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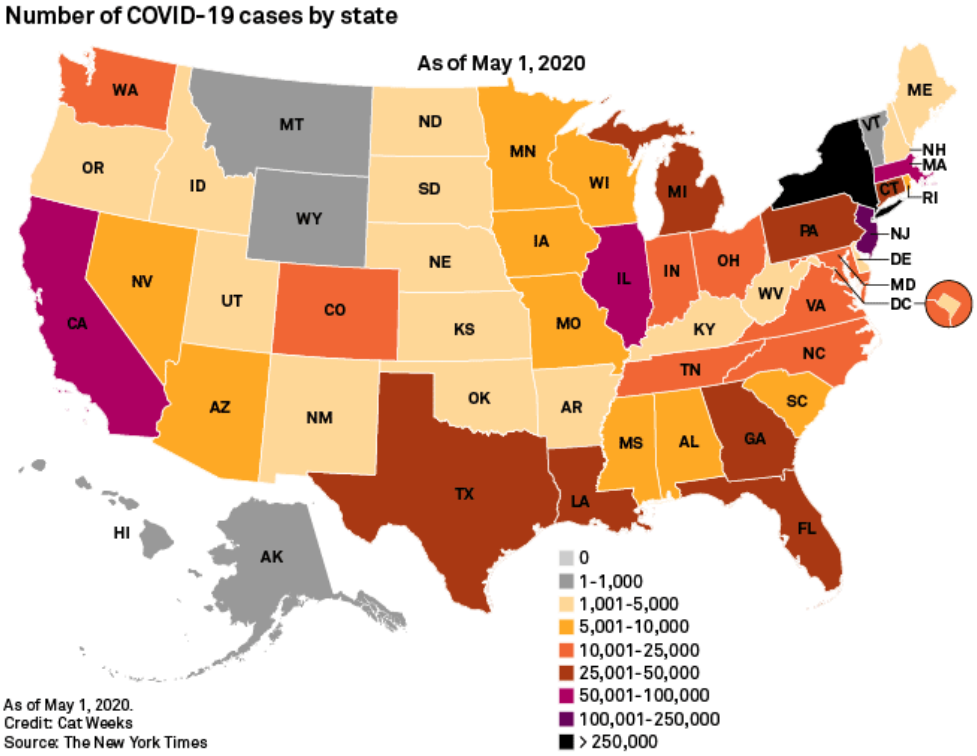
# RRA Regulatory Focus

# Securitization may prove to be a viable COVID-19 cost recovery option

While states are beginning to develop plans for returning to "normal," the broader economic impacts of the COVID-19 pandemic are likely to be felt for several months thereafter even if predictions that returning to normal will bring about a resurgence of the virus do not come to fruition.




Unemployment is likely to remain high in states that were most impacted by the virus resulting in a continued lull in overall economic activity. Regional differences in impacts will mean that states will transition at different paces.

These considerations could lead to extensions of the existing service disconnection moratoriums that have been implemented in all 53 of the state-level regulatory jurisdictions followed by Regulatory Research Associates, a group within S&P Global Market Intelligence.

As noted in previous RRA publications, more and more states are beginning to look at how to address the impacts on utilities, including increased costs for worker safety and workforce continuity, lost revenue caused by business shutdowns and the related recession and increasing uncollectibles or bad debt expense.

Clearly, there are mechanisms in place in certain states that could provide a smoother road for recovery of COVID-19 costs than a traditional rate case, but depending on the ultimate magnitude of the related costs other approaches may be called for.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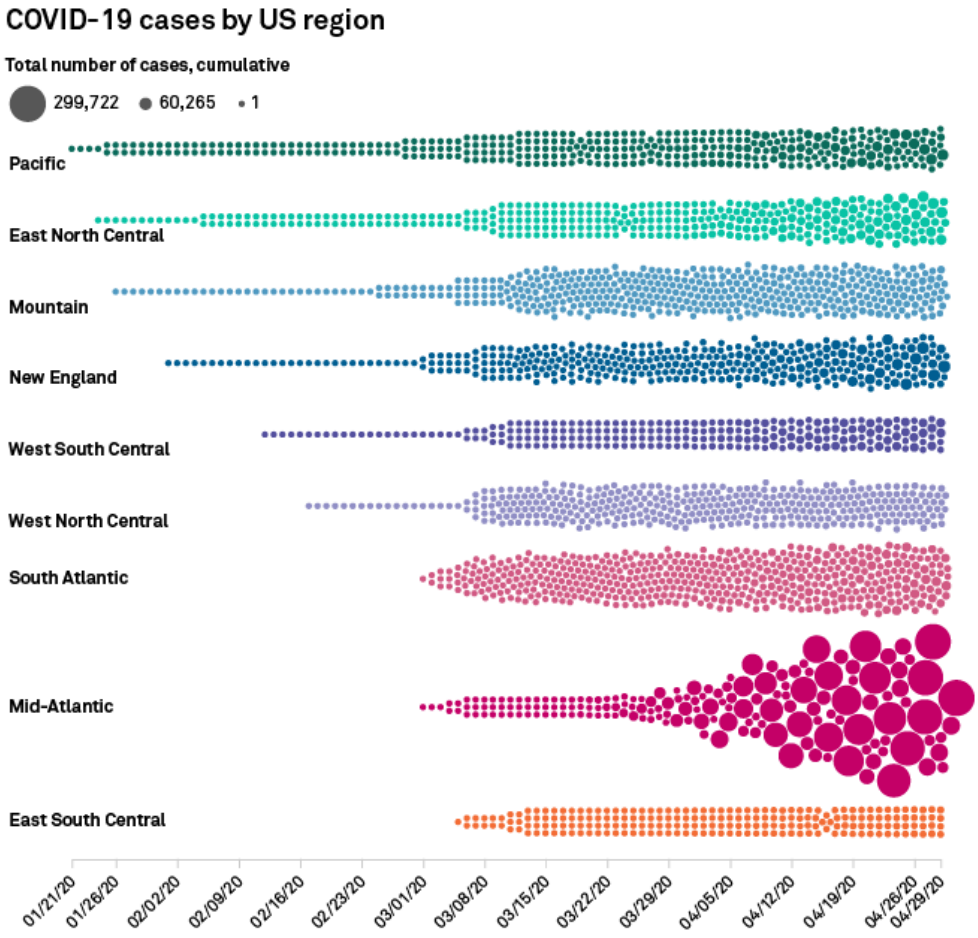



As of April 29, 2020.
Pacific comprises Alaska, California, Hawaii, Oregon and Washington.
East North Central comprises Illinois, Indiana, Michigan, Ohio and Wisconsin.
Mountain comprises Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah and Wyoming.
New England comprises Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
West South Central comprises Arkansas, Louisiana, Oklahoma and Texas.
West North Central comprises Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota and South Dakota.
South Atlantic comprises Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, Washington, D.C. and West Virginia.
Mid-Atlantic comprises New Jersey, New York and Pennsylvania.
East South Central comprises Alabama, Kentucky, Mississippi and Tennessee.
Credit: Cat Weeks
Source: The New York Times

Securitization is one option that regulators may consider. This financing methodology has been used by commissions in the past to address large regulatory asset balances associated with electric industry restructuring/the implementation of retail competition, recovery of storm costs and other weather-related events and premature asset retirements.

**Overview of securitization**

As it pertains to utilities, securitization refers to the issuance of bonds backed by a specific existing revenue stream that has been "guaranteed" by regulators and/or state legislators.

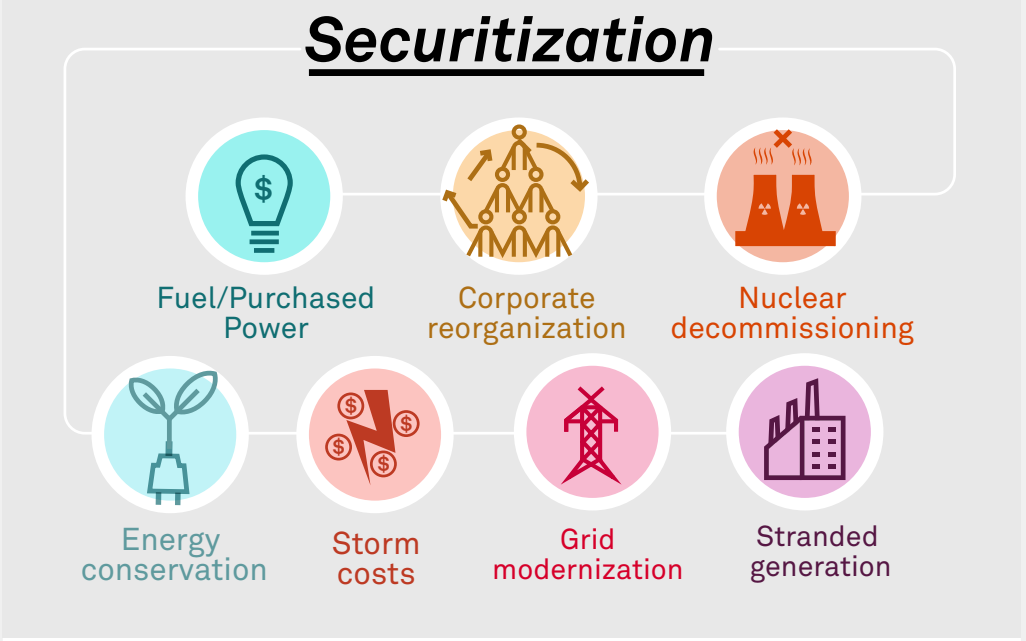
Securitization generally requires a utility to assign the designated revenue stream to a "bankruptcy remote" special purpose entity, or SPE, or trust, which in turn issues bonds that will be serviced by the transferred revenue stream. The funds raised by the bond issuance flow to the utility, and in many cases are used to retire outstanding higher-cost debt and/or buy back common equity, thus lowering the company's weighted average cost of capital.

While it is unclear if securitization requires legislation, a specific legislative mandate generally improves the rating accorded the securitization bonds and lowers the associated cost of capital, given that a legislatively supported revenue stream may be more difficult to rescind than a stand-alone order of a state commission. In RRA's experience, no state commission has authorized securitization in the absence of enabling legislation.

Securitization is viewed as an attractive option because it allows regulators to minimize the customer rate impacts related to recovery of a particular utility asse t . T he car rying charge on the asset would be the lower interest rate applied to a highly rated, usually AAA, corporate bond rather than the utility's weighted average cost of capital or even the interest rate on typical utility bonds, which are generally rate d BBB and carry higher interest rates .

At the same time, securitization simultaneously reduces the investment risk for the utility by providing the utility up front recovery of its investment in what are usually non-revenue-producing assets. The company can then redeploy those investment dollars elsewhere.

**Use of securitization by US utilities**




Data as of May 10, 2020.
Source: Regulatory Research Associates, a group within S&P Global Market Intelligence.

## Securitization related to energy industry restructuring—retail competition

| Jurisdiction | Operating company | Parent company TKR | Amount ($M)* | Date issued (m/year) | Maximum term (yrs)** |
|---|---|---|---|---|---|
| California | Pacific Gas and Electric Co. | PCG | 2,900.0 | Dec. 1997 | 11 |
| California | Southern California Edison Co. | EIX | 2,500.0 | Dec. 1997 | 11 |
| California | San Diego Gas & Electric Co. | SRE | 700.0 | Dec. 1997 | 11 |
| California | Pacific Gas and Electric Co. | PCG | 1,900.0 | Feb. 2005 | 9 |
| California | Pacific Gas and Electric Co. | PCG | 844.0 | Nov. 2005 | 9 |
| Connecticut | Connecticut Light & Power Co. | ES | 1,440.0 | Mar 2001 | 10 |
| Idaho | Idaho Power Co, | IDA | Denied | NA | NA |
| Illinois | Commonwealth Edison Co. | EXC | 3,400.0 | Dec. 1998 | 10 |
| Illinois | Ameren Illinois Co.[1] | AEE | 864.0 | Dec. 1998 | 10 |
| Maryland | Baltimore Gas & Electric Co. | EXC | 623.3 | Jun. 1995 | 12 |
| Massachusetts | NSTAR Electric Co.[2] | ES | 725.0 | Jul. 1999 | 10 |
| Massachusetts | NSTAR Electric Co.[3] | ES | 155.0 | May 2001 | 15 |
| Massachusetts | NSTAR Electric Co.[2] | ES | 675.0 | Mar. 2005 | 10 |
| Michigan | Consumers Energy Co. | CMS | 468.6 | Nov. 2001 | 15 |
| Michigan | DTE Electric Co. | DTE | 1,750.0 | Mar. 2001 | 15 |
| Montana | NorthWestern Corp. — Gas | NWE | 62.7 | 1998 | 14 |
| New Hampshire | Public Service Co. of New Hampshire | ES | 525.0 | Apr. 2001 | 12 |
| New Hampshire | Public Service Co. of New Hampshire | ES | 50.0 | Jan. 2002 | 6 |
| New Hampshire | Public Service Co. of New Hampshire | ES | 635.7 | May 2018 | 17 |
| New Jersey | Public Service Electric & Gas Co. | PEG | 2,525.0 | Jan. 2001 | 15 |
| New Jersey | Jersey Central Power & Light Co. | FE | 320.0 | Jun. 2002 | 15 |
| New Jersey | Atlantic City Electric Co. | EXC | 320.0 | Dec. 2002 | 15 |
| New Jersey | Atlantic City Electric Co. | EXC | 152.0 | Dec. 2003 | 15 |
| New Jersey | Atlantic City Electric Co. | EXC | 125.0 | NA | NA |
| New Jersey | Rockland Electric Co. | ED | 46.3 | Aug. 2004 | 15 |
| New Jersey | Public Service Electric & Gas Co. | PEG | 150.0 | Sep. 2005 | 15 |
| New Jersey | Jersey Central Power & Light Co. | FE | 182.4 | Jul. 2006 | 15 |
| Ohio | Cleveland Electric Illuminating Co. | FE | 234.7 | 2013 | 22 |
| Ohio | Ohio Edison Co. | FE | 165.3 | 2013 | 22 |
| Ohio | Toledo Edison Co. | FE | 36.4 | 2013 | 22 |
| Ohio | Ohio Power Co. | AEP | 267.0 | 2013 | 7 |
| Pennsylvania | PECO Energy Co. | EXC | 4,000.0 | Mar. 1999 | 15 |
| Pennsylvania | PPL Electric Utilities Inc. | PPL | 2,400.0 | Jul. 1999 | 15 |
| Pennsylvania | West Penn Power Co.[4] | FE | 670.0 | Nov. 1999 | 15 |
| Pennsylvania | PECO Energy Co. | EXC | 1,000.0 | May 2000 | 10 |
| Pennsylvania | West Penn Power Co.[4] | FE | 100.0 | 2006 | 10 |
| Rhode Island | NA[5] | NA | NA | NA | NA |
| Texas—PUC | AEP Texas Inc.[6] | AEP | 797.0 | Jan. 2002 | 15 |
| Texas—PUC | CenterPoint Energy Houston Electric LLC[7] | CNP | 749.0 | Oct. 2001 | 14 |
| Texas—PUC | Oncor Electric Delivery Co.[8] | SRE | 500.0 | Aug. 2003 | 14 |
| Texas—PUC | Oncor Electric Delivery Co.[7] | SRE | 790.0 | Jun. 2004 | 14 |
| Texas—PUC | CenterPoint Energy Houston Electric LLC | CNP | 1,851.0 | Dec. 2005 | 15 |
| Texas—PUC | AEP Texas Inc.[6] | AEP | 1,793.7 | Sept. 2006 | 15 |
| Texas—PUC | Texas-New Mexico Power Company[7] | PNM | 110.6 | NA | NA |
| Texas—PUC | CenterPoint Energy Houston Electric LLC | CNP | 488.0 | Feb. 2008 | 15 |
| Texas—PUC | CenterPoint Energy Houston Electric LLC | CNP | 1,695.0 | Jan. 2012 | 14 |
| Texas—PUC | AEP Texas Inc.[6] | AEP | 800.0 | Mar. 2012 | 14 |

Data gathered as of May 8, 2020.
NA=Not applicable; PUC=Public Utility Commission
*Approximate
**In most instances bonds were issued in multiple tranches; length shown is the approximate length for the tranche with the longest term. Bonds may be retired early.
[1] Bonds were issued by Illinois Power Co. which was merged into Ameren Illinois in 2010.
[2] Bonds were issued by Boston Edison Co., now known as NSTAR Electric.
[3] Bonds were issued by Western Mass. Electric Co. The utility has since merged into NSTAR Electric.
[4] At the time West Penn Power was a subsidiary of Allegheny Energy, which was later acquired by FirstEnergy.
[5] State law had allowed the utilities to seek PUC approval to securitize costs to buy out or buy down above market wholesale power contracts. None of the utilities filed for this type of financing. The law was repealed in 2017.
[6] Bonds were issued by AEP Texas Central Co., which was later combined with AEP Texas North to form AEP Texas Inc.
[7] At the time CenterPoint was known as Reliant Energy Houston Electric and was a subsidiary of Reliant Energy Inc.
[8] At the time Oncor Electric Delivery was known as TXU Electric and was a subsidiary of TXU Inc.
[9] Bond issuance was approved by the PUC, but the bonds were not issued.
Source: Regulatory Research Associates, a group within S&P Global Market Intelligence.

**Contexts in which securitization has been used**

The electric industry's introduction to asset securitization occurred in 1994, when legislation was enacted in Washington enabling utilities to securitize mandated conservation investments. Similar legislation was enacted in Oregon in 1995.

In the late 1990s and early 2000s, several states that implemented retail competition for electric generation enacted legislation allowing securitization to be used for recovery of uneconomic generating or other physical assets, above-market-priced purchased power contracts, regulatory assets, nuclear decommissioning costs, etc., that had the potential to become unrecoverable, or stranded, in a fully competitive market for generation supply.

In the end, 13 jurisdictions moved to full retail competition for generation, while nine implemented retail choice for only a portion of the customers in each territory. In both instances, the assumption was that retail competition would result in lower generation prices, thus devaluing the generation assets that were going to be transferred to unregulated affiliates or sold to unaffiliated entities.

Policymakers generally agreed that under the "regulatory compact," the utilities should compensated for this devaluation, as it stemmed from a change in the regulatory framework. Most jurisdictions made an administrative determination of stranded costs based on the difference between the revenue stream the affected assets would receive under traditional regulation and the revenue stream expected to be achieved in a competitive market, subject to certain adjustments. In some instances, in order to reduce the cost of recovering this regulatory asset, the companies were permitted to securitize all or a portion of the balance.

In recent years, changing industry dynamics have once again begun to raise concerns about the prospects of "stranded costs." Today, the specter of stranded costs is arising from a host of sources and these sources have the potential to affect a broader array of asset classes.

Tightening environmental standards have been presenting challenges for coal-fired generation for some time, beginning with the enactment of federal clean air standards in the 1990s through 2019's Affordable Clean Energy rule.

From 2017 through 2019 combined, 20 GW of coal-fired generation capacity was retired, and according to data gathered by S&P Global Market Intelligence another 29 GW of retirements have been announced for the years 2020 through 2025.

Expanding state mandates for renewables, federal and state subsidies for these resources and customer focus on environmental, social and governance, issues are squeezing out traditional generation sources.

Shifts in the location of the resource mix due to the penetration of renewables are changing transmission and distribution needs and could ultimately lead to stranded investments in these assets.

In the face of these challenges, several states have implemented policies that allow companies to use securitization to finance the remaining balance of plants that are being shut down early.

**Securitization of other stranded costs**

| Jurisdiction | Operating company | Parent company TKR | Amount ($M)* | Date issued (m/year) | Maximum term (yrs)** |
|---|---|---|---|---|---|
| Colorado | NA[1] | NA | NA | NA | NA |
| Florida | Duke Energy Florida LLC | DUK | 1,290.0 | Jun. 2016 | 20 |
| Lousiana—PSC | Entergy Louisiana LLC[2] | ETR | 207.2 | Sep. 2011 | 12 |
| Michigan | Consumers Energy Co. | CMS | 378.0 | 2014 | 15 |
| Michigan | Consumers Energy Co. | CMS | NA | NA | NA |
| New Mexico | Public Service Co. of New Mexico | PNM | 360.0 | Pending | NA |
| Wisconsin | Wisconsin Electric Power Co. | WEC | 100.0 | NA | NA |

Data gathered as of May 8, 2020.
NA=Not applicable; PSC=Public Service Commission
*Approximate
**In most instances bonds were issued in multiple tranches; length shown is the approximate length for the tranche with the longest term. Bonds may be retired early.
[1] Legislation enacted in 2019 allows the state's investor-owned electric utilities to seek PUC approval to securitize various costs associated with the retirement of electric generation facilities. None of the utilities have filed for such treatment yet.
[2] Entergy Gulf States LLC and Entergy Louisiana LLC were consolidated in 2015.
Source: Regulatory Research Associates, a group within S&P Global Market Intelligence.

In the wake of a prolonged streak of weather events in the U.S coastal regions, several states have allowed the utilities to defer extraordinary costs incurred by the utilities in connection with named storms such as hurricanes Irene, Katrina, Sandy and Harvey to securitize the related regulatory assets. In some instances, securitization was also use to fund storm cost reserves for these utilities.

**Securitization of storm restoration costs**

| Jurisdiction | Operating company | Parent company TKR | Amount ($M)* | Date issued (m/year) | Maximum term (yrs)** |
|---|---|---|---|---|---|
| Arkansas | Entergy Arkansas LLC | ETR | 124.0 | Aug. 2010 | 10 |
| Florida | Florida Power & Light Co. | NEE | 652.0 | May 2007 | 12 |
| Louisiana — PSC | Cleco Power LLC | -- | 180.0 | Mar. 2008 | 14 |
| Louisiana — PSC | Entergy Louisiana LLC[1] | ETR | 679.0 | 2008 | 14 |
| Louisiana — PSC | Entergy Gulf States LLC[1] | ETR | 274.7 | 2008 | 14 |
| Louisiana — PSC | Entergy Louisiana LLC[1] | ETR | 462.4 | Jul. 2010 | 15 |
| Louisiana — PSC | Entergy Gulf States LLC | ETR | 240.3 | Jul. 2010 | 15 |
| Louisiana — PSC | Entergy Louisiana LLC[1] | ETR | 237.3 | 2014 | 14 |
| Louisiana — PSC | Entergy Gulf States LLC | ETR | 69.5 | 2014 | 14 |
| Louisiana—NOCC | Entergy New Orleans LLC | ETR | 99.0 | 2015 | 12 |
| Mississippi | Entergy Mississippi LLC | ETR | 48.0 | May 2007 | 10 |
| Mississippi | Mississippi Power Co. | SO | 121.2 | Jun 2007 | 10 |
| North Carolina | Duke Energy Carolinas LLC[2] | DUK | NA | NA | NA |
| Texas—PUC | Entergy Texas Inc. | ETR | 329.5 | Jun. 2007 | 15 |
| Texas—PUC | CenterPoint Energy Houston Elec. LLC | CNP | 664.8 | Nov. 2009 | 14 |
| Texas—PUC | Entergy Texas Inc. | ETR | 545.9 | Nov. 2009 | 14 |
| Texas—PUC | AEP Texas Inc. | AEP | 235.3 | Sep. 2019 | 12 |

Data gathered as of May 8, 2020.
NA=Not applicable; PSC=Public Service Commission; PUC=Public Utility(ies) Commission, NOCC=New Orleans City Council
*Approximate
**In most instances bonds were issued in multiple tranches; length shown is the approximate length for the tranche with the longest term. Bonds may be retired early.
[1] Entergy Gulf States LLC and Entergy Louisiana LLC were consolidated in 2015.
[2] A law enacted in 2019 allows utilities in the state to securitize stiorm outage and restoration costs. A settlement reached in pending rate case would remove storm costs from base rates and would allow the company to securitize them. A final commission decision is awaited.
Source: Regulatory Research Associates, a group within S&P Global Market Intelligence.

Over the past 25-plus years, securitization has been used for a myriad of other purposes. As noted earlier, during the 1990s, utilities in Oregon and Washington were authorized to issue securitization bonds to finance conservation-related investments.

Legislation enacted in Michigan, Texas, West Virginia and Wisconsin permitted the companies to securitize investments related to the installation of environmental control technologies at certain facilities. The effectiveness of the West Virginia law was of limited duration. In Wisconsin and Michigan, bond issuances were approved by the state commissions, but the bonds were never issued. In Texas, none of the utilities filed under the statute.

In Louisiana, in addition to cancelled construction of generation facilities, utilities may also file with the Louisiana Public Service Commission or the New Orleans City Council to securitize: canceled construction of transmission projects; other investment in excess of $350 million determined "to be suitable for securitization" by the New Orleans City Council; long-term fuel supplies, "prepaid forward purchases of fuel," and storage of spent nuclear fuel or any waste created from the generation of electricity; and the repurchase of equity or the retirement of any debt related to any of the above-mentioned costs.

Similarly, statutes in Michigan, Vermont and West Virginia allowed the companies to seek to securitize fuel and purchased power costs. The Michigan Public Service Commission had approved securitization by CMS Energy Corp. subsidiary Consumers Energy Co. of $142 million of power purchase agreement buyout costs, but Consumers ultimately chose not to terminate the agreement. The Vermont law was of limited duration and none of the utilities filed for securitization while it was in place.

In Pennsylvania, in 2001, the Pennsylvania Public Utility Commission approved PPL Corp.'s proposal to ring-fence its electric distribution utility PPL Electric Utilities Corp. and used securitization to do so.

In Connecticut, in 2003, during a state budget crisis, legislation was enacted that authorized the then-Connecticut Department of Public Utility Control to between July 1, 2003, and June 30, 2005 to authorize the issuance of rate reduction bonds to sustain the funding of conservation and load management and renewable energy programs. Under the plan, the state received the net proceeds from the bonds, which were serviced by a portion of the existing utility revenues.

More recently, in 2014, legislation enacted in Washington, D.C., provided for the district to issue revenue bonds to finance a portion of the costs associated with a plan under which Exelon Corp. subsidiary Potomac Electric Power Co. is to relocate certain above-ground distribution facilities below ground; the program was dubbed the DC PLUG Initiative. In November 2014, the District of Columbia Public Service Commission issued an order approving the issuance of $375 million in revenue bonds to fund the program. The order was the subject of extensive appeals and in 2017 legislation was enacted that changed the financing mechanism for the DC PLUG Initiative. Consequently, the bonds were never issued.

Also in 2014, in accordance with legislation enacted in 2013, the Hawaii Public Utilities Commission approved an application by the State of Hawaii Department of Business, Economic Development, and Tourism to issue bonds to establish a funding mechanism for a program under which residential and commercial customers could receive low cost loans for the purchase of green energy technology. The revenue stream to service the bonds would be included as a separate non-bypassable surcharge on the bills issued by the electric utilities. The PUC authorized the agency to issue $150 million of bonds.

**Securitization related to other items**

| Jurisdiction | Operating company | Parent company TKR | Amount ($M)* | Date issued (m/year) | Maximum term (yrs)** | Securitization related to |
|---|---|---|---|---|---|---|
| California | Pacific Gas & Electric Co. | PCG | 7,500.0 | Pending | Pending | Bankruptcy reorganization |
| California | NA | NA | NA | NA | NA | Wildfire costs |
| Connecticut | State of Connecticut | NA | 220.0 | Jun. 2004 | 4 | State budget crisis |
| District of Columbia | District of Columbia | NA | 375.0 | NA | NA | Distribution system |
| Hawaii | State Dept. of Business, Economic Development and Tourism | NA | 150.0 | 2014 | 22 | Green energy funding |
| Louisiana—PSC or NOCC | NA | NA | NA | NA | NA | Transmission/fuel/nuclear fuel |
| Michigan | Consumers Energy Co. | CMS | 644.4 | NA | NA | Environmental compliance |
| Michigan | Consumers Energy Co. | CMS | 142.0 | NA | NA | Fuel/purchased power |
| Oregon | Portland General Electric Co. | | 80.7 | Oct. 1996 | 10 | Conservation |
| Pennsylvania | PPL Electric Utilities LLC | PPL | 900.0 | Aug. 2001 | 15 | Ring-fencing |
| Texas—PUC | NA | NA | NA | NA | NA | Environmental compliance |
| Vermont | NA | NA | NA | NA | NA | Fuel/purchased power |
| Washington | Puget Sound Energy | NA | 202.5 | Jun. 1995 | 10 | Conservation |
| Washington | Puget Sound Energy | NA | 35.2 | Aug. 1997 | 10 | Conservation |
| West Virginia | Monongahela Power Co./ Potomac Edison Co. | FE | 466.5 | Apr. 2007 | 20 | Environmental compliance |
| West Virginia | Monongahela Power Co./ Potomac Edison Co. | FE | 85.9 | Dec. 2009 | 21 | Environmental compliance |
| West Virginia | Appalachian Power Co. | AEP | 376.0 | 2013 | 18 | Fuel/purchased power |
| Wisconsin | Wisconsin Electric Power Co. | WEC | 433.1 | NA | NA | Environmental compliance |

Data gathered as of May 8, 2020.
NA=Not applicable; PSC=Public Service Commission; PUC=Public Utility(ies) Commission, NOCC=New Orleans City Council.
*Approximate
**In most instances bonds were issued in multiple tranches; length shown is the approximate length for the tranche with the longest term. Bonds may be retired early.
Source: Regulatory Research Associates, a group within S&P Global Market Intelligence.

And most recently, in California, legislation enacted in 2019 provides for the creation of a $10.5 billion fund to support utilities and protect ratepayers against wildfire liabilities. The fund is to be structured as a revolving loan funded by a surcharge on electric bills and securitizing the revenue through state-issued bonds. As part of a reorganization plan under consideration in its ongoing bankruptcy proceeding, PG&E Corp. subsidiary Pacific Gas and Electric Co. proposes to issue $7.5 billion of securitization bonds.

Legislation enacted in Kansas in 2019 required the Kansas Corporation Commission to explore ways to improve the regulatory framework to provide the utilities greater support in attracting capital to support necessary infrastructure investments, while discouraging unnecessary investments and keeping electricity prices in the state regionally competitive. Among the innovations the bill mentioned was the use of securitization financing. A report was issued in January 2020, pointing out issues with securitization that bear further analysis.

The data underlying this discussion is available in this spreadsheet.

For additional detail concerning securitization, electric industry restructuring, storm cost recovery and other state regulatory policy issues, refer to RRA's Commission Profiles.

**COVID-19 and securitization**

Given the apparent reluctance of the utilities to file rate cases at a time when a broad swath of customers are experiencing hardships and the likelihood that uncollectibles/bad-debt expenses will rise precipitously even in states where the strategy so far is to work out payment plans with customers, deferral appears to be the likely alternative that commissions will ultimately choose.

Assuming that regulators will want the companies to proceed with robust capital spending programs dedicated to reliability, resiliency, security and the deployment of clean energy resources and related technologies, an alternative financing method such as securitization may prove attractive to address recovery of COVID-19-related deferred asset balances.

So far, 17 states have authorized the utilities to defer all or a portion of the costs associated with COVID-19, while five others have provided specific guidance that the companies should seek to work out payment plans with customers and nine have opened proceedings to examine cost recovery issues.

Alaska — On April 9, legislation was enacted that calls for the utilities to work out deferred payment plans with customers, but also allows the companies to defer extraordinary uncollectibles and other COVID-19 related costs.

Arkansas — On April 10, the Arkansas Public Service Commission issued an order authorizing the utilities to establish regulatory assets to record costs resulting from the suspension of disconnections. In future proceedings, the commission will consider whether each utility's request for recovery of these regulatory assets is reasonable and necessary.

California — On April 16, the California Public Utilities Commission issued an order that authorizes the electric, gas, communications, and water and sewer corporations to establish memorandum accounts to track incremental costs associated with complying with a previously ordered suspension of service disconnections.

Connecticut — On March 18, the Connecticut Public Utilities Regulatory Authority directed the regulated gas, electric and water utilities to maintain a record of all costs incurred and revenues lost as a result of implementing the required emergency measures and permitting the establishment of a regulatory asset to track incurred costs.

District of Columbia — On April 15, the District of Columbia Public Service Commission issued an accounting order authorizing Exelon Corp. subsidiary Potomac Electric Power Co. and AltaGas Ltd. subsidiary Washington Gas Light Co. to defer incremental costs associated with the COVID-19 pandemic.

**COVID-19 cost recovery provisions**

| Deferral | Customer payment plan | Pending | Other |
|---|---|---|---|
| Alaska | Colorado | Arizona | Georgia[1] |
| Arkansas | New Hampshire | Delaware | Texas—PUC[2] |
| California | North Carolina | Illinois | |
| Connecticut | Ohio | Kentucky | |
| Dist. of Columbia | Rhode Island | Maine | |
| Georgia[1] | | Pennsylvania | |
| Hawaii | | Utah | |
| Idaho | | Virginia | |
| Illinois | | Wisconsin | |
| Iowa | | | |
| Maryland | | | |
| Michigan | | | |
| Minnesota | | | |
| Oklahoma | | | |
| Texas-PUC[2] | | | |
| Texas-RRC | | | |
| Wyoming | | | |

As of May 8, 2020.
PUC=Public Utility (ies) Commission.
Deferral=Costs and/or lost revenues may be deferred for future recovery.
Customer payment plan=Lost revenue associated with suspension moratorium to be recovered on a customer-specific basis over time.
Pending=Proceeding under way/legislation pending to determine cost recovery
[1]Deferral approved for one utiity for another the lost revenue associated with suspension moratorium would be recovered through existing rate plan.
[2]Costs and/or lost revenues may be deferred for future recovery for utilities; interim funding mechanism in place for retail electric providers.
Source: Regulatory Research Associates, a group withinn S&P Global Market Intelligence.

Georgia — On April 14, the Georgia Public Service Commission issued an order in the most recently completed rate case for Southern Co. subsidiary Georgia Power Co. authorizing the company to defer all lost revenue and increased costs associated with COVID-19, with the deferred balances to be addressed in a future proceeding.

Hawaii — On May 4, the Hawaii Public Utilities Commission adopted an April 23 proposal by the Division of Consumer Advocacy that the commission order the regulated companies to suspend service terminations for non-payment and forgo late fees. Many of the utilities had previously voluntarily suspended service. The order also authorized the utilities to establish regulatory assets to record costs resulting from the suspension of disconnections.

Idaho — On April 14, the Idaho Public Utilities Commission adopted a staff proposal to open an investigation to address whether and to what extent Idaho public utilities should be authorized to defer incremental COVID-19 related expenses into a regulatory asset for possible future recovery.

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Illinois — In March, the Illinois Commerce Commission opened a proceeding to address utility actions taken with respect to COVID-19; the commission directed the utilities to defer/track COVID-19 related costs. In a proposed second interim order issued April 20, the administrative law judge recommended that the companies continue the deferrals, with recovery of the deferred amounts to be addressed at a later date.

Iowa — On May 1, the Iowa Utilities Board issued an order that among other things finds the use of regulatory accounts by rate-regulated utilities is appropriate for the tracking of financial impacts after March 1 that arise from the COVID-19 pandemic. The order opens separate dockets for each rate-regulated utility to file information regarding these accounts and requires each rate-regulated utility to file a proposal for the use of regulatory accounts to be submitted for review by the board.

Maryland — On April 9, the Maryland Public Service Commission authorized each utility to create a regulatory asset to track the incremental costs related to COVID-19. Costs eligible to be deferred as a regulatory asset include expenses incurred "in their efforts to serve customers during this period." Presumably, this would include atypical operations and maintenance expenses, as well as increased uncollectibles, or bad-debt costs that arise from continuing to serve customers that normally would have been shut off for nonpayment.

Michigan — The Michigan Public Service Commission issued an order April 15 indicating that it is open to allowing utilities to track direct costs, bad debt, or uncollectible expenses, for future discussion.

Minnesota — The Minnesota Public Utilities Commission on May 7 voted to allow the state's energy utilities to defer costs incurred responding to the COVID-19 outbreak.

Oklahoma — On May 7, the Oklahoma Corporation Commission adopted an April 20 proposal by the commission staff, allowing each utility to record as a regulatory asset increased bad debt expenses, costs associated with expanded payment plans, waived fees and incremental expenses that are directly related to the suspension of or delay in disconnection of service beginning March 15, 2020.

Texas — On March 26, the Public Utility Commission of Texas issued orders established an interim funding mechanism for retail electric providers in the restructured Electric Reliability Council Of Texas Inc. territory, the associated lost revenue through a charge on transmission and distribution utility, or TDU, bills. The orders also allow both the TDUs within ERCOT and vertically integrated utilities outside of ERCOT to establish regulatory assets for the related costs and lost revenues.

Texas — In April, the Railroad Commission of Texas issued a notice authorizing each gas utility to record in a regulatory asset account the expenses associated with the COVID-19 State of Disaster.

Wyoming — On March 26, the Wyoming Public Service Commission allowed the utilities to seek an accounting order to defer any related costs and lost revenues.

For additional detail concerning service suspension moratoriums and regulatory action with respect to COVID-19 cost recovery, refer to the attached spreadsheet.

Regulatory Research Associates is a group within S&P Global Market Intelligence.

Please note, with developments occurring on a day-to-day basis across the country, the data provided has been gathered on a best efforts basis and may not be comprehensive.Regulatory Research Associates is a group within S&P Global Market Intelligence.

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