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Fitch Ratings Updates U.S. Water and Sewer Rating Criteria

Fitch Ratings-New York/Austin-24 February 2025: Fitch Ratings has revised its criteria for U.S. water and sewer utilities, updating and replacing the criteria from February 2024. The updated criteria report describes Fitch's methodology for assigning new ratings and monitoring existing ratings for U.S. municipal and not-for-profit water and sewer utilities (including wastewater and stormwater). Notable revisions that Fitch has made include:

- Confirmation that nonrecourse debt, or instances in which collection and repayment risk have effectively been transferred to a third party, and nonpayment would not result in a cross default or cross acceleration to an issuer's other outstanding debt, may be excluded from the calculation of debt metrics and leverage for analytical purposes;
- Confirmation that Fitch may consider funds retained for capital projects in its calculation of leverage;
- Clarification that the asymmetric risk related to customer concentration is specific to retail customers;
- When purchasers have utility-based operations, Fitch may consider the purchasers' general obligation credit quality when assessing wholesaler's purchaser credit quality.

As key elements in the updated criteria remain consistent with prior reports, no changes have been made to outstanding ratings and no credits are under criteria observation.

The updated criteria report is available at www.fitchratings.com.