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S&P Report: U.S. Regulated Water Utilities' Credit Quality Remains Buoyant, But Key Risks Remain that Could Weigh it Down.

Standard & Poor’s Ratings Services continues to maintain high-investment-grade ratings on most U.S. regulated water utilities (USRWUs) even though we estimate these companies’ capital spending will exceed more than $2 billion in capital spending annually by 2020. We’ve identified three key areas that we expect will likely affect USRWUs’ ability to manage regulatory and operating risks in coming years: Regulatory lag, drought, and declining sales. USRWUs have fared well thus far in managing these risks. And this is reflected in USRWU ratings, which compare favorably to ratings for regulated gas and electric utilities (see chart 1). Nevertheless, USRWUs will continue to confront these three aforementioned issues, which could likely affect their credit quality over the long term. In evaluating these…

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