

# **Bond Case Briefs**

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## **San Francisco (City and County) Public Utilities Commission, California: Fitch New Issue Report**

The affirmation of San Francisco Public Utilities Commission's 'AA-' ratings reflects the very strong financial profile of the Power Enterprise, factoring in sizable capex plans and debt issuance scheduled over the next five years. System leverage, albeit higher, together with ongoing robust liquidity and adequate coverage should remain consistent with the rating, given the enterprise's strong revenue defensibility and low to midrange operating cost burden. Continued strong financial performance will depend heavily on planned rate increases. The rating is constrained by the customer concentration in SFPUC's unique service area. SFPUC provides service to certain customers within San Francisco, and some competition exists with Pacific Gas and Electric Company (PG&E; BB+/Stable) for new customer growth in the city. The customer base is consequently highly concentrated with city-owned enterprises, such as San Francisco International Airport, the San Francisco Municipal Transportation Agency, and the SFPUC Water Enterprise and SFPUC Wastewater Enterprise, which are the largest customers. Fitch Ratings' analysis also takes into account an asymmetric risk factor stemming from California's strict legal interpretation of inverse condemnation as it relates to wildfires. Approximately 28% of SFPUC's distribution transmission lines are located in areas that present elevated or extreme wildfire risk, as defined by the California Public Utility Commission Fire Threat Map. The remaining 72% of the transmission lines are outside the High Fire Threat District. However, Fitch considers the likelihood of a massive wildfire event remote, and the utility continues to take steps to reduce overall wildfire risk through continued investment and power shutoffs during critical fire weather conditions.

### **ACCESS REPORT**

Thu 21 Sep, 2023