Sector Outlook: U.S. Public Power and Electric Cooperative Sector

FitchRatings

Dennis Pidherny
Managing Director

Matthew Reilly, CFA
Director

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2016 Outlook: U.S. Public Power and Electric Cooperative Sector

Rating Outlook

**STABLE**

(2015: STABLE)

Sector Outlook

**STABLE**

(2015: STABLE)

Rating Outlooks

- Positive/RWP
- Stable
- Negative/RWN

RWP – Rating Watch Positive.
RWN – Rating Watch Negative.
Source: Fitch.
Sector Outlook: Key Sector Characteristics

- Autonomous ratemaking authority
- Essentiality of electric utility service
- Mandate to serve defined area, with near monopolistic characteristics
- High concentration of residential and small commercial customers
- Relative capital cost advantage over investor-owned utilities
- Customers/ratepayers are the ultimate “stakeholders”
Sector Outlook: Key Issues

Carbon Compliance Challenges Ahead

**Carbon Cost Recovery Index**
(Ranking the States)

- **Legend**
  - More Challenged
  - Less Challenged

- WA 1
- OR 2
- ID 11
- MT 38
- ND 41
- MN 15
- SD 7
- NE 47
- KS 46
- MO 44
- IL 5
- IN 36
- OH 37
- KY 30
- TN 45
- VA 3
- FL 28
- CA 24
- AZ 39
- NM 14
- OK 31
- AR 25
- MS 32
- AL 42
- GA 40
- NC 13
- SC 34
- NY 22
- MA 12
- RI 6
- CT 18
- NJ 10
- DE 8
- MD 23
- NH 9
- VT 31

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Sector Outlook: Key Issues

Rate Pressures Stabilize

Residential Electric Cost to Median Household Income (MHI)

- MHI (Real Terms [LHS])
- Average Annual Residential Electricity Cost/MHI (RHS)

Debt Service Coverage
Indicates the margin available to meet current debt service requirements.


Source: Fitch Ratings.
Sector Outlook: Key Issues

Lower Fuel Cost and Interest Rates Broadly Positive

U.S. Average Cost of Fuel and Interest Rates

- No. 2 Diesel Fuel (LHS)
- Coal (LHS)
- Natural Gas (LHS)
- 10-Year (RHS)
- Fed Funds (RHS)
- Bond Buyer GO 20-Year Municipal Bonx Index (RHS)

($/mmBtu) vs. (%)

FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15

MmBtu – Million British thermal units. FY – Fiscal year. Note: Coal data for 2006 and 2007 unavailable.
Sector Outlook: Key Issues

Improving Economics of Renewable Energy

Levelized Cost of Energy Projections

- Solar PV
- Hydro
- Coal
- Gas
- Nuclear
- Wind

($/MWh)

PV – Photovoltaic.
Source: NREL.
Fitch Ratings Public Power Team

- Dennis Pidherny, Sector Head
  +1 212 908-0738
dennis.pidherny@fitchratings.com

- Christopher Hessenthaler
  +1 212 908-0773
christopher.hessenthaler@fitchratings.com

- Kathy Masterson
  +1 512 215-3730
kathryn.masterson@fitchratings.com

- Matthew Reilly
  +1 415 732-7572
matthew.reilly@fitchratings.com

- Lina Santoro
  +1 212 908-0522
lina.santoro@fitchratings.com

- Alan Spen
  +1 212 908-0594
alan.spen@fitchratings.com