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S&P Continues to Monitor the Credit Quality of U.S. Public Power and Cooperative Utilities With Carbon Exposure.

NEW YORK (Standard & Poor's) Feb. 12, 2016–Standard & Poor's Ratings Services today said that the U.S. Supreme Court's Feb. 9, stay of the implementation of the Environmental Protection Agency's (EPA) Clean Power Plan (CPP) is unlikely to affect the ratings on those public power and electric cooperative utilitiesthat would need to reduce carbon emissions to comply with the regulation.

In what many have categorized as an extraordinary order, the Supreme Court stayed the implementation of the EPA's regulation pending proceedings in the Court of Appeals for the D.C. Circuit. The circuit court will assess the merits of plaintiffs' efforts to invalidate the CPP. The Supreme Court's order, containing fewer than 150 words, did not indicate the rationale underlying its decision.

The EPA finalized its CPP carbon emission regulations in August 2015. The CPP calls for reducing U.S. power plants' carbon dioxide emissions 32% by 2030 relative to 2012 benchmarks. Compared with the national reduction target of 32%, each state has individual mandates that vary greatly. The state-by-state standards reflect significant regional differences in the mix of fuels their utilities use to generate electricity. The rule directs states to file initial implementation plans by Sept. 6, 2016, and final plans by September 2018. States failing to meet these milestones will be subject to federally designed implementation plans.

If the Supreme Court's stay postpones the state implementation plans' September 2016 delivery date, it might also defer the rule's financial impacts on utilities. With or without a delay, we do not view the rule's financial pressures as imminent because the regulations do not require utilities to meet interim compliance goals until 2022. The rule's pathway to a 32% national reduction in carbon emissions includes interim reduction targets spanning 2022-2029.

Standard & Poor's is unable to predict the outcome of the legal proceedings challenging the CPP and will continue to monitor those proceedings to discern their impact. As we noted in our commentary, "The EPA's Clean Power Plan Is Not An Immediate Credit Threat To U.S. Public Power And Co-Op Utilities, But Uncertainties Remain" (published Oct. 20, 2015, on RatingsDirect), we believe that the EPA's carbon emissions rules will not lead to lower ratings during our two-year outlook horizon.

Standard & Poor's Ratings Services, part of McGraw Hill Financial (NYSE: MHFI), is the world's leading provider of independent credit risk research and benchmarks. We publish more than a million credit ratings on debt issued by sovereign, municipal, corporate and financial sector entities. With over 1,400 credit analysts in 26 countries, and more than 150 years' experience of assessing credit risk, we offer a unique combination of global coverage and local insight. Our research and opinions about relative credit risk provide market participants with information and independent benchmarks that help to support the growth of transparent, liquid debt markets worldwide.

We have determined, based solely on the developments described herein, that no rating actions are currently warranted. Only a rating committee may determine a rating action and, as these developments were not viewed as material to the ratings, neither they nor this report were reviewed by a rating committee.