



NON-RATING ACTION COMMENTARY

NA Availability Payment PPP Ratings Unaffected by Coronavirus

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Fitch Ratings-Chicago-24 March 2020: Fitch Ratings does not expect the coronavirus pandemic to result in a significant number of immediate rating actions on Fitch-rated North American (NA) availability payment (AP) public-private partnership (PPP) projects. Projects include roads, light rail systems, energy facilities, fiber optic networks, desalination projects and other public infrastructure assets.

Fitch rates the following projects under the AP Criteria in North America:

- Purple Line Light Rail Transit
- Kentucky Wired
- Portsmouth Bypass Project
- Ohio River Bridges East End Crossing
- Poseidon Resources LLC (Carlsbad Desalination Plant)
- Nouvelle Autoroute A30
- NYNJ Link (Goethals Bridge)
- Denver FasTracks Eagle P3 Light Rail
- LAX Automated People Mover
- Desert Research Institute, Nevada University & Community College System (NV)
- Philadelphia Project Finance Inc. (PA) (Synagro-Philadelphia)

Unlike demand-based projects, which are significantly more sensitive to large changes in traffic volume, revenue streams for AP projects primarily receive payments from a strong grantor, typically highly rated public sector authorities; payments are based on the availability of project facilities, subject to performance deductions, with performance requirements specified in the project agreement. Additionally, many projects feature supplemental reserves, third-party guarantees, financial hedges, and other structural enhancements that mitigate potential cash flow volatility.

In subsequent weeks, Fitch will review those projects exposed to less-immediate risks potentially heightened by the coronavirus pandemic such as near-term refinancing risk, completion risk, and uncompensated claims of force majeure by contract counterparties. These risks are limited to a small portion of Fitch's rated AP project portfolio, and typically are substantially mitigated through external support in the form of satisfactory security packages, and in some cases, parent company guarantees. However, the potential impacts of the pandemic may alter expectations sufficiently to warrant rating action.

Some AP project ratings are capped by the ratings of their revenue counterparties or the credit quality of the project's contractor(s). Such projects may continue to perform as expected and otherwise may not indicate diminished credit quality; however, negative rating action on relevant counterparties could result in similar rating action on affected AP projects depending on the severity of the counterparty rating action and whether the counterparty represents a rating constraint. Dependent rating action will be taken as soon as possible following any counterparty rating action.

The eventual impacts of the Coronavirus pandemic may differ from current expectations, and will shape Fitch's views of appropriate case stresses to be applied to all rated AP projects on an ongoing basis. Fitch will take rating action as soon as possible when evolving views warrant re-visiting any AP project ratings.

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