

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

**Fitch**Ratings

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

## Rating Outlook

**STABLE**

**(2015: STABLE)**

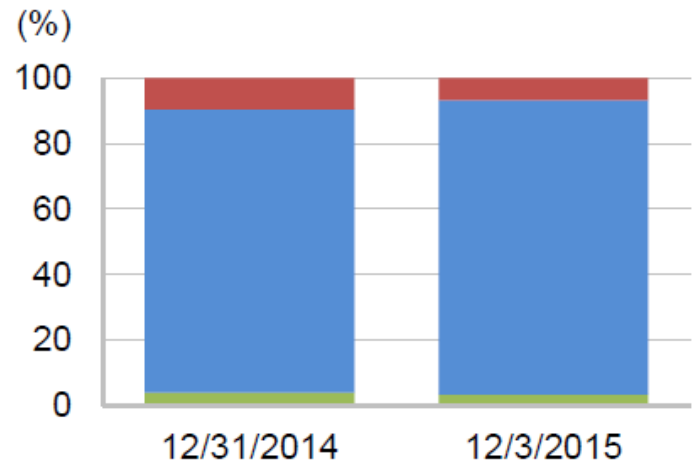
## Sector Outlook

**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

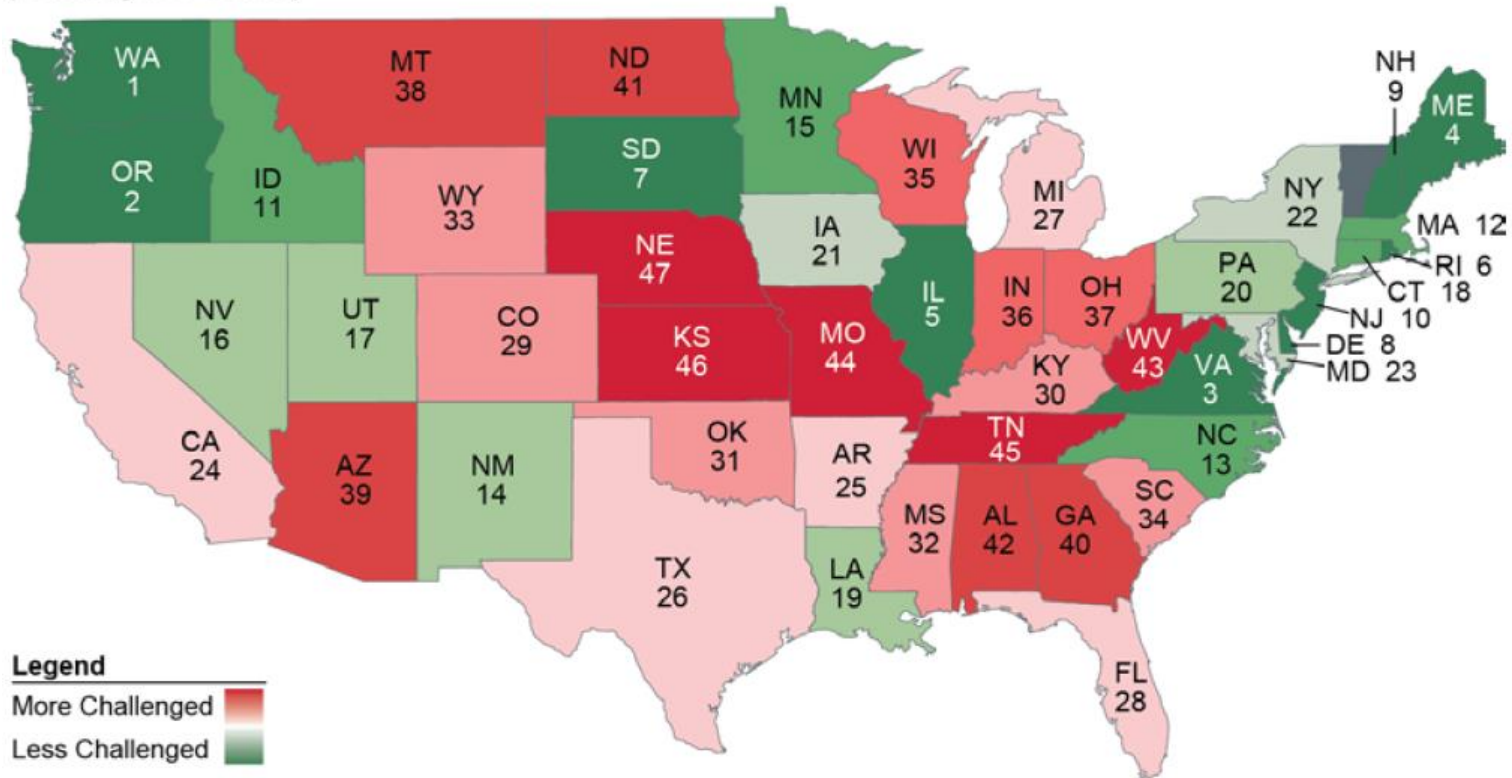
- Autonomous ratemaking authority
- Essentiality of electric utility service
- Mandate to serve defined area, with near monopolistic characteristics
- High concentration of residential and small commercial customers
- Relative capital cost advantage over investor-owned utilities
- Customers/ratepayers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

# Sector Outlook: Key Issues

## Carbon Compliance Challenges Ahead

### Carbon Cost Recovery Index

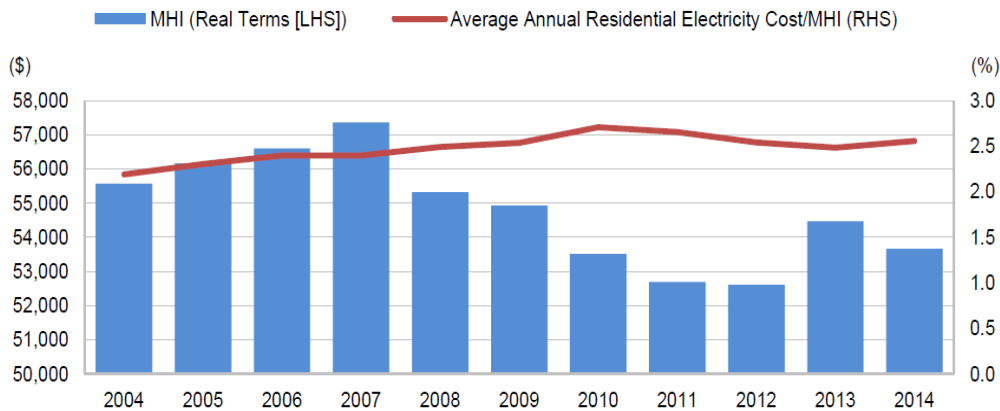
(Ranking the States)



# Sector Outlook: Key Issues

## Rate Pressures Stabilize

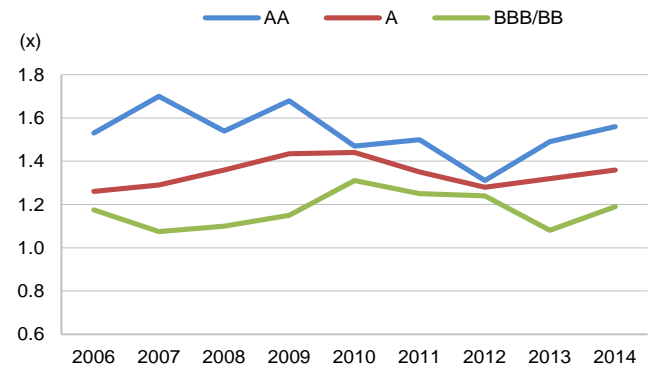
### Residential Electric Cost to Median Household Income (MHI)



Source: U.S. Energy Information Administration, U.S. Census Bureau.

### Debt Service Coverage

Indicates the margin available to meet current debt service requirements.

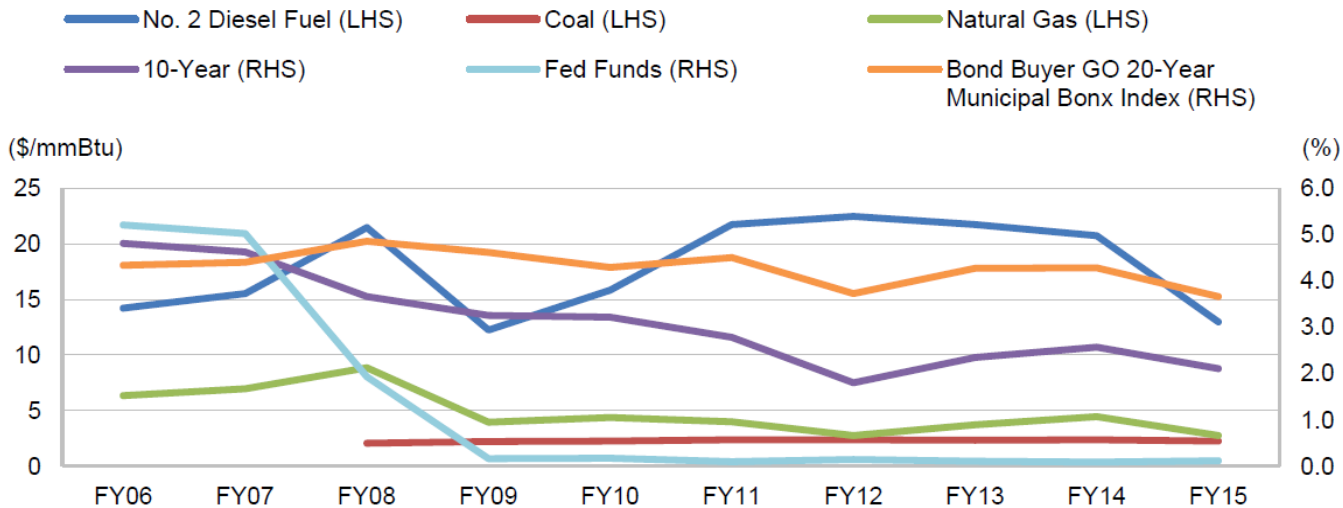


Source: Fitch Ratings.

# Sector Outlook: Key Issues

## Lower Fuel Cost and Interest Rates Broadly Positive

### U.S. Average Cost of Fuel and Interest Rates

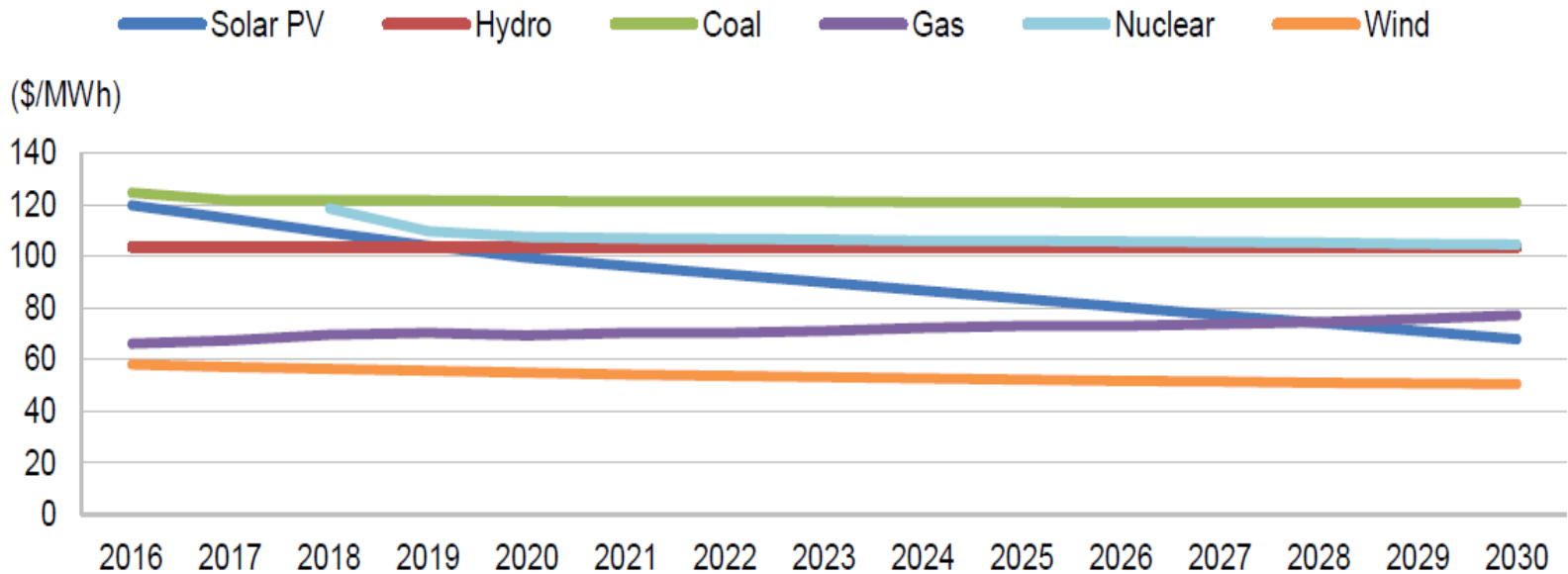


MmBtu – Million British thermal units. FY – Fiscal year. Note: Coal data for 2006 and 2007 unavailable.  
 Source: U.S. Energy Information Administration, Fed.

# Sector Outlook: Key Issues

## Improving Economics of Renewable Energy

### Levelized Cost of Energy Projections



PV – Photovoltaic.

Source: NREL.

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