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Long Island Power Authority, NY Unsecured Revenue Bond Rating Raised To 'A' From 'A-' On Stronger Fixed Charge Coverage

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NEW YORK (S&P Global Ratings) Sept. 5, 2019--S&P Global Ratings raised its rating on the Long Island Power Authority (LIPA), N.Y.'s $4.07 billion unsecured revenue bonds to 'A' from 'A-'. At the same time, S&P Global Ratings assigned its 'A' rating to the authority's proposed $234.5 million series 2019A revenue bonds and its $250 million series 2019B revenue bonds. The 2019B bonds will be sold in a term mode. Although the 2019B bonds are subject to mandatory tender at the end of each term mode, at the option of management, or on any mode change date, we conclude the mandatory tender provisions will not impair liquidity because LIPA's obligation to purchase tendered bonds is contingent on its securing remarketing proceeds sufficient to fund the purchase of all tendered bonds. The outlook is stable.

"The upgrade reflects expectations of strong fixed charge coverage metrics that require moderate rate increases. The upgrade also reflects the service territory's extremely strong economic fundamentals that temper the utility's high rates," said S&P Global Ratings credit analyst David Bodek.

Bond proceeds will fund portions of LIPA's capital program.

The stable outlook reflects expectations of strengthening fixed charge coverage (FCC), the availability of robust pass-through mechanisms for recovering rising costs, and favorable service area demographics that can support the utility's high rates.

We do not expect to raise the rating during the two-year outlook horizon because the utility projects adding $1.5 billion of debt through 2023, an increase of more than 25%. We also believe the utility will likely face upward cost pressures as it migrates away from carbon-based generation fuels and is exposed to the specter of distributed generation technologies.

We could lower the rating if capital spending needs materially add to unsecuritized debt and debt service, resistance to rate increases weakens FCC ratios, or other factors frustrate the ability of the utility to achieve the FCC levels it projects.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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