

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company's total regulatory asset balance at December 31, 2021 earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	2021	2020
Deferred pension expense	\$ 323	\$ 374
Removal costs recoverable through rates	313	314
Regulatory balancing accounts	52	57
Other	439	446
Less: Regulatory assets included in assets held for sale (a)	(76)	(64)
Total regulatory assets	\$ 1,051	\$ 1,127

(a) These regulatory assets are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of \$317 million and \$366 million as of December 31, 2021 and 2020, respectively. The remaining portion is the pension expense in excess of the amount contributed to the pension plans which is deferred by certain subsidiaries and will be recovered in future service rates as contributions are made to the pension plan.

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs and purchased power and water accounts.

Other regulatory assets include the financial impacts relating to the COVID-19 pandemic, purchase premium recoverable through rates, tank painting costs, certain construction costs for treatment facilities, property tax stabilization, employee-related costs, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

The Company has current regulatory assets of \$16 million and \$13 million included in other current assets on the Consolidated Balance Sheet as of December 31, 2021 and 2020, respectively, which is primarily made up of deferred vacation pay.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. Presented in the table below is the composition of regulatory liabilities as of December 31:

	2021	2020
Income taxes recovered through rates	\$ 1,093	\$ 1,230
Removal costs recovered through rates	291	301
Postretirement benefit liability	153	170
Other	110	111
Less: Regulatory liabilities included in liabilities related to assets held for sale (a)	(47)	(42)
Total regulatory liabilities	\$ 1,600	\$ 1,770

(a) These regulatory liabilities are related to the sale of the Company's New York subsidiary, which was completed on January 1, 2022, and are included in liabilities related to assets held for sale on the Consolidated Balance Sheets as of December 31, 2021 and December 31, 2020. See Note 6—Acquisitions and Divestitures for additional information.