[LA Fires Test Bond Market Used to Shaking Off Disasters.]

- **Blazes are a ‘tipping point’ for munis, researcher says**
- **Utility rates likely to rise because of rebuilding costs**

There’s a truism in municipal debt: Bonds rarely move on natural disasters. That long-tested concept had held up until fires destroyed thousands of properties in Los Angeles last week.

The Los Angeles Department of Water and Power — the biggest American municipal utility — has seen its bonds drop and credit rating downgraded as the blazes continue to burn. A planned debt sale this week is in limbo. While there hasn’t been anything to establish a connection between LADWP’s power lines and the Palisades Fire in its territory, the investor concern is clear.

The disaster has exposed LADWP’s fire preparedness as vulnerable and perhaps inadequate. It didn’t turn off electricity in the Pacific Palisades before the massive blaze erupted Jan. 7 — the type of move power giants PG&E Corp. and Edison International frequently make when extreme winds are forecast. The utility has already been sued by homeowners faulting it for not supplying enough water to fight the flames.

Continue reading.

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