



Comments and Suggestions on HB 1520

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During the testimony a few weeks ago on HB 1520, the natural gas securitization bill, I mentioned that while Sierra Club generally was supportive of securitization if it benefits consumers, we wanted to make sure that consumers are protected, and make sure that gas savings programs could be considered as a potential use of securitization funds. Attached please find some suggested changes to the bill. I have had several experts in securitization that Sierra Club works with look at the bill. I am providing a redline copy to Chairman Paddie and Chairman Goldman for their consideration.

Among the suggested changes include:

In Section 5 of the bill (Section 104.360), add language to assure that the securitization will be lower cost for consumers by adding the following language: “and save customers money by financing the extraordinary costs with bonds that carry an interest rate that is lower than the utility’s cost of capital. “

Similarly, we would add additional language making it clear that the CRR bonds would lead to the lowest cost for consumers.

In Section 6 of the bill, we would add language allowing energy efficiency and conservation to be a possible use of the securitization bonds by adding the following language:

(ii) The cost of implementing customer energy efficiency measures that have been approved by the Commission, including efficient gas appliances and

weatherization of businesses and residences, that will increase resiliency by reducing natural gas demand during extreme weather events.

In Section 104.363 of the bill we would suggest adding the following language to the findings:

(ii) include a finding that financing the CRR costs described in the application will provide substantial, tangible, and quantifiable benefits to customers that are greater than the benefits that would have been achieved absent the issuance of CRR bonds;  
and

(iii) include a finding that the structuring, marketing, and pricing of CRRs will achieve the maximum net present value of customer savings, compared to traditional financing options, consistent with market conditions at the time of sale of the bonds and the terms of the financing order.

In addition, in the same section, we would propose additional customer protection language such as:

(j.2) The Commission shall ensure that customer interests are adequately represented in the Commission's proceeding concerning the financing order by granting intervention as parties to a reasonable number of representatives of residential and commercial service consumers.

The Sierra Club appreciates the consideration of Chairman Paddie and the Committee on Energy Resources for these proposed changes. Again, while we are supportive of efforts to allow utilities the ability to do securitization, we believe additional protections for consumers and specific allowances of energy conservation programs should be added to the bill.