



The Sierra Club Believes Securitization is a Vital Tool for Recovery, but Believes Additional Safeguards are Needed in HB 4492 (Paddie) 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 electric cooperatives, 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 HB 4492 be strengthened with several provisions as outlined below.

Add additional uses of securitization such as replacement of inefficient plants and addition of energy efficiency program.

D) the cost of replacing older inefficient fossil generation facilities that can fail during severe weather events with a combination of clean energy resources that will operate effectively during severe weather events and with energy efficiency and demand response that will reduce peak load and peak energy consumption, lower system costs and lessen system exposure during severe weather events;

E) Energy efficiency and demand response programs that will reduce peak load and peak energy consumption, lower system costs and lessen system exposure during severe weather events;

Update the definition of qualified costs to include replacement power and demand side resources

“Qualified 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.

Clarify what must be included in the financing order

b) The financing order shall

(i) detail the amount of qualified costs to be recovered and the period over which the nonbypassable transition charges shall be recovered, which period may not exceed 30 [(YEARS)] years;

(ii) contain an estimate of the savings to customers, defined as the net present value of estimated payments for securitized bonds less the net present value of revenue requirements that would be incurred if traditional financing methods were used;

(iii) contain the finding that financing the qualified 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 securitized bonds; and

(iv) contain the finding that the structuring, marketing, and pricing of the securitized 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.

Assure participation by all members in decisions, including an opportunity to comment and appeal

(c.5) The board shall ensure that customer interests are adequately represented in its decision-making process concerning the financing order by allowing residential and commercial service consumers to submit comments or evidence to the board related to the public's interest in any financing order.

(e) A financing order may be reviewed by appeal only to a Travis County district court by a member of the electric [sic] or residential or commercial service consumer representative that has submitted comment or evidence to the board participated in filed within 15 days after the financing order is adopted by the board.

The Sierra Club appreciates the opportunity to provide these suggested changes to improve the potential for new investments that will benefit consumers and added protections to make sure that all consumers benefit.