



Rating Action: Moody's Assigns Aa2 to Snohomish County Public Utility District 1, WA Water Enterprise's Revenue Bonds

20 Sep 2023

New York, September 20, 2023 – Moody's Investors Service assigned a Aa2 rating to Snohomish County Public Utility District 1, Washington Water Enterprise's Water System Revenue Bonds, Series 2023 in the expected amount of \$17.07 million. Moody's maintains a Aa2 rating on the districts outstanding water system revenue bonds totaling \$5.3 million.

RATINGS RATIONALE

The Aa2 rating is based on the Water System's growing residential service area, healthy debt service coverage levels, strong financial reserve position, and generally conservative budgeting practices. The rating also incorporates the Water System's shared management with the larger and sophisticated electric utility.

RATING OUTLOOK

Outlooks are not usually assigned to local governments with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Continued healthy growth in customers and size of operations
- Significant increases in debt service coverage and days cash on hand

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Decline in debt service coverage and liquidity
- Significant increase in leverage

LEGAL SECURITY

The bonds are payable by a pledge of revenue of the district's water system net of operational expenditures.

USE OF PROCEEDS

Proceeds from the sale will be used to fund a portion of the PUD's multiyear capital improvement plan and fund projects such as the main replacement program, treatment plant improvements the Connect Up water meter project.

PROFILE

The PUD, established in 1936, but began operations in 1946, maintains three separate systems: electric distribution, electric generation, and water distribution. Each system is financed and accounted for separately. The Snohomish County Public Utility District 1, WA Electric Enterprise (revenue bonds rated Aa2 stable) renders it the second largest public utility district in the Pacific Northwest, covering 2,200 square miles including virtually all of Snohomish County (Aa1 stable) and Camano Island, in Island County. The Water System's service area is significantly smaller, covering

approximately 180 square miles north and east of the City of Everett.

METHODOLOGY

The principal methodology used in this rating was US Municipal Utility Revenue Debt Methodology published in April 2022 and available at <https://ratings.moodys.com/rmc-documents/386721>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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