



U.S. Rated Not-For-Profit Retail Electric And Natural Gas Utilities

Sector Update And 2023 Medians

S&P Global
Ratings

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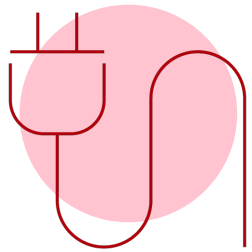
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December 9, 2024

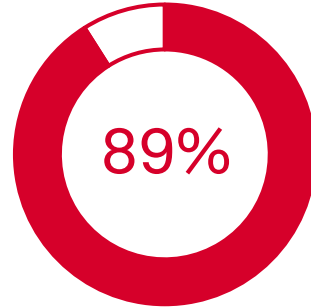
This report does not constitute a rating action

Rated not-for-profit (NFP) retail electric utilities: By the numbers



189

Rated NFP retail electric utilities, including combined utilities

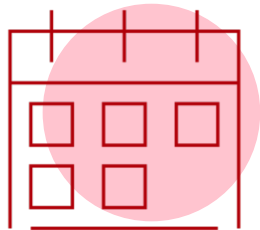


Stable outlooks



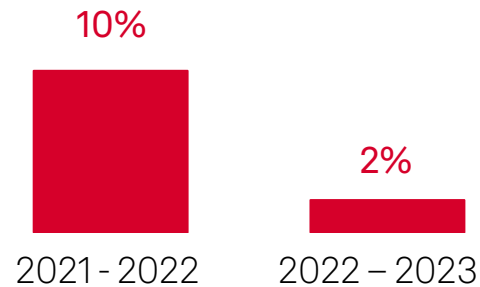
1.5x

Median fixed-charge coverage in fiscal 2023



168

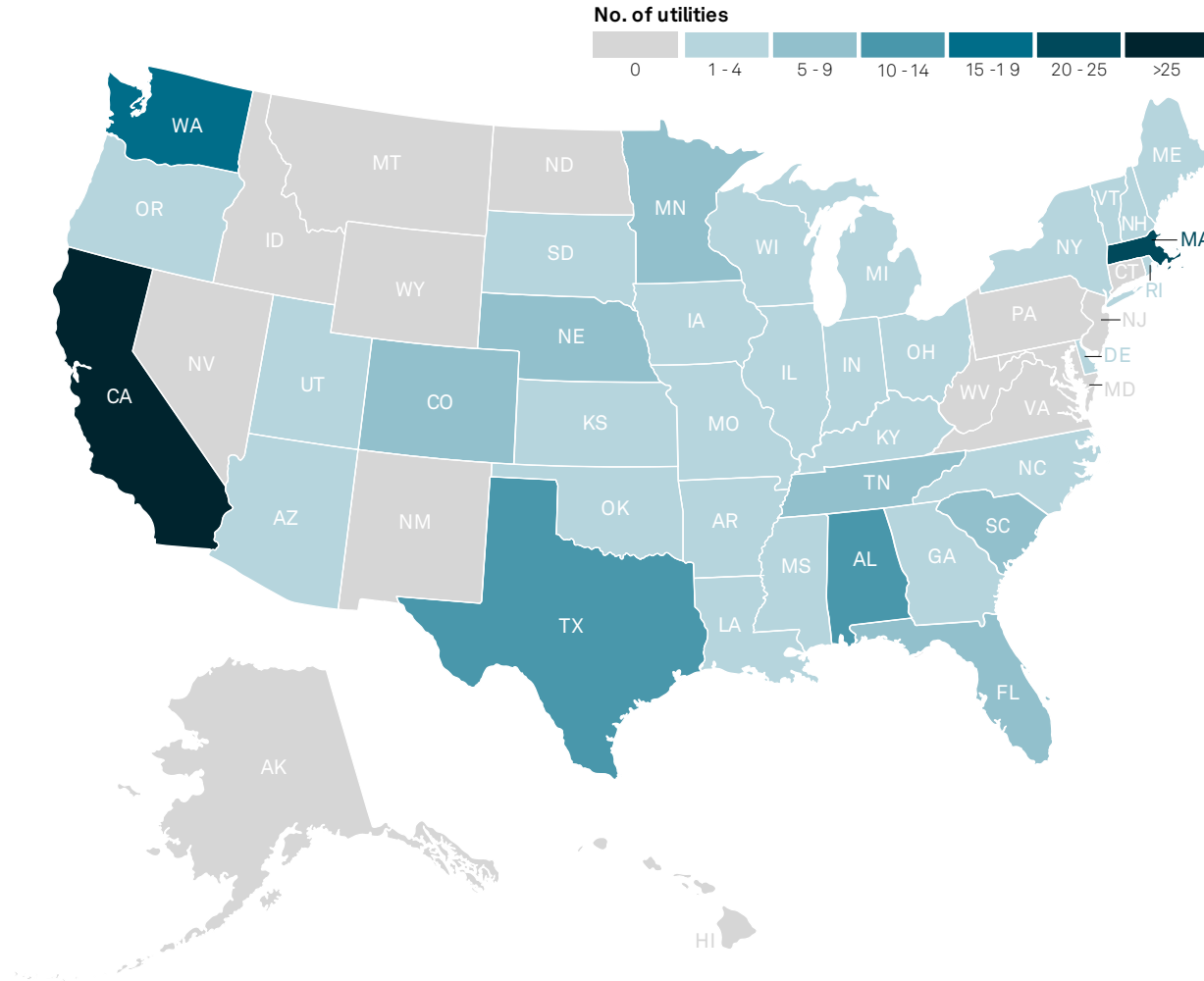
Median days' liquidity in fiscal 2023



10% average increase in electric rates from 2021 to 2022, 2% from 2022 to 2023*

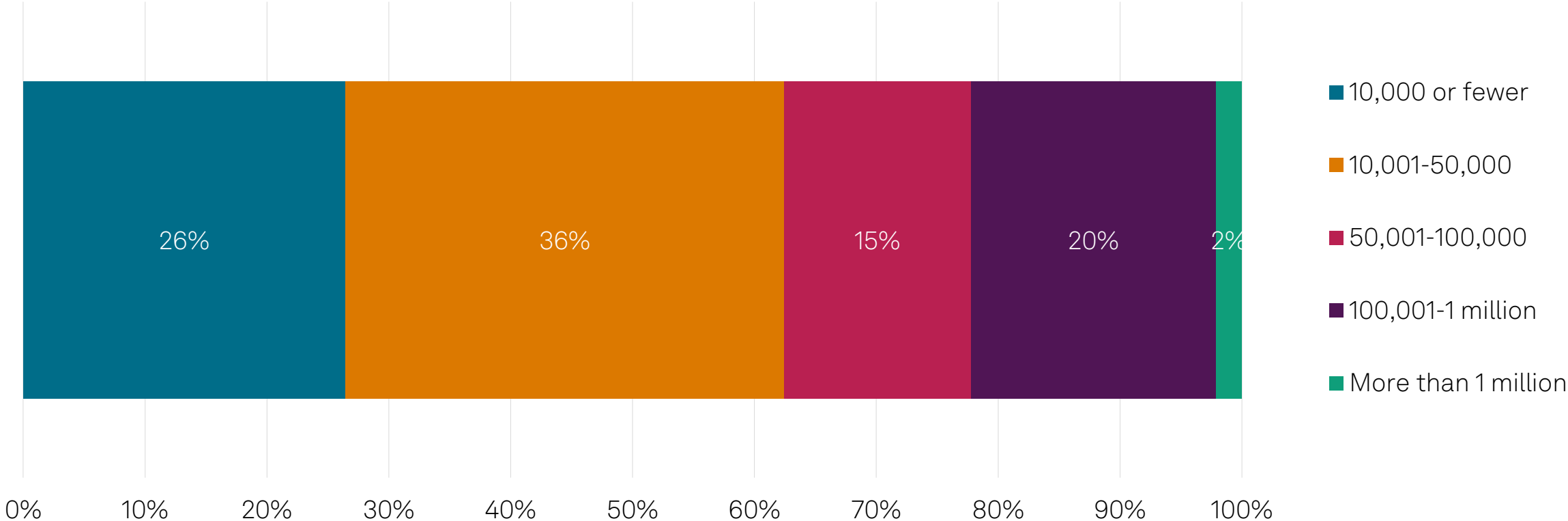
Sources: S&P Global Ratings, *U.S. Energy Information Administration.

Rated NFP retail electric utilities by state



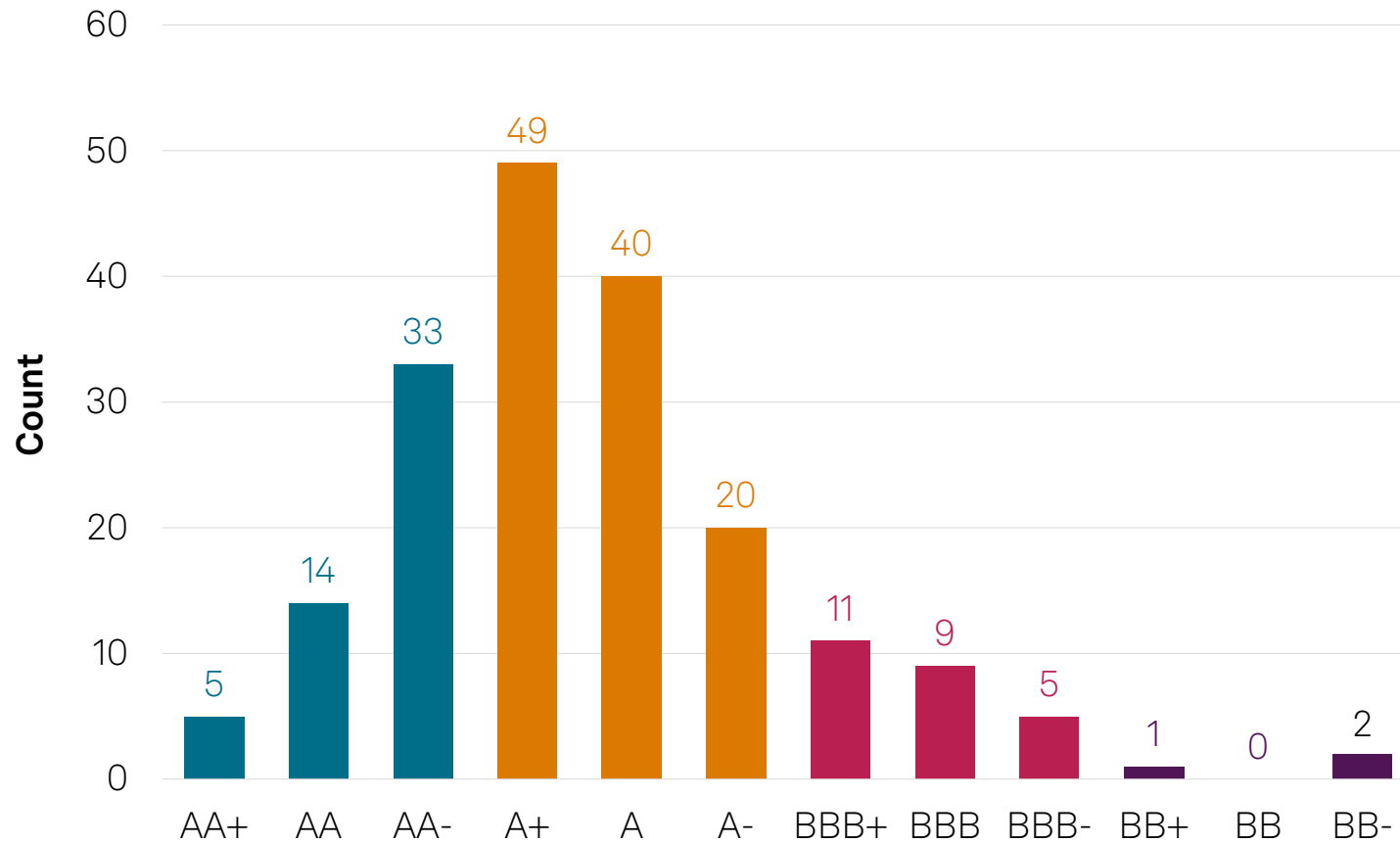
S&P Global Ratings rates 189 NFP retail electric utilities using its "[U.S. Municipal Retail Electric And Gas Utilities: Methodology And Assumptions](#)," published Sept. 27, 2018. These utilities are spread across the U.S. and range from systems with fewer than 10,000 customer accounts to those with more than 1 million.

The majority of rated NFP electric utilities have fewer than 100,000 electric customer accounts



Source: S&P Global Ratings

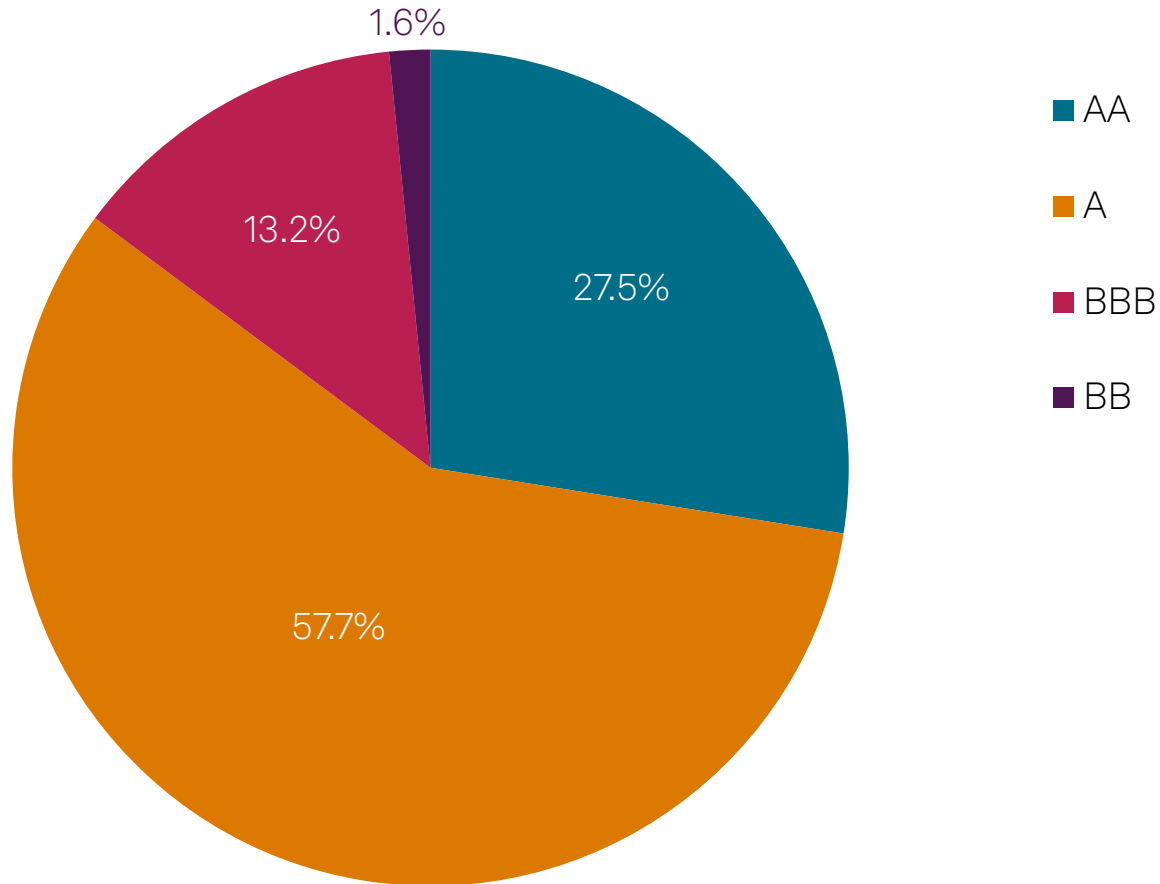
The median and modal ratings of NFP electric utilities are 'A+', consistent with recent years



The medium-investment-grade rating on most utilities reflects our view of their generally healthy operations and finances amid utility-specific and industrywide challenges.

Source: S&P Global Ratings.

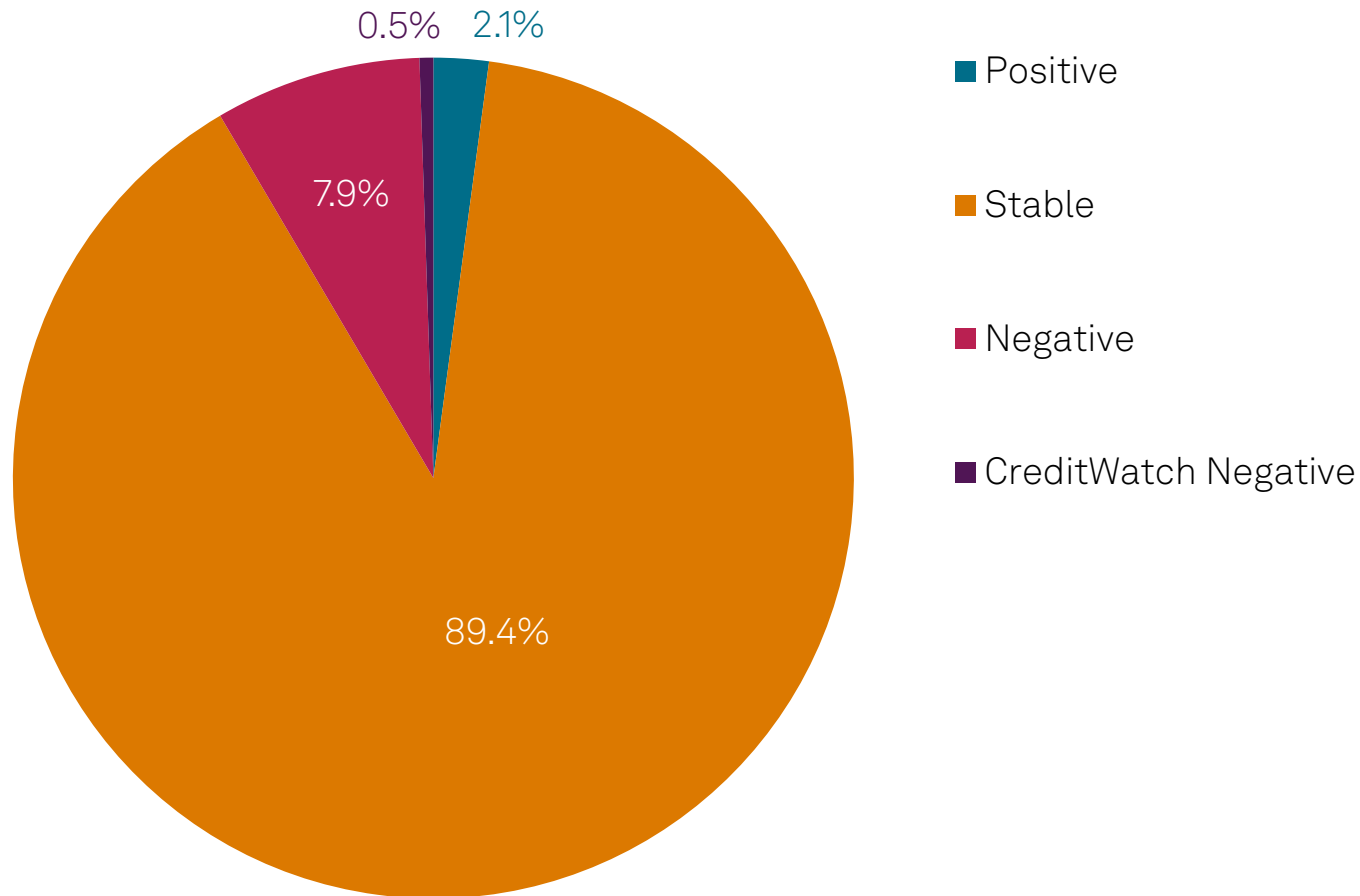
The majority of NFP electric utility ratings are in the 'A' rating category



We have not assigned a 'AAA' rating to any retail electric utility because of the inherent sector risks related to power supply and delivery; the increasing public, consumer, and regulatory focus on power plant fuels and emissions; the tension between rate affordability and financial metrics; and exposure to impactful external factors such as weather events and wildfires that utilities continue to work to effectively mitigate.

Source: S&P Global Ratings.

Most outlooks for NFP electric utilities are stable



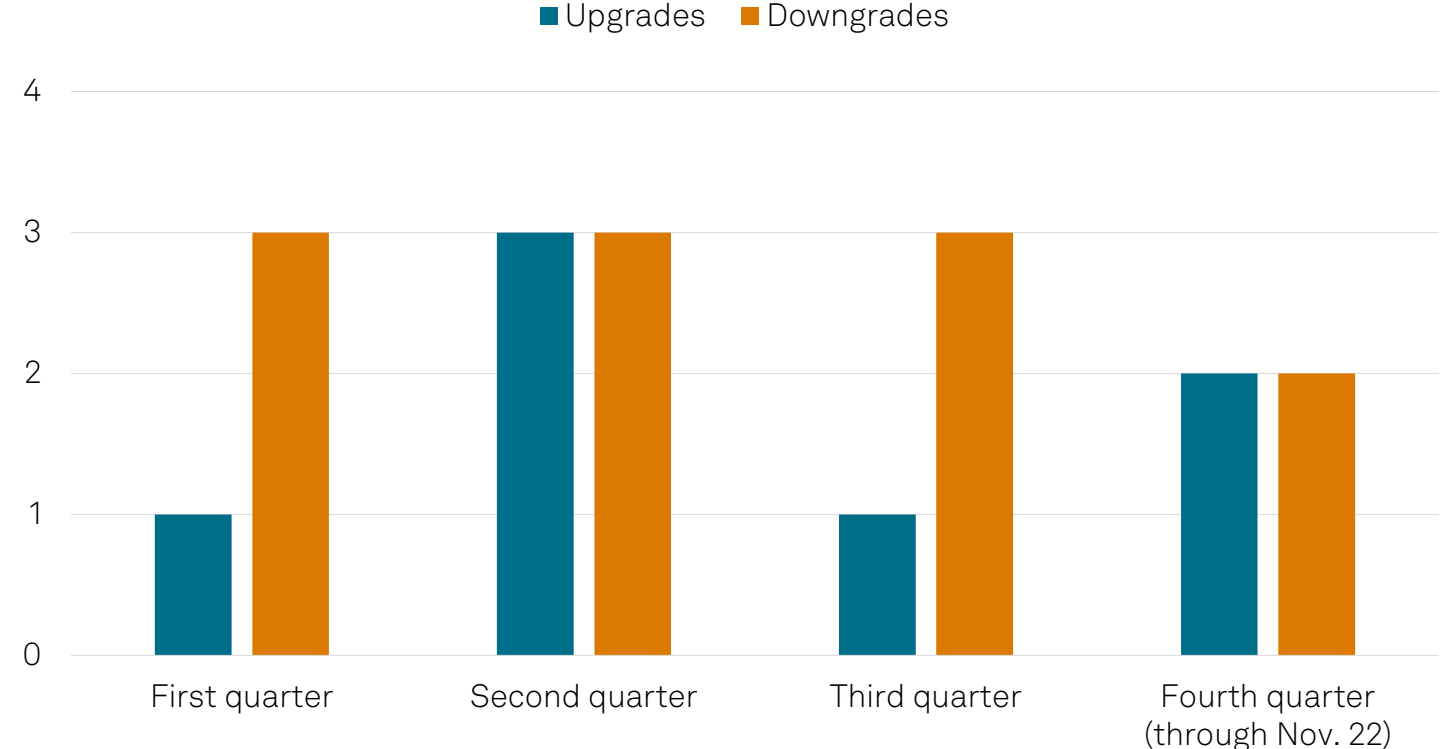
The dominance of stable outlooks means we do not anticipate substantial rating movement in the near term.

However, our sector outlook is negative, indicating that, overall, we believe there is considerable susceptibility to downward rating pressure, as reflected in 2024 rating actions.

Source: S&P Global Ratings.

There have been more downgrades than upgrades of NFP electric utilities in 2024

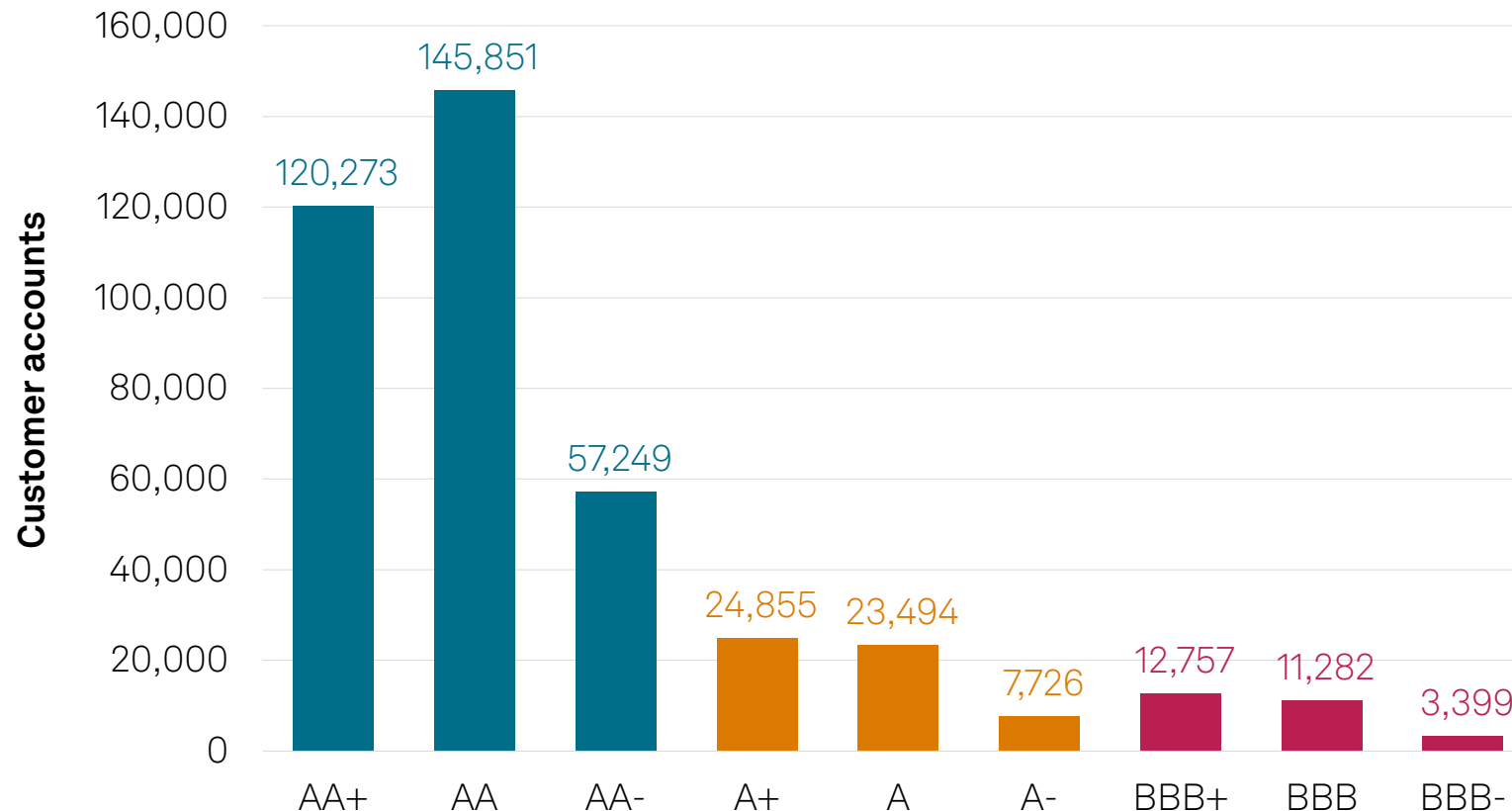
Rating changes



In 2024, 61% of rating actions have been downgrades.

Source: S&P Global Ratings

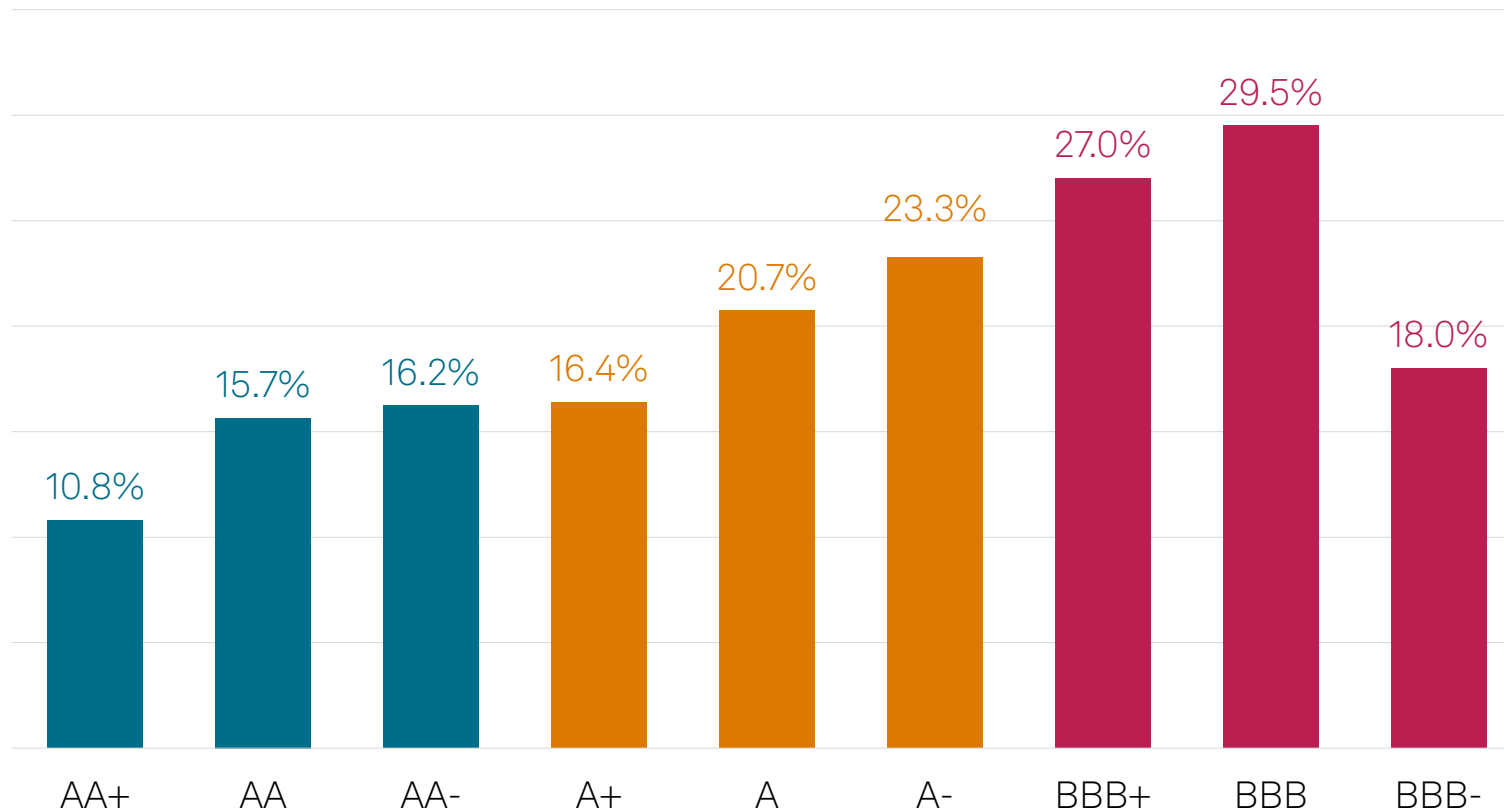
Median number of electric customer accounts by rating



Not-for-profit utilities that have more accounts generally have higher ratings. We believe the number of customer accounts affects a utility's performance, both directly and indirectly. A utility with more customer accounts has greater economies of scale, allowing it to produce or purchase power at more favorable rates, and spread fixed costs over a larger customer base. Utilities with more customer accounts often have more experienced and sophisticated management teams.

Note: Excludes three speculative-grade ratings. Source: S&P Global Ratings

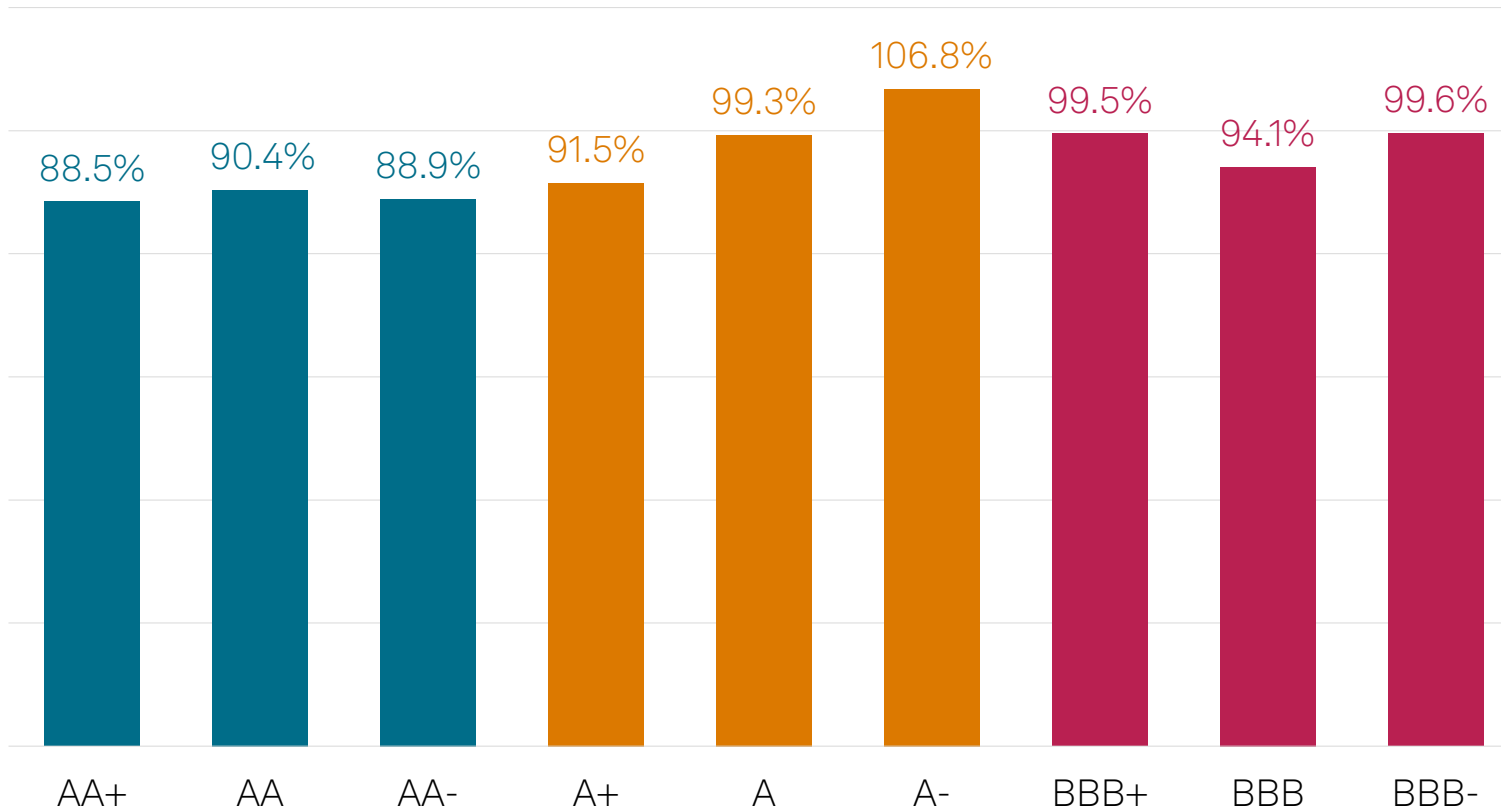
Median top 10 customer revenue as a percentage of total operating revenue by rating for NFP electric utilities



We believe customer concentration is a credit weakness. The slowdown or closure of a few leading customers could significantly reduce a utility's revenue, limiting its ability to manage fixed costs--such as debt service--that must be paid regardless of sales.

Note: Excludes three speculative-grade ratings. Source: S&P Global Ratings

Median weighted-average revenue per kilowatt-hour as a percentage of the state average by rating for NFP electric utilities



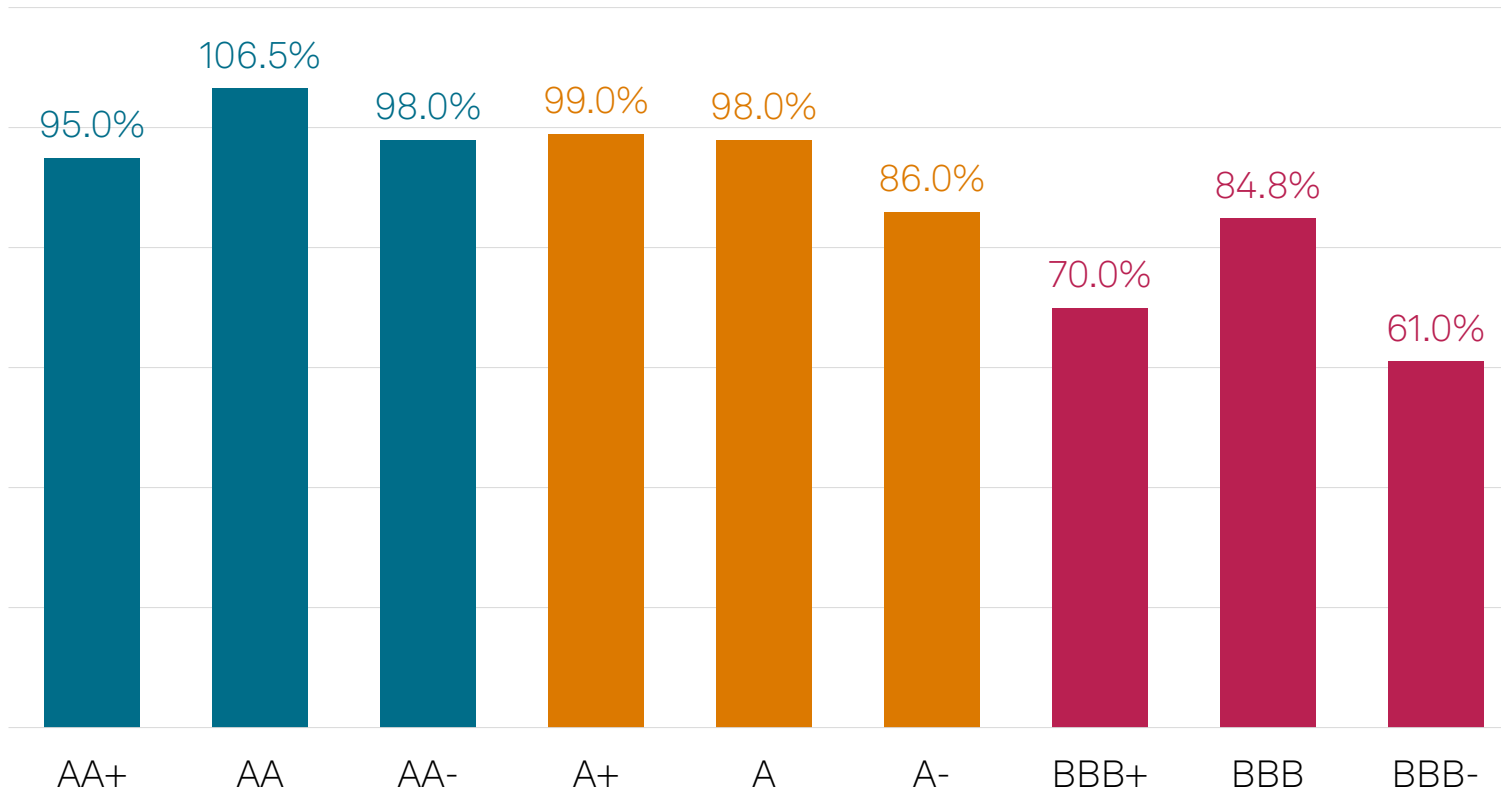
All else equal, we view favorably utilities with lower rates because they tend to have greater rate-raising flexibility to respond to increases in power production and procurement costs and are better able to retain and attract customers.

The chart shows that the median rates for utilities in the 'AA' category, along with 'A+' and 'A' rated utilities, are below the state average, while 'A-' rated utilities exhibit median rates above the state average.

For utilities rated 'BBB+' and lower, below-average rates tend to reflect delayed or insufficient rate increases, whether due to affordability issues or other considerations.

Note: Excludes three speculative-grade ratings. Source: S&P Global Ratings

Weaker median incomes are correlated with lower ratings, reflecting less rate-making flexibility



Across the highest NFP electric utility ratings, median household effective buying income (EBI) does not differ significantly. However, median household EBI deteriorates at the bottom end of the rating distribution.

In our view, higher incomes are favorable because they generally make it easier for utilities to raise rates when necessary, ultimately translating into stronger financial metrics. In addition, utilities that operate in areas with higher incomes have fewer delinquent and uncollectible customer accounts, resulting in greater recovery of billed revenue and less bad-debt expense.

Note: Excludes three speculative-grade ratings. Source: S&P Global Ratings

Fixed-charge coverage medians for NFP electric utilities

Fixed-charge coverage(x)

	2021	2022	2023
AA+	2.84	2.35	2.18
AA	1.82	1.88	1.79
AA-	1.56	1.58	1.65
A+	1.47	1.44	1.49
A	1.36	1.33	1.46
A-	1.26	1.21	1.29
BBB+	1.27	1.36	1.16
BBB	1.21	1.38	1.31
BBB-	1.01	1.04	1.09

Note: Excludes three speculative-grade ratings. Source: S&P Global Ratings.

- Fixed-charge coverage: The measurement of all obligations that are ultimately supported by ongoing operating revenues of the retail utility.
- We believe coverage of fixed costs and imputed charges best gauges a utility's total financial capacity, measuring its ability to service both its total debt and debt-like obligations. Among higher-rated utilities, we see higher fixed-charge coverage medians, demonstrating better cost recovery.

Total days' liquidity medians for NFP electric utilities

Total days' liquidity

	2021	2022	2023
AA+	289	213	214
AA	310	303	314
AA-	239	220	189
A+	187	206	158
A	163	155	166
A-	205	145	168
BBB+	102	125	120
BBB	88	65	86
BBB-	102	134	94

Note: Excludes three speculative-grade ratings. Source: S&P Global Ratings

- Total days' liquidity: A measure of unrestricted cash, investments and equivalents, as well as restricted cash and investments that are legally and readily available to meet operating requirements and/or debt service.
- Liquidity measures the utility's flexibility to address fluctuations in cash flow, volatility in operating expenses, and capital needs. Among higher-rated utilities, we generally observe greater liquidity.

Available reserves medians for NFP electric utilities

Available reserves (\$000s)

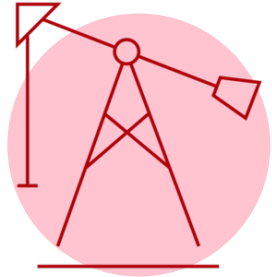
	2021	2022	2023
AA+	322,063	389,295	369,668
AA	295,428	292,624	224,388
AA-	78,291	106,811	106,165
A+	26,773	27,901	28,841
A	28,451	32,467	43,283
A-	12,307	11,359	11,591
BBB+	3,315	4,931	5,498
BBB	4,065	6,169	6,879
BBB-	1,762	2,446	1,996

Note: Excludes three speculative-grade ratings. Source: S&P Global Ratings

Available reserves:

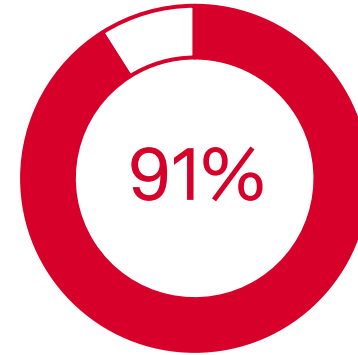
- Unrestricted cash, cash equivalents, and investments unencumbered by legal agreements and not earmarked for specific purposes;
- Restricted cash, cash equivalents and investments that reside on the retail utility's balance sheet but that are lawfully available for any operating purposes.
- The undrawn portion of taxable commercial paper (or similar instruments) or committed bank lines (expiring at a date beyond the next 12 months) that is lawfully available for any operating purpose.

Rated NFP retail natural gas utilities: By the numbers



23

Rated NFP retail natural gas utilities

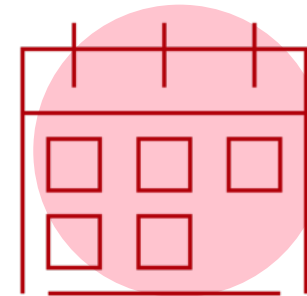


Stable outlooks



3.2x

Median fixed-charge coverage in fiscal 2023



141

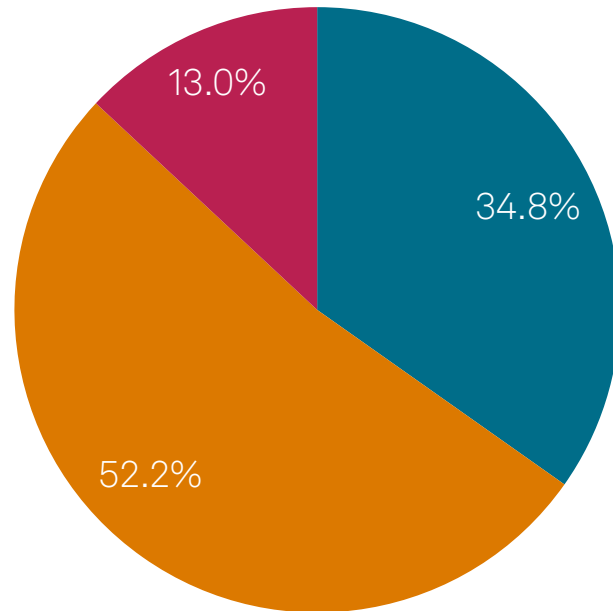
Median days' liquidity in fiscal 2023

Sources: S&P Global Ratings.

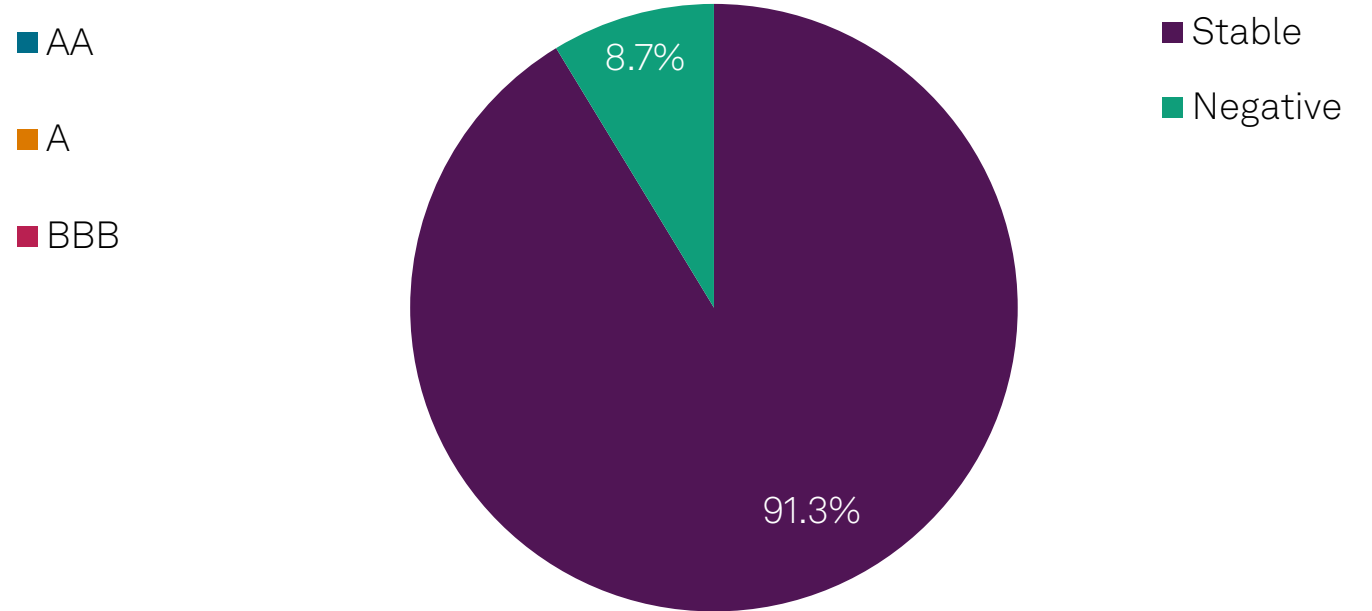
Rated NFP natural gas utilities: ratings and outlooks

- In 2024, we lowered our ratings on two natural gas utilities; there were no upgrades. We note that natural gas utilities generally saw weaker cost recovery in fiscal 2023.

Ratings



Outlooks



Source: S&P Global Ratings

Fixed-charge coverage medians for NFP natural gas utilities

Fixed-charge coverage (x)

	2021	2022	2023
AA+	29.89	12.13	6.07
AA	3.39	3.31	3.29
AA-	8.88	7.57	5.37
A+	2.82	2.97	2.44
A	2.69	2.71	2.25
A-	1.92	2.09	1.76
BBB+	4.06	1.96	1.24
BBB	N/A	N/A	N/A
BBB-	2.28	-0.77	3.23

Source: S&P Global Ratings

Total days' liquidity medians for NFP natural gas utilities

Total days' liquidity

	2021	2022	2023
AA+	296	200	336
AA	245	150	151
AA-	416	311	329
A+	215	159	101
A	526	368	286
A-	100	42	59
BBB+	180	93	56
BBB	N/A	N/A	N/A
BBB-	428	164	114

Source: S&P Global Ratings

Available reserves medians for NFP natural gas utilities

Available reserves (\$000s)

	2021	2022	2023
AA+	147,339	160,028	181,612
AA	84,200	65,837	75,586
AA-	24,224	23,347	24,161
A+	9,929	10,423	8,903
A	4,795	5,442	5,973
A-	20,412	19,497	16,555
BBB+	6,569	4,627	1,751
BBB	N/A	N/A	N/A
BBB-	2,941	2,559	1,980

Source: S&P Global Ratings

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