

Bond Case Briefs

Municipal Finance Law Since 1971

California Water Use Curbs a Credit Negative, Moody's.

The new restrictions on water use California approved this week are a “credit negative” for the state’s water utilities because lower water sales will reduce their revenue, Moody’s Investors Service said.

A decline in water sales would pressure utilities with weak debt service coverage to increase rates to stabilize revenues, Moody’s said today in a research note.

“The prospect of charging customers more to deliver less water could be politically challenging,” Moody’s said.

The California State Water Resources Control Board this week approved emergency statewide rules that take effect on Aug. 1. They impose a fine of as much as \$500 per day on property owners who overwater lawns so that runoff flows onto streets and those who wash cars with hoses that lack shutoff nozzles.

After three years of record-low rainfall, 80 percent of the most populous U.S. state is now experiencing extreme drought, according to the U.S. Drought Monitor, a federal website.

By Alison Vekshin Jul 17, 2014 4:04 PM PT

To contact the reporter on this story: Alison Vekshin in San Francisco at avekshin@bloomberg.net

To contact the editors responsible for this story: Stephen Merelman at smerelman@bloomberg.net
Jeffrey Taylor, Michael B. Marois