

US utilities insulated from recessionary envt: Moody's

While the US investor-owned electricity supply sector is well-insulated from what may be a protracted recessionary environment, it is not immune from credit market stress and economic weakness, according to Moody's Investors Service. "The fundamentals for the utilities sector remain intact," Moody's Senior Vice President Jim Hempstead says. "The support provided by regulators produces a relatively stable and predictable stream of revenues, earnings and cash flow, which, when compared to the total amount of outstanding debt, supports a strong investment-grade rating category." Hempstead adds that "proactive steps are needed to fortify the sector's balance sheet over the longer-term horizon, in part due to the challenges associated with commodity fuel costs, massive infrastructure investment needs, and increasingly stringent environmental mandates". Hempstead says it is unclear whether utilities should scale back infrastructure investment plans, explaining that these investments have been identified as necessary, given the age of utilities' assets "and the continued regulatory support that has been incorporated into most utilities' long-range forecasts, including an expectation that returns on capital would be reasonable". Moody's says that while a protracted recessionary environment could create some near to intermediate-term pressures on the sector's financial profile, "we believe most companies have numerous options at their disposal to address these pressures well in advance – actions which we assume a conservative utility management team and board of directors would pursue".

[Source essa news]