

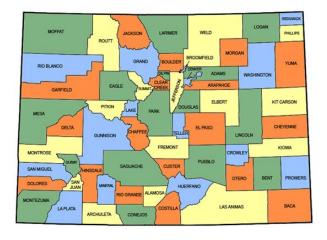
The Colorado Energy Policy Landscape Rep. Chris Hansen, PhD (D-Denver, CO House District 6)



The Opportunity

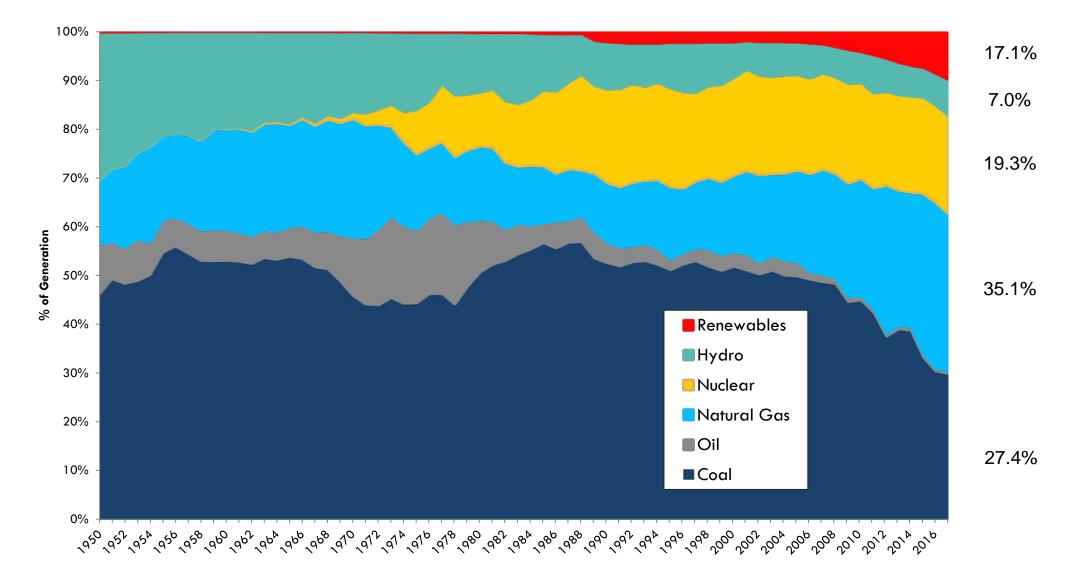
- Across 43 states, 558 coal-fired electric generating units (105,000 MW) have shut down or plan to shut down over the period 2010 –2025, approximately 30% of the total installed base.*
- Coal plant closures are likely to accelerate, given the lower costs of alternative generation





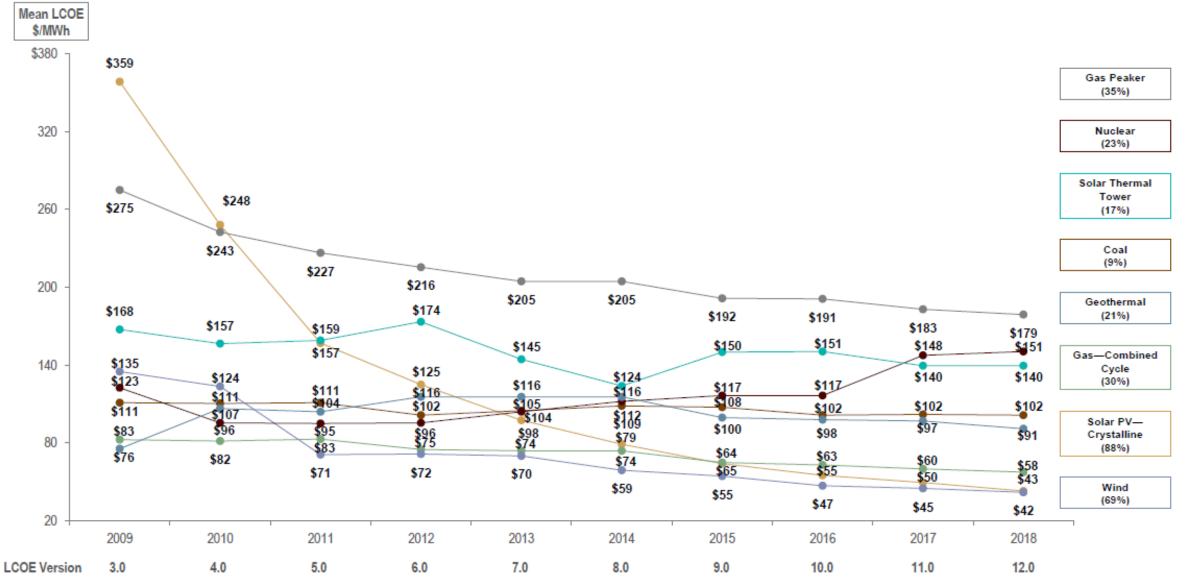
 Colorado should plan ahead for this eventuality and reduce the impact of closures on affected Colorado workers and communities.

U.S. NET GENERATION BY MARKET SHARE (1950-2018)



Source: U.S. Department of Energy, Energy Information Administration

Selected Historical Mean Unsubsidized LCOE Values⁽¹⁾



Source: Lazard estimates.

ZARD

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(1) Reflects the average of the high and low LCOE for each respective technology in each respective year. Percentages represent the total decrease in the average LCOE since Lazard's LCOE—Version 3.0.

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Colorado SB19-236:

Public Utilities Commission Sunset Reauthorization

Political Landscape

- Democratic control in both chambers & Governor's office
- Largely a reintroduction of HB17-1339
- Rural vs. urban
- Utilities vs. ratepayers
- Fossil fuel stakeholders vs. environmental stakeholders

SB19-236: The "Turducken"

HB19-1037: Colorado Impact Assistance Act

- Permits Colorado IOUs to use securitization when and if a generation asset is no longer economical or is at the end of its useful life
- Directs 15% of the savings from securitization to assist workers and communities affected by the closure

HB19-1313: Electric Utility Plans To Further Reduce Carbon Dioxide Emissions

- Permits Colorado IOUs to submit clean energy plans to the PUC for approval
- IOU can rate-base work force transition assistance
- Utilities have a 50% ownership target for replacement capacity

SB19-236: Sunset Public Utilities Commission

- Reauthorization and modernization of the PUC
- Comprehensive utility/electricity sector omnibus bill

What SB19-236 does:



PUC authority to implement clean energy goals & emissions reductions targets, see HB 1261:

-50% by 2030; -90% by 2050



Ensures retail "rate stability" with implementation of clean energy plans



Authorizes the PUC to include Tri-State and other co-ops in their ERP jurisdiction (not rates)



Integrates a wider range of resources into utility planning processes, with a focus on smaller distributed resources

What SB19-236 does:

Prompts an investigatory docket for RTO/EIM & grid interconnection



Requires utilities to account for the social cost of carbon in their electric resource planning (\$46/ton)



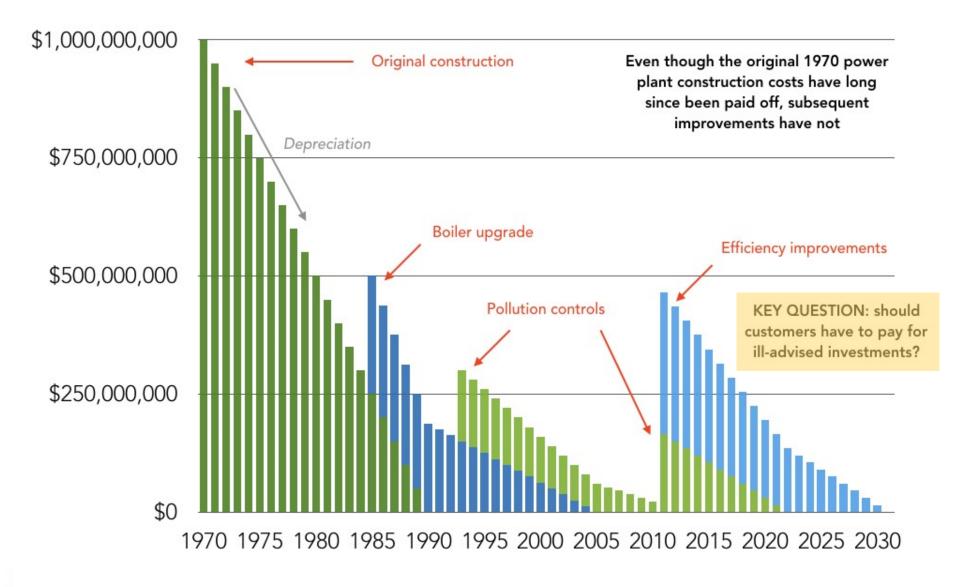
Authorizes the PUC to issue financing orders for utilities to securitize to lower costs for customers when retiring generation assets



Authorizes the PUC to ensure ratepayer protections when utilities use rate-payer backed bonds

Consideration of workforce and community impacts in future resource planning

SAMPLE COAL POWER PLANT BOOK VALUE



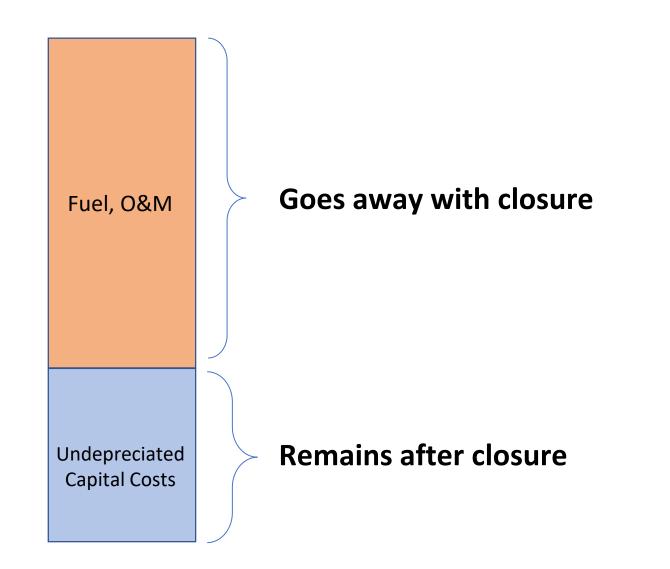
Precedent for Securitization

- This idea is not new it was used during wholesale electric restructuring to finance "stranded costs" of some utilities.
- How securitization is being used today:
 - Duke Energy (FL) recently used securitization to finance \$1.3 billion in assets of a closed nuclear plant in Florida. The interest rate is 2.72%, much lower than Duke's rate of return. The deal saves customers \$700 million over 20 years.
 - Consumers Energy (MI) received approval from the PUC to sell \$389.6 million in securitization bonds to capture the unrecovered net book value of 950 MW of coal-fired capacity retired in 2016.

24 States have statutes that permit securitization of utility assets



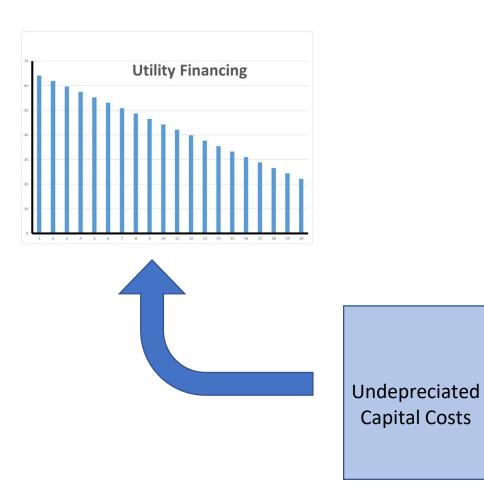
The Cost of a Power Plant



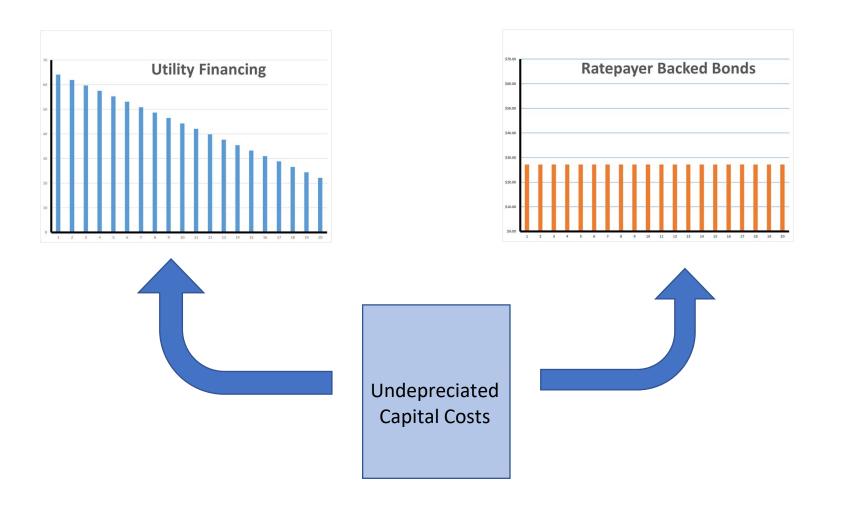
How to finance the stranded costs

Undepreciated Capital Costs

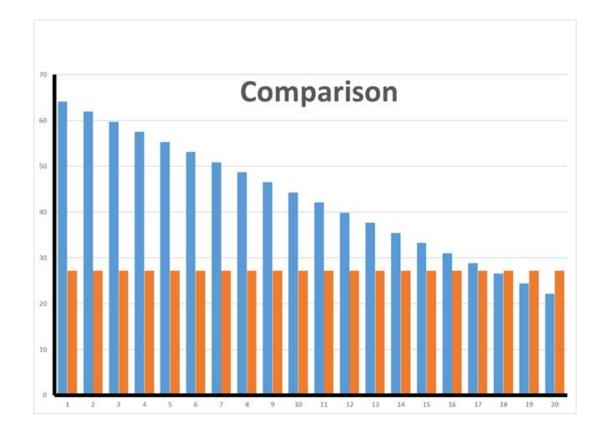
How to finance the stranded costs Two choices:



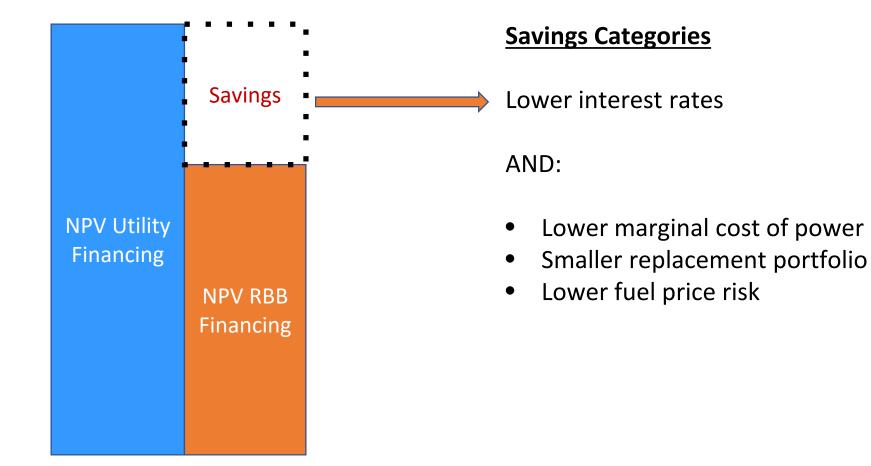
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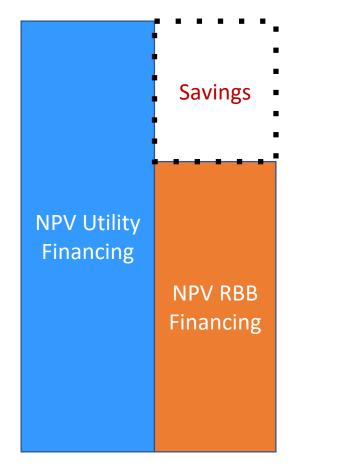
Ratepayer-Backed bonds will produce substantial savings...



Ratepayer-Backed bonds will produce substantial savings...



The savings can be used for several purposes

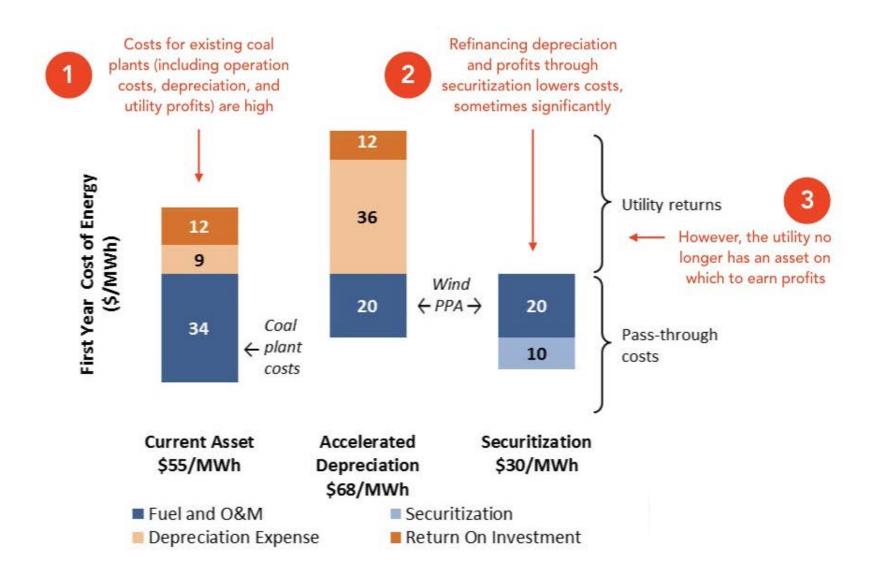


Rate reductions for consumers

Retraining for affected workers

Property tax support for affected local gov't

How Securitization Lowers Costs (Overview)



Lessons Learned

- Framing is important
 - Securitization is not partisan, and not anti-coal, it is just math
- Balance is necessary
 - Securitization does not excuse utilities from losses for their coal investments, however it also does not demand that utilities and their financial backers take on the full cost
- No one should be left behind
 - Utilities must include workforce transition financing plans when filing any plant closure proposal to ensure local communities are supported
- Broad, inclusive, multi-year stakeholder engagement is a must
 - Large financial transactions like this affect many people in many different ways

Colorado Energy Policy Landscape

<u>2018:</u>

- Power Storage Legislation (On-site and Grid-scale)
- Renew Colorado Energy Office "All of the Above"
- State Emissions Targets EO (Paris Targets)

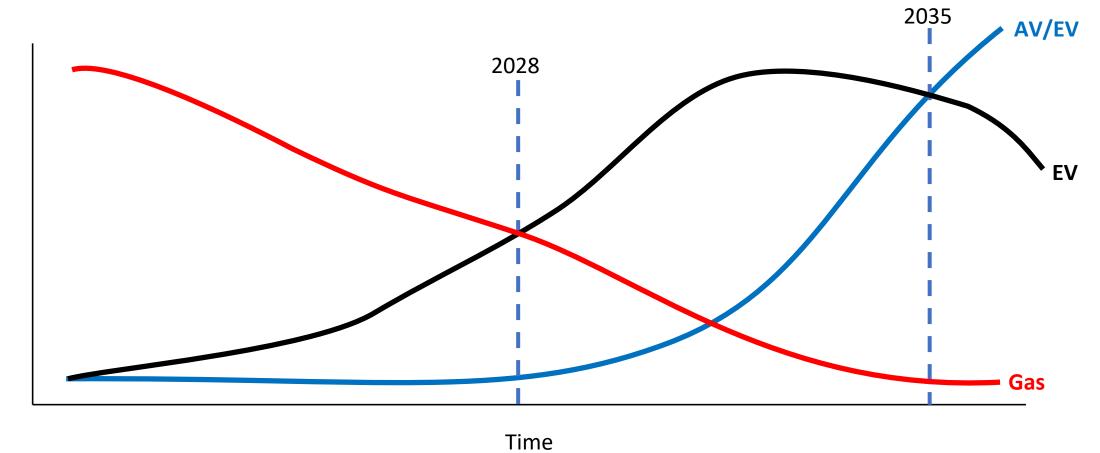
<u>2019:</u>

- GHG Emissions Inventory and Climate Goal Legislation
- EV Infrastructure for IOUs
- Community Solar Modernization
- PUC Sunset Review

<u>Future:</u>

- Beneficial Electrification
- RTO Membership
- Generation Portfolio Transition
- Community Choice Aggregation

The Future of Transportation



Contact Information



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