

S.9339 (Comrie)/A.10346 (Paulin)

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BILL S.9339 (Comrie)/A.10346 (Paulin)
SUBJECT "New York Utility Corporation Securitization Act"
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SUPPORT

The Business Council supports this legislation that authorized the Public Service Commission (PSC) to approve “financing orders” allowing for the securitization of legacy utility storm recovery and arrearage costs. Under this legislation, a public utility can petition the PSC for a financing order allowing the securitization of such costs, but the petition can only be approved if the PSC determines that securitization would “provide quantifiable benefits to consumers” compared to alternative cost recovery.

While our membership includes several investor-owned utilities, most of our members are energy consumers, including energy intensive manufacturing and service companies for which electric costs and reliability are crucial factors. As such, we are focused on legislation that promotes the maintenance of the state’s electric grid at competitive costs for business and residential customers.

Under securitization, utility legacy storm and arrearage debt is in effect refinanced through bonds issued by a third party, with a share of PSC-approved rate payments dedicated to debt service. This mechanism is designed to lower borrowing costs, providing overall rate relief to utility customers. Indeed, the mechanism can only be approved in instances where it is determined to benefit customers.

For utilities that elect to pursue securitization, it represents a valuable mechanism to reduce its debt load. In doing so, it improves the utility’s access to financial markets, allowing it to finance significant future investments necessary for the state’s expanded electrification goals, and to prepare for future storm response needs.

This legislation will create the mechanism and criteria for PSC approval of utility securitization and allow for the dedication of customer payments to service debt issued by well-positioned third parties. These mechanisms will provide high bond ratings and reduced borrowing costs. The legislation will also require the reduction of customer rates to reflect lower debt service costs, with the dedicated debt service payments being eliminated once bonds are repaid.

This is a proven mechanism. According to the National Regulatory Research Institute – the research arm of the National Association of Regulatory Utility Commissioners – utility securitization is authorized in twenty-one states and the District of Columbia, and since 1997 has been effectively used at least 60 times to allow utilities to reduce costs to consumers of responding to high-cost events,

In the coming years, the state’s utilities will be required to make significant investments to upgrade the state’s electric to meet requirements of the CLCPA, and to make the grid more resilient, to ensure it can continue to provide safe and reliable service to New York’s residents, businesses and support the State’s climate goals. The authorization of debt securitization provides a cost-effective mechanism that will support those future investments while reducing overall financing cost impacts on residential and business customers.

For these reasons, The Business Council supports adoption of S.9339/A.10346.