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S&P: Affordability as a Component of U.S. Water and Sewer Utility Ratings.

Despite its capital intensity, the U.S. water utility sector is generally an efficient one, in Standard & Poor's Ratings Services' view. We have seen utilities and their representatives employ public education campaigns to help gain buy-in of critical proposed rate adjustments by noting that a typical household water and sewer bill is still less expensive in absolute dollars than a mobile phone or cable or satellite television bill even after a much larger rate change for the water and sewer bill (see chart). In the U.S., for every gallon of gasoline, a residential customer could receive between 500 to 1,000 gallons of drinking water, depending on current gasoline prices.

Overview

- Affordability is incorporated as a factor in our water and sewer utility analysis to determine how much flexibility a utility has to raise rates.
- We look at both the average bill as a percentage of household effective buying income and the poverty rate of the area the utility serves.
- This does give advantages to those utilities located in affluent areas, but other factors can offset this.

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