

**HB19-1037—Colorado Energy Impact Assistance (CO EIA)**  
**("Securitization/Ratepayer Obligation Charge (ROC) Bonds")**

Testimony in Opposition from Leslie Glustrom

April 18, 2019 Senate Agriculture and Natural Resources Committee

Good afternoon Committee members. Thank you for this opportunity to testify. I have 15 years of experience as an intervenor and participant at the Colorado PUC<sup>1</sup> as well as extensive experience in local, state and national energy policy. I work with many different groups, but today I will testify as an individual.

I am grateful for the hard work and dedication of Representative Hansen and of the bill drafter and I am also strongly in support of the goals of HB19-1037—accelerating the retirement of Colorado’s stranded fossil fuel (e.g. coal and natural gas) plants and supporting transition assistance for fossil fuel dependent workers and communities—but I am opposed to HB19-1037 as currently written.

**Colorado will be best served by tabling this bill and allowing time over the summer to design a policy that is equitable, direct and effective.**

**HB19-1037 Is Not Equitable**

- Utility customers should not have to bare the full responsibility for Xcel’s mistaken investments in coal plants over the last 15 years.

<sup>1</sup> Colorado PUC Dockets that I have been a full intervenor in include:

05A-072E Xcel Comanche-Daniels Park Transmission  
07A-107E/07A-196E Xcel 2013 Contingency Plan/Tri-State Gas Contracts  
07A-421E Xcel Pawnee Smoky Hill Transmission  
07A-521E Xcel Interruptible Service Option Credit  
07A-447E Xcel 2007 Resource Plan  
07A-469E Xcel Fort St. Vrain Turbines  
08S-520E Xcel 2009 Rate Increase  
09AL-299E Xcel 2010 Rate Increase  
09A-772E Xcel 2010 Renewable Energy Compliance Plan and Windsource  
10A-124E Xcel Smart Grid CPCN  
10A-377E Xcel Amendment to 2007 Resource Plan  
10M-245E Xcel Clean Air Clean Jobs Plan  
11A-135E Xcel Solar Rebate Program Restart  
11A-325E Xcel Pawnee Emissions Control CPCN  
11A-418E Xcel 2012 Renewable Energy Standard Compliance Plan  
11A-869E Xcel 2011 Resource Plan  
11A-917E Xcel Hayden Emissions Control CPCN  
11A-1001E Xcel Smart Grid City Cost Recovery

- Xcel had over \$551million in after tax profits from Colorado in 2018; they can afford to bear some accountability for the mistaken investments they have made.

### **HB19-1037 is Not Likely to Be Effective**

- Since HB19-1037 leaves the timing of action taken under the Bill to the “sole discretion” of the electric utility (see page 14, lines 21-22) it is not likely to lead to the acceleration of coal plant retirements as it is intended to do.

20                    **40-41-104. Financing orders - application requirements.**  
 21                    (1) AN ELECTRIC UTILITY, IN ITS SOLE DISCRETION, MAY APPLY TO THE  
 22                    COMMISSION FOR A FINANCING ORDER AS AUTHORIZED BY THIS SECTION.

If a utility doesn’t use the “securitization tool,” then coal workers and their communities won’t be receiving assistance under HB19-1037 and Colorado coal country needs transition support now—not many years from now.

### **HB19-1037 is Not Direct**

- The legislature could achieve the goals of HB19-1037 in a much more direct and effective way by passing one or more laws that:
  - Direct the PUC to reduce reliance on fossil fuels for electric generation
  - Reduces the “Return on Equity” for fossil fuel plants
  - Provides assistance for coal-dependent workers and their communities

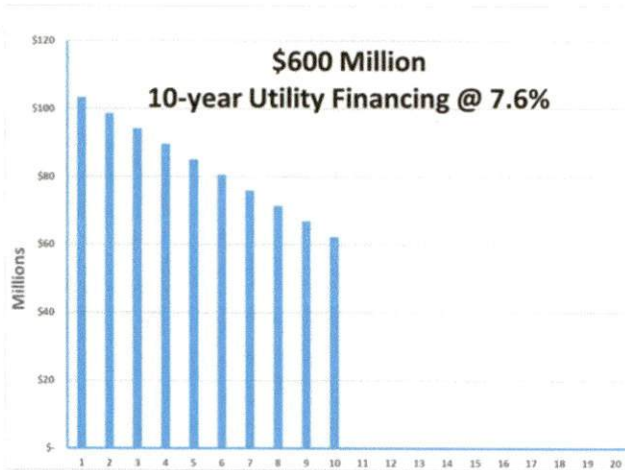
**While HB19-1037 is often described as a “tool,” this “tool” is not likely to work. It is like being handed a wrench when what you need is a screwdriver!**

Groups that support this bill likely support the goals of the bill without understanding how the bill will work—if it is ever used.

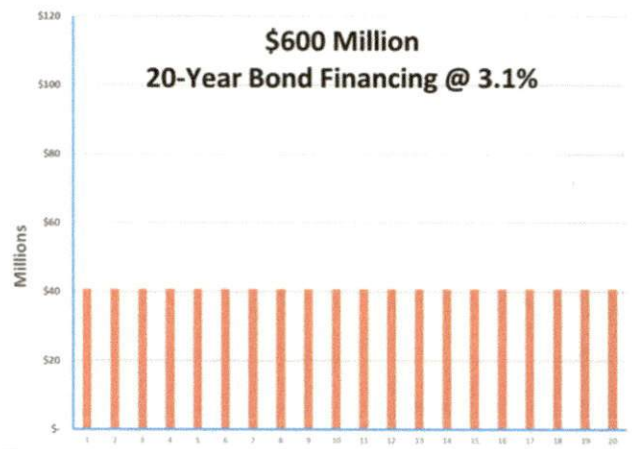
**Please table the bill and take the summer of 2019 to develop a bill that will achieve the goals of HB19-1037 in a much more direct, effective and equitable way.**

## Ratepayer Savings Using CO-EIA Bonds

- When Public Service Company closes a power plant, there may be remaining costs that have not been recovered in rates.
- There are two ways of financing those remaining costs: 1) utility financing and 2) lower-cost ratepayer backed bonds (securitization).



*Accelerated Depreciation*



*Annual Payments for 20 years*

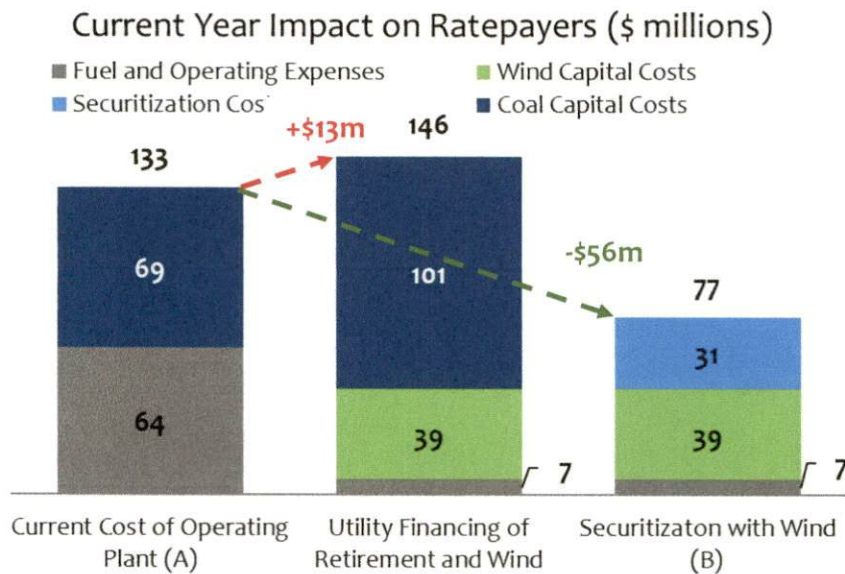
- HB 19-1037 authorizes the use of ratepayer-backed bonds (RBBs).
- The savings from RBBs are so large that some of the savings can be re-directed to transition assistance for affected workers and communities.
- Let's look at an example. Assume \$565 million is financed. Financing by utility costs: 7.6%; by consumer bonds costs: 3.1%.

<i>Scenario</i>	<i>First Year Rate Impact (\$ millions)</i>
PSCo finances plant closure	<b>Increases rates by \$32m (1.2% increase)</b>
PSCo uses CO-EIA bonds to finance plant closure*	<b>Decrease rates by \$38m (1.4% decrease)</b>
<i>*This approach also produces \$36 million in transition assistance!</i>	

- If PSCo replaces the closed plant with wind energy, the savings are even larger.

Scenarios	First Year Rate Impact (\$ millions)	Net Cost Reduction from Replacement with Wind (¢/kWh)
PSCo finances closure and builds new wind	Increase rates by \$13m (0.4% increase)	Decrease by 0.7¢/kWh
PSCo uses CO-EIA bonds and builds new wind*	Decrease rates by \$56m (2% decrease)	Decrease by 1.6¢/kWh
<i>*This approach produces \$36 million in transition assistance.</i>		

Here's how the parts fit together:



### Summary – Consumer Benefits

- HB19-1037 authorizes utilities to use Ratepayer-Backed Bonds (RBBs), like 20 other states.
- RBBs can save hundreds of millions of dollars when power plants are retired.
- If the closed plant is replaced with wind energy, RBBs will save consumers 1.6 cents per kWh for the energy from that plant.
- The savings are so large that a portion of the savings can be re-directed to transition assistance. \$600 million in refinancing can produce \$36 million in transition assistance.

1 REPLACEMENT MAXIMUM.

2 (3) FOR ANY APPLICATION FILED AS AUTHORIZED BY SUBSECTION  
3 (1) OF THIS SECTION, THE ELECTRIC UTILITY, SUBJECT TO COMMISSION  
4 APPROVAL, SHALL USE A COMPETITIVE ACQUISITION PROCESS TO ACQUIRE  
5 COST-EFFECTIVE RESOURCES, REGARDLESS OF OWNERSHIP OF SUCH  
6 RESOURCES, FOR ALL ACQUISITION OF GENERATION OR ENERGY STORAGE  
7 RESOURCES TO REPLACE ELECTRIC GENERATING FACILITIES THAT WERE  
8 RETIRED IN CONJUNCTION WITH A FINANCING ORDER.

9 (4) FOR PURPOSES OF THIS SECTION:

10 (a) "UTILITY-OWNED REPLACEMENT MAXIMUM" MEANS THE VALUE  
11 OF REPLACEMENT GENERATION RESOURCES WITH TOTAL CAPACITY THAT  
12 IS EQUAL TO THE NAMEPLATE CAPACITY OF THE ELECTRIC GENERATING  
13 FACILITY BEING RETIRED.

14 (b) "UTILITY-OWNED REPLACEMENT MINIMUM" MEANS THE VALUE  
15 OF ELECTRIC UTILITY INVESTMENTS IN EXISTING OR NEW ELECTRIC  
16 GENERATION CAPACITY OR ENERGY STORAGE FACILITIES THAT IS THE  
17 LESSER OF:

18 (I) THE VALUE OF THE PROCEEDS OF THE ASSOCIATED CO-EIA  
19 BONDS; OR

20 (II) THE UNDEPRECIATED ACCOUNTING VALUE AT THE TIME OF  
21 RETIREMENT OF THE ELECTRIC GENERATING FACILITIES RETIRED  
22 PURSUANT TO THIS ARTICLE 41.

23 PART 2

24 COLORADO ENERGY IMPACT ASSISTANCE AUTHORITY

25 **40-41-201. Colorado energy impact assistance authority -**  
26 **creation - board - general powers and duties.** (1) THE COLORADO  
27 ENERGY IMPACT ASSISTANCE AUTHORITY IS HEREBY CREATED. THE