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S&P: Offsetting Characteristics Reduce Wildfire Credit Vulnerabilities For Two California Power Utilities

Key Takeaways

- Two utilities that we rate have characteristics that we believe could stabilize their credit despite increasing risks posed by wildfires in the state of California
- Clean Power Alliance has an operational structure that we believe should shield it from direct liability
- Vernon Public Utilities Department's infrastructure is remote from any of the combustible vegetation that is typically implicated in utility-caused wildfires
- Both utilities also have access to high levels of unrestricted cash to help defray any future assessed liability

What We're Watching

As of publication, the California Department of Forestry and Fire Protection reports that the Eaton and Palisades fires rank as the No. 2 and 3 most destructive California wildfires in recorded history, respectively. The agency estimates that the Palisades, Eaton, and Hughes fire have together caused 42 fatalities, burned more than 48,000 acres, and destroyed over 16,000 structures within Los Angeles County. As we continue to monitor the California not-for-profit public power utilities we rate that are exposed to increasingly frequent and severe wildfires, we have identified two utilities within, or proximate to, the areas affected by the Palisades and Eaton fires — Clean Power Alliance (CPA) and Vernon Public Utilities Department (VPU) — as having offsetting operational characteristics that we believe could stabilize their financial performance and credit quality. These characteristics differentiate CPA and VPU from other utilities in the region, such as Los Angeles Department of Water and Power, Glendale Water and Power, and Pasadena Water and Power, for which S&P Global Ratings lowered ratings or revised outlooks to negative in the wake of the fires. For more information, see "Credit Risks Associated With Wildfires Are Increasing For California Public Finance Entities," published Feb. 20, 2025 on RatingsDirect.

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