

West Boylston Municipal Light Plant, Massachusetts

May 2, 2025

This report does not constitute a rating action.

Credit Highlights

- S&P Global Ratings' issuer credit rating (ICR) on West Boylston Municipal Light Plant (WBMLP), Mass. is 'A'.
- The outlook is stable.

Rationale

Security

The ICR reflects our view of the electric utility's capacity and willingness to meet financial commitments as they come due and does not apply to any specific obligation. As of Dec. 31, 2023, WBMLP had \$263,000 of series 2013 obligations outstanding. We also note it has an additional \$2.0 million obligation outstanding from a 2016 secured pool loan financing to mature in 2032. The bonds outstanding are secured by net revenues of the electric system.

Credit overview

The rating reflects WBMLP's sound financial profile, supported by a strong three-year, fixed-charge coverage (FCC) average at 1.4x and ample liquidity reserves. We note, however, that the rating is ultimately restricted by the limited customer growth expectations, small service area, and an expectation that FCC--which treats forward capacity charges as well as 50% of costs associated with bilateral contracts as debtlike--will decline slightly due to heightened purchased power cost forecasts. Management is currently completing a 2025 cost-of-service study (COSS) to determine the need of any near-term rate increases. We will continue to monitor future rate adjustments and assess their efficacy in preserving stable coverage metrics.

WBMLP's credit strengths include:

- Significant rate-raising flexibility by way of competitive rates almost 25% below the weighted-average rate of the state, paired with median household incomes that are 32% stronger than the national median figure.

Primary contact

Stefen Joshua D Rasay

Washington DC
1-2023832046
stefen.joshua.rasay
@spglobal.com

Secondary contact

Nicole Shen

New York
1-332-323-4605
nicole.shen
@spglobal.com

- A diverse portfolio of purchase power agreements (PPAs), with tenures of more than 10 years and a focus on noncarbon-emitting resources, 60% that are compliant with the Municipal Lighting Plant Greenhouse Gas Emissions Standards (GGES) of Massachusetts, mainly sourced through Massachusetts Municipal Wholesale Electric Co.'s nuclear entitlements.
- Low debt burden, with a debt-to-capitalization ratio less than 15%. There are no plans for additional debt issuances in the next few years because management staggers projects to avoid a heavy debt load or depletion of liquidity reserves.

Offsetting these strengths, in our view, are the following exposures:

- Limited economies of scale serving 3,785 customer accounts, coupled with nominal customer growth expectations and some revenue concentration in the leading customer, Worcester County Jail (7% of total revenues in 2024).
- Declining liquidity position that has decreased to \$9.3 million from \$11.5 million in the past three years due to capital improvements; however, management is confident that they will replenish it within the next two years. In our view, tempering this is WBMLP's history of robust days' cash on hand equivalent to more than a year's worth of operating expenses (404 days).

Environmental, social, and governance

We consider WBMLP's environmental factors, including energy transition risk, to be credit neutral. The utility's portfolio makeup is GGES-compliant, with noncarbon-emitting resources composed of a substantial portion of the system's annual load requirements: nuclear (42%), hydro (18%), solar (7%), and wind (6%); the remaining consists of unidentifiable fuel types. The utility has some exposure to Canadian-sourced hydropower through a rolling Hydro-Quebec agreement that accounts for less than 5% of annual load requirements; management expects to continue renewals in the near term.

We believe that WBMLP's social factors are mitigated, given the service area's high incomes and comparably low rates, affording the system rate-raising flexibility. 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 March 5, 2025, on RatingsDirect). 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.

We consider the utility's governance factors to be credit neutral because WBMLP's robust financial forecasts, focus on noncarbon-emitting PPAs, and deployment of its discretionary power cost adjustment mechanism has produced stable financial performance.

Outlook

The stable outlook reflects the utility's robust financial cushion, with reserves equivalent to more than one year's worth of operating expenses and the lack of additional debt plans.

West Boylston Municipal Light Plant, Massachusetts

Furthermore, the outlook reflects WBMLP's rate increase plans that will likely support maintenance of healthy coverage metrics.

Downside scenario

We could lower the rating if WBMLP's coverage and/or liquidity decrease significantly, absent appropriate cost recovery measures as a function of increased natural gas market volatility that directly affects its Independent System Operator-New England (ISO-NE) market purchases or other additional unbudgeted expenses resulting from new and costly additional noncarbon-emitting PPAs.

Upside scenario

If the utility's planned rate increases support maintenance of robust coverage while maintaining stable liquidity levels, we could raise the rating over the next two years.

Credit Opinion

WBMLP receives nearly half of its supply requirements through MMWEC-sourced nuclear entitlements from the Millstone and Seabrook plants set to last through 2050. The management team is focusing on new noncarbon-emitting PPAs to further ensure their environmental regulation compliance and efforts to reach carbon neutrality. Currently, management is actively monitoring its power portfolio to ensure an approximate 90%-10% mix of committed PPAs and market purchases while keeping rates steady.

With the last rate increase in 2009, WBMLP has reaped the benefits of its longer-term agreements; however, with its exposure to market purchases, cost recovery is still a priority. That said, management is planning to complete its COSS in 2025 to support any potential rate increases in the following years to keep up with rising costs especially considering the near-full customer saturation in the service area. Nevertheless, the high median household incomes and residential concentration mollify the issues regarding affordability and revenue stream stability.

West Boylston Municipal Light Plant, Massachusetts--key credit metrics

	--Fiscal year ended Dec. 31--		
	2024	2023	2022
Operational metrics			
Electric customer accounts	3,785	3,766	3,745
% of electric retail revenues from residential customers	44	45	45
Top 10 electric customers' revenues as % of total electric operating revenue	24	24	24
Service area median household effective buying income as % of U.S.	132	132	129
Weighted average retail electric rate as % of state	73	69	76
Financial metrics			
Gross revenues (\$000s)	9,577	9,048	8,148
Total operating expenses less depreciation and amortization (\$000s)	8,415	7,886	7,050
Debt service (\$000s)	543	546	556
Debt service coverage (x)	2.1	2.1	2.0
Fixed-charge coverage (x)	1.4	1.4	1.4
Total available liquidity (\$000s)*	9,307	10,334	11,542

West Boylston Municipal Light Plant, Massachusetts--key credit metrics

	--Fiscal year ended Dec. 31--		
	2024	2023	2022
Operational metrics			
Days' liquidity	404	478	598
Total on-balance-sheet debt (\$000s)	2,673	3,094	3,493
Debt-to-capitalization (%)	14	16	18

*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).

Ratings List
Current Ratings
Public Power
West Boylston Mun Ltg Plant, MA Retail Electric System A/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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