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Sacramento Municipal Utility District, California (Electric): Fitch New Issue Report

The ‘AA’ rating reflects the Sacramento Municipal Utility District’s (SMUD) very strong and stable financial profile in the context of its ‘aa’ revenue defensibility assessment and ‘a’ operating risk assessment. The ‘aa’ financial profile is expected to persist over the medium term, with leverage, calculated as net adjusted debt to adjusted funds available for debt service, remaining between 5.0x and 6.0x and supportive of the rating. Higher than anticipated costs from the implementation of SMUD’s ambitious 2030 Zero Carbon Plan, adopted in April 2021, could occur as energy purchases from clean technology increase. However, Fitch Ratings anticipates that costs will be recovered in a timely manner to preserve the utility’s financial profile, or the target date would be delayed if costs are significantly higher than anticipated, given SMUD’s focus on affordability and reliability to guide the pursuit of its 2030 goal.

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