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When a Rating Changes, the Story Isn't About Interest Rates.

65 verified downgrade actions, 2021–2026.

The pattern reveals something more consequential — and more correctable. Across every publicly verifiable downgrade in U.S. water, sewer, and wastewater utilities, capital plan structure shows up as a contributing or primary factor in nearly every case. The story isn't about interest rates. It's about how a CIP performs under real financial conditions.

65	78%	4.3 / 5	$382M+
VERIFIED DOWNGRADE ACTIONS, 2021–2026	UTILITIES WITH NO RATING RECOVERY	AVG. CIP RELEVANCE SCORE	AGGREGATE ADDED LIFETIME INTEREST COST

Sources: Invizion analysis of publicly available rating agency publications, issuer filings, and issuer-posted rating reports. Actions verified through S&P Global Ratings, Fitch Ratings, Moody's Investors Service, and KBRA. 65 verified actions, June 2021–April 2026. Modeled interest costs assume $100M outstanding debt, 25-year bond term, 13× lifetime factor as level-principal proxy.

Guy Barlow, President
April 2026

SECTION 1 OF 3

The Acceleration.

Invizion analyzed every publicly verifiable bond rating downgrade across U.S. water, sewer, and wastewater utilities from June 2021 through April 2026. Sixty-five actions in total — each confirmed through official rating agency publications, issuer filings, or publicly referenced documents.

The pattern that emerged is not subtle. Downgrade activity is accelerating sharply. And the utilities that have been downgraded are largely staying there.

The Recovery Gap

Fifty-one of the 65 utilities in this dataset (78%) remain at or below their post-downgrade rating level today. For most, the downgrade does not mark a temporary disruption. It marks the new baseline.

The Capital Planning Connection

With an average CIP relevance score of 4.3 out of 5 across all 65 actions — drawn from Invizion's review of publicly available rating agency rationale — capital plan structure emerges as a contributing or primary factor in nearly every case. These are not abstract credit events. The downgrade reveals how a capital plan performs under real financial conditions.

DOWNGRADE ACTIVITY BY YEAR

2021 — **4 actions**
Baseline year. Activity sits at the historical norm.

2022 — **7 actions**
First sign of acceleration after the 2021 baseline.

2023 — **4 actions**
Brief plateau. The trajectory resumes the following year.

2024 — **15 actions**
Material step-up. Capital plan structure starts surfacing in rationale.

2025 — **20 actions**
Highest verified count in the window.

2026* — **15 actions**
Through April 7, 2026 — on pace to exceed 2025.

For most utilities, a downgrade does not mark a temporary disruption. It marks the new baseline.

SECTION 2 OF 3

Three Failure Modes.

Rating downgrades are often attributed to external pressures: regulatory cost, demographic stress, rising construction costs. Those factors are real. They are also not the primary explanation. Across 65 verified actions, Invizion analysts scored each downgrade's "CIP relevance" on a scale of 1–5 — reflecting how directly capital plan structure contributed to the rating outcome. The average: 4.3 out of 5. Capital planning was implicated in nearly every case. Three primary failure modes account for the majority, with four additional patterns completing the picture.

Rate-Path Misalignment — 19 cases

Rates lagged capital needs, coverage requirements, or affordability planning for long enough that the gap became a credit problem. Multi-year rate freezes are a recurring pattern in this group.

Debt-Heavy Capital Programs — 16 cases

Borrowing or leverage rose faster than durable cash flow could support. Utilities that financed aggressive capital programs without corresponding revenue growth saw coverage metrics erode — often gradually, then suddenly.

Governance and Planning Gaps — 8 cases

Inadequate forecasting discipline, planning transparency, or long-range financial alignment weakened the utility's ability to demonstrate a credible financial position to rating agencies.

THREE FAILURE MODES

Rate-Path Misalignment (19)
Rates lagged capital needs, coverage, or affordability planning. Multi-year freezes recur in this group.

Debt-Heavy CIP (16)
Leverage rose faster than durable cash flow. Coverage erodes gradually, then suddenly.

Governance & Planning (8)
Inadequate forecasting, transparency, or long-range alignment with rating-agency expectations.

Secondary Patterns
Deferred renewal (10), liquidity / reserve weakness (5), resilience & climate exposure (5), execution risk (2).

The three failure modes above account for 43 of the 65 actions. Four additional patterns complete the dataset: deferred renewal programs (10 cases), where aging infrastructure was systematically underfunded; liquidity and reserve weakness (5 cases); resilience and climate exposure gaps (5 cases); and project execution risk (2 cases).

SECTION 3 OF 3

What It Actually Costs.

The most visible consequence of a downgrade is higher interest expense. Modeled across all 65 actions — assuming $100 million in outstanding debt and a 25-year bond term — aggregate added lifetime interest reaches $382 million. Per action, that ranges from $1.6 million to $29 million, with a mean of $6.6 million. That number is significant. It is not the whole story.

That is the direct number. The compounding effects on capital planning are often more consequential — and harder to reverse.

Debt Capacity Contracts

Access to capital markets tightens, covenants limit future borrowing, and the cost of capital rises for every subsequent issuance.

Capital Programs Are Reprioritized Mid-Cycle

Utilities defer, phase, or cancel approved investments — creating execution risk that compounds with every delayed project.

Rate Strategies Come Under Pressure

Larger, faster rate increases arrive precisely when public and political resistance is highest.

FOUR CFO ACTIONS

01 Run what-if scenario analysis against real financial constraints — not plan-year assumptions.

02 Model how rate-generated revenue funds your capital program over time, surfacing shortfalls before they reach your rating.

03 Identify where financial pressure is building years ahead — not months.

04 Make the CIP defensible to your board, bond counsel, and rating agency with current data.

Decision-Making Becomes Reactive

Without a stress-tested capital plan, leadership makes consequential decisions under time pressure with incomplete information.

The CFO's exposure is not from a capital program that fails spectacularly — it is from one that cannot perform under changing conditions.

Sixty-five downgrades over five years is no longer a tail-risk story. With 78% of those utilities still below their prior rating, capital plan structure has become the variable rating agencies are pricing. The CFO actions in the sidebar are not theoretical — they are what separates the utilities that exit this cycle from the ones that don't.

About Invizion

Guy Barlow is President of Invizion, a purpose-built capital lifecycle management platform for water utilities. Invizion integrates CIP management, financial scenario modeling, funding source tracking, and capital funding gap analysis in a single unified system — enabling utilities to evaluate capital plan performance under real financial conditions and defend their decisions with confidence.

Guy Barlow

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