

## Written Testimony on SB 386-HEC-JK-2-3-21

- We write to express our opposition to SB 386, the securitization pilot bill.
- As we read the bill, SB 386 enables Vectren, the investor-owned utility serving Southwest Indiana, to pursue securitization.
- Securitization is a financing tool that, if designed right, would allow the utility's ratepayers to pay off the balance of a utility's retired coal plants at a lower interest rate, via a bonding process, than they currently pay for them.
- But we have several concerns about SB 386 that boil down to process and to content.
- On the *process front*, the legislature should focus on studying this complex topic first before authorizing a pilot project.
  - HB 1220, which passed the House on February 2nd and is sponsored by Chairman Koch in the Senate, would create a part II for Indiana's 21st Century Energy Task Force, and the very first topic to be discussed is "the use of securitization to recover stranded utility costs associated with legacy generation units". Let's let the Task Force study the issue of securitization before authorizing a pilot.
- On the *content front*, we are concerned about several sections of this bill:
  - Section 3 is written in such a way that if Section 3(3) alone were deleted, this bill would apply to every unit in Indiana that is retiring before January 1, 2023
  - Section 6 neither includes environmental remediation nor worker retraining as qualified costs
  - Section 7 of the bill indicates that the bond repayment period is 15 years, whereas municipal bonds can be as long as 30 years
  - Section 10 seems to limit the ability to appeal financing orders, namely "Notwithstanding IC 8-1-3-2, a financing order issued by the commission under this section is not subject to rehearing or reconsideration by the commission."
  - Section 10 creates a seemingly easy hurdle for a utility to jump in order to be approved for issuing securitization bonds
  - Last, there's nothing in the legislation that helps us understand which coal plants could be part of Vectren's securitization plan - is it the Brown unit only? Or might it include Culley and Warrick too?
- Ultimately, our concerns about this bill are whether this bill meets the test of being both good for the environment and good for the economy; the absence of environmental remediation being a permissible qualified cost makes us question the former, and the array of cost/consumer/ratepayer-related points we've raised above makes us question the latter

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- Therefore, we urge Committee members to encourage Chairman Koch to not move this bill for a vote but rather let the Task Force do its work and then bring a securitization pilot before the Commission
- Please note that we reached out to Chairman Koch's Legislative Assistant in mid-January to schedule a meeting (and followed up twice) and, while there has been an exchange of emails with Koch's LA, we still do not have a meeting scheduled. Therefore, we have not an opportunity to discuss our concerns about the bill before the hearing.

*Jesse Kharbanda is the Executive Director of the Hoosier Environmental Council, Indiana's largest environmental policy organization.*