



CHAPTER 62

ARTICLE 8 - SECURITIES REGULATION

N.C.G.S. § 62-172.

Financing for certain storm and coal plant retirement recovery costs.

SOURCE	LAST AMENDMENT IN THIS TEXT	RETRIEVED	SOURCE FINGERPRINT
General Statutes of North Carolina, as published by the General Assembly	No amendment history on record	21 September 2026, 04:03 UTC	53fdc9a4cd94f9bc6826a024 - 33454aed6a1036d30079d26e - 7dbf6239e0992786

§ 62-172(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 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 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 securitization property.
- (3) Bondholder. - A person who holds a 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 costs applicable to the type of securitization bond, including:

a. Interest and acquisition, defeasance, or redemption premiums payable on 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 the securitization bonds.

c. Any other cost related to issuing, supporting, repaying, refunding, and servicing 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 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 securitization charges, or otherwise resulting from the collection of 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 costs.

- (7) Financing order. - An order that authorizes the issuance of securitization bonds; the imposition, collection, and periodic adjustments of a securitization charge; the creation of securitization property; and the sale, assignment, or transfer of 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 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) Repealed by Session Laws 2025-78, s. 5, effective July 29, 2025.
- (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, 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 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, 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 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) Repealed by Session Laws 2025-78, s. 5, effective July 29, 2025.

(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.

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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 [subsection] becomes effective [July 29, 2025] shall mean "securitization bonds," "securitization charges," or "securitization property," as defined in subsection (a) of this section.

§ 62-172(b)

Financing Orders. -

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

a.A description of the 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 securitization costs and estimate of the costs of any securitization activities that are being undertaken but are not completed.

c.The level of the storm recovery reserve, if any, that the public utility proposes to establish or replenish and has determined would be appropriate to recover through 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 securitization costs using 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 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 securitization bonds.

f. An estimate of the securitization charges necessary to recover the securitization costs, including the storm recovery reserve 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 securitization bonds and the costs that would result from the application of the traditional method and recovering applicable securitization costs from customers. The comparison should demonstrate that the issuance of securitization bonds and the imposition of securitization charges are expected to provide quantifiable benefits to 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 securitization costs and the public utility proposes to finance all or a portion of the principal costs using 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, as applicable:

1. Except for changes made pursuant to the formula-based mechanism authorized under this section, the amount of securitization costs, including the level of storm recovery reserves, if any, to be financed using securitization bonds. The Commission

shall describe and estimate the amount of financing costs that may be recovered through securitization charges and specify the period over which securitization costs and financing costs may be recovered.

2.A finding that the proposed issuance of securitization bonds and the imposition and collection of a securitization charge are expected to provide quantifiable benefits to customers as compared to the costs that would have been incurred absent the issuance of securitization bonds through the traditional method of recovery.

3.A finding that the structuring and pricing of the securitization bonds are reasonably expected to result in the lowest securitization charges consistent with market conditions at the time the securitization bonds are priced and the terms set forth in such financing order.

4.A requirement that, for so long as the securitization bonds are outstanding and until all financing costs have been paid in full, the imposition and collection of 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 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 securitization bonds and financing costs and other required amounts and charges payable in connection with the securitization bonds.

7.The 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 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 securitization bonds, including, but not limited to, repayment schedules, expected interest rates, and other financing costs.

9.How securitization charges will be allocated among customer classes.

10.A requirement that, after the final terms of an issuance of securitization bonds have been established and before the issuance of securitization bonds, the public utility determines the resulting initial storm recovery charge in accordance with the financing order and that such initial securitization charge be final and effective upon the issuance of such securitization bonds without further Commission action so long as the securitization charge is consistent with the financing order.

11.A method of tracing funds collected as securitization charges, or other proceeds of securitization property, and determine that such method shall be deemed the method of tracing such funds and determining the identifiable cash proceeds of any 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 securitization property is conditioned upon, and simultaneous with, the sale or other transfer of the securitization property to an assignee and the pledge of the storm recovery property to secure 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 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 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 securitization property to an assignee or the issuance of 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 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 securitization property or to cause 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 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 securitization bonds and the issuance of new securitization bonds, the Commission shall adjust the related 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 securitization property under the financing order continues to exist until 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 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.

§ 62-172(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 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 securitization charges paid under the financing order to be the revenue of the public utility for any purpose, or consider the 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 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 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 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 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 securitization bond financing.

§ 62-172(d)

Public Utility Duties. - The electric bills of a public utility that has obtained a financing order and caused 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, securitization property, securitization charge, or securitization bonds. The public utility must do the following:

- (1) Explicitly reflect on such bill the portions representing the storm recovery charge or the portions representing the coal plant retirement charge approved in a financing order issued to the public utility and, if the 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 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, or the coal plant retirement charge, or both, and the ownership of the charges.
- (2) Include the storm recovery charge and the coal plant retirement charge as separate line items on each customer's 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.

§ 62-172(e)**Securitization Property. -**

- (1) Provisions applicable to securitization property. -
 - a. All 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 securitization charges depends on the public utility, to which the financing order is issued, performing its servicing functions relating to the collection of 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. Securitization property specified in a financing order exists until securitization bonds issued pursuant to the financing order are paid in full and all financing costs and other costs of such securitization bonds have been recovered in full.
 - c. All or any portion of 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 securitization

property or issuing securitization bonds under the financing order. All or any portion of securitization property may be pledged to secure 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 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 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 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 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 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.Securitization bonds shall be nonrecourse to the credit or any assets of the public utility other than the 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 securitization property to secure the repayment of the principal and interest and other amounts payable in respect of 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 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 securitization property or the power to transfer rights in such securitization property, or (iv) value is received for the securitization property. The description of 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 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 securitization property is not affected by the commingling of securitization charges with other amounts. Any pledgee or secured party shall have a perfected security interest in the amount of all securitization charges that are deposited in any cash or deposit account of the qualifying utility in which 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 securitization property.

g.If a default or termination occurs under the securitization bonds, the financing parties or their representatives may foreclose on or otherwise enforce their lien and security interest in any 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 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 securitization charges.

(3) Provisions applicable to the sale, assignment, or transfer of securitization property. -

a.Any sale, assignment, or other transfer of 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 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 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 securitization property may be created only when all of the following have occurred: (i) the financing order creating the securitization property has become effective, (ii) the documents evidencing the transfer of securitization property have been executed by the assignor and delivered to the assignee, and (iii) value is received for the securitization property. After such a transaction, the 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 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 securitization charges with other amounts.
 2. The retention by the seller of (i) a partial or residual interest, including an equity interest, in the 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 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 securitization charges on behalf of an assignee.
 6. The transferor acting as the servicer of the securitization charges or the existence of any contract that authorizes or requires the public utility, to the extent that any interest in 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 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 securitization property or credit enhancement by the public utility or its affiliates with respect to such 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 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 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 securitization property or the power to transfer rights in such securitization property to an assignee, (iii) the execution and delivery by the assignor of transfer documents in connection with the issuance of securitization bonds, and (iv) the receipt of value for the securitization property. An enforceable transfer of an interest in 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 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 securitization property.

e. The priority of a transfer perfected under this section is not impaired by any later modification of the financing order or securitization property or by the commingling of funds arising from 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 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 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.

§ 62-172(f)

Description or Indication of Property. - The description of 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 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, 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.

§ 62-172(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.

§ 62-172(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 securitization property shall be the laws of this State.

§ 62-172(i)

Securitization Bonds Not Public Debt. - Neither the State nor its political subdivisions are liable on any 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 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 securitization bonds, other than in their capacity as consumers of electricity. All 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."

§ 62-172(j)

Legal Investment. - All of the following entities may legally invest any sinking funds, moneys, or other funds in 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.

§ 62-172(k)**Obligation of Nonimpairment. -**

- (1) The State and its agencies, including the Commission, pledge and agree with bondholders, the owners of the 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 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 securitization property, and make the 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 securitization property or the security for the securitization bonds or revises the 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 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 securitization bonds have been paid and performed in full.
- (2) Any person or entity that issues securitization bonds may include the language specified in this subsection in the securitization bonds and related documentation.

§ 62-172(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.

§ 62-172(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 securitization property, this section shall govern.

§ 62-172(n) Consultation. - In making determinations under this section, the Commission or Public Staff or both may engage an outside consultant and counsel.

§ 62-172(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 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. (2019-244, s. 1; 2021-23, ss. 24, 25; 2025-78, s. 5.)

END OF SECTION TEXT

APPARATUS FOLLOWS — DERIVED, NOT ENACTED

APPARATUS II
1 AUTHORITY

Authorities referenced

Every G.S. cross-reference appearing in the text of this section, in order of first appearance. Nothing is characterized; the operative language is quoted from the section itself.

REFERENCE	APPEARS IN	OPERATIVE LANGUAGE IN THIS SECTION
G.S. 62-3	(a)(11)	"A public utility, as defined in"

APPARATUS III

Citation

FULL SECTION

N.C. Gen. Stat. § 62-172 (2026).

PINPOINT

N.C. Gen. Stat. § 62-172(a) (2026).

Pinpoint keys are set in the left margin of the text rather than line numbers: subsection designators are stable across editions and paper sizes, line numbers are not.

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