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Fitch: U.S. Public Power Peer Review Highlights Resilient Credit Quality

Fitch Ratings-New York-21 June 2021: U.S. public power utilities are generally seeing a continuation of strong financial trends and improving credit quality, according to Fitch Ratings' 2021 U.S. Public Power Peer Review.

"The latest peer review shows that modest ratios of capital investment to depreciation and improving coverage medians again contributed to low leverage and improving credit quality throughout the public power sector in 2020," said Dennis Pidherny, Managing Director, U.S. Public Finance. "These results are particularly surprising given the impact of the coronavirus outbreak and the related economic contraction. They further illustrate the sector's operating and financial resilience, and its ability to record strong performance even through a very challenging period."

Trends highlighted in the 2021 peer review include:

- Median ratios for coverage of full obligations improved for both wholesale and retail systems, sustaining an upward trend.
- The median capex-to-depreciation ratio for wholesale systems continued its downward trend, falling to 71%. The median ratio has been below at or below 100% for five of the last seven years. The median ratio for retail systems improved to 149%, a level last observed in 2010.
- Cash on hand medians for retail and wholesale systems improved yet again, rising to the highest levels observed in a decade. This build-up of excess cash likely remains attributable to modest levels of capital investment, stronger than anticipated demand through the coronavirus pandemic, and disciplined rate setting initiatives.
- Leverage metrics across the entire portfolio were largely unchanged. A modest increase in leverage metrics for retail systems was offset by a modest decline in metrics for wholesale systems. The 2020 figures continue a trend of deleveraging that began over a decade ago.

Fitch's U.S. Public Power Peer Review is a point-in-time assessment of Fitch-rated public power utilities. It assists market participants in making their own comparisons among the recent financial performance of wholesale and retail public power systems, and rural electric cooperatives. It is accompanied by the 2021 Fitch Analytical Comparative Tool (FACT) for Public Power, an interactive tool that provides enhanced trend analysis and peer comparison tables.

The full report, "2021 U.S. Public Power Peer Review," is available at www.fitchratings.com.

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