




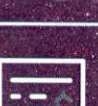






Securitization of gov't ratepayer bailout of a Wall Street traded firm, taking \$500 million in after tax profits from CO every year is the most industry favorable response on the spectrum

10 POLICY COMPONENTS TO MANAGE THE COAL CAPITAL TRANSITION

H

Attachment H

POLICY COMPONENT	BEST APPLICABILITY	BEARER OF LOSSES (PROXIMATE)	DESCRIPTION	POTENTIAL CHALLENGES
 Mandate Closure	Liberalized and state-managed markets	Asset Owner	Regulators set a date by which some/all coal-f power must be decommissioned.	
 Full or Partial Disallowance	Regulated markets		Regulators determine that asset should be removed from the rate base and owner is no longer allowed to make a return on the asset.	Impact investment climate
 Impose Costs	Liberalized and state-managed markets		Regulators change operating economics by increasing costs via carbon pricing or mandated pollution standards.	<ul style="list-style-type: none"> Impact investment climate Ratepayer pass-through
 Remove Alternative Revenue Sources	Liberalized markets		Regulators change coal operating economics by removing ancillary revenues such as subsidies, capacity payments, or reserve payments.	Impact investment climate
 Offset Losses	<ul style="list-style-type: none"> All markets Funds available High policymaker capacity 		Regulators allow owners to utilize non-coal-related funds to offset losses created by early closure of a plant, e.g., selling unused emissions allowances or monetizing carried-over tax credits.	Moral hazard
 Create Regulatory Asset	<ul style="list-style-type: none"> Regulated markets Funds available High policymaker capacity 		Regulators allow cost recovery from rate base after asset retirement by utilities in regulated markets.	<ul style="list-style-type: none"> Ratepayer pass-through Moral hazard
 "Soften the landing"	<ul style="list-style-type: none"> All markets Funds available 		In combination with an approach that will force closure by a certain date, offer alternative revenue streams in the interim to maximize cost recovery before early closure.	<ul style="list-style-type: none"> Ratepayer pass-through Moral hazard
 Accelerate Depreciation Schedule	All markets		Minimize write-offs at closure by accelerating depreciation before closure. Amount and type of recovery of incremental depreciation expense varies.	<ul style="list-style-type: none"> Ratepayer pass-through (regulated markets) Moral hazard
 Take-over and Write-off	<ul style="list-style-type: none"> Regulated or state-managed Funds available 		In state-managed markets, the government purchases the asset and writes off the debt. This requires that the government decommission, not mothball, the asset. Otherwise, a risk remains that the asset could be resold to a third party who then continues operation.	Moral hazard
 Pay to Close	<ul style="list-style-type: none"> All markets Funds available 		Government	Government offers direct compensation payments for closure, negotiated based on valuation of plant and whether full compensation will be paid.