

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

SESSION LAW 2025-78
SENATE BILL 266

AN ACT TO ELIMINATE THE INTERIM DATE FOR CARBON REDUCTION BY CERTAIN ELECTRIC PUBLIC UTILITIES, TO ALLOW AN ALTERNATIVE COST RECOVERY MECHANISM FOR THE FINANCING COSTS OF CONSTRUCTION WORK IN PROGRESS FOR BASELOAD ELECTRIC GENERATING FACILITIES, TO MODIFY THE STATUTES GOVERNING COST RECOVERY FOR FUEL-RELATED CHARGES AND PERFORMANCE-BASED RATEMAKING, AND TO CODIFY A PROVISION AUTHORIZING SECURITIZATION OF COSTS FOR RETIREMENT OF COAL-FIRED GENERATING UNITS.

The General Assembly of North Carolina enacts:

ELIMINATE THE INTERIM DATE FOR CARBON REDUCTION BY CERTAIN ELECTRIC PUBLIC UTILITIES

SECTION 1. G.S. 62-110.9 reads as rewritten:

"§ 62-110.9. Requirements concerning reductions in emissions of carbon dioxide from electric public utilities.

The Utilities Commission shall take all reasonable steps to achieve ~~a seventy percent (70%)~~ reduction in emissions of carbon dioxide (CO₂) emitted in the State from electric generating facilities owned or operated by electric public utilities ~~from 2005 levels by the year 2030 and that result in~~ carbon neutrality by the year 2050. For purposes of this section, (i) "electric public utility" means any electric public utility as defined in G.S. 62-3(23) serving at least 150,000 North Carolina retail jurisdictional customers as of January 1, 2021, and (ii) "carbon neutrality" means for every ton of CO₂ emitted in the State from electric generating facilities owned or operated by or on behalf of electric public utilities, an equivalent amount of CO₂ is reduced, removed, prevented, or offset, provided that the offsets are verifiable and do not exceed five percent (5%) of the authorized reduction goal. In achieving the authorized carbon reduction ~~goals, goal,~~ the Utilities Commission shall:

- (1) Develop a plan, no later than December 31, ~~2022, 2026,~~ with the electric public utilities, including stakeholder input, for the utilities to achieve the authorized reduction ~~goals, goal of carbon neutrality by the year 2050,~~ which may, at a minimum, consider power generation, transmission and distribution, grid modernization, storage, energy efficiency measures, demand-side management, and the latest technological breakthroughs to achieve the least cost path consistent with this section to achieve compliance with the authorized carbon reduction ~~goals-goal~~ (the "Carbon Plan"). The Carbon Plan shall be reviewed every two years and may be adjusted as necessary in the determination of the Commission and the electric public utilities.
- (2) Comply with current law and practice with respect to the least cost planning for generation, pursuant to G.S. 62-2(a)(3a), in achieving the authorized carbon reduction ~~goals-goal~~ and determining generation and resource mix for the future. Any new generation facilities or other resources selected by the Commission in order to achieve the authorized reduction ~~goals-goal~~ for



electric public utilities shall be owned and recovered on a cost of service basis by the applicable electric public utility except that:

- a. Existing law shall apply with respect to energy efficiency measures and demand-side management.
 - b. To the extent that new solar generation is selected by the Commission, in adherence with least cost requirements, the solar generation selected shall be subject to the following: (i) forty-five percent (45%) of the total megawatts alternating current (MW AC) of any solar energy facilities established pursuant to this section shall be supplied through the execution of power purchase agreements with third parties pursuant to which the electric public utility purchases solar energy, capacity, and environmental and renewable attributes from solar energy facilities owned and operated by third parties that are 80 MW AC or less that commit to allow the procuring electric public utility rights to dispatch, operate, and control the solicited solar energy facilities in the same manner as the utility's own generating resources and (ii) fifty-five percent (55%) of the total MW AC of any solar energy facilities established pursuant to this section shall be supplied from solar energy facilities that are utility-built or purchased by the utility from third parties and owned and operated and recovered on a cost of service basis by the soliciting electric public utility. These ownership requirements shall be applicable to solar energy facilities (i) paired with energy storage and (ii) procured in connection with any voluntary customer program.
- (3) Ensure any generation and resource changes maintain or improve upon the adequacy and reliability of the existing grid.
 - (4) Retain discretion to determine optimal timing and generation and resource-mix to achieve the least cost path to compliance with the authorized carbon reduction ~~goals, goal,~~ including discretion in achieving the authorized carbon reduction ~~goals-goal~~ by the ~~dates-date~~ specified in order to allow for implementation of solutions that would have a more significant and material impact on carbon reduction; provided, however, the Commission shall not exceed the ~~dates-date~~ specified to achieve the authorized carbon reduction ~~goals-goal~~ by more than two years, except in the event the Commission authorizes construction of a nuclear facility or wind energy facility that would require additional time for completion due to technical, legal, logistical, or other factors beyond the control of the electric public utility, or in the event necessary to maintain the adequacy and reliability of the existing grid. In making such determinations, the Utilities Commission shall receive and consider stakeholder input."

MODIFY CONSTRUCTION WORK IN PROGRESS FOR BASELOAD ELECTRIC GENERATING FACILITIES

SECTION 2.(a) G.S. 62-110.1 reads as rewritten:

"§ 62-110.1. Certificate for construction of generating facility; analysis of long-range needs for expansion of facilities; ongoing review of construction costs; inclusion of approved construction costs in rates.

...

(e) As a condition for receiving a certificate, the applicant shall file an estimate of construction costs in such detail as the Commission may require. The Commission shall hold a public hearing on each application and no certificate shall be granted unless the Commission has

approved the estimated construction costs and made a finding that construction will be consistent with the Commission's plan for expansion of electric generating capacity. A certificate for the construction of generating facility by an electric public utility, as that term is defined by G.S. 62-110.9, shall be granted only if the applicant demonstrates and the Commission finds that the facility is part of the least cost path to achieve compliance with the authorized carbon reduction ~~goals-goal~~ in G.S. 62-110.9, will maintain or improve upon the adequacy and reliability of the existing grid, and that the construction and operation of the facility is in the public ~~interest-interest~~, and that the other resources listed in G.S. 62-110.9(1) would not establish or maintain a more cost-effective and reliable generation system consistent with G.S. 62-110.9. In making its determination, the Commission shall consider resource and fuel diversity and reasonably anticipated future operating costs. Once the Commission grants a certificate, no public utility shall cancel construction of a generating unit or facility without approval from the Commission based upon a finding that the construction is no longer in the public interest.

(e1) Upon the request of the public utility or upon its own motion, the Commission may review the certificate to determine whether changes in the probable future growth of the use of electricity indicate that the public convenience and necessity require modification or revocation of the certificate. If the Commission finds that completion of the generating facility is no longer in the public interest, the Commission may modify or revoke the certificate.

(f) The public utility shall submit a progress report and any revision in the cost estimate for the construction approved under subsection (e) of this section during each year of construction. Upon the request of the public utility or upon its own motion, the Commission ~~may~~ shall conduct an ongoing review of construction of the facility as the construction proceeds. In any such ongoing review process, the public utility shall submit an application, including detailed documentation and supporting testimony, demonstrating that the public utility's construction and related costs and expenditures incurred during the review period in connection with such certified generating facility were reasonable and prudently incurred and, if necessary, requesting a modification of the certificate. The purpose of each ongoing review hearing is to determine the reasonableness and prudence of the costs incurred by the public utility during the period under review and to determine whether the certificate should remain in effect or be modified or revoked. The public utility shall have the burden of proof to demonstrate that all costs and expenditures were reasonable and prudently incurred. The Commission shall conduct a hearing regarding each such review period and shall allow intervention in such proceeding. Subject to any variation needed at the start or completion of construction, the review period for each proceeding shall be approximately 12 months of construction and related costs and expenditures. In addition, once the ongoing review process has been initiated, the public utility shall be required to submit quarterly status reports and the Public Staff shall be entitled to submit discovery with respect to such quarterly status reports. The Commission shall commence the hearing with respect to each review period within 120 days of the public utility's application and issue a decision within 60 days of the close of the hearing, or waiver thereof if no disputed issues have been identified. If the Commission approves any revised construction cost ~~estimate-estimate~~, if applicable, and finds that incurrence of the cost of that portion of the construction of the facility under review was reasonable and prudent, the certificate shall remain in effect. If the Commission disapproves any part of the revised cost estimate or finds that the incurrence of the cost of that portion of the construction of the facility then under review was unreasonable or imprudent, the Commission may modify or revoke the certificate.

...."

SECTION 2.(b) G.S. 62-133 reads as rewritten:

"§ 62-133. How rates fixed.

(a) In fixing the rates for any public utility subject to the provisions of this Chapter, other than bus companies, motor carriers and certain water and sewer utilities, the Commission shall fix such rates as shall be fair both to the public utilities and to the consumer.

- (b) In fixing such rates, the Commission shall:
- (1) Ascertain the reasonable original cost or the fair value under G.S. 62-133.1A of the public utility's property used and useful, or to be used and useful within a reasonable time after the test period, in providing the service rendered to the public within the State, less that portion of the cost that has been consumed by previous use recovered by depreciation expense. In addition, construction work in progress may be included in the cost of the public utility's property under any of the following circumstances:
 - a. To the extent the Commission considers inclusion in the public interest and necessary to the financial stability of the utility in question, reasonable and prudent expenditures for construction work in progress may be included, subject to the provisions of subdivision (4a) of this subsection.
 - b. For baseload electric generating facilities, reasonable and prudent expenditures shall be included pursuant to subdivisions (2) or (3) of G.S. 62-110.1(f1), whichever applies, subject to the provisions of subdivision (4a) of this subsection.
 - c. For baseload electric generating facilities, if the Commission determines there is an overall cost-savings for customers over the life of the generating facility and a baseload electric generating facility has been subject to an annual ongoing review process pursuant to G.S. 62-110.1(f), the Commission shall, upon determining through the ongoing review process that the expenditures were reasonable and prudently incurred, allow an increase in base rates outside of the rate-making processes established under this section or G.S. 62-133.16 to reflect solely the financing costs on such reasonable and prudent expenditures, with the increase being effective 30 days after the Commission's order finding that the expenditures were reasonable and prudent and allocated on a demand basis among customer classes. Any recovery authorized pursuant to this sub-subdivision shall be limited to those financing costs accrued on actual, reasonable, and prudent construction costs, after taking into account any direct customer contributions actually received that offset such construction costs, up to the estimated construction cost estimate approved by the Commission or later amended by the Commission pursuant to G.S. 62-110.1(e). If applicable, any revenues actually received from customers participating in a Commission-approved customer program shall be used to reduce the construction costs of the baseload electric generating facility and thereby proportionately reduce the amount of financing costs recovered hereunder. In the event the Commission approves cancellation of a generating facility for which financing costs have been recovered pursuant to this sub-subdivision, then: (i) as of the date the Commission approves cancellation of the construction of the generating facility, the electric public utility shall cease recovery of such financing costs pursuant to this sub-subdivision; and (ii) all costs determined by the Commission pursuant to G.S. 62-110.1(f) to have been imprudently incurred shall be disallowed and shall not be recovered from customers. With respect to natural gas baseload electric generating facilities, the authorization to recover financing costs pursuant to this sub-subdivision shall sunset as of December 31, 2033, for all construction costs incurred after

December 31, 2033, but continued recovery of financing costs on construction costs for natural gas baseload electric generating facilities incurred prior to December 31, 2033, shall be permitted subject to all conditions of this sub-subdivision.

...

(c) The original cost of the public utility's property, including its construction work in progress, shall be determined as of the end of the test period used in the hearing and the probable future revenues and expenses shall be based on the plant and equipment in operation at that time. If the public utility elects to establish rate base using fair value, the fair value determination of the public utility's property shall be made as provided in G.S. 62-133.1A, and the probable future revenues and expenses shall be based on the plant and equipment in operation at the end of the test period. The test period shall consist of 12 months' historical operating experience prior to the date the rates are proposed to become effective, but the Commission shall consider such relevant, material and competent evidence as may be offered by any party to the proceeding tending to show actual changes in costs, revenues or the cost of the public utility's property used and useful, or to be used and useful within a reasonable time after the test period, in providing the service rendered to the public within this State, including its construction work in progress, which is based upon circumstances and events occurring up to the time the hearing is ~~closed~~closed, provided that the public utility has provided notice of the potential for such change at least 60 days prior to the start of the hearing. In setting the electric public utility's authorized rate of return on equity, the Commission shall consider any increased or decreased risk to either the electric public utility or its ratepayers that may result from recovery of financing costs pursuant to subdivision (1) of subsection (b) of this section.

...."

FUEL COST RECOVERY MODIFICATIONS

SECTION 3. G.S. 62-133.2 reads as rewritten:

"§ 62-133.2. Fuel and fuel-related charge adjustments for electric utilities.

(a) The Commission shall permit an electric public utility that generates electric power by fossil fuel or nuclear fuel to charge an increment or decrement as a rider to its rates for changes in the cost of fuel and fuel-related costs used in providing its North Carolina customers with electricity from the cost of fuel and fuel-related costs established in the electric public utility's previous general rate case on the basis of cost per kilowatt hour.

(a1) As used in this section, "cost of fuel and fuel-related costs" means all of the following:

- (1) The cost of fuel burned.
- (2) The cost of fuel transportation.
- (3) The cost of ammonia, lime, limestone, urea, dibasic acid, sorbents, and catalysts consumed in reducing or treating ~~emissions~~emissions, including emissions allowances.
- (4) The total delivered costs, including capacity and noncapacity related costs, including fuel costs, and all related transmission charges, of all purchases of electric power and capacity by the electric public utility that are subject to economic dispatch or economic curtailment.
- (5) ~~The capacity costs associated with all purchases of electric power from qualifying cogeneration facilities and qualifying small power production facilities, as defined in 16 U.S.C. § 796, that are subject to economic dispatch by the electric public utility.~~
- (6) ~~Except utility, except for those costs recovered pursuant to G.S. 62-133.8(h), the total delivered costs of all purchases of power from renewable energy facilities and new renewable energy facilities pursuant to G.S. 62-133.8 or G.S. 62-133.8(h).~~

- (6a) Any other costs required to comply with any federal mandate that is similar to the requirements of subsections (b), (c), (d), (e), and (f) of G.S. 62-133.8.
- ~~(7) The fuel cost component of other purchased power.~~
- (8) Cost of fuel and fuel-related costs shall be adjusted for any net gains or losses resulting from any sales by the electric public utility of fuel and other fuel-related costs components.
- (9) Cost of fuel and fuel-related costs shall be adjusted for any net gains or losses resulting from any sales by the electric public utility of by-products produced in the generation process to the extent the costs of the inputs leading to that by-product are costs of fuel or fuel-related costs.
- ~~(10) The total delivered costs, including capacity and noncapacity costs, associated with all purchases of electric power from qualifying cogeneration facilities and qualifying small power production facilities, as defined in 16 U.S.C. § 796, that are not subject to economic dispatch or economic curtailment by the electric public utility and not otherwise recovered under subdivision (6) of this subsection.~~
- (11) All nonadministrative costs related to the renewable energy procurement pursuant to G.S. 62-159.2 not recovered from the program participants.

(a2) For those costs identified in subdivisions (4), (5), (6), (10), and (11) of subsection (a1) of this section, that involve power purchase agreements from renewable generating facilities (including qualifying cogeneration facilities and qualifying small power production facilities, as defined in 16 U.S.C. § 796, costs related to G.S. 62-133.8(h) or any other costs required to comply with any federal mandate that is similar to the requirements of subsections (b), (c), (d), (e), and (f) of G.S. 62-133.8), and nonadministrative costs related to the renewable energy procurement pursuant to G.S. 62-159.2 not recovered from the program participants, the annual increase in the aggregate amount of these costs that are recoverable by an electric public utility pursuant to this section shall not exceed two and one-half percent (2.5%) of the electric public utility's total North Carolina retail jurisdictional gross revenues for the preceding calendar year. The costs described in subdivisions (4), (5), (6), (10), and (11) subdivision (4) of subsection (a1) of this section shall be recoverable from each class of customers as a separate component of the rider as follows:

- ~~(1) For the noncapacity costs described in subdivisions (4), (10), and (11) of subsection (a1) of this section, the specific component for each class of customers shall be determined by allocating these costs allocated on a demand basis among customer classes based on the method used in the electric public utility's most recently filed fuel proceeding commenced on or before January 1, 2017, as determined by the Commission, until the Commission determines how these costs shall be allocated in a general rate case for the electric public utility commenced on or after January 1, 2017.~~
- ~~(2) For the capacity costs described in subdivisions (5), (6), (10), and (11) of subsection (a1) of this section, the specific component for each class of customers shall be determined by allocating these costs among customer classes based on the method used in the electric public utility's most recently filed fuel proceeding commenced on or before January 1, 2017, as determined by the Commission, until the Commission determines how these costs shall be allocated in a general rate case for the electric public utility commenced on or after January 1, 2017 classes.~~

(a3) Notwithstanding subsections (a1) and (a2) of this section, for an electric public utility that has fewer than 150,000 North Carolina retail jurisdictional customers as of December 31, 2006, the costs identified in subdivisions (1), (2), (4), and ~~(6a) (6), (7), and (10)~~ of subsection (a1) of this section ~~and the fuel cost component, as may be modified by the Commission, of~~

~~electric power purchases identified in subdivision (4) of subsection (a1) of this section shall be recovered through the increment or decrement rider approved by the Commission pursuant to this section. For those costs that involve power purchase agreements from renewable generating facilities (including qualifying cogeneration facilities and qualifying small power production facilities, as defined in 16 U.S.C. § 796, costs related to G.S. 62-133.8(h) or any other costs required to comply with any federal mandate that is similar to the requirements of subsections (b), (c), (d), (e), and (f) of G.S. 62-133.8), the costs identified in subdivisions (6) and (10) of subsection (a1) of this section that are incurred on or after January 1, 2008, the annual increase in the amount of these costs shall not exceed one percent (1%) of the electric public utility's total North Carolina retail jurisdictional gross revenues for the preceding calendar year. These costs described in subdivisions (6) and (10) of subsection (a1) of this section shall be recoverable from each class of customers as a separate component of the rider. For the costs described in subdivisions (6) and (10) of subsection (a1) of this section, the specific component for each class of customers shall be determined by allocating these costs among customer classes based on the electric public utility's North Carolina peak demand for the prior year, as determined by the Commission, until the Commission determines how these costs shall be allocated in a general rate case for the electric public utility commenced on or after January 1, 2008.~~

(a4) The electric public utility shall make appropriate adjustments to its fuel and fuel-related costs to reflect costs already being recovered in base rates so as to avoid double recovery of any fuel and fuel-related costs and the Commission shall approve any accounting adjustments necessary in a future fuel proceeding or general rate case to avoid such double recovery.

(b) The Commission shall conduct a hearing within 12 months of each electric public utility's last general rate case order to determine whether an increment or decrement rider is required to reflect actual changes in the cost of fuel and fuel-related costs over or under the cost of fuel and fuel-related costs on a kilowatt-hour basis in base rates established in the electric public utility's last preceding general rate case. Additional hearings shall be held on an annual basis but only one hearing for each electric public utility may be held within 12 months of the last general rate case.

(c) ~~Each~~ For purposes of the annual hearing, each electric public utility shall submit to the Commission ~~for the hearing~~ verified annualized information and data in such form and detail as the Commission may require, for an historic 12-month test period, relating to:

- (1) Cost of fuel and fuel-related costs used in each generating facility owned in whole or in part by the utility.
- (2) Fuel procurement practices and fuel inventories for each facility.
- (3) Burned cost of fuel used in each generating facility.
- (4) Plant capacity factor for each generating facility.
- (5) Plant availability factor for each generating plant.
- (6) Generation mix by types of fuel used.
- (7) Sources and fuel cost component of purchased power used.
- (8) Recipients of and revenues received for power sales and times of power sales.
- (9) Test period kilowatt-hour sales for the utility's total system and on the total system separated for North Carolina jurisdictional sales.
- (10) Procurement practices and inventories for: fuel burned and for ammonia, lime, limestone, urea, dibasic acid, sorbents, and catalysts consumed in reducing or treating emissions.
- (11) The cost incurred at each generating facility of fuel burned and of ammonia, lime, limestone, urea, dibasic acid, sorbents, and catalysts consumed in reducing or treating emissions.
- (12) Any net gains or losses resulting from any sales by the electric public utility of fuel or other fuel-related costs components.

- (13) Any net gains or losses resulting from any sales by the electric public utility of by-products produced in the generation process to the extent the costs of the inputs leading to that by-product are costs of fuel or fuel-related costs.

(d) The Commission shall provide for notice of a public hearing with reasonable and adequate time for investigation and for all intervenors to prepare for hearing. At the hearing the Commission shall receive evidence from the utility, the Public Staff, and any intervenor desiring to submit evidence, and from the public generally. In reaching its decision, the Commission shall consider all evidence required under subsection (c) of this section as well as any and all other competent evidence that may assist the Commission in reaching its decision including changes in the cost of fuel consumed and fuel-related costs that occur within a reasonable time, as determined by the Commission, after the test period is closed. The Commission shall incorporate in its cost of fuel and fuel-related costs determination under this subsection the experienced over-recovery or under-recovery of reasonable costs of fuel and fuel-related costs prudently incurred ~~during by the test period, electric public utility,~~ based upon the prudent standards set pursuant to subsection (d1) of this section, in fixing an increment or decrement rider. Upon request of the electric public utility, the Commission shall also incorporate in this determination the experienced over-recovery or under-recovery of costs of fuel and fuel-related costs through the date that is 30 calendar days prior to the date of the hearing, provided that the reasonableness and prudence of these costs shall be subject to review in the utility's next annual hearing pursuant to this section. The Commission shall use deferral accounting, and consecutive test periods, in complying with this subsection, and the over-recovery or under-recovery portion of the increment or decrement shall be reflected in rates for 12 months, notwithstanding any changes in the base fuel cost in a general rate case. Any experienced over-recovery or under-recovery of reasonable fuel and fuel-related costs prudently incurred shall accrue interest at the commercial paper rate as identified by the Federal Reserve for A2/P2 nonfinancial issuers, or reasonable successor thereto, on a weighted average basis over the applicable time period. The burden of proof as to the correctness and reasonableness of the charge and as to whether the cost of fuel and fuel-related costs were reasonably and prudently incurred shall be on the utility. The Commission shall allow only that portion, if any, of a requested cost of fuel and fuel-related costs adjustment that is based on adjusted and reasonable cost of fuel and fuel-related costs prudently incurred under efficient management and economic operations. In evaluating whether cost of fuel and fuel-related costs were reasonable and prudently incurred, the Commission shall apply the rule adopted pursuant to subsection (d1) of this section. To the extent that the Commission determines that an increment or decrement to the rates of the utility due to changes in the cost of fuel and fuel-related costs over or under base fuel costs established in the preceding general rate case is just and reasonable, the Commission shall order that the increment or decrement become effective for all sales of electricity and remain in effect until changed in a subsequent general rate case or annual proceeding under this section.

(d1) Within one year after ratification of this act, for the purposes of setting cost of fuel and fuel-related costs rates, the Commission shall adopt a rule that establishes prudent standards and procedures with which it can appropriately measure management efficiency in minimizing cost of fuel and fuel-related costs.

(d2) Within 45 days of the end of every quarter of the applicable 12 month recovery-period approved by the Commission, each electric public utility shall file a report detailing its actual over- and under-recovered amounts through such quarter and an updated projection of the cumulative over- or under-recovered amounts at the end of such 12 month recovery-period based on the most recently available fuel forecast. If the updated projection of the cumulative over- or under-recovered amounts at the end of such 12 month recovery-period, inclusive of the actual amounts, is greater than ten percent (10%) of the total revenue requirement approved by the Commission in the most recent fuel proceeding, then the electric public utility shall identify the adjustment needed to the increment or decrement rider to address such over- or under-recovery

over the twelve month period following the effective date of such adjustment, or such other time period that the Commission deems reasonable, and file an updated tariff to reflect such adjustment as part of such quarterly report.

- (1) The identified adjustment to the increment or decrement rider shall go into effect at the start of the month that is approximately 45 days after the quarterly update filing made under this subsection and such adjustment shall remain in effect for the twelve month period following the effective date of such adjustment, or such other time period that the Commission deems reasonable.
- (2) All of the costs of fuel and fuel-related costs, including those which are recovered through the quarterly adjustment authorized under this subsection will be reviewed for reasonableness and prudence of such costs in the next annual proceeding held by the Commission to review an electric public utility's annual fuel and fuel-related adjustment pursuant to subsections (b) and (c) of this section.
- (3) In the event that the electric public utility's projections result in either solely downward rate adjustments for 12 consecutive quarterly periods or solely upward rate adjustments for 12 consecutive quarterly periods, the electric public utility shall report to the Commission in the next annual fuel filing regarding the reasons for such outcome and its plans to improve the accuracy of its projection methodology.

(e) If the Commission has not issued an order pursuant to this section within 180 days of a utility's submission of annual data under subsection (c) of this section, the utility may place the requested cost of fuel and fuel-related costs adjustment into effect. If the change in rate is finally determined to be excessive, the utility shall make refund of any excess plus interest to its customers in a manner ordered by the Commission.

(f) Nothing in this section shall relieve the Commission from its duty to consider the reasonableness of the cost of fuel and fuel-related costs in a general rate case and to set rates reflecting reasonable cost of fuel and fuel-related costs pursuant to G.S. 62-133. Nothing in this section shall invalidate or preempt any condition adopted by the Commission and accepted by the utility in any proceeding that would limit the recovery of costs by any electric public utility under this section.

(g) Repealed by Session Laws 2014-120, s. 10(d), effective September 18, 2014."

PERFORMANCE-BASED REGULATION CHANGES

SECTION 4. G.S. 62-133.16 reads as rewritten:

"§ 62-133.16. Performance-based regulation authorized.

...

(c) Application. – An electric public utility shall be permitted to submit a PBR application in a general rate case proceeding initiated pursuant to G.S. 62-133. A PBR application shall include a decoupling rate-making mechanism, one or more PIMs, and a MYRP, including both an earnings sharing mechanism and proposed revenue requirements and base rates for each of the years that a MYRP is in effect or a method for calculating the same. The PBR application may also include proposed tracking metrics with or without targets or benchmarks to measure electric public utility achievement. The following additional requirements apply to a PBR application:

- (1) The following shall apply to a MYRP:
 - a. The base rates for the first rate year of a MYRP shall be fixed in the manner prescribed under G.S. 62-133, including actual changes in costs, revenues, or the cost of the electric public utility's property used and useful, or to be used and useful within a reasonable time after the test period, plus costs associated with a known and measurable set of

capital investments, net of operating benefits, associated with a set of discrete and identifiable capital spending projects to be placed in service during the first rate year. Subsequent changes in base rates in the second and third rate years of the MYRP shall be based on projected incremental Commission-authorized capital investments that will be used and useful during the rate year and associated expenses, net of operating benefits, including operation and maintenance savings, and depreciation of rate base associated with the capital investments, that are incurred or realized during each rate year of the MYRP period; provided that the amount of increase in the second rate year under the MYRP shall not exceed four percent (4%) of the electric public utility's North Carolina retail jurisdictional revenue requirement that is used to fix rates during the first year of the MYRP pursuant to G.S. 62-133 excluding any revenue requirement for the capital spending projects to be placed in service during the first rate year. The amount of increase for the third rate year under the MYRP shall not exceed four percent (4%) of the electric public utility's North Carolina retail jurisdictional revenue requirement that is used to fix rates during the first year of the MYRP pursuant to G.S. 62-133, excluding any revenue requirement for the capital spending projects placed in service during the first rate year. The revenue requirements associated with any single new generation plant placed in service during the MYRP for which the total plant in service balance exceeds five hundred million dollars (\$500,000,000) shall not be included in a MYRP. Instead, MYRP, except that combustion turbine generating units which are not part of a combined cycle generating unit may be included in the MYRP subject to the four percent (4%) limit identified in this subdivision. In the alternative, the utility may request and the Commission may grant, if it deems appropriate, permission to establish a regulatory asset and defer to such regulatory all or a portion of the asset incremental costs related to such electric generation investments to be considered for recovery in a future rate proceeding. In setting the electric public utility's authorized rate of return on equity for an MYRP period, the Commission shall consider any increased or decreased risk to either the electric public utility or its ratepayers that may result from having an approved MYRP.

- b. In a proceeding authorizing a MYRP, the Commission shall establish a rider to refund amounts related to the earnings sharing mechanism, and to refund or collect amounts related to PIM rewards or penalties, and decoupling adjustments.
- c. Within 60 days of the conclusion of each rate year, the Commission shall establish a proceeding to:
 - 1. Examine the earnings of the electric public utility during the rate year to determine if the earnings exceeded the authorized rate of return on equity determined by the Commission in the proceeding establishing the PBR. If the weather-normalized earnings exceed the authorized rate of return on equity plus 50 basis points, the excess earnings above the authorized rate of return on equity plus 50 basis points shall be refunded to customers in the rider established by the Commission. If the

weather-normalized earnings fall below the authorized rate of return on equity, the electric public utility may file a rate case pursuant to G.S. 62-133. Any penalties or rewards from PIM incentives and any incentives related to demand-side management and energy efficiency measures pursuant to G.S. 62-133.9(f) will be excluded from the determination of any refund pursuant to earnings sharing mechanism.

2. Evaluate the performance of the electric public utility with respect to Commission approved PIMs applicable in the rate year. Any financial rewards shall be collected from customers and any penalties refunded to customers, in each case, through the rider established by the Commission.
3. Evaluate the decoupling rate-making mechanism, and refund or collect, as applicable, a corresponding amount from residential customers through the rider established by the Commission.

d. In addition to the annual review process set forth in sub-subdivision c. of this subdivision, the following shall apply:

1. For each quarter of a MYRP, the electric public utility shall report regarding the status of the approved MYRP projects in the manner directed by the Commission, including reporting on any project that is canceled, along with a detailed explanation regarding the reasons for such cancellation and the replacement capital spending project, if any. The Commission may, upon its own motion or petition by the Public Staff, open a proceeding to examine any potentially unreasonable or imprudent cancellations of approved capital spending projects and may initiate a proceeding to adjust base rates as necessary or direct further action with respect to such canceled project.
2. In any base rate case immediately following an authorized MYRP, the electric public utility shall be obligated to report on its execution of the approved MYRP projects with respect to any rate year completed as of the date of the filing of the PBR application, including by explaining any material differences between the approved MYRP projects and the actual executed projects.

...

(d) Commission Action on Application. –

- (1) The Commission shall approve a PBR application by an electric public utility only upon a finding that a proposed PBR would result in just and reasonable rates, is in the public interest, and is consistent with the criteria established in this section and rules adopted thereunder. In reviewing any such PBR application under this section, the Commission shall consider whether the PBR application:
 - a. Assures that no customer or class of customers is unreasonably harmed and that the rates are fair both to the electric public utility and to the customer.
 - b. Reasonably assures the continuation of safe and reliable electric service.
 - c. Will not unreasonably prejudice any class of electric customers and result in sudden substantial rate increases or "rate shock" to customers.

- (2) In reviewing any such PBR application under this section, the Commission may consider whether the PBR application:
- a. Encourages peak load reduction or efficient use of the system.
 - b. Encourages utility-scale clean energy and storage.
 - c. Encourages DERs.
 - d. Reduces low-income energy burdens.
 - e. Encourages energy efficiency.
 - f. Encourages carbon reductions.
 - g. Encourages beneficial electrification, including electric vehicles.
 - h. Supports equity in contracting.
 - i. Promotes resilience and security of the electric grid.
 - j. Maintains adequate levels of ~~reliability~~ reliability, power quality, and customer service.
 - k. Promotes rate designs that yield peak load reduction or beneficial load-shaping.
- (3) When an electric public utility files with the Commission an application for a general rate case pursuant to G.S. 62-133 and that application includes a PBR application, the Commission shall institute proceedings on the application as provided in this subdivision. The electric public utility shall not make any changes in any rate or implement a PBR except upon 30 days' notice to the Commission, and the Commission may require the electric public utility to provide notice of the pending PBR application to the same extent as provided in G.S. 62-134(a) and may suspend the effect of the proposed base rates and PBR implementation pending investigation in the same manner as provided in G.S. 62-134(b), provided that, the Commission may suspend the implementation of the proposed base rates for no longer than ~~300~~ 330 days. The electric public utility's application shall plainly state the changes in base rates and the time when the change in rates will go into effect and shall include schedules in the same manner required pursuant to G.S. 62-134(a). The Commission shall, upon reasonable notice, conduct a hearing concerning the lawfulness of the proposed base rates and the PBR application. After hearing, the Commission shall issue an order approving, modifying, or rejecting the electric public utility's PBR application. In the event that the Commission rejects a PBR application, the Commission shall nevertheless establish the electric public utility's base rates in accordance with G.S. 62-133 based on the PBR application. If the Commission rejects the PBR application, it shall provide an explanation of the deficiency and an opportunity for the electric public utility to refile, or for the electric public utility and the stakeholders to collaborate to cure the identified deficiency and refile.

...

(j) Rulemaking. – The Commission shall adopt rules to implement the requirements of this section. Rules adopted shall include all of the following matters:

- (1) The specific procedures and requirements that an electric public utility shall meet when requesting approval of a PBR application.
- (2) The criteria for evaluating a PBR application.
- (3) The parameters for a technical conference process to be conducted by the Commission prior to submission of any PBR application consisting of one ~~or more public meetings~~ meeting at which the electric public utility presents information regarding projected transmission and distribution expenditures and interested parties are permitted to provide comment and feedback; provided, however, no cross-examination of parties shall be permitted. The

technical conference process ~~to be established shall not exceed a duration of 60 days from the date on which the electric public utility requests initiation of such process.~~ shall occur after the electric public utility submits its application but no later than 90 days after the filing of such application, and at least 30 days before the deadline established by the Commission for any interested parties to intervene.

- (4) In the event the Commission rejects a PBR application, the process by which an electric public utility may address the Commission's reasons for rejection of a PBR application, which process may include collaboration between stakeholders and the electric public utility to cure any identified deficiency in an electric public utility's PBR application."

CODIFY SECURITIZATION FOR COSTS TO RETIRE COAL PLANTS

SECTION 5. G.S. 62-172 reads as rewritten:

"§ 62-172. Financing for certain storm and coal plant retirement recovery costs.

(a) Definitions. – The following definitions apply in this section:

- (1) Ancillary agreement. – A bond, insurance policy, letter of credit, reserve account, surety bond, interest rate lock or swap arrangement, hedging arrangement, liquidity or credit support arrangement, or other financial arrangement entered into in connection with ~~storm recovery~~ securitization bonds.
- (2) Assignee. – A legally recognized entity to which a public utility assigns, sells, or transfers, other than as security, all or a portion of its interest in or right to ~~storm recovery~~ securitization property. The term includes a corporation, limited liability company, general partnership or limited partnership, public authority, trust, financing entity, or any entity to which an assignee assigns, sells, or transfers, other than as security, its interest in or right to ~~storm recovery~~ securitization property.
- (3) Bondholder. – A person who holds a ~~storm recovery~~ securitization bond.
- (3a) Coal plant retirement activity. – An activity or activities by a public utility, its affiliates, or its contractors, directly and specifically in connection with the retirement of subcritical coal-fired generating facilities, including decommissioning and restoring the site of such subcritical coal-fired generating facilities and related activities.
- (3b) Coal plant retirement charge. – The amounts authorized by the Commission to repay, finance, or refinance coal plant retirement costs and financing costs and that are nonbypassable charges (i) imposed on and part of all retail customer bills, (ii) collected by a public utility or its successors or assignees, or a collection agent, in full, separate and apart from the public utility's base rates, and (iii) paid by all existing or future retail customers receiving transmission or distribution service, or both, from the public utility or its successors or assignees under Commission-approved rate schedules or under special contracts, even if a customer elects to purchase electricity from an alternative electricity supplier following a fundamental change in regulation of public utilities in this State.
- (3c) Coal plant retirement costs. – All of the following, as applicable, in the determination of the Commission in a separate proceeding:
- a. One hundred percent (100%) of the remaining net book value of all of a public utility's subcritical coal-fired electric generating facilities at the time of retirement.

- b. The public utility's cost of capital from the date of the applicable coal plant retirement to the date the securitization bonds are issued, calculated using the public utility's weighted average cost of capital as defined in its most recent base rate case proceeding before the Commission net of applicable income tax savings related to the interest component; provided, however, if the coal plant is included in base rates for all or any portion of the interval between date of the applicable coal plant retirement and the securitization bonds are issued, coal plant retirement costs shall not include the public utility's cost of capital for such period of time.
 - c. Coal plant retirement costs shall include coal plant retirement activities and shall be net of applicable insurance proceeds, tax benefits, and government grants, or aid of any kind and where determined appropriate by the Commission. Coal plant retirement costs include costs of repurchasing equity or retiring any existing indebtedness relating to the retirement of a subcritical coal-fired electric generating facility.
 - d. With respect to coal plant retirement costs that the public utility expects to incur, any difference between costs expected to be incurred and actual, reasonable, and prudent costs incurred, or any other ratemaking adjustments appropriate to fairly and reasonably assign or allocate coal plant retirement bonds to customers over time, shall be addressed in a future general rate proceeding, as may be facilitated by other orders of the Commission issued at the time or prior to such proceeding; provided, however, that the Commission's adoption of a financing order and approval of the issuance of coal plant retirement bonds may not be revoked or otherwise modified.
- (4) Code. – The Uniform Commercial Code, Chapter 25 of the General Statutes.
 - (5) Commission. – The North Carolina Utilities Commission.
 - (6) Financing costs. – The term includes all of the ~~following~~following costs applicable to the type of securitization bond, including:
 - a. Interest and acquisition, defeasance, or redemption premiums payable on ~~storm recovery~~the securitization bonds.
 - b. Any payment required under an ancillary agreement and any amount required to fund or replenish a reserve account or other accounts established under the terms of any indenture, ancillary agreement, or other financing documents pertaining to ~~storm recovery~~the securitization bonds.
 - c. Any other cost related to issuing, supporting, repaying, refunding, and servicing ~~storm recovery~~the securitization bonds, including, servicing fees, accounting and auditing fees, trustee fees, legal fees, consulting fees, structuring adviser fees, administrative fees, placement and underwriting fees, independent director and manager fees, capitalized interest, rating agency fees, stock exchange listing and compliance fees, security registration fees, filing fees, information technology programming costs, and any other costs necessary to otherwise ensure the timely payment of ~~storm recovery~~the securitization bonds or other amounts or charges payable in connection with the securitization bonds, including costs related to obtaining the financing order.
 - d. Any taxes and license fees or other fees imposed on the revenues generated from the collection of the ~~storm recovery charge~~

- securitization charges, or otherwise resulting from the collection of ~~storm recovery~~ the charges, in any such case whether paid, payable, or accrued.
- e. Any State and local taxes, franchise, gross receipts, and other taxes or similar charges, including regulatory assessment fees, whether paid, payable, or accrued.
 - f. Any costs incurred by the Commission or Public Staff for any outside consultants or counsel retained in connection with the financing of the securitization of storm recovery costs.
- (7) Financing order. – An order that authorizes the issuance of ~~storm recovery~~ securitization bonds; the imposition, collection, and periodic adjustments of a ~~storm recovery~~ securitization charge; the creation of ~~storm recovery~~ securitization property; and the sale, assignment, or transfer of ~~storm recovery~~ securitization property to an assignee.
 - (8) Financing party. – Bondholders and trustees, collateral agents, any party under an ancillary agreement, or any other person acting for the benefit of bondholders.
 - (9) Financing statement. – Defined in Article 9 of the Code.
 - (10) Pledgee. – A financing party to which a public utility or its successors or assignees mortgages, negotiates, pledges, or creates a security interest or lien on all or any portion of its interest in or right to ~~storm recovery~~ securitization property.
 - (11) Public utility. – A public utility, as defined in G.S. 62-3, that sells electric power to retail electric customers in the State.
 - (11a) Securitization activities. – The aggregate of activities that qualify as either (i) storm recovery activities, as defined in subdivision (13) of this subsection, or (ii) coal plant retirement activities, as defined in subdivision (3a) of this subsection, as the case may be.
 - (11b) Securitization bonds. – Bonds, debentures, notes, certificates of participation, certificates of beneficial interest, certificates of ownership, or other evidence of indebtedness or ownership that are issued by a public utility or an assignee pursuant to a financing order, the proceeds of which are used directly or indirectly to recover, finance, or refinance Commission-approved coal plant retirement costs or storm recovery costs, or both, and financing costs, and that are secured by or payable from securitization property. If certificates of participation or ownership are issued, references in this section to principal, interest, or premium shall be construed to refer to comparable amounts under those certificates.
 - (11c) Securitization charges. – Storm recovery charges, as defined in subdivision (15) of this subsection, or coal plant retirement charges, as defined in subdivision (3b) of this subsection, or both, as the case may be.
 - (11d) Securitization costs. – Storm recovery costs, as defined in subdivision (16) of this subsection, or coal plant retirement costs, as defined in subdivision (3c) of this subsection, as the case may be.
 - (11e) Securitization property. – All of the following:
 - a. All rights and interests of a public utility or successor or assignee of the public utility under a financing order, including the right to impose, bill, charge, collect, and receive coal plant retirement charges, storm recovery charges, or both, as authorized under the financing order and to obtain periodic adjustments to such charges as provided in the financing order.

- b. All revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in the financing order, regardless of whether such revenues, collections, claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money, or proceeds.
- (12) Storm. – Individually or collectively, a named tropical storm or hurricane, a tornado, ice storm or snow storm, flood, an earthquake, or other significant weather or natural disaster.
- (13) Storm recovery activity. – An activity or activities by a public utility, its affiliates, or its contractors, directly and specifically in connection with the restoration of service and infrastructure associated with electric power outages affecting customers of a public utility as the result of a storm or storms, including activities related to mobilization, staging, and construction, reconstruction, replacement, or repair of electric generation, transmission, distribution, or general plant facilities.
- (14) ~~Storm recovery bonds. Bonds, debentures, notes, certificates of participation, certificates of beneficial interest, certificates of ownership, or other evidences of indebtedness or ownership that are issued by a public utility or an assignee pursuant to a financing order, the proceeds of which are used directly or indirectly to recover, finance, or refinance Commission approved storm recovery costs and financing costs, and that are secured by or payable from storm recovery property. If certificates of participation or ownership are issued, references in this section to principal, interest, or premium shall be construed to refer to comparable amounts under those certificates.~~
- (15) Storm recovery charge. – The amounts authorized by the Commission to repay, finance, or refinance storm recovery costs and financing costs and that are nonbypassable charges (i) imposed on and part of all retail customer bills, (ii) collected by a public utility or its successors or assignees, or a collection agent, in full, separate and apart from the public utility's base rates, and (iii) paid by all existing or future retail customers receiving transmission or distribution service, or both, from the public utility or its successors or assignees under Commission-approved rate schedules or under special contracts, even if a customer elects to purchase electricity from an alternative electricity supplier following a fundamental change in regulation of public utilities in this State.
- (16) Storm recovery costs. – All of the following:
- a. ~~All incremental costs, including capital costs, appropriate for recovery from existing and future retail customers receiving transmission or distribution service from the public utility that a public utility has incurred or expects to incur as a result of the applicable storm that are caused by, associated with, or remain as a result of undertaking storm recovery activity. Such costs include the public utility's cost of capital from the date of the applicable storm to the date the storm recovery securitization bonds are issued calculated using the public utility's weighted average cost of capital as defined in its most recent base rate case proceeding before the Commission net of applicable income tax savings related to the interest component.~~
- b. Storm recovery costs shall be net of applicable insurance proceeds, tax benefits and any other amounts intended to reimburse the public utility

for storm recovery activities such as government grants, or aid of any kind and where determined appropriate by the Commission, and may include adjustments for capital replacement and operating costs previously considered in determining normal amounts in the public utility's most recent general rate proceeding. Storm recovery costs includes the cost to replenish and fund any storm reserves and costs of repurchasing equity or retiring any existing indebtedness relating to storm recovery activities.

- c. With respect to storm recovery costs that the public utility expects to incur, any difference between costs expected to be incurred and actual, reasonable and prudent costs incurred, ~~or any other ratemaking adjustments appropriate to fairly and reasonably assign or allocate storm cost recovery to customers over time,~~ shall be addressed in a future general rate proceeding, as may be facilitated by other orders of the Commission issued at the time or prior to such proceeding; provided, however, that the Commission's adoption of a financing order and approval of the issuance of storm recovery securitization bonds may not be revoked or otherwise modified.
 - d. Notwithstanding any other provision herein, storm recovery costs deemed reasonable and prudent by the Commission, including any storm reserve amounts, shall be fully recoverable in a financing order for securitization bonds and shall not be removed, reduced, or disallowed on the basis of storm cost-related treatment in any prior regulatory orders or by application of the quantifiable benefits comparison required herein.
- (17) ~~Storm recovery property. — All of the following:~~
- a. ~~All rights and interests of a public utility or successor or assignee of the public utility under a financing order, including the right to impose, bill, charge, collect, and receive storm recovery charges authorized under the financing order and to obtain periodic adjustments to such charges as provided in the financing order.~~
 - b. ~~All revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified in the financing order, regardless of whether such revenues, collections, claims, rights to payment, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payment, payments, money, or proceeds.~~
- (18) Subcritical coal-fired generating facility. — A plant that utilizes pulverized coal combustion technology in which the steam pressure within the boiler is below 3,200 pounds per square inch and the temperature is below 1,025 degrees Fahrenheit (550 degrees Celsius) and has a conversion of the energy in the coal to electricity of no greater than thirty-seven percent (37%).
- (19) Traditional method of recovery. — The standard method by which a public utility generally finances and recovers costs incurred for storm recovery activities or the remaining net book value of a retired generation facility through base rates, absent securitization. The method to calculate the traditional method of recovery shall be limited to the following without additional modification or reductions:
- a. The recovery of costs, including both capital and O&M costs in customer rates over a time period of not less than five years; and

- b. The application of carrying costs at the public utility's most recently approved weighted average cost of capital from the date the costs, including both capital and O&M costs, are incurred until fully recovered.

(a1) References to the terms "storm recovery bonds," "storm recovery charges," and "storm recovery property" in any financing order issued by the Commission prior to the date this act becomes effective shall mean "securitization bonds," "securitization charges," or "securitization property," as defined in subsection (a) of this section.

(b) Financing Orders. –

- (1) A public utility may petition the Commission for a financing order. ~~order to finance securitization costs. The petition shall include all of the following: the following, as applicable:~~

- a. ~~A description of the storm recovery securitization activities that the public utility has undertaken or proposes to undertake and the reasons for undertaking the activities, with clear identification of those relating to storm recovery activities, or coal plant retirement activities, or both,~~ or if the public utility is subject to a settlement agreement as contemplated by subdivision (2) of this subsection, a description of the settlement agreement.
- b. ~~The storm recovery securitization costs and estimate of the costs of any storm recovery securitization activities that are being undertaken but are not completed.~~
- c. ~~The level of the storm recovery reserve reserve, if any, that the public utility proposes to establish or replenish and has determined would be appropriate to recover through storm recovery securitization bonds and is seeking to so recover and such level that the public utility is funding or will seek to fund through other means, together with a description of the factors and calculations used in determining the amounts and methods of recovery.~~
- d. ~~An indicator of whether the public utility proposes to finance all or a portion of the storm recovery securitization costs using storm recovery securitization bonds. If the public utility proposes to finance a portion of the costs, the public utility must identify the specific portion in the petition. By electing not to finance a portion of such storm recovery costs using storm recovery securitization bonds, a public utility shall not be deemed to waive its right to recover such costs pursuant to a separate proceeding with the Commission.~~
- e. ~~An estimate of the financing costs related to the storm recovery securitization bonds.~~
- f. ~~An estimate of the storm recovery securitization charges necessary to recover the storm recovery securitization costs, including the storm recovery reserve amount amount, if any, determined appropriate by the Commission, and financing costs and the period for recovery of such costs.~~
- g. ~~A comparison between the net present value of the costs to customers that are estimated to result from the issuance of storm recovery securitization bonds and the costs that would result from the application of the traditional method of financing and recovering storm recovery applicable securitization costs from customers. The comparison should demonstrate that the issuance of storm recovery securitization bonds and the imposition of storm recovery~~

- securitization charges are expected to provide quantifiable benefits to ~~customers~~customers compared to the traditional method of recovery.
- h. Direct testimony and exhibits supporting the petition.
 - (2) If a public utility is subject to a settlement agreement that governs the type and amount of principal costs that could be included in ~~storm-recovery~~ securitization costs and the public utility proposes to finance all or a portion of the principal costs using ~~storm-recovery~~ securitization bonds, then the public utility must file a petition with the Commission for review and approval of those principal costs no later than 90 days before filing a petition for a financing order pursuant to this section.
 - (3) Petition and order. –
 - a. Proceedings on a petition submitted pursuant to this subdivision begin with the petition by a public utility, filed subject to the time frame specified in subdivision (2) of this subsection, if applicable, and shall be disposed of in accordance with the requirements of this Chapter and the rules of the Commission, except as follows:
 1. Within 14 days after the date the petition is filed, the Commission shall establish a procedural schedule that permits a Commission decision no later than 135 days after the date the petition is filed.
 2. No later than 135 days after the date the petition is filed, the Commission shall issue a financing order or an order rejecting the petition. A party to the Commission proceeding may petition the Commission for reconsideration of the financing order within five days after the date of its issuance.
 - b. A financing order issued by the Commission to a public utility shall include all of the following ~~elements~~elements, as applicable:
 1. Except for changes made pursuant to the formula-based mechanism authorized under this section, the amount of ~~storm-recovery~~ securitization costs, including the level of storm recovery reserves, if any, to be financed using ~~storm-recovery~~ securitization bonds. The Commission shall describe and estimate the amount of financing costs that may be recovered through ~~storm-recovery~~ securitization charges and specify the period over which ~~storm-recovery~~ securitization costs and financing costs may be recovered.
 2. A finding that the proposed issuance of ~~storm-recovery~~ securitization bonds and the imposition and collection of a ~~storm-recovery~~ securitization charge are expected to provide quantifiable benefits to customers as compared to the costs that would have been incurred absent the issuance of ~~storm-recovery~~ securitization bonds through the traditional method of recovery.
 3. A finding that the structuring and pricing of the ~~storm-recovery~~ securitization bonds are reasonably expected to result in the lowest ~~storm-recovery~~ securitization charges consistent with market conditions at the time the ~~storm-recovery~~ securitization bonds are priced and the terms set forth in such financing order.
 4. A requirement that, for so long as the ~~storm-recovery~~ securitization bonds are outstanding and until all financing costs have been paid in full, the imposition and collection of

- ~~storm recovery securitization~~ charges authorized under a financing order shall be nonbypassable and paid by all existing and future retail customers receiving transmission or distribution service, or both, from the public utility or its successors or assignees under Commission-approved rate schedules or under special contracts, even if a customer elects to purchase electricity from an alternative electric supplier following a fundamental change in regulation of public utilities in this State.
5. A determination of what portion, if any, of the storm recovery reserves must be held in a funded reserve and any limitations on how the reserve may be held, accessed, or used.
 6. A formula-based true-up mechanism for making, at least annually, expeditious periodic adjustments in the ~~storm recovery securitization~~ charges that customers are required to pay pursuant to the financing order and for making any adjustments that are necessary to correct for any overcollection or undercollection of the charges or to otherwise ensure the timely payment of ~~storm recovery securitization~~ bonds and financing costs and other required amounts and charges payable in connection with the ~~storm recovery securitization~~ bonds.
 7. The ~~storm recovery securitization~~ property that is, or shall be, created in favor of a public utility or its successors or assignees and that shall be used to pay or secure ~~storm recovery securitization~~ bonds and all financing costs.
 8. The degree of flexibility to be afforded to the public utility in establishing the terms and conditions of the ~~storm recovery securitization~~ bonds, including, but not limited to, repayment schedules, expected interest rates, and other financing costs.
 9. How ~~storm recovery securitization~~ charges will be allocated among customer classes.
 10. A requirement that, after the final terms of an issuance of ~~storm recovery securitization~~ bonds have been established and before the issuance of ~~storm recovery securitization~~ bonds, the public utility determines the resulting initial storm recovery charge in accordance with the financing order and that such initial ~~storm recovery securitization~~ charge be final and effective upon the issuance of such ~~storm recovery securitization~~ bonds without further Commission action so long as the ~~storm recovery securitization~~ charge is consistent with the financing order.
 11. A method of tracing funds collected as ~~storm recovery securitization~~ charges, or other proceeds of ~~storm recovery securitization~~ property, and determine that such method shall be deemed the method of tracing such funds and determining the identifiable cash proceeds of any ~~storm recovery securitization~~ property subject to a financing order under applicable law.
 12. Any other conditions not otherwise inconsistent with this section that the Commission determines are appropriate.

- c. A financing order issued to a public utility may provide that creation of the public utility's ~~storm recovery securitization~~ property is conditioned upon, and simultaneous with, the sale or other transfer of the ~~storm recovery securitization~~ property to an assignee and the pledge of the storm recovery property to secure ~~storm recovery securitization~~ bonds.
 - d. If the Commission issues a financing order, the public utility shall file with the Commission at least annually a petition or a letter applying the formula-based mechanism and, based on estimates of consumption for each rate class and other mathematical factors, requesting administrative approval to make the applicable adjustments. The review of the filing shall be limited to determining whether there are any mathematical or clerical errors in the application of the formula-based mechanism relating to the appropriate amount of any overcollection or undercollection of ~~storm recovery securitization~~ charges and the amount of an adjustment. The adjustments shall ensure the recovery of revenues sufficient to provide for the payment of principal, interest, acquisition, defeasance, financing costs, or redemption premium and other fees, costs, and charges in respect of ~~storm recovery securitization~~ bonds approved under the financing order. Within 30 days after receiving a public utility's request pursuant to this paragraph, the Commission shall either approve the request or inform the public utility of any mathematical or clerical errors in its calculation. If the Commission informs the utility of mathematical or clerical errors in its calculation, the utility may correct its error and refile its request. The time frames previously described in this paragraph shall apply to a refiled request.
 - e. Subsequent to the transfer of ~~storm recovery securitization~~ property to an assignee or the issuance of ~~storm recovery securitization~~ bonds authorized thereby, whichever is earlier, a financing order is irrevocable and, except for changes made pursuant to the formula-based mechanism authorized in this section, the Commission may not amend, modify, or terminate the financing order by any subsequent action or reduce, impair, postpone, terminate, or otherwise adjust ~~storm recovery securitization~~ charges approved in the financing order. After the issuance of a financing order, the public utility retains sole discretion regarding whether to assign, sell, or otherwise transfer ~~storm recovery securitization~~ property or to cause ~~storm recovery securitization~~ bonds to be issued, including the right to defer or postpone such assignment, sale, transfer, or issuance.
- (4) At the request of a public utility, the Commission may commence a proceeding and issue a subsequent financing order that provides for refinancing, retiring, or refunding ~~storm recovery securitization~~ bonds issued pursuant to the original financing order if the Commission finds that the subsequent financing order satisfies all of the criteria specified in this section for a financing order. Effective upon retirement of the refunded ~~storm recovery securitization~~ bonds and the issuance of new ~~storm recovery securitization~~ bonds, the Commission shall adjust the related ~~storm recovery securitization~~ charges accordingly.
 - (5) Within 60 days after the Commission issues a financing order or a decision denying a request for reconsideration or, if the request for reconsideration is

granted, within 30 days after the Commission issues its decision on reconsideration, an adversely affected party may petition for judicial review in the Supreme Court of North Carolina. Review on appeal shall be based solely on the record before the Commission and briefs to the court and is limited to determining whether the financing order, or the order on reconsideration, conforms to the State Constitution and State and federal law and is within the authority of the Commission under this section.

(6) Duration of financing order. –

- a. A financing order remains in effect and ~~storm-recovery-securitization~~ property under the financing order continues to exist until ~~storm-recovery-securitization~~ bonds issued pursuant to the financing order have been paid in full or defeased and, in each case, all Commission-approved financing costs of such ~~storm-recovery-securitization~~ bonds have been recovered in full.
- b. A financing order issued to a public utility remains in effect and unabated notwithstanding the reorganization, bankruptcy or other insolvency proceedings, merger, or sale of the public utility or its successors or assignees.

(c) Exceptions to Commission Jurisdiction. –

- (1) The Commission may not, in exercising its powers and carrying out its duties regarding any matter within its authority pursuant to this Chapter, consider the ~~storm-recovery-securitization~~ bonds issued pursuant to a financing order to be the debt of the public utility other than for federal income tax purposes, consider the ~~storm-recovery-securitization~~ charges paid under the financing order to be the revenue of the public utility for any purpose, or consider the ~~storm-recovery-securitization~~ costs or financing costs specified in the financing order to be the costs of the public utility, nor may the Commission determine any action taken by a public utility which is consistent with the financing order to be unjust or unreasonable.
- (2) The Commission may not order or otherwise directly or indirectly require a public utility to use ~~storm-recovery-securitization~~ bonds to finance any project, addition, plant, facility, extension, capital improvement, early retirement, equipment, or any other expenditure. After the issuance of a financing order, the public utility retains sole discretion regarding whether to cause the ~~storm-recovery-securitization~~ bonds to be issued, including the right to defer or postpone such sale, assignment, transfer, or issuance. Nothing shall prevent the public utility from abandoning the issuance of ~~storm-recovery-securitization~~ bonds under the financing order by filing with the Commission a statement of abandonment and the reasons therefor. The Commission may not refuse to allow a public utility to recover ~~storm-recovery-securitization~~ costs in an otherwise permissible fashion, or refuse or condition authorization or approval of the issuance and sale by a public utility of securities or the assumption by the public utility of liabilities or obligations, solely because of the potential availability of ~~storm-recovery-securitization~~ bond financing.

(d) Public Utility Duties. – The electric bills of a public utility that has obtained a financing order and caused ~~storm-recovery-securitization~~ bonds to be issued must comply with the provisions of this subsection; however, the failure of a public utility to comply with this subsection does not invalidate, impair, or affect any financing order, ~~storm-recovery-securitization~~ property, ~~storm-recovery-securitization~~ charge, or ~~storm-recovery-securitization~~ bonds. The public utility must do the following:

- (1) Explicitly reflect ~~that a portion of the charges on such bill represents the portions representing the storm recovery charges charge or the portions representing the coal plant retirement charge~~ approved in a financing order issued to the public utility and, if the ~~storm recovery securitization~~ property has been transferred to an assignee, must include a statement to the effect that the assignee is the owner of the rights to ~~storm recovery the applicable securitization~~ charges and that the public utility or other entity, if applicable, is acting as a collection agent or servicer for the assignee. The tariff applicable to customers must indicate the storm recovery ~~charge charge, or the coal plant retirement charge, or both,~~ and the ownership of the ~~charge charges.~~
 - (2) Include the storm recovery charge and the coal plant retirement charge as separate line items on each customer's bill as a separate line item and include both the rate and the amount of the charge on each bill, consolidated by the type of charge with supporting detail included on each bill, in a periodic bill attachment or by way of a reference to a tariff or explanation of the bill prepared by the public utility as approved by the Commission, provided each charge is not commingled with charges of a different type.
- (e) ~~Storm Recovery Securitization~~ Property. –
- (1) Provisions applicable to ~~storm recovery securitization~~ property. –
 - a. All ~~storm recovery securitization~~ property that is specified in a financing order constitutes an existing, present intangible property right or interest therein, notwithstanding that the imposition and collection of ~~storm recovery securitization~~ charges depends on the public utility, to which the financing order is issued, performing its servicing functions relating to the collection of ~~storm recovery securitization~~ charges and on future electricity consumption. The property exists (i) regardless of whether or not the revenues or proceeds arising from the property have been billed, have accrued, or have been collected and (ii) notwithstanding the fact that the value or amount of the property is dependent on the future provision of service to customers by the public utility or its successors or assignees and the future consumption of electricity by customers.
 - b. ~~Storm recovery Securitization~~ property specified in a financing order exists until ~~storm recovery securitization~~ bonds issued pursuant to the financing order are paid in full and all financing costs and other costs of such ~~storm recovery securitization~~ bonds have been recovered in full.
 - c. All or any portion of ~~storm recovery securitization~~ property specified in a financing order issued to a public utility may be transferred, sold, conveyed, or assigned to a successor or assignee that is wholly owned, directly or indirectly, by the public utility and created for the limited purpose of acquiring, owning, or administering ~~storm recovery securitization~~ property or issuing ~~storm recovery securitization~~ bonds under the financing order. All or any portion of ~~storm recovery securitization~~ property may be pledged to secure ~~storm recovery securitization~~ bonds issued pursuant to the financing order, amounts payable to financing parties and to counterparties under any ancillary agreements, and other financing costs. Any transfer, sale, conveyance, assignment, grant of a security interest in or pledge of ~~storm recovery securitization~~ property by a public utility, or an affiliate of the public utility, to an assignee, to the extent previously authorized in a

financing order, does not require the prior consent and approval of the Commission.

- d. If a public utility defaults on any required payment of securitization charges arising from ~~storm-recovery~~-securitization property specified in a financing order, a court, upon application by an interested party, and without limiting any other remedies available to the applying party, shall order the sequestration and payment of the revenues arising from the ~~storm-recovery~~-securitization property to the financing parties or their assignees. Any such financing order remains in full force and effect notwithstanding any reorganization, bankruptcy, or other insolvency proceedings with respect to the public utility or its successors or assignees.
 - e. The interest of a transferee, purchaser, acquirer, assignee, or pledgee in ~~storm-recovery~~-securitization property specified in a financing order issued to a public utility, and in the revenue and collections arising from that property, is not subject to setoff, counterclaim, surcharge, or defense by the public utility or any other person or in connection with the reorganization, bankruptcy, or other insolvency of the public utility or any other entity.
 - f. Any successor to a public utility, whether pursuant to any reorganization, bankruptcy, or other insolvency proceeding or whether pursuant to any merger or acquisition, sale, or other business combination, or transfer by operation of law, as a result of public utility restructuring or otherwise, must perform and satisfy all obligations of, and have the same rights under a financing order as, the public utility under the financing order in the same manner and to the same extent as the public utility, including collecting and paying to the person entitled to receive the revenues, collections, payments, or proceeds of the ~~storm-recovery~~-securitization property. Nothing in this sub-subdivision is intended to limit or impair any authority of the Commission concerning the transfer or succession of interests of public utilities.
 - g. ~~Storm-recovery~~-Securitization bonds shall be nonrecourse to the credit or any assets of the public utility other than the ~~storm-recovery~~-securitization property as specified in the financing order and any rights under any ancillary agreement.
- (2) Provisions applicable to security interests. –
- a. The creation, perfection, and enforcement of any security interest in ~~storm-recovery~~-securitization property to secure the repayment of the principal and interest and other amounts payable in respect of ~~storm-recovery~~-securitization bonds; amounts payable under any ancillary agreement and other financing costs are governed by this subsection and not by the provisions of the Code.
 - b. A security interest in ~~storm-recovery~~-securitization property is created, valid, and binding and perfected at the later of the time: (i) the financing order is issued, (ii) a security agreement is executed and delivered by the debtor granting such security interest, (iii) the debtor has rights in such ~~storm-recovery~~-securitization property or the power to transfer rights in such ~~storm-recovery~~-securitization property, or (iv) value is received for the ~~storm-recovery~~-securitization property. The description of ~~storm-recovery~~-securitization property in a security

- agreement is sufficient if the description refers to this section and the financing order creating the storm recovery property.
- c. A security interest shall attach without any physical delivery of collateral or other act, and, upon the filing of a financing statement with the office of the Secretary of State, the lien of the security interest shall be valid, binding, and perfected against all parties having claims of any kind in tort, contract, or otherwise against the person granting the security interest, regardless of whether the parties have notice of the lien. Also upon this filing, a transfer of an interest in the ~~storm recovery~~ securitization property shall be perfected against all parties having claims of any kind, including any judicial lien or other lien creditors or any claims of the seller or creditors of the seller, and shall have priority over all competing claims other than any prior security interest, ownership interest, or assignment in the property previously perfected in accordance with this section.
 - d. The Secretary of State shall maintain any financing statement filed to perfect any security interest under this section in the same manner that the Secretary of State maintains financing statements filed by transmitting utilities under the Code. The filing of a financing statement under this section shall be governed by the provisions regarding the filing of financing statements in the Code.
 - e. The priority of a security interest in ~~storm recovery~~ securitization property is not affected by the commingling of ~~storm recovery~~ securitization charges with other amounts. Any pledgee or secured party shall have a perfected security interest in the amount of all ~~storm recovery~~ securitization charges that are deposited in any cash or deposit account of the qualifying utility in which ~~storm recovery~~ securitization charges have been commingled with other funds and any other security interest that may apply to those funds shall be terminated when they are transferred to a segregated account for the assignee or a financing party.
 - f. No application of the formula-based adjustment mechanism as provided in this section will affect the validity, perfection, or priority of a security interest in or transfer of ~~storm recovery~~ securitization property.
 - g. If a default or termination occurs under the ~~storm recovery~~ securitization bonds, the financing parties or their representatives may foreclose on or otherwise enforce their lien and security interest in any ~~storm recovery~~ securitization property as if they were secured parties with a perfected and prior lien under the Code, and the Commission may order amounts arising from ~~storm recovery~~ securitization charges be transferred to a separate account for the financing parties' benefit, to which their lien and security interest shall apply. On application by or on behalf of the financing parties, the Superior Court of Wake County shall order the sequestration and payment to them of revenues arising from the ~~storm recovery~~ securitization charges.
- (3) Provisions applicable to the sale, assignment, or transfer of ~~storm recovery~~ securitization property. –
- a. Any sale, assignment, or other transfer of ~~storm recovery~~ securitization property shall be an absolute transfer and true sale of, and not a pledge of or secured transaction relating to, the seller's right,

title, and interest in, to, and under the ~~storm-recovery~~ securitization property if the documents governing the transaction expressly state that the transaction is a sale or other absolute transfer other than for federal and State income tax purposes. For all purposes other than federal and State income tax purposes, the parties' characterization of a transaction as a sale of an interest in ~~storm-recovery~~ securitization property shall be conclusive that the transaction is a true sale and that ownership has passed to the party characterized as the purchaser, regardless of whether the purchaser has possession of any documents evidencing or pertaining to the interest. A transfer of an interest in ~~storm-recovery~~ securitization property may be created only when all of the following have occurred: (i) the financing order creating the ~~storm-recovery~~ securitization property has become effective, (ii) the documents evidencing the transfer of ~~storm-recovery~~ securitization property have been executed by the assignor and delivered to the assignee, and (iii) value is received for the ~~storm-recovery~~ securitization property. After such a transaction, the ~~storm-recovery~~ securitization property is not subject to any claims of the transferor or the transferor's creditors, other than creditors holding a prior security interest in the ~~storm-recovery~~ securitization property perfected in accordance with subdivision (2) of subsection (e) of this section.

- b. The characterization of the sale, assignment, or other transfer as an absolute transfer and true sale and the corresponding characterization of the property interest of the purchaser, shall not be affected or impaired by the occurrence of any of the following factors:
 1. Commingling of ~~storm-recovery~~ securitization charges with other amounts.
 2. The retention by the seller of (i) a partial or residual interest, including an equity interest, in the ~~storm-recovery~~ securitization property, whether direct or indirect, or whether subordinate or otherwise, or (ii) the right to recover costs associated with taxes, franchise fees, or license fees imposed on the collection of ~~storm-recovery~~ securitization charges.
 3. Any recourse that the purchaser may have against the seller.
 4. Any indemnification rights, obligations, or repurchase rights made or provided by the seller.
 5. The obligation of the seller to collect ~~storm-recovery~~ securitization charges on behalf of an assignee.
 6. The transferor acting as the servicer of the ~~storm-recovery~~ securitization charges or the existence of any contract that authorizes or requires the public utility, to the extent that any interest in ~~storm-recovery~~ securitization property is sold or assigned, to contract with the assignee or any financing party that it will continue to operate its system to provide service to its customers, will collect amounts in respect of the ~~storm-recovery~~ securitization charges for the benefit and account of such assignee or financing party, and will account for and remit such amounts to or for the account of such assignee or financing party.
 7. The treatment of the sale, conveyance, assignment, or other transfer for tax, financial reporting, or other purposes.

8. The granting or providing to bondholders a preferred right to the ~~storm-recovery-securitization~~ property or credit enhancement by the public utility or its affiliates with respect to such ~~storm-recovery-securitization~~ bonds.
 9. Any application of the formula-based adjustment mechanism as provided in this section.
- c. Any right that a public utility has in the ~~storm-recovery-securitization~~ property before its pledge, sale, or transfer or any other right created under this section or created in the financing order and assignable under this section or assignable pursuant to a financing order is property in the form of a contract right or a chose in action. Transfer of an interest in ~~storm-recovery-securitization~~ property to an assignee is enforceable only upon the later of (i) the issuance of a financing order, (ii) the assignor having rights in such ~~storm-recovery-securitization~~ property or the power to transfer rights in such ~~storm-recovery-securitization~~ property to an assignee, (iii) the execution and delivery by the assignor of transfer documents in connection with the issuance of ~~storm-recovery-securitization~~ bonds, and (iv) the receipt of value for the ~~storm-recovery-securitization~~ property. An enforceable transfer of an interest in ~~storm-recovery-securitization~~ property to an assignee is perfected against all third parties, including subsequent judicial or other lien creditors, when a notice of that transfer has been given by the filing of a financing statement in accordance with sub-subdivision c. of subdivision (2) of this subsection. The transfer is perfected against third parties as of the date of filing.
 - d. The Secretary of State shall maintain any financing statement filed to perfect any sale, assignment, or transfer of ~~storm-recovery-securitization~~ property under this section in the same manner that the Secretary maintains financing statements filed by transmitting utilities under the Code. The filing of any financing statement under this section shall be governed by the provisions regarding the filing of financing statements in the Code. The filing of such a financing statement is the only method of perfecting a transfer of ~~storm-recovery-securitization~~ property.
 - e. The priority of a transfer perfected under this section is not impaired by any later modification of the financing order or ~~storm-recovery-securitization~~ property or by the commingling of funds arising from ~~storm-recovery-securitization~~ property with other funds. Any other security interest that may apply to those funds, other than a security interest perfected under subdivision (2) of this subsection, is terminated when they are transferred to a segregated account for the assignee or a financing party. If ~~storm-recovery-securitization~~ property has been transferred to an assignee or financing party, any proceeds of that property must be held in trust for the assignee or financing party.
 - f. The priority of the conflicting interests of assignees in the same interest or rights in any ~~storm-recovery-securitization~~ property is determined as follows:
 1. Conflicting perfected interests or rights of assignees rank according to priority in time of perfection. Priority dates from the time a filing covering the transfer is made in accordance with sub-subdivision c. of subdivision (2) of this subsection.

2. A perfected interest or right of an assignee has priority over a conflicting unperfected interest or right of an assignee.
3. A perfected interest or right of an assignee has priority over a person who becomes a lien creditor after the perfection of such assignee's interest or right.

(f) Description or Indication of Property. – The description of ~~storm-recovery securitization~~ property being transferred to an assignee in any sale agreement, purchase agreement, or other transfer agreement, granted or pledged to a pledgee in any security agreement, pledge agreement, or other security document, or indicated in any financing statement is only sufficient if such description or indication refers to the financing order that created the ~~storm-recovery securitization~~ property and states that the agreement or financing statement covers all or part of the property described in the financing order. This section applies to all purported transfers of, and all purported grants or liens or security interests in, ~~storm-recovery securitization~~ property, regardless of whether the related sale agreement, purchase agreement, other transfer agreement, security agreement, pledge agreement, or other security document was entered into, or any financing statement was filed.

(g) Financing Statements. – All financing statements referenced in this section are subject to Part 5 of Article 9 of the Code, except that the requirement as to continuation statements does not apply.

(h) Choice of Law. – The law governing the validity, enforceability, attachment, perfection, priority, and exercise of remedies with respect to the transfer of an interest or right or the pledge or creation of a security interest in any ~~storm-recovery securitization~~ property shall be the laws of this State.

(i) ~~Storm-Recovery~~ Securitization Bonds Not Public Debt. – Neither the State nor its political subdivisions are liable on any ~~storm-recovery securitization~~ bonds, and the bonds are not a debt or a general obligation of the State or any of its political subdivisions, agencies, or instrumentalities, nor are they special obligations or indebtedness of the State or any agency or political subdivision. An issue of ~~storm-recovery securitization~~ bonds does not, directly, indirectly, or contingently, obligate the State or any agency, political subdivision, or instrumentality of the State to levy any tax or make any appropriation for payment of the ~~storm-recovery securitization~~ bonds, other than in their capacity as consumers of electricity. All ~~storm-recovery securitization~~ bonds must contain on the face thereof a statement to the following effect: "Neither the full faith and credit nor the taxing power of the State of North Carolina is pledged to the payment of the principal of, or interest on, this bond."

(j) Legal Investment. – All of the following entities may legally invest any sinking funds, moneys, or other funds in ~~storm-recovery securitization~~ bonds:

- (1) Subject to applicable statutory restrictions on State or local investment authority, the State, units of local government, political subdivisions, public bodies, and public officers, except for members of the Commission.
- (2) Banks and bankers, savings and loan associations, credit unions, trust companies, savings banks and institutions, investment companies, insurance companies, insurance associations, and other persons carrying on a banking or insurance business.
- (3) Personal representatives, guardians, trustees, and other fiduciaries.
- (4) All other persons authorized to invest in bonds or other obligations of a similar nature.

(k) Obligation of Nonimpairment. –

- (1) The State and its agencies, including the Commission, pledge and agree with bondholders, the owners of the ~~storm-recovery securitization~~ property, and other financing parties that the State and its agencies will not take any action listed in this subdivision. This paragraph does not preclude limitation or

alteration if full compensation is made by law for the full protection of the ~~storm recovery securitization~~ charges collected pursuant to a financing order and of the bondholders and any assignee or financing party entering into a contract with the public utility. The prohibited actions are as follows:

- a. Alter the provisions of this section, which authorize the Commission to create an irrevocable contract right or chose in action by the issuance of a financing order, to create ~~storm recovery securitization~~ property, and make the ~~storm recovery securitization~~ charges imposed by a financing order irrevocable, binding, or nonbypassable charges.
 - b. Take or permit any action that impairs or would impair the value of ~~storm recovery securitization~~ property or the security for the ~~storm recovery securitization~~ bonds or revises the ~~storm recovery securitization~~ costs for which recovery is authorized.
 - c. In any way impair the rights and remedies of the bondholders, assignees, and other financing parties.
 - d. Except for changes made pursuant to the formula-based adjustment mechanism authorized under this section, reduce, alter, or impair ~~storm recovery securitization~~ charges that are to be imposed, billed, charged, collected, and remitted for the benefit of the bondholders, any assignee, and any other financing parties until any and all principal, interest, premium, financing costs and other fees, expenses, or charges incurred, and any contracts to be performed, in connection with the related ~~storm recovery securitization~~ bonds have been paid and performed in full.
- (2) Any person or entity that issues ~~storm recovery securitization~~ bonds may include the language specified in this subsection in the ~~storm recovery securitization~~ bonds and related documentation.

(l) Not a Public Utility. – An assignee or financing party is not a public utility or person providing electric service by virtue of engaging in the transactions described in this section.

(m) Conflicts. – If there is a conflict between this section and any other law regarding the attachment, assignment, or perfection, or the effect of perfection, or priority of, assignment or transfer of, or security interest in ~~storm recovery securitization~~ property, this section shall govern.

(n) Consultation. – In making determinations under this section, the Commission or Public Staff or both may engage an outside consultant and counsel.

(o) Effect of Invalidity. – If any provision of this section is held invalid or is invalidated, superseded, replaced, repealed, or expires for any reason, that occurrence does not affect the validity of any action allowed under this section which is taken by a public utility, an assignee, a financing party, a collection agent, or a party to an ancillary agreement; and any such action remains in full force and effect with respect to all ~~storm recovery securitization~~ bonds issued or authorized in a financing order issued under this section before the date that such provision is held invalid or is invalidated, superseded, replaced, or repealed, or expires for any reason."

SECTION 6. If any provision of this act or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of this act that can be given effect without the invalid provision or application and, to this end, the provisions of this act are declared to be severable.

SECTION 7. This act is effective when it becomes law.

In the General Assembly read three times and ratified this the 23rd day of June, 2025.

s/ Rachel Hunt
President of the Senate

s/ Donna McDowell White
Presiding Officer of the House of Representatives

VETO Josh Stein
Governor

Became law notwithstanding the objections of the Governor at 10:21 a.m. this 29th day of July, 2025.

s/ Mr. James White
House Principal Clerk