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Anaheim, CA Electric Bond Rating Outlook Removed From CreditWatch On Robust Financial Performance, Outlook Is Stable

SAN FRANCISCO (S&P Global Ratings) March 29, 2021--S&P Global Ratings revised its outlook to stable and removed its various ratings from CreditWatch with negative implications on the city of Anaheim, Calif.'s existing electric system debt. At the same time, S&P Global Ratings affirmed its:

- 'AA-' rating on the city's $69.205 million 2020 series B taxable serial bonds;
- 'AA-' rating on the city's $121.665 million 2020 series A tax-exempt serial bonds;
- 'AA- rating on the city's $77.5 million, 2020 series C tax-exempt soft put bonds;
- 'AA-' rating on the city's series 2020-A, 2020-B, and 2020-C revenue refunding bonds and retail electric (RETELEC) bonds, issued by the Anaheim Housing and Public Improvement Authority;
- 'AA-' rating on the city's existing debt issued by Southern California Public Power Authority for the Canyon Power Project;
- 'AA-' rating on the city's existing RETELEC bonds issued by the Anaheim Public Financing Authority; and
- 'AA-' rating on the city's existing RETELEC bonds, issued by the California Municipal Finance Authority.

The ratings were placed on CreditWatch with negative implications on Sept. 3, 2020.

"The CreditWatch removal reflects our view of the Anaheim Public Utility's improved financial performance, which includes more robust margins and stable liquidity that has met or exceeded forecasts," said S&P Global Ratings credit analyst Jenny Poree. "We believe the stable outlook was warranted given the area's recent trends in business and consumer confidence and successful vaccination efforts, in addition to the utility's relatively resilient performance and conservative forecast," Ms. Poree added.

Environmental risks are slightly elevated relative to national peers due to state mandates that require rapid renewable acquisition and have resulted in some intermittency risks associated with compliance. That said, APU is well positioned, given its supply portfolio and plans for a battery project that will somewhat mitigate intermittency. Management has also been proactive in exiting coal-fired facilities and is expected to reach renewable targets by the deadlines. In addition, APU is better positioned with respect to wildfire risk, given that most its assets are underground within the high fire threat zones. From a social perspective, APU has elevated risk associated with rate affordability, given that rates are elevated relative to the state average. However, this is offset by what we view as enhanced reliability associated with the power supply portfolio. If affordability risks created political headwinds toward increasing rates or utilizing cost recovery levers, that would be a credit risk. The pandemic has had an outsized influence on the service area and another wave of related shut downs could have a greater effect on the customer base and utility, which is a social risk. We view governance factors as in line with its peers.

APU supplies electricity to approximately 103,423 residential customers and its service area is approximately 50 square miles, with a current estimated population of approximately 359,000.

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