

# RatingsDirect®

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## Rowley Municipal Lighting Plant, Massachusetts; Retail Electric

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### Table Of Contents

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Credit Highlights

Outlook

# Rowley Municipal Lighting Plant, Massachusetts; Retail Electric

## Credit Profile

Rowley Mun Lighting Plant ICR

*Long Term Rating*

A+/Stable

Current

## Credit Highlights

- S&P Global Ratings' issuer credit rating (ICR) on Rowley Municipal Lighting Plant (RMLP), Mass., is 'A+'.
- The outlook is stable.

## Security

The ICR reflects our view of RMLP's overall creditworthiness and its capacity and willingness to meet financial commitments in full as they come due. It does not apply to any specific financial obligations. Our assessment of the issuer's creditworthiness considers existing and projected debt balances. RMLP currently has no long-term debt outstanding.

## Credit overview

RMLP provides electricity to approximately 3,200 customers in eastern Massachusetts.

The rating reflects RMLP's robust financial profile, highlighted by three-year, fixed-charge coverage averaging 1.5x and robust reserves at fiscal year-end 2023 of 388 days' cash on hand, or roughly \$8 million, including the rate stabilization fund and depreciation cash fund. Residential customers, which we view as having consistent demand for power, account for 51% of the utility's revenue. Our rating also reflects the utility's small customer base as well as the fact that the utility does not produce long-term formal financial forecasts and capital plans on a regular basis.

The rating further reflects our view of RMLP's:

- Fuel-mix diversity through power purchase agreements (PPAs), which temper exposure to any one fuel type or the spot market;
- Rate-raising flexibility, arising from affordable rates and high income levels; and
- Low concentration in the top 10 and top individual customers, who account for 13% and 6% of revenues, respectively.

Partly offsetting the above strengths, in our view, are RMLP's:

- Limited service area economy and small overall customer base of 3,200 customers, which limits financial flexibility; and
- Market purchases that make up about 8% of electric demand, which could translate into volatility in purchased power expenses, although we recognize that RMLP has a purchased power cost adjustment (PCA) mechanism,

allowing it to pass through power cost variability.

### **Environmental, social, and governance**

RMLP's governance risk factors are moderately credit-negative, in our view. It does not produce multiyear financial forecasts or long-term capital improvement plans, which we believe can identify problems and provide guidance to management.

RMLP's environmental risk factors are credit-neutral given its diverse power supply, full compliance with all environmental regulations, and procurement of a portion of its power supply from renewable resources. Massachusetts climate policy outlines net-zero emissions by 2050 and 50% non-carbon emitting sources by 2030. In 2024, 27% of the utility's electricity came from wind, hydroelectric, and solar. In addition, 24% of its energy in 2024 was nuclear. Nevertheless, we note that the utility still has a significant reliance on fossil fuels, with bilateral energy contracts accounting for 41% of total supply mix, while spot purchases, which are likely from natural gas resources, account for 8% of total supply. RMLP plans to meet the 50% non-carbon-emitting checkpoint by 2030.

RMLP's social risk factors are credit-neutral, in our view; we note that rates are less than the state average and incomes are significantly higher than the national average. However, this is somewhat offset by the utility's small size and limited economies of scale. We continue to monitor the strength and stability of electric utilities' revenue streams given ongoing inflationary pressures on electricity prices (which have outpaced the broader Consumer Price Index inflation rate) coupled with higher operating and debt costs due to investments in emissions reductions, load growth, and climate resilience. S&P Global Ratings believes the administration's imposition of tariffs could exacerbate inflation by 50-70 basis points but observes that forecasting the duration and impact of tariffs is complicated by the high degree of unpredictability around policy implementation (see "Growth Prospects Strained After the U.S. Takes the Tariff Plunge," published Mar. 5, 2025, on Ratings Direct). The economy's stressors and the associated financial pressures consumers face might make it more difficult for rate-setting bodies to harmonize the interests of utilities, their customers, and their investors, which in turn could negatively affect utilities' financial metrics.

## **Outlook**

The stable outlook reflects our view of RMLP's robust financial cushion, as its budget for fiscal 2025 suggests FCC and liquidity levels that we believe will continue to support the current rating. The outlook also reflects our view that the utility will use its PCA mechanism, when needed, to provide stability to its operations and financials.

### **Downside scenario**

We could lower the rating if RMLP's rate recovery is insufficient and it experiences a significant and sustained decline in FCC or liquidity stemming from economic pressures and higher power costs.

### **Upside scenario**

We do not expect to raise the rating over the next two years given the scale of RMLP's operations and service base as well as its lack of formal financial forecasting and long-range capital improvement planning.

Rowley Municipal Lighting Plant, Massachusetts; Retail Electric

Rowley Municipal Lighting Plant, Massachusetts--Key credit metrics

	--Fiscal year ended Dec. 31--		
	2023	2022	2021
<b>Operational metrics</b>			
Electric customer accounts	3,209	3,189	3,130
% of electric retail revenues from residential customers	51	52	52
Top 10 electric customers' revenues as % of total electric operating revenue	13	15	14
Service area median household effective buying income as % of U.S.	165	169	167
Weighted average retail electric rate as % of state	95	92	103
<b>Financial metrics</b>			
Gross revenues (\$000s)	9,145	8,437	8,059
Total operating expenses less depreciation and amortization (\$000s)	7,317	7,530	7,041
Debt service (\$000s)	N.A.	N.A.	N.A.
Debt service coverage (x)	N.A.	N.A.	N.A.
Fixed-charge coverage (x)	1.7	1.3	1.4
Total available liquidity (\$000s)*	7,803	7,097	6,977
Days' liquidity	388	343	361
Total on-balance-sheet debt (\$000s)	0.0	N.A.	0
Debt-to-capitalization (%)	0	N.A.	0

\*Total available liquidity includes available committed credit line balances, where applicable. Debt service coverage--Revenues minus expenses divided by debt service. Fixed-charge coverage--Sum of revenues minus expenses minus total net transfers out plus capacity payments (or their proxy), divided by the sum of debt service plus capacity payments (or their proxy). N.A.--Not available.

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