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USBR Proposal Raises Water Supply Uncertainty For Lower Basin States; Impact May Trickle Down To Future Negotiations - S&P

Key Takeaways

- The recently released draft Supplemental Environmental Impact Statement (SEIS) laid out options for revised near-term operating guidelines for Glen Canyon and Hoover dams, contemplating a precedent setting shift in how priority water rights are recognized.
- We expect very few negative rating actions given the municipal utility sector's strong financial capacity, improved hydrology and snowpack conditions in the west, ample storage, and supply diversification across the region.
- Wet weather conditions throughout the West this year have helped mitigate declining reservoir levels, possibly delaying the need for the proposed severe curtailments in 2024 and providing greater flexibility in reaching a consensus solution between the seven effected states before the existing management guidelines expire in 2026.
- Affordability will weaken for customers in the Lower Basin states over time, but we do not believe it will have a material influence on rate-setting or collections.

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