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S&P U.S. Not-For-Profit Retail Electric Sector Update And Medians: Despite Some Deterioration, Resilient Metrics Support Ratings

Key Takeaways

- Nearly 60% of S&P Global Ratings' not-for-profit retail electric utility ratings are in the 'A' category, with a median and modal rating of 'A+', reflecting our view of healthy operations and finances amid utility-specific and industrywide challenges.
- Largely stable outlooks reflect our expectation that most issuers are well positioned to manage the challenges facing the sector, yet we are seeing that inflationary pressures are affecting some utilities where retail rates are not increasing in lockstep with cost increases or are exhibiting rising delinquent accounts.
- Median financial metrics for fixed-charge coverage and debt to capitalization have held for the past three years, and we attribute this to widespread rate-setting autonomy, the general practice of passing through power and fuel costs to ratepayers, and credit-supportive management policies and practices.
- However, even as the median nominal amount of available financial reserves has increased over the past three years, median days' liquidity has slightly declined as utility operating expenses have increased.
- We lowered the rating on seven credits while raising the rating on three credits in 2023 through November. We revised four outlooks to negative from stable and two to positive from stable.

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