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## Fitch Ratings: Affordability and Deleveraging Key for U.S. Public Power in 2020

**Fitch Ratings-New York-12 December 2019:** U.S. public power utilities are well positioned financially and operationally headed into next year, though Fitch Ratings' 2020 outlook report points to some uncertainty around the 2020 U.S. presidential election and broader climate issues.

The Rating Outlook for the public power sector is Stable. "Continued deleveraging driven by robust rate-setting policies, benign operating conditions and declining capital investment supports Fitch's stable outlook for the U.S. public power sector," said Managing Director Dennis Pidherny.

Low interest rates and robust access to the capital markets will likely continue unabated for the capital-intensive public power sector. A sustained period of lower rates should keep financing costs manageable and ease upward pressure on electric rates. Additionally, more than half of the municipal sector debt issued in 2018-2019 was earmarked for refunding. The benefits of debt refunding should continue through 2020, reflecting the Fed's changed course on monetary policy.

However, uncertainty surrounding the 2020 election and the potential for more aggressive environmental mandates could disrupt longer term performance. A lack of strong federal leadership on carbon emissions reduction has prompted many states to forge their own paths to address climate issues. "Implementation of competing Green New Deal proposals or the prospect that an increasing number of state mandates will become applicable to public power systems are Fitch's primary concerns," said Pidherny. "Material compliance costs and required investment could strain service affordability and challenge the trend of deleveraging observed in recent years."

"Fitch Ratings 2020 Outlook: U.S. Public Power and Electric Cooperatives" is available at [www.fitchratings.com](http://www.fitchratings.com)

Contact:

Dennis Pidherny  
Managing Director  
+1-212-908-0738  
Fitch Ratings, Inc.  
300 West 57th Street  
New York NY, 10019

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: [sandro.scenga@thefitchgroup.com](mailto:sandro.scenga@thefitchgroup.com)

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)