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Fitch: U.S. Public Power Set for Stable 2018 amid Regulatory Uncertainty.

Fitch Ratings-New York-06 December 2017: Uncertainties around the fate of the Clean Power Plan (CPP) and the Trump administration's withdrawal from the Paris climate agreement will not detract from U.S. public power sector's stable outlook next year, according to Fitch Ratings in its 2018 outlook report.

Fitch's 2018 rating and sector outlook for the public power and electric cooperative sector is stable thanks largely to autonomous rate-setting authority, the essential nature of electric service and reliable cash flow. The stability of the sector is in contrast to the future of environmental regulations aimed at reducing carbon dioxide (CO2) emissions, which is uncertain at best in light of both aforementioned market developments.

One segment already seeing a near-term boost off of Trump's proposed CPP repeal is coal-dominated public power entities according to Managing Director Dennis Pidherny. "The economics of coal-fired generation have improved this year with coal-fired generation likely to surpass natural gas-fired generation for the first time in over a decade," said Pidherny. This boost, however, figures to be fleeting for coal-fired generation with other EPA rules likely to weigh on coal-fired generation over time.

Also buoying the sector's stable outlook next year is electric cost affordability, which is now at pre-recession levels. "Strong growth in household income has eased rate pressures for most public power and cooperative issuers," said Pidherny. "A willingness to increase electric rates to preserve margins along with modest economic growth should help sustain the sector's trend of improving financial metrics."

'Fitch 2018 Outlook: U.S. Public Power and Electric Cooperative Sector' is available at 'www.fitchratings.com'

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