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## **Fitch: Oversight Would Challenge US Public Power Credit Quality.**

Fitch Ratings-New York-07 May 2015: Legislation introduced in multiple states this year could, if advanced, have a material impact on the credit quality of two large public power utilities. Both Austin Energy (AA-/Stable) and Florida Municipal Power Agency (FMPA; [A+/Stable]) were the intended focus of legislation that would subject each of the utilities to extraordinary oversight by each of their state's respective public service commissions. While Fitch does not anticipate either measure gaining traction, the proposed rules represent a credit concern as enactment would likely lead to negative rating action.

The ability of public power utilities to operate with limited regulatory oversight, particularly as it relates to ratemaking and the preservation of their exclusive service areas remains a hallmark of the sector and a key contributor to credit quality. Although Fitch does not believe that these initiatives represent a broader trend toward the regulation of public power systems, it will continue to monitor legislative developments that could have an impact on the credit quality of rated utilities.

Legislation currently pending in the Texas State legislature (Senate Bill 1945) would allow Austin Energy's customers with load requirements above a certain threshold to effectively appeal their electric rates to the state public utilities commission (PUC). Depending on the PUC's ruling and Austin Energy's response to such a ruling, customers would potentially be permitted to purchase power from another provider in the deregulated market and pay Austin Energy solely to use its transmission and distribution infrastructure. The statutory change would limit Austin Energy's ratemaking autonomy and challenge its monopolistic business nature.

A similar statute (House Bill 773) was proposed in Florida earlier this year, aimed at bringing FMPA under the regulatory authority of the state Public Service Commission. Passage of the bill would have stripped the joint action agency of its independent authority to establish electric rates to its wholesale customers. While the bill did not advance during the most recent legislative session, introduction of the legislation bill remains notable.

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