



SIERRA CLUB

LONE STAR CHAPTER

April 6, 2021

To: The Honorable Brandon Creighton

The Honorable Kelly Hancock

Members, Senate Committee on Business and Commerce

From: Cyrus Reed, Interim Director, Lone Star Chapter of the Sierra Club

The Sierra Club Believes Securitization is a Vital Tool for Recovery, but Believes Additional Safeguards are Needed in SB 1782 to Protect Consumers, Including Demand Side Investments

The Sierra Club recognizes that securitization has been used before in Texas for storm hardening and stranded costs during deregulation and can be a valuable tool to allow utilities to assume costs and then have them paid back over time by ratepayers. Thus, we are not opposed to the idea of using securitization as a tool when it is of benefit to electric consumers. Nonetheless, without proper protections for consumers it could be abused by utilities, including utilities outside of ERCOT, that could lock in long-term investments that are not prudent and could end up costing consumers more than other alternatives. In addition, we recommend considering allowing securitization for retirement of inefficient generation and addition of resources if prudent. Finally, we believe energy efficiency and other conservation programs that more directly benefit customers may be another worthy use of funds.

We recommend that SB 1782 be strengthened. Please find attached and below three proposed amendments for your consideration. These are offered in the spirit of cooperation as we look to improve our electric system both inside and outside of ERCOT.

Proposed amendments to CSSB 1782 (securitization bill)

Recommended Amendments to CSSB 1782

Insert A.

Amend page 2 by inserting the following sentence at the end of line 8.

“System restoration costs also includes the cost of replacing older inefficient fossil generation facilities that can fail during severe weather events with a combination of new, clean energy resources that will operate effectively during severe weather events as well as energy efficiency and demand response programs designed to reduce peak load and peak energy consumption that will lower system costs and lessen system exposure during severe weather events.”

Insert B.

Amend page 10 by inserting the following new paragraph after line 18.

“(C.2) The Commission shall ensure that customer interests are adequately represented in the Commission’s proceeding concerning the financing order by granting intervention as parties to a reasonable number of representatives of residential and commercial service consumers in addition to the Office of Public Utility Counsel.”

Insert C.

Amend page 11 by inserting the following two new paragraphs after line 20.

“(4) Contain the Commission’s finding that financing the system restoration costs described in the application will provide substantial, tangible, and quantifiable benefits to customers that are greater than the benefits that would have been achieved absent the issuance of bonds; and

(5) Contain the Commission’s finding that the structuring, marketing, and pricing of system restoration bonds will achieve the maximum net present value of customer

savings, compared to traditional financing options, consistent with market conditions at the time of sale of the bonds and the terms of the financing order.”