenue Refunding Bonds**  
**Series 2021A**  
**\$172,015,000 Power Supply System Revenue Refunding Bonds**  
**Series 2021B (Federally Taxable)**

Dated: Date of Delivery

Due: January 1, as shown on the inside cover

The Power Supply System Revenue Refunding Bonds, Series 2021A Bonds (the “Series 2021A Bonds”) and the Power Supply System Revenue Refunding Bonds, Series 2021B Bonds (Federally Taxable) (the “Series 2021B Bonds” and, together with the Series 2021A Bonds, the “Series 2021A/B Bonds”) of the Oklahoma Municipal Power Authority (the “Authority”) are being issued pursuant to the Act, as defined herein, and under and pursuant to the Authority’s Power Supply System Revenue Bond Resolution adopted on June 10, 1985, as supplemented and amended through and including the Thirty-Third Supplemental Power Supply System Bond Resolution, adopted May 13, 2021 (the “Resolution”). The Series 2021A Bonds will be issued in fully registered form in the denominations of \$1,000 or any integral multiple thereof. The Series 2021B Bonds will be issued in fully-registered form in the denominations of \$5,000 or any integral multiple thereof. The Series 2021A/B Bonds when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2021A/B Bonds. Purchases of beneficial ownership interests in the Series 2021A/B Bonds will be made in book-entry form only. Beneficial owners of the Series 2021A/B Bonds will not receive physical delivery of certificates evidencing their ownership interest in the Series 2021A/B Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2021A/B Bonds. Interest on the Series 2021A/B Bonds is payable each January 1 and July 1, commencing January 1, 2022, as more fully described herein. So long as DTC or its nominee is the registered owner of the Series 2021A/B Bonds, payments of the principal of and interest on the Series 2021A/B Bonds will be made directly to DTC by BOKF, NA, Oklahoma City, Oklahoma, as the Trustee, Bond Registrar and Paying Agent. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC participants. See “THE SERIES 2021A/B BONDS” herein.

**Maturity Schedule on Inside Cover**

The Series 2021A/B Bonds are subject to redemption prior to maturity. See “THE SERIES 2021A/B BONDS” herein.

The Series 2021A Bonds are issued for the purpose of (i) paying all or a portion of the purchase price of the Tendered Bonds, (ii) providing for the exchange of the Exchanged Bonds, (iii) refunding the Refunded Note, (iv) paying all or a portion of premiums for the Insurance Policy (defined below), and (v) paying certain costs of issuance of the Series 2021A Bonds and the Invitation.

The Series 2021B Bonds are issued for the purposes of (i) refunding all or a portion of the Refunded Bonds, (ii) paying all or a portion of premiums for the Insurance Policy, and (iii) paying certain costs of issuance of the Series 2021B Bonds. See “FINANCING PLAN” herein.

The Series 2021A/B Bonds will constitute special obligations of the Authority, and the principal thereof and premium, if any, and interest thereon will be payable from and secured solely by the Revenues of the Authority derived from the ownership and operation of its power supply system and other moneys and securities pledged under the Resolution, subject to prior payment therefrom of operating expenses, as more fully described herein. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

The scheduled payment of principal of and interest on the Series 2021A/B Bonds when due will be guaranteed under an insurance policy (the “Insurance Policy”) to be issued concurrently with the delivery of the Series 2021A/B Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



**The Series 2021A/B Bonds will be payable solely from the Trust Estate and neither the State of Oklahoma nor any political subdivision thereof (other than the Authority), nor any Participating Trust which has contracted with the Authority, is obligated to pay the principal of, premium, if any, or interest on the Series 2021A/B Bonds and neither the faith and credit nor the taxing power of the State of Oklahoma or any political subdivision thereof or any such Participating Trust is pledged to the payment of the principal of or premium, if any, or interest on the Series 2021A/B Bonds. The Authority does not have any taxing power.**

*The Series 2021A Bonds are offered by the Underwriters pursuant to this Official Statement and through the Dealer Manager pursuant to the Invitation to Tender or Exchange Bonds dated June 1, 2021. The Series 2021A/B Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Nixon Peabody LLP, Bond Counsel to the Authority. Certain legal matters in connection with the Series 2021A/B Bonds are subject to the approval of Ellen Edwards, Esq., General Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP, Counsel to the Underwriters. It is expected that the Series 2021A/B Bonds in definitive form will be available for delivery to DTC on or about July 1, 2021.*

BofA Securities

BOK Financial Securities, Inc.

Goldman Sachs &amp; Co. LLC

Wells Fargo Securities

The date of this Official Statement is June 18, 2021

**\$125,963,000**  
**Power Supply System Revenue Refunding Bonds**  
**Series 2021A**

**Maturities, Amounts, Interest Rates and Yields**

<u>Maturity</u> <u>January 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>†</sup> <u>Base: 67910H</u>
2022	\$ 895,000	5.000%	0.200%	QP8
2023	1,235,000	5.000	0.240	QQ6
2024	13,745,000	5.000	0.300	QR4
2025	3,305,000	5.000	0.470	QS2
2026	16,945,000	5.000	0.630	QT0
2027	12,970,000	5.000	0.750	QU7
2028	9,330,000	5.000	0.910	QV5
2029	4,635,000	5.000	1.030	QW3
2030	5,045,000	5.000	1.160	QX1
2031	2,985,000	5.000	1.240	QY9
2032	3,070,000	4.000	1.400 <sup>c</sup>	QZ6
2033	3,150,000	4.000	1.480 <sup>c</sup>	RA0
2034	3,175,000	4.000	1.540 <sup>c</sup>	RB8
2035	3,265,000	4.000	1.600 <sup>c</sup>	RC6
2036	3,355,000	4.000	1.630 <sup>c</sup>	RD4
2037	3,530,000	4.000	1.660 <sup>c</sup>	RE2
2038	3,565,000	4.000	1.690 <sup>c</sup>	RF9
2039	1,655,000	4.000	1.720 <sup>c</sup>	RG7
2040	1,740,000	3.000	1.960 <sup>c</sup>	RH5
2041	1,785,000	3.000	2.000 <sup>c</sup>	RJ1

\$14,935,000 4.000% Term Bond due January 1, 2047; Yield 1.900%<sup>c</sup>; CUSIP<sup>†</sup>: 67910HRK8

\$11,648,000<sup>§</sup> 4.000% Term Bond due January 1, 2047; Yield 4.000%<sup>c</sup>; CUSIP<sup>†</sup>: 67910HSD3

<sup>c</sup> Priced to optional call date of January 1, 2031.

<sup>§</sup> These Series 2021A Bonds are being issued in exchange for tendered Series 2013A Bonds subject to the terms of the Invitation to Tender or Exchange Bonds as described under the caption "FINANCING PLAN."

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**\$172,015,000**  
**Power Supply System Revenue Refunding Bonds**  
**Series 2021B (Federally Taxable)**

**Maturities, Amounts, Interest Rates and Prices**

<b><u>Maturity</u></b> <b><u>January 1</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Price</u></b>	<b><u>CUSIP<sup>†</sup></u></b> <b><u>Base: 67910H</u></b>
2022	\$ 130,000	0.461%	100.000	RL6
2023	270,000	0.611	100.000	RM4
2024	275,000	0.929	100.000	RN2
2025	280,000	1.234	100.000	RP7
2026	285,000	1.434	100.000	RQ5
2027	4,990,000	1.602	100.000	RR3
2028	13,210,000	1.802	100.000	RS1
2029	12,470,000	1.951	100.000	RT9
2030	13,575,000	2.051	100.000	RU6
2031	8,015,000	2.151	100.000	RV4
2032	8,250,000	2.251	100.000	RW2
2033	8,475,000	2.351	100.000	RX0
2034	8,770,000	2.431	100.000	RY8
2035	9,025,000	2.501	100.000	RZ5
2036	9,290,000	2.551	100.000	SA9

\$33,395,000 2.803% Term Bond due January 1, 2041; Price: 100.000; CUSIP<sup>†</sup>: 67910HSB7

\$41,310,000 2.903% Term Bond due January 1, 2047; Price: 100.000; CUSIP<sup>†</sup>: 67910HSC5

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**OKLAHOMA MUNICIPAL POWER AUTHORITY**  
**2701 West Interstate 35 Frontage Road**  
**Edmond, Oklahoma 73013**  
**(405) 340-5047**

**Board of Directors**

Homer Nicholson.....	Chair	Jason McPherson.....	Elector
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Dave Slezickey.....	Secretary	Dave Andren .....	Elector
Dixie Johnson .....	Elector	Glenn Fisher .....	Elector
Gary Jones .....	Elector		

**Participating Trusts**

Altus Municipal Authority (“Altus”)  
Blackwell Municipal Authority (“Blackwell”)  
Comanche Public Works Authority (“Comanche”)  
Copan Public Works Authority (“Copan”)  
The Duncan Utilities Authority (“Duncan”)  
Edmond Public Works Authority (“Edmond”)  
The Eldorado Public Works Authority (“Eldorado”)  
Fairview Utilities Authority (“Fairview”)  
Fort Supply Public Works Authority (“Fort Supply”)  
The Frederick Public Works Authority (“Frederick”)  
Geary Utilities Authority (“Geary”)  
Goltry Public Works Authority (“Goltry”)  
Granite Public Works Authority (“Granite”)  
Hominy Public Works Authority (“Hominy”)  
Kingfisher Public Works Authority (“Kingfisher”)  
The Laverne Public Works Authority (“Laverne”)  
Lexington Public Works Authority (“Lexington”)  
Mangum Utilities Authority (“Mangum”)  
Manitou Public Works Authority (“Manitou”)  
Marlow Municipal Authority (“Marlow”)  
Mooreland Public Works Authority (“Mooreland”)  
New Cordell Utility Authority (“New Cordell”)  
The Newkirk Municipal Authority (“Newkirk”)  
Okeene Public Works Authority (“Okeene”)  
The Olustee Public Works Authority (“Olustee”)  
The Orlando Public Works Authority (“Orlando”)  
Pawhuska Public Works Authority (“Pawhuska”)  
Perry Municipal Authority (“Perry”)  
Ponca City Utility Authority (“Ponca City”)  
Pond Creek Public Works Authority (“Pond Creek”)  
The Prague Public Works Authority (“Prague”)  
Purcell Public Works Authority (“Purcell”)  
The Ryan Utilities Authority (“Ryan”)  
The Spiro Municipal Improvement Authority (“Spiro”)  
The Tecumseh Utility Authority (“Tecumseh”)  
Tonkawa Municipal Authority (“Tonkawa”)  
Walters Public Works Authority (“Walters”)  
Watonga Public Works Authority (“Watonga”)  
Waynoka Utilities Authority (“Waynoka”)  
Wetumka Municipal Authority (“Wetumka”)  
The Wynnewood City Utilities Authority (“Wynnewood”)  
Yale Water and Sewer Trust (“Yale”)

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, any such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2021A/B Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Authority and other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information and this Official Statement is not to be construed as the promise or guarantee of the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

This Official Statement contains statements that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words or phrases “believes,” “plans,” “anticipates,” “expects,” “intends,” “estimates,” “forecasts,” “should,” “projection,” “could,” “may,” “continues,” “might,” “potential,” “scheduled” or similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Any other statement that expresses the possibility of future activity, intent or result also is a forward-looking statement. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

**THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. THE COVER PAGE IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.**

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2021A/B BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Series 2021A/B Bonds or the advisability of investing in the Series 2021A/B Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM, and presented under the caption “BOND INSURANCE” and Appendix I “Specimen Municipal Bond Insurance Policy.”

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission.

# TABLE OF CONTENTS

	Page
INTRODUCTION .....	1
INVITATION .....	3
FINANCING PLAN .....	4
SOURCES AND USES OF FUNDS .....	6
THE SERIES 2021A/B BONDS .....	6
General.....	6
Optional Redemption .....	7
Mandatory Redemption .....	8
Selection of Bonds to be Redeemed.....	9
Notice of Redemption .....	10
Book-Entry-Only System.....	10
Transfer and Exchange .....	13
BOND INSURANCE .....	13
Bond Insurance Policy .....	13
Assured Guaranty Municipal Corp. ....	13
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.....	16
The Pledge and Security Interest Under the Resolution.....	16
Debt Service Reserve Account .....	16
Power Sales Contracts.....	17
Rate Covenant and Coverage Under the Resolution .....	18
Additional Bonds; Conditions to Issuance .....	19
SCHEDULED DEBT SERVICE REQUIREMENTS .....	20
RISKS OF BONDHOLDERS .....	21
Special Obligations .....	21
Limitations on Enforcement.....	21
Financial Information.....	21
Factors Related to the Electric Utility Industry .....	21
Federal Tax Status of the Series 2021A Bonds.....	22
Ratings.....	22
Secondary Market.....	22
Book-Entry .....	22
Forward-Looking Statements.....	22
TAX MATTERS .....	23
The Series 2021A Bonds .....	23
The Series 2021B Bonds.....	25
LEGALITY FOR INVESTMENT.....	33
CERTAIN LEGAL MATTERS.....	33
LITIGATION .....	34
INDEPENDENT AUDITORS.....	34
VERIFICATION OF MATHEMATICAL COMPUTATIONS .....	34
UNDERWRITING .....	34
CERTAIN RELATIONSHIPS .....	36
FINANCIAL ADVISOR .....	36
RATINGS.....	36
CONTINUING DISCLOSURE.....	37
MISCELLANEOUS.....	37
SCHEDULE I DESCRIPTION OF PURCHASED BONDS.....	Schedule I-1
SCHEDULE II DESCRIPTION OF EXCHANGED BONDS.....	Schedule II-1
SCHEDULE III DESCRIPTION OF REFUNDED BONDS .....	Schedule III-1
APPENDIX A CERTAIN INFORMATION RELATING TO THE AUTHORITY, THE POWER SUPPLY PROGRAM AND THE PARTICIPATING TRUSTS .....	A-1
APPENDIX B AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY .....	B-1
APPENDIX C INFORMATION CONCERNING CERTAIN CO-OWNERS .....	C-1
APPENDIX D SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS.....	D-1
APPENDIX E SUMMARY OF CERTAIN PROVISIONS OF THE DOLET HILLS AGREEMENT, THE PIRKEY AGREEMENT, THE MCCLAIN AGREEMENT, THE REDBUD AGREEMENT, THE TURK AGREEMENT AND THE UNIT POWER AGREEMENT.....	E-1
APPENDIX F SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION .....	F-1
APPENDIX G FORM OF CONTINUING DISCLOSURE UNDERTAKING .....	G-1
APPENDIX H PROPOSED FORM OF OPINION OF BOND COUNSEL .....	H-1
APPENDIX I SPECIMEN MUNICIPAL BOND INSURANCE POLICY .....	I-1

**OKLAHOMA MUNICIPAL POWER AUTHORITY**

**\$125,963,000 Power Supply System Revenue Refunding Bonds  
Series 2021A**

**\$172,015,000 Power Supply System Revenue Refunding Bonds  
Series 2021B (Federally Taxable)**

**INTRODUCTION**

This Official Statement, including the preceding pages and Appendices hereto, is provided to furnish information in connection with (a) the Invitation to Tender or Exchange Bonds, dated June 1, 2021 (the “Invitation”), of the Oklahoma Municipal Power Authority (the “Authority”) a governmental agency and body politic and corporate of the State of Oklahoma (the “State”), inviting holders of certain bonds of the Authority which are described under the caption “FINANCING PLAN” to tender such bonds for purchase by the Authority or to exchange such bonds for Series 2021A Bonds (as such terms are defined herein), as applicable; and (b) the offering, sale and delivery by the Authority of its Power Supply System Revenue Refunding Bonds, Series 2021A (the “Series 2021A Bonds”) and Power Supply System Revenue Refunding Bonds, Series 2021B (Federally Taxable) (the “Series 2021B Bonds” and, together with the Series 2021A Bonds, the “Series 2021A/B Bonds”).

The Series 2021A/B Bonds are to be issued pursuant to the Oklahoma Municipal Power Authority Act, 11 O.S. 2011, §§ 24-101 *et seq.*, as amended from time to time (the “Act”), and the Authority’s Power Supply System Revenue Bond Resolution adopted on June 10, 1985, as supplemented and amended through and including the Thirty-Third Supplemental Power Supply System Revenue Bond Resolution adopted on May 13, 2021 (the “Thirty-Third Supplemental Resolution”). This Official Statement refers to such Power Supply System Revenue Bond Resolution, as supplemented and amended to the date hereof, including by the Thirty-Third Supplemental Resolution, as the “Resolution.”

The Series 2021A Bonds are issued for the purpose of (i) paying all or a portion of the purchase price of the Tendered Bonds, (ii) providing for the exchange of the Exchanged Bonds, (iii) refunding the Refunded Note (as hereinafter defined), (iv) paying all or a portion of the premiums for the Insurance Policy, and (v) paying certain costs of issuance of the Series 2021A Bonds and the Invitation described herein. The capitalized terms Tendered Bonds, Exchanged Bonds and Invitation are defined herein under the caption “INVITATION” herein.

The Series 2021B Bonds are issued for the purposes of (i) refunding all or a portion of the Refunded Bonds, (ii) paying all or a portion of the premiums for the Insurance Policy, and (iii) paying certain costs of issuance of the Series 2021B Bonds. See “FINANCING PLAN” herein.

Other series of Power Supply System Revenue Bonds and Notes have been, and in the future may be, issued by the Authority and secured on a parity with the Series 2021A/B Bonds under the Resolution (collectively with the Series 2021A/B Bonds, the “Bonds”). As described more fully under “OUTSTANDING BONDS AND OTHER INDEBTEDNESS—Outstanding Parity Bonds” in Appendix A hereto, eight series of the Bonds (Series 2005A, Series 2010B, Series 2013A, Series 2013B, Series 2014A, Series 2014B, Series 2016A and Series 2019A) and the Series 2021A Note are Outstanding, as such term is defined in the Resolution, as of the date hereof in the aggregate principal amount of \$598,550,000. As further described under “FINANCING PLAN”, some of said Bonds may be purchased, exchanged or refunded by the Series 2021A/B Bonds. The Resolution permits, upon compliance with certain conditions, the issuance of additional Bonds (“Additional Bonds”) for the

purpose of financing costs incurred or to be incurred by the Authority in connection with its power supply system and the refunding of its Bonds.

The Authority was created by the Oklahoma Legislature in 1981 as a body politic and corporate for the purpose of providing adequate, reliable and economic sources of electric power and energy to Oklahoma municipalities and public trusts operating municipal electric systems. Under the Act, the Authority is a governmental agency of the State of Oklahoma and a body politic and corporate with the powers, in addition to other powers, to (1) acquire, construct and operate generation and transmission facilities, (2) purchase, sell, exchange and transmit electric energy within and without the State of Oklahoma and (3) issue its obligations, including the Bonds, to carry out any of its corporate purposes and powers. The Act prohibits the Authority from participating in any nuclear powered generating plant. The Act authorizes the Authority to exercise the power of eminent domain in the acquisition of certain property. Property of the Authority is exempt from Oklahoma property taxes. The Authority does not have any taxing power. See “THE AUTHORITY” in Appendix A hereto.

The Authority has entered into individual power sales contracts (collectively, the “Power Sales Contracts”) with the 42 public trusts located in the State of Oklahoma listed on the inside cover of this Official Statement (collectively, the “Participating Trusts”). The Authority entered into a new contract during 2020 with the Lindsay Public Works Authority (“Lindsay”). Service to Lindsay will start June 1, 2025, at which time there will be 43 public trusts located in the State that have each entered into separate power sales contracts with the Authority. Each Participating Trust operates a municipal electric system which has been leased by a municipal beneficiary to the Participating Trust pursuant to a lease which has a term no less than the primary term of the Power Sales Contract. See “THE PARTICIPATING TRUSTS” in Appendix A hereto and Appendix D hereto.

To meet its power supply responsibilities, the Authority has several power supply and transmission resources consisting generally of plant ownership positions, transmission agreements, long-term purchase agreements and power purchase and supply arrangements (referred to collectively herein as the “Power Supply Program”) described under “THE POWER SUPPLY PROGRAM” in Appendix A hereto.

Also see “CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY” in Appendix A hereto.

See “MANAGEMENT DISCUSSION OF RECENT UNAUDITED FINANCIAL INFORMATION” in Appendix A hereto for selected financial information extracted from internal unaudited accounting records of the Authority.

See Appendix B hereto for audited financial statements of the Authority as of and for the years ended December 31, 2020 and 2019.

The purchase of the Series 2021A/B Bonds involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective purchaser of the Series 2021A/B Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. The discussion of certain risks is not intended to be exhaustive and should be read in conjunction with this entire Official Statement including the Appendices hereto. See “RISKS OF BONDHOLDERS” herein.

The references herein to the Act, the Resolution, the Power Sales Contracts and certain other contracts are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to the Act, the Resolution, the Power Sales Contracts and such other



contracts for full and complete statements of such provisions. Copies of such documents are on file at the offices of the Authority and may be obtained upon request. See Appendix F hereto for a summary of certain provisions of the Resolution. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Resolution and as set forth in “Summary of Certain Provisions of the Resolution—Definitions” in Appendix F hereto.

## INVITATION

The Authority commenced on June 1, 2021 an Invitation to the beneficial owners (the “Invited Bond Owners”) of the following Series of Bonds (the “Invited Bonds”):

- \$132,920,000 Power Supply System Revenue Bonds, Series 2013A
- \$39,565,000 Power Supply System Revenue Bonds, Series 2013B
- \$83,910,000 Power Supply System Revenue Refunding Bonds, Series 2014A

In the Invitation, the Authority invited the Invited Bond Owners to (a) offer to sell to the Authority for cash their beneficial ownership interests in the Invited Bonds, or (b) for certain qualified institutional buyers (“QIBs”) or sophisticated municipal market professionals as defined in Rule D-15 of the Municipal Securities Rulemaking Board (“SMMP”), to exchange Invited Bonds for Series 2021A Bonds on the terms and conditions described in the Invitation.

Pursuant to the Invitation, the Invited Bond Owners may tender for cash (the “Tender Offer”), and, subject to the conditions set forth therein, the Authority expects to purchase, all or a portion of the offered Invited Bonds (the “Tendered Bonds”) at the purchase price set forth in the Tender Offer. Tendered Bonds which the Authority expects to purchase pursuant to the Invitation will be cancelled. The purpose of the Tender Offer and the purchase of the Tendered Bonds is to give the Authority the opportunity to purchase and retire the Tendered Bonds with the proceeds of the Series 2021A Bonds on the date of issuance of the Series 2021A Bonds (the “Settlement Date”). Funds to purchase the Tendered Bonds, and to pay for the costs of the Invitation, will be provided from proceeds of the Series 2021A Bonds and certain other available funds of the Authority.

Further pursuant to the Invitation, Invited Bond Owners that are QIBs may exchange (the “Exchange Offer” and, together with the Tender Offer, the “Offers”), and subject to the conditions set forth therein, the Authority expects to exchange, all or a portion of the offered Invited Bonds (the “Exchanged Bonds”) in exchange for specified amounts of Series 2021A Bonds as set forth in the Exchange Offer. Exchanged Bonds will be cancelled. The purpose of the Exchange Offer is to give the Authority the opportunity to retire the Exchanged Bonds by exchanging them for Series 2021A Bonds on the Settlement Date.

A portion of the proceeds of the Series 2021A Bonds will be applied to purchase for cash the Invited Bonds set forth in Schedule I hereto (the “Purchased Bonds”) on July 1, 2021. Series 2021A Bonds will be exchanged for the Invited Bonds set forth in Schedule II hereto (the “Exchanged Bonds”) on July 1, 2021.

Subject to the terms and conditions of the respective Offers, including, without limitation, the issuance of the Series 2021A Bonds, the Authority will purchase \$67,570,000 aggregate par amount of Tendered Bonds validly tendered for purchase and cause the exchange of Series 2021A Bonds for \$12,650,000 aggregate par amount of Exchanged Bonds validly tendered for exchange on the Settlement Date.

Invited Bond Owners who do not accept either of the Offers may have their Invited Bonds redeemed on the applicable redemption date or dates by proceeds of the Series 2021B Bonds, depending on market conditions. This section is not intended to summarize all of the terms of the Offers and reference is made to the Invitation for a discussion of the terms of the Offers and the conditions for settlement of the Invited Bonds validly tendered and accepted for purchase or exchange.

## FINANCING PLAN

### *Series 2021A Bonds*

Under the terms of the Invitation, made by the Authority with the assistance of BofA Securities, Inc. as dealer manager (in such capacity, the “Dealer Manager”), holders of the Invited Bonds were invited to tender the Invited Bonds for purchase at the respective prices described in the Invitation or, as to QIBs or SMMPs only, to exchange the Invited Bonds for Series 2021A Bonds, all subject to certain conditions described in the Invitation to Tender. Under the terms of the Invitation, Qualified Institutional Holders may exchange their Invited Bonds for Series 2021A Bonds on the terms provided therein.

The terms of the Invitation provided that all tenders for purchase or exchange must be made on or before June 15, 2021 (as such date may be extended, the “Expiration Date”). Immediately following the Expiration Date, the Authority determined whether to accept the Invited Bonds tendered for purchase or exchange, and that determination resulted in the sizing of the Series 2021A Bonds.

All Invited Bonds that are not tendered for purchase or exchange or tendered and not accepted by the Authority will be refunded from proceeds of the Series 2021B Bonds, as further described below.

In addition, the Authority will use proceeds of the Series 2021A Bonds to (i) refund \$60,000,000 principal amount of its Power Supply System Revenue Note (Taxable), Series 2021A issued to Bank of America, N.A. on March 12, 2021 (the “Refunded Note”), (ii) pay premiums for the Insurance Policy, and (iii) pay certain costs of issuance of the Series 2021A Bonds and the Invitation.

### *Series 2021B Bonds*

Proceeds of the Series 2021B Bonds, together with other available funds of the Authority, will be applied to defease to the redemption date and refund or redeem the remaining Invited Bonds which were not purchased or exchanged through the Invitation (the “Refunded Bonds”) on the applicable redemption dates set forth in Schedule III hereto. In addition, proceeds of the Series 2021B Bonds will be used to pay all or a portion of the premiums for the Insurance Policy, as well as to pay certain costs of issuance for the Series 2021B Bonds.

Pursuant to an Escrow Agreement, dated as of July 1, 2021 (the “Escrow Agreement”), by and between the Authority and BOKF, NA, as trustee for the Refunded Bonds and the Refunded Note (the “Escrow Agent”), the Authority will cause the Trustee to deposit into an escrow fund (the “Escrow Fund”) a portion of the proceeds of the Series 2021A/B Bonds together with certain available funds of the Authority. Moneys in the Escrow Fund will be invested in obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America and, together with investment income thereon, will be used to pay the regularly scheduled payments of interest on the Refunded Bonds and the Refunded Note through the applicable redemption dates and to redeem such Refunded Bonds and the Refunded Note on the applicable redemption dates at a price of par, without premium (the “Redemption Price”). The amount so deposited with BOKF, NA under the Escrow Agreement will be available only for the payment of the Refunded Bonds and the Refunded Note and will not be available for the payment of the Series 2021A/B Bonds. After the deposit of such amount under

the Escrow Agreement, the Authority will be discharged from all payment obligations with respect to the Refunded Bonds and the Refunded Note.

The sufficiency of the deposits in the Escrow Fund for such purposes will be verified by Causey Demgen & Moore, Denver, Colorado (the “Verification Agent”), and the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Financial Advisor relating to the adequacy of the moneys deposited in the Escrow Fund to (i) make the regularly scheduled payments of interest on the Refunded Bonds and to pay on the applicable redemption dates the Redemption Price of such Refunded Bonds, and (ii) pay the Refunded Note.

The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the Refunded Bonds and the Refunded Note and will not be available for the payments on the Series 2021A/B Bonds.

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## SOURCES AND USES OF FUNDS

The sources and uses of funds in connection with the issuance of the Series 2021A/B Bonds, excluding the Series 2021A Bonds in a principal amount of \$11,648,000 issued in exchange for Series 2013A Bonds, are shown in the following tables:

### Series 2021A Bonds

#### Sources of Funds:

Principal Amount of the Series 2021A Bonds	\$114,315,000.00
Premium	23,054,187.65
Total Sources of Funds	\$137,369,187.65

#### Uses of Funds:

Purchase Price of the purchased Invited Bonds	\$ 76,171,279.00
Repayment of Refunded Note	60,000,000.00
Costs of Issuance <sup>(1)</sup>	1,197,908.65
Total Uses of Funds	\$137,369,187.65

<sup>1</sup> Includes an underwriting discount of \$230,935.23 with respect to the Series 2021A Bonds, the costs of the Invitation, Bond Insurance premiums, fees for legal counsel and other expenses, the payment of some of which is contingent upon the issuance of the Series 2021A Bonds.

### Series 2021B Bonds

#### Sources of Funds:

Principal Amount of the Series 2021B Bonds	\$172,015,000.00
Other available funds <sup>(1)</sup>	19,983,171.37
Total Sources of Funds	\$191,998,171.37

#### Uses of Funds:

Deposit to the Escrow Account	\$190,730,699.41
Costs of Issuance <sup>(2)</sup>	1,267,471.96
Total Uses of Funds	\$191,998,171.37

<sup>1</sup> Includes certain amounts held in the Operation and Maintenance Account in the Operations and Maintenance Fund and the Rate Stabilization Account in the Revenue Fund.

<sup>2</sup> Includes an underwriting discount of \$346,755.30 with respect to the Series 2021B Bonds, Bond Insurance premiums, fees for legal counsel and other expenses, the payment of some of which is contingent upon the issuance of the Series 2021B Bonds.

## THE SERIES 2021A/B BONDS

### General

The Series 2021A/B Bonds will be dated as of the date of their original issuance and delivery (the “Dated Date”) and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Series 2021A Bonds will be issued as fully registered bonds, initially in book entry only form, in denominations of \$1,000 or any integral multiple thereof. The Series 2021B Bonds will be issued as fully-registered bonds, initially in book-entry only form, in denominations of \$5,000 or any integral multiple thereof.

The Series 2021A/B Bonds bear interest at the rates set forth on the inside cover page of this Official Statement. Interest on the Series 2021A/B Bonds is payable semiannually on each January 1 and

July 1, commencing January 1, 2022 (each, an “Interest Payment Date”), or if such date is not a business day, on the next succeeding business day with no additional interest, to the registered owners as of the regular record date, which is the 15th day (whether or not a business day) of the calendar month next preceding each Interest Payment Date (the “Regular Record Date”). Interest on the Series 2021A/B Bonds is computed on the basis of a 360-day year of twelve 30-day months. Interest on the Series 2021A/B Bonds accrues from the Dated Date. The Depository Trust Company (“DTC”) shall act as securities depository (the “Depository”) for the Series 2021A/B Bonds. So long as DTC is acting as Depository, the principal of, premium, if any, and interest on the Series 2021A/B Bonds shall be payable as directed by the Depository.

BOKF, NA, is the Trustee under the Resolution (the “Trustee”) and the Bond Registrar and Paying Agent for the Series 2021A/B Bonds (the “Bond Registrar” and “Paying Agent,” respectively). BOKF, NA, is related to one of the Underwriters for the Series 2021A/B Bonds. See “UNDERWRITING” herein.

## **Optional Redemption**

### ***Series 2021A Bonds***

The Series 2021A Bonds maturing on and after January 1, 2032, will be subject to optional redemption prior to maturity, upon notice as provided in the Resolution, at the option of the Authority, on and after January 1, 2031, as a whole or in part (if in part, the maturities to be redeemed, or the portions of such maturities, to be selected by the Authority in its sole discretion) at any time, in each case at the redemption price of 100% of the principal amount of the Series 2021A Bonds or portions thereof to be redeemed, payable only from any available funds of the Authority, including from excess amounts in the Debt Service Reserve Account in the Debt Service Fund resulting from any such redemption, together with accrued interest to the redemption date.

### ***Series 2021B Bonds***

The Series 2021B Bonds are subject to make-whole optional redemption prior to their respective maturity dates, at the option of the Authority, in whole or in part, at a redemption price equal to the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Series 2021B Bonds are to be redeemed, discounted to the date on which such Series 2021B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus 15 basis points; plus, accrued interest to the respective redemption dates on such Series 2021B Bonds to be redeemed (the “Make-Whole Call Price”).

The term “Treasury Rate” as used in the foregoing paragraph, means, with respect to any redemption date for a particular Series 2021B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) (the “Statistical Release”) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation for indexed securities), or, if such Statistical Release is no longer published, any publicly available source of similar market data, most nearly equal to the period from the redemption date to the maturity date of such Series 2021B Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The Make-Whole Call Price of the Series 2021B Bonds to be redeemed at the option of the Authority as described above will be determined by an independent accounting firm, investment banking firm or municipal advisor retained by the Authority at the Authority's expense. The Authority may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or municipal advisor and will not be liable for such reliance.

## **Mandatory Redemption**

### ***Series 2021A Bonds***

The \$14,935,000 principal amount of Series 2021A Bonds maturing on January 1, 2047 bearing a coupon of 4.000% yielding 1.900% to the optional call date of January 1, 2031 shall be redeemed prior to maturity (or paid at maturity), not later than January 1 in the sinking fund installments, and within a maturity by lot, set forth below, without premium, together with the interest accrued to the date fixed for redemption.

#### 2047 Term Bond

Due January 1	Principal Amount
2042	\$1,800,000
2043	1,855,000
2044	1,505,000
2045	1,555,000
2046	4,045,000
2047 <sup>†</sup>	4,175,000

<sup>†</sup> Maturity.

The \$11,648,000 principal amount of Series 2021A Bonds maturing on January 1, 2047 bearing a coupon of 4.000% yielding 4.000% shall be redeemed prior to maturity (or paid at maturity), not later than January 1 in the sinking fund installments, and within a maturity by lot, set forth below, without premium, together with the interest accrued to the date fixed for redemption.

#### 2047 Term Bond

Due January 1	Principal Amount
2044	\$1,507,000
2045	1,566,000
2046	4,204,000
2047 <sup>†</sup>	4,371,000

<sup>†</sup> Maturity.

Upon the purchase or redemption of Series 2021A Bonds for which mandatory sinking fund installments have been established, other than by reason of the mandatory sinking fund installment redemption described above, an amount equal to the principal amount of the Series 2021A Bonds so purchased or redeemed shall be credited toward each of the mandatory sinking fund installments with respect to such Series 2021A Bonds in such order as may be designated by the Authority.

### ***Series 2021B Bonds***

The Series 2021B Bonds maturing on January 1, 2041 and January 1, 2047 shall be redeemed prior to maturity (or paid at maturity), not later than January 1 in the sinking fund installments, and within

a maturity by lot, set forth below, without premium, together with the interest accrued to the date fixed for redemption.

2041 Term Bonds

Due January 1	Principal Amount
2037	\$9,485,000
2038	9,850,000
2039	4,580,000
2040	4,675,000
2041 <sup>†</sup>	4,805,000

<sup>†</sup> Maturity.

2047 Term Bonds

Due January 1	Principal Amount
2042	\$ 4,970,000
2043	5,120,000
2044	4,175,000
2045	4,300,000
2046	11,190,000
2047 <sup>†</sup>	11,555,000

<sup>†</sup> Maturity.

Upon the purchase or redemption of Series 2021B Bonds for which mandatory sinking fund installments have been established, other than by reason of the mandatory sinking fund installment redemption described above, an amount equal to the principal amount of the Series 2021B Bonds so purchased or redeemed shall be credited toward each of the mandatory sinking fund installments with respect to such Series 2021B Bonds in such order as may be designated by the Authority.

**Selection of Bonds to be Redeemed**

***Series 2021A Bonds***

If less than all of the Series 2021A Bonds are to be redeemed, the particular maturities of Series 2021A Bonds to be redeemed at the option of the Authority will be determined by the Authority in its sole discretion.

In the event that less than all of the Series 2021A Bonds of a maturity are to be redeemed, the portion of such Series 2021A Bonds to be redeemed will be selected by the Trustee in such manner as the Trustee shall deem appropriate and fair; provided, however, such Series 2021A Bonds to be redeemed shall be redeemed in denominations of \$1,000 or any integral multiple thereof. In such event, for so long as a book-entry-only system is in effect with respect to the Series 2021A Bonds, DTC or its successor, and direct or indirect DTC participants, will determine the particular ownership interests of Series 2021A Bonds of such maturity to be redeemed. Any failure of DTC or its successor, or of a direct or indirect DTC participant, to make such determination will not affect the sufficiency or the validity of the redemption of Series 2021A Bonds to be redeemed. See “Book-Entry-Only System” herein.

### ***Series 2021B Bonds***

If less than all of the Series 2021B Bonds are to be redeemed, the particular maturities of Series 2021B Bonds to be redeemed at the option of the Authority will be determined by the Authority in its sole discretion.

If the Series 2021B Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of such Series 2021B Bonds, if less than all of the Series 2021B Bonds of a maturity are called for prior redemption, the particular Series 2021B Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Series 2021B Bonds are held in book-entry form, the selection for redemption of such Series 2021B Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2021B Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

### **Notice of Redemption**

Notice of redemption is to be mailed, not less than 30 days prior to the redemption date, but failure to receive any such notice shall not affect the sufficiency or the validity of the redemption proceedings.

Any notice of optional redemption of Series 2021A/B Bonds may state that it is conditioned upon receipt by the Trustee of moneys sufficient to pay the redemption price of such Series 2021A/B Bonds or upon the satisfaction of any other condition or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected Holders of Series 2021A/B Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

For so long as a book-entry-only system is in effect with respect to the Series 2021A/B Bonds, notice of redemption, or notice of rescission of any conditional notice of redemption, of Series 2021A/B Bonds to be redeemed is to be mailed to DTC or its nominee or its successor. Any failure of DTC or its successor, or of a direct or indirect DTC participant, to notify a beneficial owner of Series 2021A/B Bonds of any redemption will not affect the sufficiency or validity of the redemption of the Series 2021A/B Bonds to be redeemed. See “Book-Entry-Only System” herein. Neither the Authority nor the Trustee can give any assurance that DTC or its successor, or direct or indirect DTC participants, will distribute such redemption notices to the beneficial owners of the Series 2021A/B Bonds, or that they will do so on a timely basis.

### **Book-Entry-Only System**

*The information in this section concerning The Depository Trust Company (“DTC”) and DTC’s book-entry-only system has been obtained from DTC and the Authority and the Underwriters take no responsibility for the accuracy thereof.*

DTC will act as securities depository for the Series 2021A/B Bonds. The Series 2021A/B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2021A/B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.



DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission ("SEC"). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2021A/B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021A/B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021A/B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2021A/B Bonds, except in the event that use of the book-entry system for the Series 2021A/B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021A/B Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2021A/B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021A/B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021A/B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2021A/B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2021A/B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2021A/B Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments on the Series 2021A/B Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2021A/B Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2021 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository), subject to DTC procedures. In that event, Series 2021 Bond certificates will be printed and delivered.

*The Authority, the Paying Agent and the Underwriters cannot and do not give any assurances that the DTC Participants will distribute to the Beneficial Owners of the Series 2021A/B Bonds: (i) payments of principal of or interest on the Series 2021A/B Bonds; (ii) certificates representing an ownership interest or other confirmation of Beneficial Ownership interests in the Series 2021A/B Bonds; or (iii) notices sent to DTC or its nominee, as the registered owners of the Series 2021A/B Bonds; or that they will do so on a timely basis or that DTC or its participants will serve and act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the SEC and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

*None of the Authority, the Paying Agent or the Underwriters will have any responsibility or obligation to such DTC Participants (Direct or Indirect) or the persons for whom they act as nominees with respect to: (i) the Series 2021A/B Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by any DTC Participant of any amount due to any Beneficial Owner in respect of the principal amount of or interest on the Series 2021A/B Bonds; (iv) the delivery by any DTC Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Resolution to be given to registered owners; or (v) any consent given or other action taken by DTC as registered owner.*

*Beneficial Owners of Series 2021A/B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021A/B Bonds, such as*

*tenders, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Series 2021A/B Bonds may wish to ascertain that the nominee holding the Series 2021A/B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.*

*In reading this Official Statement, it should be understood that while the Series 2021A/B Bonds are in the book-entry system, references in other sections of this Official Statement to registered owner should be read to include the Beneficial Owners of the Series 2021A/B Bonds, but: (i) all rights of ownership must be exercised through DTC and the book-entry system; and (ii) notices that are to be given to registered owners by the Authority or the Paying Agent will be given only to DTC.*

## **Transfer and Exchange**

So long as the book-entry system is in effect, Beneficial Owners may transfer their interests in the Series 2021A/B Bonds through the book-entry system. In the event of a discontinuance of the book-entry system, the Series 2021A/B Bonds may be transferred or exchanged only upon the registration books of the Bond Registrar, subject to the restrictions described below.

The Authority and the Bond Registrar are not required to (i) transfer or exchange any Series 2021A/B Bonds during the period from and including any Regular Record Date (or, in the event of any late payment of interest on the Series 2021A/B Bonds, any special record date fixed by the Trustee pursuant to the Resolution), to and including the next succeeding interest payment date; or for a period of 15 days next preceding any selection of Series 2021A/B Bonds to be redeemed or thereafter until after the first mailing of any notice of redemption, or (ii) to transfer, exchange or register any Series 2021A/B Bonds called for redemption. For every exchange or transfer of Series 2021A/B Bonds, the Authority or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2021A/B Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Series 2021A/B Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2021A/B Bonds when due as set forth in the form of the Policy included as Appendix I to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### ***Current Financial Strength Ratings***

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

### ***Capitalization of AGM***

At March 31, 2021:

- The policyholders' surplus of AGM was approximately \$2,805 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$959 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,121 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

### ***Merger of MAC into AGM***

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

### ***Incorporation of Certain Documents by Reference***

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2021A/B Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

### ***Miscellaneous Matters***

AGM makes no representation regarding the Series 2021A/B Bonds or the advisability of investing in the Series 2021A/B Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this

Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE”.

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### **The Pledge and Security Interest Under the Resolution**

The Series 2021A/B Bonds, together with all other Outstanding Bonds and any Additional Bonds, will be payable from and secured by a pledge of and security interest in (i) the proceeds of the sale of the Bonds, (ii) the Revenues of the Authority, and (iii) all Funds established by the Resolution (other than any Decommissioning Fund which may be established and any debt service reserve which may be established for Subordinated Indebtedness, whether or not included as part of the Subordinated Indebtedness Fund), including the investments and income thereof (collectively, the “Trust Estate”), subject to the provisions of the Resolution permitting application thereof for the purposes and on the terms and conditions set forth in the Resolution. For a description of the Funds and Accounts created by the Resolution and other provisions of the Resolution, including definitions of certain terms used in the Resolution, see Appendix F hereto.

*The Bonds will be payable solely from the Trust Estate and neither the State of Oklahoma nor any political subdivision thereof (other than the Authority), nor any Participating Trust which has contracted with the Authority, is obligated to pay the principal of, premium, if any, or interest on the Bonds and neither the faith and credit nor the taxing power of the State of Oklahoma or any political subdivision thereof or any such Participating Trust is pledged to the payment of the principal of or premium, if any, or interest on the Bonds. The Authority does not have any taxing power.*

### **Debt Service Reserve Account**

The Debt Service Reserve Account is required to be maintained in an amount equal to the Debt Service Reserve Requirement. The Debt Service Reserve Requirement is defined in the Resolution as an amount equal to one-half of the greatest amount of Adjusted Aggregate Debt Service coming due on Outstanding Bonds in the current or any future calendar year. Amounts in the Debt Service Reserve Account are to be used to make up any deficiencies in deposits in the Debt Service Account for the payment of debt service on the Bonds. The Resolution requires that upon the issuance of each series of Bonds there be deposited into the Debt Service Reserve Account in the Debt Service Fund the amount necessary so that the amount on deposit in such Account will equal the Debt Service Reserve Requirement calculated immediately after the issuance of such series of Bonds. See Appendix F hereto for a description of the method of valuation of Investment Securities in the Debt Service Reserve Account.

Investment Securities in the Debt Service Reserve Account are valued as of each December 31 or at such other times as the Authority shall determine. If the amount in the Debt Service Reserve Account as of the last day of each month or on any other valuation date is less than the Debt Service Reserve Requirement for any reason other than moneys having been transferred to the Debt Service Account, the deficiency is to be made up in equal monthly installments over the ensuing 12-month period. As of the December 31, 2020, valuation, the Debt Service Reserve Requirement was satisfied.

In lieu of the required deposits or transfers of moneys to the Debt Service Reserve Account, the Authority, subject to certain conditions contained in the Resolution, may cause to be deposited into the Debt Service Reserve Account for the benefit of the holders of the Bonds an irrevocable surety bond, insurance policy, letter of credit or any other similar obligation in an amount equal to the difference

between the Debt Service Reserve Requirement and the sums of moneys or value of Investment Securities then on deposit in the Debt Service Reserve Account, if any.

In the event of the refunding of any Bonds, all or any portion of amounts accumulated in the Debt Service Reserve Account with respect to the Bonds being refunded may be withdrawn for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded shall no longer be Outstanding under the Resolution and (b) the amount remaining in the Debt Service Reserve Account, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Account, after such withdrawal shall not be less than the Debt Service Reserve Requirement.

### **Power Sales Contracts**

Each Power Sales Contract between the Authority and a Participating Trust requires the Authority to supply to the Participating Trust, and the Participating Trust to take from the Authority, power and energy in the amounts and during the periods described in Appendix A hereto under “THE AUTHORITY—Power Supply Operations” and in Appendix D hereto. Under the terms of the Power Sales Contracts, the Authority has the responsibility of supplying the total power and energy requirements of each Participating Trust, with the exception of the sixteen Participating Trusts with Southwestern Power Administration (“SWPA”) allocations, for whom the Authority provides the total power and energy requirements above their respective SWPA allocations. The term of each Power Sales Contract extends to December 31, 2033, and thereafter until terminated upon prior notice by either party; such notice is fifteen years for 37 of the Participating Trusts pursuant to amendments to the Power Sales Contracts. Additionally, the Power Sales Contracts with the Fort Supply Public Works Authority, the Mooreland Public Works Authority, the New Cordell Utility Authority, the Orlando Public Works Authority and the Watonga Public Works Authority provided for the fifteen year notice of termination from their inception. If notice to terminate is given by any Participating Trust subsequent to any issuance of debt, the Authority, at its option, may increase such Participating Trust’s rates to recover its share of the debt service costs by the termination date. In making any such determination, the Authority first shall mitigate any adverse consequences caused by such termination notice.

The Authority is authorized to set rates which will produce revenues sufficient, but only sufficient, together with other available funds, to provide for the Authority’s estimated revenue requirements which include, without limitation, operation and maintenance costs, debt service on the Bonds, deposits required to be made into the Funds established under the Resolution and such additional amounts as are necessary to satisfy any debt service coverage requirement in the Resolution or which the Authority may deem desirable in the marketing of the Bonds. ***As defined in the Power Sales Contracts, revenue requirements do not include any principal, premium, if any, or interest on Bonds due solely by virtue of the acceleration of such Bonds.*** The Authority is required to give notice to the Participating Trusts at least 60 days prior to the implementation of any change in rates. Each Participating Trust is required to make payments under its Power Sales Contract from the revenues of its municipal electric system (or any integrated utility system of which the electric system is a part) and from other funds of such system legally available therefor and such payments will be made as operating expenses of such system. Obligations may be issued by the Participating Trust payable superior to the payment of operating expenses upon satisfaction of a specified projected revenue test. See “Restrictions on Disposition of Electrical System, Sales for Resale, Other Obligations” in Appendix D hereto.

Each Participating Trust operates the municipal electric system which has been leased by the municipal beneficiary to the Participating Trust pursuant to a lease which has a term no less than the term of the Power Sales Contract. Each lease may not be terminated prior to the end of its primary term, except that each of the individual leases between Altus, Comanche, Duncan, Edmond, Eldorado, Frederick, Granite, Kingfisher, Laverne, Mangum, Mooreland, Olustee, Orlando, Prague, Spiro, Tecumseh and Wynnewood and their respective municipal beneficiary contains provisions for termination prior to the end of its primary term if the Participating Trust defaults in the performance of its obligations thereunder. In the opinion of the Authority's general counsel, in the event a Participating Trust should take or fail to take an action of the character which would result in a default under its respective lease permitting the early termination thereof, such act or failure to act would also constitute a breach of covenants by such Participating Trust under its Power Sales Contract. The Authority has covenanted in the Power Sales Contracts to at all times maintain and promptly and vigorously enforce its rights against any Participating Trust which does not pay its charges due for power and energy supplied by the Authority pursuant to the Power Sales Contracts. In the opinion of the Authority's general counsel, the Authority's remedies, at law or in equity, would permit the Authority to cure or cause to be cured any default under such Power Sales Contract and, accordingly, under the respective lease; provided, as set forth in the Power Sales Contracts, any such curative action involving the expenditure of moneys shall not require a Participating Trust to expend any funds which are derived from sources other than the operation of its electric system or integrated utility system of which the electric system is a part.

As described more fully in Appendix D hereto, the Authority's remedies following the failure by a Participating Trust to pay any amount due under its Power Sales Contract include discontinuing service to such Participating Trust upon 15 days' advance written notice and, if the amount remains unpaid 120 or more days after the due date, terminating the Power Sales Contract upon 30 days' advance written notice. If necessary, in determining rates, the Authority shall take into account any anticipated delinquency or default in payments by Participating Trusts under the Power Sales Contracts. Any such rate revision is subject to the 60 day notice period referred to in the second paragraph of this section.

Pursuant to the Power Sales Contracts, each Participating Trust has agreed to maintain rates for the sale of power and energy which shall provide to the Participating Trust revenues, which, together with other funds estimated to be available, will be sufficient to meet its obligations to the Authority thereunder and all other operating expenses of its electric or integrated utility system, and to pay all obligations payable from, or constituting a lien or charge on, the revenues of its electric or integrated utility system. For a more complete description of the Power Sales Contracts, see Appendix D hereto. For further information regarding regulation of the Authority's and the Participating Trusts' rates, see "THE AUTHORITY—Rate Regulation" and "THE PARTICIPATING TRUSTS—Rate Regulation of the Participating Trusts" in Appendix A hereto.

The Authority may not amend or consent to any waiver of any provision of the Power Sales Contracts unless certain conditions are met. See "Certain Other Covenants—Power Sales Contracts; Amendment" in Appendix F hereto.

### **Rate Covenant and Coverage Under the Resolution**

The Authority has agreed under the Resolution to establish and collect rents, rates and charges under the Power Sales Contracts and otherwise to charge and collect rents, rates and charges for the use or sale of the output, capacity or service of its power supply system which, together with other available Revenues, are reasonably expected to yield Net Revenues for the 12-month period commencing with the effective date of such rents, rates and charges equal to at least 1.10 times the Aggregate Debt Service on all Bonds for such period, and, in any event, sufficient, together with other available funds, to pay all other indebtedness, liens and charges payable out of Revenues. For purposes of such covenant, amounts



required to pay Refundable Principal Installments may be excluded from Aggregate Debt Service to the extent that the Authority intends to make such payments from sources other than Revenues. Payments made by the Authority to GRDA pursuant to each of the Unit Power Sales Agreement and Power Purchase and Sale Agreement discussed under “THE POWER SUPPLY PROGRAM” in Appendix A hereto will not constitute Operation and Maintenance Expenses of the Authority and will be payable out of the General Reserve Fund under the Resolution. All other payments under current agreements for the purchase of power and the operation of generating units in which the Authority has an ownership interest will be Operation and Maintenance Expenses of the Authority. The Authority is required to review and, if necessary, revise its rents, rates and charges upon the occurrence of a material change in circumstances, but in any case at least once every 12 months. See Appendix F hereto for definitions of the terms “System,” “Revenues,” “Net Revenues,” “Aggregate Debt Service” and “Refundable Principal Installment.” See “Covenant as to Rents, Rates and Other Charges” in Appendix F hereto.

### **Additional Bonds; Conditions to Issuance**

The Authority may issue Additional Bonds for the purpose of paying all or a portion of the cost of Acquisition and Construction (as defined in Appendix F hereto) of the System or for the purpose of refunding Outstanding Bonds. The Authority currently does not expect to issue any Additional Bonds during the remainder of calendar year 2021 or during calendar year 2022. All series of Additional Bonds will be payable from the same sources and secured on a parity with all other Outstanding Bonds. Set forth below are certain conditions applicable to the issuance of Additional Bonds. In addition, the Authority entered into a \$15,000,000 Line of Credit facility with Bank of America, National Association, (the “Line of Credit”) for a five-year term, expiring in 2024, secured on a parity with the Bonds, however, the Line of Credit does not have a claim on the Debt Service Reserve Fund. In March of 2021, the Authority closed on the Refunded Note which is on parity with the Bonds. The Authority intends to use proceeds of the Series 2021A Bonds to refund \$60,000,000 principal amount of the Refunded Note on August 12, 2021. See “THE AUTHORITY - Recent Developments” in Appendix A for additional information.

***Historical Debt Service Coverage.*** The issuance of any series of Additional Bonds (except for refunding Bonds) is conditioned upon the delivery of a certificate to the Trustee by the Authority to the effect that, for any period of 12 consecutive months within the 24 months preceding the issuance of Bonds of such series, Net Revenues were at least equal to 1.10 times Aggregate Debt Service during such period, excluding for this purpose principal of any Bonds which was paid from sources other than Revenues.

***Debt Service Reserve Requirement.*** The issuance of any series of Additional Bonds is further conditioned upon the deposit of an amount in the Debt Service Reserve Account such that the balance in such Account, after giving effect to any irrevocable surety bond, insurance policy, letter of credit or other similar obligation deposited in such Account, equals the Debt Service Reserve Requirement calculated immediately after delivery of such Bonds. For information regarding the deposit of any surety bond, insurance policy, letter of credit or other similar obligation in the Debt Service Reserve Account, see Appendix F hereto.

***No Default.*** In addition, Additional Bonds (other than refunding Bonds) may be issued only if the Authority certifies that no event of default exists under the Resolution or that any such event of default will be cured through application of the proceeds of such Bonds.

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## SCHEDULED DEBT SERVICE REQUIREMENTS

The following table sets forth the annual amounts required to pay scheduled principal and interest on the Outstanding Bonds and the Series 2021A/B Bonds for the periods shown below.

### Debt Service Requirements

(Column totals may not agree due to rounding)

<b>Period Ending January 1</b>	<b>Total Outstanding Bonds<sup>†</sup></b>	<b>Series 2021A/B Principal</b>	<b>Series 2021A/B Interest</b>	<b>Total Debt Service</b>
2022	\$ 41,062,974	\$ 1,025,000	\$ 4,967,382	\$ 47,055,356
2023	35,775,063	1,505,000	9,889,414	47,169,477
2024	17,050,303	14,020,000	9,826,014	40,896,317
2025	28,174,153	3,585,000	9,136,209	40,895,362
2026	14,700,403	17,230,000	8,967,504	40,897,907
2027	14,818,403	17,960,000	8,116,167	40,894,570
2028	10,970,653	22,540,000	7,387,728	40,898,381
2029	12,385,215	17,105,000	6,683,183	36,173,398
2030	12,386,965	18,620,000	6,208,144	37,215,109
2031	12,387,715	11,000,000	5,677,470	29,065,185
2032	12,386,965	11,320,000	5,355,818	29,062,783
2033	12,374,215	11,625,000	5,047,310	29,046,525
2034	12,379,465	11,945,000	4,722,063	29,046,528
2035	12,346,215	12,290,000	4,381,864	29,018,079
2036	12,348,815	12,645,000	4,025,549	29,019,364
2037	12,317,015	13,015,000	3,654,361	28,986,376
2038	12,321,546	13,415,000	3,247,297	28,983,843
2039	21,114,828	6,235,000	2,828,601	30,178,429
2040	21,121,083	6,415,000	2,634,024	30,170,107
2041	21,125,757	6,590,000	2,450,783	30,166,540
2042	21,170,004	6,770,000	2,262,549	30,202,553
2043	21,178,028	6,975,000	2,046,270	30,199,298
2044	21,189,562	7,187,000	1,823,437	30,199,999
2045	21,193,109	7,421,000	1,581,756	30,195,865
2046	9,422,550	19,439,000	1,332,087	30,193,637
2047	9,419,350	20,101,000	677,282	30,197,632
<b>Total</b>	<b>\$453,120,359</b>	<b>\$297,978,000</b>	<b>\$124,930,266</b>	<b>\$876,028,625</b>

<sup>†</sup> Debt service on Total Outstanding Bonds reflects the purchase and exchange of Invited Bonds and the refunding of the Refunded Bonds and the Refunded Note. See "DEBT SERVICE REQUIREMENTS" in Appendix A hereto, including the explanatory footnotes relating thereto.

## **RISKS OF BONDHOLDERS**

The purchase of the Series 2021A/B Bonds involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective purchaser of the Series 2021A/B Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. This discussion of certain risks is not intended to be exhaustive and should be read in conjunction with this entire Official Statement including the Appendices hereto.

### **Special Obligations**

The Series 2021A/B Bonds, together with all other Outstanding Bonds and any Additional Bonds, will be payable from and secured by a pledge of and security interest in the Trust Estate, subject to the provisions of the Resolution permitting application thereof for the purposes and on the terms and conditions set forth in the Resolution. For a description of the Funds and Accounts created by the Resolution and other provisions of the Resolution, including definitions of certain terms used in the Resolution, see Appendix F hereto.

The Bonds will be payable solely from the Trust Estate and neither the State of Oklahoma nor any political subdivision thereof (other than the Authority), nor any Participating Trust which has contracted with the Authority, is obligated to pay the principal of, premium, if any, or interest on the Bonds and neither the faith and credit nor the taxing power of the State of Oklahoma or any political subdivision thereof or any such Participating Trust is pledged to the payment of the principal of or premium, if any, or interest on the Bonds. The Authority does not have any taxing power. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—The Pledge and Security Interest Under the Resolution” herein.

### **Limitations on Enforcement**

Enforcement of remedies under the Resolution may be limited or restricted by Federal and State laws relating to bankruptcy, fraudulent conveyances, and rights of creditors and by application of general principles of equity applicable to the availability of specific performance or other remedies, and may be substantially delayed in the event of litigation or statutory remedy procedures. The various legal opinions to be delivered concurrently with the delivery of the Series 2021A/B Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and Federal laws, rulings and decisions affecting remedies, and by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors.

### **Financial Information**

There can be no assurance that the financial results achieved by the Authority in the future will be similar to historical results. Such future results will vary from historical results and actual variations may be material. Therefore, the historical operating results of the Authority cannot be taken as a representation that the Authority will be able to generate sufficient revenues in the future to make payments under the Resolution sufficient for the full and timely payment of the principal of, premium, if any, and interest on the Series 2021A/B Bonds.

### **Factors Related to the Electric Utility Industry**

The electric utility industry in general has been, and in the future may be, affected by a number of factors which could impact upon the financial condition and competitiveness of many electric utilities and

the level of utilization of generating facilities, such as those of the Authority and of the Participating Trusts. See the discussion under “CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY” in Appendix A hereto.

### **Federal Tax Status of the Series 2021A Bonds**

The Internal Revenue Code of 1986, as amended, imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2021A Bonds to be excludable from gross income for Federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that the Authority file an information report with the Internal Revenue Service and a requirement that all rebate payments, if any, are timely paid. The Authority has covenanted in certain of the documents referred to herein that it will comply with such requirements. Future failure by the Authority to comply with any of these covenants may result in the interest on the Series 2021A Bonds being taxable, retroactively to the date of issuance. See “ESTIMATED SOURCES AND USES OF FUNDS” and “TAX MATTERS—Federal Income Taxes” herein.

### **Ratings**

There is no assurance that the ratings assigned to the Series 2021A/B Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Series 2021A/B Bonds. See the information contained herein under the caption “RATINGS.” Future changes in bond rating criteria or procedures that result in different ratings of the Series 2021A/B Bonds could have a material adverse effect on the value and marketability of the Series 2021A/B Bonds.

### **Secondary Market**

There is no guarantee that a secondary trading market will develop for the Series 2021A/B Bonds. Consequently, prospective bond purchasers should be prepared to hold their Series 2021A/B Bonds to maturity. Subject to applicable securities laws and prevailing market conditions, the Underwriters intend but are not obligated to make a market in the Series 2021A/B Bonds.

### **Book-Entry**

Persons who purchase Series 2021A/B Bonds through broker dealers become creditors of the broker dealer with respect to the Series 2021A/B Bonds. Records of the investors’ holdings are maintained only by the broker dealer and the investor. In the event of the insolvency of the broker dealer, the investor would be required to look to the broker dealer’s estate, and to any insurance maintained by the broker dealer, to make good the investor’s loss. None of the Authority, the Trustee or the Underwriters is responsible for failures to act by, or insolvencies of, the Securities Depository or any broker dealer.

### **Forward-Looking Statements**

Information in this Official Statement and Appendix A hereto contains statements that are forward-looking and involve a number of risks and uncertainties. The words or phrases “believes,” “plans,” “anticipates,” “expects,” “intends,” “estimates,” “forecasts,” “should,” “projection,” “could,” “may,” “continues,” “might,” “potential,” “scheduled” or similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Any other

statement that expresses the possibility of future activity, intent or result also is a forward-looking statement.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed in or implied by the forward-looking statements. Among these risks and uncertainties are the other risk factors discussed in this Official Statement and Appendix A hereto; general economic, demographic, competitive, or business conditions; pricing pressures; investment performance; relationships with customers; changes in laws or regulations, and other factors including factors that are not anticipated by the Authority. All of the forward-looking statements made in Appendix A and in the Official Statement are qualified by these cautionary statements. Prospective investors should not place undue reliance on the forward-looking statements, which speak only as of the date hereof. The Authority does not intend to update or revise any forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied by such statements will not be realized.

## **TAX MATTERS**

### **The Series 2021A Bonds**

#### ***Federal Income Taxes***

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2021A Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2021A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2021A Bonds. Pursuant to the Resolution and the Tax Certificate executed in connection with the delivery of the Series 2021A Bonds, the Authority has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2021A Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority has made certain representations and certifications in the Resolution and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel (“Bond Counsel”), under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Authority described above, interest on the Series 2021A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

#### ***State Taxes***

Bond Counsel is also of the opinion that, under existing laws of the State of Oklahoma, interest on the Series 2021A Bonds is exempt from income taxation imposed by the State of Oklahoma under the Oklahoma Income Tax Act, 68 Oklahoma Statutes 2011, §2351 *et seq.*, as amended; provided, however, that no opinion is expressed regarding taxation of interest on the Series 2021A Bonds in the event such interest is or becomes includible in gross income for Federal income tax purposes. Bond Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series 2021A Bonds nor as to the taxability of the Series 2021A Bonds or the income therefrom under the laws of any state other than Oklahoma.

### ***Original Issue Premium***

Series 2021A Bonds sold at prices in excess of their principal amounts are “Premium Bonds”. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2021A Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

### ***Ancillary Tax Matters***

Ownership of the Series 2021A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2021A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2021A Bonds is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2021A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any Federal tax matters other than those described in the opinions attached as Appendix H. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2021A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

### ***Changes in Law and Post Issuance Events***

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2021A Bonds for Federal or state income tax purposes, and thus on the value or marketability of the Series 2021A Bonds. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2021A Bonds from gross income for Federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the

Series 2021A Bonds may occur. Prospective purchasers of the Series 2021A Bonds should consult their own tax advisors regarding the impact of any change in law on the Series 2021A Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2021A Bonds may affect the tax status of interest on the Series 2021A Bonds. Bond Counsel expresses no opinion as to any Federal, state or local tax law consequences with respect to the Series 2021A Bonds, or the interest thereon, if any action is taken with respect to the Series 2021A Bonds or the proceeds thereof upon the advice or approval of other counsel.

## **The Series 2021B Bonds**

### ***Federal Income Taxes***

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2021B Bonds. The summary is based upon the provisions of the Code, the Treasury Regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. Such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those described below. The summary generally addresses Series 2021B Bonds held as capital assets within the meaning of Section 1221 of the Code and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Series 2021B Bonds as a hedge against currency risks or as a position in a “straddle,” “hedge,” “constructive sale transaction” or “conversion transaction” for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers that acquire Series 2021B Bonds at their initial issue price except where otherwise specifically noted. Potential purchasers of the Series 2021B Bonds should consult their own tax advisors in determining the federal, state, local, foreign and other tax consequences to them of the purchase, holding and disposition of the Series 2021B Bonds.

The Authority has not sought and will not seek any rulings from the Internal Revenue Service with respect to any matter discussed herein. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax characterizations and tax consequences set forth below.

### ***U.S. Holders***

As used herein, the term “U.S. Holder” means a beneficial owner of Series 2021B Bonds that is (a) an individual citizen or resident of the United States for federal income tax purposes, (b) a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (c) an estate whose income is subject to federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons also will be U.S. Holders. In addition, if a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) holds Series 2021B Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership (or

other entity or arrangement treated as a partnership for federal income tax purposes) that holds Series 2021B Bonds, the U.S. Holder is urged to consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and dispositions of the Series 2021B Bonds.

### ***Taxation of Interest Generally***

Interest on the Series 2021B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code and so will be fully subject to federal income taxation. Purchasers will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2021B Bonds. In general, interest paid on the Series 2021B Bonds and recovery of any accrued original issue discount and market discount will be treated as ordinary income to a bondholder, and after adjustment for the foregoing, principal payments will be treated as a return of capital to the extent of the U.S. Holder's adjusted tax basis in the Series 2021B Bonds and capital gain to the extent of any excess received over such basis.

### ***Recognition of Income Generally***

Section 451(b) of the Code provides that purchasers using an accrual method of accounting for U.S. federal income tax purposes may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such purchaser. In this regard, Treasury Regulations provide that, with the exception of certain fees, the rule in Section 451(b) will generally not apply to the timing rules for original issue discount and market discount, or to the timing rules for de minimis original issue discount and market discount. Prospective purchasers of the Series 2021B Bonds should consult their own tax advisors regarding any potential applicability of these rules and their impact on the timing of the recognition of income related to the Series 2021B Bonds under the Code.

### ***Original Issue Discount***

The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Series 2021B Bonds issued with original issue discount ("Discount Series 2021B Bonds"). A Series 2021B Bond will be treated as having been issued with an original issue discount if the excess of its "stated redemption price at maturity" (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Series 2021B Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Series 2021B Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of an installment obligation, its weighted average maturity).

A Discount Series 2021B Bond's "stated redemption price at maturity" is the total of all payments provided by the Discount Series 2021B Bond that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate or certain floating rates.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Series 2021B Bond is the sum of the "daily portions" of original issue discount with respect to such Discount Series 2021B Bond for each day during the taxable year in which such holder held such Discount Series 2021B Bond. The daily portion of original issue discount on any Discount Series 2021B Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.



An accrual period may be of any length, and may vary in length over the term of a Discount Series 2021B Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Series 2021B Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Series 2021B Bond at the beginning of any accrual period is the sum of the issue price of the Discount Series 2021B Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Series 2021B Bond that were not qualified stated interest payments. Under these rules, holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include in gross income all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on a Discount Series 2021B Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

### ***Market Discount***

A holder who purchases a Series 2021B Bond at a price which includes market discount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) in excess of a prescribed de minimis amount will be required to re-characterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such holder will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 2021B Bond as ordinary income to the extent of any remaining accrued market discount or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such holder on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

A holder of a Series 2021B Bond who acquires such Series 2021B Bond at a market discount also may be required to defer, until the maturity date of such Series 2021B Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the holder paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2021B Bond in excess of the aggregate amount of interest (including original issue discount) includable in such holder's gross income for the taxable year with respect to such Series 2021B Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2021B Bond for the days during the taxable year on which the holder held the Series 2021B Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2021B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in

which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondholder elects to include such market discount in income currently as described above.

### ***Bond Premium***

A holder of a Series 2021B Bond who purchases such Series 2021B Bond at a cost greater than its remaining redemption amount will have amortizable bond premium. If the holder elects to amortize this premium under Section 171 of the Code (which election will apply to all Series 2021B Bonds held by the holder on the first day of the taxable year to which the election applies and to all Series 2021B Bonds thereafter acquired by the holder), such a holder must amortize the premium using constant yield principles based on the holder's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of any Series 2021B Bonds who acquire such Series 2021B Bonds at a premium should consult with their own tax advisors with respect to federal, state and local tax consequences of owning such Series 2021B Bonds.

### ***Surtax on Unearned Income***

Section 1411 of the Code generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this provision in their particular circumstances.

### ***Sale or Redemption of Series 2021B Bonds***

A bondholder's adjusted tax basis for a Series 2021B Bond is the price such holder pays for the Series 2021B Bond plus the amount of original issue discount and market discount previously included in income and reduced on account of any payments received on such Series 2021B Bond other than "qualified stated interest" and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2021B Bond, measured by the difference between the amount realized and the bondholder's tax basis as so adjusted, will generally give rise to capital gain or loss if the Series 2021B Bond is held as a capital asset (except in the case of Series 2021B Bonds acquired at a market discount, in which case a portion of the gain will be characterized as interest and therefore ordinary income).

If the terms of the Series 2021B Bonds are materially modified, in certain circumstances, a new debt obligation would be deemed "reissued," or created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which related to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. In addition, the defeasance of a Series 2021B Bond under the defeasance provisions of the Resolution could result in a deemed sale or exchange of such Series 2021B Bond.

EACH POTENTIAL HOLDER OF SERIES 2021B BONDS SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING (1) THE TREATMENT OF GAIN OR LOSS ON SALE, REDEMPTION OR DEFEASANCE OF THE SERIES 2021B BONDS, AND (2) THE CIRCUMSTANCES IN WHICH SERIES 2021B BONDS WOULD BE DEEMED REISSUED AND THE LIKELY EFFECTS, IF ANY, OF SUCH REISSUANCE.

### ***Non-U.S. Holders***

The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of Series 2021B Bonds by a person other than a U.S. Holder, a former United States citizen or resident, or a partnership or entity treated as a partnership for United States federal income tax purposes (a “Non-U.S. Holder”).

Subject to the discussion of backup withholding and the Foreign Account Tax Compliance Act (“FATCA”), payments of principal by the Authority or any of its agents (acting in its capacity as agent) to any Non-U.S. Holder will not be subject to federal withholding tax. In the case of payments of interest to any Non-U.S. Holder, however, federal withholding tax will apply unless the Non-U.S. Holder (1) does not own (actually or constructively) 10-percent or more of the voting equity interests of the Authority, (2) is not a controlled foreign corporation for United States tax purposes that is related to the Authority (directly or indirectly) through stock ownership, and (3) is not a bank receiving interest in the manner described in Section 881(c)(3)(A) of the Code. In addition, either (1) the Non-U.S. Holder must certify on the applicable IRS Form W-8 (series) (or successor form) to the Authority, its agents or paying agents or a broker under penalties of perjury that it is not a U.S. person and must provide its name and address, or (2) a securities clearing organization, bank or other financial institution, that holds customers’ securities in the ordinary course of its trade or business and that also holds the Series 2021B Bonds must certify to the Authority or its agent under penalties of perjury that such statement on the applicable IRS Form W-8 (series) (or successor form) has been received from the Non-U.S. Holder by it or by another financial institution and must furnish the interest payor with a copy.

Interest payments may also be exempt from federal withholding tax depending on the terms of an existing federal income tax treaty, if any, in force between the U.S. and the resident country of the Non-U.S. Holder. The U.S. has entered into an income tax treaty with a limited number of countries. In addition, the terms of each treaty differ in their treatment of interest and original issue discount payments. Non-U.S. Holders are urged to consult their own tax advisor regarding the specific tax consequences of the receipt of interest payments, including original issue discount. A Non-U.S. Holder that does not qualify for exemption from withholding as described above must provide the Authority or its agent with documentation as to his, her, or its identity to avoid the U.S. backup withholding tax on the amount allocable to a Non-U.S. Holder. The documentation may require that the Non-U.S. Holder provide a U.S. tax identification number.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Series 2021B Bond held by such holder is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed above (provided that such holder timely furnishes the required certification to claim such exemption), may be subject to United States federal income tax on such interest in the same manner as if it were a U.S. Holder. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (subject to a reduced rate under an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Series 2021B Bond will be included in the earnings and profits of the holder if the interest is effectively connected with the conduct by the holder of a trade or business in the United States. Such a holder must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States federal withholding tax.

Generally, any capital gain realized on the sale, exchange, retirement or other disposition of a Series 2021B Bond by a Non-U.S. Holder will not be subject to United States federal income or withholding taxes if (1) the gain is not effectively connected with a United States trade or business of the Non-U.S. Holder, and (2) in the case of an individual, the Non-U.S. Holder is not present in the United

States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition, and certain other conditions are met.

For newly issued or reissued obligations, such as the Series 2021B Bonds, FATCA imposes U.S. withholding tax on interest payments and, for dispositions after December 31, 2018, gross proceeds of the sale of the Series 2021B Bonds paid to certain foreign financial institutions (which is broadly defined for this purpose to generally include non-U.S. investment funds) and certain other non-U.S. entities if certain disclosure and due diligence requirements related to U.S. accounts or ownership are not satisfied, unless an exemption applies. An intergovernmental agreement between the United States and an applicable non-U.S. country may modify these requirements. In any event, bondholders or beneficial owners of the Series 2021B Bonds shall have no recourse against the Authority, nor will the Authority be obligated to pay any additional amounts to “gross up” payments to such persons, as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges with respect to payments in respect of the Series 2021B Bonds. However, it should be noted that on December 13, 2018, the IRS issued Proposed Treasury Regulation Section 1.1473-1(a)(1) which proposes to remove gross proceeds from the definition of “withholdable payment” for this purpose.

Non-U.S. Holders should consult their own tax advisors with respect to the possible applicability of federal withholding and other taxes upon income realized in respect of the Series 2021B Bonds.

### ***Information Reporting and Backup Withholding***

For each calendar year in which the Series 2021B Bonds are outstanding, the Authority, its agents or paying agents or a broker is required to provide the IRS with certain information, including a holder’s name, address and taxpayer identification number (either the holder’s Social Security number or its employer identification number, as the case may be), the aggregate amount of principal and interest paid to that holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain U.S. Holders, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts and annuities.

If a U.S. Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or under-reports its tax liability, the Authority, its agents or paying agents or a broker may be required to make “backup” withholding of tax on each payment of interest or principal on the Series 2021B Bonds. This backup withholding is not an additional tax and may be credited against the U.S. Holder’s federal income tax liability, provided that the U.S. Holder furnishes the required information to the IRS.

Under current Treasury Regulations, backup withholding and information reporting will not apply to payments of interest made by the Authority, its agents (in their capacity as such) or paying agents or a broker to a Non-U.S. Holder if such holder has provided the required certification that it is not a U.S. person (as set forth in the second paragraph under “—Non-U.S. Holders” above), or has otherwise established an exemption (provided that neither the Authority nor its agent has actual knowledge that the holder is a U.S. person or that the conditions of an exemption are not in fact satisfied).

Payments of the proceeds from the sale of a Series 2021B Bond to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) may apply to those payments if the broker is one of the following: (i) a U.S. person; (ii) a controlled foreign corporation for U.S. tax purposes; (iii) a foreign person 50-percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business; or (iv) a foreign partnership with certain connections to the United States.

Payment of the proceeds from a sale of a Series 2021B Bond to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

The preceding federal income tax discussion is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the Series 2021B Bonds, including the tax consequences under federal, state, local, foreign and other tax laws and the possible effects of changes in those tax laws.

### ***State Taxes***

Bond Counsel is also of the opinion that, under existing laws of the State of Oklahoma, interest on the Series 2021B Bonds is exempt from income taxation imposed by the State of Oklahoma under the Oklahoma Income Tax Act, 68 Oklahoma Statutes 2011, §2351 *et seq.*, as amended. Bond Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series 2021B Bonds nor as to the taxability of the Series 2021B Bonds or the income therefrom under the laws of any state other than Oklahoma.

### ***Changes in Law and Post Issuance Events***

Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the inclusion in gross income of interest on the Series 2021B Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2021B Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or otherwise. It is not possible to predict whether any such legislative or administrative actions or court decisions will occur or have an adverse impact on the federal or state income tax treatment of holders of the Series 2021B Bonds. Prospective purchasers of the Series 2021B Bonds should consult their own tax advisors regarding the impact of any change in law or proposed change in law on the Series 2021B Bonds.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2021B BONDS.

### ***Considerations for ERISA and Other U.S. Benefit Plan Investors***

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA ("ERISA Plans"). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein ("Qualified Retirement Plans"), and on Individual Retirement Accounts ("IRAs") described in Section 408(b) of the Code (collectively, "Tax-Favored Plans"). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA) ("Governmental Plans"), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) ("Church Plans"), are not subject to ERISA requirements. Additionally, such Governmental and Church Plans are not subject to the requirements of Section 4975 of the Code, but may be subject to applicable federal, state or local law ("Similar Laws")

which is, to a material extent, similar to the foregoing provisions of ERISA or the Code. Accordingly, assets of such plans may be invested in the Series 2021B Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of Similar Laws.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, "Benefit Plans") and persons who have certain specified relationships to the Benefit Plans ("Parties In Interest" or "Disqualified Persons"), unless a statutory or administrative exemption is available. The definitions of "Party in Interest" and "Disqualified Person" are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) fiduciary with respect to a plan; (2) a person providing services to a plan; (3) an employer or employee organization any of whose employees or members are covered by the plan; and (4) the owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available. Without an exemption, an IRA owner may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the Series 2021B Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Authority were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the "Plan Assets Regulation"), the assets of the Authority would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 of the Code only if the Benefit Plan acquires an "equity interest" in the Authority and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is little guidance on this matter, it appears that the Series 2021B Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. This determination is based upon the traditional debt features of the Series 2021B Bonds, including the reasonable expectation of purchasers of Series 2021B Bonds that the Series 2021B Bonds will be repaid when due, traditional default remedies, as well as the absence of conversion rights, warrants and other typical equity features.

However, without regard to whether the Series 2021B Bonds are treated as an equity interest for such purposes, though, the acquisition or holding of Series 2021B Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Authority or the Issuing and Paying Agent, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the Series 2021B Bonds by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Series 2021B Bond. Included among these exemptions are: Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by certain "in-house asset managers"; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by "insurance company general accounts"; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding

transactions effected by “qualified professional asset managers.” Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for transactions involving “adequate consideration” with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate’s) status as a service provider to the Benefit Plan involved and none of whom is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Series 2021B Bonds, or that, if available, the exemption would cover all possible prohibited transactions.

By acquiring a Series 2021B Bond (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a plan, its fiduciary) is deemed to represent and warrant that either (i) it is not acquiring the Series 2021B Bond (or interest therein) with the assets of a Benefit Plan, Governmental Plan or Church Plan; or (ii) the acquisition and holding of the Series 2021B Bond (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Laws. A purchaser or transferee who acquires Series 2021B Bonds with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

Because the Authority, the Trustee, the Underwriters or any of their respective affiliates may receive certain benefits in connection with the sale of the Series 2021B Bonds, the purchase of the Series 2021B Bonds using plan assets of a Benefit Plan over which any of such parties has investment authority or provides investment advice for a direct or indirect fee may be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code or Similar Laws for which no exemption may be available. Accordingly, any investor considering a purchase of Series 2021B Bonds using plan assets of a Benefit Plan should consult with its counsel if the Authority, the Trustee or the Underwriters or any of their respective affiliates has investment authority or provides investment advice for a direct or indirect fee with respect to such assets or is an employer maintaining or contributing to the Benefit Plan.

Any ERISA Plan fiduciary considering whether to purchase the Series 2021B Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of Similar Laws.

### **LEGALITY FOR INVESTMENT**

Pursuant to the provisions of the Act, the Series 2021A/B Bonds are securities in which the State of Oklahoma and all its public officers, governmental units, agencies and instrumentalities, all insurance associations, banking associations, investment companies, executors, administrators, guardians, trustees and other fiduciaries may legally invest any funds belonging to them or within their control, and the Series 2021A/B Bonds are authorized security for any and all public deposits.

### **CERTAIN LEGAL MATTERS**

All of the legal proceedings in connection with the authorization and issuance of the Series 2021A/B Bonds are subject to the approval of Nixon Peabody LLP, Bond Counsel to the Authority. Certain legal matters in connection with the Series 2021A/B Bonds are subject to the approval of Ellen Edwards, Esq., General Counsel to the Authority. Certain matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP. The legal fees of all legal counsel are contingent upon

the sale and delivery of the Series 2021A/B Bonds. The various legal opinions to be delivered concurrently with the delivery of the Series 2021A/B Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **LITIGATION**

**Series 2021A/B Bonds.** No litigation is pending or, to the knowledge of the Authority, threatened in any court to restrain or enjoin the issuance or delivery of any of the Series 2021A/B Bonds or the collection of Revenues pledged or to be pledged to pay the principal of, premium, if any, and interest on the Series 2021A/B Bonds or in any way contesting or affecting the validity of the Series 2021A/B Bonds or the Resolution or the power to collect and pledge the Revenues to pay the Series 2021A/B Bonds, or contesting the powers or authority of the Authority to issue the Series 2021A/B Bonds or adopt the Resolution.

**Other Matters.** The Authority is a party to various legal proceedings, many of which arise in the normal course of the Authority's operations. These legal proceedings are not, in the opinion of General Counsel to the Authority, likely to have a materially adverse impact on the Authority's operations or financial position.

## **INDEPENDENT AUDITORS**

The basic financial statements of the Authority as of and for the years ended December 31, 2020 and 2019 included in this Official Statement as Appendix B, have been audited by Baker Tilly US, LLP, Madison, Wisconsin, independent auditors, as set forth in their report in Appendix B hereto.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Causey Demgen & Moore P.C. (the "Verification Agent"), will independently verify, and issue a report thereon, the arithmetical accuracy of the computations included in schedules provided to them by the Financial Advisor on behalf of the Authority indicating the sufficiency of the anticipated receipts from the United States Treasury Obligations, together with an initial cash deposit, to pay the redemption price of and interest on the Refunded Bonds on and prior to their redemption date. Such verification will be based solely on assumptions and information supplied by the Financial Advisor on behalf of the Authority. Furthermore, the Verification Agent will have restricted its procedures to verifying the arithmetical accuracy of such computations and will not have made any study or evaluation of the assumptions and information on which the computations were based and, accordingly, will not express an opinion on such assumptions and information, the reasonableness of such assumptions, or the achievability of future events.

## **UNDERWRITING**

Certain of the Series 2021A Bonds are being exchanged for certain Invited Bonds (as described under the caption "FINANCING PLAN"), through the Dealer Manager under the terms of the Invitation. For its services as Dealer Manager, the Dealer Manager will be compensated in an amount equal to a percentage of the aggregate principal amount of Invited Bonds tendered and accepted for exchange and a percentage of the aggregate principal amount of Invited Bonds tendered and accepted for purchase.



In connection with the sale and delivery of the Series 2021A/B Bonds (other than the Series 2021A Bonds which are the subject of any exchange, as described under the caption “FINANCING PLAN”), the Authority has entered into a bond purchase agreement with BofA Securities, Inc., as representative of itself and BOK Financial Securities, Inc., Goldman Sachs & Co. LLC and Wells Fargo Bank, National Association (collectively, the “Underwriters”), dated the date of this Official Statement (the “Bond Purchase Agreement”) at a price for the Series 2021A Bonds of \$137,138,252.42, (representing the par amount of the Series 2021A Bonds, less Underwriters’ discount of \$230,935.23, and plus original issue premium of \$23,054,187.65) and a price for the Series 2021B Bonds of \$171,668,244.70 (representing the par amount of the Series 2021B Bonds, less Underwriters’ discount of \$346,755.30). The Bond Purchase Agreement provides that the Underwriters will not be obligated to purchase any Series 2021A/B Bonds absent satisfaction of the conditions precedent therein and if all Series 2021A/B Bonds are not available for purchase and requires the Authority to indemnify, to the extent permitted under Oklahoma law, the Underwriters against losses, claims, damages and liabilities rising out of any incorrect or incomplete statements or information contained in this Official Statement pertaining to the Authority and certain other matters.

The initial public offering prices or yields set forth on the inside cover page hereof may be changed under certain conditions. The Underwriters may offer and sell the Series 2021A/B Bonds to certain dealers (including dealers depositing Series 2021A/B Bonds into investment trusts) and others at prices lower or yields higher than the public offering prices or yields stated on the inside cover page hereof. The initial public offering prices or yields may be changed from time to time by the Underwriters.

Certain of the Underwriters have entered into distribution agreements with other broker-dealers for the distribution of the Series 2021A/B Bonds at the initial public offering prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

One of the Underwriters of the Series 2021A/B Bonds is BOK Financial Securities, Inc. (“BOKF Securities”). BOKF Securities and BOKF, NA (“BOKF, NA,” which serves as Trustee, Bond Registrar and Paying Agent under the Resolution) are both wholly-owned subsidiaries of BOK Financial Corporation (“BOKF”), a bank holding company organized under the laws of the State of Oklahoma. Thus, BOKF Securities and BOKF, NA are affiliated, but BOKF Securities is not a bank. Affiliates of BOKF Securities may provide banking services or engage in other transactions with the Authority. BOKF and BOKF, NA are not responsible for the obligations of BOKF Securities.

One of the Underwriters of the Series 2021A/B Bonds is Wells Fargo Bank, National Association. Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the SEC as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their affiliates purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities,

currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Authority (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Authority. The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

### **CERTAIN RELATIONSHIPS**

BofA Securities, Inc., an Underwriter of the Series 2021A/B Bonds, is an affiliate of Bank of America, N.A., which has extended the Line of Credit to the Authority, and extended credit to the Authority in other transactions. The Refunded Note is currently held by Bank of America, N.A., an affiliate of BofA Securities, Inc., and such affiliate will receive a portion of the proceeds of the Series 2021A Bonds to repay the Refunded Note.

### **FINANCIAL ADVISOR**

Hilltop Securities Inc. (“Hilltop Securities”), Dallas, Texas, is employed as financial advisor to the Authority in connection with the issuance of the Series 2021A/B Bonds. The financial advisor’s fee for services rendered with respect to the sale of the Series 2021A/B Bonds is contingent upon the issuance and delivery of the Series 2021A/B Bonds. Hilltop Securities, in its capacity as financial advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the Federal income tax status of the Series 2021A/B Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The financial advisor to the Authority has provided the following sentence for inclusion in this Official Statement. The financial advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Authority and, as applicable, to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the financial advisor does not guarantee the accuracy or completeness of such information.

### **RATINGS**

The Series 2021A/B Bonds have been assigned ratings of “A” (stable outlook) and “A” (stable outlook) by Fitch Ratings (“Fitch”) and S&P Global Ratings (“S&P”), respectively. Such ratings reflect only the views of such organizations at the time such ratings are given, and the Authority and the Underwriters make no representation as to the appropriateness of such ratings.

S&P currently rates all bonds issued by AGM “AA” and is expected to assign such rating to the Series 2021A/B Bonds upon the issuance of the Policy at the time of delivery of the Series 2021A/B Bonds. See “BOND INSURANCE” herein.

An explanation of the significance of such ratings may be obtained only from such rating agencies. The Authority furnished such ratings agencies with certain information and materials relating to the Series 2021A/B Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing such rating, circumstances so warrant. None of the Underwriters or the

Authority has undertaken any responsibility to bring to the attention of the owners of the Series 2021A/B Bonds any proposed revision or withdrawal of a rating of the Series 2021A/B Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of such a rating could have an adverse effect on the market price and marketability of the Series 2021A/B Bonds.

#### **CONTINUING DISCLOSURE**

The Authority will enter into a Continuing Disclosure Undertaking (the “Continuing Disclosure Undertaking”) to provide certain periodic information and notices of listed events to the Municipal Securities Rulemaking Board (the “MSRB”) pursuant to the requirements of Section (b)(5)(i) of SEC Rule 15c2-12 (17 C.F.R. Part 240, § 240.15c2-12) (the “Rule”) for the benefit of the holders and beneficial owners of the Series 2021A/B Bonds. The obligation of the Underwriters to accept and pay for the Series 2021A/B Bonds is conditioned upon delivery to the Underwriters or their agents of a certified copy of the Continuing Disclosure Undertaking. The proposed form of the Continuing Disclosure Undertaking is attached hereto as Appendix G. During the last five years, the Authority has not failed to comply in any material respect with any previous continuing disclosure undertaking by it. The Authority has implemented appropriate procedures to assure future compliance with respect to such previous continuing disclosure undertakings and compliance with the requirements of the Continuing Disclosure Undertaking relating to the Series 2021A/B Bonds.

#### **MISCELLANEOUS**

All projections and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement with the purchasers or holders of any of the Series 2021A/B Bonds.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

The descriptions included in this Official Statement of the Series 2021A/B Bonds, the Resolution, the Thirty-Third Supplemental Resolution, the Power Sales Contracts and certain other agreements described herein do not purport to be complete and are qualified in their entirety by reference to each such document, copies of which may be obtained upon written request from the Authority at the address on the inside front cover hereof, Attention: General Manager.

The execution and delivery of this Official Statement have been duly authorized by the Authority.

**OKLAHOMA MUNICIPAL POWER AUTHORITY**

By:           /s/ David W. Osburn            
          General Manager

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## SCHEDULE I

### DESCRIPTION OF PURCHASED BONDS

Proceeds of the Series 2021A Bonds will be used for the purpose of purchasing for cash the Invited Bonds described below.

\$26,115,000 in aggregate principal amount of the Authority's Outstanding principal amount of Power Supply System Revenue Bonds, Series 2013A, of the maturities, in the principal amounts, bearing interest at the rates are, subject to the issuance of the Series 2021A Bonds, to be purchased on July 1, 2021 (the "Purchase Date") and at the purchase price (plus interest accrued thereon to the Purchase Date) as set forth below:

<u>Maturity January 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP<sup>†</sup> Base: 67910H</u>	<u>Purchase Price as a Percentage of Par</u>
2028	\$ 795,000	3.125%	MW7	106.687%
2029	355,000	3.125	MX5	106.687
2030	850,000	3.250	MY3	106.875
2031	850,000	3.250	MZ0	106.875
2032	935,000	3.375	NA4	107.062
2033	640,000	3.375	NB2	107.062
2038	2,010,000	4.000	NC0	108.000
2043	13,715,000	4.000	ND8	108.000
2047	5,965,000	4.000	NE6	108.000

\$12,805,000 in aggregate principal amount of the Authority's Outstanding principal amount of Power Supply System Revenue Bonds, Series 2013B, of the maturities, in the principal amounts, bearing interest at the rates are, subject to the issuance of the Series 2021A Bonds, to be purchased on Purchase Date and at the purchase price (plus interest accrued thereon to the Purchase Date) as set forth below:

<u>Maturity January 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP<sup>†</sup> Base: 67910H</u>	<u>Purchase Price as a Percentage of Par</u>
2024	\$ 480,000	3.625%	NK2	107.437%
2024	115,000	5.000	NT3	109.500
2025	285,000	5.000	NL0	109.500
2026	355,000	4.000	NM8	108.000
2026	7,925,000	5.000	NR7	109.500
2028	1,235,000	4.000	NN6	108.000
2029	1,400,000	4.125	NP1	108.187
2030	980,000	4.250	NQ9	108.375
2030	30,000	5.000	NS5	109.500

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\$28,650,000 in aggregate principal amount of the Authority's Outstanding principal amount of Power Supply System Revenue Refunding Bonds, Series 2014A, of the maturities, in the principal amounts, bearing interest at the rates are, subject to the issuance of the Series 2021A Bonds, to be purchased on the Purchase Date and at the purchase price (plus interest accrued thereon to the Purchase Date) as set forth below:

<u>Maturity January 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP<sup>†</sup> Base: 67910H</u>	<u>Purchase Price as a Percentage of Par</u>
2026	\$ 1,985,000	5.000%	NY2	119.500%
2027	7,220,000	5.000	NZ9	119.500
2028	2,285,000	5.000	PA2	119.500
2029	2,540,000	5.000	PB0	119.500
2030	820,000	3.250	PC8	113.375
2031	485,000	5.000	PD6	119.500
2034	1,105,000	3.500	PG9	114.250
2038	1,470,000	3.625	PH7	114.687
2038	10,740,000	5.000	PJ3	119.500

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## SCHEDULE II

### DESCRIPTION OF EXCHANGED BONDS

Series 2021A Bonds will be used for the purpose of exchanging the Invited Bonds described below.

\$12,650,000 in aggregate principal amount (of an original principal amount of \$53,230,000) of the Authority's Outstanding principal amount of Power Supply System Revenue Bonds, Series 2013A, of the maturity, in the principal amount, bearing interest at the rate is, subject to the issuance of the Series 2021A Bonds, to be exchanged on July 1, 2021 (the "Exchange Date") and at the Exchange Factor (plus interest accrued thereon to the Exchange Date) as set forth below:

#### SERIES 2013A

CUSIP* (67910H)	Maturity (January 1)	Interest Rate	Original Principal Amount	Series 2021A Maturity	Exchange Factor†	Series 2021A Interest Rate	Series 2021A Optional Redemption Date‡
NE6	2047§	4.000	\$53,230,000	2047§	0.920780	4.00%	January 1, 2031

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†The "Exchange Factor" is the factor by which the par amount of such Bonds tendered will be multiplied in order to determine the par amount of Series 2021A Bonds that will be issued in exchange for such Bonds tendered pursuant to the Exchange Offer.

‡In addition, Series 2021A Bonds are subject to mandatory redemption. See "THE SERIES 2021A/B BONDS – Mandatory Redemption" in the Official Statement.

§ Term Bond.

## SCHEDULE III

### DESCRIPTION OF REFUNDED BONDS

Proceeds of the Series 2021B Bonds will be used for the purpose of refunding the Refunded Bonds described below.

\$94,155,000 in aggregate principal amount of the Authority's Outstanding principal amount of Power Supply System Revenue Bonds, Series 2013A, of the maturities, in the principal amounts, bearing interest at the rates are to be redeemed on the date and at the redemption price (plus interest accrued thereon to the redemption date thereof) as set forth below:

<u>Maturity January 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP<sup>†</sup> Base: 67910H</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2028	\$ 3,545,000	3.125%	MW7	1/1/2023	100%
2029	3,455,000	3.125	MX5	1/1/2023	100%
2030	3,080,000	3.250	MY3	1/1/2023	100%
2031	3,205,000	3.250	MZ0	1/1/2023	100%
2032	3,255,000	3.375	NA4	1/1/2023	100%
2033	3,690,000	3.375	NB2	1/1/2023	100%
2038	22,225,000	4.000	NC0	1/1/2023	100%
2043	17,085,000	4.000	ND8	1/1/2023	100%
2047	34,615,000	4.000	NE6	1/1/2023	100%

\$26,760,000 in aggregate principal amount of the Authority's Outstanding principal amount of Power Supply System Revenue Bonds, Series 2013B, of the maturities, in the principal amounts, bearing interest at the rates are, subject to the issuance of the Series 2021A Bonds, to be redeemed on the date and at the redemption price (plus interest accrued thereon to the redemption date thereof) as set forth below:

<u>Maturity January 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP<sup>†</sup> Base: 67910H</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2024	\$ 605,000	3.625%	NK2	1/1/2023	100%
2024	1,800,000	5.000	NT3	1/1/2023	100%
2025	2,715,000	5.000	NL0	1/1/2023	100%
2026	600,000	4.000	NM8	1/1/2023	100%
2026	3,120,000	5.000	NR7	1/1/2023	100%
2028	6,020,000	4.000	NN6	1/1/2023	100%
2029	5,100,000	4.125	NP1	1/1/2023	100%
2030	5,335,000	4.250	NQ9	1/1/2023	100%
2030	1,465,000	5.000	NS5	1/1/2023	100%

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\$55,260,000 in aggregate principal amount of the Authority's Outstanding principal amount of Power Supply System Revenue Refunding Bonds, Series 2014A, of the maturities, in the principal amounts, bearing interest at the rates are, subject to the issuance of the Series 2021A Bonds, to be redeemed on the date and at the redemption price (plus interest accrued thereon to the redemption date thereof) as set forth below:

<u>Maturity</u> <u>January 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <sup>†</sup> <u>Base: 67910H</u>	<u>Redemption</u> <u>Date</u>	<u>Redemption</u> <u>Price</u>
2026	\$ 2,605,000	5.000%	NY2	1/1/2025	100%
2027	5,030,000	5.000	NZ9	1/1/2025	100%
2028	2,540,000	5.000	PA2	1/1/2025	100%
2029	2,530,000	5.000	PB0	1/1/2025	100%
2030	4,500,000	3.250	PC8	1/1/2025	100%
2031	5,010,000	5.000	PD6	1/1/2025	100%
2032	5,770,000	5.000	PE4	1/1/2025	100%
2033	6,055,000	5.000	PF1	1/1/2025	100%
2034	5,250,000	3.500	PG9	1/1/2025	100%
2038	7,110,000	3.625	PH7	1/1/2025	100%
2038	8,860,000	5.000	PJ3	1/1/2025	100%

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## APPENDIX A

### CERTAIN INFORMATION RELATING TO THE AUTHORITY, THE POWER SUPPLY PROGRAM AND THE PARTICIPATING TRUSTS

Information contained in this Appendix contains statements that are forward-looking and involve a number of risks and uncertainties. The words or phrases “believes,” “plans,” “anticipates,” “expects,” “intends,” “estimates,” “forecasts,” “should,” “projection,” “could,” “may,” “continues,” “might,” “potential,” “scheduled” or similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Any other statement that expresses the possibility of future activity, intent or result also is a forward-looking statement.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those expressed in or implied by the forward-looking statements. Among these risks and uncertainties are the other risk factors discussed in this Appendix and in the Official Statement to which it is appended; general economic, demographic, competitive, or business conditions; pricing pressures; investment performance; relationships with customers; changes in laws or regulations, and other factors including factors that are not anticipated by the Authority. See “RISKS OF BONDHOLDERS” in the Official Statement. All of the forward-looking statements made in this Appendix and in the Official Statement are qualified by these cautionary statements. Prospective investors should not place undue reliance on the forward-looking statements, which speak only as of the date hereof. The Authority does not intend to update or revise any forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied by such statements will not be realized.

## TABLE OF CONTENTS

	Page
<b>THE AUTHORITY</b> .....	3
Background.....	3
Organization and Management.....	3
Power Supply Operations.....	5
Authority Rates.....	7
Rate Stabilization.....	7
Rate Regulation.....	8
Recent Developments.....	8
<b>OUTSTANDING BONDS AND OTHER INDEBTEDNESS</b> .....	9
Outstanding Parity Bonds.....	9
Anticipated Additional Parity Bonds.....	10
Subordinated Indebtedness.....	10
Separately Secured Indebtedness; Taxable Notes.....	10
<b>DEBT SERVICE REQUIREMENTS</b> .....	11
<b>THE POWER SUPPLY PROGRAM</b> .....	12
Introduction.....	12
Ownership Arrangements.....	12
Oklaunion 1.....	13
Dolet Hills 1 Ownership Arrangements.....	13
Pirkey 1 Ownership Arrangements.....	14
McClain Generating Facility.....	14
Kaw Project.....	15
Ponca City Power Plant.....	15
Charles D. Lamb Energy Center.....	15
Redbud Generating Facility.....	16
Turk Project.....	16
Power Purchase and Transmission Arrangements.....	16
OG&E Agreements.....	17
AEP Agreements.....	17
WFEC Agreements.....	17
Transmission Ownership.....	18
GRDA Agreements.....	18
GRDA Unit Power Sales Agreement.....	18
GRDA Power Purchase and Sale Agreement.....	19
Participating Trusts Capacity Purchase Agreements.....	19
SWPA Agreement.....	20
FPLE Energy Oklahoma Wind, LLC.....	20
Canadian Hills Wind, LLC.....	21
Apex Clean Energy/Grant Plains Wind Project.....	21
Tulsa LFG, LLC.....	21
Southwest Power Pool Integrated Marketplace.....	21
MuniGas Agreement.....	22
Natural Gas Procurement Matters.....	22
Weatherization.....	23
Decommissioning Costs.....	23
Environmental Matters.....	23
Retail Distributed Generation Program.....	24
Future Power Supply Program.....	24
<b>THE PARTICIPATING TRUSTS</b> .....	24
General.....	24
Electric Systems and Management.....	25
Rate Regulation of the Participating Trusts.....	25
Description of Certain of the Beneficiary Cities and Participating Trusts.....	26
Edmond.....	26
Ponca City.....	27
Outstanding Indebtedness of Two Largest Participating Trusts.....	27
Participating Trusts' Historical Power and Energy Requirements.....	28
Participating Trusts' Historical and Projected System Requirements.....	28
Participating Trusts' Statistical and Financial Information.....	29
<b>CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY</b> .....	33
General.....	33
Federal Energy Legislation.....	33
Environmental Issues.....	35
<b>MANAGEMENT DISCUSSION OF RECENT UNAUDITED FINANCIAL INFORMATION</b> .....	39
Financial Highlights.....	39
Utility Plant and Debt Administration.....	39

## APPENDIX A

### THE AUTHORITY

#### Background

The Oklahoma Municipal Power Authority (the “Authority” or “OMPA”) was created by the Oklahoma Legislature in 1981 as a body politic and corporate for the purpose of providing adequate, reliable and economic sources of electric power and energy to Oklahoma municipalities and public trusts operating municipal electric systems. To date, 43 public trusts have entered into long-term Power Sales Contracts with the Authority, including a new contract entered into during 2020 with the Lindsay Public Works Authority. Service to Lindsay will start June 1, 2025. See “THE PARTICIPATING TRUSTS—General” herein. The term of each Power Sales Contract extends indefinitely until terminated upon at least 15 years prior written notice by either party. See “Power Supply Operations” herein. In addition, the Authority has certain short-term supplemental power sales agreements with two Arkansas municipalities and one Texas municipality. In total, the Authority has begun serving nine new communities in Oklahoma, Arkansas and Texas since 2010.

Under the Act, the Authority is a governmental agency of the State of Oklahoma and a body politic and corporate with the powers, in addition to other powers, to (1) acquire, construct and operate generation and transmission facilities, (2) purchase, sell, exchange and transmit electric energy within and without the State of Oklahoma and (3) issue its obligations, including the Bonds, to carry out any of its corporate purposes and powers. The Act prohibits the Authority from participating in any nuclear powered generating plant. The Act authorizes the Authority to exercise the power of eminent domain in the acquisition of certain property. Property of the Authority is exempt from Oklahoma property taxes. The Authority does not have any taxing power.

#### Organization and Management

Each municipality and/or public trust which has declared its intention to participate with the Authority in the development of power supply resources has a representative on the Election Committee of the Authority, which committee meets at least once a year to elect directors for the Authority’s Board of Directors and conducts certain other affairs of the Authority. Having a representative on the Election Committee does not obligate such municipality or public trust to enter into a Power Sales Contract with the Authority. As of the date hereof, 47 municipalities and/or public trusts have representatives on the Election Committee, five of which have not entered into long-term Power Sales Contracts with the Authority.

The Authority is governed by an 11-member Board of Directors elected by the Election Committee. The bylaws of the Authority provide that the largest five Participating Trusts (based on the dollar amount of power purchases by eligible public agencies from the Authority during the next preceding fiscal year of the Authority) should have a seat on the Board of Directors. Under the Act and the bylaws of the Authority, the terms of directors are three (3) years and staggered, with approximately one-third of the Board elected each year. Directors must be residents of Oklahoma, and a representative on the Election Committee from an Eligible Public Agency, as defined in Title 11 Oklahoma Statutes §24-105, with a long-term power sales contract having purchased power from the Authority for at least three years. Officers of the Authority include a Chairman, Vice Chairman, Treasurer, Secretary and one or more assistant secretaries and treasurers. Under the Act and the bylaws, the Board is broadly empowered to conduct the affairs of the Authority and to enter into agreements, contracts and obligations on behalf of the Authority.

The current Officers and Members of the Board of Directors (all current officers and members are eligible for reelection) are as follows:

<u>Name</u>	<u>Position</u>	<u>Residence</u>	<u>Term Expires</u>	<u>Years of Service</u>	<u>Occupation</u>
Homer Nicholson	Chair	Ponca City	2024	12	Mayor
Jim Greff	Vice Chair	Prague	2023	6	City Manager
Dale Bunn	Treasurer	Purcell	2024	7	City Manager
Dave Slezickey	Secretary	Kingfisher	2024	6	City Manager
Chuck Ralls	Director	Comanche	2023	4	City Manager
Jason McPherson	Director	Marlow	2023	4	City Manager
Dave Andren	Director	Mangum	2023	1	City Manager
Dixie Johnson	Director	Perry	2022	2	City Clerk
Gary Jones	Director	Altus	2022	1	City Manager
Kimberly Meek	Director	Duncan	2022	2	City Manager
Glenn Fisher	Director	Edmond	2024	1	Electric Director

**David W. Osburn** was named General Manager effective August 1, 2013. Mr. Osburn joined the Authority as of January 15, 2007, and previously held the title of Assistant General Manager. Mr. Osburn previously served as General Manager and CEO of Richmond Power & Light in Richmond, Indiana for 10 years. Mr. Osburn currently serves on the Board of the American Public Power Association, the Members' Committee of the Southwest Power Pool ("SPP"), and the Executive Committee of the Transmission Access Policy Study Group ("TAPS"). Mr. Osburn has previously served on the Board of the Electric Power Research Institute ("EPRI"), the North American Electric Reliability Corporation ("NERC") Members Representative Committee, NERC Reliability Issues Steering Committee, as well as Commissioner and Vice Chairman of the Indiana Municipal Power Agency. Mr. Osburn holds a Master of Business Administration degree from Indiana Wesleyan University and a Bachelor of Science degree in Electrical Engineering from Purdue University.

**Ellen C. Edwards** has been the General Counsel for the Authority since February 2020. Mrs. Edwards earned a Bachelor of Arts degree in 1981 from the Colorado College, followed by a Juris Doctorate degree in 1985 from the University of Oklahoma. In October 1985 she was licensed by the Supreme Court of Oklahoma. She is also licensed to practice in the United States District Courts for the Northern, Western, and Eastern Districts of Oklahoma. Mrs. Edwards has been in private practice, served as a judge on the Oklahoma Workers' Compensation Court, an attorney with the U.S. Department of Justice (Torts Branch) and the Oklahoma Insurance Department, and as General Counsel for the Grand River Dam Authority.

**John M. Vansant** joined the Authority January 6, 2014 and holds the position of Director of Corporate Services and Chief Financial Officer. Mr. Vansant previously served as Director of Fiscal Affairs for the Water, Gas & Light Commission of Albany, Georgia for 13 years. Mr. Vansant is a CPA and holds a Bachelor of Business Administration degree from Georgia State University. Prior to working for the Water, Gas & Light Commission he held a number of different executive level positions in both public accounting and private industry.

**Jim McAvoy** was promoted in March 2016 to the position of Director of Engineering Services after having served previously as Manager of Engineering Services and Chief Engineer for nine years. Before joining the Authority he worked in engineering and operations at KG&E/Westar in Kansas and OG&E. He has a Bachelor of Science degree in Electrical Engineering from the University of Oklahoma and a Master of Business Administration degree from Oklahoma Christian University. Mr. McAvoy currently serves on the Transmission Working Group of the SPP. He is a licensed Professional Engineer in the states of Oklahoma and Kansas.

*Ashley Stringer* joined the Authority on July 7, 2011 and holds the position of Compliance Manager. Prior to joining the Authority, Ms. Stringer worked for the City of Edmond, Oklahoma ensuring the City's compliance with EPA Clean Water Act regulations. She currently serves on the NERC Compliance and Certification Committee (CCC). She also serves on the Southwest Power Pool (SPP) Reliability Compliance Working Group (RCWG) and routinely participates in Transmission Access Policy Study Group (TAPS) efforts. Ms. Stringer's role oversees the implementation and compliance with mandatory NERC cybersecurity standards. She also led OMPA's effort to complete the American Public Power Association (APPA) Cybersecurity Scorecard. She holds a Bachelor of Science degree in Environmental Science and a Master of Science degree in Environmental Science both from Oklahoma State University.

*Jennifer L. Rogers* was promoted in 2018 to the position of Manager of Member Services. Ms. Rogers originally began her career with the Authority in July of 2008. Prior to her position as Manager of Member Services, Ms. Rogers served the Authority as Government Relations Representative, Media Specialist, and Member Services Representative. Ms. Rogers holds a Bachelor of Arts degree from the University of Central Oklahoma.

The Authority has 76 employees in the following areas: administration; engineering; finance and accounting; member services; generation; and operations. The Authority has established its accounting records in accordance with Federal Energy Regulatory Commission ("FERC") requirements and generally accepted accounting principles and has computerized its accounting functions and cash management function.

### **Power Supply Operations**

Under the Power Sales Contracts the Authority has agreed to sell and deliver to each Participating Trust, and each Participating Trust has agreed to purchase and receive from the Authority, the electric power and energy requirements of the customers supplied by the Participating Trust's municipal electric system, with certain exceptions noted hereinafter. The term of each Power Sales Contract extends indefinitely until terminated upon at least 15 years prior written notice by either party. If notice to terminate is given by any Participating Trust subsequent to any issuance of debt, the Authority, at its option, may increase such Participating Trust's rates to recover its share of the debt service costs by the termination date. In making any such determination, the Authority first shall mitigate any adverse consequences caused by such termination notice.

Subject to certain exceptions, the Power Sales Contracts are total requirements contracts. Subject to seven years notice, the maximum amount of power and energy that the Authority is required to furnish to each Participating Trust, and that each Participating Trust is required to take and pay for under its Power Sales Contract, may be limited either by the Participating Trust or the Authority to the Participating Trust's Contract Rate of Delivery, which shall be equal to the Participating Trust's peak demand for power under the Power Sales Contract during the 24 billing periods prior to the date such limitation commences, adjusted by the Authority, upon the advice of the Consulting Engineer to the Authority, up or down by not more than 10% to achieve optimal utilization of the Authority's power supply resources. If the Authority exercises its Contract Rate of Delivery option, it must exercise such option with respect to all Participating Trusts. In the absence of any such election by the Authority or any Participating Trust, the provisions of the Power Sales Contracts continue unchanged. To date, no Participating Trust has given notice of the exercise of such option.

The Power Sales Contracts permit the 16 Participating Trusts which have an allotment of Southwestern Power Administration ("SWPA") power and energy to continue to purchase power and energy from SWPA up to an aggregate of 92.2 MW of power and energy. The present SWPA contracts expire on May 31, 2027. The use of any additional allotments of SWPA power and energy to the

Participating Trusts is subject to approval by the Authority. The power and energy requirements of such Participating Trusts not supplied by SWPA will be supplied by the Authority.

The Authority obtains power and energy to meet the Participating Trusts' requirements under the Power Sales Contracts from various sources. See "THE POWER SUPPLY PROGRAM" herein.

In addition, the Authority has an active off-system electric power marketing effort conducted directly by OMPA staff. With the start of the Southwest Power Pool ("SPP") Integrated Marketplace (Day 2 Market) on March 1, 2014, bilateral sales of energy have virtually disappeared. All sales are into the integrated marketplace.

On June 1, 2010, the Authority began service to the City of Clarksville, Arkansas ("Clarksville"). As an Arkansas municipality, Clarksville is not eligible to be a Participating Trust and is therefore determined to be an off-system sale. The Authority provides for the requirements of Clarksville above its existing SWPA allocation, a local solar facility, and energy delivered from the Independence County hydro facility. The Independence County hydro facility is a non-OMPA hydro project for which Clarksville has a power purchase agreement in place. The local solar facility is also a non-OMPA project for which Clarksville has a power purchase agreement and is currently 7.0 MW capacity. Clarksville is required to receive approval from the Authority for any future expansions. The benefits resulting from the off-system sales to Clarksville flow back to the Participating Trusts through rate reductions. On November 26, 2018, the Authority and Clarksville executed a Replacement Short Term Electric Power Sales Contract, recognizing Clarksville's move to SPP Network Integrated Transmission Service in summer 2018 and extending allowed Clarksville resources to include the then new solar facility. The contract maintains service until December 31, 2020, and from year to year thereafter unless and until canceled at the end of any subsequent annual period by either party giving to the other party written notice not less than eighteen (18) months prior to the end of any subsequent annual period thereafter. No notice to terminate has been received by the Authority.

On June 6, 2012, the Authority began service to the City of Paris, Arkansas ("Paris"), under a five (5) year agreement. The agreement provides for a five (5) year extension upon notice from Paris. As an Arkansas municipality Paris is not eligible to be a Participating Trust and is therefore determined to be an off-system sale. The Authority provides for the requirements of Paris above its existing SWPA allocation. The benefits resulting from the off-system sales to Paris flow back to the Participating Trusts through rate reductions. On April 4, 2016, Paris took action to extend the service agreement until May 31, 2022. In 2020, OMPA granted Paris permission to self-supply up to 1.5MW capacity. Paris subsequently entered a 20-year Power Purchase Agreement with a supplier for a 1.5MW solar farm located within Paris.

On January 1, 2016, the Authority began service to the City of Electra, Texas ("Electra"), under a 10-year agreement. The agreement provides for a continuation from year to year thereafter unless and until cancelled at the end of the initial term or at the end of any subsequent annual period by either party upon 24 months' written notice. As a Texas municipality Electra is not eligible to be a Participating Trust and is therefore determined to be an off-system sale. The benefit resulting from this sale flows back to the Participating Trusts through rate reductions.

The Transmission Agreements, together with certain transmission and substation facilities owned or to be acquired by the Authority, are expected by the Authority to provide sufficient transmission service to satisfy its power supply responsibilities under the Power Sales Contracts. See "THE POWER SUPPLY PROGRAM" herein.



## **Authority Rates**

Each Participating Trust is required to take and pay for power and energy furnished by the Authority at rates established by the Authority. Such rates are required to be established by the Authority at a level which will provide for all the Authority's revenue requirements, including debt service on the Bonds and other amounts required to be deposited in funds established under the Resolution. For additional information concerning payments by the Participating Trusts under the Power Sales Contracts, see "Payments by the Participating Trusts" in Appendix D. The Authority's revenue requirements include amounts required to comply with any rate covenant of the Authority. Under the Resolution, the Authority has covenanted to establish and collect rents, rates and charges for the output of the System which, together with other available Revenues, are reasonably expected to yield Net Revenues for the 12-month period commencing with the effective date of such rents, rates and charges equal to at least 1.10 times Aggregate Debt Service on all Bonds for such period and, in any event, as required, together with other available funds, to pay or discharge all other indebtedness, charges and liens payable out of Revenues. For purposes of this covenant, amounts required to pay Refundable Principal Installments may be excluded from Aggregate Debt Service to the extent the Authority is to make such payments from sources other than Revenues. Payments made by the Authority to the Grand River Dam Authority ("GRDA") pursuant to each of the Unit Power Sales Agreement and Power Purchase and Sale Agreement will not constitute Operation and Maintenance Expenses of the Authority. The Authority is required to review and, if necessary, revise its rents, rates and charges upon the occurrence of a material change in circumstances, but in any case, at least once every 12 months. The Authority may implement changes in its rates after 60 days' notice to the Participating Trusts.

The present rates charged by the Authority to Participating Trusts with long-term contracts consist of demand, energy, and transmission rates. The demand component is designed to collect fixed costs, including fixed plant O&M costs including capacity payments and property taxes, administrative and general costs, debt service costs including principal and net interest payments, and debt service coverage which provides for renewals and replacement capital projects. The demand charge is based upon the previous year's coincident peak contribution to the Authority's overall peak, which provides for more predictable cash flow. Transmission costs are a separate component with a credit given for substation ownership. Transmission demand is designed to collect for transmission-related expenses such as those associated with the Southwest Power Pool. The transmission demand is based on the greater of that month's coincident demand or 75% of the greatest coincident demand during the previous 11 monthly billing periods. Energy charges are designed to collect those variable energy costs such as fuel and other plant variable and production expenses. Those Participating Trusts with an SWPA allocation receive a limited discount on their demand charge to reflect the capacity contribution of their allocation.

## **Rate Stabilization**

The Authority reviews its rates and revenue requirements periodically and will implement rate changes as necessary to comply with its rate covenant under the Resolution. In addition to increases in revenue requirements resulting from normal recurring factors such as inflation, the Authority may experience unusually large increases in certain years. Some of these unusual increases in revenue requirements, such as those resulting from placing a large generating unit in service, may be anticipated far in advance of when the increases occur; other increases, such as those due to lengthy unscheduled outages, may not be anticipated.

Consistent with the Resolution, the Authority has taken steps to minimize, to the extent possible, the amount of the rate increases that would otherwise be necessary in years when its revenue requirements increase significantly. The Authority has established a rate stabilization program under which previously accumulated Revenues are applied toward increased revenue requirements. Under the Resolution, any Revenues allocated by Board resolutions for the rate stabilization program are to be deposited in the Rate Stabilization Account in the Revenue Fund and will not be considered in the calculation of Net Revenues

for purposes of the rate covenant under the Resolution until transferred out of the Rate Stabilization Account and applied in accordance with the Resolution. As a result, the use of Revenues accumulated during any period in the Rate Stabilization Account to pay increased revenue requirements in subsequent periods will reduce the rate increases that would otherwise be necessary in such later periods to produce the Net Revenues required to meet the rate covenant. Beginning in July of 2016, the Authority began contributing 10% of off-system sales margins to the Rate Stabilization Account. The Authority also made a Rate Stabilization Account contribution of net revenues in excess of amounts budgeted of \$3,000,000 for the year ended December 31, 2020. The Authority's 2018, 2019, 2020, and 2021 budgets did not include any withdrawals from the account. The fund balance was \$15,354,386 at December 31, 2018, \$16,913,474 at December 31, 2019 and was \$21,048,928 at December 31, 2020. The Authority expects to withdraw approximately \$6,000,000 from the Rate Stabilization Fund to fund the redemption of Invited Bonds not tendered for purchase or exchange pursuant to the Invitation or tendered and not accepted by the Authority.

### **Rate Regulation**

In the opinion of General Counsel to the Authority, the power of the Authority to fix and collect rates and charges for electric power and energy sold and delivered under existing law is not subject to the regulatory jurisdiction of the Oklahoma Corporation Commission ("OCC") or any other regulatory agency or authority of the State of Oklahoma and is not subject to the regulatory jurisdiction of the FERC or any other Federal regulatory agency or authority.

### **Recent Developments**

In the June 2019 Board meeting, OMPA's Board passed a resolution to amend the internal policy on financial liquidity. OMPA's annual budget will plan for at least 100 days cash on hand in total unrestricted funds. The 2020 budget was the first year to incorporate this new policy.

OMPA has a \$15 million Line of Credit facility with Bank of America, National Association for a five-year term expiring in 2024. The facility provides additional liquidity and a potential source of funds for capital expenditures and decommissioning expenses. Advances under the facility can bear a taxable or tax-exempt variable rate of interest and are secured on parity with outstanding Power Supply Bonds. The Line of Credit does not have a claim on the Debt Service Reserve Fund.

OMPA enacted measures in March 2020 to mitigate exposure to COVID-19. Those measures included equipping Edmond employees who could, to work from home to fulfill their job requirements. Safety measures were announced to exercise good hygiene within the office environment, including mandatory temperature checks, appropriate distancing and requiring everyone to wear a mask within all facilities except at their own workstations. These requirements and procedures are still in effect with a tentative goal of bringing most of the work force back into the office beginning June 1, 2021.

OMPA's Power Production Team implemented COVID-19 protocols in March 2020, which are still in effect. Measures were taken to limit the spread of the virus. Additionally, provisions were implemented in the event it would be necessary to house key personnel on site. Very few cases of COVID-19 developed with team members and those were manageable.

The Edmond Operations team, which manages Southwest Power Pool functions, successfully transitioned to remote operations without any issues. The new Emergency Operations Center allowed for the physical separation of team members between shifts to prevent the spread of the virus.

OMPA has not noticed a decline in service to member cities throughout the implementation of the COVID-19 protocols. While the virus has had effects within each of the member cities, OMPA has not noticed any issues regarding their ability to function or meet their power requirements.

OMPA completed construction in 2020 on a new, approximately 2,400 square feet, SCADA/IT/Emergency Operations building at its existing Headquarters location. This facility provides a secure operating environment and is capable of withstanding tornadic winds up to F5 on the Fujita scale. The building houses all IT/SCADA infrastructure in a secure stable environment. In addition, there is space for key employees to operate in the event the main OMPA building is inoperable.

During February 2021 Oklahoma was severely impacted by winter storm Uri. The storm caused extreme cold across Oklahoma. The extreme cold caused natural gas prices and electricity prices in energy markets to spike to unprecedented levels. OMPA has calculated the cost of this event to be approximately \$60 million. The Authority has recorded a regulatory asset of the same amount and will finance the cost of the event as described in the next two paragraphs.

On March 29, 2021 OMPA defeased the \$10,370,000 outstanding principal amount of the 1992B Bonds with an escrow deposit of \$12,083,099. The escrow deposit is sufficient to pay all future interest and principal payments due on the bonds. With this defeasement, the Authority's Thirteenth Supplemental Bond Resolution takes effect. This supplemental resolution reduced the Authority's Debt Service Reserve Requirement by half. The reserve requirement that had been approximately \$48,000,000 fell to approximately \$24,000,000 as of the date of the defeasement.

On March 12, 2021 OMPA closed on a \$60.0 million direct placement 2021A Power Supply System Revenue Note (Taxable) with Bank of America, N.A. dated March 1, 2021 (the "2021A Note") to fund the costs associated with winter storm Uri. The 2021A Note carries a fixed rate of interest at 1.75%. Interest is payable on April 1 and October 1 of each year. Principal is due in installments of \$6.0 million on October 1, 2021 and April 1, 2022 and continues in this semi-annual cycle with a final payment of \$6.0 million due on March 12, 2026. The 2021A Note may be prepaid after five months. The Authority plans to prepay this Series 2021A Note on August 12, 2021. The Authority's plan is to use \$60,000,000 of proceeds of the Series 2021A Bonds to refinance the Series 2021A Note.

OMPA has announced the following coal plant retirements: The Oklaunion plant was retired in October 2020; in May 2020, the decision was made by the majority owner/operator to retire Dolet Hills plant sometime in the fall of 2021; and, in November 2020, the decision was made by the majority owner/operator to close the Pirkey plant in March of 2023. To help mitigate any cost impact of decommissioning expense to member cities a Plant Decommissioning fund was established in late 2018. The fund's balance on December 31, 2020 was approximately \$4.7 million. Deposits of approximately \$12.7 million have been made to the fund since it was established. Withdrawals of approximately \$8 million were made during 2020 to pay decommissioning expenses associated with the Oklaunion and Dolet Hills retirements. For additional information, see 'THE POWER SUPPLY PROGRAM'.

## OUTSTANDING BONDS AND OTHER INDEBTEDNESS

### Outstanding Parity Bonds

The following Series of Bonds have been issued and secured on a parity under the Resolution and remain Outstanding as of the date of the Official Statement.

<u>Series</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding March 31, 2021</u>
2005A	October 6, 2005	1/1/2023	62,400,000	10,500,000
2010B	August 11, 2010	1/1/2045	70,000,000	70,000,000
2013A	January 31, 2013	1/1/2047	132,920,000	132,920,000

<u>Series</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding March 31, 2021</u>
2013B	August 1, 2013	1/1/2030	39,565,000	39,565,000
2014A	November 21, 2014	1/1/2038	88,740,000	85,540,000
2014B	November 21, 2014	1/1/2027	34,440,000	34,115,000
2016A	October 5, 2016	1/1/2047	124,315,000	124,315,000
2019A	October 3, 2019	1/1/2028	59,105,000	41,595,000
2021A	March 12, 2021	3/12/2026	<u>60,000,000</u>	<u>60,000,000</u>
			<u>\$671,485,000</u>	<u>\$598,550,000</u>

The Outstanding Bonds described in the table above are fixed rate Bonds except for the Series 2005A Bonds which were initially issued as auction rate securities. On August 1, 2018 the Authority remarketed the Series 2005A Bonds in a SIFMA Term Rate Mode to maturity, January 1, 2023.

The Authority had entered into a floating-to-fixed interest rate swap in connection with the Series 2005A Bonds with Deutsche Bank. Under the swap with Deutsche Bank, the Authority pays a fixed rate of 5.05% and receives a floating rate which resets weekly equal to SIFMA. As of March 31, 2021, the replacement swap with Deutsche Bank had a negative fair market value of \$783,702.

#### **Anticipated Additional Parity Bonds**

The Authority may issue Additional Bonds for the purpose of paying all or a portion of the cost of Acquisition and Construction (as defined in Appendix F) of the System or for the purpose of refunding Outstanding Bonds. All series of such Additional Bonds will be payable from the same sources and secured on a parity with all other Outstanding Bonds. Certain conditions applicable to the issuance of Additional Bonds are contained in Appendix F.

There are a variety of factors that may affect the timing, amount and interest, and other costs associated with the issuance of such Additional Bonds including general market conditions, credit issues, changes in law, unanticipated load growth and numerous factors relating to the costs and timing with respect to the construction of projects that could affect such contemplated issuance of such Additional Bonds.

With the exception of the current offering, the Authority currently has no expectation that it will issue any Additional Bonds during the remainder of calendar year 2021 or during calendar year 2022.

#### **Subordinated Indebtedness**

Obligations of the Authority under certain existing interest rate swap arrangements entered into in connection with the Authority's Series 2005A Bonds described under "Outstanding Parity Bonds" above (and described in Note 8 to the Authority's basic financial statements as of and for the year ended December 31, 2020, included in Appendix B) are subordinated to the obligations of the Authority with respect to the Outstanding Bonds under the Resolution.

#### **Separately Secured Indebtedness; Taxable Notes**

In September 2003, the Authority issued its taxable limited obligation notes in the original principal amount of \$57,739,000, maturing December 31, 2028, bearing interest at 6.00% and payable in annual principal and interest installments of \$4,516,732.48 (the "Taxable Notes") payable solely from lease payments agreed to be made by FPLE Energy Oklahoma Wind, LLC, a limited liability company ("FPLE Oklahoma"), for the development of a wind generation facility of approximately 51 MW aggregate nameplate capacity on a site in northwestern Oklahoma designed to generate renewable wind power from

34 1500 kW wind turbines (the “Wind Project”). FPLE Oklahoma was responsible for acquiring, constructing and installing the Wind Project which became operational on September 26, 2003, and is leased by the Authority to FPLE Oklahoma under a long-term capital lease for rental payments sufficient to pay debt service on the Authority’s Taxable Notes. The Authority entered into a take and pay power purchase agreement with FPLE Oklahoma for a term of 25 years. The payments under such power purchase agreement constitute the sole source of revenue to FPLE Oklahoma by which it can make its lease payments. The Taxable Notes were issued under a separate resolution and were not issued under the Resolution authorizing and securing the Outstanding Bonds and do not share in the security granted therefor under the Resolution. However, the payments made by the Authority for the purchase of energy under the power purchase agreement with FPLE Oklahoma constitute Operation and Maintenance Expenses, as such term is defined in the Resolution, which, as described under “Application of Revenues” in Appendix F, are the first priority for payment from amounts on deposit in the Revenue Account in the Revenue Fund established under the Resolution. Therefore, payments to FPLE Oklahoma under such power purchase agreement have priority over payments for debt service for Bonds issued under the Resolution.

### DEBT SERVICE REQUIREMENTS

The following table sets forth the annual amounts required to pay scheduled principal and interest on the Outstanding Bonds and the Series 2021A/B Bonds for the periods shown below.

#### ANNUAL DEBT SERVICE

<u>Year</u> <u>Ending January 1</u>	<u>Debt Service on</u> <u>Outstanding Bonds</u> †	<u>Year</u> <u>Ending January 1</u>	<u>Debt Service on</u> <u>Outstanding Bonds</u> †
2022	\$47,055,356	2035	\$29,018,079
2023	47,169,477	2036	29,019,364
2024	40,896,317	2037	28,986,376
2025	40,895,362	2038	28,983,843
2026	40,897,907	2039	30,178,429
2027	40,894,570	2040	30,170,107
2028	40,898,381	2041	30,166,540
2029	36,173,398	2042	30,202,553
2030	37,215,109	2043	30,199,298
2031	29,065,185	2044	30,199,999
2032	29,062,783	2045	30,195,865
2033	29,046,525	2046	30,193,637
2034	29,046,528	2047	30,197,632
		Total	<u>\$876,028,625</u>

† Debt service on Total Outstanding Bonds reflects the purchase and exchange of Invited Bonds and the refunding of the Refunded Bonds and the Refunded Note. The assumed debt service amounts on the Authority’s Outstanding Series 2005A Bonds are based on estimated interest rates of 5.44% on the Series 2005A Bonds. See the discussion regarding Mode conversions of the Series 2005A Bonds under “OUTSTANDING BONDS AND OTHER INDEBTEDNESS—Outstanding Parity Bonds” herein. The Authority’s Outstanding Series 2010B Bonds were issued as “Build America Bonds” and interest requirements thereon assumes the receipt of a cash subsidy from the United States Treasury equal to 35.0% of the interest payable thereon. The Authority does not anticipate that the recent and continuing deductions in cash subsidy payments resulting from reductions in federal spending will have a material impact on the Authority’s finances, e.g., the reduction in cash subsidy payments for the Authority’s Series 2010B Bonds, originally expected to be equal to 35% of the interest payable thereon, is calculated to be \$80,698 for calendar year 2021. Interest on the Series 2005A Bonds has been calculated at an assumed interest rate of 5.44%, which is payable by the Authority under the terms of the interest rate exchange agreement entered into in connection with the original issuance of the Series 2005A Bonds; however, the Authority’s actual effective interest cost may be less or greater than that assumed depending upon the difference between the actual interest rate on the Series 2005A Bonds and the variable rate of interest received by the Authority under such interest rate exchange agreement. The debt service amounts assumed on the Series 2005A Bonds reflect scheduled mandatory sinking fund requirements established therefor.

## THE POWER SUPPLY PROGRAM

Set forth below is a brief description of the power supply resources included in the Authority's Power Supply Program.

### Introduction

The Authority has entered into agreements with Southwestern Electric Power Company ("SWEPCO") for the purchase by the Authority of ownership interests in one coal-fired generating unit and two lignite-fired generating units. As used herein, PSO, SWEPCO, AEP-Texas Central Company ("AEP-TCC"), and AEP-Texas North Company ("TNC") are all subsidiaries of the American Electric Power Company, Inc. In addition, the Authority entered into an agreement with Duke Energy McClain LLC ("DEMc") in 2001 whereby the Authority acquired a 23% undivided interest in a natural gas-fired combined cycle power plant developed by DEMc which became operational in June 2001 and was subsequently sold by DEMc to NRG Energy, Inc. ("NRG") and purchased by Oklahoma Gas & Electric Company ("OG&E") from NRG in 2004. The Authority also acquired ownership of a hydroelectric generating unit, a combined cycle (repowering application) and a simple-cycle combustion turbine facility. The Authority began taking power from a wind generation facility in 2003 pursuant to an agreement with FPLE Oklahoma (see "—FPLE Energy Oklahoma Wind, LLC" hereinafter). In 2008, the Authority acquired a 13% undivided interest in the Redbud natural gas-fired combined cycle power plant jointly with OG&E and the Grand River Dam Authority. In 2015, the Authority completed construction of its first greenfield project, the Charles D. Lamb Energy Center, a simple-cycle gas turbine generating facility. In addition to the ownership of generating capacity, the Authority has entered into certain power purchase and transmission arrangements in order to supplement generating capacity owned by the Authority and to provide for the transmission of the Authority's power and energy to the Participating Trusts. The following discussion is a summary of certain terms and conditions of the ownership agreements and the power purchase and transmission agreements as they relate to the Authority's Power Supply Program. Further discussion of the terms and conditions of certain of these agreements is provided in Appendix E.

### Ownership Arrangements

The Authority's power supply program includes power supply resources acquired by the Authority through joint ownership arrangements in five generating units as follows: (1) a 3.906% undivided ownership interest with respect to Dolet Hills 1 and certain related facilities, a nominally rated 650 MW lignite-fired steam-electric generating unit placed in commercial operation in April 1986; (2) a 2.344% undivided ownership interest with respect to Pirkey Unit 1 and certain related facilities, a nominally rated 650 MW lignite-fired steam-electric generating unit placed in commercial operation in January 1985; (3) a 23% undivided ownership interest with respect to the McClain Generating Facility and certain related facilities, a nominally rated 478 MW natural gas-fired combined cycle power plant placed in commercial operation in June 2001 and operated by OG&E; (4) a 13% undivided ownership interest with respect to the Redbud Generating Facility and certain related facilities, a nominally rated 1,230 MW natural gas-fired combined cycle power plant placed in commercial operation in 2003 and operated by OG&E; and (5) a 6.667% undivided ownership interest in an ultra-supercritical, coal-fired, baseload electric generating unit (a nominal 650 MW net output unit) placed in commercial operation on December 20, 2012, as described hereinafter under "Turk Project." The Authority owns and operates (a) the Kaw Project, a hydroelectric generating unit with a nominal generation rating of 29 MW placed in commercial operation in September 1989, (b) the Ponca City Repowering Project, a combined cycle facility at the Ponca City Power Plant with a nominal generation rating of 59 MW placed in commercial service as a simple cycle in June 1995 and combined cycle operation in March 1996 and a 44 MW LM 6000 gas turbine generator and associated equipment placed into service in 2003 and operated as a simple cycle, and (c) the Charles D. Lamb Energy Center, a 103 MW, simple-cycle combustion gas turbine

generating facility located near Ponca City in Kay County, Oklahoma, placed in commercial operation on May 16, 2015. See “Charles D. Lamb Energy Center” herein.

### **Oklaunion 1**

Oklaunion 1 was a nominally rated 690 MW coal-fired steam-electric generating unit located in Wilbarger County, Texas. The Authority and PSO entered into a Contract For Assignment under which the Authority acquired an undivided 42.86% share of the 27.34% undivided interest with respect to Oklaunion 1 previously owned by PSO, representing an undivided 11.72% ownership interest (approximately 80 MW) with respect to Oklaunion 1.

On September 19, 2018, while the Authority voted to keep the unit open, a contractually required majority of the Oklaunion 1 owners, based on ownership share, voted to close and decommission Oklaunion 1. The Oklaunion owners operated the plant through the summer of 2020 and closed the plant as of October 1, 2020. Decommissioning activities are underway. The Authority and the joint owners sold their ownership share of the plant to a third party through an Environmental Liability and Property Transfer and Asset Purchase Agreement.

The Authority currently estimates that there will be no material negative impact from the closing and decommissioning of Oklaunion 1 on OMPA’s overall cost structure or its rates to member cities. [See Decommissioning Costs]

### **Dolet Hills 1 Ownership Arrangements**

Dolet Hills 1 is a nominally rated 650 MW lignite-fired steam-electric generating unit located in DeSoto Parish, Louisiana. The primary fuel for Dolet Hills 1 is supplied from lignite reserves located in the vicinity of, and a portion of which is dedicated to, Dolet Hills 1. Dolet Hills 1 and all facilities required for operation of the unit, including, but not limited to, certain land, project facilities and common facilities, but excluding certain pollution control facilities, are co-owned as follows: Central Louisiana Electric Company, Inc. (“CLECO”)—50%; SWEPCO—40.234%; Northeast Texas Electric Cooperative, Inc. (“NTEC”)—5.860%; and the Authority—3.906%. SWEPCO retained its ownership interest in the pollution control facilities and operates such facilities to the extent reasonably necessary for the operation of the Authority’s share of Dolet Hills 1. SWEPCO was responsible for the construction of Dolet Hills 1 and CLECO is responsible for the operation and maintenance of Dolet Hills 1 and for the procurement and management of fuel needed in the operation of Dolet Hills 1. Pursuant to an Ownership, Construction and Operating Agreement between SWEPCO and CLECO (the “SWEPCO-CLECO Agreement”), SWEPCO acquired a 50% ownership interest with respect to Dolet Hills 1. The Authority and SWEPCO entered into a Dolet Hills 1 Agreement for Assignment and a Dolet Hills 1 Assignment (the Dolet Hills 1 Agreement for Assignment, as amended, and the Dolet Hills 1 Assignment hereinafter are collectively referred to as the “Dolet Hills Agreement”) under which the Authority acquired its 3.906% ownership share (approximately 25 MW) with respect to Dolet Hills 1, excluding the pollution control facilities, by acquiring 7.812% of SWEPCO’s 50% ownership share with respect to Dolet Hills 1. Pursuant to the Dolet Hills Agreement, the Authority also acquired a right to 3.906% of the lignite delivered for Dolet Hills 1 from a specified area (the “Lignite Rights”). The Authority is entitled to schedule and to receive capacity and energy from Dolet Hills 1, subject to the provisions of the Dolet Hills Agreement, in amounts up to its ownership share of the net capability of Dolet Hills 1. Delivery of the Authority’s share of power and energy generated by Dolet Hills 1 is at the low voltage terminals of the main power transformer.

Pursuant to the Dolet Hills Agreement, the Authority pays SWEPCO monthly for its share of the Dolet Hills 1 operating and fuel expenses the sum of the following: (1) the Authority’s ownership percentage of the total cost of Dolet Hills 1 (as determined by CLECO) for actual costs of operation and maintenance (excluding fuel) and overheads, power dispatching and substation operating expenses

allocated by CLECO to Dolet Hills 1; (2) the Authority's pro rata share of the total production-related cost of lignite delivered from the lignite reserves and the Authority's ownership percentage share of all other fuel for Dolet Hills 1, plus an additional 5% of such cost of other fuel; (3) the Authority's ownership percentage of actual total non-production related costs associated with operation of the lignite mine; (4) an amount equal to one quarter (0.25) mill per kilowatt-hour of Dolet Hills 1 energy delivered for the Authority's account into SWEPCO's transmission system; and (5) an amount equal to SWEPCO's actual costs incurred in connection with its accounting and billing for the Authority's lignite inventory.

On May 11, 2020, OMPA was informed by SWEPCO of plans to retire the Dolet Hills Station sometime in the fall of 2021. The Authority has been setting aside funds for its share of closure costs. [See Decommissioning Costs]

### **Pirkey 1 Ownership Arrangements**

Pirkey 1 is a nominally rated 650 MW lignite-fired steam-electric generating unit located south of Hallsville in Harrison County, Texas. The primary fuel for Pirkey 1 is supplied from lignite reserves located in the vicinity of, and dedicated to, Pirkey 1. Pirkey 1 and all facilities required for operation of the unit, including, but not limited to, certain land, project facilities, common facilities and lignite reserves, are co-owned as follows: SWEPCO—85.936%; NTEC—11.72%; and the Authority—2.344%. SWEPCO was responsible for the construction of Pirkey 1 and is responsible for the operation and maintenance of Pirkey 1 and for the procurement and management of fuel needed in the operation of Pirkey 1. The Authority and SWEPCO have executed an Ownership, Construction and Operating Agreement and a Supplemental Agreement (collectively, the "Pirkey Agreement") under which the Authority acquired its 2.344% ownership share (approximately 15 MW) with respect to Pirkey 1 and related lignite reserves (the "Lignite Reserves"). The Authority is entitled to schedule and to receive capacity and energy from Pirkey 1, subject to the provisions of the Pirkey Agreement, in amounts up to its ownership share of the net capability of Pirkey 1. Delivery of the Authority's share of power and energy generated by Pirkey 1 is at the low voltage terminals of the main power transformer.

Under the provisions of the Pirkey Agreement, the Authority pays SWEPCO monthly for its share of the Pirkey 1 operating and fuel expenses the sum of the following: (1) the Authority's percentage share of production related costs of lignite from the Lignite Reserves and the Authority's percentage share of the total cost of all other fuel for Pirkey 1, plus an additional 5% of such cost of all other fuel; (2) the Authority's percentage share of actual total cost of operation and maintenance (excluding fuel) with respect to Pirkey 1, plus an additional 5% of such amount; (3) the Authority's percentage share of SWEPCO's overhead charges and expenses allocated to Pirkey 1; (4) the Authority's percentage share of other miscellaneous expenses; and (5) an amount equal to one quarter (0.25) mill per kilowatt-hour of the Authority's share with respect to Pirkey 1 energy delivered into SWEPCO's transmission system for the Authority's account.

On November 5, 2020, OMPA was informed by SWEPCO of their intent to close the Pirkey Station on March 31, 2023. [See Decommissioning Costs]

### **McClain Generating Facility**

The McClain Generating Facility is a nominally rated 478 MW (Winter rating 520 MW) natural gas-fired combined cycle power plant located near Oklahoma City, Oklahoma, in McClain County, Oklahoma. The McClain Generating Facility was developed and constructed by Duke Energy McClain LLC ("DEMc") and it became operational in June 2001. The Authority purchased a 23% undivided ownership interest in the McClain Generating Facility from DEMc in March 2001 prior to its completion. In 2004 OG&E purchased the 77% undivided ownership interest in the McClain Generating Facility previously purchased by NRG McClain LLC from DEMc and is the plant operator.



The McClain gas turbines were upgraded to increase the rated output and improve efficiency. This project was completed in November 2014 and was funded through the Series 2013B Bonds.

### **Kaw Project**

The Kaw Project, which was placed in service in 1989, is a nominally rated 29 MW hydroelectric generating unit located near Ponca City, Oklahoma. The Kaw Project utilizes the hydraulic head and water storage behind the Kaw Dam on the Arkansas River in Kay and Osage Counties, Oklahoma owned by the Federal Government and operated by the U.S. Army Corps of Engineers.

The FERC issued a license (the “FERC License”) for construction of the Kaw Project to KAMO Electric Cooperative, Inc. (“KAMO”) in November 1984. Subsequently, the Authority acquired the Kaw Project from KAMO and the FERC License was transferred to the Authority. The FERC License provides for the Authority to operate the Kaw Project through October 2034.

### **Ponca City Power Plant**

The Authority entered into a Repowering Agreement, dated as of October 25, 1990 (the “Repowering Agreement”), with Ponca City, which provides for the Ponca City Repowering Project. The Ponca City Repowering Project consists of the repowering of Steam Unit No. 1 of the Ponca City Power Plant and the installation of a combustion turbine with a nominal rating of 42 MW, a waste heat boiler, and certain modifications to Steam Unit No. 1. The Repowering Agreement also provides for, but does not require, potential modifications to the controls for Steam Unit No. 1 and Steam Unit No. 2 of the Ponca City Power Plant. The Authority also determines scheduling and operation and maintenance of Steam Units Nos. 1 and 2. Steam Unit No. 1, installed in 1965, has a nameplate rating of 16.5 MW.

Under the original terms of the Repowering Agreement, the Authority continues to make payment to Ponca City for the existing Steam Unit No. 1 capacity at a fixed rate of \$1.40 per kilowatt-month. The Repowering Agreement, with certain exceptions, is effective until the later of December 31, 2027, or the expiration of the Power Sales Contract with Ponca City. During the term of the Repowering Agreement, the Authority will have and retain all rights, obligations and liabilities of ownership of the Steam Unit No. 1 facilities existing prior to subject modifications. Upon the termination of the Repowering Agreement, subject to certain conditions, Ponca City shall have the right of first refusal to purchase the Steam Unit No. 1 modifications from the Authority at their fair market sales value. Steam Unit #2 has been retired by the Authority.

A GE LM6000 PC gas turbine generator and associated equipment was the fourth unit at the Ponca City Power Plant and was placed into service in June 2003. The turbine is a nominally rated 42 MW unit.

On January 11, 2021 the Authority executed a new lease agreement with the City of Ponca City for the use of the property and generating facility. The new agreement replaces the existing Capacity Purchase Agreement payment structure and establishes the level of compensation to the City for the Authority’s use.

### **Charles D. Lamb Energy Center**

The Charles D. Lamb Energy Center is a 103 MW, simple-cycle combustion gas turbine generating facility located near Ponca City in Kay County, Oklahoma. It was constructed at a total cost of approximately \$90,000,000 and became commercially operational on May 16, 2015. It is owned and operated by the Authority and is the Authority’s first independently constructed, owned and operated generating facility. The 160-acre site, located in rural Oklahoma with minimal proximity to residences, is adjacent to a recently constructed 345 kV transmission line operated by OG&E and a high-pressure natural gas pipeline operated by Southern Star Gas. The location of the site along with the

interconnection to major gas and electric transmission, should allow the Authority to expand in the future as necessary. The Authority has a water supply agreement with the City of Ponca City for the project. It is anticipated that this facility will have the potential to meet the energy growth needs of the Authority for the next eight years. With future expansion, this site has the potential to meet the growth needs of the Authority for 15 to 20 years, depending upon the size of future units. Future expansion options would include providing additional simple-cycle peaking units or conversion of the facility to a combined-cycle operation. Ultimately, these would provide the flexibility to operate in either peaking or intermediate operation.

### **Redbud Generating Facility**

Redbud Generating Facility is a 1,230 MW natural gas-fired, combined cycle electric generating plant located near Luther, Oklahoma. The plant has been operational since 2003 originally under ownership of Kelson Holdings. The plant consists of four trains, each of which includes a General Electric 7F gas turbine engine, Foster Wheeler heat recovery steam generator with supplementary firing, Alstom steam turbine, two electric generators and one generator step up transformer, and associated mechanical and electrical equipment. The Redbud Generating Facility site includes a 26-inch natural gas pipeline and interconnection to OG&E's 345kv transmission system. The project was offered for sale and a consortium of OG&E, GRDA, and the Authority submitted a joint proposal for the purchase, which was accepted by Kelson Holdings and the closing of the purchase occurred on September 29, 2008. The Asset Purchase Agreement provides that the Redbud Generating Facility shall be operated by OG&E and owned by OG&E (51%), GRDA (36%), and OMPA (13%).

The owners agreed to upgrade the Redbud gas turbines to increase the rated output and improve efficiency. This project was successfully completed in Spring 2014 and was funded through the Series 2013B Bonds. The upgrade resulted in an overall increase in capacity of 8.4% and an estimated 3.5% improvement in efficiency for the four gas turbines.

### **Turk Project**

A Construction, Ownership and Operating Agreement (the "Turk Agreement") was signed with SWEPCO whereby the Authority acquired an approximately 43 MW net (6.667%) of a 650 MW net output ultra-supercritical, coal-fired, baseload electric generating unit and related facilities. Turk is located in southwest Arkansas in Hempstead County and is co-owned and operated by SWEPCO (73.333%). Other co-owners include Arkansas Electric Cooperative Corporation (11.667%) and East Texas Electric Cooperative (8.333%). SWEPCO is responsible for the construction, operation and maintenance of Turk, as well as the procurement and management of fuel needed in the operation of Turk. The Authority is entitled to schedule and receive capacity and energy from Turk, subject to the provisions of the Turk Agreement, in amounts up to its ownership share of the net capability of Turk. Turk achieved commercial operation on December 20, 2012. Transmission is pursuant to the Southwest Power Pool ("SPP") Open Access Transmission Tariff ("OATT") and a Transmission Service Agreement was executed by the Authority in December 2009.

### **Power Purchase and Transmission Arrangements**

The Authority's power supply program includes power purchase and transmission arrangements to supplement generating capacity owned by the Authority and to provide for the transmission of the Authority's power and energy to the Participating Trusts. The power purchase arrangements are as follows: (1) power and associated energy purchased from GRDA Unit No. 2 ("GRDA 2"), a nominally rated 520 MW coal-fired steam-electric generating unit which commenced commercial operation in April 1986; (2) power and associated energy purchased from certain existing generating facilities of the Participating Trusts; (3) utilization of the SWPA allocation (for scheduling purposes only); (4) capacity and associated energy from the LS Power Oneta Plant, a non-OMPA plant, in the amount of 50 MW for

the Summer season 2014 through 2024; (5) capacity and associated energy from the Canadian Hills Wind Project described below in the amount of 49.2 MW; (6) capacity and associated energy from the Tulsa LFG, LLC landfill gas facility described herein in the amount of 3.2 MW; (7) capacity and associated energy from the FPLE Energy Oklahoma Wind described below in the amount of 51 MW; and (8) non-firm energy purchased from other utilities. In September 2005, the Authority entered into an agreement with GRDA to purchase an additional 25 MW of system capacity, with service that commenced on May 1, 2007. On September 9, 2009, the Agreement was amended to increase the purchase to 40 MW of system capacity effective June 1, 2011. On November 12, 2015, the Authority entered into an agreement to purchase the capacity and associated energy from the Grant Plains Wind project located in north central Oklahoma. The Authority started taking service from this facility on January 1, 2020. The agreement is for 41.4 MW for a period of 20 years.

The Authority currently relies on the SPP OATT for its primary transmission arrangements to satisfy its power supply responsibilities under the Power Sales Contracts. The Authority has an executed Network Integrated Transmission Service Agreement with SPP, and an NOA (Network Operating Agreement) with SPP and the Authority's three control area operators: OG&E; AEP, on behalf of PSO; and Western Farmers Electric Cooperative ("WFEC"). In addition, certain pre-existing transmission agreements with SWPA's transmission service incorporated in their sales of power to their allocated customers are considered "grandfathered" and incorporated into the SPP service. Effective March 1, 2014, with the start of the SPP Integrated Marketplace, SPP assumed all Balancing Authority ("BA") functions, creating a single BA.

The Authority continues to maintain certain pre-OATT transmission agreements with SWPA. The SWPA point-to-point transmission provides for delivery of the allocated SWPA hydropower to points of interconnection with the Authority's three control areas. Additionally, the Authority owns certain transmission and substation facilities and may acquire certain other transmission and substation facilities required to deliver power and energy to its Participating Trusts.

### **OG&E Agreements**

The Authority has a Network Operating Agreement with OG&E by which it receives certain transmission services through the SPP OATT. In addition to this Network Operating Agreement, the Authority has the following agreements supporting this transmission service: (1) an Agreement for Metering; (2) a Credit for Facilities and Charges for Direct Assignment Facilities Agreement; and (3) an Agreement for the Self-Provision of Losses.

### **AEP Agreements**

The Authority has a joint Network Operating Agreement with the SPP and AEP for services provided by AEP under the SPP OATT. Additional agreements exist under which the Authority receives credits for partially supplying certain ancillary services purchased from AEP and providing interconnections on the PSO system along with pooling and interchange of power and energy on the AEP West system.

### **WFEC Agreements**

The Authority has a three-party Network Operating Agreement with SPP and WFEC under which it purchases certain transmission services under the SPP OATT, a Facilities Agreement under which it receives local delivery services from WFEC and an Ancillary Services Agreement under which it receives ancillary services on the WFEC system through the SPP OATT.

## **Transmission Ownership**

The Authority has changed its membership in the SPP to that of a Transmission Owner. On November 16, 2009 SPP filed with the FERC changes to the OATT to include the annual transmission revenue requirements of OMPA qualified facilities in the OG&E and AEP-West pricing zones requesting a January 1, 2010 effective date. These rates were subsequently approved, and the Authority continues to receive transmission revenues consistent with its annual revenue requirements in SPP.

With the significant expansion of the transmission system in SPP, the Authority has experienced ever increasing costs for transmission service. As a hedge against these costs, the Authority has entered into an agreement with South Central MCN, LLC, to develop a transmission only company to bid on, construct, own and operate transmission infrastructure under the functional control of SPP and recover its transmission revenue requirements under the SPP OATT. Under this agreement the Authority would have the right, but not the obligation, to participate in a transmission project as a tenant in common with others. To date, no projects have been developed under this agreement. On May 28, 2020 the Authority provided notice to South Central MCN of its intent to terminate the agreement as of December 31, 2021. The Authority may elect to extend the agreement if a viable project is presented prior to the termination date.

## **GRDA Agreements**

The Authority has entered into the following agreements with GRDA: (1) a Unit Power Sales Agreement under which GRDA supplies unit power and energy generated by GRDA 2; and (2) a Power Purchase and Sale Agreement under which GRDA currently provides 40 MW of GRDA system capacity and energy.

### **GRDA Unit Power Sales Agreement**

GRDA 2 is a nominally rated 520 MW coal-fired steam-electric generating unit located near Chouteau, Oklahoma which was placed into commercial operation in April 1986. The Unit Power Sales Agreement between GRDA and the Authority (as amended, the "Unit Power Agreement") provides for GRDA to sell to the Authority 20 MW of unit power and energy from GRDA's ownership share of GRDA 2; provided, however, that such 20 MW shall be adjusted if that amount is less than 3.39% or more than 4.00% of the accredited net capability of GRDA 2 in megawatts. GRDA also operates and maintains GRDA 2.

Under the Unit Power Agreement, the unit power and energy purchased by the Authority is supplied to the Authority by GRDA on the basis that it is continuously available except when GRDA 2 is temporarily out of service for maintenance or forced outage. If GRDA 2 is temporarily out of service for maintenance or forced outage, GRDA will deliver replacement energy to the Authority, if it can do so without jeopardizing sales to its other customers, at rates set forth in an exhibit to the Unit Power Agreement. GRDA may provide substitute energy from other sources if the cost of such substitute energy is no greater than the cost of GRDA 2 energy. Under the Unit Power Agreement, the Authority schedules unit power and energy in amounts up to its generation entitlement percentage of the maximum generating capacity of GRDA 2. Such power and energy is delivered to the Authority at the 345 kV terminal of the substation located at the GRDA 2 site for transmission to the Authority under the SPP NITS transmission service agreement.

As compensation for such unit power and energy supplied by GRDA, the Authority pays GRDA monthly the sum of the following: (1) the Authority's generation entitlement percentage of monthly fixed operating costs of GRDA 2; (2) the Authority's pro rata share of monthly debt service costs attributable to GRDA 2; (3) one-twelfth of an allowance for payment of annual debt service costs associated with common facilities constructed with GRDA Unit No. 1 and allocable to GRDA 2; (4) the Authority's pro

rata share of variable operating costs of GRDA 2; (5) the Authority's pro rata share of fuel costs of GRDA 2; (6) an amount equal to the cost of substitute energy delivered by GRDA to the Authority, if any; and (7) an amount equal to the cost of replacement energy delivered by GRDA to the Authority, if any.

GRDA has completed upgrades to GRDA 2 to meet environmental compliance requirements. The Authority will be responsible for its share of these costs per the terms outlined above.

The term of the Unit Power Agreement is to remain in effect as long as GRDA 2 is in commercial operation, but in no event beyond June 1, 2036, unless extended by GRDA and the Authority.

### **GRDA Power Purchase and Sale Agreement**

In September 2005, the Authority entered into a Power Purchase and Sale Agreement with GRDA whereby GRDA provides 25MW of GRDA system capacity (largely coal) and associated energy on a firm basis. The service commencement date on this agreement was May 1, 2007 and continues through December 31, 2040. In September 2009, the Authority entered into an amendment to this Agreement by which GRDA increased the amount of firm system capacity to 40 MW effective June 1, 2011. On January 16, 2013, the Authority and GRDA amended the Agreement to limit the capacity to 40 MW, eliminating the increase to 50 MW in 2014. The Authority has received NITS transmission service for the full 40 MW of capacity.

### **Participating Trusts Capacity Purchase Agreements**

Four of the Participating Trusts—Kingfisher, Laverne, Mangum and Pawhuska—own and operate diesel engine generating units. Under the Authority's power supply program, these Participating Trusts have dedicated the dependable capacity of such units to the Authority pursuant to agreements between each such Participating Trust and the Authority (each, a "Capacity Purchase Agreement"). The Authority has conducted a testing program to determine the net dependable generating capability of each of the generating units. These generating units are comprised of diesel-engine generating units with a total net capability of approximately 21 MW.

The present dedicated capacity of such Participating Trusts' generating facilities has been determined by the Authority to be approximately 21 MW. Capacity tests are to be conducted every three years consistent with SPP Criteria and the dependable capacity will be adjusted, if appropriate, on the basis of such tests. Four of the Participating Trusts operate and maintain the generating facilities and the Authority schedules the generation from such facilities. The Authority operates and maintains all of the Ponca City units. If a transmission system failure prevents the delivery of electric power and associated energy to such Participating Trust pursuant to the Power Sales Contract, such Participating Trust is allowed by the Authority to operate its generating units solely for the use of such Participating Trust.

With certain exceptions, the Authority pays monthly to each such Participating Trust for its dedicated capacity under the Capacity Purchase Agreements certain operating and non-operating charges per kW of dedicated capacity. In accordance with a payment schedule attached to the Capacity Purchase Agreement, the charges presently are as follows: (1) for non-operating dedicated capacity in kW, a fixed charge of \$1.40 per kW and a variable charge of \$0.78 per kW, and (2) for the maximum amount of operating dedicated capacity in kilowatts scheduled by the Authority (excluding test runs), the payments made under item (1) above plus a variable charge of \$0.78 per kW. The variable charge is adjusted each March 1 in accordance with the annual change in the Consumer Price Index for all items. The Authority also pays each such Participating Trust for the actual cost of fuel incurred in generating and delivering the energy to the Authority.

In December 2011, the Authority served notice to Fairview, Kingfisher, Mangum, and Pawhuska to terminate the Capacity Purchase Agreements effective December 31, 2012. This termination was necessitated by the improvements required to maintain compliance with the U.S. EPA NESHAP (National Emission Standards for Hazardous Air Pollutants) rulemaking applicable to small diesel generators. In subsequent reviews, the Authority determined it was in the best economic interest of its member cities to fund the improvements necessary to maintain this capacity and executed an amendment to the Capacity Purchase Agreements with the Participating Trusts of Kingfisher, Laverne, Mangum and Pawhuska. The Participating Trust of Fairview elected to retire its generating capacity. The new amendment provides for the method in which the Authority will recover its investment and extended the agreements through December 31, 2017, and year-to-year thereafter unless terminated with 12-month notice. A contract was awarded to install the emission control equipment at the four sites and completion met the compliance date of May 3, 2013.

### **SWPA Agreement**

Sixteen (16) of the Participating Trusts through their respective municipal beneficiaries have an allocation of SWPA power which entitles them to receive a portion of the power and associated energy generated by the Federal hydroelectric projects in Oklahoma, Missouri and Arkansas. The amount of SWPA power which each such Participating Trust is allocated ranges from 600 kW for Manitou to 32,500 kW for Duncan, for a total SWPA allocation for these Participating Trusts of 92,200 kW.

Under a contract between SWPA and the Authority (the “SWPA Contract”), the Authority, as the power supplier for such Participating Trusts, schedules, transmits or displaces, and accounts for, the Federal power and energy delivered by the Authority, for the account of SWPA, and purchased by such Participating Trusts. Pursuant to the SWPA Contract, the Authority is responsible for providing the power and energy requirements of each such Participating Trust in excess of its Federal power and energy.

The SWPA Contract is effective until May 31, 2027, unless terminated earlier pursuant to the provisions of the SWPA Contract. The Authority anticipates that these contracts will be extended and has included such in power supply planning.

### **FPLE Energy Oklahoma Wind, LLC**

The Authority partnered with FPLE Energy Oklahoma Wind, LLC (“FPLE Oklahoma”) to build a wind generation facility of approximately 51 MW aggregate nameplate capacity on a site in northwestern Oklahoma designed to generate renewable wind power from 34 1500 kW wind turbines (the “Wind Project”). The Wind Project began producing power on September 26, 2003, and was the first large scale commercial wind energy project to become operational in the state. FPLE Oklahoma constructed and installed the Wind Project, and the Authority issued Taxable Electric Revenue Limited Obligation Notes Series 2003 (the “Taxable Notes”) which are payable solely from lease payments made to the Authority by FPLE Oklahoma. The Authority used the proceeds of the Taxable Notes to finance the Authority’s acquisition of the Wind Project and has leased the Wind Project to FPLE Oklahoma under a long-term capital lease for rental sufficient to pay debt service on the Taxable Notes.

The Authority entered into a Power Purchase Agreement dated March 27, 2003, with FPLE Oklahoma; such agreement has a termination date of December 31, 2028. FPLE Oklahoma retained the operational risk related to the Wind Project. The payments under the Power Purchase Agreement constitute the sole source of revenue to FPLE Oklahoma by which it would make its lease payments. The Taxable Notes were issued under a Note Purchase Agreement with the note holder and were not issued under the Resolution authorizing and securing the Outstanding Bonds and do not share in the security granted therefor under the Resolution. However, the payments made by the Authority for the purchase of energy under the Power Purchase Agreement constitute Operation and Maintenance Expenses, as such term is defined in the Resolution, which as described under “Application of Revenues” in Appendix F, are

the first priority for payment from amounts on deposit in the Revenue Account in the Revenue Fund established under the Resolution. Therefore, payments to FPLE Oklahoma under the Power Purchase Agreement have priority over payments for debt service for bonds issued under the Resolution.

The Wind Project is now operated by Nextera Energy, as the successor to FPLE Oklahoma. In April 2014, OMPA and Nextera Energy executed a Second Amendment to the Amended and Restated Power Purchase Agreement. The amendment allows for the repowering of the Wind Project, establishes the resource as a Dispatchable Variable Energy Resource per SPP protocols, and extends the term of the agreement through ten years from completion of the repower, but no later than December 31, 2030. The repower is expected to increase the capacity allowance, total energy generated by the project and decrease exposure to negative market pricing.

### **Canadian Hills Wind, LLC**

The Authority entered into a Power Purchase Agreement dated December 15, 2011, with Canadian Hills Wind, LLC for the purchase of capacity, energy, and associated environmental attributes from its wind-powered, electric generating facility in Canadian County, Oklahoma. The Authority has contracted for approximately 49.2 MW to be delivered from this facility. The Agreement has a term of twenty-five (25) years from the date of commercial operation, which was December 22, 2012. Canadian Hills Wind, LLC, is the operator of the facility and is responsible for all operations and maintenance expenses. The agreement is a fixed-price agreement for the entire term.

### **Apex Clean Energy/Grant Plains Wind Project**

The Authority entered into a Power Purchase Agreement dated November 12, 2015, with Grant Plains Wind, LLC for the purchase of capacity, energy, and associated environmental attributes from its wind-powered, electric generating facility in Grant County, Oklahoma. The Authority has contracted for approximately 41.4 MW to be delivered from this facility. The Agreement has a term of twenty (20) years from January 1, 2020. Grant Plains Wind, LLC, is the operator of the facility and is responsible for all operations and maintenance expenses. The agreement is a fixed-price agreement for the entire term.

### **Tulsa LFG, LLC**

The Authority entered into a Power Purchase Agreement dated May 31, 2011, with Tulsa LFG, LLC for the purchase of capacity, energy, and associated environmental attributes from its landfill gas-powered, electric generating facility in Osage County, Oklahoma. The Authority has contracted for approximately 3.2 MW to be delivered from this facility. The Agreement has a term of fifteen (15) years from the date of commercial operation, which was February 27, 2013. Tulsa LFG, LLC is the operator of the facility and is responsible for all operations and maintenance expenses. Landfill gas generation is considered to be a renewable energy source and will supplement the Authority's renewable energy portfolio.

### **Southwest Power Pool Integrated Marketplace**

The Authority is a member of the Southwest Power Pool ("SPP"), which is a Regional Transmission Organization ("RTO"). As an RTO, SPP is mandated by FERC to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity for the region. As a North American Electric Reliability Corporation Regional Entity, SPP oversees compliance enforcement and reliability standards development. SPP launched the Integrated Marketplace ("IM") on March 1, 2014, which effectively shifted generation dispatching from individual utilities to the regional entity.

SPP centrally administers the Integrated Marketplace and manages overall resource dispatch, planning, and system operations. Upon launching the market, SPP also assumed the role of the area

balancing authority and is responsible for reliability council functions and supporting interconnection frequency in real-time. In October 2015, several utilities in the states of North Dakota, South Dakota, Iowa, Wyoming and Montana were integrated into the SPP RTO. The SPP footprint now includes all or part of 14 states.

Market participants such as the Authority, who own or contract for resources, are responsible for: submitting resource offers, demand bids, interchange schedules, and bilateral settlement schedules; owning or bidding to buy Transmission Congestion Rights; and settling transactions through SPP. SPP economically dispatches generators across the SPP RTO footprint and serves as the consolidated balancing authority rather than previous legacy balancing authorities such as OG&E, CSWS, and WFEC. With the advent of the IM, the number of transactions and products became much more complicated and the settlements periods much shorter.

With the launch of the Integrated Marketplace, almost all of the Authority's sales have been as a result of selling owned or contracted generation resources into the SPP Integrated Marketplace. Since the market began, the Authority has had limited excess generation settled as spot sales in the bilateral markets, as market participants now transact directly with SPP as the central counterparty for sales of resources and purchases for load. To date, OMPA has been a net seller into the energy market.

### **MuniGas Agreement**

On February 1, 2008, the Authority entered into a Joint Gas Purchase Contract (the "Joint Contract") with Municipal Gas Acquisition and Supply Corporation ("MuniGas"), and as amended on February 1, 2009, for a term ending December 31, 2027, extending by one year each December 31 beginning December 31, 2023, unless either party elects not to do so. Under the Joint Contract, the Authority agrees to purchase its requirements of natural gas for qualified use at specified plants through the MuniGas program, thereby qualifying the Authority for price discounts on the commodity. The specified plants are the Charles D. Lamb Energy Center, the Ponca City units, the McClain facility, and the Redbud Generating Facility, and gas used to generate power for the Authority's native load qualifies for the discounts.

### **Natural Gas Procurement Matters**

As a large purchaser of natural gas, the Authority has established a multi-faceted procurement strategy. The strategy consists of three key components: (1) financial swaps, (2) base load physical purchases, and (3) physical storage. The Authority has maintained an active hedging program, through financial swaps, for many years using Board approved targets. Traditionally, the Authority has hedged a portion of its expected gas burn based on beginning of the month gas prices. The Authority did not have any financial hedges in place for the 2021 winter period. This type of financial hedge would not have lessened the impact of the winter storm event because the beginning of the month price for February and March 2021 was normal. The Authority plans to explore different financial hedging strategies that could protect against intermonth price spikes. The Authority is planning to purchase natural gas for physical delivery at fixed prices during November through March. The percentage of fixed price purchases of base load gas has not yet been determined but will likely be approximately 50% of the Authority's normal monthly burn. The Authority also has gas storage capacity for the Redbud facility. Southern Star Central Pipeline has announced a project to increase firm capacity and storage on its system and the Authority plans to request storage capacity and withdrawal rights equal to its firm capacity at the Charles D. Lamb Energy Center served by the pipeline. The Authority's Board will set targets for the amount of gas to be maintained in storage. Storage allows the Authority to respond to price volatility and fluctuations in daily gas burn as a result of the SPP Integrated Marketplace.



## **Weatherization**

Significant weatherization efforts were previously undertaken at the McClain and Rosebud plants in which the Authority is a co-owner. The Authority estimates that its share of the costs of such weatherization efforts to be approximately \$1,000,000. In addition recent weatherization efforts were undertaken at the Ponca City plant at an estimated cost of \$142,500. The Authority has hired Sargent & Lundy to conduct a weatherization review and provide recommendations for further improvements.

## **Decommissioning Costs**

OMPA has announced the following coal plant retirements: The Oklaunion plant was retired in October 2020; in May 2020, the decision was made to retire Dolet Hills plant sometime in the fall of 2021; and, in November 2020, the decision was made to close the Pirkey plant in March of 2023. To help mitigate any cost impact of decommissioning expense to member cities a Plant Decommissioning fund was established in late 2018. The fund's balance on December 31, 2020 was approximately \$4.7 million. Deposits of approximately \$12.7 million have been made to the fund since it was established. Withdrawals of approximately \$8 million were made during 2020 to pay decommissioning expenses associated with the Oklaunion and Dolet Hills retirements. Of the \$8 million in withdrawals, approximately \$2 million were for Oklaunion and the remaining amount was for Dolet Hills mine remediation costs. Additional mine remediation costs will be incurred for Dolet Hills during 2021. The fund's balance is believed to be sufficient to cover the 2021 costs. The Dolet Hills plant decommissioning cost and the Pirkey mine remediation and plant decommissioning costs are unknown at this time. The Authority's plan to fund these costs include use of remaining Decommission funds, use of the Rate Stabilization Fund, use of Bank of America Line of Credit Facility or through additional charges to member cities. The Authority's revenue requirement has been and will be reduced with the retirement of these plants. Fixed costs associated with the plants were approximately \$5 million per year and capital expenditures normally were about \$2 to \$3 million per year.

## **Environmental Matters**

***Environmental Regulations.*** Dolet Hills 1, Pirkey 1, Turk, Redbud Generating Facility, McClain Generating Facility, the Kaw Project, the Ponca City Repowering Project and the Charles D. Lamb Energy Center are subject to environmental regulation by federal, state and local authorities. Such regulations include air quality control standards relating to, among other matters, the acceptable amount of sulfur dioxide, nitrogen oxides and particulate discharges. The inability to comply with environmental standards or deadlines could result in reduced operating levels or complete shutdown of individual generating units not in compliance. In addition, compliance with environmental standards or deadlines may substantially increase capital and operating costs.

***Hazardous Toxic Materials Regulations.*** Since the enactment by the Congress of the Resource Conservation & Recovery Act, the Toxic Substances Control Act and the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or "Superfund," the electric utility industry has been subjected to increasing levels of environmental regulation and monitoring of hazardous and toxic materials and wastes. The Authority expects the co-owners of the plants it has an ownership interest in to take any actions necessary to ensure that such plants remain in compliance with federal, state and local requirements relating to the generation, treatment, storage and disposal of hazardous and toxic materials and wastes and to ensure employee protection and minimize exposure to hazardous materials.

See "Environmental Issues" under "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY" herein.

## **Retail Distributed Generation Program**

In response to increasing requests from Participating Trusts' retail customers, the Authority implemented a Distributed Generation Program effective June 14, 2012, which allows Participating Trusts to purchase distributed generation from their retail customers. The Program is voluntary on the part of the Participating Trusts, and the guidelines of the Program allow for only a "de minimis" amount of energy to be purchased through the Program by limiting the amount of aggregate capacity to the greater of (1) 1% of the average of the Participating Trust's peak demand for the preceding three years, or (2) 50 kW. Available resources are limited to renewable energy resources such as wind, hydro, biomass, and solar. In order to participate in the Program, a Participating Trust is required to execute an amendment to the Power Sales Contract. The Authority developed a "Toolkit" for Participating Trusts to use in preparing for retail behind-the-meter generation. To date, twenty-five Participating Trusts have elected to participate in the Program.

## **Future Power Supply Program**

On December 4, 2020, the Authority entered into an agreement to purchase capacity and energy from the North Fork Solar project in Kiowa County, Oklahoma. The project is expected to commence commercial operations on May 31, 2023. The agreement is for 120MW nameplate for a period of fifteen years.

On August 13, 2020, the Authority entered into a transaction with NextEra Energy Marketing, LLC to purchase 20MW of capacity only from the Rush Springs Wind Energy facility. The transaction will begin January 1, 2022 and conclude December 31, 2031.

The capacity acquired and the power to be purchased by the Authority under the Power Supply Program, including minor market purchases, are projected by the Authority to be sufficient to meet the Authority's power supply obligations through 2031. The Authority will continue analysis and planning studies with respect to additional power supply resources to be included in the Authority's power supply program to meet the Authority's power supply requirements beyond 2025. Such power supply resources may include acquisition of ownership interests in coal-fired or gas-fired generating units of other utilities in the region, installation of simple or combined cycle generating units by the Authority, or additional power purchases.

Under the Pirkey Agreement, the Authority has the option to participate in future generating units constructed by SWEPCO at the Pirkey Plant site in the same percentage as its then ownership percentage in Pirkey Unit No. 1. Under the Dolet Hills Agreement, the Authority has the option to participate in any future generating units constructed by SWEPCO at the Dolet Hills Plant site in the same percentage as its then ownership percentage in Dolet Hills Unit No. 1. With the pending retirement of these two plants, it is very unlikely these options will be executed, as no projects have been proposed.

## **THE PARTICIPATING TRUSTS**

### **General**

The 42 Participating Trusts, created under 60 O.S. 2011, §§176, *et seq.*, are located throughout Oklahoma with the exception of the panhandle and the southeast portion of the State.

Based on the 2019 U.S. Census Estimate, the Participating Trusts range in size from Orlando, with a population of approximately 95, to Edmond, with a population of approximately 94,054, and the 42 Participating Trusts served municipalities with a total population of 248,457.

Since 2010, the Authority has begun supplying power to five additional Oklahoma municipalities, including The Orlando Public Works Authority (January 2011), the Watonga Public Works Authority

(November 2011), the Fort Supply Public Works Authority (May 2015), the Mooreland Public Works Authority (March 2015) and the New Cordell Utility Authority (December 2015). The Lindsay Public Works Authority has signed a contract with OMPA to provide power beginning June 1, 2025.

For the year ended December 31, 2020, the 42 Participating Trusts had a noncoincident peak demand of approximately 657.6 MW and total energy requirements of 2,496.6 MWh. As reflected in the following table, two Participating Trusts together accounted for 51.5% of the Participating Trusts' calendar year 2020 aggregate noncoincident peak demand and 50.8% of the Participating Trusts' calendar year 2020 aggregate energy requirements. Each of the remaining 40 Participating Trusts accounted for less than 10% of the Participating Trusts' calendar year 2020 aggregate noncoincident peak demand and energy requirements, respectively.

**2019 Population Estimates and  
2020 Peak Demand and Energy Requirements  
of Two Largest Participating Trusts**

<b>Participating Trust</b>	<b>2019 Population</b>	<b>2020 Noncoincident Peak Demand</b>		<b>2020 Energy Requirements</b>	
	<b>(U.S. Census)</b>	<b>MW</b>	<b>% of Total</b>	<b>1,000 MWh</b>	<b>% of Total</b>
Edmond	94,054	251.3	38.2%	915.2	36.7%
Ponca City	24,134	87.4	13.3%	352.2	14.1%
All Others	<u>130,269</u>	<u>318.9</u>	<u>48.5%</u>	<u>1,229.2</u>	<u>49.2%</u>
Totals	<u>248,457</u>	<u>657.6</u>	<u>100.0%</u>	<u>2,496.6</u>	<u>100.0%</u>

**Electric Systems and Management**

Most of the Participating Trusts lease multiple revenue producing facilities from their beneficiaries, including electric, water and sanitary sewer systems, solid waste facilities, hospitals and other facilities. While each such facility may be operated separately and, to some extent, the Participating Trusts may record revenues and expenditures thereof separately, the majority of the Participating Trusts combine the operation and the revenues and expenditures of all leased revenue producing facilities for purposes of securing indebtedness and unified accounting. Accordingly, revenues derived from the operation of an electric system may be available to pay for costs of operation (including debt service) of a water or sewer system and vice versa. In addition, some beneficiaries subsidize the operation of the leased facilities by periodic transfers of other available funds, such as municipal sales tax receipts, to the Participating Trusts and some Participating Trusts periodically transfer surplus revenues to their beneficiary.

Management of each Participating Trust's utility system(s) is vested in a board of trustees. Generally, the instrument creating the Participating Trust permits the trustees thereof to employ a manager to oversee the operation of the utility system(s) and other trust property. Accordingly, in most instances the day-to-day operation of the utility system(s) is managed by employees of the Participating Trust, who may also be the city manager or town administrator of the beneficiary municipality. In certain other instances, as provided by city charter or ordinances, management of the utility system(s) is vested in a utility manager who is not the same person as the city manager.

**Rate Regulation of the Participating Trusts**

Rates and charges for electric service provided by each Participating Trust to its respective customers are established by the board of trustees comprising the governing body of the Participating Trust, subject to the power of the municipality that is beneficiary of the trust to regulate such rates as hereinafter described. Generally, rates for electric service, or in the case of electric systems comprising a part of an integrated utility system, for the integrated utility system, are set in an amount, which, when combined with other available sources of funds, is sufficient to pay the costs of operation and

maintenance of the system, to pay debt service on all obligations secured by the revenues of the system, including maintenance of required reserves, and to provide surplus monies in an amount deemed proper by the trustees to be returned to the beneficiary municipality for any lawful purpose not inconsistent with the instruments creating the Participating Trust, and governing issuance of bonds or other obligations of the Participating Trust.

Each Participating Trust is a public trust, a legal entity separate and distinct from the city or town which owns and has leased its electric system to the Participating Trust. The trustees of each Participating Trust are generally the same persons comprising the governing body of the beneficiary city or town. In the opinion of the Authority's General Counsel, under present Oklahoma law the ultimate power to regulate charges for electric service rendered by the Participating Trust remains in the beneficiary city or town. However, because the same persons generally comprise the governing bodies of both the Participating Trust and the beneficiary city or town, the Authority considers it highly unlikely that rates set by the Participating Trust would be disapproved or modified by the beneficiary city or town.

### **Description of Certain of the Beneficiary Cities and Participating Trusts**

Selected demographic data and other descriptive information on the two largest Participating Trusts and their beneficiary cities is set forth below. The 2020 demand and energy requirements of these Participating Trusts represented approximately 51.5% and 50.8% of the total 2020 aggregate noncoincident peak demand and energy requirements, respectively, of all of the Participating Trusts. The remaining Participating Trusts and their beneficiaries can be characterized generally as rural communities with economies based largely on agriculture and/or activities related to the oil and gas industry. See "Participating Trusts' Statistical and Financial Information" herein.

#### **Edmond**

The City of Edmond is situated in the center of the state and is contiguous with the northern boundary of Oklahoma City. The City of Edmond covers an area approximately 87 square miles, was incorporated in 1890, and has an estimated population of 94,054 according to the 2019 U.S. Census Estimate. The City of Edmond features quiet suburban living with a central business district, major shopping and office areas, and spacious residential developments. The City of Edmond has adopted a charter and operates under a Council-Manager form of government pursuant to the charter; the legislative authority is vested in a five-member elected council, consisting of one council member from each of the four wards and the Mayor, who serves as council member at large.

The leading employers include Edmond Public Schools, University of Central Oklahoma, City of Edmond, Mercy Edmond, INTEGRIS Health Edmond, OU Medical Center Edmond, Petra Industries, Inc., Crest Foods, Adfitech, Summit Medical Center and Pelco Products. For the fiscal years ended June 30, 2020, sales taxes remain at a high level with an increase of 4.15% over the prior year and have averaged 9.8% increase over the 2018 – 2020 fiscal years.

The City of Edmond provides electric, water, wastewater, drainage, and solid waste services to its residents under the legal entity of the Edmond Public Works Authority. The Edmond Public Works Authority is a public trust created under applicable Oklahoma statutes on October 6, 1970, with the City of Edmond named as the beneficiary thereof. The City Council serves as the governing body (Trustees) of the Edmond Public Works Authority. The Edmond Public Works Authority leases, among other things, the municipal electric system of the City of Edmond and operates the same as part of an integrated system for purposes of debt security. The Edmond Public Works Authority provides service from the electric system within the City of Edmond, serving approximately 41,202 customers as of June 30, 2020. For the fiscal year ended June 30, 2020, total operating revenues for the combined system were \$165,393,147 and total operating expenses were \$123,385,550.

The Edmond Public Works Authority intends to utilize Oklahoma Water Resources Board revolving loan funds within the next twelve months in various amounts for water and sewer system improvements. It is anticipated approximately \$65,000,000 will be funded in the next 180 days. The City of Edmond may also borrow additional financing for Capital Improvement projects, for road improvements, building improvements and park facilities. The City of Edmond or Edmond Public Works Authority do not anticipate issuing Utility System Revenue Bonds within the next twelve months.

**Ponca City**

The City of Ponca City, chartered as a village in 1895 and incorporated as a city four years later, encompasses an area of approximately 16 square miles and had an estimated population of 24,134 according to the 2019 U.S. Census Estimates. Ponca City is located in Kay County, in the extreme north central portion of Oklahoma. Ponca City has a modified Council-Manager form of government operating under a city charter; the legislative and policy making body consists of a Mayor and four Commissioners who are elected at large.

The major components of Ponca City’s industrial base are oil and gas exploration, production and refining. In addition, Ponca City’s industries include food processing, computer service and manufacturers of fabricated steel and oil field equipment. Major employers include Phillips 66, Ponca City Public Schools, Dorada Foods, Ponca City Medical Center, and Mertz Manufacturing, Inc. Sales and use tax revenue in the City of Ponca City’s general fund totaled \$8,600,620 for the fiscal year ended June 30, 2020, an increase of 4.1% from the prior year.

The Ponca City Utility Authority was created in 1970 as a public trust for the benefit of Ponca City to finance, develop and operate the electric, water, wastewater, storm water, and solid waste facilities. The current City Commission serves as the governing body (Trustees) of the Ponca City Utility Authority. The Ponca City Utility Authority leases, among other things, the electric system from the City and operates the same as part of an integrated system for purposes of debt security. The Ponca City Utility Authority provides service from the electric system within Ponca City, serving approximately 16,099 customers as of June 30, 2020 (excluding Phillips 66, which obtains its electricity from other sources). For the fiscal year ended June 30, 2020, the combined system had total operating revenues of \$56,562,584 and total operating expenses of \$40,811,094.

**Outstanding Indebtedness of Two Largest Participating Trusts**

Set forth in the table below are the total principal amounts as of June 30, 2020, of the outstanding long-term indebtedness of the electric, water and sewer systems of the two largest Participating Trusts (described above) payable from revenues of the respective systems. The amounts listed in the table below are payable from the same sources as the payments under the Power Sales Contracts. For additional financial information concerning the two largest Participating Trusts, see “Participating Trusts’ Statistical and Financial Information” herein.

<u>Participating Trust</u>	<u>Total Indebtedness (Principal)</u>
Edmond	\$234,645,480
Ponca City	\$33,765,000

## Participating Trusts' Historical Power and Energy Requirements

The following table presents the aggregate power and energy requirements, as metered at the delivery point of each Participating Trust's electric system, during the periods ended December 31 shown below.

### Participating Trusts' Aggregate Historical Power and Energy Requirements

<u>Year</u>	<u>Noncoincident Peak Demand</u>		<u>Metered Energy</u>	
	<u>MW</u>	<u>Percent Increase (Decrease)</u>	<u>1,000 MWh</u>	<u>Percent Increase (Decrease)</u>
2016	688.2	0.75	2,579.95	2.21
2017	669.4	(2.73)	2,481.54	(3.81)
2018	707.4	5.68	2,586.85	4.24
2019	694.2	(1.87)	2,563.89	(0.89)
2020	657.6	(5.27)	2,496.58	(2.62)

Note: Summer 2017, 2019 and 2020 were mild for the region.

## Participating Trusts' Historical and Projected System Requirements

Each of the projections set forth under this caption has been made by the Authority based in part upon certain assumptions made by it with respect to events expected to occur in the future and upon information furnished to it by others. The Authority believes these assumptions are reasonable and that the information furnished to it is reliable, although it has not independently verified such information and offers no assurance with respect thereto. To the extent that actual conditions vary from those assumed or from the information provided by others, the actual results will vary from those forecasted, and such variances could be substantial.

Under the terms of the Power Sales Contracts, the Authority has the responsibility of supplying the total power and energy requirements of each Participating Trust, with the exception of the 16 Participating Trusts with SWPA allocations. The Authority's responsibility relative to these Participating Trusts is to supply the power and energy requirements in excess of such Participating Trusts' SWPA power and energy allocation.

The following table sets forth historical and projected system energy and coincident peak demand requirements of the Participating Trusts for periods ending December 31, adjusted for losses.

### Participating Trusts' Aggregate Historical and Projected System Requirements

<u>Year</u>	<u>Peak Demand MW</u>	<u>Energy 1,000 MWh</u>
<u>Historical</u>		
2016	688.2	2,580.0
2017	669.4	2,481.5
2018	707.4	2,586.9
2019	694.2	2,563.9
2020	657.6	2,496.6
<u>Projected</u>		
2021	686.8	2,509.1
2022	690.2	2,521.6
2023	693.7	2,534.2
2024	697.1	2,546.9
2025	700.6	2,559.6

## **Participating Trusts' Statistical and Financial Information**

The data presented under this sub-caption have been compiled by the Authority from information provided to the Authority by the Participating Trusts, including their audited financial reports and other sources believed to be reliable. The Participating Trusts are, in many cases, small communities with minimal record keeping capability. Consequently, the data may not be available for all Participating Trusts in each category and data made available are not always presented in a manner which lends to uniform presentation. While the Authority has attempted to reconstitute the data and present it here consistently, that goal cannot always be accomplished and the Authority does not make any representation as to the accuracy thereof.

Most of the Participating Trusts lease multiple revenue producing facilities from their beneficiaries, including electric, water and sanitary sewer systems, solid waste facilities, hospitals and other facilities. While each such facility may be operated separately and, to some extent, the Participating Trusts may record revenues and expenditures thereof separately, the majority of the Participating Trusts combine the operation and the revenues and expenditures of all leased revenue producing facilities for purposes of securing indebtedness and unified accounting. Accordingly, revenues derived from the operation of an electric system may be available to pay for costs of operation (including debt service) of a water or sewer system or vice versa. In addition some beneficiaries subsidize the operation of the leased facilities by periodic transfers of other available funds, such as municipal sales tax receipts, to the Participating Trusts and some Participating Trusts periodically transfer surplus revenues to their beneficiary. The Participating Trusts operate integrated utility systems.

The selected statistics of the Participating Trusts presented in Table 1 provide the population, system requirements, number of customers, and energy sales from power sales by customer category for the Participating Trusts for the calendar years 2016 through 2020. Data for the two largest Participating Trusts are presented individually, while data for the remaining Participating Trusts are presented in the aggregate.

The information presented in Tables 2 and 3 summarizes and restates the operating results of the two largest Participating Trusts for the fiscal years 2016 through 2020 (each fiscal year ends on June 30).

The information contained in Tables 2 through 3 is extracted from, among other sources, audited financial statements of the respective Participating Trusts. These financial statements were not examined by the auditors of the Authority. The Authority has verified the data contained in Tables 2 through 3 with respective officials of each Trust reported and therefore relied on the reported financial statements and confirmations received by the respective parties on the information contained therein.

**TABLE 1**  
**OKLAHOMA MUNICIPAL POWER AUTHORITY**  
**Participating Trusts' Population and System Requirements**

<u>Population</u>	<u>Total</u>	<u>Edmond</u>	<u>Ponca City</u>	<u>Other</u>
2019 Estimates	248,457	94,054	24,134	130,269
2010 (U.S. Census)	242,140	81,405	25,387	135,348
2000 (U.S. Census)	219,111	68,315	25,919	124,877
<b>System Requirements for Calendar Year:</b>				
<b>-2020-</b>				
System Peak Demand (MW)	657.6	251.3	87.4	318.9
System Energy Total (MWh)	2,496,584	915,164	352,201	1,229,219
<b>-2019-</b>				
System Peak Demand (MW)	694.2	269.1	90.7	334.4
System Energy Total (MWh)	2,563,885	930,801	359,278	1,273,806
<b>-2018-</b>				
System Peak Demand (MW)	707.4	274.4	92.3	340.7
System Energy Total (MWh)	2,586,849	928,827	361,946	1,296,076
<b>-2017-</b>				
System Peak Demand (MW)	669.4	252.6	94.9	321.9
System Energy Total (MWh)	2,481,540	895,664	354,133	1,231,743
<b>-2016-</b>				
System Peak Demand (MW)	688.2	258.5	90.4	339.3
System Energy Total (MWh)	2,579,946	933,872	359,465	1,286,609



**TABLE 2**  
**EDMOND PUBLIC WORKS AUTHORITY**  
**Summary of Operating Results (Integrated Utility System)**

Fiscal Year Ended June 30	2020	2019	2018	2017	2016
Customers					
Residential	36,509	35,805	35,206	34,605	34,273
Commercial	4,298	4,204	4,130	4,012	3,806
Industrial & Other	395	392	399	401	389
Total Customers	41,202	40,401	39,735	39,018	38,468
System Requirements (Note 1)					
Peak Demand (kW)	251,326	269,063	274,429	252,625	258,517
Total Metered Energy (kWh)	915,163,945	930,800,291	928,826,829	895,664,169	933,871,909
Energy Sales (kWh) (Note 2)					
Residential	507,506,723	491,384,586	498,679,117	503,472,312	484,653,664
Commercial	263,551,949	259,409,372	265,139,967	267,692,285	262,852,437
Industrial & Other	81,816,482	81,162,556	82,920,709	105,586,639	117,075,333
Total Energy Sales	852,875,154	831,956,514	846,739,793	876,751,236	864,581,434
Operating Revenues (Electric System only)					
Charges for Services, net of bad debt expense	95,263,419	92,628,439	96,597,843	96,615,344	91,945,112
Miscellaneous	12,759	24,735	28,525	12,690	12,690
Operating grants and contributions	53,797	0	155,146	0	2,214
Permits and other fees	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Total Operating Revenues	95,329,975	92,653,174	96,781,514	96,628,034	91,960,016
Operating Expenses (Electric System only)					
Personal Services	5,989,472	5,389,165	4,918,266	5,010,953	4,848,568
Materials and Supplies	1,843,593	1,313,923	830,300	1,111,940	766,437
Maintenance, Operations and Contractual Services	11,029,130	11,498,523	11,402,104	11,843,875	8,398,037
Wholesale Electricity Purchases	54,945,171	60,666,772	63,504,430	58,950,811	58,235,292
Economic Development	0	0	0	0	0
Depreciation and Amortization	3,437,842	3,343,767	3,327,545	3,149,155	3,034,409
Total Operating Expenses	77,245,208	82,212,150	83,892,645	80,066,734	75,282,743
Operating income (loss)	18,084,767	10,441,024	12,888,869	16,561,300	16,677,273
Investment Income	1,618,846	1,643,918	446,430	204,588	161,689
Interest Expense & Fiscal Charges	(7,735)	(14,766)	(20,673)	(21,285)	(20,826)
Miscellaneous Income (Deductions)	119,196	126,043	170,552	369,553	288,907
Gain (Loss) on Disposal of Assets	0	0	0	0	0
Extraordinary Item-gain on fire damage	0	0	0	0	0
Transfers to (from) other funds	(11,722,690)	(3,630,672)	(4,027,840)	(3,861,180)	(8,365,297)
Net Income (Loss)	\$ 8,092,384	\$ 8,565,547	\$ 9,457,338	\$ 13,252,976	\$ 8,741,746
Total Debt Service on Bonds (Note 3)	\$ 85,191	\$ 88,192	\$ 137,574	\$ 139,958	\$ 80,383

Note 1 The peak demand and total metered energy information is based upon years ending December 31.

Note 2 Energy sales is a sum of monthly load control surveys provided by City of Edmond.

Note 3 Debt service on Bonds was calculated by summing the Principal Paid and the Interest Paid line items as stated in the City's Statement of Cash Flows for the Electric Fund.

**TABLE 3**  
**PONCA CITY UTILITY AUTHORITY**  
**Summary of Operating Results (Integrated Utility System)**

Fiscal Year Ended June 30	2020	2019	2018	2017	2016
Customers					
Residential	13,887	13,786	13,788	13,918	13,953
Commercial	2,015	2,003	2,007	1,987	2,005
Industrial	16	16	16	18	21
Other	181	185	181	179	178
Total Customers	16,099	15,990	15,992	16,102	16,157
System Requirements (Note 1)					
Peak Demand (kW)	87,391	90,691	92,290	94,885	90,404
Total Metered Energy (kWh)	352,200,912	359,277,938	361,946,100	354,133,372	359,465,000
Energy Sales (kWh) (Note 2)					
Residential	146,067,058	143,912,169	148,934,350	148,195,442	143,804,457
Commercial	96,720,105	101,024,407	103,848,375	101,858,202	99,792,223
Industrial	71,789,772	70,141,085	75,536,899	77,596,266	73,571,320
Other	23,190,506	21,538,173	19,739,126	20,137,923	21,351,835
Total Energy Sales	337,767,441	336,615,834	348,058,750	347,787,833	338,519,835
Operating Revenues (Electric System only)					
Utility charges for service	35,224,686	37,677,803	39,948,606	37,980,921	36,904,106
Penalties and Miscellaneous	0	0	0	0	0
Total Operating Revenues	35,224,686	37,677,803	39,948,606	37,980,921	36,904,106
Operating Expenses (Electric System only)					
Personal Services	2,758,787	2,769,514	2,749,599	2,794,429	2,718,834
Materials and Supplies	87,601	132,714	81,964	107,870	95,266
Maint, oper & contractual services	1,797,057	1,823,113	1,814,374	1,724,263	1,706,227
Electricity Purchased	19,927,440	22,432,518	23,952,278	21,870,511	21,996,574
Depreciation and Amortization	2,029,700	1,959,724	1,928,713	1,914,123	1,837,949
Total Operating Expenses	26,600,585	29,117,583	30,526,928	28,411,196	28,354,850
Operating Income (Loss)	8,624,101	8,560,220	9,421,678	9,569,725	8,549,256
Nonoperating Revenue (Expenses)					
Investment Income	296,912	391,296	223,963	96,714	140,403
Gain (loss) on assets transferred to/from other funds	0	0	0	0	0
Gain (loss) on disposal of assets	(90,888)	0	0	0	0
Interest Expense & Fiscal Charges	(104,817)	(137,852)	(153,049)	(167,664)	(179,701)
Capital contributions	0	0	0	(431,386)	0
Net transfers From (To) accts/funds	(8,717,310)	(11,706,777)	(7,624,195)	(7,437,827)	(7,506,606)
Change in Net Assets	\$ 7,998	\$ (2,893,113)	\$ 1,868,397	\$ 1,629,562	\$ 1,003,352
Total Debt Service on Bonds (Note 3)	\$ 695,647	\$ 698,227	\$ 678,050	\$ 657,655	\$ 635,232

Note 1 The peak demand and total metered energy information is based upon years ending December 31.

Note 2 Energy sales provided by City of Ponca City.

Note 3 Debt service on Bonds was provided by Ponca City Utility Authority.

## CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

### General

The electric utility industry in general has been, and in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating facilities, such as those of the Authority. One of the most significant of these factors is the efforts on national and local levels to restructure the electric utility industry from a heavily regulated monopoly to an industry in which there is open competition for power supply service on both the wholesale and retail level. Due to the limited success of retail competition, these efforts have stalled in recent years. In addition, such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) changes that might result from a national energy policy, (d) increasing competition from independent power producers and marketers and brokers and other electric utilities (including increased competition resulting from mergers, acquisitions and “strategic alliances” of competing utilities and of natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity, (e) “self-generation” or “distributed generation” (such as roof-top solar) by retail customers and others, (f) issues relating to the ability to issue tax exempt obligations, (g) service restrictions on the ability to sell to nongovernmental entities electricity from generation projects financed with outstanding tax exempt obligations, (h) changes from projected future load requirements, (i) increases in costs and the effects of inflation, (j) shifts in the availability and relative costs of different fuels, (k) sudden and dramatic increases in price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, (l) effects of changes in the economy, (m) effects of possible manipulation of the electric markets, and (n) natural disasters or other physical calamities, including, but not limited to, tornadoes and earthquakes. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The Authority cannot determine with certainty what effects such factors will have on its business operations and financial condition, but the effects could be significant. The following is a brief discussion of some of these factors. However, this discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is, and will be, available from sources in the public domain, and potential purchasers of the securities of the Authority should obtain and review such information.

As a result in the change in Presidential Administrations, the United States Environmental Protection Agency (“EPA”) will likely change its approach towards new regulations. The Authority will be actively monitoring the approach of the new EPA to determine any impact on its operations.

### Federal Energy Legislation

*The Energy Policy Act of 1992.* The Energy Policy Act of 1992 (“EPACT 1992”) made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The purpose of these changes, in part, was to bring about increased competition in the electric utility industry. As amended by EPACT 1992, Sections 211, 212 and 213 of the Federal Power Act provide FERC authority, upon application by any electric utility, federal power marketing agency or other person or entity generating electric energy for sale or resale, to require a transmitting utility to provide transmission services (including any enlargement of transmission capacity necessary to provide such services) to the applicant at the rates, charges, terms and conditions set by FERC based on standards and provisions in the Federal Power Act. Under EPACT 1992, electric utilities owned by municipalities and other public agencies which own or operate electric power transmission facilities that

are used for the sale of electric energy at wholesale are “transmitting utilities” subject to the requirements of Sections 211, 212 and 213.

***The Energy Policy Act of 2005.*** The Energy Policy Act of 2005 (“EPACT 2005”) provides for mandatory reliability standards to increase the electric grid’s reliability and minimize blackouts, criminal penalties for manipulative energy trading practices and the repeal of the Public Utility Holding Company Act of 1935, and delegates some recordkeeping requirements to FERC. In EPACT 2005, Congress also, among other things, (a) authorizes FERC to require “unregulated transmitting utilities” that were formerly exempt from regulation under Federal Power Act (“FPA”) Sections 205 and 206 to provide open access to their transmission systems and to comply with certain rate change provisions of FPA Section 205; (b) authorizes FERC to order refunds for certain short-term wholesale sales made by state and municipal power entities if such sales violate FERC-approved tariffs or rules; (c) allows load serving entities with certain firm transmission rights to continue to hold those rights to serve customers; (d) requires an “electric reliability organization” (“ERO”) to develop standards to ensure the reliability of the bulk transmission system, with such standards mandatory and enforceable by the ERO and FERC (and the ERO able to delegate its authority to regional entities); (e) amends the FPA to prohibit market manipulation and the submission to FERC of false or misleading information; (f) authorizes FERC to issue permits for transmission projects located in “national interest electric transmission corridors” as such is defined by the US Department of Energy, if the applicable state or regional siting agency does not timely authorize a project or imposes unreasonable conditions on the project; (g) eliminates the ownership requirement on electric utilities in qualifying facilities (“QFs”) under Section 210 of the Public Utility Regulatory Policies Act of 1978 (“PURPA”) and authorizes FERC to eliminate prospectively the purchase obligation of electric utilities to purchase power from QFs if certain conditions imposed by FERC are met; (h) requires state utility regulatory commissions and “non-regulated electric utilities” to consider adopting certain standards on net metering, fuel diversity, fossil fuel plant diversity, demand response and interconnection with distributed generation facilities; (i) expands FERC’s authority to review mergers of public utility companies; and (j) directs FERC to establish transmission investment incentives in transmission rate structures for public utilities.

EPACT 2005 contains provisions designed to increase imports of liquefied natural gas and incentives to support renewable energy technologies. EPACT 2005 also extends for 20 years the Price-Anderson Act, which concerns nuclear power liability protection, and provides incentives for the construction of new nuclear plants.

***Energy Independence and Security Act of 2007.*** The Energy Independence and Security Act of 2007 (“EISA 2007”) was designed to boost energy independence and reduce dependence on imported oil. The most prominent features of the legislation were provisions updating the fuel economy standard for automobiles and expanding the renewable fuel standard for ethanol in gasoline. EISA 2007 included several elements impacting the electric utility sector. The legislation updated appliance efficiency standards for a wide array of consumer products. EISA 2007 also set lighting standards, including the discontinuation of incandescent light bulbs. In addition, the legislation began federal involvement in development of the “smart grid,” including standard-setting on interoperability, establishment of federal research and development efforts, and creation of an advisory task force.

***Consolidated Appropriations Act of 2016.*** In lieu of passing the 12 separate appropriations bills to fund the various functions of the federal government for its 2016 fiscal year, Congress enacted the Consolidated Appropriations Act of 2016 (the “Consolidated Appropriations Act”). In addition to setting spending levels for federal agencies, the legislation included a number of extensions of expired or expiring tax provisions, including the production tax credit for wind projects (the “Wind PTC”), which had expired December 31, 2015. The Consolidated Appropriations Act retroactively extended and phased out the Wind PTC. The Wind PTC is now available to projects that commence construction prior to December 31, 2020, with the credit reduced by 20% for projects commencing construction in 2017, 40% for projects commencing construction in 2018, and 60% for projects commencing construction in 2019.

In addition, the Consolidated Appropriations Act includes the Cybersecurity Information Sharing Act of 2015, which enables information sharing between federal agencies and business and provides liability protection for information disclosure by businesses complying therewith. The legislation also authorizes municipal utilities to shield sensitive data and information from disclosure under public sunshine laws.

## **Environmental Issues**

The Authority's electric utility operations are subject to continuing environmental regulation and federal, state, regional and local standards and procedures (the "regulations"). These regulations regulate the environmental impact of the Authority's System and the systems of other utilities from which the Authority purchases power, and are subject to change. Any such changes may arise from legislative, regulatory, or judicial actions regarding the regulations. Consequently, there is no assurance that generating units in operation, under construction, or contemplated will remain subject to the regulations currently in effect, will always be in compliance with future regulations, or will always be able to obtain all required permits. Environmental regulations could result in increased costs of operating units, reduced operating levels, or the shut-down of electric generating units not in compliance. Violation of environmental regulations and permits may result in civil and criminal penalties. Such legislative, regulatory or judicial actions may affect the costs of the Authority, of Participating Trusts or of the Authority's suppliers of wholesale power. With a change in political leadership, many environmental regulations are anticipated.

***Mercury and Air Toxics Standards (MATS).*** Under Section 112 of the Clean Air Act, the EPA is required to set emission standards for hazardous air pollutants ("HAPs") for certain source categories. The EPA published the final MATS rule in the Federal Register on February 16, 2012, addressing such emissions from coal-fired utility units greater than 25 MW. In the final MATS rule, the EPA established categories of HAPs, including mercury, trace metals other than mercury, acid gases, dioxin/furans, and organics other than dioxin/furans. The EPA also established emission limits for the first three categories of HAPs, and work practice standards for the remaining categories. On March 29, 2017, EPA finalized a rule to streamline e-reporting in MATS. This rule was altered on June 26, 2018 to extend the ability to report using PDF file format until July 1, 2020. On December 27, 2018, EPA issued a proposed revised Supplemental Cost Finding for the Mercury and Air Toxics Standard. This proposed rule would remove regulation of HAP emissions from power plants under Section 112 of the Clean Water Act, but the MATS rule would remain in place due to the EPA not proposing to remove Coal fired power plants from Section 112. EPA publishes a final revised Supplemental Cost Findings on May 22, 2020. The Authority's facilities are in compliance with the MATS rule.

***Cross-State Air Pollution Rule (CSAPR) and Clean Air Interstate Rule (CAIR).*** On July 6, 2011, the EPA issued CSAPR, which requires electric generating facilities in certain states, including Oklahoma, to have sufficient allowances to cover emissions of SO<sub>2</sub> and NO<sub>x</sub>. After years of litigation, the U.S. Supreme Court upheld the CSAPR rule.

On November 16, 2015, the EPA proposed an update to CSAPR that would reduce ozone season NO<sub>x</sub> budgets in states, including Oklahoma, beginning in 2017. The Authority's affected plants have installed retrofit technology to reduce emissions of the affected pollutants. The Turk plant was designed with both SO<sub>2</sub> and NO<sub>x</sub> removal technologies.

On September 7, 2016, the EPA finalized an update to CSAPR. Starting in May 2017, this rule reduces allowed summertime (May - September) nitrogen oxides (NO<sub>x</sub>) emissions from power plants in 22 states including Oklahoma. This program is based on a cap-and-trade program administered through the Clean Air Markets Division (CAMD) system.

On September 21, 2017, EPA finalized a rule to remove the CSAPR SO<sub>2</sub> and annual NO<sub>x</sub> emissions from the trading program for Texas. On September 13, 2019, the CSAPR Update was remanded. The Authority is in compliance with the current CSAPR regulations.

***National Ambient Air Quality Standards (NAAQS).*** NAAQS are established to protect human health (“primary standards”) or public welfare (“secondary standards”). The EPA is required to review the NAAQS every five years. If the EPA determines that a state’s air quality is not in compliance with a NAAQS, the state is required to establish plans to reduce emissions to demonstrate attainment with that NAAQS. None of the Authority’s generating facilities are currently subject to a NAAQS attainment plan.

Specific NAAQS that have recently been revised or are currently proposed for revision are as follows:

- **Ozone NAAQS.** On October 1, 2015, the EPA revised its NAAQS for ground-level ozone to 70 parts per billion (“ppb”), which is more stringent than the 75 ppb standard set in 2008. Under this rule, areas must be designated as either attainment or nonattainment for this new ozone NAAQS on or before October 1, 2017, and states with nonattainment areas will have up to three years following designation to submit a revised state implementation plan (“SIP”) outlining strategy and emission control measures to achieve compliance. The nature and consequences of non-attainment designation cannot be predicted at this time.
- **Fine Particulate Matter NAAQS.** The EPA finalized the NAAQS Fine Particulate Matter (“PM<sub>2.5</sub>”) standards in September 2006. Since then, the EPA established a more stringent 24-hour average PM<sub>2.5</sub> standard and kept the annual average PM<sub>2.5</sub> standard and the 24-hour coarse particulate matter standard unchanged. The EPA issued a final PM<sub>2.5</sub> rule on December 14, 2012, that reduced the annual PM<sub>2.5</sub> standard from 15 µg/m<sup>3</sup> to 12 µg/m<sup>3</sup>. The rule left the 24-hour PM<sub>2.5</sub> standard of 35 µg/m<sup>3</sup> unchanged. The change in the PM<sub>2.5</sub> has not resulted in non-attainment designations or otherwise had a material adverse effect on the operations of the Authority’s generating facilities. On August 24<sup>th</sup>, 2016, the EPA issued an updated Final PM Implementation Rule with no significant changes that effect the Authority. On December 7, 2020, the EPA retained the current rules without revision.
- **SO<sub>2</sub> and NO<sub>2</sub> NAAQS.** During 2010, the EPA finalized new one-hour NAAQS for both sulfur dioxide (“SO<sub>2</sub>”) and nitrogen dioxide (“NO<sub>2</sub>”). On August 10, 2015, the EPA issued its Data Requirements Rule establishing timelines and procedures for implementation of the SO<sub>2</sub> standard. A March 2015 court order requires the EPA to complete designations of all areas by the end of 2020. On April 18, 2018, the existing NO<sub>2</sub> standards were retained without revision. On March 18, 2019, the existing SO<sub>2</sub> standards were retained without revision. Oklahoma is not included within the EPA’s list of non-attainment areas for SO<sub>2</sub>.

***Regulation of Coal Combustion Residuals.*** On October 19, 2015, the EPA finalized the Coal Combustion Residuals (“CCR”) rule to regulate the disposal of coal waste as non-hazardous waste from coal-fired power plants under subtitle D of the Resource Conservation and Recovery Act that came into effect. The rule applies to new and existing facilities and establishes a comprehensive set of requirements for the disposal of coal combustion residuals (CCRs or coal ash) in landfills and surface impoundments. This will require an engineering review of impoundment facilities and groundwater monitoring and the operator of the Authority’s coal-fired facilities has begun compliance measures. On March 1, 2018, the EPA proposed an update to the rule to address provisions of the final rule that were remanded back to the Agency by the DC Court of Appeals, provided alternative performance standards, and other general changes. On April 24, 2018, the EPA held a public hearing on the proposed rule update. This update has

not been issued. The operator of the jointly-owned plants has been complying with the monitoring, testing, and notification requirements of the Rule. The Authority's long-term capital plan incorporates estimated costs for compliance at the various plants and expects no significant rate impact at this time.

***Steam Electric Power Generating Effluent Guidelines.*** On September 30, 2015, the EPA finalized a rule revising the regulations applicable to certain steam electric power generators. The rule sets technology-based limits on the levels of toxic metals in wastewater that can be discharged from power plants. Each plant subject to the new effluent limitation guidelines ("ELG") must comply between 2018 and 2023, depending on when a plant is required to obtain a new National Pollutant Discharge Elimination System ("NPDES") permit. On April 12, 2017, the EPA Administrator announced he would reconsider ELGs for the power sector. On September 18, 2017, the EPA finalized a rule postponing certain compliance dates for the more stringent ELG guidelines for a period of two years pending rulemaking to potentially revise the 2015 rule.

***Cooling Water Intake Rule.*** On May 19, 2014, the EPA administrator signed a final rule establishing standards for cooling water structures at existing power plants and manufacturing facilities pursuant to Section 316(b) of the Clean Water Act (the "316(b) Rule"). The 316(b) Rule is to be implemented through National Pollutant Discharge Elimination System ("NPDES") permits.

Section 316(b) of the Clean Water Act requires that the location, design, construction and capacity of cooling water intake structures reflect the best technology available for minimizing adverse environmental impact. The 316(b) Rule is aimed at reducing fish impingement and fish entrainment at cooling water systems.

***Waters of the United States Rule.*** On May 27, 2015, the EPA and the Department of the Army finalized the "Waters of the United States" rule, which became effective on August 28, 2015. The rule clarifies which streams, wetlands, and other waters are considered "Waters of the United States" and, thus, subject to permitting requirements under the Clean Water Act. The proposal expands jurisdiction, broadens the definitions of tributaries, adjacent waters and other waters. On October 9, 2015, the U.S. Court of Appeals for the Sixth Circuit issued a nationwide stay against the enforcement of the rule pending further action of the court. In response to this decision, the EPA and the Department of Army resumed nationwide use of the agencies' prior regulations defining the term "waters of the United States." The new rule, if upheld, is not expected to materially impact the Authority. On February 28, 2017, the President issued an Executive Order directing the EPA and the Department of the Army to review and rescind or revise the 2015 Rule. On January 22, 2018, the Supreme Court held that the courts of appeals do not have original jurisdiction to review challenges to the 2015 Rule. On January 31, 2018, the agencies signed a final rule adding an applicability date to the 2015 Rule to maintain the legal status quo of pre-2015 implementation.

On December 22, 2018, the EPA and the Army proposed a rule modifying the definition of the "water of the United States." The public comment period for this new definition ended on April 15, 2019. On October 22, 2019, the final rule was issued. On June 22, 2020, the rule was replaced by the Navigable Waters Protection Rule. The Authority is in compliance with the current rules.

***Reciprocating Internal Combustion Engine (RICE) National Emission Standard for Hazardous Air Pollutants (NESHAP).*** On March 3, 2010, the EPA published its final RICE NESHAP rule. The rule generally requires the retrofitting of emission control equipment on a broad class of existing RICE units. On January 30, 2013, the EPA finalized amendments to the RICE NESHAP rule that created an exemption from otherwise applicable emission requirements, allowing "emergency" RICE units to operate for up to 100 hours per year for "emergency demand response" (the "100-Hour Exemption"). On May 1, 2015, the D.C. Circuit vacated the 100-Hour Exemption. The EPA sought a stay of the Court's mandate until May 1, 2016, which was granted by the D.C. Circuit on August 18,

2015. The Authority does not expect to be materially impacted by the RICE NESHAP rule or the pending legal challenges.

**Regulation of Greenhouse Gases.** On October 23, 2015, the EPA published a final rule pursuant to Section 111(b) of the Clean Air Act establishing carbon dioxide (“CO<sub>2</sub>”) New Source Performance Standards (“NSPS”) for new, modified and reconstructed fossil fuel-fired electric generating units (“EGUs”). The NSPS for modified EGUs applies to units that implement a physical or operational change that significantly increases the unit’s potential emissions. The NSPS for reconstructed EGUs applies to units that replace components to the extent that the capital cost of the new components exceeds 50 percent of the capital cost of a comparable new unit. The NSPS for modified and reconstructed units would apply only if the Authority were to modify or reconstruct one of its existing generating units in a way that triggers the applicability of the rule.

**Affordable Clean Energy Rule.** On June 19, 2019, the EPA adopted the Affordable Clean Energy Rule (“ACE”). Under Section 111(d) of the Clean Air Act the EPA must determine the Best System of Emissions Reduction (“BSER”) for CO<sub>2</sub> at individual fossil-fuel fired steam generator units. The ACE rule makes the determination that BSER for CO<sub>2</sub> at individual fossil fuel steam generating plants to be heat rate improvement projects. The ACE rule leaves it up to the individual states to use the guidelines provided by the EPA to develop standards of performance that reflect the application of the BSER. On January 19, 2021, the ACE rule was vacated. Further, on February 12, 2021, the EPA issued a memorandum to the States stating they do not expect further action on this rule. Another rule is expected soon to limit CO<sub>2</sub>. The Authority is monitoring this situation and will respond as needed.

**Decarbonization of the Electric Sector.** With the election of the Biden Administration, there is expected to be a strong emphasis to reduce carbon emissions from the electric utility sector. The Authority is closely monitoring the activities of congress and federal agencies as they propose legislation and/or administrative rules. With the Authority’s high level of non-carbon emitting resources coupled with the planned retirement of 3 coal plants, the Authority believes it is positioning itself to manage the transition. The announcement of the 120MW North Fork Solar project will continue the Authority’s trend to low and non-carbon resources. No definitive impact can be determined at this point as no legislation or rules have been enacted.

**New Source Review.** The Clean Air Act prohibits physical changes (other than routine maintenance, repair and replacement) or changes in method of operations that result or could result in increased emissions without first applying for and receiving the required permits under the Clean Air Act. Such permits would generally require the installation of additional pollution control equipment. It is the EPA’s policy to actively pursue NSR enforcement actions against electric utilities for making such changes to their coal-fired power plants in violation of the Clean Air Act. If such violations are found to have occurred, the EPA or other enforcement authorities could require the installation of new pollution control equipment in addition to modifications that have already been completed or planned and could require the payment of fines and penalties.

**Superfund.** The Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) or “Superfund,” as well as similar state laws, impose strict liability for cleanup costs upon those who generate or dispose of hazardous substances and hazardous wastes. Past disposal practices may result in Superfund liability for previously approved disposal methods or sites that have been operated or closed under past regulations. In addition, under these statutes, a party may be held liable for cleanup activities on property that it owns and operates, even if the conditions requiring cleanup existed before such party’s occupancy of a site. It is also possible for a generator of waste materials to be held liable for the cleanup of off-site disposal locations, even if such disposal was conducted legally at the time it occurred.



## MANAGEMENT DISCUSSION OF RECENT UNAUDITED FINANCIAL INFORMATION

*The following discussion and analysis of the Authority's financial performance provides an overview of the Authority's financial activities for the three-month and twelve-month periods ended March 31, 2021, in comparison with the same periods ended March 31, 2020. Please recognize that these comments relate only to the financial excerpts included herein. The Authority's audited basic financial statements for years ended December 31, 2020 and 2019 are included in Appendix B.*

### **Financial Highlights** *(Dollars in Thousands)*

Operating revenues decreased \$749 for the three months and \$7,312 for the twelve months ended March 31, 2021 compared to the same period in 2020. The decrease in revenues was due to decreases in SPP and ERCOT market sales. Net operating revenues decreased by \$530 for the three-month period and \$6,243 for the twelve-month period. The decrease for the 3-month period is due to a decrease in the Authority's revenue requirement. The revenue requirement decreased due to decreases in debt service and transmission expense. The decrease for the 12-month period is mainly due to an increase in depreciation expense associated with accelerated depreciation of the assets of Oklaunion and Dolet Hills generating plants. Net Revenues decreased \$1,798 for the three months and \$4,611 for the twelve months ended March 31, 2021 compared to the same period in 2020. The decrease in Net Revenue is due to decreases in net operating revenues, interest income and changes in the fair value of investments.

Significant changes to note on the Balance Sheet between March 31, 2021 and 2020 are the increase in Other Assets by \$64,544, the elimination of the Series 1992 Bonds and the increase in Notes payable by \$57,287. Other Assets include Net costs recoverable in future years, unamortized loss on advanced refunding of bonds, and other unamortized organization costs. The increase in other assets is mainly attributable to the recording of an approximately \$60 million regulatory asset associated with the net cost impact of the winter storm event in February 2021. The elimination of the Series 1992B Bonds was due to their defeasement in March 2021 using funds released from the Debt Service Reserve Account. The increase in Notes payable is due to the issuance of the Series 2021A Note for \$60 million to Bank of America, NA in March 2021 as short-term financing for the cost of the winter storm event. Proceeds of the Series 2021A Bonds will provide funds to repay the Series 2021A Note.

### **Utility Plant and Debt Administration**

**Utility Plant.** Net utility plant decreased \$31,668 for the year ended March 31, 2021, primarily due to depreciation expense exceeding plant asset additions.

As of March 31, 2021, generation plant in service, including fuel reserves, totaled \$354,480 net of depreciation. Electric plant consisted of generation plant in the amount of \$487,499 that represents ownership in 86 megawatts of undivided ownership in plants in Texas, Louisiana and Arkansas, 110 megawatts of the undivided ownership in the McClain plant, 156 megawatts of undivided ownership in the Redbud plant, 103 megawatts in the Charles D. Lamb Energy Center plus another 137 megawatts of generating plant owned and operated by the Authority in Oklahoma. Electric plant also includes lignite reserves that totaled \$669 at March 31, 2021.

The Authority also has \$23,464 of general plant, net of depreciation, at March 31, 2021, consisting of substation facilities, a small amount of transmission lines, and the OMPA headquarters building.

**Debt Administration.** Revenue bonds outstanding as of March 31, 2021 were \$561,469, including unamortized premium of \$22,919 and the current portion of \$22,035 due January 3, 2022. This

amount excludes a Bank of America note in the amount of \$60,000, and the FPL Wind Energy note of \$32,613 that is secured by lease revenues from FPL Wind Energy.

# Oklahoma Municipal Power Authority

## Balance Sheet

(UNAUDITED, DOLLARS IN THOUSANDS)

	MARCH 31	
	2021	2020
<b>ASSETS AND OTHER DEBITS</b>		
<b>UTILITY PLANT:</b>		
Electric Plant in Service	\$ 685,079	\$ 769,206
Fuel Reserves	669	2,717
Construction in Progress	3,710	4,938
Leased Electric Plant	27,340	30,053
Accumulated Depreciation	(310,845)	(369,293)
	405,953	437,621
 <b>RESTRICTED FUNDS</b>	 60,843	 79,541
 Cash and Investments	 55,628	 55,113
Net Receivables	14,823	11,822
Inventory	6,734	2,547
Prepayments	2,035	1,265
Interest Receivable	35	174
	79,255	70,921
 <b>OTHER ASSETS</b>	 191,104	 126,560
	\$ 737,155	\$ 714,643
 <b>LONG TERM DEBT:</b>		
Series 1992 Bonds Payable	\$ -	\$ 10,370
Series 2005 Bonds Payable	10,500	15,300
Series 2010 Bonds Payable	70,000	70,000
Series 2013 Bonds Payable	172,485	172,485
Series 2014 Bonds Payable	119,655	119,980
Series 2016 Bonds Payable	124,315	124,315
Series 2019 Bonds Payable	41,595	58,505
Unamortized Prem / (Disc). on Bonds	22,919	26,845
	561,469	597,800
Notes Payable	87,340	30,053
 <b>CURRENT LIABILITIES:</b>		
Accounts Payable	11,924	9,707
Bond Interest Payable	6,121	6,462
Other Liabilities	5,858	5,475
	23,903	21,644
Deferred Revenue - Rate Stabilization	21,235	17,221
Plant Decommissioning Reserve	4,550	7,712
<b>ACCUMULATED NET REVENUES</b>	38,658	40,213
	\$ 737,155	\$ 714,643

# Oklahoma Municipal Power Authority

## Statement of Net Revenues

(UNAUDITED, DOLLARS IN THOUSANDS)

	QUARTER ENDED MARCH 31		TWELVE MONTHS ENDED MARCH 31	
	2021	2020	2021	2020
<b>OPERATING REVENUES</b>	38,492	39,241	170,881	178,193
<b>OPERATING EXPENSES:</b>				
Purchase Power	7,147	8,286	33,376	35,212
Generation	12,106	11,609	52,566	57,745
Transmission	5,786	5,392	21,766	21,706
Administrative	2,378	2,217	9,654	9,154
Depreciation	7,335	7,298	33,253	27,570
Other Operating Expenses	230	399	1,141	1,438
	<u>34,982</u>	<u>35,201</u>	<u>151,756</u>	<u>152,825</u>
<b>NET OPERATING REVENUES</b>	3,510	4,040	19,125	25,368
<b>OTHER REVENUES (EXPENSES):</b>				
Gain/Loss on Assets	-	-	-	-
Interest Income	244	737	1,258	3,438
Net Increase (Decrease) In Fair Value of Investments	(20)	484	(335)	1,863
Other Expenses	(21)	(21)	(84)	(84)
	<u>203</u>	<u>1,200</u>	<u>839</u>	<u>5,217</u>
<b>Interest and Debt Expense:</b>				
Interest on Long-Term Debt	6,064	6,260	24,902	25,945
Amortization of Finance Costs	(381)	(513)	(1,920)	(932)
	<u>5,683</u>	<u>5,747</u>	<u>22,982</u>	<u>25,013</u>
<b>Amount to Recover in the future</b>	(903)	(568)	1,463	(2,516)
<b>NET REVENUES</b>	<u>(\$2,873)</u>	<u>(\$1,075)</u>	<u>(\$1,555)</u>	<u>\$3,056</u>

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY**

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**Oklahoma Municipal Power Authority  
A Component Unit of the State of  
Oklahoma**

Financial Statements and  
Supplementary Information

As of and for the Years Ended December 31, 2020 and 2019

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**As of and for the Years Ended December 31, 2020 and 2019**

**Contents**

<b>Independent Auditors' Report on Financial Statements</b> .....	1
<b>Required Supplementary Information</b>	
Management's Discussion and Analysis.....	3
<b>Basic Financial Statements</b>	
Statements of Net Position .....	9
Statements of Revenues, Expenses and Changes in Net Position .....	11
Statements of Cash Flows .....	12
Notes to Financial Statements .....	14
<b>Required Supplementary Information</b>	
Schedule of Proportionate Share of Net Pension Liability.....	48
Schedule of Contributions.....	49
<b>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> .....	50



## **Independent Auditors' Report**

To the Board of Directors of  
Oklahoma Municipal Power Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Oklahoma Municipal Power Authority, as of and for the years ended December 31, 2020 and 2019 and the related notes to the financial statements, which collectively comprise the Oklahoma Municipal Power Authority's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Oklahoma Municipal Power Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Oklahoma Municipal Power Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma Municipal Power Authority as of December 31, 2020 and 2019 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 13 to the financial statements, subsequent to the date of the financial statements, Oklahoma Municipal Power Authority has been impacted by the market response to Winter Storm Uri. Our opinion is not modified with respect to this matter.

## **Other Matter**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have issued our report dated March 31, 2021 on our consideration of the Oklahoma Municipal Power Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Oklahoma Municipal Power Authority internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Oklahoma Municipal Power Authority's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Austin, Texas  
March 31, 2021

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Management's Discussion and Analysis**  
**December 31, 2020 and 2019**  
**(Unaudited)**

***Introduction***

The following Management's Discussion and Analysis, or MD&A, serves as an introduction to the financial statements of the Oklahoma Municipal Power Authority (also referred to as the Authority or OMPA). It is intended to be an objective and easily understandable analysis of significant financial, operating activities and events for the fiscal year ending December 31, 2020 compared to the fiscal year ended December 31, 2019. It also provides an overview of the Authority's general financial condition and results of operations for the fiscal year ending December 31, 2019 compared to the previous fiscal year ending December 31, 2018.

***Basic Financial Statements***

***Statement of Net Position***

Assets are separated into current and non-current categories. Current assets include restricted and unrestricted cash and investments, accounts receivable, inventory, prepayments and other current assets. Non-current assets include restricted and unrestricted investments, costs recoverable in future periods, net capital assets and other non-current assets.

GASB Concept Statement No. 4, *Elements of Financial Statements*, defines deferred outflows of resources as the consumption of net assets in one period that are applicable to future periods. The Authority defines accumulated decrease in fair value of hedging derivatives, unamortized loss on advance refunding of bonds, and pension related items as deferred outflows of resources in the Statement of Net Position.

Consistent with the reporting of assets on the Statement of Net Position, liabilities are segregated into current and non-current categories. Current liabilities include accounts payable, interest payable and current portion of long term debt and notes payable, current portion of derivative liabilities, and other accrued expenses. Non-current liabilities includes long-term debt and notes payable, and non-current derivative liabilities.

Deferred inflows of resources are defined in GASB Concept Statement No. 4, as the acquisition of net assets that apply to future periods. The Authority defines rate stabilization and pension related items as deferred inflow of resources in the Statement of Net Position.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Management's Discussion and Analysis**  
**December 31, 2020 and 2019**  
**(Unaudited)**

*Statement of Revenues, Expenses and Change in Net Position*

Operating results are reported separately from non-operating results. Non-operating results relate primarily to financing and investing activities. These statements identify operating revenues from sales to cities (system) and energy market sales (off-system). Operating expenses are presented by major cost category. Revenues remaining are available to service debt, finance capital activities, and to cover contingencies.

*Statement of Cash Flows*

The Statement of Cash Flows presents cash flows from operating activities, capital and related financing activities, non-capital financing activities, and investing activities. These statements are prepared using the direct method, which reports gross cash receipts and payments, and presents a reconciliation of operating income to net cash provided by operating activities.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Management's Discussion and Analysis**  
**December 31, 2020 and 2019**  
**(Unaudited)**

**Assets and Deferred Outflows of Resources**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Utility plant, net	\$ 416,445,560	\$ 448,571,154	\$ 455,939,603
Non-current assets	63,803,389	105,741,225	73,735,651
Other assets	117,063,727	109,918,818	113,682,022
Current assets	<u>111,576,903</u>	<u>71,291,996</u>	<u>118,861,978</u>
Total assets	<u>708,889,579</u>	<u>735,523,193</u>	<u>762,219,254</u>
Deferred outflows of resources	15,027,266	16,771,276	20,014,024
Total assets and deferred outflows of resources	<u>\$ 723,916,845</u>	<u>\$ 752,294,469</u>	<u>\$ 782,233,278</u>

**Liabilities, Deferred Inflows of Resources and Net Position**

Long-term debt, net	\$ 597,915,204	\$ 626,869,670	\$ 656,270,110
Current portion of long-term debt	24,868,854	26,698,447	24,987,120
Other current liabilities	30,447,056	31,038,314	41,810,189
Other non-current liabilities	<u>3,432,838</u>	<u>1,519,870</u>	<u>2,350,955</u>
Total liabilities	<u>656,663,952</u>	<u>686,126,301</u>	<u>725,418,374</u>
Deferred inflows of resources	25,722,119	24,880,568	19,956,824
Net position			
Net investment in capital assets	(28,179,275)	(27,556,796)	(41,465,342)
Restricted	35,562,153	37,217,188	39,216,248
Unrestricted	<u>34,147,896</u>	<u>31,627,208</u>	<u>39,107,174</u>
Total net position	<u>41,530,774</u>	<u>41,287,600</u>	<u>36,858,080</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 723,916,845</u>	<u>\$ 752,294,469</u>	<u>\$ 782,233,278</u>

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Management's Discussion and Analysis**  
**December 31, 2020 and 2019**  
**(Unaudited)**

**Revenues, Expenses and Changes in  
Net Position**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues			
System	\$ 152,959,866	\$ 150,948,552	\$ 171,301,887
Off-system	19,277,914	31,817,917	19,520,378
Non-operating revenues			
Investment income	1,348,852	2,474,671	2,467,723
Other revenue	10,651	26,720	13,668
Lease revenue	1,843,285	1,994,613	2,137,374
Deferred revenues (costs)	<u>1,798,438</u>	<u>(2,968,334)</u>	<u>(2,942,816)</u>
Total revenues	<u>177,239,006</u>	<u>184,294,139</u>	<u>192,498,214</u>
Operating expenses	152,391,278	154,676,446	159,499,596
Non-operating expenses			
Interest expense, net	26,938,291	28,260,822	29,725,219
Loss on asset disposal	52,980	---	---
Amortization	(2,380,878)	120,782	1,045,795
(Increase)/decrease in fair value of investments	<u>(5,839)</u>	<u>(3,193,431)</u>	<u>556,677</u>
Total expenses	<u>176,995,832</u>	<u>179,864,619</u>	<u>190,827,287</u>
Net increase in net position	<u>\$ 243,174</u>	<u>\$ 4,429,520</u>	<u>\$ 1,670,927</u>

**Financial Highlights**

Peak demand decreased in 2020 with coincident system peak demand of 692 MW compared to 724 MW in 2019. Metered energy decreased to 2,774 GWH compared to 2,887 GWH in 2019. However, Authority supplied energy in 2020 was comparable with 2019, with 2,357 GWH supplied in 2020 and 2,375 GWH in 2019. The difference between metered energy and energy supplied by the Authority is the result of 18 cities with Southwest Power Administration (SWPA) hydro-power allocations. A wet year will lead to these cities receiving much more power than normal from SWPA. Charges per KWH to full requirements cities increased in 2020 to an average of 6.16 cents per KWH from 6.03 cents per KWH in 2019. Low sales into the ERCOT market were principally responsible for the increase.

Off-system or market sales decreased by 40% in 2020. The decrease is principally attributed to limited sales in the ERCOT market. The Oklaunion generating plant, which provided all sales into the ERCOT market, ran on a very limited basis during the year in 2020, and was subsequently closed in September 2020.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Management's Discussion and Analysis**  
**December 31, 2020 and 2019**  
**(Unaudited)**

The adjustment of investments to fair value had a favorable impact in 2020 of \$5,839 compared to a favorable adjustments of \$3,193,431 in 2019, and an unfavorable adjustment of \$556,677 in 2018. However, the Authority typically holds all investments until maturity, so the fair value gains and losses during the term of the investments are not normally realized.

On October 3, 2019, The Authority issued \$59,105,000 of Series 2019A Power Supply System Revenue Refunding Bonds. The 2019A series bonds carry a fixed interest rate of 5.000% and are due January 2020 through 2028. The proceeds were used to refund \$64,005,000 of the Authority's Series 2010A Bonds.

Net costs recoverable in future years represent the amount by which depreciation/amortization either exceeds or is less than principal repayment on debt. The Authority sets rates to cities on a cash basis utilizing essentially level debt service, and the deferred costs allow the Authority to convert from cash-based rates to accrual accounting. Principal repayment on debt exceeded depreciation /amortization resulting in an increase to net position of \$1,798,438 in 2020, a decrease of net position of \$2,968,334 in 2019, and a decrease to net position of \$2,942,816 in 2018.

***Utility Plant and Debt Administration***

**Utility Plant**

Net utility plant decreased \$32,126,000 and \$7,368,000 in 2020 and 2019, respectively. At December 31, 2020, generation plant in service, including fuel reserves, totaled \$360.9 million, net of depreciation. Electric plant consisted of generation plant in the amount of \$360.1 million that represents ownership in 86 megawatts of undivided ownership in plants in Texas, Louisiana and Arkansas, 110 megawatts of the undivided ownership in the McClain plant, 156 megawatts of undivided ownership in the Redbud plant, plus 240 megawatts of generating plant owned and operated by the Authority in Oklahoma. Electric plant also includes lignite reserves that totaled \$790,000 at year end 2020.

The Authority also has \$21.1 million of general plant, net of depreciation, consisting of substation facilities, a small amount of transmission lines, and the OMPA headquarters building.

**Debt Administration**

Revenue bonds outstanding at year end 2020 were \$571 million, including the current portion of debt paid January 4, 2021. This amount excludes the FPL Wind Energy note of approximately \$28.0 million that is secured by lease revenues from FPL Wind Energy. The revenue bonds outstanding in 2019 and 2018 were \$595 million and \$622 million, respectively. The current portion of revenue bonds payable at year end 2020, in the amount of \$22 million, was paid in January 2021.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Management's Discussion and Analysis**  
**December 31, 2020 and 2019**  
**(Unaudited)**

*Contacting the Authority's Financial Management*

Questions about this report or requests for additional financial information can be directed to:

OMPA  
Manager of Accounting Services  
P.O. Box 1960  
Edmond, Oklahoma 73083-1960



**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Statements of Net Position**

**As Of And For The Years Ended December 31, 2020 and 2019**

**Assets and Deferred Outflows of Resources**

	<u>2020</u>	<u>2019</u>
<b>Utility Plant, at Cost</b>		
Utility plant in service	\$ 685,869,014	\$ 771,921,054
Less accumulated depreciation	<u>(303,809,901)</u>	<u>(362,088,816)</u>
	382,059,113	409,832,238
Construction in progress	2,426,317	3,895,616
Intangible plant assets, net	3,912,153	4,121,876
Leased electric plant, net	<u>28,047,977</u>	<u>30,721,424</u>
Total utility plant, at cost	<u>416,445,560</u>	<u>448,571,154</u>
<b>Non-current Restricted Cash and Cash Equivalents</b>	<u>60,101,188</u>	<u>7,366,365</u>
<b>Non-current Restricted Investments</b>	<u>3,702,201</u>	<u>60,141,850</u>
<b>Non-current Investments</b>	<u>---</u>	<u>38,233,010</u>
<b>Other Assets</b>		
Unamortized organization costs and other assets	170,838	256,258
Net costs recoverable in future years	115,320,869	108,479,191
Other non-current assets	<u>1,572,020</u>	<u>1,183,369</u>
Total other assets	<u>117,063,727</u>	<u>109,918,818</u>
Total non-current assets	<u>597,312,676</u>	<u>664,231,197</u>
<b>Current Assets</b>		
Cash and cash equivalents	53,592,320	9,217,433
Investments	3,016,711	9,507,446
Interest receivable	17,334	211,220
Accounts receivable	14,495,813	11,506,203
Inventory	3,852,420	2,813,613
Other current assets	1,572,657	1,097,126
Restricted cash and cash equivalents	34,994,728	36,672,913
Restricted interest receivable	<u>34,920</u>	<u>266,042</u>
Total current assets	<u>111,576,903</u>	<u>71,291,996</u>
Total assets	<u>708,889,579</u>	<u>735,523,193</u>
<b>Deferred Outflow of Resources</b>		
Accumulated decrease in fair value of hedging derivatives	1,055,346	2,445,737
Amounts relating to pensions	1,724,841	396,143
Unamortized loss on advance refunding of bonds	<u>12,247,079</u>	<u>13,929,396</u>
Total assets and deferred outflows of resources	<u>\$ 723,916,845</u>	<u>\$ 752,294,469</u>

## Liabilities, Deferred Inflows of Resources and Net Position

	<u>2020</u>	<u>2019</u>
<b>Long-term Liabilities</b>		
Revenue bonds payable	\$ 548,920,000	\$ 570,955,000
Less unamortized net premium/(discount)	<u>23,781,081</u>	<u>27,866,693</u>
Total debt, net of premium	<u>572,701,081</u>	<u>598,821,693</u>
Note payable	25,214,123	28,047,977
Net pension liability	2,839,318	474,744
Non-current derivative liability	<u>593,520</u>	<u>1,045,126</u>
Total long-term liabilities	<u>601,348,042</u>	<u>628,389,540</u>
<b>Current Liabilities</b>		
Accounts payable	11,932,758	12,093,381
Accrued expenses	5,202,025	4,928,434
Interest payable	12,850,447	12,615,888
Current portion of long-term debt	22,035,000	24,025,000
Current portion of note payable	2,833,854	2,673,447
Current derivative liability	<u>461,826</u>	<u>1,400,611</u>
<b>Total current liabilities</b>	<u>55,315,910</u>	<u>57,736,761</u>
<b>Total liabilities</b>	<u>656,663,952</u>	<u>686,126,301</u>
<b>Deferred Inflow of Resources</b>		
Amounts relating to pensions	15,515	254,960
Plant decommissioning reserve	4,657,676	7,712,134
Unearned revenue – rate stabilization	21,048,928	16,913,474
<b>Net Position</b>		
Net investment in capital assets	(28,179,275)	(27,556,796)
Restricted – expendable for		
Debt service	22,179,201	24,323,067
Capital acquisitions	13,382,952	12,894,121
Unrestricted	<u>34,147,896</u>	<u>31,627,208</u>
Total net position	<u>41,530,774</u>	<u>41,287,600</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 723,916,845</u>	<u>\$ 752,294,469</u>

**Oklahoma Municipal Power Authority**  
**A component Unit of the State of Oklahoma**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating Revenues</b>		
System	\$ 152,959,866	\$ 150,948,552
Off-system	<u>19,277,914</u>	<u>31,817,917</u>
<b>Total Operating Revenue</b>	<u>172,237,780</u>	<u>182,766,469</u>
<b>Operating Expenses</b>		
Purchased power	34,515,067	34,323,017
Generation	52,069,054	62,345,105
Transmission	21,371,754	21,624,338
Other operating expenses	11,600,092	10,517,869
Depreciation	<u>32,835,311</u>	<u>25,866,117</u>
<b>Total Operating Expenses</b>	<u>152,391,278</u>	<u>154,676,446</u>
<b>Operating Income</b>	<u>19,846,502</u>	<u>28,090,023</u>
<b>Non-operating Revenues (Expenses)</b>		
Investment income	1,348,852	2,474,671
Net increase/(decrease) in fair value of investments	5,839	3,193,431
Other non-operating income	10,651	26,720
Gain/(loss) on asset disposal	(52,980)	---
Lease revenue	1,843,285	1,994,613
Amortization of organization costs	(85,420)	(85,420)
Amortization of regulatory asset - pension	796,431	(84,914)
Amortization of other assets	<u>(380,427)</u>	<u>(356,708)</u>
	<u>3,486,231</u>	<u>7,162,393</u>
Interest and debt expense		
Interest expense – revenue bonds	(25,814,813)	(27,743,431)
Build America Bond subsidy proceeds	719,807	1,477,222
Interest expense – other	(1,843,285)	(1,994,613)
Amortization of loss on bond refunding, discount and bond issue costs	<u>2,050,294</u>	<u>406,260</u>
	<u>(24,887,997)</u>	<u>(27,854,562)</u>
Net non-operating expenses	(21,401,766)	(20,692,169)
<b>Net Deferred Revenue (Cost) Recoverable in Future Years</b>	<u>1,798,438</u>	<u>(2,968,334)</u>
Increase in net position	243,174	4,429,520
<b>Net Position, Beginning of Year</b>	<u>41,287,600</u>	<u>36,858,080</u>
<b>Net Position, End of Year</b>	<u>\$ 41,530,774</u>	<u>\$ 41,287,600</u>

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 170,329,167	\$ 192,021,517
Cash paid to suppliers	(116,372,487)	(128,267,304)
Cash paid to employees	<u>(9,310,183)</u>	<u>(9,016,652)</u>
Net cash provided by operating activities	<u>44,646,497</u>	<u>54,737,561</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from issuance of bonds	---	59,105,000
Payments on bonds refunded	---	(64,005,000)
Payment of bond issue costs	---	(365,936)
Proceeds from bond refunding premium	---	5,523,696
Capital expenditures for utility plant	(3,541,021)	(7,882,959)
Interest paid on long-term debt	(25,580,254)	(28,997,528)
BAB subsidies received	719,807	1,477,222
Principal payments on long-term debt	<u>(24,025,000)</u>	<u>(22,465,000)</u>
Net cash provided by/(used in) capital and related financing activities	<u>(52,426,468)</u>	<u>(57,610,505)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	179,647,004	117,920,001
Purchases of investments	(78,269,961)	(124,466,756)
Loan receivable receipts	257,755	255,212
Income received on investments	<u>1,576,701</u>	<u>2,503,702</u>
Net cash provided by (used in) investing activities	<u>103,211,499</u>	<u>(3,787,841)</u>
Increase/(Decrease) in Cash and Cash Equivalents	95,431,528	(6,660,785)
Cash and Cash Equivalents, Beginning of Year	<u>53,256,711</u>	<u>59,917,497</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 148,688,236</u>	<u>\$ 53,256,711</u>
<b>Consisting of</b>		
Cash and cash equivalents	\$ 53,592,320	\$ 9,217,433
Restricted cash and cash equivalents	<u>95,095,916</u>	<u>44,039,278</u>
Total cash and cash equivalents	<u>\$ 148,688,236</u>	<u>\$ 53,256,711</u>

	<u>2020</u>	<u>2019</u>
<b>Noncash Items from Investing and Capital and Related Financing Activities</b>		
Change in fair value of investments	\$ <u>5,839</u>	\$ <u>3,193,431</u>
Discount accretion/premium amortization on investments	\$ <u>24,451</u>	\$ <u>420,666</u>
Reduction of note payable and depreciation expense on leased electric plant	\$ <u>2,673,447</u>	\$ <u>2,522,120</u>
Capital expenditures for utility plant included in accounts payable	\$ <u>163,668</u>	\$ <u>243,212</u>
	<u>2020</u>	<u>2019</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 19,846,502	\$ 28,090,023
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	32,566,766	25,621,290
Amortization of other assets included in operating expenses	1,064,976	159,914
Unearned revenues – rate stabilization/decommissioning fund	1,080,996	5,132,572
Changes in assets and liabilities which provided/(used) cash		
Accounts receivable	(2,989,609)	4,122,476
Inventory	(1,038,807)	1,871,259
Other current assets	(5,833,628)	(812,748)
Accounts payable and accrued expenses	<u>(50,699)</u>	<u>(9,447,225)</u>
Net cash provided by operating activities	\$ <u>44,646,497</u>	\$ <u>54,737,561</u>

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

The Oklahoma Municipal Power Authority (the Authority) is a governmental agency of the state of Oklahoma created in 1981 pursuant to the Oklahoma Municipal Power Authority Act to provide a means of municipal electric systems in Oklahoma to jointly plan, finance, acquire and operate electrical power supply facilities necessary to meet the electrical energy requirements of their consumers. As an agency of the State of Oklahoma (the State), the Authority is subject to the State of Oklahoma Council of Bond Oversight, and is bound by various state statutes related to units of the State. The Authority's employees are eligible to participate in the State retirement plan. The Authority is a discretely presented component unit in the financial statements of the State of Oklahoma.

On July 1, 1985, the Authority began selling electric power to its participating municipalities under Power Sales Contracts. The Power Sales Contracts have a primary term through December 31, 2027. In 2005, Amendment No. 1 to the Power Sales Contract was executed by the Authority and all members. Amendment No. 1 provides for a rolling 15-year notice of termination of the Power Sales Contract by either the Authority or the participating municipalities commencing in 2013. No participating municipality has given a notice of termination and neither has the Authority. Under the Power Sales Contract, either the participating municipality or the Authority may limit the power and energy to be purchased or provided. The Authority has not elected to limit its obligation to provide power and energy under the Power Sales Contracts, nor have any of the participating municipalities elected to limit their obligation to purchase full requirements power from the Authority.

The Authority has a 100% ownership interest in a 64 megawatts (MW) gas fired combined cycle generating facility, a 42 MW simple cycle gas fired generating facility, a 104 MW simple cycle gas fired generating facility, and a 29 MW hydroelectric generating facility. All of these facilities are located in or near Ponca City, Oklahoma.

The Authority also has joint ownership of 23%, 13%, 6.67%, 3.906% and 2.344% in six other generating facilities, having total generating capacities of 478 MW, 1,200 MW, 650MW, 650 MW and 650 MW, respectively. All of the joint ownership facilities are operated by other entities. The Authority has also entered into certain power purchase and transmission arrangements in order to supplement generating capacity owned by the Authority and to provide for the transmission of the Authority's power and energy to the participating municipalities.

The Authority bills participants and other power purchasers monthly for power used. The terms generally require payment within 20 days of the billing date. The Authority does not require participants to collateralize the obligation related to power billed.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***System of Accounts and Basis of Accounting***

The Authority's accounts are maintained in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission, as required by the Power Sales Contracts with the participating municipalities, and in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting, including the application of regulatory accounting as described in Governmental Accounting Standards Board (GASB) Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

The Authority considers electric revenues and costs that are directly related to the generation, purchase, transmission and distribution of electricity to be operating revenues and expenses. Revenues and expenses related to financing and other activities are reflected as non-operating.

***Utility Plant and Depreciation***

Utility plant is recorded at cost, including capitalized net interest cost on borrowed funds used for construction of utility plant. Capitalized net interest cost on borrowed funds includes amortization of bond discounts and bond premiums, interest expense and interest income. The Authority had no capitalized interest in 2020 or 2019, respectively.

Depreciation of generating facilities in which the Authority holds an undivided ownership interest is calculated on a straight-line basis using a group-composite method over the expected services' lives, which range from 20 to 45 years. Depreciation of other utility plant is calculated on a straight-line basis using the estimated useful lives of the depreciable property, which range from three to 10 years. A half year convention is generally used for all assets when placed in service, except in instances where specific assumptions have been made for rate making purposes. Retirements together with removal costs, less salvage value, are charged to accumulated depreciation based upon average unit cost.

The cost of major replacements of property is capitalized to utility plant accounts. The cost of maintenance, repairs and replacements of minor items of property is expensed as incurred.

The Authority has implemented GASB Statement No. 51, *Financial Reporting for Intangible Assets* (Statement 51). Statement 51 requires that all intangible assets not specifically excluded by its scope be classified as capital assets. Intangible assets are amortized using the straight line method over a period of 5 to 40 years.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**

**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

***Cash Equivalents***

For the purpose of the statement of cash flow, cash and cash equivalents have original maturities of three months or less from the date of acquisition. The Authority considers investments in government security money market funds to be cash equivalents.

***Investments and Investment Income***

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. No Investments are reported at amortized cost. Investment income and net increase or decrease in fair value of investments are presented in the Statement of Revenues, Expenses and Changes in Net Position.

***Restricted Assets***

Restricted assets consist of cash and investments which are legally restricted per bond indenture. Restricted assets include debt service, debt service reserve, and construction funds. Current restricted assets total \$35,029,648 and \$36,938,955, and non-current assets totaled \$63,803,389 and \$67,508,215 at December 31, 2020 and 2019, respectively.

***Other Current Assets***

Other current assets consists primarily of prepaid insurance and long-term service agreement costs which will be recognized within 12 months. Other current assets total \$1,572,657 and \$1,097,126 at December 31, 2020 and 2019, respectively

***Accounts Receivable***

Accounts receivable are stated at the amount billed plus any accrued and unpaid interest. Accounts receivable are ordinarily due 20 days from the billing date. Accounts that are unpaid after the due date bear interest at a local bank's prime rate per month. The Authority does not consider an allowance for uncollectible accounts necessary. Its customers are municipalities and historically receivables have been collectible.

***Inventory Pricing***

Inventory consists of fuel stock and is stated at weighted average cost.



**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**  
**As of and for the Years Ended December 31, 2020 and 2019**

***Letter of Credit***

The Authority holds transmission credit rights, which are financial obligations, issued by Southwest Power Pool (SPP) designed to mitigate variability in transmission costs by equalizing the difference in two locational marginal pricing points along the electric grid through a payment. SPP requires the posting of collateral to secure these obligations. The Authority has secured a letter of credit in the amount of \$3 million from the Bank of Oklahoma to satisfy this collateral requirement. At December 31, 2020, the collateral requirement with SPP was \$2,837,894. At December 31, 2019, the collateral requirement with SPP was \$1,717,867.

***Organization Costs***

Development activity costs incurred by the Authority through June 30, 1985, are included in organization costs. Such costs are being amortized on a straight-line basis over 37 years in accordance with the Authority's rate-making policy.

***Net Costs Recoverable in Future Years***

The Power Sales Contracts with the participating municipalities provide for billings to those municipalities for output and services of the generating facilities, for payment of current operating and maintenance expenses (excluding depreciation and amortization), for payment of scheduled debt principal and interest, and for deposits in certain funds, all in compliance with the bond resolutions. Net deferred costs recoverable in future years represent the amount by which depreciation/amortization exceeds principal repayment on debt. The Authority sets rates to cities on a cash basis utilizing essentially level debt service, and the deferred costs allow the Authority to convert from cash-based rates to accrual accounting. Net deferred cost will become a reduction in net income at such future time as the principal repayment exceeds depreciation and amortization. Annual budgets and changes in power rates are approved by the Authority's Board of Directors. During 2020 and 2019, billings to participating municipalities under Power Sales Contracts were \$151,827,996 and \$150,606,587, respectively.

Costs recoverable in future periods also includes a regulatory asset related to the pension plan. The regulatory asset totaled \$1,129,992 and \$333,561 at December 31, 2020 and 2019, respectively.

***Other Non-current Assets***

***Loans Receivables***

The Authority has established a policy whereby customers can borrow funds to finance improvements to their municipal electric systems. All lending is approved by the Authority's Board and is generally limited to 30% of the customers previous 12 month billing from the Authority. The loans are classified as other assets on the Authority's balance sheet. The current portion of loans receivables from cities totaled \$267,043 and \$257,755 at December 31, 2020 and 2019, respectively. Non-current portion of loans receivables from cities totaled \$615,067 and \$882,110 at December 31, 2020 and 2019, respectively.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

***Deferred Outflows of Resources***

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

***Unamortized Loss on Advance Refundings***

Financing costs incurred in connection with the issuance of Power Supply System Revenue Bonds and losses on advance refundings of previous bonds have been deferred. These amounts are being amortized over the life of the respective bonds in accordance with the Authority's rate-making policy.

***Derivative Financial Instruments***

The Authority has implemented GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* (Statement 53). Statement 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The Authority has entered into an interest rate swap (Note 8) to synthetically cap the effects of the short-term fluctuations in the variable interest rates. The contract requires the Authority to pay a fixed rate and receive a variable price based upon indices. This transaction meets the requirements of Statement No. 53. Realized gains or losses on the interest rate swap are recorded as either a reduction of or an addition to interest expense.

The Authority uses commodity price swap contracts (Note 9) to hedge the effects of fluctuations in the prices for natural gas during the Authority's peak sales periods. The contracts require the Authority to pay a fixed price for natural gas and receive a variable price based upon common indices. These transactions meet the requirements of Statement No. 53. Realized gains and losses on commodity swap contracts are recorded as either a reduction of or addition to fuel cost.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Public Employees Retirement System (OPERS) and additions to/deductions from OPERS fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, investments are reported at fair value.

***Compensated Absences***

Under terms of employment, employees are granted vacation and sick leave in varying amounts based on years of service. Only benefits considered vested are disclosed in these statements. Vested vacation leave is accrued when earned in the financial statements. The liability is liquidated from the general operating revenue of the Authority.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

***Long-Term Obligations***

Long-term debt and other obligations are reported as Authority liabilities. Bond premiums and discounts are amortized over the life of the bonds using the effective-interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow in the statement of net position.

***Deferred Inflows of Resources***

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

***Unearned Revenues – Rate Stabilization***

The Authority designs its electric service rates to recover costs, as defined above, of providing power supply services. In order to minimize possible future rate increases, each year the Authority determines a rate stabilization amount to be charged or credited to revenues. There were rate stabilization contributions of \$4,135,454 and \$1,559,087 in 2020 and 2019, respectively. These amounts are reflected as increases or decreases in unearned revenues – rate stabilization in the accompanying statements of net position. Rate stabilization deferrals or withdrawals are approved by the Board of Directors through the budget approval process.

***Plant Decommissioning Reserve***

The Authority has established a plant decommissioning reserve with the purpose of accumulating funds for the eventual closure of a generating facility. The decommissioning reserve totaled \$4,657,676 and \$7,712,134 at December 31, 2020 and 2019, respectively. These amounts are reflected as increases in plant decommissioning reserve in the accompanying statements of net position. Plant decommissioning deferrals or withdrawals are approved by the Board of Directors.

***Net Position***

Net position of the Authority is classified in three components. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted assets are non-capital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Authority, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted assets are remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted assets. When both restricted and unrestricted resources are available for use for the same purpose, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

***Risk Management***

The Authority manages its risks through coverages provided by private insurers for workers' compensation, employee dishonesty and boiler/machinery and other property risks by the State of Oklahoma's Risk Management Administration for automobile and tort liabilities. Settled claims have not exceeded reserves in the last three years. There were no significant reductions in coverage compared to prior year.

***Income Taxes***

The Authority is exempt from Federal income taxes, as it is a political subdivision of the State. The Authority is exempt from Oklahoma state income taxes as provided under the Municipal Power Authority Act.

***Major Customers***

The Authority currently serves 42 municipalities in Oklahoma and three partial requirements customers. Six full requirements customers accounted for approximately 69% and 73% of the Authority's operating revenues (two of which accounted for 51% and 53% of the Authority's operating revenues) for the years ended December 31, 2020 and 2019, respectively.

***Effect of New Accounting Standards on Current Period Financial Statements***

GASB has approved Statement No. 87, *Leases*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, Statement No. 96, *Subscription-Based Information Technology Arrangements*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and 84, and supersession of GASB Statement No. 32*. When they become effective, application of these standards may restate portions of these financial statements.

***Comparative Data***

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**  
**As of and for the Years Ended December 31, 2020 and 2019**

**Note 2: Deposits, Investments and Investment Income**

***Summary of Carrying Values***

The carrying values of deposits and investments shown above are included in the Statements of Net Position as follows:

	<b>2020</b>	<b>2019</b>
Carrying value		
Deposits	\$ 842,310	\$ 264,702
Investments	<u>154,564,838</u>	<u>160,874,315</u>
	<u>\$ 155,407,148</u>	<u>\$ 161,139,017</u>
Included in the following Statement of Net Position captions:		
Cash and cash equivalents	\$ 53,592,320	\$ 9,217,433
Investments – current	3,016,711	9,507,446
Non-current investments	---	38,233,010
Restricted cash and cash equivalents	95,095,916	44,039,278
Non-current restricted investments	<u>3,702,201</u>	<u>60,141,850</u>
	<u>\$ 155,407,148</u>	<u>\$ 161,139,017</u>

The Authority further classifies these deposits and investments as follows:

Operating and maintenance funds	\$ 30,941,846	\$ 32,332,281
Rate stabilization funds	18,048,928	16,913,474
Plant decommissioning funds	7,618,257	7,712,134
Debt service funds	34,994,728	36,672,913
Debt service reserve funds	50,420,437	54,614,094
Construction funds	<u>13,382,952</u>	<u>12,894,121</u>
	<u>\$ 155,407,148</u>	<u>\$ 161,139,017</u>

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and city, county, school district or special road district of the State; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

None of the Authority's bank balances of \$1,204,863 and \$573,802 were exposed to custodial credit risk at December 31, 2020 and 2019, respectively.

The Authority has collateral in the form of a line of credit with FHL Bank of Topeka of \$1 million and \$2.5 million as of December 31, 2020 and 2019, respectively. The outstanding amount drawn on the line of credit was \$0 at December 31, 2020 and 2019.

***Investments***

The management of investments is under the custody of the Authority's management. Investing is performed in accordance with the formally adopted investment policies of the Authority. The funds may be invested in (1) direct obligations of the United States government of which the full faith and credit of the United States government is pledged; (2) certificates of deposit at savings and loan associations and banks, which are federally insured or when the funds are secured by acceptable collateral; (3) savings accounts at savings and loan associations and banks, to the extent they are fully federally insured; (4) any bonds or other obligations guaranteed by any agency or corporation that has been created pursuant to an Act of Congress as an agency or instrumentality of the United States of America; (5) bonds, notes or other evidences of the indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by two nationally recognized rating agencies in their highest rating category; (6) repurchase agreements secured by 1 or 4 above provided collateral is kept safe by a representative of the Authority; and (7) interests in portfolios of money market instruments containing obligations described above. Any un-invested funds shall be deposited in a bank or banks within Oklahoma that are approved and designated by the Board of Directors of the Authority. The management of investments in the bond funds is performed in accordance with applicable bond indentures.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined below. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Fair values may have changed significantly after year end.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**  
**As of and for the Years Ended December 31, 2020 and 2019**

At December 31, 2020 and 2019, the Authority had the following investments and maturities:

<b>December 31, 2020</b>					
<b>Maturities in Years</b>					
<b>Type</b>	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
U.S. agencies obligations	\$ 6,718,912	\$ 3,016,711	\$ 3,702,201	\$ 0	\$ 0
Money market funds	<u>147,845,926</u>	<u>147,845,926</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$ 154,564,838</u>	<u>\$ 150,862,637</u>	<u>\$ 3,702,201</u>	<u>\$ 0</u>	<u>\$ 0</u>

  

<b>December 31, 2019</b>					
<b>Maturities in Years</b>					
<b>Type</b>	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
U.S. agencies obligations	\$ 111,059,394	\$ 31,494,538	\$ 58,275,056	\$ 15,605,405	\$ 5,684,396
Money market funds	<u>49,814,921</u>	<u>49,814,921</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$ 160,874,315</u>	<u>\$ 81,309,459</u>	<u>\$ 58,275,056</u>	<u>\$ 15,605,405</u>	<u>\$ 5,684,396</u>

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority’s investment policy limits investments of operating and maintenance funds with a term beyond five years to a total of \$11 million, with \$4 million of this amount invested at 10 years or less. The debt service reserve accounts may be invested beyond 10 years provided the yield is adequate. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately. The Authority was in compliance with this policy at December 31, 2020 and 2019.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

**Credit Risk** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The various bond indentures limit the types of investments the Authority may invest in and the related credit risk of those investments. At December 31, 2020 and 2019, the Authority’s investments in U.S. agencies obligations not directly guaranteed by the U.S. government were rated as follows:

<b>Investment</b>	<b>Moody’s</b>	<b>S&amp;P</b>	<b>Fitches</b>
U.S. agency securities not directly guaranteed by the U.S. government	Aaa	AA+	AAA
Money market mutual funds	Aaamf	AAAm	AAAmmf

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Authority’s investments at December 31, 2020 and 2019 are held by the counterparties in the Authority’s name.

**Concentration of Credit Risk** – The Authority places no limit on the amount that may be invested in any one issuer. At December 31, 2020, the Authority’s investment in agency obligations of Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation constituted 0%, 1.75%, 1.95% and 0.65%, respectively, of its total investments. At December 31, 2019, the Authority’s investment in agency obligations of Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation constituted 5.95%, 23.35%, 15.52% and 16.16%, respectively, of its total investments.

***Fair Value***

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs.



**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**  
**As of and for the Years Ended December 31, 2020 and 2019**

The valuation methods for fair value measurement for 2020 are as follows:

<b>Investment</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. agency securities	\$6,718,912	---	---
Interest Rate Swaps	---	(1,164,643)	---
Natural Gas Hedges	109,297	---	---

The valuation methods for fair value measurement for 2019 are as follows:

<b>Investment</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. agency securities	\$111,059,394	---	---
Interest Rate Swaps	---	(1,683,971)	---
Natural Gas Hedges	(761,766)	---	---

U.S. agency securities are valued using matrix pricing techniques, interest rate swaps are valued using an option adjusted discounted cash flow model, and gas swaps are valued with quoted market prices.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**

**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

**Note 3: Electric Utility Plant**

Electric utility plant assets activity for the years ended December 31, 2020 and 2019, were:

	<b>2020</b>			
	<b>January 1</b>	<b>Additions</b>	<b>Retirements</b>	<b>December 31</b>
Non-depreciable plant				
Construction work in progress	\$ <u>3,895,616</u>	\$ <u>651,013</u>	\$ <u>(2,120,312)</u>	\$ <u>2,426,317</u>
Depreciable plant				
General plant	34,321,929	3,734,086	(173,970)	37,882,045
Generation plant	734,884,150	3,350,026	(91,036,769)	647,197,407
Fuel reserves, net	2,714,975	—	(1,925,416)	789,559
Intangible assets	9,797,225	344,457	—	10,141,682
Leased electric plant	<u>57,739,000</u>	<u>—</u>	<u>—</u>	<u>57,739,000</u>
Total depreciable plant	<u>839,457,279</u>	<u>7,428,569</u>	<u>(93,136,155)</u>	<u>753,749,693</u>
Total electric utility plant	<u>843,352,895</u>	<u>8,079,582</u>	<u>(95,256,467)</u>	<u>756,176,010</u>
Less accumulated depreciation for				
General plant	(15,412,514)	(1,388,701)	57,989	(16,743,226)
Generation plant	(346,676,302)	(31,427,140)	91,036,769	(287,066,673)
Intangible assets	(5,675,348)	(554,180)	—	(6,229,528)
Leased electric plant	<u>(27,017,576)</u>	<u>(2,673,447)</u>	<u>—</u>	<u>(29,691,023)</u>
Total accumulated depreciation	<u>(394,781,740)</u>	<u>(36,043,468)</u>	<u>91,094,759</u>	<u>(339,730,450)</u>
Electric utility plant, net	\$ <u>448,571,154</u>	\$ <u>(27,963,886)</u>	\$ <u>(4,161,708)</u>	\$ <u>416,445,560</u>

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**

**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

	2019			
	January 1	Additions	Retirements	December 31
Non-depreciable plant				
Construction work in progress	\$ 4,877,751	\$ 3,944,076	\$ (4,926,211)	\$ 3,895,616
Depreciable plant				
General plant	32,444,109	1,877,821	—	34,321,929
Generation plant	714,351,213	20,532,937	—	734,884,150
Fuel reserves, net	2,880,156	—	(165,181)	2,714,975
Intangible Assets	9,539,835	257,390	—	9,797,225
Leased electric plant	<u>57,739,000</u>	<u>—</u>	<u>—</u>	<u>57,739,000</u>
Total depreciable plant	<u>816,954,313</u>	<u>22,668,148</u>	<u>(165,181)</u>	<u>839,457,279</u>
Total electric utility plant	<u>821,832,064</u>	<u>26,612,223</u>	<u>(5,091,392)</u>	<u>843,352,895</u>
Less accumulated depreciation for				
General plant	(14,153,779)	(1,258,736)	—	(15,412,515)
Generation plant	(322,091,607)	(24,605,937)	21,242	(346,676,302)
Intangible Assets	(5,151,619)	(523,729)	—	(5,675,348)
Leased electric plant	<u>(24,495,456)</u>	<u>(2,522,120)</u>	<u>—</u>	<u>(27,017,576)</u>
Total accumulated depreciation	<u>(365,892,461)</u>	<u>(28,910,522)</u>	<u>21,242</u>	<u>(394,781,740)</u>
Electric utility plant, net	\$ <u>455,939,603</u>	\$ <u>(2,298,299)</u>	\$ <u>(5,070,150)</u>	\$ <u>448,571,154</u>

The following reconciles depreciation expense as reported above to the statements of revenues, expenses and changes in net position:

	2020	2019
Depreciation expense, as reported above	\$ 36,043,468	\$ 28,910,522
Reduction of note payable and depreciation expense on leased electric plant	(2,673,447)	(2,522,120)
Amortization of intangible assets	<u>(534,710)</u>	<u>(522,285)</u>
Depreciation expense as reported in the statements of revenues, expenses and changes in net position	\$ <u>32,835,311</u>	\$ <u>25,866,117</u>

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**  
**As of and for the Years Ended December 31, 2020 and 2019**

**Note 4: Long-term Liabilities**

Long-term liability activity for the years ended December 31, 2020 and 2019, are as follows:

	<b>2020</b>				<b>Amounts Due Within One Year</b>
	<b>January 1</b>	<b>Additions</b>	<b>Payments or Amortization</b>	<b>December 31</b>	
Revenue bonds payable	\$ 594,980,000	\$ —	\$ (24,025,000)	\$ 570,955,000	\$ 22,035,000
Less unamortized net (discount)/premium	<u>27,866,693</u>	<u>—</u>	<u>(4,085,612)</u>	<u>23,781,081</u>	<u>—</u>
Total revenue bonds payable	622,846,693	—	(28,110,612)	594,736,081	22,035,000
Note payable	30,721,424	—	(2,673,447)	28,047,977	2,833,854
Net pension liability	474,744	2,364,574	—	2,839,318	—
Derivative liabilities	<u>2,445,737</u>	<u>—</u>	<u>(1,390,391)</u>	<u>1,055,346</u>	<u>461,826</u>
Total long-term liabilities	<u>\$ 656,488,598</u>	<u>\$ 2,364,574</u>	<u>\$ (32,174,450)</u>	<u>\$ 626,678,722</u>	<u>\$ 25,330,680</u>

  

	<b>2019</b>				<b>Amounts Due Within One Year</b>
	<b>January 1</b>	<b>Additions</b>	<b>Payments or Amortization</b>	<b>December 31</b>	
Revenue bonds payable	\$ 622,345,000	\$ 59,105,000	\$ (86,470,000)	\$ 594,980,000	\$ 24,025,000
Less unamortized net (discount)/premium	<u>25,668,686</u>	<u>6,292,325</u>	<u>(4,094,318)</u>	<u>27,866,693</u>	<u>—</u>
Total revenue bonds payable	648,013,686	65,397,325	(90,564,318)	622,846,693	24,025,000
Note payable	33,243,544	—	(2,522,120)	30,721,424	2,673,447
Net pension liability	638,153	—	(163,409)	474,744	—
Derivative liabilities	<u>2,835,257</u>	<u>—</u>	<u>(389,520)</u>	<u>2,445,737</u>	<u>1,400,611</u>
Total long-term liabilities	<u>\$ 684,730,640</u>	<u>\$ 65,397,325</u>	<u>\$ (93,639,367)</u>	<u>\$ 656,488,598</u>	<u>\$ 28,099,058</u>

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

**Revenue Bonds Payable**

The Authority has issued Power Supply System Revenue Bonds to finance portions of its acquisition and construction activities and establish bond reserve investments.

Revenue bonds outstanding at December 31, 2020 and 2019, are as follows:

	<b>2020</b>	<b>2019</b>
Power Supply System Revenue Bonds, Series 1992B, 4.65% to 6.00%, due January 1, 1997 to January 1, 2024	\$ 10,370,000	\$ 21,865,000
Power Supply System Revenue Bonds, Series 2005A, Variable Rate Demand Obligations (0.90% and 1.61% at December 31, 2019 and 2018, respectively), due January 1, 2007 to January 1, 2023	15,300,000	19,900,000
Power Supply System Revenue Bonds, Series 2010A, 2.00% to 5.00%, due January 1, 2011 to January 1, 2028	---	5,770,000
Power Supply System Revenue Bonds, Series 2010B, 6.31% to 6.44%, due January 1, 2039 to January 1, 2045	70,000,000	70,000,000
Power Supply System Revenue Bonds, Series 2013A, 3.125% to 4.00%, due January 1, 2028 to January 1, 2047	132,920,000	132,920,000
Power Supply System Revenue Bonds, Series 2013B, 3.625% to 5.00%, due January 1, 2024 to January 1, 2030	39,565,000	39,565,000
Power Supply System Revenue Refunding Bonds, Series 2014A, 3.00% to 5.00%, due January 1, 2019 to January 1, 2038	85,540,000	87,100,000
Power Supply System Revenue Refunding Bonds, Series 2014B, 3.00% to 5.00%, due January 1, 2021 to January 1, 2027	34,440,000	34,440,000
Power Supply System Revenue Refunding Bonds, Series 2016A, 2.25% to 5.00%, due January 1, 2028 to January 1, 2047	124,315,000	124,315,000
Power Supply System Revenue Refunding Bonds, Series 2019A, 5.00%, due January 1, 2020 to January 1, 2028	<u>58,505,000</u>	<u>59,105,000</u>
	570,955,000	594,980,000
Less current portion of revenue bonds payable	<u>22,035,000</u>	<u>24,025,000</u>
Revenue bonds payable less current portion	<u>\$ 548,920,000</u>	<u>\$ 570,955,000</u>

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

Principal and interest payments of revenue bonds (assuming a 5.80% on the 2005A bonds) for the years ending after December 31, 2020, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 22,035,000	\$ 24,949,842	\$ 46,984,842
2021	23,225,000	23,833,472	47,058,472
2022	24,520,000	22,649,782	47,169,782
2023	20,415,000	21,400,022	41,815,022
2024	21,505,000	20,332,515	41,837,515
2026 – 2030	101,770,000	86,666,314	188,436,314
2031 – 2035	78,500,000	66,766,427	145,266,427
2036 – 2040	98,560,000	48,804,532	147,364,532
2041 – 2045	123,545,000	27,450,459	150,995,459
2046 – 2047	<u>56,880,000</u>	<u>3,518,699</u>	<u>60,398,700</u>
	<u>\$ 570,955,000</u>	<u>\$ 346,372,064</u>	<u>\$ 917,327,064</u>

The bonds are payable from, and collateralized by, a pledge of and security interest in the proceeds of the sale of the bonds, the operating revenues of the Authority and assets in the funds established by the respective bond resolution. Interest on all fixed rate and term rate bonds is payable semiannually on January 1 and July 1; interest on variable rate bonds is payable on the first business day of each month. Neither the State nor any political subdivision thereof, nor any participating municipality which has contracted with the Authority, is obligated to pay principal or interest on the bonds. The Authority does not have any taxing authority. Additionally, the Authority must have approval from the State of Oklahoma Council of Bond Oversight in order to issue bonds.

The Power Supply System Revenue Bonds, Series 1992B, Series 1994A, Series 2003B and Series 2005A were issued to advance refund previously outstanding bonds of the Authority. The differences between the Authority's net carrying amount of the refunded bonds and the net proceeds of the refunding bonds were deferred and are being amortized over the terms of the refunding bonds. The transactions resulted in a net reduction of debt service cost over the term of the refunding bonds.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

The net proceeds of the Series 1992B and Series 1994A bonds have been irrevocably deposited with an escrow agent and have been used to purchase direct obligations of the United States government. The principal and interest on these obligations will be sufficient to pay the refunded bonds at their maturity and to pay interest to such date. Upon establishment of the escrow account, the refunded bonds are considered to be defeased and are no longer considered obligations of the Authority.

The Authority issued Series 2005A Revenue Refunding Bonds on October 6, 2005, to refund the outstanding balance of the Series 1990A bonds. A refunding loss of approximately \$4.9 million was recorded and will be amortized over the life of the new bond issue. The refunding provided a present value refunding savings of approximately \$3,600,000. The Series 2005A bonds bore a variable interest rate pursuant to a weekly auction rate process until November 21, 2008, at which time the Authority converted them to daily mode (Variable Rate Demand Obligations). The Series 2005A bonds are limited to a per annum interest rate of 14%. The Series 2005A bonds, when issued initially in the auction rate mode, were insured by MBIA Insurance Corporation.

On March 10, 2010, the Authority issued \$111,260,000 of Series 2010A Power Supply Refunding Bonds. Proceeds from this issue were used for the refunding of \$89,055,000 of the Power Supply Revenue Bonds Series 1994A, and \$27,710,000 of the Power Supply Revenue Bonds Series 2001A. The Series 2010A bonds carry a fixed interest rate of 2.00% to 5.00% and are due January 2011 thru January 2028. The transaction resulted in a net refunding loss of \$9,609,104, and had a net present value savings of 6.13%.

The Authority issued \$70,000,000 of Series 2010B Power Supply System Revenue Bonds (Federally Taxable Build America Bonds – Direct Pay) on August 11, 2010. The proceeds were used for the construction of the John W. Turk Jr. power plant and other capital projects. The Series 2010B bonds carry a fixed interest rate of 6.31% to 6.44% and are due January 2039 thru January 2045. The Authority receives a Federal subsidy equal to 33% of interest payable.

On January 31, 2013, The Authority issued \$132,900,000 of Series 2013A Power Supply System Revenue Bonds. The Series 2013A bonds carry a fixed interest rate of 3.125% to 4.000% and are due January 2028 thru 2047. The proceeds are primarily being used for the construction of the Charles D. Lamb Energy Center, a 103 MW simple cycle peaking plant to be located in Ponca City, Oklahoma. Interest expense on this issue has been, and will be, capitalized from the date of issue through July 1, 2016, in the total amount of \$17,549,786. This interest will be paid out of bond proceeds and consequently not collected in rates to participants.

On August 1, 2013, The Authority issued \$39,565,000 of Series 2013B Power Supply System Revenue Bonds. The Series 2013B bonds carry a fixed interest rate of 3.625% to 5.000% and are due January 2024 thru 2030. The proceeds are primarily being used for capacity upgrades at the McClain and Redbud plants, and to fund environmental compliance upgrades at the Authority's co-owned coal plants.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

On November 21, 2014, The Authority issued \$88,740,000 of Series 2014A and \$34,440,000 of Series 2014B Power Supply System Revenue Refunding Bonds. The 2014 series bonds carry a fixed interest rate of 3.000% to 5.000% and are due January 2019 through 2038. The proceeds were used to refund \$25,575,000 of the Authority's Series 2001B Bonds, \$16,100,000 of the Authority's Series 2003A Bonds and \$87,330,000 of the Authority's Series 2008A Bonds. The transaction resulted in a net refunding loss of \$14,262,936, and had a net present value savings of 6.11%.

On October 5, 2016, The Authority issued \$124,315,000 of Series 2016A Power Supply System Revenue Refunding Bonds. The 2016A series bonds carry a fixed interest rate of 2.25% to 5.000% and are due January 2028 through 2047. The proceeds were used to refund \$135,375,000 of the Authority's Series 2007A Bonds. The transaction resulted in a net refunding loss of \$2,527,805, and had a net present value savings of 14.99%.

On October 3, 2019, The Authority issued \$59,105,000 of Series 2019A Power Supply System Revenue Refunding Bonds. The 2019A series bonds carry a fixed interest rate of 5.000% and are due January 2020 through 2028. The proceeds were used to refund \$64,005,000 of the Authority's Series 2010A Bonds. The transaction resulted in a net refunding loss of \$1,328,820, and had a net present value savings of 8.45%.

As of December 31, 2020 and 2019, total outstanding defeased bonds totaled \$26,740,000, which represents the final callable date of the bonds as part of the 1992A bond issuance.

Under the bond resolutions, the Authority has covenanted that it will establish and collect rents, rates and charges under the Power Sales Contracts and will otherwise charge and collect rents, rates and charges for the use or sale of the output, capacity or service of its system which, together with other available revenues, are reasonably expected to yield net revenues for the 12-month period commencing with the effective date of such rents, rates and charges equal to at least 1.10 times the aggregate debt service for such period and, in any event, as are required, together with other available funds, to pay or discharge all other indebtedness, charges and liens payable out of revenues under the resolutions.

**Note Payable**

The Authority has issued \$57,739,000 in a taxable limited obligation note. The note bears an interest rate of 6%. Annual principal and interest payments of \$4,516,732 are due through December 31, 2028. The note is payable solely from lease payments made by FPL Energy Oklahoma Wind, LLC on a leased electric plant (*Note 11*) with no recourse to the Authority.



**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**  
**As of and for the Years Ended December 31, 2020 and 2019**

Principal and interest payments of the note payable for the years ending after December 31, 2020, are as follows:

Year Ending December 31,	Direct Placement		
	Principal	Interest	Total
2021	\$ 2,833,854	\$ 1,682,878	\$ 4,516,732
2022	3,003,885	1,512,847	4,516,732
2023	3,184,118	1,332,614	4,516,732
2024	3,375,165	1,141,567	4,516,732
2025	3,577,675	939,057	4,516,732
2026 – 2028	<u>12,073,280</u>	<u>1,476,917</u>	<u>13,550,197</u>
	<u>\$ 28,047,977</u>	<u>\$ 8,085,880</u>	<u>\$ 36,133,857</u>

**Note 5: Restricted Net Position**

At December 31, 2020 and 2019, restricted net position is available for the following purposes:

	2020	2019
Debt service	\$ 22,179,201	\$ 24,323,067
Capital acquisitions	<u>13,382,952</u>	<u>12,894,121</u>
Total restricted expendable net position	<u>\$ 35,562,153</u>	<u>\$ 37,217,188</u>

The restrictions of the various accounts are as follows:

- Capital acquisitions – This account is restricted for payment of construction costs & capital acquisitions.
- Debt service accounts – This account is restricted for payment of the current portion of bond principal and interest, and maintenance of debt service reserves sufficient to cover the maximum annual principal and interest requirements of the respective related bond issues.

# Oklahoma Municipal Power Authority

## A Component Unit of the State of Oklahoma

### Notes to Financial Statements

As of and for the Years Ended December 31, 2020 and 2019

#### Note 6: Defined Benefit Pension Plan Participation

##### Plan description

The Authority, as the employer, participates in Oklahoma Public Employees Retirement Plan — a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Public Employees Retirement System (OPERS). Title 74 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the OPERS. OPERS issues a publicly available financial report that can be obtained at [www.opers.ok.gov](http://www.opers.ok.gov).

##### Benefits provided

OPERS provides retirement, disability, and death benefits to members of the plan. Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90). Normal retirement date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service. A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011. As of November 1, 2015, the OPERS plan is closed to new participants.

Benefits are calculated for each member category as follows:

##### Employees

- Benefits are determined at 2% of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

- Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5% computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.
- Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Upon the death of an active member, the accumulated contributions of the member are paid to the member's named beneficiary in a single lump sum payment. If a retired member elected a joint annuitant survivor option or an active member was eligible to retire with either reduced or unreduced benefits or eligible to vest the retirement benefit at the time of death, benefits can be paid in monthly payments over the life of the spouse if the spouse so elects.

Upon the death of a retired member, the Plan will pay a \$5,000 death benefit to the member's beneficiary or estate of the member if there is no living beneficiary. The death benefit will be paid in addition to any excess employee contributions or survivor benefits due to the beneficiary.

**Contributions**

The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates. Employees are required to contribute 3.5% percent of their annual pay. Participating entities are required to contribute 16.5% of the employees' annual pay. Contributions to the pension plan from the Authority for were \$910,035 and \$938,136 in 2020 and 2019, respectively.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The Authority reported a liability of \$2,839,318 and \$474,744 for its proportionate share of the net pension liability at December 31, 2020 and 2019, respectively. For the year ended December 31, 2020, the net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. For the year ended December 31, 2019, the net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Authority's proportion of the net pension liability was based on the Authority's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30<sup>th</sup>. Based upon this information, the Authority's proportion was 0.31825% and 0.35644% in 2020 and 2019, respectively.

The Authority recognized pension expense of \$1,726,577 at December 31, 2020. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Of Resources</b>	<b>Deferred Inflows Of Resources</b>
Differences between expected and actual experience	\$ ---	\$ 15,515
Changes of assumptions	1,014,177	---
Net difference between projected and actual earnings on pension plan investments	337,382	---
Authority contributions subsequent to the measurement date	<u>373,282</u>	<u>---</u>
Total	<u>\$ 1,724,841</u>	<u>\$ 15,515</u>

The Authority recognized pension expense of \$768,253 at December 31, 2019. The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Of Resources</b>	<b>Deferred Inflows Of Resources</b>
Differences between expected and actual experience	\$ ---	\$ 111,713
Changes of assumptions	---	---
Net difference between projected and actual earnings on pension plan investments	---	143,247
Authority contributions subsequent to the measurement date	<u>396,143</u>	<u>---</u>
Total	<u>\$ 396,143</u>	<u>\$ 254,960</u>

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

\$337,282 and \$396,143 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2021 and 2020, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
Deferred	
	<u>Inflows/Outflows</u>
2021	\$ 544,014
2022	440,913
2023	207,477
2024	143,640
Thereafter	-
	<u>\$ 1,336,044</u>

**Actuarial Assumptions**

The total pension liability as of June 30, 2020 and 2019, was determined based on an actuarial valuation prepared as of July 1, 2019 and July 1, 2018, respectively using the following actuarial assumptions:

- Investment return – 6.5% for 2020 and 7.0% for 2019 compounded annually net of investment expense and including inflation.
- Salary increases – 3.5% to 9.25% for 2020 and 3.5% to 9.5% for 2019.
- Mortality rates – In 2020, Pub 2010 Below Media, General Membership Active/Retiree Healthy Mortality Table with base rates projected to 2030 using Scale-MP2019. Males rates are set back one year, and Female rates are set forward one year.
- No annual post-retirement benefit increases
- Assumed inflation rate – 2.50% for 2020 and 2.75% for 2019.
- Payroll growth – 3.25% for 2020 and 2.75% for 2019.
- Actuarial cost method – Entry age
- Select period for the termination of employment assumptions – 10 years

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

The actuarial assumptions used in the July 1, 2020, valuation is based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2019. The experience study report is dated May 13, 2020.

The actuarial assumptions used in the July 1, 2019, valuation is based on the results of the actuarial experience study, which cover the three-year period ending June 30, 2016. The experience study report is dated April 13, 2017.

The long-term expected rate of return on pension plan investments was determined using a long-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	34.0%	4.7%
U.S. Small Cap Equity	6.0%	5.8%
Int's Developed Equity	23.0%	6.5%
Emerging Market Equity	5.0%	8.5%
Core Fixed Income	25.0%	0.5%
Long Term Treasuries	3.5%	0.0%
US TIPS	3.5%	0.3%
Total	100.0%	

The Target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	3.8%
U.S. Small Cap Equity	6.0%	4.9%
Non-US Equity	24.0%	9.2%
US Fixed	32.0%	1.4%
Total	100.0%	

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**

**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

**Discount Rate**

The discount rates used to measure the total pension liability was 6.5% for 2020 and 7.0% for 2019. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

In 2020, the net pension liability of the employers calculated using the discount rate of 6.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	June 30, 2020		
	1% Decrease	Discount Rate	1% Increase
	(5.50%)	(6.50%)	(7.50%)
Net Pension Liability (Asset)	\$ 6,683,992	\$ 2,839,318	\$ (409,385)

In 2019, the net pension liability of the employers calculated using the discount rate of 7.00%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	June 30, 2019		
	1% Decrease	Discount Rate	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability (Asset)	\$ 4,292,423	\$ 474,744	\$ (2,761,919)

**Pension plan fiduciary net position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report of the OPERS; which can be located at [www.opers.ok.gov](http://www.opers.ok.gov).

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

**Note 7: Other Employee Benefit Plans**

***Oklahoma Public Employees Retirement Defined Contribution Plan***

Effective November 15, 2015, the Oklahoma Legislature enacted legislation requiring a Defined Contribution System be established by the OPERS for most state employees first employed by a participating State employer on or after November 1, 2015. Employees of the Authority who first become employees on or after November 1, 2015, and have no prior participation in OPERS must participate in the mandatory Defined Contribution Plan created in accordance with Internal Revenue Code Section 401(a) and 457(b) and chapter 40 of Title 590 of the Oklahoma Statute. The Defined Contribution plan is known as Pathfinder. Pathfinder and its related Trust(s) are intended to meet the requirements of the Internal Revenue Code. Pathfinder is administered by OPERS. The board of trustees of OPERS may amend Pathfinder or Trust(s) but no amendment shall authorize or permit any part of the Trust for Pathfinder to be used or diverted to purposes other than for the exclusive benefit of the Pathfinder participants and their beneficiaries.

Contribution rates are established by Oklahoma Statute and may be amended by the Oklahoma Legislature. For the initial period of implementation, employees must make mandatory employee contributions of 4.5% of pretax salary to the 401(a) plan and may make additional voluntary contributions to the 457(b) plan, subject to maximum deferral limits allowed under the Code.

Employees are vested 100% for all employee contributions. The Authority must make mandatory contributions of 6% of the employees' pretax salary and 7% if the employee elects to participate in the 457(b) plan. Employees become vested for the employer contributions based on an established vesting schedule. The amount of the Authorities contributions to was \$42,430 and \$30,269 for the year ending December 31, 2020 and 2019, respectively.

Additionally, in order to reduce the liabilities of the defined benefit plan, the Authority is required to contribute the difference between the established 16.5% defined benefit employer contribution rate and the amount required to match the participating employees contribution in the defined contribution plan. The amount of the Authorities contributions to was \$74,253 and \$52,971 for the year ending December 31, 2020 and 2019, respectively. The Authority reports no liability for Pathfinder.

***ICMA Deferred Compensation Plan***

Authority employees may participate in a voluntary deferred compensation plan provided for under Section 457 of the Internal Revenue Code. Employees pay no state or federal income tax (*i.e.*, only FICA on amounts contributed to the plan), and the income earned on plan assets is also nontaxable. The assets in the plan are held in trust until paid or made available to participants. The assets are not subject to claims of the Authority's general creditors.

Contributions to the deferred compensation plan may not exceed the maximum allowable by IRS guidelines. Plan withdrawals are available at retirement, termination of employment and in the event of disability or unforeseen emergency. In the event of death, the beneficiary receives the full account value based upon current fair value.



**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

***ICMA 401(a) Money Purchase Plan***

The Authority participates in a voluntary deferred compensation plan provided for under Section 401(a) of the Internal Revenue Code. The plan is structured so that the Authority will match employee contributions into the Section 457 plan, up to a limit of 5% of the employee's annual salary. The Authority contributed \$137,000 and \$130,000 into the plan in 2020 and 2019, respectively. The assets are not subject to claims of the Authority's general creditors.

The deferred compensation plan and the money purchase plan are administered by ICMA Retirement Corporation, a nonprofit organization specifically designed to serve municipal employees. The assets are held by ICMA, and are not presented in the Authority's financial statements.

**Note 8: Interest Rate Swap Agreements**

***Objective of the Interest Rate Swap***

The Authority's asset/liability strategy is to have a mixture of fixed- and variable-rate debt to take advantage of market fluctuations. As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Authority entered into an interest rate swap agreement in a notional amount equal to the outstanding principal on the 2005A bond issue. The intention of the swap is to effectively change the Authority's variable interest rate on the 2005A issue to a synthetic fixed rate of 5.05%. The Authority follows hedge accounting for derivatives that are considered effective hedges. Under hedge accounting, the increase or decrease in fair value of a hedge is reported as a deferred inflow or deferred outflow in the Statement of Net Position. For 2020 and 2019, the interest rate swap was considered effective.

***Terms***

On March 19, 2009, the Authority entered into an interest rate swap agreement with Deutsche Bank. The agreement, which will continue until January 1, 2023, provides for the Authority to receive interest from the counterparty at SIFMA Municipal Swap Index, and to pay interest to the counterparty at a fixed rate of 5.05% on notional amounts that match the outstanding principal portion of the 2005A bonds, which was \$15,300,000 and \$19,900,000 at December 31, 2020 and 2019, respectively. Under the agreement, the Authority pays interest semi-annually and receives interest monthly. The net interest expense resulting from the agreement is included in interest expense.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**

**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

**Fair Value**

As of December 31, 2020 and 2019, the agreements had a negative fair value of \$1,164,643 and \$1,683,971, respectively, calculated using the par-value method (*i.e.*, the fixed rate on the swap was compared with the current fixed rates that could be achieved in the marketplace should the swap be unwound). The fixed-rate component was valued by discounting the fixed-rate cash flows using the current yield to maturity of a comparable bond. The variable-rate component was assumed to be at par value because the interest rate resets to the market rate at every reset date. The fair value was then calculated by subtracting the estimated market value of the fixed component from the established market value of the variable component.

**Credit Risk**

The swap's fair value represented the Authority's credit exposure to the counterparty as of December 31, 2020. Should the counterparty to this transaction fail to perform according to the terms of the swap agreement, the Authority has a maximum possible loss equivalent to the swap's fair value at that date. At December 31, 2020, the Authority was not exposed to credit risk because the swap had a negative fair value. The transaction does not require collateral from the Authority or the counterparty.

Deutsche Bank, the counterparty in this transaction, had the following credit rating at December 31, 2020:

<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitches</u>
A3	BBB+	BBB+

Deutsche Bank, had the following credit rating at December 31, 2019:

<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitches</u>
A3	BBB+	BBB

**Basis Risk**

The swap exposes the Authority to basis risk should the relationship between the variable rate being paid on the 2005A bond issue and the SIFMA Municipal Swap Index rate being received change in a manner adverse to the Authority. If an adverse change occurs in the relationship between these rates, the expected cost savings may not be fully realized.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

**Termination Risk**

The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate notes would no longer have a synthetic fixed rate of interest. Also, if the swap has a negative fair value at the time of termination, the Authority would be liable to the counterparty for a payment equal to the swap's then fair value.

**Swap Payments and Associated Debt**

Using rates as of December 31, 2020 debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are set forth in the table below. As rates vary, variable-rate interest payments and net swap payments will vary.

	<b>Variable-Rate Notes</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Interest Rate Swap, Net</b>	<b>Total</b>
2021	\$ 4,800,000	\$ 166,410	\$ 485,040	\$ 5,451,450
2022	5,100,000	102,555	298,920	5,501,475
2023	5,400,000	34,830	101,520	5,536,350
	\$ 15,300,000	\$ 303,795	\$ 885,480	\$ 16,489,275

**Note 9: Commodity Price Swap Contracts**

**Objective of the Swap**

The Authority is exposed to market price fluctuations on its purchase of natural gas. To protect itself from natural gas price fluctuations, the Authority periodically enters into natural gas price swap contracts. The Authority follows hedge accounting for derivatives that are considered effective hedges. Under hedge accounting, the increase or decrease in fair value of a hedge is reported as a deferred inflow or deferred outflow in the Statement of Net Position. For 2020 and 2019, the natural gas price swaps were considered effective.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**

**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

**Terms**

The Authority enters into natural gas price swap contracts at various fixed prices and notional amounts. Each swap contract provides for the Authority to pay a fixed price, and for the contract counterparty to pay a floating price for the notional amount of the contract. The notional amount of each natural gas price swap contract is measured in MMBtu's with the floating price based on a specific published natural gas price index (spot price) for the relevant contract month. At December 31, 2020, the Authority's outstanding natural gas price swap contracts were as follows:

<b>Maturity Date</b>	<b>Notional Quantity (MMBTU)</b>	<b>Fixed Price (\$/MMBTU)</b>	<b>Fair Value</b>
May 31, 2021	50,000	\$ 1.935	\$ 17,471
June 30, 2021	50,000	1.935	21,080
July 31, 2021	50,000	1.935	22,848
Aug. 31, 2021	50,000	1.935	25,029
Sept. 30, 2021	<u>50,000</u>	1.935	<u>22,869</u>
	<u>250,000</u>		<u>\$ 109,297</u>

At December 31, 2019, the Authority had outstanding natural gas price swap contracts with notional amounts totaling 1,630,000 MMBtu's at fixed prices between \$1.935 to \$2.895 per MMBtu, and expiring between January 2020 and September 2021.

**Fair Value**

The outstanding natural gas price swap contracts had a positive fair value of \$109,297 at December 31, 2020, and a negative fair value of \$761,766 at December 31, 2019. The fair value is estimated by discounting actual and implied forward prices using the zero-coupon method. The future net settlement amounts are calculated by assuming that the current forward rates implied by the forward curve for natural gas prices correctly anticipate future spot prices. The future net settlement amounts are then discounted using the spot rates implied by the current interest yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of each contract.

**Credit Risk**

At December 31, 2020 and 2019, the Authority was not exposed to credit risk because the natural gas price swaps had a negative fair value. However, should the fair value of the contracts become positive, the Authority would be exposed to credit risk related to the counterparty of the contract in the amount of the positive fair value. The swap agreements do not require collateral from the Authority or the counterparty.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**  
**As of and for the Years Ended December 31, 2020 and 2019**

At December 31, 2020, all swap transactions had the following credit ratings:

	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitches</u>
Morgan Stanley	A1	A	A+

At December 31, 2019, all swap transactions had the following credit ratings:

	<u>Moody's</u>	<u>S&amp;P</u>	<u>Fitches</u>
Morgan Stanley	A3	BBB+	A
JPMorgan	A2	A-	AA-

***Termination Risk***

The Authority or the counterparty may terminate any of the swap contracts if the other party fails to perform under the contract terms. Also, if at the time of the termination, any swap contract has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swaps fair value.

**Note 10: Commitments and Contingencies**

***Purchase Power***

During 2020 and 2019, approximately \$13,379,000 and \$13,446,000 of power was purchased pursuant to several long-term purchase agreements. The Authority is obligated to purchase, at a minimum, approximately \$12,912,000 of power in 2021, and is committed to purchase capacity and energy under various purchase power contract in future years.

***General Litigation***

The Authority is subject to claims and lawsuits that arise in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the changes in financial position and cash flows of the Authority. As of December 31, 2020, there were no claims asserted or lawsuits pending against the Authority.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**  
**As of and for the Years Ended December 31, 2020 and 2019**

**Note 11: Leased Electric Plant**

The Authority executed a Power Purchase Agreement for 51 MW with FPL Energy Oklahoma Wind, LLC (FPLE Oklahoma) for the development of a wind generation facility in northwestern Oklahoma. Under the Power Purchase Agreement, FPLE Oklahoma was responsible for acquiring, constructing and installing the wind project. The Authority issued a taxable limited obligation note (the Note), which is payable solely from lease payments made by FPLE Oklahoma with no recourse to the Authority (*Note 4*). The Authority used the proceeds of the Note to finance the Authority's acquisition of the wind project and has leased the wind project to FPLE Oklahoma under a long-term capital lease agreement for an amount sufficient to pay debt service, principal and interest on the Note. The Power Purchase Agreement has a term of approximately 25 years, and power is sold on a take and pay basis. FPLE Oklahoma retains the operational risk related to the wind project.

The following lists the components of the lease agreement as of December 31, 2020 and 2019

	<b>2020</b>	<b>2019</b>
Total minimum lease payments to be received	\$ 36,133,860	\$ 40,650,589
Less: Amounts representing interest included in total minimum lease payments	8,085,883	9,929,165
Net minimum lease payments receivable	\$ 28,047,977	\$ 30,721,424

**Note 12: Plant Retirements**

In May of 2020, the co-owners of the Dolet Hills lignite fired steam electric generating plant decided to close the plant at the end of 2021.

In November of 2020, the co-owners, of the Pirkey lignite fired steam electric generating plant decided to close the plant at the end of March 2023.

The decisions to close these plants were made because the plants were increasingly uneconomic in the Southwest Power Pool energy markets due to an abundance of generation from less expensive natural gas and wind generation.

Both plants have had service lives in excess of 35 years. A service life of 35 years was the expected life when these plants were placed in service in the mid-1980s. Therefore, these plants do not meet the definition of an impaired asset as defined by GASB Statement No. 42.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Notes to Financial Statements**

**As of and for the Years Ended December 31, 2020 and 2019**

Depreciation of the Dolet Hills assets was accelerated during 2020 and will be complete by the end of 2021. Depreciation for the Pirkey assets will be accelerated beginning in 2021 and will be complete by March.

For the Dolet Hills plant, \$4.7 million in depreciation was recognized in 2020, and \$4.0 million will be taken in 2021. In addition, \$1.9 million in fuel reserves and advanced royalties were written off in 2020.

For the Pirkey plant, \$1.5 million in depreciation will be recognized in 2021 and 2022, and \$800,000 in fuel reserves and advanced royalties will be expensed during this period.

**Note 13: Subsequent Events**

As a result of the recent extreme cold weather in the Southwestern United States commencing February 13, 2021, the Authority was required by the Southwest Power Pool (SPP) to run all available power generation for reliability of the electric grid. Widespread blackouts were avoided, and the Authority satisfied the electric power needs of all its member cities throughout the period of extreme cold weather. In doing so it purchased additional gas to generate the needed electric power and was exposed to and incurred higher than normal gas costs due to the unusual demand for power caused by the extreme cold. This was exacerbated by a shortage of natural gas in the region due to significant wellhead freeze-offs. The Authority estimates that the net cost impact of the event is approximately \$60 million. On March 12, 2021, the Authority closed on a 5-year term note with Bank of America bearing a fixed interest rate of 1.75% with a prepayment option after 5 months. The Authorities' intention is to pay off the Bank of America term loan with a new taxable bond series that refunds certain bond series for savings and includes \$40 million of new money bonds. The Authority believes that the \$40 million in new money bonds together with savings on the refunded bonds and the use of reserve funds will be sufficient to payoff of the Bank of America term loan. The Authority intends to structure the new debt so that debt service remains at the current level for 2021 and 2022 and then declines for the years 2023 through 2027 but not by as much as had been previously scheduled. The authority believes this structure will not have any immediate impact on rates to member cities. The new money bonds will have a final maturity date of January 1, 2028.

**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Required Supplementary Information**  
**As of and for the Years Ended December 31, 2020 and 2019**  
**(Unaudited)**

**Schedule of Proportionate Share of the Net Pension Liability – Oklahoma Public Employees Retirement System**

**Last 10 Fiscal Years \***

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
OMPA proportion of net pension liability	0.318251%	0.356446%	0.327189%	0.318826%	0.031058%	0.030422%	0.030084%
OMPA proportionate share of net pension liability	\$ 2,839,318	\$ 474,744	\$ 638,153	\$ 1,723,775	\$ 3,081,110	\$ 1,094,248	\$ 552,236
Covered Payroll	\$ 4,834,918	\$ 5,073,878	\$ 5,087,203	\$ 4,956,925	\$ 5,292,418	\$ 5,034,873	\$ 4,616,788
OMPA proportionate share of net pension liability as a percentage of covered payroll	58.73%	9.36%	12.54%	34.77%	58.22%	21.73%	11.96%
Plan fiduciary net position as a percentage of total pension liability	91.6%	98.6%	97.9%	94.3%	89.5%	93.6%	88.6%

Only 2014 - 2020 information were presented because 10 year data was unavailable.

**Changes in Benefit Terms.** There were no changes of benefit terms for any participating employer in the Plan.

Changes in Assumptions are as follows:

	<u>2020</u>		<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
Long-term rate of return	6.50	%	7.00	%	7.00	%	7.25	%	7.25	%	7.50
Discount rate	6.50		7.00		7.00		7.25		7.25		7.50
Price Inflation	2.50		2.75		2.75		2.75		3.00		3.00
Real Wage Growth	0.75		0.75		0.75		0.75		1.00		1.00

There were no other changes in assumptions



**Oklahoma Municipal Power Authority**  
**A Component Unit of the State of Oklahoma**  
**Required Supplementary Information**  
**As of and for the Years Ended December 31, 2020 and 2019**  
**(Unaudited)**

**Schedule of Contributions – Oklahoma Public Employees Retirement System**

**Last 10 Fiscal Years \***

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Contractually Required Contributions	\$ 910,035	\$ 938,136	\$ 845,397	\$ 857,632	\$ 920,625	\$ 874,210	\$ 761,770
Actual employer contributions	<u>\$ 910,035</u>	<u>\$ 938,136</u>	<u>\$ 845,397</u>	<u>\$ 857,632</u>	<u>\$ 920,625</u>	<u>\$ 874,210</u>	<u>\$ 761,770</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$4,517,268	\$4,985,182	\$4,762,999	\$4,804,161	\$5,072,249	\$5,298,243	\$4,845,832
Contributions as a percentage of covered payroll	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%

Only 2014 - 2020 information were presented because 10 year data was unavailable.

**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

**Independent Auditors' Report**

To the Board of Directors of  
Oklahoma Municipal Power Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Oklahoma Municipal Power Authority as of and for the year ended December 31, 2020, and have issued our report thereon dated March 31, 2021. Our report disclosed that as discussed in Note 13 to the financial statements, subsequent to the date of the financial statements, Oklahoma Municipal Power Authority has been impacted by the market response to Winter Storm Uri. Our opinion was not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Oklahoma Municipal Power Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oklahoma Municipal Power Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Oklahoma Municipal Power Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of Oklahoma Municipal Power Authority are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Oklahoma Municipal Power Authority in a separate letter dated March 31, 2021.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Baker Tilly US, LLP*

Austin, Texas  
March 31, 2021

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## APPENDIX C

### INFORMATION CONCERNING CERTAIN CO-OWNERS

The companies, municipal utility and the rural electric generation and transmission cooperative listed below are joint owners, with the Authority, of the following power supply resources:

Dolet Hills 1:           Southwestern Electric Power Company (“SWEPCO”)  
                                  Central Louisiana Electric Company, Inc. (“CLECO”)  
                                  Northeast Texas Electric Cooperative, Inc. (“NTEC”)

Pirkey 1:                 SWEPCO  
                                  NTEC

McClain  
Generating Facility:   Oklahoma Gas & Electric Company (“OG&E”)

Redbud  
Generating Facility:   OG&E  
                                  Grand River Dam Authority (“GRDA”)

Turk:                     SWEPCO  
                                  East Texas Electric Cooperative (“ETEC”)  
                                  Arkansas Electric Cooperative Corporation (“AECC”)

American Electric Power Company, Inc. (“AEP”) is the parent company of PSO, TNC and SWEPCO.

Certain of the joint owners have assumed responsibility for operation of the above power supply resources as described in Appendix F hereto. None of the joint owners is an obligor with respect to the Bonds.

Certain information, as of particular dates, concerning PSO, TNC, SWEPCO, CLECO and OG&E (the “Companies”), their directors and officers, their remuneration and any material interest of such persons in transactions with the Companies are disclosed in Annual Reports on Form 10-K or proxy statements distributed to stockholders and filed with the Securities and Exchange Commission (the “SEC”). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can also be obtained at prescribed rates by writing to the SEC, Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Certain securities of the Companies are listed on the New York and Midwest Stock Exchanges, where reports, proxy material and other information concerning the Companies may also be inspected. In addition, the Companies are required to file reports and information with the Federal Energy Regulatory Commission (the “FERC”). Such reports and information can be inspected at the FERC’s Public Reference Room, 888 First Street, N.E., Room 2-A, Washington, D.C. 20426.

None of the above-mentioned additional information regarding any of the Companies is part of the Official Statement and the Authority does not take any responsibility for the accuracy or completeness thereof.

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## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE POWER SALES CONTRACTS

The following is a summary of certain provisions of the Power Sales Contracts, as amended (collectively, the “Power Sales Contracts”), between the Authority and 42 of its participants (the “Participating Trusts”). The summary does not purport to be a complete description of the terms of the Power Sales Contracts and, accordingly, is qualified by reference thereto. Copies of the Power Sales Contracts may be obtained from the Authority. The City of Lindsay, Oklahoma has executed a Power Sales Contract, however service will not commence until June 1, 2025.

#### **A. Term**

Pursuant to amendments to the Power Sales Contracts with 37 of the Participating Trusts, the term of each Power Sales Contract extends indefinitely until terminated upon at least 15 years prior written notice by either party. Additionally, the Power Sales Contracts with the Fort Supply Public Works Authority, the Mooreland Public Works Authority, the New Cordell Utility Authority, the Orlando Public Works Authority, Watonga Public Works Authority, and the Lindsay Public Works Authority provided for the 15 year notice of termination from their inception.

#### **B. Purchase and Sale**

Subject to the exceptions noted below, each Power Sales Contract requires the Authority to sell to the Participating Trust, and the Participating Trust to purchase from the Authority, all electric power and energy required by such Participating Trust for the operation of its municipal electric system. Upon seven years’ notice, the amount of electric power and energy the Authority is required to sell and each Participating Trust is required to purchase may be limited by the Participating Trust or the Authority to the “Contract Rate of Delivery,” which is defined to be the peak demand for power under the Power Sales Contract of such Participating Trust in the 24 monthly billing periods prior to the date such limitation commences, adjusted up or down by not more than 10% to provide for optimal utilization of the Authority’s resources. If the Authority exercises its Contract Rate of Delivery option, it must exercise such option with respect to all Participating Trusts.

[The foregoing is subject to certain exceptions. In the case of 16 Participating Trusts, the amount of power and energy to be sold by the Authority and purchased by such Participating Trusts is its requirements in excess of the portion served through purchases under an allocation from Southwestern Power Administration, an agency of the Department of Energy of the United States.]

#### **C. Payments by the Participating Trusts**

Each Participating Trust is required to pay for electric power and energy furnished pursuant to its Power Sales Contract at its point or points of delivery according to rates to be established by the Authority. The rates of the Authority are to be reviewed at least once a year and, if necessary, revised so as to provide revenues sufficient, but only sufficient, together with other available funds of the Authority, to meet the estimated “Revenue Requirements” of the Authority. The term Revenue Requirements is defined to include generally all costs and expenses paid or incurred or to be paid or incurred by the Authority resulting from the ownership, operation, maintenance, termination, retirement from service and decommissioning of, and repair, renewals, replacements, additions, improvements, betterments and modifications to, the Authority’s system or otherwise relating to the acquisition and sale of power and

energy and transmission services and performance by the Authority of its obligations under the Power Sales Contracts. The term Revenue Requirements includes, without limitation, debt service on Bonds and all other evidences of indebtedness issued by the Authority to finance its system, all amounts required under the Authority's Power Supply System Revenue Bond Resolution to be deposited in funds established thereunder and amounts which must be realized by the Authority to satisfy any rate covenant with respect to debt service coverage or which the Authority deems advisable in the marketing of its evidences of indebtedness; ***provided, however, that Revenue Requirements shall not include debt service on bonds, notes or other evidences of indebtedness due solely by virtue of the acceleration of the maturity thereof.*** If necessary, in determining the rates necessary to produce sufficient revenues, the Authority shall take into account any anticipated delinquency or default in payments by Participating Trusts under the Power Sales Contracts. The Authority is also required to bill each Participating Trust on a prompt and timely basis.

At such intervals as it shall determine appropriate, but in any event not less frequently than once each calendar year, the Authority shall review and, if necessary, revise the rate schedule to insure that the rates thereunder continue to cover its estimate of the Revenue Requirements. In connection with any revision of that rate schedule, the Authority shall cause a notice in writing to be given to all Participating Trusts which shall set out any proposed revision of the rate schedule with the effective date thereof, which shall not be less than 60 days after the date of the notice. The Participating Trust agrees to pay for electric power and energy made available by the Authority to it under the Power Sales Contract after the effective date of any revision in the rate schedule in accordance with the rate schedule as so revised.

If a Participating Trust fails to take power and energy made available by the Authority which it is required to take under its Power Sales Contract, it will be obligated to pay the Authority for such availability an amount equal to the product of the demand charge in the Authority's rate schedule and the billing demand computed on the basis of the kilowatts that would otherwise have been taken from the Authority.

Payments by each Participating Trust under its Power Sales Contract shall be made as an operating expense from the revenues of its electric utility system (or, if the electric utility system is part of an integrated utility system, from the revenues of such larger system) and from other funds of such system legally available therefor. However, the obligations to make such payments are not a general obligation of the Participating Trust. In no event shall the Participating Trust be required to make payments under its Power Sales Contract from tax revenues.

The obligations of each Participating Trust to make payments under the rate schedule shall not be subject to any reduction, whether by offset, counterclaim, recoupment or otherwise, and shall not be otherwise conditioned upon the performance by the Authority under the Power Sales Contract or any other agreement.

Amendments to the Power Sales Contract of each Participating Trust provide that in the event (i) Bonds are issued in furtherance of the Authority's obligations under the Power Sales Contract, (ii) such Bonds are issued prior to any written notice of termination of the Power Sales Contract, and (iii) such Bonds mature in whole or in part after any such terminations, and are attributable to capacity then allocated to the Participating Trust, then the Authority shall, subject to change by the Board of Directors, in its sole discretion, include in rates applicable to the Participating Trust, during the period between the date notice of termination is given and the effective date of termination, amounts sufficient to provide for the payment of the principal of, redemption premium, if any, and interest on such Bonds to the extent allocated by the Authority to the Participating Trust. Such rate adjustment, if any, applicable to the Participating Trust shall not exceed the Participating Trust's load ratio share of such capacity allocated to the Participating Trust, determined on a capacity basis compared to the sum of the Participating Trust and



all other Participating Trusts. Such rates may or may not be the same as the rates applicable to other Participating Trusts.

#### **D. Rate Covenant**

Each Participating Trust has agreed to maintain rates for electric power and energy to its consumers which will provide revenues, which, together with other funds estimated to be available, will be sufficient to meet its obligations to the Authority under its Power Sales Contract and all other operating expenses of its electric system or integrated utility system, and to pay all obligations from, or constituting a charge or lien on, the revenues of its electric system or integrated utility system. However, nothing in the Power Sales Contract shall be construed to diminish or surrender the power of a city to regulate charges for public services rendered by the respective Participating Trust.

#### **E. Restrictions on Disposition of Electrical System, Sales for Resale, Other Obligations**

Each Participating Trust has agreed that it will not sell, lease or otherwise dispose of all or substantially all of its electrical system except on 90 days' prior written notice to the Authority and unless all of the following conditions are met. The Participating Trust must assign the Power Sales Contract to the entity acquiring or leasing the system and such entity must assume the obligations of the Participating Trust under the Power Sales Contract. To the extent necessary to reflect the assignment and assumption, the Authority and such entity must enter into an agreement supplemental to the Power Sales Contract to clarify the terms on which power and energy are to be sold under the Power Sales Contract to such entity. The senior debt of such entity must be rated in one of the three highest whole rating categories by a nationally-recognized bond rating agency. The Authority must determine that the sale, lease or other disposition will not adversely affect the value of the Power Sales Contract as security for the payment of the Authority's bonds or affect the eligibility of interest on the Authority's bonds for federal tax-exempt status.

A Participating Trust may not sell at wholesale any electric power and energy delivered to it under its Power Sales Contract to any customer for resale, unless such resale is approved by the Authority.

If a Participating Trust proposes to issue bonds, notes or other evidences of obligations payable from and secured by the revenues of its electric system, or other integrated utility system of the Participating Trust of which the electric system is a part, other than any being issued to the Farmers Home Administration ("FmHA") or any successor agency or instrumentality or to any other agency or instrumentality of the United States pursuant to a program similar to the FMHA Community Facility loan program (collectively, "Revenue Bonds"), it shall comply with the following provisions. The Participating Trust agrees that in no event shall it issue any Revenue Bonds which are payable from revenues derived in whole or in part from its electric system or such integrated utility system superior to the payment of operating expenses unless an independent consulting engineer or engineering firm or corporation experienced in analyzing the operations of electric utility systems certifies that the revenues of the electric system or such integrated utility system forecasted for each of the next three years, together with other funds estimated to be available, shall be at least equal to the forecasted sum of (i) 125% of the principal of and interest (excluding capitalized interest) on the Revenue Bonds coming due in such year plus (ii) operating expenses of the electric system or such integrated utility system for such year.

## **F. Remedies**

Upon failure of a Participating Trust to make any payment in full when due under its Power Sales Contract, the Authority may take all steps available to it under applicable law to collect such amount and, after giving 15 days' advance notice in writing of its intention to do so, discontinue service under the Power Sales Contract. The Authority may, whenever any amount due remains unpaid for 120 or more days after the due date and after giving 30 days' advance notice in writing of its intention to do so, terminate the Power Sales Contract. No such discontinuance or termination shall relieve a Participating Trust from liability for payment for electrical power and energy furnished under its Power Sales Contract.

## **G. Retail Distributed Generation Program**

In response to increasing requests from Participating Trusts' retail customers, the Authority implemented a Distributed Generation Program effective June 14, 2012, which allows Participating Trusts to purchase distributed generation from their retail customers. The Program is voluntary on the part of the Participating Trusts, and the guidelines of the Program allow for only a "de minimis" amount of energy to be purchased through the Program by limiting the amount of aggregate capacity to the greater of (1) 1% of the average of the Public Trust's peak demand for the preceding three years, or (2) 50 kW. Available resources are limited to renewable energy resources such as wind, hydro, biomass, and solar. In order to participate in the Program, a Participating Trust is required to execute an amendment to the Power Sales Contract. The Authority developed a "Toolkit" for Participating Trusts to use in preparing for retail behind-the-meter generation. To date, twenty eight Participating Trusts, Blackwell, Comanche, Edmond, Eldorado, Frederick, Fort Supply, Geary, Goltry, Granite, Kingfisher, Lexington, Manitou, Marlow, Newkirk, Okeene, Orlando, Pawhuska, Perry, Ponca City, Prague, Purcell, Spiro, Tecumseh, Tonkawa, Watonga, Waynoka, Wynnewood, and Yale have elected to participate in the Program.

## APPENDIX E

### SUMMARY OF CERTAIN PROVISIONS OF THE DOLET HILLS AGREEMENT, THE PIRKEY AGREEMENT, THE MCCLAIN AGREEMENT, THE REDBUD AGREEMENT, THE TURK AGREEMENT AND THE UNIT POWER AGREEMENT

\*\*The following are summaries of certain provisions of (i) the Agreement For Assignment of an Undivided Ownership Interest in the Dolet Hills Unit No. 1, between Southwestern Electric Power Company (“SWEPCO”) and the Authority and the Assignment of an Undivided Ownership Interest between SWEPCO and the Authority (collectively, the “Dolet Hills Agreement”), (ii) the Henry W. Pirkey Unit No. 1 Ownership, Construction and Operating Agreement between SWEPCO and the Authority and the Supplemental Agreement relating to Henry W. Pirkey Unit No. 1 Ownership, Construction and Operating Agreement between SWEPCO and the Authority (collectively, the “Pirkey Agreement”), (iii) the Asset Purchase Agreement (the “Asset Purchase Agreement”) between Duke Energy McClain, LLC (“Duke Energy”) and the Authority, and the Ownership and Operation Agreement (the “Ownership and Operation Agreement”) between Oklahoma Gas & Electric Company (“OG&E”) and the Authority (the Asset Purchase Agreement and the Ownership and Operation Agreement are hereinafter collectively referred to as the “McClain Agreement”), (iv) the Unit Power Sales Agreement between Grand River Dam Authority (“GRDA”) and the Authority (the “Unit Power Agreement”), (v) the Purchase and Sale Agreement between OG&E and Redbud Energy LLC and the Asset Purchase Agreement and the Ownership and Operating Agreement, each between OG&E, GRDA and the Authority, and (vi) the Construction, Ownership and Operating Agreement by and among SWEPCO, East Texas Electric Cooperative (“ETEC”), Arkansas Electric Cooperative Corporation (“AECC”) and the Authority (the “Turk Agreement”). Capitalized terms not otherwise defined herein have the meanings set forth in the respective documents.

The summaries do not purport to be complete descriptions of the above mentioned agreements and, accordingly, are qualified by reference thereto. A copy of the above mentioned agreements may be obtained from the Authority.

#### **I. The Dolet Hills Agreement**

##### **A. General**

The Dolet Hills Agreement provides for, among other things, the assignment by SWEPCO to the Authority of an undivided ownership interest in the Dolet Hills Project, which includes Dolet Hills Unit No. 1 (“Dolet Hills Unit No. 1”), a lignite-fired steam-electric generating unit (excluding pollution control facilities) which was placed in commercial operation in April 1986, the boiler, cooling facilities, related property, the land on which Dolet Hills Unit No. 1 rests and certain intangible rights associated with the Dolet Hills Project.

Pursuant to the Dolet Hills Agreement, the Authority acquired from SWEPCO, and is obligated in respect of, a percentage undivided ownership interest of 3.906%, SWEPCO retained a percentage undivided ownership interest of 46.094%, and Central Louisiana Electric Company, Inc. (“CLECO”) retained a percentage undivided ownership interest of 50% in the Dolet Hills Project. On December 19, 1985, SWEPCO sold a 5.860% undivided ownership interest in the Dolet Hills Project to Northeast Texas Electric Cooperative, Inc. (“NTEC”). CLECO previously acquired its percentage ownership interest pursuant to the Dolet Hills Power Station Ownership, Construction and Operating Agreement, as supplemented, between SWEPCO and CLECO (the “SWEPCO-CLECO Agreement”) (the Authority,

CLECO, SWEPCO and NTEC being herein referred to as the “Co-Owners” and their respective percentage ownership interests in the Dolet Hills Project being herein referred to as their “Ownership Percentages”). Pursuant to the Dolet Hills Agreement, the Authority also acquired a right to 3.906% of the lignite delivered for Dolet Hills 1 from a specified area (the “Lignite Rights”).

#### **B. Sale of Undivided Ownership Interests**

*The Closing.* At a closing held on August 6, 1985, the Authority purchased its Ownership Percentage in the Dolet Hills Project and the Lignite Rights from SWEPCO. The purchase price paid by the Authority for its interest in the Dolet Hills Project and the Lignite Rights was its Ownership Percentage of (i) all costs of acquisition and construction incurred by SWEPCO through the date of closing, (ii) an allowance for funds used during construction calculated at SWEPCO’s marginal cost of capital, and (iii) compensation for the Lignite Rights. The Authority has agreed to compensate SWEPCO for state and federal taxes, if any, paid by SWEPCO as a result of the sale to the Authority.

*No Warranties by SWEPCO.* The Dolet Hills Agreement contains a provision to the effect that the assignment from SWEPCO to the Authority is without warranties of title of any kind whatsoever or warranties of merchantability or fitness for a particular purpose. However, all warranties from manufacturers, vendors, suppliers and contractors shall extend to the Authority to the extent of its Ownership Percentage.

#### **C. Obligation to Pay Cost of Construction**

Each Co-Owner is obligated to pay its Ownership Percentage of all costs of acquisition and construction in connection with the Dolet Hills Project. SWEPCO is required to furnish budgets for such costs to the Authority.

#### **D. Alienation of Ownership Interests**

Except in certain circumstances, the right of the Authority to transfer all or any portion of its ownership interest in the Dolet Hills Project is subject to first refusal rights. Any such transfer must first be offered to SWEPCO, and, if refused by SWEPCO, then to CLECO. In the event that the Authority transfers all or any portion of its ownership interest (other than solely as security for indebtedness), the Authority shall, at the request of SWEPCO, cause such transferee to become a party to the Dolet Hills Agreement and assume the obligations of the Authority thereunder.

#### **E. Operating Committee; Appointments as Agent**

The SWEPCO-CLECO Agreement establishes an Operating Committee composed of one representative of both SWEPCO and CLECO. Under the Dolet Hills Agreement, the Authority has no membership or vote on the Operating Committee; however, an Authority representative may attend Operating Committee meetings and present its views. Under the SWEPCO-CLECO Agreement, CLECO appoints SWEPCO to act on its behalf in the acquisition of land and in the planning, design, licensing, construction and acquisition of materials and completion of the Dolet Hills Project. SWEPCO appoints CLECO to act as its agent to test, operate and maintain the Dolet Hills Project after commercial operation begins. Under the Dolet Hills Agreement, the Authority appoints SWEPCO as its agent and grants authority for SWEPCO to appoint CLECO as its agent in the same capacities as SWEPCO and CLECO act as agents pursuant to the SWEPCO-CLECO Agreement.

The respective agencies of SWEPCO and CLECO are subject to the authority granted to the other party's Operating Committee representative. Such authority includes rights of consultation as to various matters set forth in the SWEPCO-CLECO Agreement.

#### **F. Entitlement to Output**

Each Co-Owner is entitled to share in the available net capability of the Dolet Hills Project in accordance with its respective Ownership Percentage. Except in the case of a default, no Co-Owner has the authority to dispose of the entitlement to capacity and energy which another Co-Owner is entitled to take.

#### **G. Obligation to Pay Operating and Fuel Costs**

Operating and fuel costs are generally paid by the Co-Owners according to their respective Ownership Percentages. The Authority pays monthly to SWEPCO for its share of the operating and fuel expenses with respect to the Dolet Hills Project the sum of the following: (1) the Authority's ownership percentage of the total cost of the Dolet Hills Project (as determined by CLECO) for actual costs of operation and maintenance (excluding fuel) and overheads, power dispatching and substation operating expenses allocated by CLECO to the Dolet Hills Project; (2) the Authority's pro rata share of the total production related cost of lignite delivered from the lignite reserves, and the Authority's ownership percentage share of all other fuel for the Dolet Hills Project, plus an additional 5% of such cost of other fuel; (3) the Authority's ownership percentage of actual total non-production related costs associated with operation of the lignite mine; (4) an amount equal to one quarter (0.25) mill per kilowatt-hour of the Dolet Hills Project energy delivered for the Authority's account into SWEPCO's transmission system; and (5) an amount equal to SWEPCO's actual costs incurred in connection with its accounting and billing for the Authority's lignite inventory. SWEPCO is required to furnish operating budgets to the Authority.

#### **H. Defaults**

***Default under the SWEPCO-CLECO Agreement.*** If SWEPCO is in default in the payment of costs of acquisition and construction under the SWEPCO-CLECO Agreement and such default continues unremedied for four months, the Authority is permitted to remedy such default within two months thereof and obtain the benefit of an increased interest in the Dolet Hills Project in accordance with the formula set forth in the Dolet Hills Agreement (the "Default Formula"). If SWEPCO should be in default in the payment of costs of acquisition and construction under the SWEPCO-CLECO Agreement because the Authority is in default under the Dolet Hills Agreement and SWEPCO does not elect to remedy such default on behalf of the Authority, the Authority will suffer a forfeiture of its interest in accordance with the Default Formula. If CLECO should be in default in the payment of costs of acquisition and construction under the SWEPCO-CLECO Agreement, SWEPCO has the first right to remedy such default and obtain the benefits of the increased interest in accordance with the SWEPCO-CLECO Agreement.

***Default Under the Dolet Hills Agreement.*** In the event that SWEPCO or the Authority is in default under the Dolet Hills Agreement for failure to make any payment due under the Dolet Hills Agreement for a period of forty-eight hours, or the default in the performance of any other obligation or duty required by the Dolet Hills Agreement and such default has not been cured within thirty days after receipt of notice thereof or if not reasonably curable within such period, efforts to cure same are not being pursued with due diligence, SWEPCO, as agent for the defaulting party, may sell any output of capacity and energy of the Dolet Hills Project to which the defaulting party is entitled.

## **II. The Pirkey Agreement**

### **A. General**

The Pirkey Agreement provides for, among other things, the sale by SWEPCO to the Authority of an undivided ownership interest in Henry W. Pirkey Unit No. 1 (the "Pirkey Project") which includes (i) a 640 MW lignite-fired-steam electric generating unit placed in commercial operation in January 1985, (ii) the land and facilities required for operation of the Pirkey Project, (iii) the Common Facilities, which will be common to any other unit constructed on or adjacent to the land required for operation of the Pirkey Project, and (iv) certain Lignite Reserves.

Pursuant to the Pirkey Agreement, the Authority acquired from SWEPCO, and is obligated in respect of, a percentage undivided ownership interest of 2.344%, SWEPCO retains a percentage undivided ownership interest of 85.936% and NTEC retains a percentage undivided ownership interest of 11.72% in the Pirkey Project (collectively, the "Ownership Percentages" and the Authority, SWEPCO and NTEC being herein collectively referred to as the "Co-Owners"). NTEC previously acquired its Ownership Percentage pursuant to the Ownership, Construction and Operating Agreement, dated as of April 8, 1982, as amended, between SWEPCO and NTEC (the "SWEPCO-NTEC Agreement").

### **B. Sale of Undivided Ownership Interests**

*The Closing.* At a closing held on July 9, 1985, the Authority purchased its Ownership Percentage in the Pirkey Project from SWEPCO. The purchase price paid by the Authority for its interest in the Pirkey Project was its Ownership Percentage of (i) all costs of acquisition and construction incurred by SWEPCO through the date of closing and (ii) an allowance for funds used during construction calculated at SWEPCO's marginal cost of capital. The Authority has agreed to compensate SWEPCO for state and federal taxes, if any, paid by SWEPCO as a result of the sale to the Authority.

*No Warranties by SWEPCO.* The Pirkey Agreement contains a provision to the effect that the conveyance from SWEPCO to the Authority of its Ownership Percentage in the Pirkey Project was without warranties of title and was "as is" and "where is." All warranties from manufacturers, suppliers, vendors and contractors extend to the Authority to the extent of its Ownership Percentage.

### **C. Obligation to Pay Cost of Construction**

Each Co-Owner is obligated to pay its Ownership Percentage of all costs of construction paid in connection with the Pirkey Project. SWEPCO is required to furnish quarterly statements to the Authority showing all expenditures for the last quarter and the respective shares thereof of each of the Co-Owners.

### **D. Alienation of Ownership Interests**

Except in certain circumstances, the Authority does not have the right to sell, lease, convey, transfer, assign, encumber or alienate all or any portion of its Ownership Percentage in the Pirkey Project without first offering such sale, lease or other conveyance to SWEPCO, and if refused by SWEPCO, then to NTEC, upon the same terms and conditions as the proposed sale, lease or other conveyance to a third party. The right of first refusal is not applicable to conveyances in connection with the financing of pollution control facilities, sales of equipment incident to renewals or replacements, the creation of liens by mortgage incident to the future issuance of bonds or notes, the rights of the trustee or bond or debt holders under any such mortgage, the first mortgage lien against SWEPCO's properties and the rights of the trustees and debt holders thereunder, or in the event the Authority or SWEPCO is in bankruptcy or

receivership or is insolvent or is unable to timely pay its obligations under the terms of the Pirkey Agreement.

In the event of any sale, conveyance, transfer, assignment or alienation by the Authority of all or any portion of its Ownership Percentage in the Pirkey Project, the Authority must cause such transferee to become a party to the Pirkey Agreement and assume the obligations of the Authority thereunder.

#### **E. Project Manager**

Under the Pirkey Agreement, the Authority appoints SWEPCO as Project Manager to act on its behalf in the planning, design, licensing, construction, acquisition, maintenance and operation of the Pirkey Project. In performing its responsibilities under the Pirkey Agreement, the Project Manager is required to comply with good utility practice.

#### **F. Generating Capacity and Energy Entitlements**

Each Co-Owner is entitled to share in the net capability in the Pirkey Project in accordance with its respective Ownership Percentage. Neither SWEPCO nor the Authority has the authority to sell or otherwise dispose of the entitlements from the Pirkey Project to which the other party is entitled to take.

#### **G. Obligation to Pay Operation, Maintenance and Fuel Costs**

The Authority pays monthly to SWEPCO for its share of the operating and fuel expenses with respect to the Pirkey Project the sum of the following: (1) the Authority's percentage share of production related costs of lignite from the Lignite Reserves, and the Authority's percentage share of the total cost of all other fuel for the Pirkey Project, plus an additional 5% (1% as of January 1, 2002) of such cost of all other fuel; (2) the Authority's percentage share of actual total cost of operation and maintenance (excluding fuel) with respect to the Pirkey Project, plus an additional 5% of such amount; (3) the Authority's percentage share of SWEPCO's overhead charges and expenses allocated to the Pirkey Project; (4) the Authority's percentage share of other miscellaneous expenses; and (5) an amount equal to one quarter (0.25) mill per kilowatt-hour of the Authority's share with respect to the Pirkey Project energy delivered into SWEPCO's transmission system for the Authority's account.

#### **H. Defaults**

If either the Authority or SWEPCO is in default under the Pirkey Agreement for failure to make any monetary payment when due for a period of 48 hours after the due date thereof or failure in the performance of any other obligation or duty which has not been cured within thirty days after notice has been given by the non-defaulting party, or if not curable within such period, good faith efforts to cure same have not commenced during such period and are not being pursued with due diligence, the defaulting Co-Owner shall have no right to the output of the Pirkey Project. SWEPCO, as agent for the Co-Owner in default, may sell any output of capacity or energy of the Pirkey Project to which the party in default is entitled until all obligations and duties in default shall have been fully performed by the defaulting party.

#### **I. Relationship with NTEC**

The Pirkey Agreement provides that in the event of a default by NTEC under the SWEPCO-NTEC Agreement, SWEPCO is required to meet all of NTEC's Pirkey Project obligations and responsibilities under the SWEPCO-NTEC Agreement, including, payment of NTEC's proportionate

costs of construction, fuel costs, operation and maintenance costs and all other costs relating to the Pirkey Project.

### **III. The McClain Agreement**

#### **A. General**

The Asset Purchase Agreement provided for, among other things, the acquisition by the Authority from Duke Energy of a 23% undivided ownership interest in the power plant now known as the McClain Generating Facility, an approximately 478 MW (winter rating 520 MW) natural gas-fired combined cycle generating facility located in McClain County, Oklahoma, including real and personal property, certain related contracts and transferable permits.

#### **B. Purchase of Undivided Ownership Interest**

*The Closing.* At a closing held on March 1, 2001, the Authority purchased its Ownership Percentage in the McClain Generating Facility from Duke Energy. The purchase price paid by the Authority for its interest in the McClain Generating Facility was its Ownership Percentage of all real property, inventory, tangible personal property, business contracts, transferable permits, power plant books and records, and warranty and damage payments. The Authority's acquisition of its interest in the McClain Generating Facility entitles the Authority to schedule and receive its Ownership Percentage of the net available output, net generating capability and ancillary services generated by the McClain Generating Facility as available from time to time after the closing date.

*Sales of Ownership Interest.* In August 2001, Duke Energy sold its entire ownership interest in the McClain Generating Facility to NRG McClain LLC ("NRG") and NRG assumed the Ownership and Operation Agreement initially entered into between Duke Energy and the Authority. In July 2004, NRG sold its entire 77% ownership interest in the McClain Generating Facility to OG&E and OG&E concurrently entered into the Ownership and Operating Agreement with the Authority. OG&E and the Authority are currently the sole owners of the McClain Generating Facility.

#### **C. Executive Committee; Operator**

The Ownership and Operation Agreement establishes an Executive Committee, to which is delegated all decisions in respect of operating, maintaining, administering contracts relating to, improving and adding capital additions to the McClain Generating Facility. Unless otherwise agreed by the Executive Committee, day-to-day operation and maintenance will be performed by OG&E as operator (the "Operator") under a Facility Operating Agreement. The rights and duties of the Operator shall be as set forth in the Operating and Maintenance Agreements as in effect from time to time. Certain matters relating to the major maintenance and repair of the McClain Generating Facility also may be subcontracted.

Under the Ownership and Operation Agreement, each owner has a vote on the Executive Committee proportionate to its percentage ownership interest in the McClain Generating Facility. With certain exceptions, decisions of the Executive Committee are required to be by vote of a majority of the aggregate ownership shares. Certain matters and items, including those found by an arbitrator to be or have been consistent with prudent operating practices, costs borne solely by another owner or the Operator individually, and items recommended by the chairman of the Executive Committee or the Operator having a total cost to all owners in the aggregate of less than \$70,000, must be approved. Certain matters require a vote of 85% (supermajority) of the aggregate ownership shares, including (i) except to the extent that the then current Facility Operating Agreement otherwise provides, (A) the



termination of the Facility Operating Agreement, (B) any material amendment to the Facility Operating Agreement, (C) any material amendment with respect to the aggregate non-cost based compensation provided for under the operations and maintenance subcontract, or (D) the approval of a new Facility Operating Agreement or the replacement or appointment of the Operator or, if applicable, the operations and maintenance subcontractor (such approval not to be unreasonably withheld or delayed by any owner, which approval of a proposed replacement Operator or operations and maintenance subcontractor shall not be withheld by any owner if such replacement Operator or operations and maintenance subcontractor is (1) a qualified operator of gas-fired combined cycle facilities with similar technology as the McClain Generating Facility, and (2) is capable of performing the obligations of the operations and maintenance subcontractor under the operations and maintenance subcontract); (ii) elective capital additions requiring a total cost to all owners in the aggregate in excess of \$10 million; (iii) a decision to settle third party claims where the uninsured portion of any such claim exceeds \$10 million; (iv) a decision to end McClain Generating Facility operations; and (v) proposals to change any of the provisions requiring supermajority vote.

Notwithstanding the foregoing, for as long as the Authority is an owner and finances or refinances the acquisition of its undivided ownership interest in the McClain Generating Facility with tax exempt financing, no Facility Operating Agreement shall include provisions which the Authority determines, on the basis of opinion of counsel, will adversely affect the exclusion from gross income, for federal income tax purposes, of the interest on securities issued or to be issued by the Authority in such financing or refinancing.

In the event that there are only two owners or, if there are more than two, one has an ownership share more than 50%, and a supermajority vote cannot be achieved on the matters summarized at clause (i) (D) or (ii) of the second preceding paragraph (but only if the elective capital additions benefit all owners proportionately), and if senior management of the owners cannot resolve the disagreement, any non-defaulting owner may initiate a procedure whereby any owner or owners may offer to buy any other owner's respective ownership interest in the McClain Generating Facility, owners may counteroffer, and ultimately one or more owners may be required to sell their ownership interests to other owners, with the purchase price established pursuant to the offer-counteroffer process with no minimum price. If no owner initiates this procedure within the time limits provided, the dispute may be resolved by arbitration.

#### **D. Obligation to Pay Operation and Maintenance Costs**

Each owner is responsible for its ownership share of all costs of operation and maintenance (which excludes financing costs, taxes on income or assessed against an owner's ownership interest or share of net available output, or payments in lieu of taxes, and fuel costs) and its variable share of fuel costs, except to the extent otherwise agreed in a Facility Operating Agreement or as discussed below.

#### **E. Fuel Acquisition**

Pursuant to the Service Agreement (the "Transportation Agreement") between ONEOK Gas Transportation, L.L.C. ("ONEOK") and the Authority, OG&E formerly was designated Delivery Point Operator for the McClain Generating Facility. As Delivery Point Operator, OG&E was required to acquire, nominate, schedule and allocate natural gas to the McClain Generating Facility, collectively for itself and as agent for the Authority. On April 29, 2014, OG&E and the Authority signed an agreement to cancel their prior agreement effective May 1, 2014, and thereupon the Authority began acquiring, nominating, scheduling and allocating natural gas to the McClain Generating Facility in its own name and on its own account under North American Energy Standards Board ("NAESB") contracts with counterparties in the open market.

## **F. Allocation of Net Available Output; Market Dispatch.**

With the advent of the SPP Integrated Marketplace, effective March 1, 2014, OG&E is representing the McClain Generating Facility in the energy market as the market participant. The Authority and OG&E have agreed to a set of operating protocols that guide how the asset is offered into the market and settled between the two parties. The Authority participates with its full ownership share in the market.

## **G. Defaults**

If a default is limited to a failure of the defaulting owner to make payments, the defaulting owner's ownership share of net available output may be sold during the period of default, for the benefit of the defaulting owner, to third parties or other owner(s) and the proceeds applied to the amounts owed by such owner; provided, that the non-defaulting owner(s) have no obligation to engage in any such sales. Payments not made when due may be advanced by the other owner(s) and, if so advanced, shall bear interest until paid. If a payment default (including accrued interest thereon) has not been brought current by the defaulting owner by the 90<sup>th</sup> day following the original due date, then, in lieu of receiving a cash payment from the defaulting owner therefor, any non-defaulting owner may elect to increase its respective ownership share (and the ownership share of the defaulting owner shall be correspondingly reduced) according to the following formula: increased interest equals SI multiplied by (A/TV), where SI is the defaulting owner's then current ownership share; A is the aggregate amount then owed by such defaulting owner; and TV is the product of such defaulting owner's then current ownership share multiplied by the total cost of the McClain Generating Facility.

If a default involves the failure of a defaulting owner to fulfill any covenant or to perform any other material obligation, the defaulting owner's ownership share of net available output may be used or sold by the non-defaulting owner(s) as it may in its sole discretion determine during the period of such default, and the value thereof, calculated as the variable cost of producing the energy actually generated from such net available output, shall be credited to any actual damages incurred by the non-defaulting owner(s) as a result of such failure or non-performance.

In addition to the foregoing rights, any non-defaulting owner may seek injunctive relief, including specific performance, to enforce a defaulting owner's obligation under the Ownership and Operation Agreement; provided, that all claims to recover damages or payments on account of any default shall be resolved by arbitration.

## **IV. The Redbud Agreement**

### **A. General**

The Redbud Generating Facility ("Redbud") is a 1,230 megawatt natural gas fired, combined cycle electric generating plant located in central Oklahoma near Luther, Oklahoma. The plant has been operational since 2004 and, prior to purchase by the Authority, was under the ownership of Kelson Holdings, doing business at this plant as Redbud Energy, LLC ("Redbud LLC"). The Redbud project was purchased by a consortium of buyers including Oklahoma Gas & Electric Company ("OG&E"), Grand River Dam Authority ("GRDA"), and OMPA.

### **B. Purchase and Sale Agreement**

The Purchase and Sale Agreement ("PSA") was entered into by and between OG&E as purchaser and Redbud Energy LLC as Seller, in December, 2007. The PSA provided that Redbud would be

purchased for the sum of \$852 million. The PSA further recited that OG&E would, promptly after closing of the PSA and the purchase of the Redbud LLC, dissolve the Redbud LLC and then sell undivided interests of all the assets of Redbud LLC to OMPA and GRDA pursuant to the Asset Purchase Agreement.

### **C. Asset Purchase Agreement**

The Asset Purchase Agreement (“APA”) was entered into by and among OG&E, GRDA and OMPA in January, 2008. The APA recites that OG&E will purchase the Redbud LLC under the PSA and after becoming the 100% owner of the Redbud Generating Facility will promptly dissolve the Redbud LLC and then sell an undivided thirty six percent (36%) to GRDA for a sum equal to 36% of the PSA purchase price and an undivided thirteen percent (13%) to OMPA for a sum equal to 13% of the PSA purchase price. GRDA and OMPA agree to deposit their share of the required purchase price into an escrow account at least one business day prior to the estimated closing date of the PSA. This was completed as per the terms of the APA.

### **D. Ownership and Operating Agreement**

The Ownership and Operating Agreement (“O&O”) was entered on the 21<sup>st</sup> day of January, 2008, by and among OG&E, GRDA and OMPA. This O&O provides that the three owners shall own Redbud as tenants in common and the Operations Manager shall be OG&E. The Operations Manager shall operate Redbud in accordance with Prudent Utility Practices. Each owner shall be entitled to receive, schedule and dispatch its pro rata share of capacity and energy from Redbud. Each owner is responsible for the timely payment of its pro-rata share of all operating costs and capital additions. Each owner shall have one representative to the Executive Committee and each representative shall have a single vote equal to its ownership interest. The Executive Committee shall have the power to establish policies and procedures for the operation and maintenance of Redbud. Certain matters require the approval of a supermajority of members, including termination of Redbud operations.

### **E. Allocation of Net Available Output; Market Dispatch.**

With the advent of the SPP Integrated Marketplace, effective March 1, 2014, OG&E is representing Redbud in the energy market as the market participant. The Authority and OG&E have agreed to a set of operating protocols that guide how the asset is offered into the market and settled between the two parties. The Authority participates with its full ownership share in the market.

## **V. The Unit Power Agreement**

### **A. General**

Under the Unit Power Agreement, GRDA sells to the Authority 20 MW of unit power and energy from GRDA’s 62% ownership share of GRDA 2, a nominally rated 520 MW coal-fired steam electric generating unit near Chouteau, Oklahoma and placed in commercial operation in April 1986; provided, however, that such 20 MW shall be adjusted if that amount is less than 3.39% or more than 4.00% of the accredited net capability of GRDA 2 in megawatts. GRDA operates and maintains GRDA 2.

### **B. Purchase of Unit Power**

Under the Unit Power Agreement, the unit power and energy purchased by the Authority is supplied to the Authority by GRDA on the basis that it is continuously available except when GRDA 2 is temporarily out of service for maintenance or forced outage. If GRDA 2 is temporarily out of service for

maintenance or forced outage, GRDA will deliver replacement energy to the Authority, if it can do so without jeopardizing sales to its other customers, at rates set forth in an exhibit to the Unit Power Agreement. GRDA may provide substitute energy from other sources if the cost of such substitute energy is no greater than the cost of GRDA 2 energy. Under the Unit Power Agreement, the Authority schedules unit power and energy in amounts up to its generation entitlement percentage of the maximum generating capacity of GRDA 2.

### **C. Obligation to Pay for Unit Power**

As compensation for unit power and energy supplied by GRDA, the Authority pays monthly to GRDA the sum of the following: (1) the Authority's generation entitlement percentage of monthly fixed operating costs of GRDA 2; (2) the Authority's pro rata share of monthly debt service costs attributable to GRDA 2; (3) one-twelfth of an allowance for payment of annual debt service costs associated with common facilities constructed with GRDA 1 and allocable to GRDA 2; (4) the Authority's pro rata share of variable operating costs of GRDA 2; (5) the Authority's pro rata share of fuel costs of GRDA 2; (6) an amount equal to the cost of substitute energy delivered by GRDA to the Authority, if any; and (7) an amount equal to the cost of replacement energy delivered by GRDA to the Authority, if any.

### **D. Coordinating Committee**

The Authority and GRDA have established a Coordinating Committee composed of one representative of the Authority and GRDA. All decisions made and directions given by the Coordinating Committee must be unanimous. In the event a unanimous vote cannot be had, the chief executives of the Authority and GRDA or their designated representatives will resolve the impasse.

The Coordinating Committee shall establish scheduling procedures, operating procedures and standard practices with respect to the Unit Power Agreement for the guidance of dispatchers and other employees as to matters affecting interconnected operations and shall recommend arrangements for metering, communications, scheduling, dispatching and other services in connection with the Unit Power Agreement.

### **E. Ownership Option**

The Authority has the option, subject to the consent of GRDA, to prepay certain costs and thereby become a joint owner of GRDA 2 under mutually agreeable terms and conditions to be negotiated.

## **VI. The Turk Agreement**

### **A. General**

The John W. Turk, Jr. Power Plant ("Turk") is a nominal 650 MW (net) ultra-supercritical, coal-fired, baseload electric generating plant located in southwest Arkansas in Hempstead County, and was constructed and is co-owned and operated by SWEPCO. The Authority contracted for 6.667%, or 43 MW, of net output from the unit. Construction commenced in December of 2008 and achieved commercial operation on December 20, 2012.

### **B. Construction, Ownership and Operating Agreement**

The Construction, Ownership and Operating Agreement ("COO") was executed by the owners of the unit on December 13, 2007, and establishes the terms by which the unit will be constructed, operated and owned by the owners. The COO designates SWEPCO as the Construction Manager, Operations

Manager, and the Project Manager. The Agreement establishes an Ownership Committee to facilitate effective communication and cooperation among the owners during construction and operation of the unit. SWEPCO will serve as the Chair of the Ownership Committee and all action taken by the committee must be by unanimous vote of all owners.

### **C. Fuel**

The Operations Manager has sole and exclusive responsibility to obtain a fuel supply for the unit, rail cars and other equipment and contractual arrangements necessary for the transportation and storage of the fuel. AECC, ETEC or OMPA shall not have any ownership interest in the coal maintained on the Turk site or burned in the plant and shall not have an ownership interest, beneficial or otherwise, in any coal supply or transportation contracts entered into by the Operations Manager. The Operations Manager will bill the owners for their share of the fuel burned each month based upon the amount of energy taken by each owner during such month.

### **D. Obligation to Pay Capital, Operations, Maintenance and Fuel Costs**

The Authority will be responsible for the timely payment of its (i) pro rata share of Operating Costs, (ii) pro rata share of the Costs of Capital Additions, (iii) pro rata share of SWEPCO carrying charge applied to such Operating Costs and Costs of Capital Additions, (iv) Variable Operating Share which shall be based upon the same allocation as the Owner's Monthly Fuel Cost and (v) share of fuel costs as outlined in Exhibit F of the COO.

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## APPENDIX F

### SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution pursuant to which Bonds have been and may be issued. Certain other provisions of the Resolution are described elsewhere in the Official Statement to which this Appendix is attached (the "Official Statement"). Summaries of certain definitions contained in the Resolution are set forth below. Other terms defined in the Resolution for which summary definitions are not set forth are indicated by capitalization. The following summaries, together with the summaries of provisions included elsewhere in the Official Statement, do not purport to be a complete description of the terms of the Resolution and, accordingly, are qualified by reference thereto. Copies of the Resolution may be obtained from the Authority.

#### Definitions

The following are summaries of certain definitions in the Resolution:

**Accrued Aggregate Debt Service** means, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series of Bonds, calculating accrued Debt Service with respect to each series at an amount equal to the sum of (1) interest on the Bonds of such series accrued and unpaid and to accrue (as estimated by the Authority) to the end of the then current calendar month and (2) Principal Installments due and unpaid and that portion of the Principal Installment for such series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month. Principal Installments which are Refundable Principal Installments are excluded from the calculation.

**Adjusted Aggregate Debt Service** for any period means, as of any date of calculation, the Aggregate Debt Service for such period except that, if any Refundable Principal Installment for any Series of Bonds is included in Aggregate Debt Service for such period, Adjusted Aggregate Debt Service will be determined as if each such Refundable Principal Installment had been payable, over a period extending from the due date of such Principal Installment through the later of the 35th anniversary of the issuance of such Series of Bonds or the 10th anniversary of the due date of such Principal Installment, in installments which would have required equal annual payments of principal and interest over such period. Interest deemed payable in any Fiscal Year after the actual due date of any Refundable Principal Installment of any Series of Bonds shall be calculated at the average rate of interest actually payable on the Bonds of such Series at the time the calculation is made (using the true, actuarial method of calculation) or such higher rate as the Authority determines appropriate.

**Aggregate Debt Service** for any period means, as of any date of calculation, the sum of the amounts of Debt Service on Bonds of all Series due and payable during such period; provided, however, that for purposes of estimating Aggregate Debt Service for any future period, any Option Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof.

**Cost of Acquisition and Construction**, with respect to any part of the System, shall mean the Authority's costs, expenses and liabilities paid or incurred or to be paid or incurred by the Authority in connection with the planning, engineering, designing, acquiring, constructing, installing, financing, operating, maintaining, retiring, decommissioning and disposing of any part thereof and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto.

**Credit Obligation** means any obligation of the Authority under a contract, having a term in excess of five years, to make payments for power and energy whether or not such power and energy is made available, but only to the extent such obligation is payable from any fund or account created under the Resolution.

**Debt Service**, for any period, as of any date of calculation and with respect to any Series of Bonds, means an amount equal to the sum of (1) interest accruing during such period with respect to Bonds of such Series (except interest to be paid from proceeds of Bonds or Subordinated Indebtedness as provided in the Resolution) and (2) that portion of each Principal Installment for such Series which would accrue during such period if such Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there be no such preceding Principal Installment due date or the next preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever is later).

**Debt Service Reserve Requirement** means, as of any date of calculation, an amount equal to one half of the maximum Adjusted Aggregate Debt Service coming due on Bonds then Outstanding in the then current or any future calendar year excluding interest to be paid from deposits in the Debt Service Account in the Debt Service Fund made from proceeds of Bonds or Subordinated Indebtedness (including amounts, if any, transferred thereto from the Construction Fund). For the purposes of this definition, any Bonds Outstanding which bear interest at a variable rate will be assumed to bear interest at a constant rate equal to the rate borne by such Bonds on the date they are issued plus one-half the difference between such rate and the maximum rate permitted by the terms thereof.

**Investment Securities** means and includes any of the following securities, if and to the extent the same are at the time legal for investment of Authority funds:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of any of the Federal agencies set forth in clause (iii) below to the extent unconditionally guaranteed by the United States of America and any certificates or any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (i);

(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are (x) not callable prior to maturity or (y) as to which irrevocable instructions have been given to the trustee of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (b) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) hereof which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, and any certificates or any other evidences of an ownership interest in obligations or specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (ii);



(iii) bonds, debentures, or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;

(iv) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(v) obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state, provided that at the time of their purchase under the Resolution such obligations are rated by a nationally recognized bond rating agency in either of its two highest rating categories;

(vi) certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee), which is a member of the Federal Deposit Insurance Corporation and savings and loans associations which are members of the Federal Savings and Loan Insurance Corporation, provided that the aggregate principal amount of all certificates of deposit issued by any such bank, trust company, national banking association or savings and loan association which are purchased with moneys held in any Fund under the Resolution shall not exceed at any time 5% of the total of the capital, surplus and undivided earnings of such bank, trust company, national banking association or savings and loan association unless such certificates of deposit are (1) fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or (2) secured, to the extent not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation by such securities as are described in clauses (i) through (v), inclusive, above having a market value (exclusive of accrued interest other than accrued interest paid in connection with the purchase of such securities) at least equal to the principal amount of such certificates of deposit (or portion thereof not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation) which shall be lodged with the Trustee or a Depositary, as custodian, by such bank, trust company, national banking association or savings and loan association, and such bank, trust company, national banking association or savings and loan association shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing such certificates of deposit will at all times be an amount which meets the requirements of this clause (2) and the Trustee shall be entitled to rely on each such undertaking;

(vii) bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by any corporation which are, at the time of purchase, rated by a nationally recognized rating agency in its highest rating category, and by at least one other nationally recognized rating agency in either of its two highest rating categories, for comparable types of debt obligations;

(viii) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association (which may include the Trustee) or government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, if the securities which are the subject of such agreement are any or one or more of the securities described in clauses (i), (ii), (iii), (iv), (vi) or (vii) above which securities shall at all times have a market value not less than the full amount of the repurchase agreement; and

(ix) interests in a portfolio of money market instruments containing obligations described in clauses (i), (vi), (vii) or (viii) above.

**Net Revenues** for any period mean the Revenues during such period, determined on an accrual basis, plus (x) the amounts, if any, paid from the Rate Stabilization Account in the Revenue Fund into the Revenue Account in the Revenue Fund during such period (excluding from (x) amounts included in the Revenues for such period representing interest earnings transferred from the Rate Stabilization Account in the Revenue Fund to the Revenue Account in the Revenue Fund) and minus (y) the sum of (a) Operation and Maintenance Expenses during such period, determined on an accrual basis, to the extent paid or to be paid from Revenues and (b) the amounts, if any, paid from the Revenue Account in the Revenue Fund into the Rate Stabilization Account in the Revenue Fund during such period.

**Operation and Maintenance Expenses** mean all the Authority's costs and expenses for operation, maintenance, and ordinary repairs, renewals and replacements of the System, including all costs of producing and delivering electric power and energy from the System and payments into reserves in the Operation and Maintenance Fund for items of Operation and Maintenance Expenses the payment of which is not immediately required.

**Refundable Principal Installment** means any Principal Installment for any Series of Bonds which the Authority intends to pay with moneys which are not Revenues.

**Revenues** mean (i) all revenues, income, rents and receipts derived by the Authority from or attributable to the ownership and operation of the System, including all revenues attributable to the System or to the payment of the costs thereof received by the Authority under any contract for the sale of power, energy, transmission or other service from the System or any part thereof or any contractual arrangement with respect to the use of the System or any portion thereof or the services, output or capacity thereof, (ii) the proceeds of any insurance covering business interruption loss relating to the System, and (iii) interest received on any moneys or securities held pursuant to the Resolution and paid or required to be paid into the Revenue Account in the Revenue Fund.

**System** means all properties and interests in properties of the Authority, including all electric production, transmission, distribution, general plant and other related facilities and any mine, well, pipeline, plant, structure or other facility for the development, production, manufacture, transportation, storage, fabrication or processing of fossil, nuclear or other fuel of any kind, or any facility or rights with respect to the supply of water, in each case for use, in whole or in major part, in any of the Authority's generating plants, now existing and hereafter acquired by lease, contract, purchase or otherwise or constructed by the Authority, including any interest or participation of the Authority in any such facilities, together with all additions, betterments, extensions and improvements to said system or any part thereof hereafter made and together with all lands, easements, licenses and rights of way of the Authority and all other works, property or structures of the Authority and rights to the use of any thereof or the output, products or services therefrom or other contract rights, including, without limitation, rights for the purchase of power and energy, transmission or other services from others, and other tangible and intangible assets of the Authority used or useful in connection with or related to said system. Notwithstanding the foregoing definition of the term System, such term shall not include any properties or interests in properties of the Authority which the Authority determines shall not constitute a part of the System for the purpose of the Resolution.

Under the Resolution, the Authority has covenanted that it will not make any determination, pursuant to the second sentence of the foregoing definition of the term System and the same definition of such term in the Power Sales Contracts, that any properties or interests in properties do not constitute a part of the System for the purposes of the Resolution or the Power Sales Contracts unless either (a) such determination is made prior to the acquisition of such properties or interests in properties or (b) such determination is made in accordance with the covenant described below under "Certain Other Covenants—Disposition of System."

## Application of Revenues

The Trust Estate is pledged by the Resolution to payment of principal of and interest and redemption premium on the Bonds of all Series, subject to the provisions of the Resolution permitting application for other purposes. For the application of Revenues, the Resolution establishes a Revenue Fund, an Operation and Maintenance Fund, a Reserve and Contingency Fund and a General Reserve Fund, held by the Authority, a Debt Service Fund held by the Trustee, and a Subordinated Indebtedness Fund to be held as provided in the Supplemental Resolution providing for the issuance of Subordinated Indebtedness. The Resolution also provides for the establishment of a Decommissioning Fund. If and when established, the Decommissioning Fund will not be pledged as security for the Bonds.

Pursuant to the Resolution, all Revenues of the Authority and amounts transferred from any other fund are to be deposited into the Revenue Account in the Revenue Fund as received, and in any event within ten days after receipt. Each month the Authority is to make transfers from the Revenue Account to the Rate Stabilization Account (also in the Revenue Fund), or from the Rate Stabilization Account to the Revenue Account, in accordance with the then current Annual Budget or as otherwise determined by the Authority. The Authority shall transfer from the Revenue Account in the Revenue Fund to the following Funds and Accounts in the following order the amounts set forth below, such application to be made in such a manner so as to assure good funds in such Funds and Accounts when needed for the purposes thereof:

1. To the Operation and Maintenance Account and the Working Capital Account in the Operation and Maintenance Fund, the respective amounts required to provide for Operation and Maintenance Expenses estimated to be paid through the next month and estimated working capital required for the next month and, in the case of the Working Capital Account, such additional amounts, for long-term purposes, as the Annual Budget shall require to be deposited in such Account. Amounts which the Authority determines to be excess in the Operation and Maintenance Account and the Working Capital Account are to be applied by the Trustee in the same manner as Revenues.

Credit Obligations may be paid as Operation and Maintenance Expenses, but only if at the time the Authority enters into the contract relating to such Credit Obligation the Authority files with the Trustee a certificate of an Authorized Officer of the Authority setting forth (i) for any period of 12 consecutive calendar months within the 24 calendar months preceding the effective date of such contract, the Net Revenues for such period, and (ii) the Aggregate Debt Service during the period for which Net Revenues are set out pursuant to (i) with respect to all Series of Bonds which were then Outstanding excluding from Aggregate Debt Service any Principal Installment or portion thereof which was paid from sources other than Revenues, and showing the amount set forth in (i) is at least 1.10 times the amount set forth in (ii).

2. To the Debt Service Account and the Debt Service Reserve Account in the Debt Service Fund, the respective amounts required so that the balances in such Accounts equal the Accrued Aggregate Debt Service and the Debt Service Reserve Requirement, respectively. Any deficiencies in the Debt Service Reserve Account, other than a deficiency resulting from a transfer of moneys from such Account to the Debt Service Account, shall be cured by equal monthly deposits over the twelve months following the determination of the deficiency; provided, however, the Authority may defer monthly transfers to the Debt Service Fund and make one or more transfers equaling the aggregate amount of those not made no later than the time the next payment is required to be made from the Debt Service Account. Deposits required following a

subsequent valuation of investment securities in the Debt Service Reserve Account during such calendar year will be based upon such subsequent valuation.

Amounts in the Debt Service Account are applied by the Trustee to pay the principal or redemption price of and interest on the Bonds. In addition, the Trustee may, and if directed by the Authority must, apply such amounts to the purchase or redemption of Bonds to satisfy sinking fund requirements.

Amounts in the Debt Service Reserve Account are applied to make up any deficiency in the Debt Service Account. Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to pay in full all Outstanding Bonds in accordance with their terms, the funds on deposit in the Debt Service Reserve Account will be transferred to the Debt Service Account. When moneys on deposit in the Debt Service Reserve Account exceed the Debt Service Reserve Requirement, the excess will, upon request of the Authority, be applied by the Trustee to make up deficiencies in other accounts.

In lieu of the required transfers of moneys to the Debt Service Reserve Account, the Authority may cause to be deposited into the Debt Service Reserve Account for the benefit of the holders of the Bonds an irrevocable surety bond, an insurance policy, a letter of credit or any other similar obligation in an amount equal to the difference between the Debt Service Reserve Requirement and the sums of the moneys or value of Investment Securities then on deposit in the Debt Service Reserve Account, if any.

In the event of the refunding of any Bonds, all or any portion of amounts accumulated in the Debt Service Reserve Account with respect to the Bonds being refunded may be withdrawn for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded shall no longer be Outstanding under the Resolution and (b) the amount remaining in the Debt Service Reserve Account, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Account, after such withdrawal shall not be less than the Debt Service Reserve Requirement.

3. To the Subordinated Indebtedness Fund, the amounts required to pay principal or sinking fund installments of and premiums, if any, and interest on each issue of Subordinated Indebtedness of the Authority due in such month and reserves therefor as required by the Supplemental Resolution authorizing such Subordinated Indebtedness. However, if at any time there is a deficiency in the Debt Service Account or the Debt Service Reserve Account and the available funds in the General Reserve Fund or the Reserve and Contingency Fund are insufficient to cure such deficiency, the Trustee will transfer from the Subordinated Indebtedness Fund the amount sufficient to cure such deficiency; provided, however, that (i) amounts on deposit in any debt service reserve established for such Subordinated Indebtedness shall not be subject to such withdrawal and (ii) any debt service reserve established for such Subordinated Indebtedness shall not be subject to the security interest in and pledge of the Trust Estate created by the Resolution as security for the Bonds.

4. To the Reserve and Contingency Fund, the amount budgeted by the Authority for such Fund for the current month. Amounts in the Reserve and Contingency Fund are for the payment of Development Costs and costs of major repairs, renewals and improvements to the Authority's System and for the payment of extraordinary operation and maintenance expenses and contingencies to the extent payment therefor has not been

provided for in the annual budget of the Authority, by reserves credited to the Operation and Maintenance Fund or from Bond proceeds.

If at any time the amounts in the Debt Service Account or in the Debt Service Reserve Account are less than the amounts required by the Resolution, and there are not on deposit in the General Reserve Fund available funds sufficient to cure such deficiency, then the Authority will transfer from the Reserve and Contingency Fund to the Trustee the amount necessary to make up such deficiency.

Amounts in the Reserve and Contingency Fund not required for any of the above purposes may be transferred to the Decommissioning Fund, if theretofore established, or to the General Reserve Fund.

5. To the General Reserve Fund, the balance, if any, in the Revenue Account. The Authority will transfer from the General Reserve Fund amounts in the following order of priority: (a) to the Debt Service Account and the Debt Service Reserve Account, in that order, the amount necessary to make up any deficiencies in payments to said Accounts, (b) to the Debt Service Reserve Account the amount of any deficiency in such Account resulting from any transfer to the Debt Service Account, and (c) to the Reserve and Contingency Fund the amount necessary to make up any deficiencies in payments to said Fund. Amounts in the General Reserve Fund which are not needed for the foregoing purposes may, upon the direction of the Authority, be used for certain enumerated purposes and other lawful purposes of the Authority not prohibited by the Resolution.

### **Construction Fund**

The Resolution establishes a Construction Fund, held by the Trustee, into which are paid amounts required by the provisions of the Resolution and any Supplemental Resolution and, at the option of the Authority, any moneys received for or in connection with the System by the Authority, unless required to be otherwise applied as provided in the Resolution. In addition, proceeds of insurance for physical loss or damage to the System, or of contractors' performance bonds, pertaining to the period of construction will be paid into the Construction Fund.

Upon requisition of the Authority, the Trustee will pay from the Construction Fund amounts in payment of the Cost of Acquisition and Construction of the facilities financed by the issuance of a Series of Bonds. A revolving fund of up to \$2,500,000 is established for convenient payment by the Authority of certain items of Cost of Acquisition and Construction which are not appropriately handled by requisition from the Trustee. Amounts in the Construction Fund which the Authority at any time determines to be in excess of the amounts required for the purposes thereof are to be transferred to the Debt Service Reserve Account, to the extent necessary for the funds in such account to equal the Debt Service Reserve Requirement, and the balance is to be paid to the Authority for credit to the General Reserve Fund. To the extent that other moneys are not available therefor, amounts in the Construction Fund will be applied to the payment of principal of and interest on Bonds when due.

The Authority may discontinue its participation in the acquisition or construction of facilities financed by the issuance of a Series of Bonds if the Board of Directors of the Authority determines that to do so is necessary or desirable in the conduct of the business of the Authority and not disadvantageous to Bondholders.

## **Investment of Certain Funds and Accounts**

The Resolution provides that certain Funds and Accounts held thereunder may, and in the case of the Debt Service Account and the Debt Service Reserve Account in the Debt Service Fund and the Subordinated Indebtedness Fund (subject to the terms of any resolutions, indentures, or other instruments securing any issue of Subordinated Indebtedness) must, be invested to the fullest extent practicable in Investment Securities. The Resolution provides that such investments will mature no later than such times as necessary to provide moneys when needed for payments from such Fund and Accounts. Investment Securities are to be valued as of each December 31 and at such other times as the Authority shall determine. Investment Securities are to be valued at the amortized cost or the market value thereof, whichever is lower, except that Investment Securities maturing in less than five years after the date of valuation are to be valued at the amortized cost thereof.

Unless otherwise determined by the Authority, net interest earned on any moneys or investments in such Funds or Accounts, other than the Construction Fund, is to be paid into the Revenue Account in the Revenue Fund and interest on moneys or investments in the Construction Fund is to be held in such Fund.

## **Additional Bonds; Conditions to Issuance**

The Authority may issue Additional Bonds for the purpose of paying all or a portion of the cost of Acquisition and Construction of the System or for the purpose of refunding Outstanding Bonds. All Series of such Additional Bonds will be payable from the same sources and secured on a parity with all other Outstanding Bonds. Set forth below are certain conditions applicable to the issuance of Additional Bonds.

***Historical Debt Service Coverage.*** The issuance of any Series of Additional Bonds (except for refunding Bonds) is conditioned upon the delivery of a certificate to the Trustee by the Authority to the effect that, for any period of 12 consecutive months within the 24 months preceding the issuance of Bonds of such series, Net Revenues were at least equal to 1.10 times Aggregate Debt Service during such period, excluding for this purpose principal of any Bonds which was paid from sources other than Revenues.

***Debt Service Reserve Requirement.*** The issuance of any Series of Additional Bonds is further conditioned upon the deposit of an amount in the Debt Service Reserve Account such that the balance in such Account, after giving effect to any irrevocable surety bond, insurance policy, letter of credit or other similar obligation deposited in such Account, equals the Debt Service Reserve Requirement calculated immediately after delivery of such Bonds.

***No Default.*** In addition, Additional Bonds (other than refunding Bonds) may be issued only if the Authority certifies that no event of default exists under the Resolution or that any such event of default will be cured through application of the proceeds of such Bonds.

## **Subordinated Indebtedness**

The Authority may issue Subordinated Indebtedness payable out of and secured by amounts in the Subordinated Indebtedness Fund or the General Reserve Fund.

## **Issuance of Other Indebtedness**

The Resolution does not restrict the issuance by the Authority of other indebtedness to finance facilities which are not a part of the Authority's System. Such indebtedness may be secured by a mortgage of the facility so financed or a pledge of the revenues therefrom. No such indebtedness may be payable out of or secured by the Trust Estate.

## **Covenant as to Rents, Rates and Other Charges**

Under the Resolution, the Authority has covenanted that it will establish and collect rents, rates and charges under the Power Sales Contracts and shall otherwise charge and collect rents, rates, and charges for the use or sale of the output, capacity or service of the System which, together with other available Revenues, are reasonably expected to yield Net Revenues for the 12-month period commencing with the effective date of such rents, rates and charges equal to at least 1.10 times the Aggregate Debt Service for such period and, in any event, as are required, together with other available funds, to pay or discharge all other indebtedness, charges and liens payable out of Revenues under the Resolution. For purposes of this covenant, amounts required to pay Refundable Principal Installments may be excluded from Aggregate Debt Service to the extent that the Authority intends to make such payment from sources other than Revenues. Promptly upon any material change in the circumstances contemplated when such rents, rates and charges were most recently reviewed, but not less frequently than once every 12 months, the Authority is required to review the rents, rates and charges so established and promptly to revise such rents, rates and charges as necessary to comply with the foregoing requirements, provided that such rents, rates and charges must in any event produce moneys sufficient to enable the Authority to comply with all its covenants under the Resolution.

## **Certain Other Covenants**

**Creation of Liens.** The Authority will not issue any bonds, notes, debentures or other evidences of similar nature, other than the Bonds, payable out of or secured by the Trust Estate or other moneys, securities or funds held or set aside under the Resolution nor will it create any lien or charge thereon, except (1) evidences of obligations (a) payable out of moneys in the Construction Fund as part of the Cost of Acquisition and Construction of the System or (b) payable out of, or secured by a security interest in or pledge or assignment of, Revenues to be received after the discharge of the lien on such Revenues provided in the Resolution or (2) Subordinated Indebtedness.

**Disposition of System.** Except as described in this paragraph, the Authority may not sell, lease, mortgage or otherwise dispose of any part of the System. The Authority may sell or exchange property or facilities of the System (a) which are not useful in its operations, or (b) the book value of which is not more than 1% of the book value of the assets of the System at such time or (c) as to which an Authorized Officer of the Authority sets forth a determination of the Authority's Board of Directors that the sale or exchange of such property will not impact the ability of the Authority to comply with the covenant as to rates and charges described above. The proceeds of any such sale or exchange not used to acquire other property for the System are to be deposited in the General Reserve Fund. If certain conditions are satisfied, the Authority also may lease or make contracts or grant licenses, easements or rights for the operation or use of or with respect to, any part of the System. Payments received by the Authority under any such arrangement will constitute Revenues.

**Power Sales Contracts; Amendment.** The Authority will collect and deposit in the Revenue Account in the Revenue Fund within ten days after receipt thereof all amounts payable to it pursuant to the Power Sales Contracts or any other contract for the sale or use of output, capacity or other service from the System or any part thereof. The Authority will enforce the provisions of the Power Sales

Contracts and duly perform its covenants and agreements thereunder and will not consent or agree to or permit any rescission of or amendment to any Power Sales Contract unless (i) such action will not impair the Authority's ability to comply with the covenant as to rates and charges set forth above, as evidenced by a certificate of an Authorized Officer of the Authority setting forth a determination of the Authority's Board of Directors, and (ii) such action will not have a material adverse effect on the interests of Bondholders as evidenced by a determination of the Authority's Board of Directors. For this purpose, an amendment will not be deemed to include the extension of the term of any Power Sales Contract, the change of the full requirement period of any Power Sales Contract, any change in or amendment to any schedule to any Power Sales Contract or any amendment to any Power Sales Contract to permit a public trust or eligible public agency to purchase from the Southwestern Power Administration and utilize in its municipal electric system additional capacity and related energy.

**Insurance.** Subject to the requirement that insurance is obtainable at reasonable rates and upon reasonable terms and conditions, the Authority will keep the properties of the System which are of an insurable nature and of the character usually insured by those operating properties similar to the System insured against loss or damage by fire and from other causes customarily insured against and in amounts usually obtained. Subject to such conditions, the Authority will also maintain such insurance or reserves against loss or damage from such hazards and risk to the person or property of others as are usually insured or reserved against by those operating properties similar to the properties of the System.

**Reconstruction; Application of Insurance Proceeds.** If any useful portion of the System is damaged or destroyed, the Authority will prosecute the reconstruction or replacement thereof, unless the Authority in a certificate signed by an Authorized Officer of the Authority and filed with the Trustee determines that such reconstruction or replacement is not in the interests of the Authority and the Bondholders or unless it is determined under the provisions of any agreement relating to co-ownership of such portion of the System that such reconstruction or replacement is not to be undertaken. The proceeds of insurance paid on account of such damage or destruction will be used for the cost of such reconstruction or replacement, except proceeds of business interruption insurance which will be paid into the Revenue Account in the Revenue Fund.

### **Amendment of Resolution**

The Resolution and the rights and obligations of the Authority and of the holders of the Bonds may be amended by a Supplemental Resolution with the written consent of the holders of a majority in principal amount in each case of (i) all Bonds then Outstanding, and (ii) in case less than all of the Series of Outstanding Bonds are affected, the Bonds of each Series so affected, and (iii) in case the modification or amendment changes the terms of any sinking fund installment, the Bonds of the particular Series and maturity entitled to the benefit of the sinking fund. No such modification or amendment may (A) permit a change in the terms of redemption or maturity or any installment of interest or a reduction in the principal, redemption price or rate of interest thereon without consent of each affected holder, or (B) reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment. For purposes of the foregoing, the holders of Bonds may include the initial holders thereof regardless of whether such Bonds are being held for subsequent resale.

The Resolution may be amended, with the consent of the Trustee but without the consent of Bondholders, (i) to cure any ambiguity, omission, defect or inconsistent provision in the Resolution; (ii) to insert provisions clarifying the Resolution; or (iii) to make any other modification or amendment of the Resolution which the Trustee, in its sole discretion, determines will not have a material adverse effect on the interests of Bondholders.



Without the consent of the Bondholders or the Trustee, the Authority may adopt a Supplemental Resolution which (i) closes the Resolution against, or provides additional conditions to, the issuance of Bonds or other evidences of indebtedness; (ii) adds covenants and agreements of the Authority; (iii) adds limitations and restrictions to be observed by the Authority; (iv) authorizes Bonds of an additional series; (v) confirms any security interest, pledge or assignment of the Revenues or of any other moneys, securities or funds; (vi) makes any modification which is to be effective only after all Bonds of each Series Outstanding as of the date of the adoption of such Supplemental Resolution cease to be outstanding; and (vii) authorizes Subordinated Indebtedness.

## **Defeasance**

The pledge of and security interest in the Trust Estate and all covenants, agreements and other obligations of the Authority to the holders of the Bonds under the Resolution will cease, terminate and become void and be discharged and satisfied whenever all Bonds have been paid in full. Bonds will be deemed to have been so paid whenever the following conditions are met: (a) in the case of Bonds to be redeemed prior to maturity, the Authority has given to the Trustee instructions to mail the notice of redemption therefor, (b) there have been deposited with the Trustee either moneys in an amount which will be sufficient, or Investment Securities (as described below), the principal of and the interest on which, when due, will provide moneys which, together with any moneys also deposited with the Trustee, will be sufficient, to pay when due the principal or redemption price, if applicable, and interest due or to become due on such Bonds, and (c) in the event such Bonds are not to be redeemed within the next succeeding 60 days, the Authority has given to the Trustee instructions to mail a notice to the holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to be paid and stating the maturity or redemption date upon which moneys are to be available to pay the principal or redemption price, if applicable, on such Bonds. The Trustee will, as and to the extent necessary, apply moneys held by it as above described to the retirement of said Bonds in amounts equal to the unsatisfied balances of any sinking fund installments with respect to such Bonds, all in the manner provided in the Resolution.

If so directed by the Authority prior to (i) the maturity date of Bonds deemed to have been paid as described in the next preceding paragraph which are not to be redeemed prior to their maturity date or (ii) the mailing of the notice referred to in clause (a) above with respect to Bonds deemed to have been paid as described above which are to be redeemed prior to their maturity date, the Trustee is required to apply moneys deposited with it in respect of Bonds in accordance with clause (a) above and redeem or sell Investment Securities so deposited with it and apply the proceeds thereof to the purchase of such Bonds and the Bonds so purchased shall be immediately cancelled by the Trustee. No such Bonds shall be purchased unless the moneys and Investment Securities remaining on deposit with the Trustee after such purchase and cancellation would be sufficient to pay when due the Principal Installment or redemption price, if applicable, and interest due, or to become due, on all remaining Bonds in respect to which such moneys and Investment Securities are being held by the Trustee. If, at any time prior to the happening of the events described above, the Authority shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Bonds so delivered. In the event that on any date as a result of any such purchases or deliveries and cancellations of Bonds the total amount of moneys and Investment Securities remaining on deposit with the Trustee is in excess of the total amount required to be deposited with the Trustee on such date in respect to the remaining Bonds in order to comply with clause (b) of the preceding paragraph, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of the pledge or lien of the Resolution.

For purposes of defeasance, Investment Securities mean (a) only such securities as are described in clauses (i), (ii), (iii) and (iv) of the definition of Investment Securities which are not subject to

redemption prior to their maturity other than at the option of the holder thereof; (b) such securities as are described in clause (ii) of the definition of Investment Securities which are not subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof or (c) upon compliance with the provisions of the following paragraph, securities described in clause (i) of the definition of Investment Securities which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

Investment Securities described in clause (c) of the foregoing paragraph may be included in the Investment Securities deposited with the Trustee for purposes of defeasance only if the determination as to whether the moneys and Investment Securities to be deposited with the Trustee would be sufficient to pay when due, either at the maturity date thereof or, in the case of any Bonds to be redeemed prior to the maturity date thereof, on the redemption date or dates specified in any notice of redemption to be mailed by the Trustee or in the instructions to mail notice of redemption provided to the Trustee in accordance with the Resolution, the principal and redemption price, if applicable, and interest on the Bonds is made both on the assumption that the Investment Securities described in clause (c) of the foregoing paragraph were not redeemed at the option of the issuer prior to the maturity date thereof and on the assumptions that such Investment Securities would be redeemed by the issuer thereof at its option on each date on which such options could be exercised, that as of such date or dates interest ceased to accrue on such Investment Securities and that the proceeds of such redemption would not be reinvested by the Trustee.

In the event that Investment Securities described in such clause (c) are deposited with the Trustee, then any notice of redemption to be mailed by the Trustee and any set of instructions relating to a notice of redemption given to the Trustee may provide, at the option of the Authority, that any redemption date or dates in respect of all or any portion of the Bonds to be redeemed on such date or dates may at the option of the Authority be changed to any other permissible redemption date or dates and that redemption dates may be established for any Bonds deemed to have been paid in accordance with the defeasance provisions of the Resolution upon their maturity date or dates at any time prior to the actual mailing of any applicable notice of redemption in the event that all or any portion of such Investment Securities have been called for redemption or have been redeemed by the issuer thereof prior to the maturity date thereof.

### **Events of Default; Remedies**

Events of default under the Resolution include (i) failure to pay the principal or redemption price of any Bond when due; (ii) failure to pay any installment of interest on any Bond or the unsatisfied balance of any sinking fund installment when due; (iii) failure to make a required deposit in any Fund or Account when due and continuance thereof for a period of 180 days after notice from the Trustee or the holders of not less than 25% in principal amount of the Bonds then Outstanding; (iv) failure by the Authority to perform or observe any other covenants, agreements, or conditions contained in the Resolution or the Bonds and continuance thereof for a period of 90 days after notice from the Trustee or the holders of not less than 25% in principal amount of the Bonds then Outstanding; (v) a judgment for the payment of money in excess of \$10,000,000 being rendered against the Authority which remains undischarged and unstayed for a period of 90 days after entry of such judgment or continuance of such judgment undischarged or unstayed for a period of 90 days after the termination of any stay entered within such first mentioned 90 days; and (vi) certain events of bankruptcy or insolvency. Upon the happening of such an Event of Default, the Trustee or the holders of not less than 25% in principal amount of the Bonds then Outstanding may declare the principal of and accrued interest on the Bonds due and payable (subject to a rescission of such declaration upon the curing of such default before the Bonds have matured). *The Revenue Requirements payable by the Participating Trusts do not include debt service on Bonds due solely by virtue of the acceleration of the maturity of such Bonds.* See

“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Power Sales Contracts” in the Official Statement and see “Payments by the Participating Trusts” in Appendix D to the Official Statement.

Unless and until an event of default is remedied, the Trustee may proceed, and upon written request of the holders of not less than 25% in principal amount of the Bonds then Outstanding must proceed, to protect and enforce its rights and the rights of the holders of the Bonds under the Resolution by a suit or suits in equity or at law (which may include a suit for the specific performance of any covenant contained in the Resolution) or in the enforcement of any other legal or equitable right as the Trustee deems most effectual to enforce any of its rights or to perform any of its duties under the Resolution.

During the continuance of an event of default under the Resolution, the Trustee is to apply moneys, securities, funds and Revenues received by the Trustee as follows and in the following order: (i) charges, expenses and liabilities of the Trustee and any paying agents; (ii) reasonable and necessary Operation and Maintenance Expenses and reasonable renewals, repairs and replacements of the System necessary in the judgment of the Trustee to prevent a loss of Revenues; and (iii) to the interest and principal or redemption price then due on the Bonds and on Subordinated Indebtedness (according to priorities delineated in the Resolution).

No Bondholder has any right to institute any suit, action or proceeding for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless (1) such Bondholder previously has given the Trustee written notice of the Event of Default, (2) the holders of at least 25% in principal amount of the Bonds then Outstanding have filed a written request with the Trustee and have afforded the Trustee a reasonable opportunity to exercise its powers or institute such suit, action or proceeding, (3) there have been offered by such holders to the Trustee adequate security and indemnity against its costs, expenses and liability to be incurred and (4) the Trustee has refused to comply with such request within 60 days after receipt of such notice, request and offer of indemnity. Nothing in the Resolution or the Bonds affects or impairs the Authority’s obligation to pay the Bonds and interest thereon when due or the right of any Bondholder to enforce such payment.

### **Trustee and Paying Agents**

The Resolution requires the appointment by the Authority of a Trustee and one or more Paying Agents (who may be the Trustee) for the Bonds of each Series. The Trustee may resign on 60 days’ notice and may at any time be removed with or without cause by the holders of a majority in principal amount of the Bonds then Outstanding. Successor Trustees may be appointed by the holders of a majority in principal amount of Bonds then Outstanding, and failing such an appointment the Authority must appoint a successor to hold office until the Bondholders act. So long as no Event of Default, or event which would mature into an Event of Default, has occurred and is continuing, the Trustee may be removed at any time with or without cause by the Authority. Any successor Trustee must be bank or trust company or national banking association having capital stock, surplus and undivided earnings aggregating at least \$50,000,000 if there be such an entity willing to accept appointment.

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## APPENDIX G

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “Undertaking”), dated as of July \_\_, 2021, is executed and delivered by the Oklahoma Municipal Power Authority (the “Authority”), in connection with the issuance of its Power Supply System Revenue Refunding Bonds, Series 2021A and Power Supply System Revenue Refunding Bonds, Series 2021B Bonds (Federally Taxable) (collectively, the “Series 2021A/B Bonds”). The Series 2021A/B Bonds are being issued pursuant to the Oklahoma Municipal Power Authority Act, 11 O.S. 2011, §§ 24-101 *et seq.*, as amended, and the Authority’s Power Supply System Revenue Bond Resolution adopted on June 10, 1985 (which, as supplemented and amended to the date hereof, including by the Thirty-Third Supplemental Power Supply System Revenue Bond Resolution adopted on May 13, 2021, is herein defined as the “Resolution”), under which BOKF, NA, serves as Trustee (the “Trustee”).

Pursuant to the Resolution, the Authority agrees as follows:

The Authority does hereby covenant and agree and enter into a written undertaking (a) for the benefit of the holders and beneficial owners of the Series 2021A/B Bonds in accordance with Section (b)(5)(i) of Securities and Exchange Commission (the “SEC”) Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. § 240.15c2-12) (the “Rule”) and (b) in order to assist any underwriter of the Series 2021A/B Bonds, as Participating Underwriters under the Rule, to comply with the Rule. Capitalized terms used in this Undertaking and not otherwise defined in the Resolution shall have the meanings assigned such terms below. It being the intention of the Authority that there be full and complete compliance with the Rule, this Undertaking shall be construed in accordance with the written interpretative guidance and no-action letters published from time to time by the Securities and Exchange Commission and its staff with respect to the Rule.

The Authority undertakes to provide the following information as provided in this Undertaking:

- (a) Annual Financial Information;
- (b) Audited Financial Statements; and
- (c) Listed Event Notices.

The Authority shall, while any Series 2021A/B Bonds are outstanding, provide the Annual Financial Information and Audited Financial Statements with respect to the Authority and, to the extent they can practicably be obtained by the Authority, the Annual Financial Information and Audited Financial Statements, if any, with respect to each Disclosure Required Obligor, in each case on or before the date which is 180 days after the end of each fiscal year of the Authority (the “Report Date”) to the Municipal Securities Rulemaking Board (the “MSRB”) in an Electronic Format via its Electronic Municipal Market Access system (“EMMA”). Reference is made to SEC Release No. 34-59062, December 8, 2008 (the “Release”) relating to the EMMA system for municipal securities disclosure effective on July 1, 2009. If Audited Financial Statements are not available by no later than 180 days after the end of any fiscal year, the Authority shall provide Unaudited Financial Statements no later than 180 days after the end of such fiscal year. If the Authority or if, to the knowledge of the Authority, a Disclosure Required Obligor changes its fiscal year, the Authority shall provide written notice of the change of fiscal year to the MSRB via EMMA. It shall be sufficient if the Authority provides to the MSRB, any or all of the Annual Financial Information by specific reference to documents previously provided to the MSRB or filed with the SEC.

If not provided as part of the Annual Financial Information, the Authority shall provide the Audited Financial Statements no later than 10 Business Days after they become available while any Series 2021A/B Bonds are outstanding to the MSRB via EMMA.

The Authority shall use its best efforts timely to obtain from or with respect to each Disclosure Required Obligor the Annual Financial Information and Audited Financial Statements relating to such Disclosure Required Obligor.

The Authority shall provide in a timely manner, not in excess of 10 Business Days after the occurrence of the event, to the MSRB via EMMA, notice of any failure by the Authority while any Series 2021A/B Bonds are outstanding to provide to the MSRB Annual Financial Information or Audited Financial Statements on or before the Report Date.

If a Listed Event occurs while any Series 2021A/B Bonds are outstanding, the Authority shall provide a Listed Event Notice in a timely manner, not in excess of 10 Business Days after the occurrence thereof, to the MSRB via EMMA. Each Listed Event Notice shall include the CUSIP numbers of the Series 2021A/B Bonds to which such Listed Event Notice relates or, if the Listed Event Notice relates to all bond issues of the Authority including the Series 2021A/B Bonds, such Listed Event Notice need only include the CUSIP number of the Authority.

Any filings required to be made with or notices to be given to the MSRB under this Undertaking shall be effected by sending the filing or notice to EMMA at [www.emma.msrb.org](http://www.emma.msrb.org) in an Electronic Format accompanied by identifying information as prescribed by the MSRB. The Authority agrees to comply with the Release and the provisions of EMMA in making such filings and giving such notices under this Undertaking. Should the Rule be amended to obligate the Authority to make filings with or provide notices to entities other than the MSRB, the Authority agrees to undertake such obligation in accordance with the Rule as amended.

The following are the definitions of the capitalized terms used in this Undertaking and not otherwise defined in the Resolution:

*“Annual Financial Information”* means the financial information or operating data with respect to the Authority and each Disclosure Required Obligor, provided at least annually, of the type included under the captions “THE PARTICIPATING TRUSTS—General” and “—Participating Trusts’ Historical Power and Energy Requirements” (in either case, only noncoincident peak demand and metered energy requirements for the Participating Trusts in the aggregate and for each Disclosure Required Obligor) in Appendix A (except population figures) of the final Official Statement with respect to the Series 2021A/B Bonds. The financial statements included in the Annual Financial Information shall be prepared in accordance with generally accepted accounting principles (“GAAP”) for governmental units as prescribed by the Government Accounting Standards Board (“GASB”). Such financial statements may be, but are not required to be, Audited Financial Statements.

*“Audited Financial Statements”* means the annual financial statements of the Authority and of each Disclosure Required Obligor, prepared in accordance with GAAP for governmental units as prescribed by GASB.

*“Business Day”* means any day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York, or Oklahoma City, Oklahoma, are authorized or required to be closed.

“*Disclosure Required Obligor*” means, with respect to a particular fiscal year of the Authority, each Participating Trust which, as of the final day of such fiscal year:

- (a) is an “obligated person” within the meaning of the Rule; and
- (b) during such fiscal year, provided pursuant to its Power Supply Contract with the Authority, 10% or more of the total Revenues of the Authority for such fiscal year.

As of the date hereof, the only Disclosure Required Obligors are Edmond Public Works Authority and Ponca City Utility Authority.

“*Electronic Format*” means the electronic format prescribed by the MSRB for any filings required to be made and notices to be given, initially designated by the MSRB to be PDF (in word searchable format except for non-textual elements).

“*financial obligation*” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“*Listed Event*” means any of the following events with respect to the Series 2021A/B Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2021A/B Bonds, or other material events affecting the tax status of the Series 2021A/B Bonds;
- (vii) modifications to rights of holders of the Series 2021A/B Bonds, if material, and tender offers;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Series 2021A/B Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority or any Disclosure Required Obligor;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or any Disclosure Required Obligor or the sale of all or substantially all of the assets of the Authority or any Disclosure Required Obligor, other than

in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (xiv) appointment of a successor Trustee or change in the name of the Trustee, if material;
- (xv) the incurrence of a financial obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation of the Authority, any of which affect security holders, if material; and
- (xvi) a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties.

As used in clause (xii) above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if jurisdiction has been assumed by leaving the Authority and official or officers of the Authority in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

The Authority intends to comply with the events described in clauses (xv) and (xvi) above, and the definition of “financial obligation” above, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the SEC in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the SEC or its staff with respect the amendments to the Rule effected by the 2018 Release.

“*Listed Event Notice*” means written or electronic notice of a Listed Event.

“*Unaudited Financial Statements*” means the same as Audited Financial Statements, except that they shall not have been audited.

Unless otherwise required by law and subject to technical and economic feasibility, the Authority shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Authority’s information.

The continuing obligation hereunder of the Authority to provide Annual Financial Information, Audited Financial Statements and Listed Event Notices shall terminate immediately once the Series 2021A/B Bonds no longer are outstanding. This Undertaking, or any provision hereof, shall be null and void in the event that the Authority obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Series 2021A/B Bonds, provided that the Authority shall have provided notice of such delivery and the cancellation of this Undertaking to the MSRB via EMMA.

This Undertaking may be amended, without the consent of the Bondholders, but only upon the Authority obtaining an opinion of nationally recognized bond counsel to the effect that such amendment,



and giving effect thereto, will not adversely affect the compliance of this Undertaking and by the Authority with the Rule, provided that the Authority shall have provided notice of such delivery and of the amendment to the MSRB via EMMA. Any such amendment shall satisfy, unless otherwise permitted by the Rule, the following conditions:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person or type of business conducted;

(b) This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Bondholders, as determined either by parties unaffiliated with the Authority (such as nationally recognized bond counsel), or by approving vote of Bondholders pursuant to the terms of the Resolution at the time of the amendment.

In the event of any amendment of a provision of this Undertaking, the Authority shall describe such amendment in the filing of the next Annual Financial Information, and shall include, as applicable, a narrative explanation of the reason for the amendment and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing Audited Financial Statements, (i) notice of such change shall be given in the same manner as for a Listed Event Notice under this Undertaking, and (ii) the Annual Financial Information for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Any failure by the Authority to perform in accordance with this Undertaking shall not constitute an Event of Default with respect to the Series 2021A/B Bonds. If the Authority fails to comply herewith, any Bondholder or beneficial owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Authority to comply with its obligations hereunder.

This Undertaking shall be governed by the laws of the State of Oklahoma, provided that to the extent this Undertaking addresses matters of federal securities laws, including the Rule, this Undertaking shall be construed in accordance with such federal securities laws and official interpretations thereof.

[Signature Omitted]

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## APPENDIX H

### PROPOSED FORM OF OPINION OF BOND COUNSEL

*Upon delivery of the Series 2021A Bonds in definitive form, Nixon Peabody LLP, New York, New York, Bond Counsel to the Authority, proposes to render its final approving opinion in substantially the following form:*

[Date of Delivery]

Oklahoma Municipal Power Authority  
Edmond, Oklahoma

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the authorization and issuance by Oklahoma Municipal Power Authority (the “**Authority**”), a governmental agency of the State of Oklahoma and a body politic and corporate, created and existing under the Oklahoma Municipal Power Authority Act, 11 O. S. 2017, §§ 24-101 *et seq.*, as amended from time to time (the “**Act**”), of \$125,963,000 aggregate principal amount of the Authority’s Power Supply System Revenue Refunding Bonds, Series 2021A (the “**Bonds**”). The Bonds are issued under and pursuant to the Act, and under and pursuant to a Power Supply System Revenue Bond Resolution adopted by the Board of Directors of the Authority on June 10, 1985, as supplemented and amended through the Thirty-Third Supplemental Power Supply System Revenue Bond Resolution adopted by the Board of Directors of the Authority on May 11, 2021 (the “**Thirty-Third Supplemental Resolution**”) authorizing the Bonds (such Power Supply System Revenue Bond Resolution as supplemented and amended through the Thirty-Third Supplemental Resolution being herein called the “**Resolution**”). All capitalized terms used herein shall, unless the context requires otherwise, have the meanings given to such terms in the Resolution.

Our services as Bond Counsel were limited to a review of the legal proceedings required for the authorization and issuance of the Bonds. We have reviewed originals or copies identified to our satisfaction as being true copies of the Resolution and certain other records of the Authority, including certificates of officers of the Authority as to certain factual matters and such other documents and matters deemed necessary by us to render the opinions set forth herein, although in doing so, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all signatures thereto.

The opinions expressed herein are based upon an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have undertaken neither to determine, nor to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the rights and obligations under the Bonds, the Resolution and the Tax Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations contained in applicable law

regarding legal remedies against the Authority. We undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on the foregoing, we are of the opinion that:

- (1) The Authority is duly created and validly existing under the provisions of the Act.
- (2) The Authority has the right and power under the Act to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is the valid and binding agreement of the Authority enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Resolution creates a valid security interest on behalf of the Trustee in, and the valid pledge which it purports to create of, the Trust Estate, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.
- (3) The Bonds have been duly authorized, executed and delivered by the Authority, and, assuming due authentication by Trustee, constitute legally valid and binding special obligations of the Authority. The Bonds are special obligations of the Authority, payable solely from the Revenues and other funds of the Authority as provided in the Resolution. and neither the State of Oklahoma nor any political subdivision thereof (other than the Authority) nor any eligible public agency or public trust which has contracted or may contract with the Authority, is obligated to pay the principal of or premium, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Oklahoma or any such political subdivision or of any such eligible public agency or public trust is pledged to the payment of the principal of or premium, if any, or interest on the Bonds.
- (4) The Internal Revenue Code of 1986, as amended (the “**Code**”) sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Thirty-Third Supplemental Resolution and the Tax Agreement, the Authority has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority has made certain representations and certifications in the Thirty-Third Supplemental Resolution and the Tax Agreement. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

Bond Counsel is further of the opinion the excess of the principal amount of any maturity of the Bonds over the price at which a substantial amount of such maturity of the Bonds was sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a “**Discount Bond**” and collectively, the “**Discount Bonds**”) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate

basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

(5) Under existing laws of the State of Oklahoma, interest on the Bonds is exempt from income taxation imposed by the State of Oklahoma under the Oklahoma Income Tax Act, 68 Oklahoma Statutes 2017, §2351 *et seq.*, as amended; provided, however, that no opinion is expressed herein regarding taxation of interest on the Bonds in the event such interest is or becomes includible in gross income for Federal income tax purposes. We express no opinion regarding taxation of the Bonds or the interest thereon under any provision of Oklahoma law other than the Oklahoma Income Tax Act.

The opinions set forth in paragraph 2 are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of Oklahoma.

Except as stated in paragraphs 4 and 5, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we disclaim any obligation to update this opinion. Our engagement as Bond Counsel terminates upon the issuance of the Bonds.

Respectfully submitted,

*Upon delivery of the Series 2021B Bonds in definitive form, Nixon Peabody LLP, New York, New York, Bond Counsel to the Authority, proposes to render its final approving opinion in substantially the following form:*

[Date of Delivery]

Oklahoma Municipal Power Authority  
Edmond, Oklahoma

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the authorization and issuance by Oklahoma Municipal Power Authority (the “**Authority**”), a governmental agency of the State of Oklahoma and a body politic and corporate, created and existing under the Oklahoma Municipal Power Authority Act, 11 O. S. 2017, §§ 24-101 *et seq.*, as amended from time to time (the “**Act**”), of \$394,237,222 aggregate principal amount of the Authority’s Power Supply System Revenue Refunding Bonds, Series 2021B (Federally Taxable) (the “**Bonds**”). The Bonds are issued under and pursuant to the Act, and under and pursuant to a Power Supply System Revenue Bond Resolution adopted by the Board of Directors of the Authority on June 10, 1985, as supplemented and amended through the Thirty-Third Supplemental Power Supply System Revenue Bond Resolution adopted by the Board of Directors of the Authority on May 11, 2021 (the “**Thirty-Third Supplemental Resolution**”) authorizing the Bonds (such Power Supply System Revenue Bond Resolution as supplemented and amended through the Thirty-Third Supplemental Resolution being herein called the “**Resolution**”). All capitalized terms used herein shall, unless the context requires otherwise, have the meanings given to such terms in the Resolution.

Our services as Bond Counsel were limited to a review of the legal proceedings required for the authorization and issuance of the Bonds. We have reviewed originals or copies identified to our satisfaction as being true copies of the Resolution and certain other records of the Authority, including certificates of officers of the Authority as to certain factual matters and such other documents and matters deemed necessary by us to render the opinions set forth herein, although in doing so, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all signatures thereto.

The opinions expressed herein are based upon an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have undertaken neither to determine, nor to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations contained in applicable law regarding legal remedies against the Authority. We undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on the foregoing, we are of the opinion that:

(1) The Authority is duly created and validly existing under the provisions of the Act.

(2) The Authority has the right and power under the Act to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is the valid and binding agreement of the Authority enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Resolution creates a valid security interest on behalf of the Trustee in, and the valid pledge which it purports to create of, the Trust Estate, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

(3) The Bonds have been duly authorized, executed and delivered by the Authority, and, assuming due authentication by Trustee, constitute legally valid and binding special obligations of the Authority. The Bonds are special obligations of the Authority, payable solely from the Revenues and other funds of the Authority as provided in the Resolution. and neither the State of Oklahoma nor any political subdivision thereof (other than the Authority) nor any eligible public agency or public trust which has contracted or may contract with the Authority, is obligated to pay the principal of or premium, if any, or interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Oklahoma or any such political subdivision or of any such eligible public agency or public trust is pledged to the payment of the principal of or premium, if any, or interest on the Bonds.

(4) Under existing laws of the State of Oklahoma, interest on the Bonds is exempt from income taxation imposed by the State of Oklahoma under the Oklahoma Income Tax Act, 68 Oklahoma Statutes 2017, §2351 *et seq.*, as amended; provided, however, that no opinion is expressed herein regarding taxation of interest on the Bonds in the event such interest is or becomes includible in gross income for Federal income tax purposes. We express no opinion regarding taxation of the Bonds or the interest thereon under any provision of Oklahoma law other than the Oklahoma Income Tax Act.

The opinions set forth in paragraph 2 are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of Oklahoma.

Except as stated in paragraph 5, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be

affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we disclaim any obligation to update this opinion. Our engagement as Bond Counsel terminates upon the issuance of the Bonds.

Respectfully submitted,



**APPENDIX I**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100