

**Rating Action: Moody's upgrades North St. Paul, MN's electric revenue rating to A2**

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19 Nov 2020

New York, November 19, 2020 -- Moody's Investors Service upgrades the City of North St. Paul, MN's electric revenue rating to A2 from A3. The A2 rating applies to about \$750,000 of senior lien electric revenue debt. The positive outlook has been removed.

**RATINGS RATIONALE**

The upgrade to A2 reflects materially improved liquidity and debt service coverage following recent rate increases and reduced support provided by the system to other city funds. The electric enterprise benefits from a stable customer base and unlimited local rate setting authority. Following recent increases, electric rates are just slightly above average. The system has some exposure to generation risks as a member of the Minnesota Municipal Power Agency (MMPA; A1 stable).

**RATING OUTLOOK**

The positive outlook has been removed in conjunction with the upgrade as no further rating movement is anticipated. Outlooks are not typically assigned to local governments with this amount of debt.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING**

- Material and sustained growth in the customer base and service area
- Continued improvement in debt service coverage and liquidity

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING**

- Narrowing of liquidity or debt service coverage
- Contraction in the customer base or service area

**LEGAL SECURITY**

The electric revenue debt is secured by a first lien on the net revenues of the electric system.

**PROFILE**

North St. Paul Electric Enterprise is an enterprise of the City of North St. Paul that provides electric distribution to approximately 5,700 residential customers and more than 500 commercial customers within the city and it also provides service to small portions of neighboring communities. The utility purchases its power through a take or pay contract with MMPA that expires in 2050. The physical plant consists of one substation with a power transformer rated at 47 MW, which serves four primary circuits. In September 2009, the city, in conjunction with the MMPA, installed a 160-kW wind turbine which is connected directly to the city's distribution system. MMPA's generation assets primarily consist of renewable energy and natural gas fired plants with zero coal exposure.

**METHODOLOGY**

The principal methodology used in this rating was US Public Power Electric Utilities with Generation Ownership Exposure Methodology published in August 2019 and available at [https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_1170209](https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1170209) . Alternatively, please see the Rating Methodologies page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

**REGULATORY DISCLOSURES**

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections

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