

Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of Arizona Power Authority

14 Dec 2021

New York, December 14, 2021 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of Arizona Power Authority and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review discussion held on 1 December 2021 in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key rating considerations are summarized below.

Arizona Power Authority's Aa1 rating reflects the diverse group of 63 wholesale customers that are mandated to pay for all of APA's operating and capital costs under take-or-pay contracts that expire in 2067. APA's customer composition is anchored by Arizona-based Salt River Agricultural Improvement and Power District (SRP, Aa1) and Central Arizona Water Conservation District (CAWCD, Aa2), which compose approximately 50% of the authority's take-or-pay demand allocation obligation, and generally the same amount of APA's annual energy output. The authority has a strategic position as the sole entity responsible for acquiring and marketing Arizona's allocation of power generated from the Hoover Dam (Hoover Power), in addition to the low cost structure that results from the Hoover Dam's unique hydroelectric system, which resulted in an all-in power cost of \$28.47/MWh in 2021. The rating also reflects an adjusted debt ratio of 86.5% and 108 adjusted days liquidity on hand as of FY 2020.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was US Public Power Electric Utilities with Generation Ownership Exposure Methodology published in August 2019. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

This announcement applies only to EU rated, UK rated, EU endorsed and UK endorsed ratings. Non EU rated, non UK rated, non EU endorsed and non UK endorsed ratings may be referenced above to the extent necessary, if they are part of the same analytical unit.

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Gayle Podurgiel
Lead Analyst
Project Finance
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Kurt Krummenacker
MANAGING DIRECTOR
Project Finance
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653



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