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S&P U.S. Affordability: Not-For-Profit Water And Sewer Utilities Work To Balance Affordability And Financial Metrics

Key Takeaways

- Affordability can be a difficult balancing act for U.S. not-for-profit water and sewer utilities. Rate hikes are necessary to support capital investment and operations, and yet nationwide concerns exist regarding utility affordability especially in light of drought conditions and general inflationary trends since 2021.
- Water and sewer rates at U.S. public utilities rated by S&P Global Ratings vary widely depending on region, water source, treatment technology, and size. Generally, we view rates as affordable for higher-rated entities with more significant economies of scale, but less affordable in more rural service areas against the backdrop of lower local incomes, higher poverty rates, and fewer customer accounts across which to spread fixed costs.
- As overall national affordability trends worsen, customer assistance plans provided by utility operators can help reduce payment delinquencies and improve revenue reliability and rate-setting flexibility.

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28-Sep-2026 | 14:55 EDT