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## **S&P: How the Rise of Solar Energy Could Affect U.S. Regulated Utilities' Credit Quality.**

Solar energy, including distributed generation (DG), is growing rapidly and has become an integral component of U.S. electricity generation. DG—which allows consumers to partially sidestep traditional power generators by producing energy on-site—poses a mild competitive threat to many U.S. regulated utilities, and we think its growth will have long-lasting implications for the industry. Over the next several years, solar energy's growth will continue to benefit from various state energy policies, tax credits, grants, and rebates. However, over the longer term, demand for solar energy will likely be driven by its fundamental economics, including the decreasing costs of solar manufacturing and rooftop solar installations. Our base-case scenario projects that the vast majority of rated utilities will be able to manage the competitive risks of DG and maintain credit quality.

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