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Los Angeles Utility's Municipal Bonds Drop Amid Destructive Wildfires.

- **The city's Department of Water and Power is largest in the US**
- **JPMorgan analysts said the utility faces downgrade risk**

Power revenue bonds sold by Los Angeles's municipal utility dropped on Friday amid the devastating wildfires in Southern California.

Prices on municipal debt issued by the Los Angeles Department of Water and Power have declined this week. The average spread on debt due in 2045 widened to 112 basis points on Friday, up from as little as 95 basis points in December.

The scale of the destruction in America's second-largest city is becoming clearer. At least 10,000 structures, including homes and businesses, have likely been damaged or destroyed as the blazes have burned about 30,000 acres, fire officials said.

The Los Angeles Department of Water and Power is the largest municipal water and power utility in the US, with 1.4 million electric customers. JPMorgan Chase & Co. strategists said the utility and other issuers "face headline and downgrade risk."

Analysts at S&P Global Ratings said in a report Thursday that the fires "might pose significant financial and operational risks for rated entities, especially if not-for-profit electric utilities' infrastructure triggered the fires."

Still, Bank of America Corp. strategists said in a Friday report that Los Angeles's overall credit profile will remain resilient given that it's the second-largest city in the US. Utilities can also adjust rates to support operations when necessary, they said.

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