



Asking for your NO vote on House Bill 19-1037

Colorado Energy Impact Assistance Act by Representatives Hansen and Esgar and Senator Donovan

HB 19-1037 would issue ratepayer backed bonds to retire functioning power plants early. This practice would securitize the debt. The proponents argue securitization is beneficial to ratepayers because it replaces the utility's higher-cost debt with lower-cost bond debt, which reduces financing costs.

Securitization is a financial mechanism by which a utility can recover certain costs up front in one lump-sum payment rather than piecemeal over time. Utilities securitize a stream of revenue by issuing bonds, which are backed by an irrevocable guarantee of repayment made under state law. In such cases, utility customers pay a surcharge that the utility will transfer to bondholders as payment.

HB 19-1037:

- Requires ratepayers to assume a long-term investment risk that shareholders typically should bear;
- Provides no incentive to mitigate costs, because once a financing order is issued it cannot be adjusted;
- Guarantees a payment stream that in future may be entirely inappropriate;
- Does not necessarily guarantee the utility will use the money wisely or for its intended purpose;
- Could reduce market competition by making a large sum of cash available to the utility but not to its competitors; and forces ratepayers to take on market risk that investors should bear due to stranded costs.

Here are several myths surrounding the current use of securitization:

1. *Myth: Securitization will lower utility rates.*
 - Fact: Securitization raises rates by adding a new, long-term surcharge on utility bills to pay off bond costs.
2. *Myth: Securitization is an easy way to retire coal plants early.*
 - Fact: Retiring anything before the end of its useful life costs money.
3. *Myth: Many states are using securitization to cover costs of retiring coal plants.*
 - Fact: No state has yet to use it for early retirement of coal plants.

For more information please contact:

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