

NEW TOOLS TO MANAGE FINANCIAL TRANSITION FROM UNECONOMIC COAL TO CHEAP, CLEAN POWER

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Fossil fuel power plants are quickly becoming uneconomical compared to cheaper clean energy generation. More than [15 gigawatts \(GW\) of U.S. coal-fired power capacity is expected to close in 2018](#), and [at least 36 GW of coal-fired capacity is forecast to be retired by 2024](#).

Regulators, utilities, and investors must work together to ensure customers benefit from closures while helping affected communities [transition away](#) from a coal-based economy. But regulation needs to adapt – regulated utilities that own uneconomic plants will seek to keep them running as long as possible because they can still earn some rate of return even on uneconomic assets.

This series of briefs highlights different tools to balance stakeholder interests and facilitate the transition away from uneconomic fossil fuel plants. These briefs provide utility stakeholders with more tools to manage financial transition to balance stakeholder interests, and can help states facing new economic realities embrace clean energy.

- [Utility Financial Transition Impact: From Fossil to Clean](#)

By analyzing publicly available financial information, policymakers and utility stakeholders can identify where running existing generation (particularly older, less efficient coal-fired plants) costs more than replacing it with new wind or solar. A suite of financial instruments can facilitate and reduce costs of this financial transition away from fossil fuels toward clean energy. This brief uses [Colorado's experience](#) transitioning from coal to clean energy as a case study analyzing existing generation costs, and introduces financial tools to help electric utilities that own fossil generation manage the accelerating clean energy transition.

- ["Steel for Fuel": Opportunities for Investors and Customers](#)

Early retirement of uneconomic coal assets can improve shareholder earnings if the utility is allowed to reinvest capital in new renewable energy generation. When building new renewables is cheaper than operating existing coal, swapping steel for fuel adds value for investors, customers, and the environment. This brief addresses equity shareholder perspectives and suggests how potential funding sources can mitigate impacts on communities and workers affected by early plant retirements while improving environmental performance.

- [Depreciation and Early Plant Retirements](#)

Depreciation accounting recognizes asset value reduction over time. For coal plants, depreciation determines the value remaining when plants retire early. Depreciation is an important tool for transitioning away from older assets, such as coal plants, to cheaper resources, such as wind and solar. This brief reviews how depreciation schedules affect utility earnings and ratepayer costs, as well as other stakeholder interests.

- [Debt for Equity Utility Refinance](#)

When electric utilities transition from fossil fuels to clean energy, they must address unrecovered investment balances. Depreciation schedules are often accelerated to line up with earlier-than-planned retirement dates, which can increase short term consumer rates. This brief reviews how utilities can refinance undepreciated balances on plants in service to lessen the consumer rate burden, primarily through replacing some portion of equity with corporate debt.