

Research Update:

Brownsville Public Utilities Board, TX Series 2025 Utility System Revenue Bonds Assigned 'A-' Rating; Outlook Stable

September 23, 2025

Overview

- S&P Global Ratings assigned its 'A-' long-term rating to [Brownsville](#), Texas' \$60.9 million series 2025 utility system revenue refunding bonds on behalf of the Brownsville Public Utilities Board (BPUB or the board).
- We also affirmed the 'A-' long-term rating and underlying rating (SPUR) on Brownsville's parity utility system revenue debt.
- The outlooks are stable.

Rationale

Security

The series 2025 bonds will refund certain portions of the existing series 2015 bonds and certain outstanding commercial paper notes, and are secured by a pledge of net revenue including electric, water, and sewer system revenue. Electric revenue comprises the majority of net revenue, therefore the bonds are rated under our criteria: "[U.S. Municipal Retail Electric And Gas Utilities](#)," Sept. 27, 2018. As of fiscal year-end 2024, BPUB had \$254 million of outstanding senior-lien obligations and \$410,000 of unrated junior-lien bonds. Brownsville maintains a \$100 million commercial paper (CP) program, which can be issued as taxable or tax exempt, and be used to support capital and operational financing or short-term liquidity needs. Brownsville had \$70 million in undrawn CP as of fiscal 2024, which we include as available and unrestricted liquidity in our analysis. The CP is supported by an irrevocable letter of credit (Bank of America; expires Sept. 22, 2028), which exceeds the maximum program amount of the CP.

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Credit highlights

Underpinning BPUB's credit quality are the utility's solid financial metrics, with its fixed charge coverage (FCC) averaging 2x between fiscal years 2022 and 2024. This was supported by frequent review and utilization of base rate increases and its discretionary purchased cost adjustment (PCA) that passes energy cost fluctuations to over 54,000 electric customers (water and wastewater customers are 55,000 and 56,000 respectively).

We note that the board's current power portfolio in terms of capacity is slightly below peak demand, and two of its units had extended unplanned outages in fiscal 2025, increasing the utility's reliance on purchases from the Electric Reliability Council of Texas (ERCOT) and liquidity draws. In fiscal 2024, BPUB experienced an all-time peak demand of 317 megawatts (MW), surpassing its previous assumptions and its available capability of 311 MW. In early calendar 2025, BPUB experienced a failure of peaking unit 6 (20 MW), which has been offline since then. The board is currently finalizing its integrated resource plan (IRP), which will guide its progress toward procuring additional energy, either through owned generation or purchase power agreements (PPAs). We will continue to surveil for further unexpected peak demand growth, unplanned outages, or delayed procurement of energy, which could temper our opinion of the board's flexibility to meet unbudgeted power costs. Nonetheless, after large unbudgeted costs from winter storm Uri, we believe BPUB has shown continued efforts to weatherize its assets and hedge natural gas (although short term, at 12 months or less), which should provide some financial protection against volatile natural gas prices.

In our opinion BPUB's strengths include its:

- Largely residential and very diverse customer base, which has been consistently expanding.
- Robust FCC in recent years, although we note some historical volatility over the long term.
- Robust financial management and planning, including producing long-range forecasts and capital plans, and a reserve policy. Actual results tend to outperform projections, pointing to use of conservative assumptions.
- The utility had over \$110 million, or 200-days' cash of operating expenses in fiscal 2024 when considering available unrestricted reserves and undrawn available CP. We view this liquidity as sufficient to meet moderate short-term price spikes from the ERCOT market. The board also has over \$130 million of restricted reserves that management states can be made available for various contingencies.

Offsetting these credit strengths include our opinion of BPUB's:

- Thin resource adequacy against the backdrop of recent and forecast peak demand, which could result in unbudgeted power costs that erode coverage and liquidity.
- Moderately large five-year capital plan at nearly \$300 million. This does not include the potentially large capital outlay required for additional generation in accordance with the IRP.
- Below-average income indicators and a local unemployment rate that has tracked above the national rate.
- Elevated rates at 117% of the state average in 2023, per data from the U.S. Energy Information Administration, which could constrain BPUB's ability to recover revenue sufficient to finance its capital plan.

Environmental, social, and governance

In our view, BPUB and many other Texas utilities face greater environmental risk than other utilities nationally. Given wide fluctuations in temperatures--both hot and cold--in its territory, the utility, along with many of its Texas-based peers, faces acute and chronic environmental physical risks related to extreme weather. We consider this risk moderately negative in our credit rating analysis but note BPUB's efforts to weatherize its assets, including the pole inspection and replacement program, new insulator pole-top poles, substation repairs, circuit breaker replacements, and direct buried cable replacements.

In our view, governance risk remains elevated because BPUB operates in the ERCOT market, which requires it to maintain stronger levels of liquidity, proactive planning, hedging, and financial flexibility, which come at a cost, versus utilities in other regions where these risks are lower.

We believe BPUB's exposure to social factors could present elevated risk given below-average income indicators in its operating area and weighted average revenue per kilowatt-hour as a percentage that is above the state average; BPUB has used rate stabilization funds to manage affordability. We note, however, that delinquencies are modest with only about 2% of revenue more than 60 days delayed. We continue to monitor the strength and stability of electric utilities' revenue streams given inflationary pressures on electricity prices (which have outpaced the broader consumer price index inflation rate), reflecting higher operating and debt costs due to investments in emissions reduction, load growth, and climate resilience. We anticipate that substantial and sweeping tariffs could also pressure electricity prices as utilities source costlier materials and components critical to the sector's build cycle. This, coupled with the high degree of unpredictability around federal policy, the economy's stressors, and the associated financial pressures consumers are facing--including diminished consumer confidence and expectations of rising inflation and unemployment--might make it more difficult for rate-setting bodies to harmonize the interests of utilities, their customers, and their investors, which could negatively affect utilities' financial metrics (see: "[Economic Outlook U.S. Q3 2025: Policy Uncertainty Limits Growth](#)," June 24, 2025).

Outlook

The stable outlook reflects our opinion that the board will continue to adjust rates as necessary to produce coverage in line with historical trends and likely outperform projections. The maintenance of a PCA and a liquidity reserve target further supports our opinion that financial performance will remain consistent and commensurate with the rating.

Downside scenario

We could lower the rating if actual peak summer or winter demand exceeds projections or unplanned outages exacerbate market exposure, and this results in materially higher unbudgeted power or fuel costs, reduced liquidity, and/or FCC. Furthermore, we could lower the rating if unrestricted liquidity is drawn down materially due to operational disruption or unbudgeted power supply costs.

Upside scenario

We are unlikely to raise the rating until we see a consistent trend of generation performance that creates a positive margin between available capacity and peak demand and lowers exposure to the ERCOT market. Additionally, we are unlikely to raise the rating until we receive greater clarity on the IRP, its timing, and funding plans.

Brownsville Public Utilities Board, Texas--key credit metrics

	--Fiscal year ended Sept. 30--		
	2024	2023	2022
Operational metrics			
Electric customer accounts	54,122	53,138	52,410
% of electric retail revenues from residential customers	45	46	46
Top 10 electric customers' revenues as % of total electric operating revenue	15	13	13
Service area median household effective buying income as % of U.S.	71	66	67
Weighted average retail electric rate as % of state	N.A.	117	102
Financial metrics			
Gross revenues (\$000s)	247,458	285,026	271,544
Total operating expenses less depreciation and amortization (\$000s)	176,347	195,307	186,017
Debt service (\$000s)	28,021	29,607	28,145
Debt service coverage (x)	2.5	3.0	3.0
Fixed-charge coverage (x)	1.8	2.1	2.0
Total available liquidity (\$000s)*	40,047	29,593	41,388
Days' liquidity	78	52	76
Total on-balance-sheet debt (\$000s)	328,661	321,181	344,477
Debt-to-capitalization (%)	40	40	43

*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). N.A.--Not available.

Ratings List

New Issue Ratings

US\$60.855 mil util sys rev rfdg bnds ser 2025 dtd 09/15/2025 due 09/01/2055

Long Term Rating A-/Stable

Ratings Affirmed

Public Power

Brownsville, TX Water, Sewer and 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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