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SFA BILL ANALYSIS

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Senate Bill 1253 (Substitute S-2 as reported)
Sponsor: Senator Mat J. Dunaskiss
Committee: Technology and Energy

CONTENT

The bill would amend the Public Service Commission (PSC) enabling Act to require the PSC, if certain criteria were met, to issue a financing order that would authorize an electric utility to issue securitization bonds in order to recover qualified costs (regulatory assets, adjusted by investment tax credits, plus costs the utility would be unlikely to recover in a competitive market, including retail open access implementation costs and the costs of a PSC-approved restructuring, buy-out or buy-down of a power purchase contract). The order also would approve the creation of securitization charges (amounts collected by the utility from its customers for the full recovery of qualified costs) and any corresponding utility rate reductions.

Securitization bonds could not have a term over 15 years, and would be secured by or payable from securitization property (the rights and interests of a utility or its successor under a financing order, including the right to collect securitization charges and to obtain adjustments at least annually for overcollections or undercollections). Securitization bonds would not be a debt or obligation of the State or a charge on its full faith and credit or taxing power.

Upon a utility's application, the PSC would have to issue a financing order if it found that the net present value of the revenues to be collected under the financing order was less than the amount that would be recovered over the remaining life of the qualified costs using conventional financing methods. The PSC would have to ensure that the proceeds of the bonds would be used solely for the purpose of the refinancing or retirement of debt or equity; that securitization would provide tangible and quantifiable benefits to customers; that the expected structuring and pricing of the bonds would result in the lowest securitization charges consistent with market conditions and the terms of the order; and that the amount securitized did not exceed the net present value of the revenue retirement over the life of the bonds associated with the qualified costs sought to be securitized.

The bill is tie-barred to Senate Bill 937.

Proposed MCL 460.10h et al. Legislative Analyst: S. Lowe

FISCAL IMPACT

The bill would make securitization bonds exempt from any Michigan State or local government taxes. The cost of this tax exemption cannot be identified at this time because it is not known the dollar amount of the bonds, or when they would be issued. The bill would have no fiscal impact on the Department of Consumer and Industry Services.

Date Completed: 5-17-00 Fiscal Analyst: J. Wortley
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