

Bond Case Briefs

Municipal Finance Law Since 1971

Fitch: Operating and Financial Resilience Key for U.S. Public Power in 2021

Fitch Ratings-New York-09 December 2020: U.S. public power utilities are well positioned financially headed into next year, as lower expenses have helped preserve margins and liquidity in the wake of pandemic-driven declines in electric demand and revenue, according to Fitch Ratings. However, Fitch's 2021 outlook report points to some concerns related to the lingering effects of the coronavirus pandemic and economic contraction, as well as more aggressive climate issues.

The rating outlook for the public power sector is stable. 'The operational and financial resilience exhibited by the public power sector through 2020, together with improving operating fundamentals, support Fitch's stable outlook,' said Managing Director Dennis Pidherny.

Electric demand is expected to stabilize in 2021 as the U.S. economy recovers from recession and achieves pre-pandemic gross domestic product levels. A continuance of low, stable energy prices and interest rates should also help preserve operating margins and affordability. These factors are to expected ease upward pressure on electric rates, support strong cash flow and moderate leverage throughout the sector.

Uncertainty surrounding the lingering effects of the pandemic and the potential for more aggressive environmental mandates, however, could disrupt longer term performance. Greater support from public power systems may be required by local governments facing pandemic-related fiscal challenges, particularly those facing severe declines in tax revenue.

Additionally, an increased focus on carbon emissions reduction by federal leadership is expected to develop under President-elect Biden, and could lead to more aggressive environmental policies with an evenly divided Senate. While many states continue to forge their own paths to address climate issues, the implementation of a national renewable standard could pressure operating costs, as well as the affordability metrics, at public power systems located in states with no standards or targets, or that have exemptions in place.

'Fitch Ratings 2021 Outlook: U.S. Public Power and Electric Cooperatives' is available at '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

Additional information is available on www.fitchratings.com

Copyright © 2025 Bond Case Briefs | bondcasebriefs.com