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Securitization of Non-Bypassable Delivery Rates of Transmission and Distribution Utilities

Senate Bill 1495 by Sen. Fraser

AECT Position: **Support**

Background

- Securitization is one of the principal ratepayer benefits of the 1999 Texas electric restructuring law.
- A recent court decision has created some confusion around what amounts are allowed to be securitized under the Texas electric restructuring law.
  - As a result, the PUC has authorized utilities in Texas to securitize only a portion of the true-up balance that the PUC has found to be eligible for recovery.
  - Amounts not securitized are to be recovered through a Competitive Transition Charge (CTC), which carries an interest rate much higher than the 4.5% rate currently available for the securitization bonds.
- SB 1495 eliminates this confusion.

Discussion

- Securitization is the process whereby a utility, through a special purpose subsidiary, can issue bonds (called transition bonds) at AAA ratings.
  - The savings comes from the AAA debt rating (currently about 4.5%) compared to the traditional method of recovering utility assets (at rates as high as 11%).
- Securitization can save consumers hundreds of millions of dollars vs. traditional financing.
  - Even on modest balances the savings can be substantial.
    - For each $100 million securitized, savings at current interest rates should exceed $65 million over the 15 year life
- No securitization can take place without an affirmative finding by the PUC that securitization will save ratepayers money (39.303).
- The savings that accrued to ratepayers in the state of Texas from securitizations to date have been significant. But they can be even bigger.