



MISSOURI HOUSE OF REPRESENTATIVES  
**WITNESS APPEARANCE FORM**

BILL NUMBER: <b>HB 734</b>		DATE: <b>3/10/2021</b>	
COMMITTEE: <b>Financial Institutions</b>			
<b>TESTIFYING:</b> <input checked="" type="checkbox"/> IN SUPPORT OF <input type="checkbox"/> IN OPPOSITION TO <input type="checkbox"/> FOR INFORMATIONAL PURPOSES			
<b>WITNESS NAME</b>			
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To Chairman Francis and Members of the Committee, Renew Missouri, a 501(c)(3) promoting renewable energy and energy efficiency policy throughout the Show-Me State, wish to respectfully testify in favor of Representative Michael O'Donnell's House Bill (HB) 734. First, we echo the support already offered by other witnesses supporting this legislation. But Renew Missouri seeks to add another reason to support this concept that goes beyond considerations for the environment and for the utility ratepayer. The toolbox provided by securitization allows the Public Service Commission to help adjust more quickly to changes and needs in the energy grid by the introduction of innovation. We believe that the future of the grid will focus on decentralization; with individual businesses and . With more of a focus on individual customers, how we currently do things will need to be wound down cheaply and effectively. Securitization will be allow utilities more options in dealing with this change as well as other unforeseen crises. The shifts in the marketplace for electricity as well as the advancement of technology is going to drive behavior towards things like the presence of battery storage in every home and business or solar arrays for subdivisions and neighborhoods. As these new concepts become cheaper and more accessible, the need for large-scale generation and even increased transmission is going to become less and less likely. Renew Missouri sees these innovations as similar to the introduction of the cell phone and its impact on communication. However, with this shift, we must be mindful of customer protection and increased likelihood of instability. With all of that said, the concept of securitization will help us ease into this new reality. As batteries and solar facilities makes the grid smaller and more personalized, the need for large coal-and-natural-gas-burning plants are going to diminish. But these plants will still have costs and expenses that have not depreciated. If these plants are shuttered because the cost of building new forms of power generation will be cheaper than maintaining and operating existing plants (which will be the reality by 2025), it is fair neither to the investor-owned utility or its customers to bear those unrecovered costs. Think of this like refinancing your home, except its being done to close down inefficient plants. Or to deal with any kind of unexpected costs like an extreme bout of cold weather and having to fix frozen natural gas wells or equipment in a coal plant. Securitization, as contemplated in Representative O'Donnell's legislation, gives the PSC a much-needed tool to help investor-owned utilities with the new realities of the energy marketplace. As utility companies start installing smarter and smaller generation plants, these outdated behemoths can be dealt with through the securities market. Customers aren't subjected to sticker shock, the utilities are not faced with impossible choices, and investors have a place to make conservative investments. Is it possible to have all the benefits of deregulation while having regulatory protections in place? Renew Missouri believes so and we believe securitization is the best way to start with tackling the new realities of the energy marketplace. We thank you for your time, invite your questions by email at

james@renewmo.org, and are happy to supplement this statement with additional material if requested. With respect, James Owen Executive Director, Renew Missouri



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To: Financial Institutions Committee Re: HB 734 - Creates the Missouri Electricity Bill Reduction Assistance Act

Dear Members of the Committee, I would like to express support for HB 734. It will provide an efficient, cost-effective way for utilities to diversify energy sources available to Missourians, and it will afford a transition towards increasingly less expensive forms of electricity generation. I have a long background in finance – working for 17 years as an executive at JP Morgan and Merrill Lynch - and am very familiar with bond financings and securitizations. These well-established tools have been used for decades to provide capital and reduce interest rate financing costs through securing a high credit rating for the bonds. The high credit rating makes the bonds attractive to investors, who are then willing to accept a lower yield – hence the lower interest costs. These savings benefit all of our utilities and rate-payers. Utility operating costs are reduced and rate-payers monthly bills are therefore lowered as well. In addition, securitization frees up capital for the utilities to invest in new projects and new forms of energy. Moving to include new forms of energy will help diversify – and hence strengthen – our power grid, and therefore protect Missourians. And, notably, wind and solar will be enormously beneficial in job creation. They have now reached the point where they are so inexpensive that the private sector is making enormous investments creating thousands of jobs. According to the U.S. Department of Energy, there are now more than 3 times as many jobs being created in the renewable energy sector than in traditional fossil fuels. And the investment firm Lazard reports that the costs of these new technologies have fallen – they are now the cheapest forms of energy on an apples-to-apples, unsubsidized basis. That explains why the private and public sectors are investing so much capital - and why freeing up capital through a securitization - will be beneficial to the future of energy in Missouri. I have attached relevant graphs from the Department of Energy and Lazard in a document separately submitted. I hope this information is helpful, and I hope that our esteemed legislators will protect our citizens energy future by supporting HB 734. Most sincerely, Nancy Ylvisaker Board Chair, Nature Conservancy in Missouri



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<b>BUSINESS/ORGANIZATION:</b>			
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BUSINESS/ORGANIZATION NAME: <b>AMEREN MISSOURI</b>		TITLE: <b>VICE PRESIDENT OF LEGISLATION &amp; REGULATORY</b>	
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WITNESS NAME: <b>ARNIE C. AC "HONEST-ABE" DIENOFF-STATE PUBLIC ADVO</b>		PHONE NUMBER:	
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**I am Opposed to this Bill. This is a Sweetheart Deal for Utility Companies. Let them get "Fair-Market" Loans at a Banking Institution.**





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<b>BUSINESS/ORGANIZATION:</b>			
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This science note was prepared by MOST Policy Initiative, Inc. a nonprofit organization aimed to improve the health, sustainability, and economic growth of Missouri communities by providing objective, non-partisan information to Missouri's decision makers. For more information, contact Dr. Jenny Bratburd, Energy, Environment & Public Safety Fellow – [jenny@mostpolicyinitiative.org](mailto:jenny@mostpolicyinitiative.org). PDF available online: [https://mostpolicyinitiative.org/wp-content/uploads/2021/03/MOST\\_securitization\\_HB734\\_2020\\_3-10.pdf](https://mostpolicyinitiative.org/wp-content/uploads/2021/03/MOST_securitization_HB734_2020_3-10.pdf)

The Missouri Electricity Bill Reduction Assistance Act (HB734 and similar to SB202) enables a financial process known as securitization. This is similar to loan refinancing, and reduces utility debt with ratepayer-backed bonds. Securitization can reduce financial burden on utilities and ratepayers for stranded assets, i.e., assets no longer expected to cover their costs, and has been used for early retirement of uneconomic coal plants and recovery from disasters. Highlights: -Securitization is a financial tool that would allow utilities to recover costs on stranded assets and potentially save money for ratepayers. -This financial process has been used in other states for retiring coals plants and recovering from disasters. -Utility securitization legislation is implemented in some form in 25 other states, which vary in consumer protections, carve outs for people potentially impacted by closed assets, and requirements for when and how securitization can be used (e.g., only for storm damage or other specific circumstance, etc.). - There is limited peer-reviewed research on securitization legislation and the impacts for energy generation and costs. Securitization is a financial tool that allows utilities to address unanticipated costs from disasters or market changes.<sup>1</sup> This tool is often compared with refinancing a mortgage. Utilities often raise funds with an 8 to 9% interest rate and securitization replaces that equity and debt with government or ratepayer-backed bonds that reduce the interest to 2 to 4%.<sup>1</sup> This process can create savings for the utility which may be passed onto the ratepayer. Many states have authorized utility use of securitization to assist with energy transition, as renewable energy generation has become a cost-effective option to replace coal plants. Some states have also authorized securitization for utilities to recover from damages and costs due to hurricanes and storms (e.g., Florida), wildfires and potentially COVID-19 related costs (e.g., California). Twenty-five states, along with Washington DC and Puerto Rico, have some form of utility securitization laws.<sup>2</sup> Some laws were put in place in the late 1990s and early 2000s during restructuring of utility markets. Over the last 20 years, \$50 billion in securitized utility bonds have been issued.<sup>2</sup> Since 2019, several states have passed securitization laws, including New Mexico, Colorado, and Montana driven in part by the economic and environmental incentives for closing coal plants, with different implementations regarding regulatory oversight and community protections, discussed below.<sup>3</sup> Examples of utility securitization include: Michigan's shutdown of the Karn coal-burning generating stations, with ratepayer-backed bonds approved in 2020 and estimated to save ratepayers \$126 million over 8 years; cost recovery from a Wisconsin coal plant

shutdown in 2018, estimated to save ratepayers \$40 million; Florida's Duke Energy used securitization help with early retirement of a nuclear reactor in 2004.<sup>4,5</sup> There is limited information to compare the impacts of legislation on utility securitization of states with or without it. Environmental Impacts While securitization legislation does not mandate coal plant closures, it can minimize costs during the energy transition, as other forms of energy (natural gas, solar, wind) become increasingly less expensive and coal becomes uneconomical. A 2019 report from Energy Innovation suggests that 74% of the U.S. coal fleet could be replaced by local wind and solar with savings for consumers, even as federal renewable energy tax credits phase out.<sup>6</sup> In Missouri, this includes an estimated 2660 MW of coal capacity that could be replaced by less expensive renewables by 2025.<sup>6</sup> Coal-fired power plants emit many air pollutants including sulfur dioxide, nitrogen oxides, and particulate matter, which can contribute to asthma and other respiratory concerns. A study of coal plant retirements in Kentucky found an associated reduction in asthma hospitalizations.<sup>7</sup> Low-income and minority populations tend to suffer a higher burden of air pollution from coal plants, and may continue to face disparities when coal plant closures are influenced by community racial composition and poverty level.<sup>8,9</sup> Compliance with regulation for air pollutants and greenhouse gases is a greater challenge for coal-fired power plants than renewable energy sources that do not emit greenhouse gases.<sup>10</sup>

**Regulatory Authority and Consumer Protection** Oversight of utility securitization varies from state to state. New Mexico's recent legislation was criticized for pre-empting the Public Utility Commission's oversight which could allow utilities to recover higher amounts from unwise investments.<sup>3</sup> Other states require their commissions on public utilities for specific assessment to determine if ratepayer-backed bonds can be used. Colorado's recent legislation is an example of increased consumer protection, with requirements that securitization proposed would have quantifiable savings.<sup>3</sup>

**Community and Worker Impacts** In recent legislation, Colorado and New Mexico have provisions intended to assist with the energy transition for communities and workers for early coal plant retirement, while others like Montana do not address this in the same legislation. Colorado may include mitigation costs in bonds, and New Mexico set specific funds for addressing these concerns.<sup>3,10</sup> Note that separate legislation may address community transition impacts.<sup>10</sup>

**References** \n 1. Fong, C. & Mardell, S. Securitization in Action: How US States Are Shaping an Equitable Coal Transition. RMI <https://rmi.org/securitization-in-action-how-us-states-are-shaping-an-equitable-coal-transition/> (2021). 2. O'Boyle, M. & Marcacci, S. How Utilities Can Avoid Being Financially Swamped by the Coal Closure Wave. <https://www.greentechmedia.com/articles/read/securitization-the-tool-utilities-need-to-avoid-being-swamped-by-the-coal-closure-wave> (2020). 3. Lehr, R. & O'Boyle, M. Comparing 2019 Securitization Legislation in Colorado, Montana, and New Mexico. (2020). 4. Hubbuch, C. Consumer advocates praise deal to refinance debt on shuttered coal plant in southeastern Wisconsin. [https://madison.com/wsj/business/consumer-advocates-praise-deal-to-refinance-debt-on-shuttered-coal-plant-in-southeastern-wisconsin/article\\_658e94dd-143a-5496-82d1-44a7fd2fb141.html](https://madison.com/wsj/business/consumer-advocates-praise-deal-to-refinance-debt-on-shuttered-coal-plant-in-southeastern-wisconsin/article_658e94dd-143a-5496-82d1-44a7fd2fb141.html). 5. Tomich, J. ENERGY TRANSITIONS: Can a 1990s strategy help states quit coal? <https://www.eenews.net/stories/1063722157> (2021). 6. Gimon, E., O'Boyle, M., Clark, C. & McKee, S. The Coal Cost Crossover: Economic Viability of Existing Coal Compared to New Local Wind and Solar Resources. (2019). 7. Casey, J. A. et al. Improved asthma outcomes observed in the vicinity of coal power plant retirement, retrofit and conversion to natural gas. *Nat. Energy* 5, 398–408 (2020). 8. Thind, M. P. S., Tessum, C. W., Azevedo, I. L. & Marshall, J. D. Fine Particulate Air Pollution from Electricity Generation in the US: Health Impacts by Race, Income, and Geography. *Environ. Sci. Technol.* 53, 14010–14019 (2019). 9. Richmond-Bryant, J., Mikati, I., Benson, A. F., Luben, T. J. & Sacks, J. D. Disparities in Distribution of Particulate Matter Emissions from US Coal-Fired Power Plants by Race and Poverty Status After Accounting for Reductions in Operations Between 2015 and 2017. *Am. J. Public Health* 110, 655–661 (2020). 10. Righetti, T. K., Stoellinger, T., Godby, R. & Coddington, K. Adapting to Coal Plant Closures: A Framework to Understand State Energy Transition Resistance. <https://papers.ssrn.com/abstract=3781987> (2021).