

*Securitization:
Is it the Right Tool
for Me Today?*



NARUC 2018 SECURITIZATION

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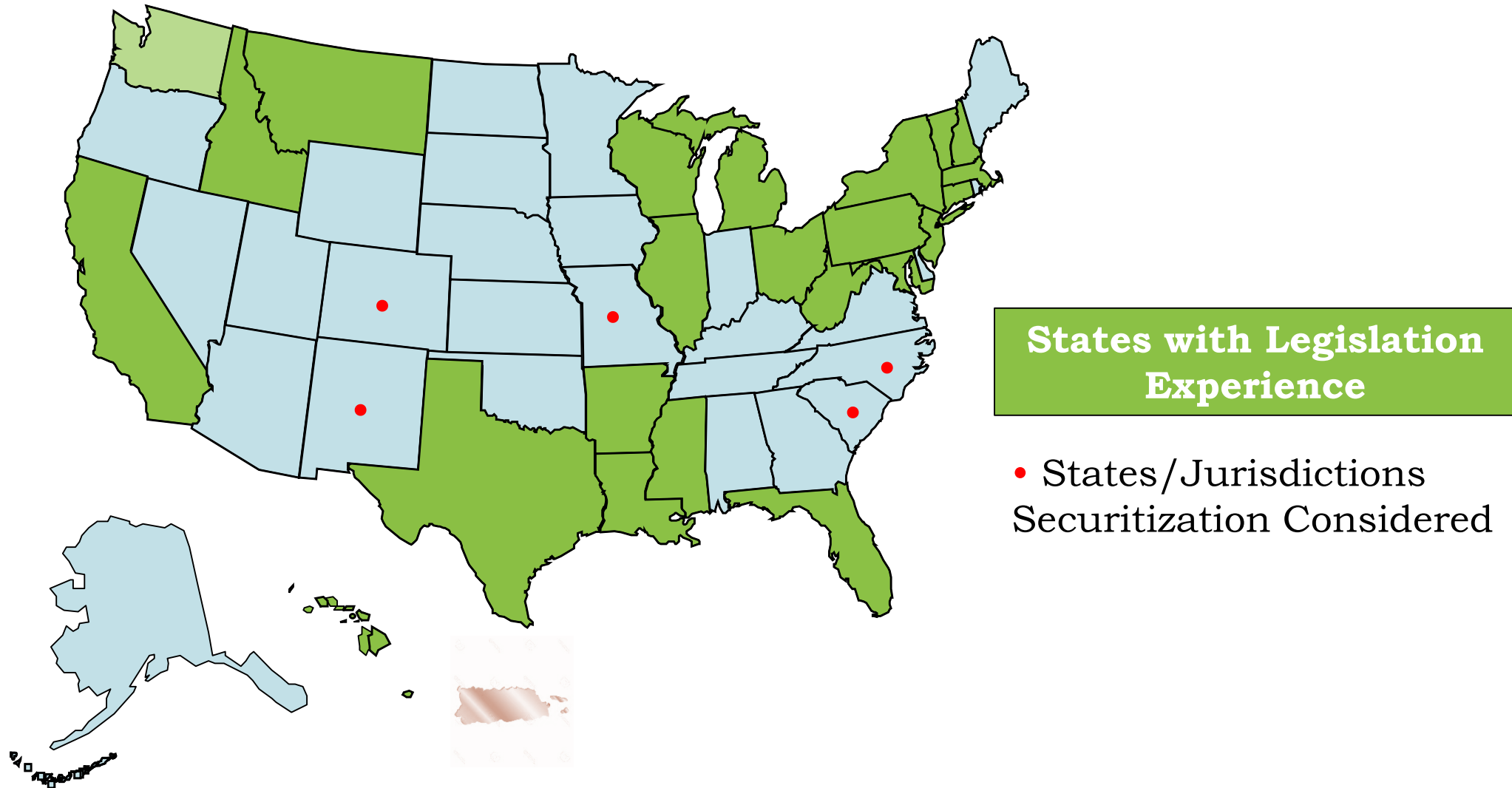
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SECURITIZATION: 21 STATES + DC + PUERTO RICO

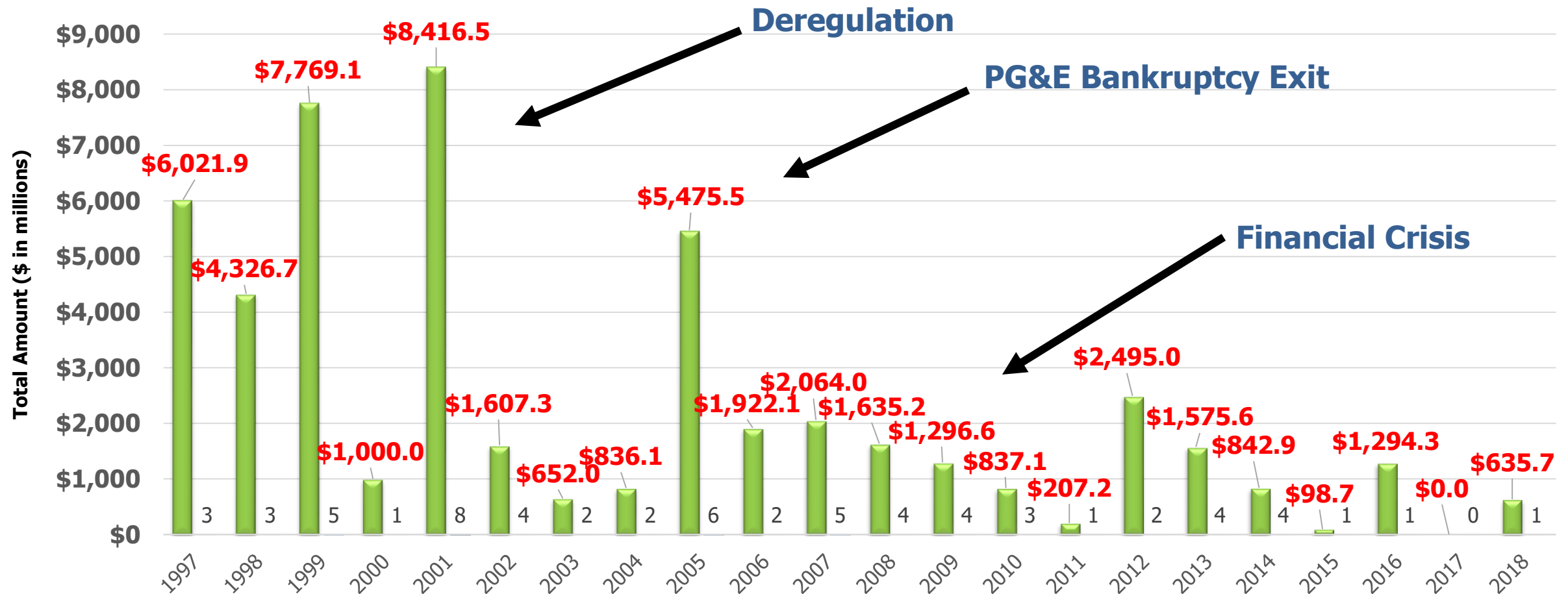
Experience or Some Form of Legislation (Most Expired)



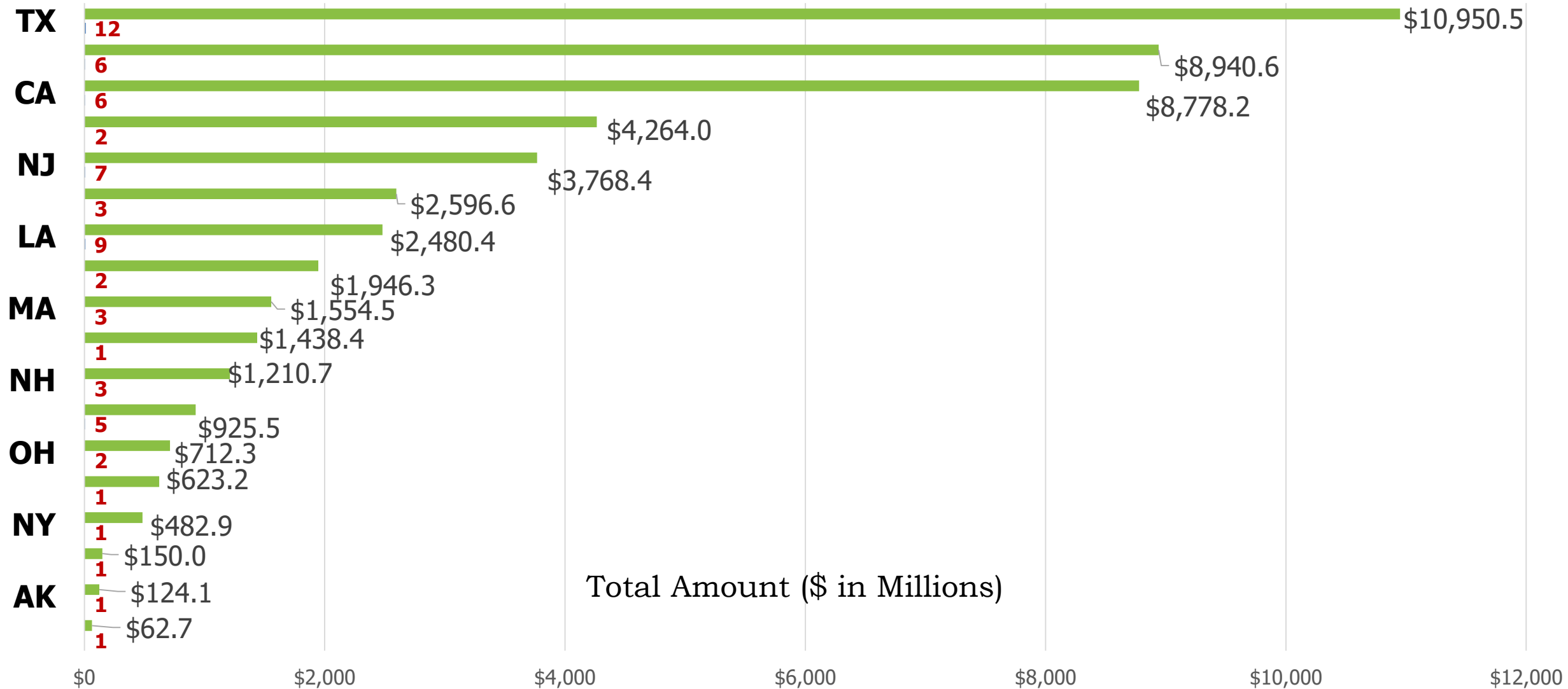
TOTAL ~\$50.9 BILLION ISSUED

64 Investor-owned Utility Transactions

From (small) \$21.5 Million to (large) \$2.9 Billion In Size



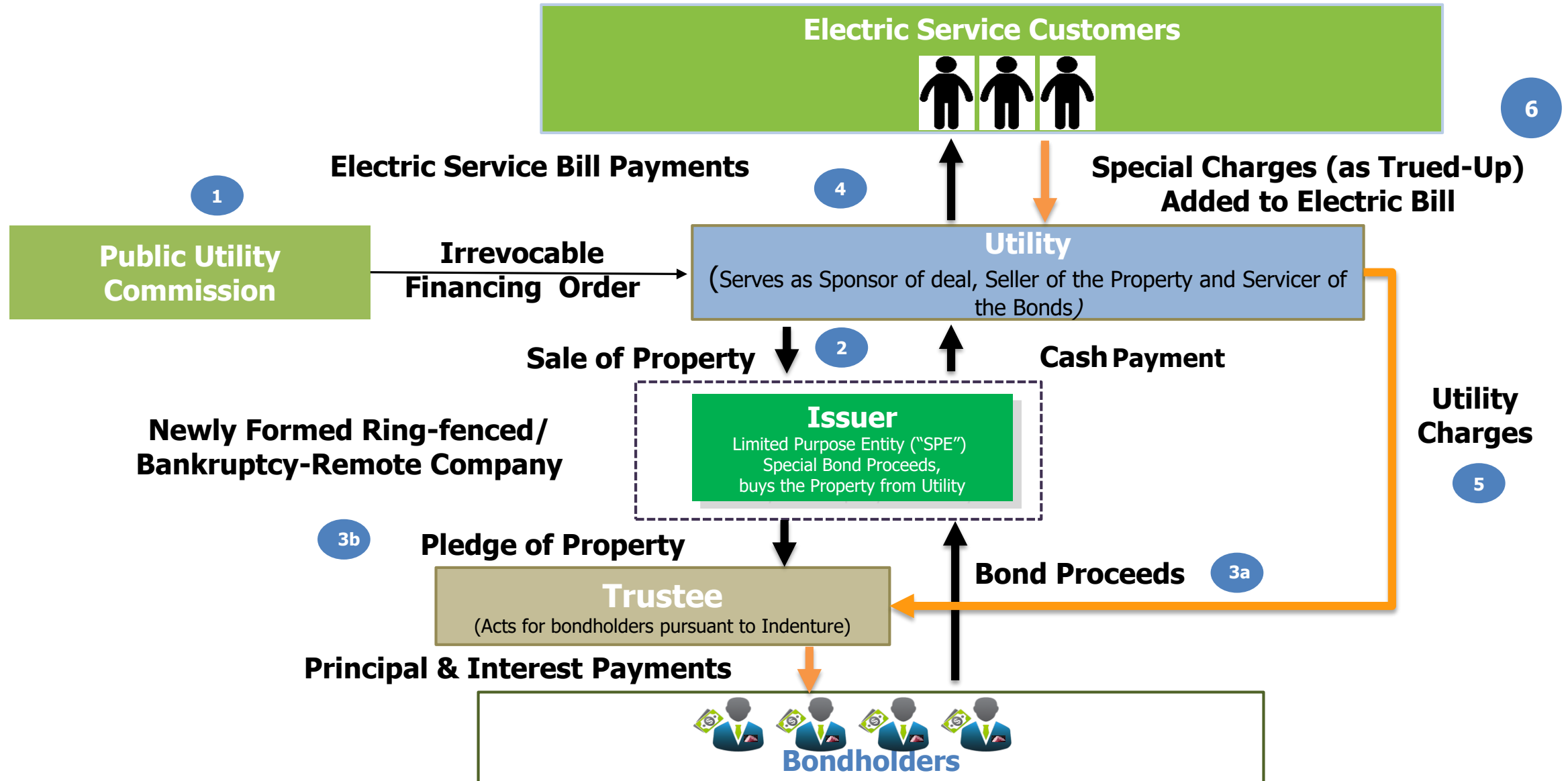
1997-2018 SECURITIZATION ISSUES BY STATE: Texas, California & Pennsylvania Dominate(d)



ESSENTIAL SECURITIZATION STEPS

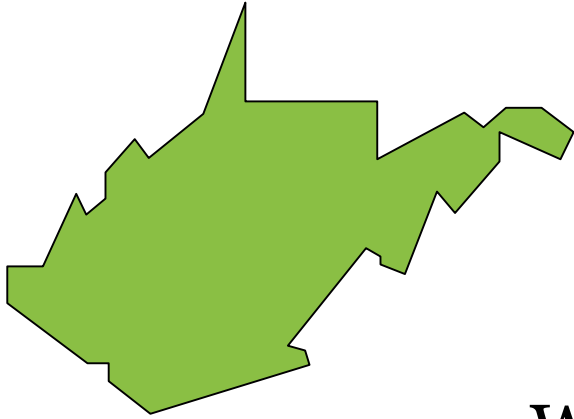
- ✓ **Special Authorizing State Legislation**
 - Needs to be Empowering Commission Not Restricting It
 - Lowest Cost Standard
 - ✓ **Non-Bypassable Charge on All Consumers - “Joint Customer Obligation”**
 - ✓ **Irrevocable Charge Adjustment Mechanism (Tue-Up)**
 - ✓ **Irrevocable Commission Financing Order**
 - ✓ Transferable Property Right
 - ✓ Binding on Future Commissions – Forego Future Review
 - ✓ State Pledge of Not to Interfere in Bondholder’s Right to Charge
 - ✓ **Commission + Utility Collaboration on Structure, Marketing + Pricing Bonds**
 - ✓ Banker/Underwriter Interests versus Customer/Ratepayer Interests
 - ✓ Commission Represents Customers “At the Negotiating Table”
-

COMPLEX TRANSACTION - UGH



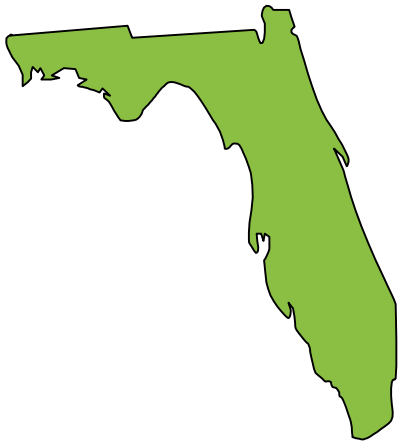
BUT LARGE CUSTOMER/RATEPAYER SAVINGS – YES!

TARGETED USES – 2007 & 2016



West Virginia 2007

- ✓ \$459 Million Environmental Upgrades to Coal Plant
- ✓ \$130 Million Net Present Value (NPV) Savings



Florida 2016

- ✓ \$1.294 billion Early Retirement Nuclear Plant
 - ✓ Average Rate: 2.72%
 - ✓ \$680 Million NPV Savings
-

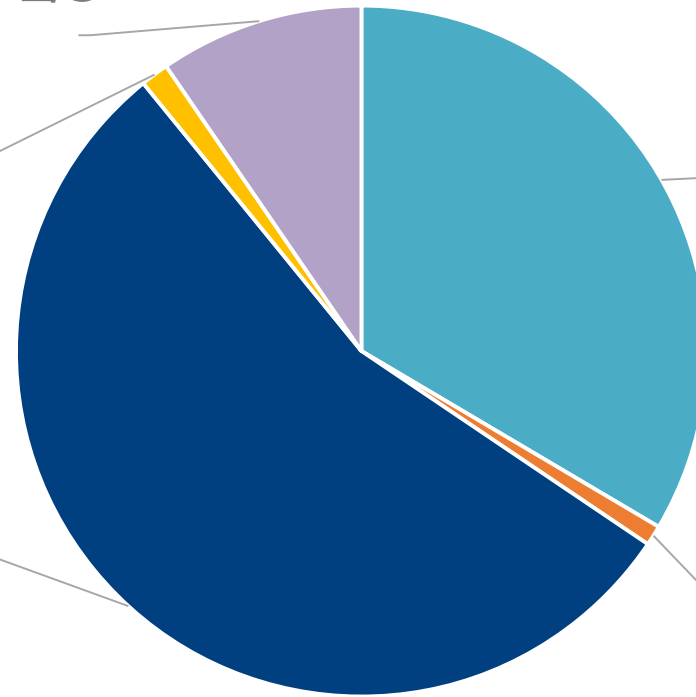
WHERE DO SAVINGS COME FROM?

Customer Savings In Revenue Requirements \$ 1 Billion 25 Year Maturity (1)

Level Revenue
Requirements Over 25
years...

Lower Interest
Expense
2%

Eliminate Equity
Costs
55%



No Income Taxes
On Required
Revenues
33%

Lower Revenue
Based Fees
1%

(1) Savings net of issuance costs. !5 Year Weighted Average Life

New Mexico legislative Majority Leader discussing securitization as proposed by utility – identifies need for regulator oversight... Feb '18



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NARUC – 2018 Securitization Commission Perspective



REBECCA KLEIN

FORMER CHAIRMAN, PUBLIC UTILITY COMMISSION OF TEXAS (PUCT)

KLEIN ENERGY, LLC

1999 Texas Public Utilities Restructuring Act Mandate to PUCT on Securitization – Transition Bonds

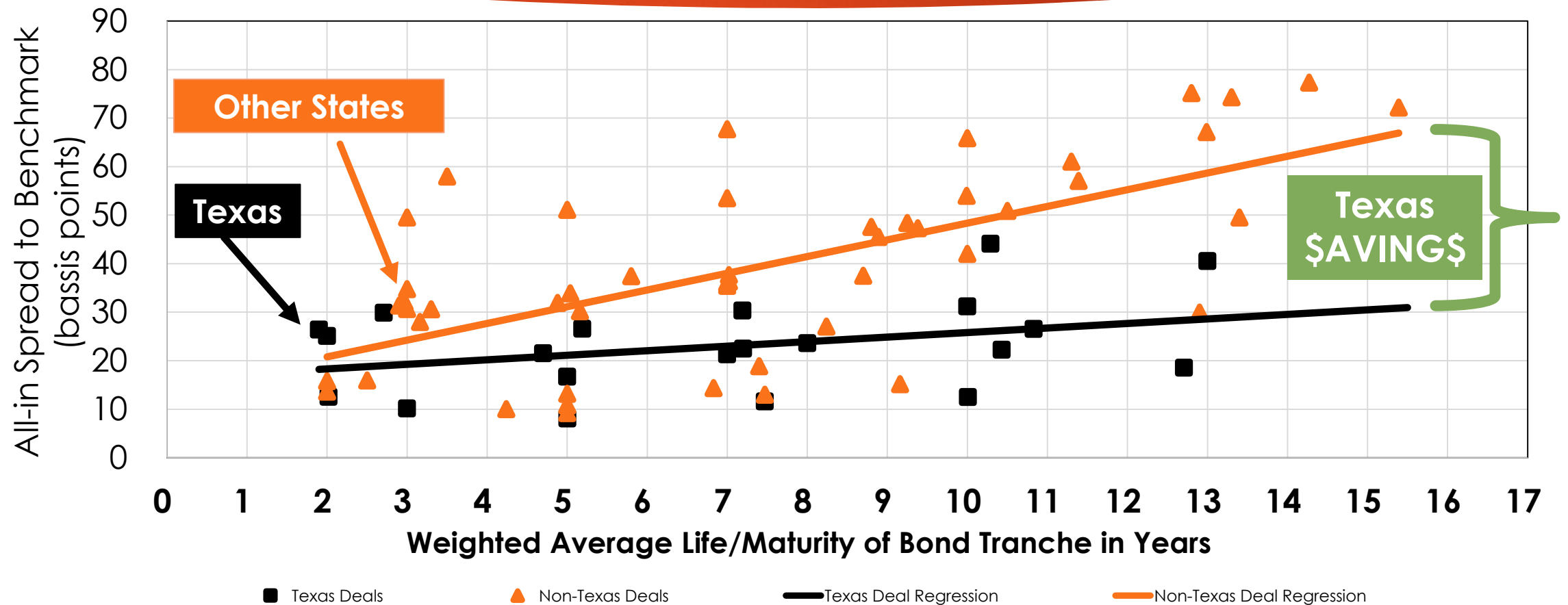


- ▶ “The **commission shall ensure** that securitization provides tangible and quantifiable benefits to ratepayers...”
- ▶ “The **commission shall ensure** that the **structuring and pricing of the transition bonds result in the lowest transition bond charges** consistent with market conditions and the terms of the financing order.”

Texas Ratepayer Savings from an ACTIVE Commission vs. Other STATES

2001-2005 New Issue Pricings of Bond Offerings

Differences = Coupon in % Basis Points vs Benchmark By Bond Maturity



Note: (1) Excludes WALs less than 2 years since they were priced off of a different benchmark. Sources: **Bloombera and SEC Prospectuses**

Active Commission Involvement Essential

- ▶ **The Importance of a Financial Advisor**
- ▶ **The Commission's Relationship with a Financial Advisor**
- ▶ **Expectations for a Financial Advisor's Role**

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in the meeting app*

Session B3

Look under the “polls” button