



## A Flurry of Power Deals to Focus Attention on Ratepayer Securitizations

Utility firms will increasingly look to the ratepayer securitization market to fund infrastructure buildouts. Utilities need to bolster capacity, especially amid the rapid rise in data center power [demand](#). Issuing ratepayer reduction bonds can leverage existing legislative frameworks that are now in place across many states (Figure 1).

**State-level ratepayer securitization law is a necessary condition for any regulated utility to tap the securitization market.** But states may need to broaden the legislation scope to allow utilities to fund infrastructure investments beyond traditional categories, such as storm recovery or coal plant retirements. Enacting new securitization laws, or expanding the definitions of aspects such as “energy transition costs” in existing legislation, are two approaches legislators may take.

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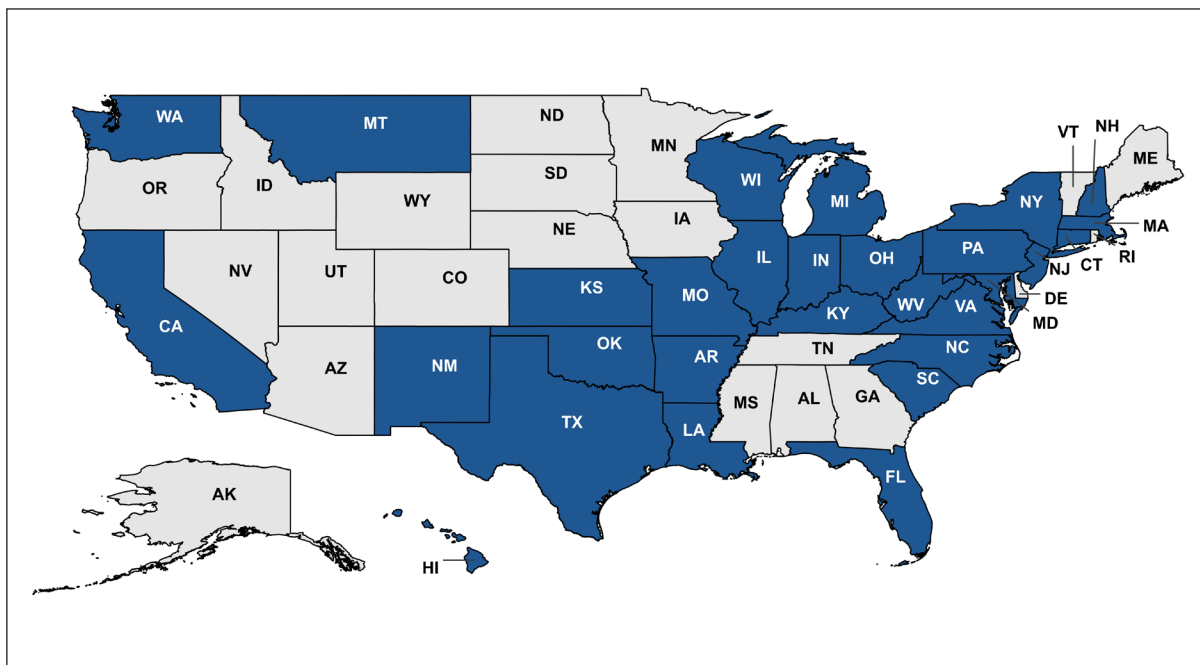
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Figure 1. States With Ratepayer Bonds Issuance



Source: Bloomberg and Academy Securities

1 “Power Costs: Data Centers and Recovery Bonds Poised for More Predictability,” Securitized Products Special Topics, Academy Securities, March 10, 2025

## Energy Transition: Expect Broader Definitions in Securitization Laws

**A flurry of power deals underscores the focus on the ratepayer sector.** Blackstone's \$5.7 billion purchase of New Mexico utility owner TXNM Energy this week is the latest example of elevated dealmaking activity in the utility space. This comes amid a significant rise in power consumption demand. Data centers construction is a key driver. The TXNM acquisition statement cited the rapidly changing energy environment, and New Mexico's transition to clean energy. Interestingly, the statement also noted that customer rates will continue to be set by state regulators. Further, Blackstone doesn't anticipate increasing TXNM's leverage levels to fund the purchase. All told, state and federal commissions, including New Mexico Public Regulation Commission (NMPRC), remain critical in setting utility rates, and their potential securitization.

### Ratepayer Deal Building Blocks: Securitization Acts and Financing Orders

**Energy transition funding via securitization mostly has been focused on retirements of old power stations.** The \$305 million Cleco Securitization II, issued in March 2025, is the most recent example (Figure 2). The ratepayer bonds deal will reimburse the Louisiana utility Cleco with costs associated with the retirement of the Dolet Hills Power Station and the closure of the Dolet Hills and Red River Mine-Oxbow reserve mines that served the plant. Previous examples of ratepayer securitization deals related to retirement of generation sites include the \$646.7 million DTE Electric Securitization Funding II issuance in October 2023, and the \$343.2 million PNM Energy Transition Bond issuance in November 2023.

Figure 2. Recent Ratepayer Securitization Issuance

Deal	Utility	Balance (\$MM)	Date	Type	State	Authority
CLECO 2025	Cleco Power	305.0	March 2025	Transition	LA	Louisiana Public Service Commission
RG&E 2025	Rochester Gas & Electric	75.3	February 2025	Weather	NY	State of New York Public Service Commission
NYSEG 2025	New York State Electric & Gas Corporation	710.6	February 2025	Weather	NY	State of New York Public Service Commission
SWEPCO 2024	Southwestern Electric Power Company	336.7	December 2024	Weather	LA	Louisiana Public Service Commission
AEE 2024	Union Electric Company d/b/a Ameren Missouri	476.1	December 2024	Transition	MO	Missouri Public Service Commission
PCG Recov 2024	Pacific Gas & Electric (PG&E)	1,419.3	July 2024	Weather/Infrastructure	CA	California Public Utilities Commission
DUK Progress 2024	Duke Energy Progress	177.4	April 2024	Weather	SC	Public Service Commission of South Carolina
EVVRG 2024	Evergy Missouri West	331.1	February 2024	Weather	MO	Missouri Public Service Commission
VIRPFS 2024	Virginia Electric and Power Company (Dominion Energy)	1,281.9	February 2024	Fuel	VA	Virginia Public Utility Commission
AQNCN 2024	Empire District Electric Company, d/b/a Liberty (Algonquin Power & Utilities)	305.5	January 2024	Transition/Weather	MO	Missouri Public Service Commission
CMS 2023	Consumers Energy Company	646.0	December 2023	Transition/Stranded Costs	MI	Michigan Public Service Commission
PNM 2023	Public Service Company of New Mexico	343.2	November 2023	Transition	NM	New Mexico Public Regulation Commission
DTE 2023	DTE Electric Company	646.7	October 2023	Transition	MI	Michigan Public Service Commission
VVC 2023	Southern Indiana Gas & Electric	341.5	June 2023	Transition	IN	Indiana Utility Regulatory Commission
ATO 2023	Atmos Energy Corporation	95.0	June 2023	Weather	KS	State Corporation Commission of the State of Kansas

Source: Deal Documents, Bloomberg, and Academy Securities

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The recent Cleco securitization is secured by a ratepayer charge, created through the “Louisiana Electric Utility Energy Transition Securitization Act.” Ahead of the Cleco deal, the Louisiana Public Service Commission (LPSC) issued a specific Financing Order authorizing the charge (Order #U-37213). As with all ratepayer securitization transactions, the two necessary legislative building blocks are:

- (1) Securitization law;
- (2) Financing Order that a public service commission issues to authorize specific issuance.

### Narrow Scope of Energy Transition Costs Poised to Expand

**Securitization laws can address very specific securitization categories.** For example, in Louisiana, aside from the act that directly references “energy transition” and facilitated the Cleco deal, the state also has a separate securitization act that legislate storm costs recovery – “Louisiana Electric Utility Storm Recovery Securitization Act”. In turn, the PNM issuance in 2023 used New Mexico’s “Energy Transition Act”. TXNM Energy, the utility Blackstone is buying, owns PNM.

**Casual review of energy transition acts suggests a fairly narrow definition of “energy transition costs” – the infrastructure costs the utility is looking to fund via securitization.** For example, the Louisiana legislation allows costs that are only associated with the retirement of a coal-fired or lignite-fired electric generating facility that a utility owns. Still, legislation definitions are nuanced. We cannot rule out that existing securitization laws could capture infrastructure investments that go beyond just plant retirements. Alternatively, legislators may look to expand the definitions or create new categories of energy transition costs, capturing aspects such as grid upgrades or [construction](#).

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2 “Recovery Bonds: Diversifying Exposure Moves Beyond Disasters,” Securitized Products Special Topics, Academy Securities, February 7, 2024

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