

**Sale-level Detail: Water and Sewer System (Variable Rate Demand) First Lien Revenue Refunding Bonds, Series B-1 of 2008**

Export

Sale ID:	821001283	Issuer:	Pittsburgh Water & Sewer Authority, PA
Security:	Revenue	Obligor:	Pittsburgh Water & Sewer Authority, PA
Primary Purpose:	WATER/SEWER	Analyst:	John Medina
Support:	Yes		
Sale Type:	PFB DVR		
Rating Office:	New York		

**Sale-Level History Rating Detail**

Rating Type	Rating	Rating Action	Rating Date	Watch Status
Underlying	A1	Change in Scale	23 Apr 2010	Not on Watch
Enhanced	Aa2	DOWNGRADED	21 Sep 2010	Not on Watch
	VMIG 1	RATING AFFIRMATION	21 Nov 2008	Not on Watch
Insured	WR	WITHDRAWN	26 Oct 2009	

Rating date	Rating	Rating Type	Action
21 Sep 2010		Aa2	Enhanced
01 Sep 2010		Aaa	Enhanced
23 Apr 2010		Aaa	Enhanced

DOWNGRADED  
Possible Downgrade  
Change in Scale

**Sale-level Detail: Water and Sewer System (Variable Rate Demand) First Lien Revenue Refunding Bonds, Series B-2 of 2008**

Export

Sale ID:	821799186	Issuer:	Pittsburgh Water & Sewer Authority, PA
Security:	Revenue	Obligor:	Pittsburgh Water & Sewer Authority, PA
Primary Purpose:	WATER/SEWER	Analyst:	John Medina
Support:	Yes		
Sale Type:	PFB DVR		
Rating Office:	New York		

**Sale-Level History Rating Detail**

Rating Type	Rating	Rating Action	Rating Date	Watch Status
Underlying	A1	Change in Scale	23 Apr 2010	Not on Watch
Enhanced	Aa3	DOWNGRADED	21 Sep 2010	Possible Downgrade, 21 Sep 2010
	VMIG 1	NEW	22 Oct 2009	Possible Downgrade

Rating date	Rating	Rating Type	Action
21 Sep 2010		Aa3	Enhanced
21 Sep 2010		Aa3	Enhanced
28 Jul 2010		Aaa	Enhanced
23 Apr 2010		Aaa	Enhanced

Possible Downgrade  
DOWNGRADED  
Possible Downgrade  
Change in Scale

**Rating Action: Moody's downgrades jointly supported LOC-backed U.S. municipal debt; 643 ratings and \$37 billion of debt affected**

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**Global Credit Research - 21 Sep 2010**

New York, September 21, 2010 -- Moody's Investors Service has downgraded the long-term ratings of 642 letter of credit (LOC)-backed U.S. municipal debt obligations. Of these, 511 were downgraded by one notch, 98 by two notches, and 33 by three notches. One rating was confirmed. None of the bonds' short-term ratings were affected. A full list of ratings affected is available on Moody's website at [http://v3.moody.com/viewresearchdoc.aspx?docid=PBM\\_PBM127608](http://v3.moody.com/viewresearchdoc.aspx?docid=PBM_PBM127608).

**RATINGS RATIONALE**

The rating actions are in connection with a review initiated on September 1 when Moody's announced an update to its methodology for the way it rates jointly supported LOC-backed debt. The downgrades do not affect the underlying ratings of the affected transactions' obligors and they do not reflect the rating agency's opinion of the obligors' credit quality.

Moody's updated methodology extends the joint default analysis (or JDA) used to rate other sectors to LOC-backed debt. JDA looks at the probability of default of the obligor and of the bank providing the letter of credit, and the default dependence between the two entities. The approach recognizes the potential benefit of dual support and, as such, transactions may achieve a long-term rating that is higher than that of either the obligor or the LOC bank by up to two notches.

The JDA approach is only applicable where a Moody's rated obligor and LOC provider are equally obligated to pay principal and interest when due and the provisions of the transaction document support such structure. As such, the JDA approach is applied to less than 18% of the number of Moody's rated LOC backed transactions in the public finance sector.

The new approach applies Moody's four-year global idealized default rates in the determination of the standalone credit risk of the obligor and the LOC bank. These default rates correspond to both entities' global scale ratings and are consistent with the rates used in applying JDA in other sectors.

The updated methodology also introduces an enhanced framework for determining default dependence. The recent economic cycle has demonstrated the increased interconnectedness between the banking sector and obligors in the U.S. municipal market, particularly those obligors with variable rate debt.

The ratings on 243 transactions put under review for downgrade on September 1 in connection with the release of the updated methodology continue to be under review.

In addition, of the 642 transactions downgraded, the ratings of 102 transactions will remain under review for further possible downgrade. The current ratings for these transactions reflect the application of the updated methodology. The ongoing reviews are prompted by the fact that the LOC providers or the obligors of the transactions are currently under review for downgrade.

In addition, certain transactions supported by California Public Employees' Retirement System (CalPERS) or California State Teachers' Retirement System (CalSTRS) Credit Enhancement Programs were placed under review on December 10, 2009, when those programs were downgraded to Aa3. Moody's undertook a review of the default dependence on state and local California municipal debt transactions that were supported by LOCs provided by CalPERS or CalSTRS. Today's rating actions reflect the conclusion of the review for some of these transactions, as well as the application of the updated JDA methodology.

In the last three weeks, the ratings of an additional four transactions that had been placed under review for downgrade on September 1 were reviewed and rated based on the new JDA methodology in connection with letter of credit substitutions.

**Methodology**

The principal methodology used in rating these transactions is Applying Global Joint Default Analysis to Letter of Credit-Backed Transactions in the U.S. Public Finance Sector, published on September 1, 2010. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found on Moody's website.

**Rating Sensitivities**

As the long-term ratings on these transactions are determined in part by the probability of default of the LOC provider and the obligor, an upgrade or downgrade of the ratings of either or both of these entities could result in an upgrade or downgrade of the transactions' ratings. Likewise, as the default dependence between the LOC provider and the obligor is another important input into the rating, a decrease in default dependence could result in an upgrade, and an increase could result in a downgrade.

**REGULATORY DISCLOSURES**

Information sources used to prepare the credit rating are the following: parties involved in the ratings and public information.

Moody's Investors Service considers the quality of information available on the issuer or obligation satisfactory for the purposes of maintaining a credit rating.

\* \* \* \* \*

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