MOODY'S
RATINGS

Rating Action: Moody's Ratings downgrades Chester Water Authority, PA to Aa3 from Aa2, rating remains on review for downgrade

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New York, June 03, 2025 -- Moody's Ratings (Moody's) has downgraded Chester Water Authority, PA's water revenue bonds to Aa3 from Aa2. The rating remains on review for further downgrade. The authority has about $79 million of debt outstanding.

The downgrade is driven by two broad factors: first is the decline in debt service coverage and liquidity caused by a contraction in usage by a major wholesale customer; it will require several years of rate increases for the authority to build its cash position to a level more comparable with peers. Second is the ongoing uncertainty surrounding the bankrupt City of Chester, PA's attempt to seize and monetize the authority's assets, as reference in the city's filed Plan of Adjustment.

RATINGS RATIONALE/ FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Chester Water Authority's Aa3 rating reflects its service area consisting of a wealthy region in suburban Philadelphia, including a diverse set of wholesale customers. Debt is very low at just 1.3x revenues. The CWA's debt service coverage (1.35x in 2023) and liquidity (days cash on hand 164) are weak compared to most highly rated peers, particularly after a difficult year in 2023 following the contraction of a major wholesale customer, but the authority has begun raising rates more aggressively and is likely to improve going forward.

The rating also captures some of the risks and uncertainty surrounding the bankrupt City of Chester's attempt to seize and monetize the authority's assets. The Supreme Court of Pennsylvania is currently considering this case. Depending how this unfolds, it could have dramatic consequences for the authority's rating. The longer this litigation drags on, the greater the risk CWA faces from potential market access limitations and other challenges relating to this controversy. The most drastic scenario would be one in which the City of Chester assumes the authority's debt, even temporarily. In that event, the rating on the authority's bonds could be downgraded many notches.

PROFILE

The Chester Water Authority provides drinking water to about 200,000 people in suburban Philadelphia.

METHODOLOGY

The principal methodology used in these ratings was US Municipal Utility Revenue Debt published in March 2024 and available at https://ratings.moodys.com/rmc-documents/416489. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

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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.

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