

**Letter of Reference for Saber Partners, LLC and
Joseph S. Fichera, Chief Executive Officer
Concerning Investor-Owned Utility Securitization**

October 14, 2021

To Public Utility Commissioners and Staff:

We are writing to recommend **Saber Partners, LLC**, led by its chief executive officer, Joseph S. Fichera, to be the financial adviser to any public utility regulatory commission considering approving or have approved financing orders for securitization bonds and looking to achieve the lowest cost to, and the greatest protections for, their ratepayers in the entire securitization financing.

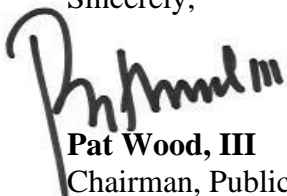
Each of us is personally familiar with Mr. Fichera and the Saber team of experts. We first hired them in 2000 and worked with them from 2000-2004 to set-up the Public Utility Commission of Texas's securitization program known in Texas as "Transition Bonds." We can directly attest to the professionalism, competence, responsiveness and dedication of Mr. Fichera and his team to the Texas Commission and the staff. They were singularly loyal to the Commission's duty to act in the public interest to protect ratepayers in all matters in these complex financings.

Most importantly, Mr. Fichera's ethics, dedication and pioneering work executing our Commission's decision for active oversight of the structuring, marketing and pricing of the securitization transition bonds was critical to the Commission's success in achieving our legislative mandate under our state's public utility regulatory act (PURA Subchapter G: Section 39.301: Purpose). The legislation specifically required that our "*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.*" In addition to our personal views, we have attached detail on Saber Partners' work and the PUCT's results that protected ratepayers from paying higher charges and produced savings.

We unequivocally endorse and encourage you to engage Saber Partners, LLC and Mr. Fichera to advise you on any securitization proposals and financing plans that come before your Commission. You are unlikely to find any other firm with individuals more qualified to help you and the Commission staff in understanding utility securitization and how to protect ratepayer interests in any approved financing.

Please call any of us with questions.

Sincerely,



Pat Wood, III
Chairman, Public Utility
Commission of Texas
1995-2001



Brett Perlman
Commissioner, Public Utility
Commission of Texas
1999-2003



Rebecca A. Klein
Chairman, Public Utility
Commission of Texas
2001-2004

Attachment/Appendix

Appendix: Texas Securitization Transition Bond Financings 2000-2004

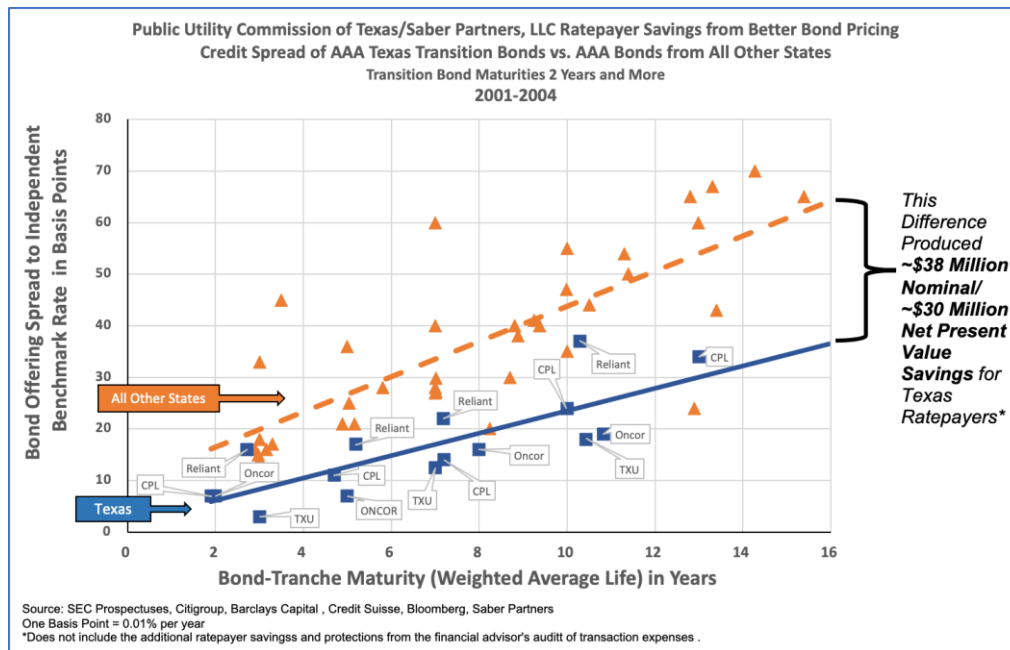
- Between 2000 and 2006, the Public Utility Commission of Texas (PUCT) was advised on securitization by Saber Partners, LLC. We worked with them between 2000-2004.
- While we were commissioners, the PUCT approved securitization financing orders initially for Central Power and Light (now AEP) see [Docket # 21528](#) and subsequently for Reliant Energy, see [Docket #21665](#) (now CenterPoint), and Oncor Electric and TXU see [Docket #24892](#)). In those financing orders, we required an independent financial advisor and an independent certification by that advisor that the structure and pricing of each transition bond offering was the lowest under market conditions at the time per PURA 39.301. The attached Finding of Facts and Ordering Paragraphs listed our financial advisor’s responsibilities and were discussed in open meetings.

Date of Offering	Texas Utility Issuing Entity	Amount
10/2001	CenterPoint Energy Transition Bond Company I, LLC	\$748,897,000
01/2002	CPL Transition Funding LLC	\$797,300,000
08/2003	Oncor Electric Delivery Transition Bond Company LLC	\$500,000,000
05/2004	TXU Electric Delivery Transition Bond Company LLC	\$789,777,000
	Total	\$2,835,974,000

- By 2001, when a Texas utility first sold securitization bonds, investor-owned utilities in other states, in 18 bond offerings, sold \$26 billion of similar AAA securitization bonds. The market was well established.
- Between 2001-2004, investor-owned utilities in New Jersey, Pennsylvania, Michigan, Massachusetts and New Hampshire, in 12 bond offerings, sold another \$7.2 billion of AAA securitization bonds with similar maturities as Texas transition bonds during this period.
- The PUCT, with Saber Partners’ advice and guidance, negotiated better pricing under market conditions at the time of pricing for these bond offerings when compared to the results achieved by other investor-owned utilities at the time. This prevented higher charges and substantially lowered the costs to Texas ratepayers. It also set new market benchmarks for the pricing these types of securities.

Pricing Results

- The appropriate and best measure of pricing success in the corporate bond market is to compare the bond’s credit spreads (the interest rate above an independent benchmark security) for a the bond’s maturity to similar corporate bonds with the same credit rating and maturity from Moody’s, Standard and Poor’s and Fitch. In utility securitization, all bonds are rated Aaa/AAA/AAA respectively.
- The results speak for themselves. Saber Partners was instrumental in helping the PUCT achieve – in just interest costs alone – approximately \$38 million in lower ratepayer costs or about \$30 million in net present value ratepayer savings.
- Saber Partners also audited the Utility transaction expenses and structuring that provided millions in other ratepayer savings.



Confirming Representative Financial Press Reports on Texas Offerings with Saber Partners, LLC

1. \$749 Million Reliant Energy: **“...the first utility in Texas to securitize and it achieved the tightest new issue spreads to credit cards ever.”** (Salomon Smith Barney Research Report (now Citibank) 1/19/2002)
2. \$797 Million Central Power & Light: **“Priced at unusually tight spreads...a new benchmark for the issues”** Asset-Backed Alert, 2/15/02)
3. \$500 million Oncor Electric Delivery: **“Priced ... at the tightest levels the sector has seen to date”** (Asset Securitization Report, 9/18/03) **“Tightest ever pricing for an issue of its kind”** (Asset-Backed Alert, 9/5/03)
4. \$789 Million TXU: **“Achieved the goal of repricing the sector...at historically rich spreads”** (Asset Securitization Report, 5/28/04)

PUCT Financing Orders Involving Saber Partners, LLC Specifying Their Contractual Duties to the PUCT

The PUCT in our [Financing Order in Docket 21528](#) assigned to the Commission's Financial Advisor (Saber Partners, LLC) the following general responsibilities "to protect ratepayers in the State of Texas."¹ The Financing Order in Docket 2158 was issued to Central Power & Light (the Utility) and became the template for all subsequent securitization PUCT securitization/transition bond financing orders approved between 2000-2004 for approximately \$2.8 billion in financings in 4 transactions.

I. General Duties of the Financial Advisor

1. To ensure that the structuring and pricing of the transition bonds results in the lowest transition-bond charges consistent with market conditions and the terms of the Financing Order. (Finding of Fact (FOF) 97 and Ordering Paragraph (OP) 21).
2. To ensure that the structure and pricing of the transition bonds protects the competitiveness of the retail electric market in Texas. (FOF 97 and OP 21).
3. To give effect to the Commission's directive that the caps in the Financing Order related to costs and maximum interest rates are ceilings, not floors (FOF 97 and OP 21).

II. Specific Duties of Financial Advisor

1. To notify the Commission and the Utility no later than 12:00 p.m. CST after the pricing date of each series of transition bonds whether the pricing and structuring of that series of transition bonds complies with the terms and conditions of the Financing Order. (OP 21.)
2. To veto any proposal that does not comply with all the terms and conditions of the Financing Order. (OP 21).
3. To participate in negotiations regarding the pricing and structuring of the transition bonds. (OP 21).
4. To decide, together with the Utility, whether to use credit enhancements. (OP 17).
5. To determine whether it is prudent to enter into hedging and swap agreements to mitigate risk of future rate increases. (FOF 99).
6. To inform the Commission of any cost items that, in the Financial Advisor's opinion, are not reasonable. (OP 21).

III. General Authority of the Financial Advisor

To fulfill these duties, the Financing Order grants the Commission's Financial Advisor the following authority:

1. Authority to participate fully and in advance in all aspects of the pricing, marketing and structuring of the transition bonds including all plans and decisions related to the pricing, marketing and structuring of the transition bonds. (FOF 98 and OP 21).
2. Equal rights with the Utility to approve or disapprove the proposed pricing, marketing and structuring of transition bonds. (OP 21).
3. Decision making authority co-equal with the Utility with respect to the structuring and pricing of the transition bonds. (FOF 97). Thus, all matters relating to the structuring and pricing of the transition bonds must be decided jointly by the Utility and the Commission's Financial Advisor. (FOF 97).
4. The right to receive timely information as necessary to fulfill its obligation to advise the Commission.

¹ See comments and discussion at PUCT open meeting by Commissioners Wood, Perlman and Walsh February 24, 2000.