Article Title: ARCHIVE | Criteria | Corporates | Utilities: Influence Of Regulatory And Policy Decisions On Utility Credit Quality Deepens, Demanding Timely Assessments From Standard & Poor's Data: (EDITOR'S NOTE: —This criteria article is no longer current. It has been superseded by the article titled, "Key Credit Factors: Business And Financial Risks In The Investor-Owned Utilities Industry," published Nov. 26, 2008.) Standard & Poor's Ratings Services expects to see many important utility rate-making decisions over the next several years, considering the sizable capital spending planned at many utilities around the U.S. Power companies will use the capital markets to raise funds for these projects, and the capital markets will look to us for opinions and commentary on the impact on utility industry creditworthiness of both rate-makers' decisions and legislation aimed at dealing with global climate change. The utility business is unique, in that in no other industry (with the possible exception of government finance) do legislative and regulatory pronouncements so significantly inform rating agency opinions. Indeed, Standard & Poor's views the regulatory and political environment in which a utility operates as one of the most significant factors in assessing the creditworthiness of regulated utilities. Frequently, rate decisions pending before state commissions, or the evolving dynamics of a specific political situation, are of such consequence to a particular utility that the financial markets expect regular updates from us to clarify how these developments ultimately will affect the utility's creditworthiness. Our role is to opine on the impact of utility rate decisions. Our ratings reflect our views on all of the factors that we believe will affect credit quality, including economic trends, the issuer's financial strength, and the regulatory environment. For regulated entities, however, the ability to generate revenues almost entirely depends on regulatory decisions. So in general, a ruling that enhances a utility's ability to recover costs in a timely manner will positively affect its overall credit quality. A decision that impedes timely cost recovery will usually have a negative impact on overall credit quality. As commentators on creditworthiness, we have an obligation to make either situation clear to market participants. When a rate order or legislative decision is reached, utility investors and lenders look to Standard & Poor's to provide a rating opinion as quickly as possible--whether it is a rating or outlook change, or a ratings affirmation. Therefore, it is to be expected that we will publish our credit rating opinions, bulletins, and commentaries on utilities often--both in anticipation of important regulatory or rate-making decisions to indicate our opinion on the potential impact on credit quality, and just after those decisions are announced to elaborate on our analysis. We do not publish rating reports in order that they be used in regulatory proceedings. But many times, we are asked to explain our methodology to regulators so that they can understand the factors we deem important in assessing credit quality, and so that regulators understand the importance of credit ratings to utilities as well as other participants in the public-debt markets. It is important to note that we have no financial stake in the outcome of a rate case. Over the years, our ratings opinions have achieved wide investor acceptance as useful tools for differentiating credit quality because the market judges us to be objective and credible. The value of our ratings rests on our reputation for independence and objectivity, and our ability to opine on credit as a disinterested observer. Without these essential attributes, our ratings would cease to be meaningful to the market. Precisely because ratings are a global benchmark, the market uses them to help price credit risk and to compare credit risk among peers. Fixed-income investors expect us to publish timely commentary or to take rating actions as near a related action as possible. And for utilities, this means commenting on all aspects of legislative and policy initiatives that may affect their ratings. Click on this link to see other articles in “Special Report: The Credit Impact Of Climate Change.” Click on this link to go to the Special Report Archive.