Utility Costs Could put Pressure on Cities' Finances, S&P Experts Warn.

Rates are high compared to household income in many places, and over time, this could reduce flexibility for public finance entities, say S&P Global analysts.

Rising utility rates are creating affordability pressures that could eventually constrain municipal finances and credit quality, according to panelists on a recent S&P Global webinar.

Data centers, climate change and other factors have caused utility rates in the United States to increase by 38% since 2020, pushing local utility bills into the national spotlight, said Gabe Grosberg, S&P managing director, North America regulated utilities. That is "something we've never seen before," he said.

If fewer homebuyers and businesses choose to move to cities where utility rates are high — shrinking the tax base — those cities could have less money to pay for utility infrastructure costs, said Sarah Sullivant, S&P sector lead for Americas public finance

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Utility Dive

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