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Liberty Utilities Co.'s Proposed Senior Unsecured Notes Rated 'BBB'

TORONTO (S&P Global Ratings) Jan. 11, 2024--S&P Global Ratings today assigned its 'BBB' issue-level rating to Liberty Utilities Co.'s (LuCo) proposed senior unsecured notes. The company intends to use the net proceeds from these proposed notes to repay debt and for general corporate purposes.

LuCo owns electric (about 60% of rate base), water and waste water (about 20% of rate base), and natural gas (about 20% of rate base) regulated utilities in 13 different U.S. states. The company's operations are mainly concentrated in Missouri (about 45% of rate base), California, New Hampshire, and New York (each about 10% of rate base). LuCo is a subsidiary of Algonquin Power & Utilities Corp. (APUC) and represents about 75% of its parent's consolidated EBITDA.

We rate the unsecured notes in line with our issuer credit rating on LuCo because the priority debt at its utility subsidiaries accounts for considerably less than 50% of its total debt.

The stable outlook on LuCo mirrors our stable outlook on its parent APUC. The stable outlook on APUC and its regulated utility subsidiaries reflects our expectation that the company will sell its higher-risk renewable businesses, reducing business risk, but that financial measures will weaken because of expected share repurchases. At year-end 2022 APUC's fund from operations (FFO) to debt was at 14.7%, but we expect financial measures will weaken to 11%-13% through 2026.

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), March 2, 2022
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [Criteria | Corporates | Industrials: Key Credit Factors For The Unregulated Power And Gas Industry](#), March 28, 2014
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [Criteria | Corporates | General: Corporate Methodology](#), Nov. 19, 2013
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property](#), Feb. 14, 2013
- [General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Nov. 13, 2012
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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