
Fitch: EPA's LCR Changes Will Not Deter U.S. Water/Sewer Stable Outlook in 2018.

Fitch Ratings-Austin-06 December 2017: Uncertainties around the regulatory environment will not deter the stable outlook for the U.S. water and sewer sector next year, according to Fitch Ratings in its 2018 outlook report.

The U.S. Environmental Protection Agency's (EPA) Lead and Copper Rule (LCR) may roll out revisions next year following numerous stops and starts. Added capital and operating expenses could be meaningful depending on how significant the changes to LCR are. That said, any costs would likely be phased in over several years. 'Wastewater utilities will continue to face pressure from enhanced nutrient removal requirements as discharge permits are renewed periodically,' said Managing Director Doug Scott.

Despite the regulatory uncertainty, water and sewer municipalities have strong balance sheets that give them flexibility should capital demands increase. What's more, Fitch's latest medians point to slightly lower capital spending next year and beyond from recent levels. Over time, however, 'sustained capital investment increases will be necessary to address deferred maintenance and preserve service levels over the long term for water and sewer municipalities,' said Scott.

Also solidifying the sector's stable outlook in 2018 will be a manageable debt profile, with Fitch projecting growth in debt to be muted. The likelihood of water and sewer utilities keeping new debt issuance modest in the coming year will also keep the debt profile sustainable even if interest rates rise.

The full reports, '2018 Outlook: Water and Sewer Sector' and '2018 Water and Sewer Medians' are available at www.fitchratings.com.

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