

## **Senate Bill (SB) 492, the Ratepayer Relief Act (RRA)** **Sponsored by Senator William P. Soules**

Based on numerous best practice models of securitization legislation across the country, SB 492 empowers the PRC to approve securitization financing orders *AFTER* there has been a hearing on the merits when a utility seeks to recover stranded investment costs, ex. San Juan Generating Station. This is widely considered a best practice by securitization experts.

As outlined in SB 492, the tool of securitization is created by the legislature. Subsequently, substantive issues are vetted at the PRC through expert testimony and cross examination, evidence, discovery, and legal analysis.

SB 492 is an alternative to the securitization provisions of SB 489, the Energy Transition Act (ETA). Unlike the ETA, the SB 492 does not link securitization financing to any predetermined issues like the amount ratepayers will pay, PNM ownership of replacement power or how clean-up costs will be treated. Nor does SB 492 muddy the constitutional waters by predetermining any particular outcomes before the New Mexico Public Regulation Commission (NMPRC).

### **Provisions of the SB 492:**

- Establishes a financing mechanism that would facilitate the use of low-cost AAA rated bonds to help utilities recover their undepreciated investments (i.e., stranded costs) in any abandoned utility-owned generation plant;
- Preserves the NMPRC's authority over the total amount of the stranded costs to be financed (not 1 of 64 securitization bills in the US has allowed a utility to determine the amount of cost recovery, SB 489 does);
- Preserves the NMPRC's authority to rule on a securitization application under the "public interest" standard;
- Requires the Commission to determine that securitization financing results in just and reasonable rates;
- Requires NMPRC oversight of all the terms, conditions and costs of the securitization bonds, in order to ensure that the "structuring and pricing of the bonds result in the lowest bond charges consistent with market conditions";
- Provides the Commission with an independent financial and legal advisor to advise the Commission;
- Requires an immediate reduction of the utility's rates to reflect the abandonment savings;
- Preserves parties' full rehearing and appeal rights under current law;
- Ensures that New Mexico investment entities and private citizens have the opportunity to purchase the securitization bonds;
- Would not predetermine the types, amounts, locations of, or ownership of replacement power resources in an abandonment proceeding.

Comprehensive due diligence is consistent with the public interest and considered a best practice in securitization legislation. Many hundreds of millions of dollars are at stake and the decision will be "set in stone" for 25 years. We must make sure that the issues are vetted fully and that there is PRC oversight to ensure that securitization provides tangible and quantifiable benefits to ratepayers, greater than what would have been achieved absent the issuance of transition bonds. The Commission must be empowered to ensure that the structuring and pricing of the transition bonds result in the lowest bond costs to the consumer.

**SB 492 encompasses these ratepayer protections and SB 489, PNM's Energy Transition Act does not.**



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