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S&P - Analyzing U.S. Rate-Regulated Utilities: The Magic of Regulatory Assets and Liabilities.

Accounting for rate-regulated utilities is unique, because regulators can allow utilities to record costs in a period different from the one in which an unregulated company would report the same costs. Standard & Poor's Rating Services recognizes that this can lead to different financial results (see appendix).

Regardless of the specific accounting rules used or the financial statement presentation, our fundamental analysis of the credit quality of the U.S. utility industry follows the economic reality whether created by rate regulation or market forces (see "Key Credit Factors For The Regulated Utilities Industry," published Nov. 19, 2013, on RatingsDirect).

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