

# Rating Agency Outlook for Public Power

---

Camila Yochikawa, Assistant Vice President – Analyst, Global Project & Infrastructure Finance, Moody's Ratings

David Bodek, Managing Director, S&P Global Ratings

Dennis Pidherny, Managing Director, Public Utilities, Fitch Ratings







# Outlook for US Public Power

**Florida Municipal Electric Association**  
**July 2025**



# Agenda

- 1 US Public Utilities Rated Universe**
- 2 Sector Outlook**
- 3 What We Are Watching**

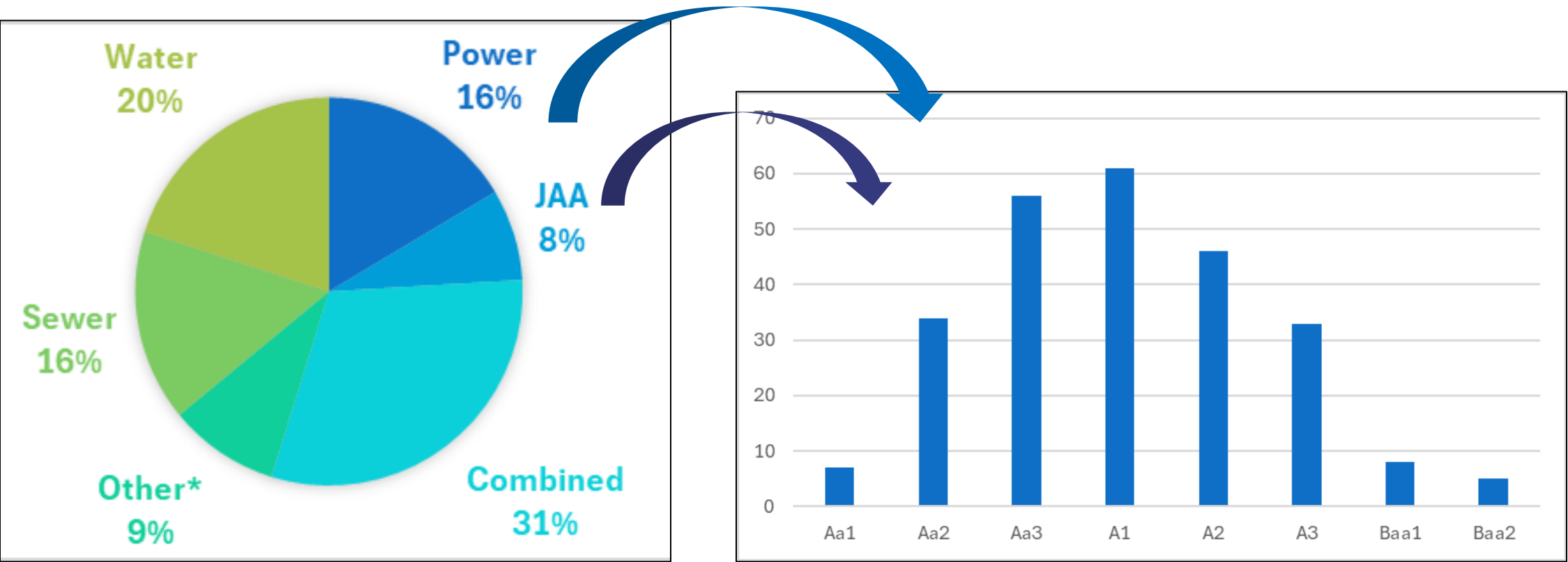


# 1 - US Public Utilities Rated Universe



# Moody's rates > 1,000 US Public Utilities

A1 median rating for public power and joint action agencies



\*Other includes G&T Cooperatives and Gas, Solid Waste, and Stormwater Utilities



## 2 – Sector Outlook



# US public power outlook is stable

2024 outlook stable on the sector's ability and willingness to raise rates, healthy liquidity and debt to manage higher capital spending

## Negative

### What could change outlook to negative

- » Median FOCC ratio of the 30 largest generators declines to around 1.50x
- » Inflationary pressures and higher natural gas and power costs imperil timely cost recovery, strain liquidity and weaken the sectors willingness to raise rates.

## Stable

### Drivers of a stable outlook

- » For the 30 largest utilities that own generation by debt outstanding, median FOCC to remain at around 1.7x and 210 days cash on hand
- » Willingness to raise rates as needed and rely on strong liquidity to manage higher CAPEX

## Positive

### What could change outlook to positive

- » Rate increases and stabilizing fuel and power purchase costs contribute to an improvement in liquidity and a rise in the median FOCC ratio for the 30 largest generators to above 2.0x

*The stable sector outlook reflects our view of credit fundamentals in the US public power sector over the next 12 to 18 months. Sector outlooks are distinct from rating outlooks, which, in addition to sector dynamics, also reflect issuer's specific characteristics and actions.*

*A sector outlook does not represent a sum of upgrades, downgrades or ratings under review, or an average of rating outlooks.*



# Credit challenges facing the US power sector

- Higher load growth to increase near-term spending on market power purchases and investments in new generation capacity and system reliability
  - Transmission projects and new dispatchable natural gas-fired assets to support growing intermittent renewable generation in the grid
- Load growth will drive higher operating costs, capital spending and debt
  - Inflationary environment, supply chain challenges, labor
  - Increased competition for resources, delays in interconnection
- Extreme weather events to remain a threat to reliability
- Affordability concerns could challenge continued willingness to increase rates
  - Concerns around affordability have been mitigated in part by meaningful reduction in natural gas prices and have provided an opportunity for base rate increases without severe customer and regulatory pushback
  - FERC approved PJM's proposal for a capacity price cap of \$325/MW-day to address affordability concerns and stabilize upcoming auction prices



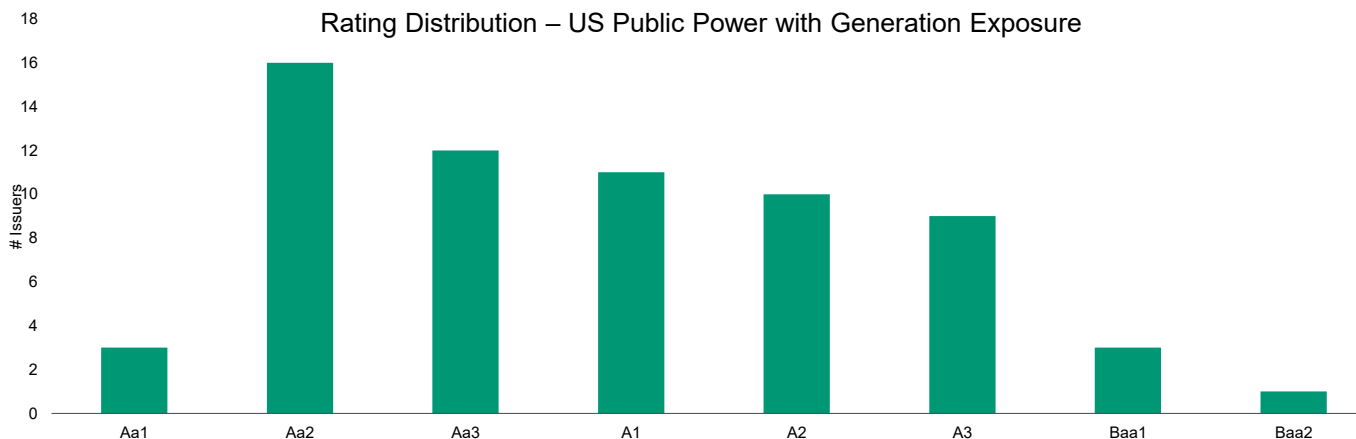
# Attributes supporting sector's sound credit profile

→ **Attributes supporting the sector's credit quality include:**

- Service area monopoly
- Ability to raise rates without requiring regulatory approvals
- Willingness of management to raise rates when needed
- Long term amortizing debt
- Sound and stable coverage metrics, and strong internal liquidity

	Median days cash on hand (DCOH)	Median fixed obligation charge coverage (FOCC)
2025 estimated	210	1.7 x
2024 estimated	221	1.7 x
2023	219	2.0 x
2022	185	1.9 x
2021	210	2.0 x
2020	229	1.7 x

→ **Median sector rating is A1 with around 75% of public power issuers falling in the mid-A to mid-Aa rating range**



Source: Moody's Ratings

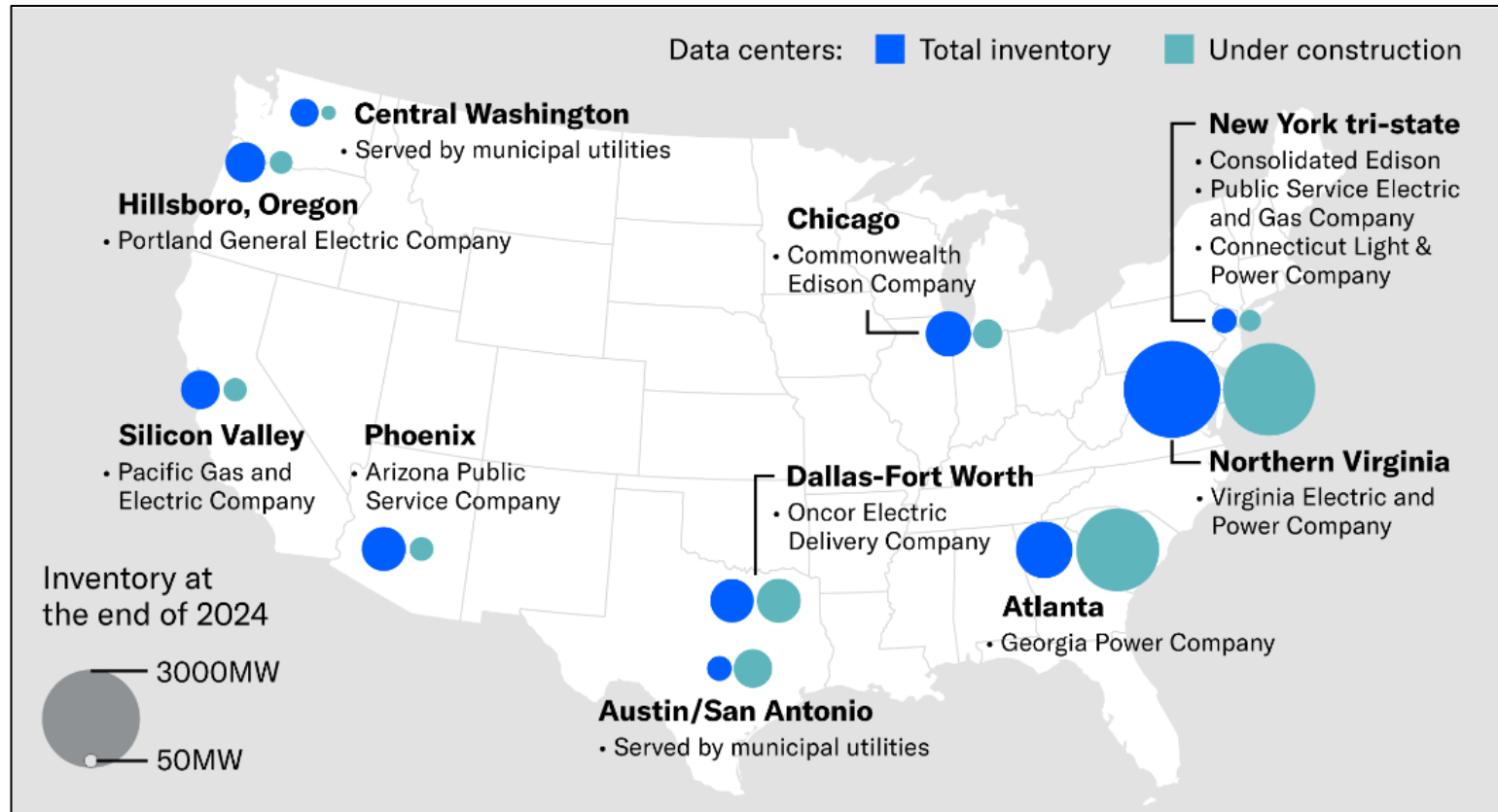


# 3 – What We Are Watching



# Data Centers: Significant Growth Underway

Managing overbuild risk is critical as utilities accelerate grid upgrades to support the surging energy needs of data centers



Source: CBRE North America Data Center Trends H2 2024 and Moody's Ratings:



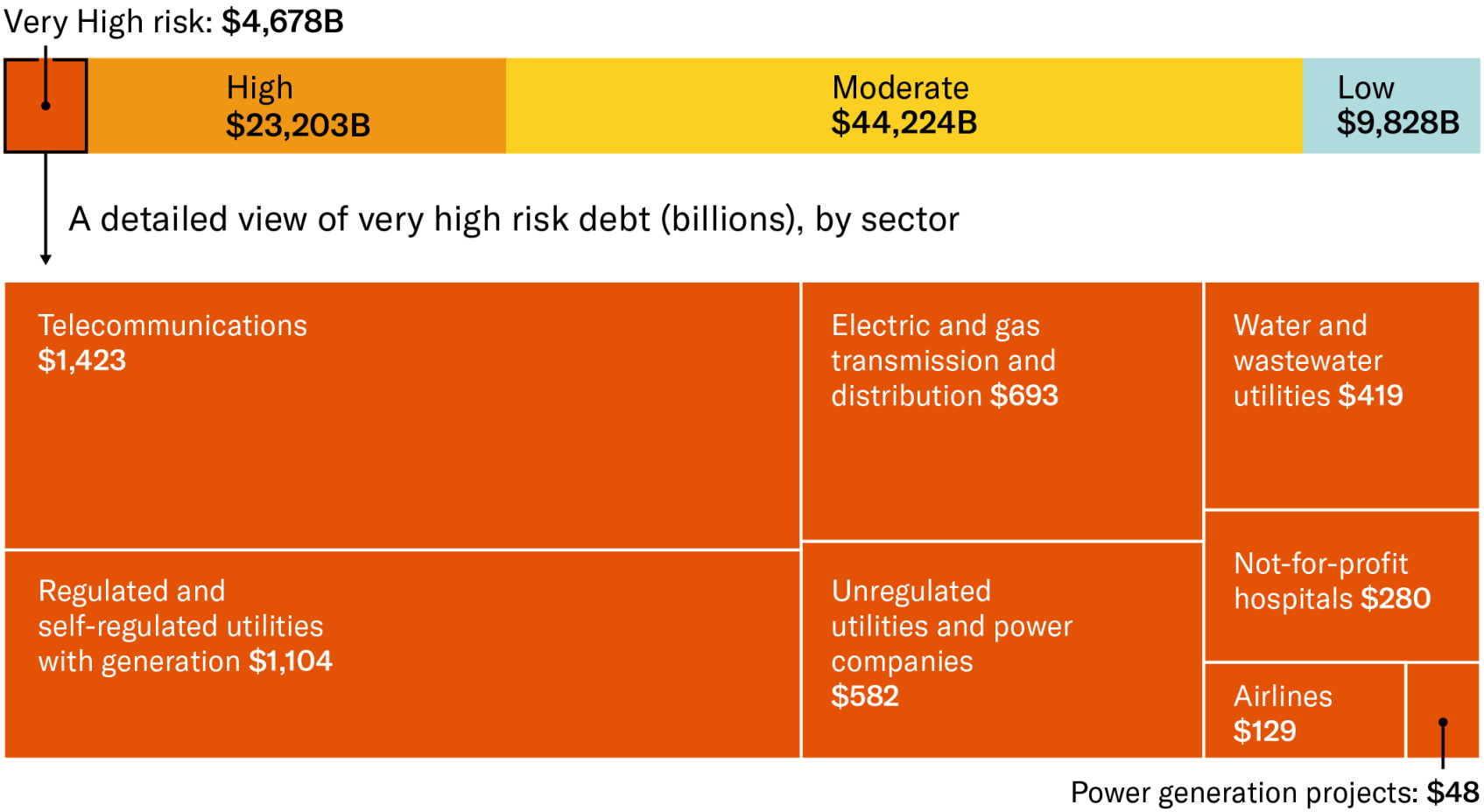
# Nuclear Energy Renaissance

**Despite growing interest and support, the costs and complexity of construction are significant**

- **Strategic Role:** Nuclear is a key low-carbon, efficient baseload power source amid rising electricity demand. In 2024, the Department of Energy set targets to triple nuclear energy capacity by adding 200GW by 2050.
- **Construction Risk:** First-of-a-kind reactors face delays and cost overruns; policy support is crucial for growth.
- **SMRs:** Small Modular Reactors offer flexible, clean energy options for hard-to-decarbonize sectors like shipping.
- **Public Perception:** Advancements and safety records may ease public concerns over time.
- ***Nuclear plants in the news include:***
  - Vogtle Units 3 and 4 (GA)
  - Crane Clean Energy Center (Formerly Three Mile Island Unit 1) (PA)
  - Clinton Clean Energy Center (IL)
  - Palisades Nuclear Plant (MI)
  - Numerous plans for small modular reactors (SMRs)



# Public Power Utilities face Very High cyber risk





# Thank you

## **Camila Yochikawa**

Assistant Vice President - Analyst  
Global Project and Infrastructure Finance Group  
(212) 553-6085  
[camila.yochikawa@moodys.com](mailto:camila.yochikawa@moodys.com)



© 2025 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of

such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [ir.moody.com](http://ir.moody.com) under the heading "Investor Relations — Corporate Governance — Charter and Governance Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Clasificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions and Net Zero Assessments (as defined in Moody's Ratings Rating Symbols and Definitions): Please note that neither a Second Party Opinion ("SPO") nor a Net Zero Assessment ("NZA") is a "credit rating". The issuance of SPOs and NZAs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs and NZAs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.



# U.S. Public Power Outlook: Climate Events, Inflation, and Capital Spending Pressures Underlie Negative Rating Trends



---

**S&P Global**  
Ratings



**David Bodek**

Managing Director and Sector Leader  
Public Power and Electric Cooperative Ratings  
S&P Global Ratings  
[david.bodek@spglobal.com](mailto:david.bodek@spglobal.com)

July 23, 2025

– Copyright © 2025 by S&P Global.  
All rights reserved.



## Public Power | Sector Outlook

### Negative

- Inflationary environment / Rate affordability / Constraints on ratemaking flexibility
- Costs of strengthening infrastructure to prevent and mitigate climate events (wildfires, polar vortices, heat, hurricanes, flooding, etc.)
- Costs of implementing environmental mandates (federal and state – where applicable)
- Costs of meeting load growth
- Exposures to potential climate event liability claims





## Public Power | Rating Actions as a Percent of the Rated Portfolio

2024:

- Upgrades
  - 3% of the rated portfolio
- Downgrades
  - 6% of the rated portfolio

2025 YTD:

- Upgrades
  - 1% of the rated portfolio
- Downgrades
  - 3% of the rated portfolio





## Public Power | Rated Florida Public Power Utilities' Exhibit Resilience

2024:

- Upgrades
  - 1
- Downgrades
  - 0

2025 YTD:

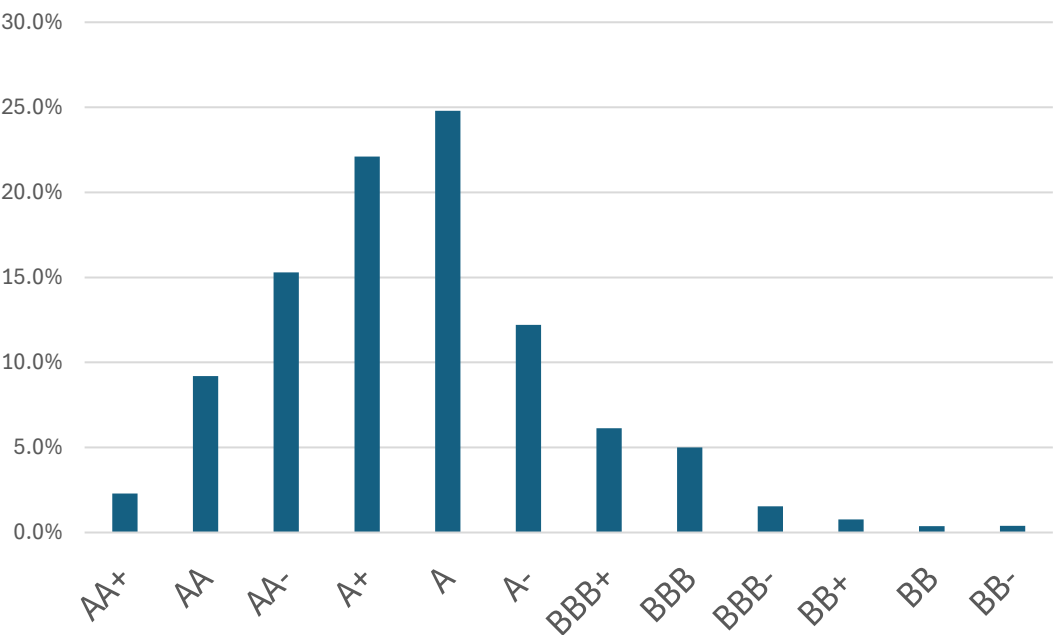
- Upgrades
  - 0
- Downgrades
  - 0



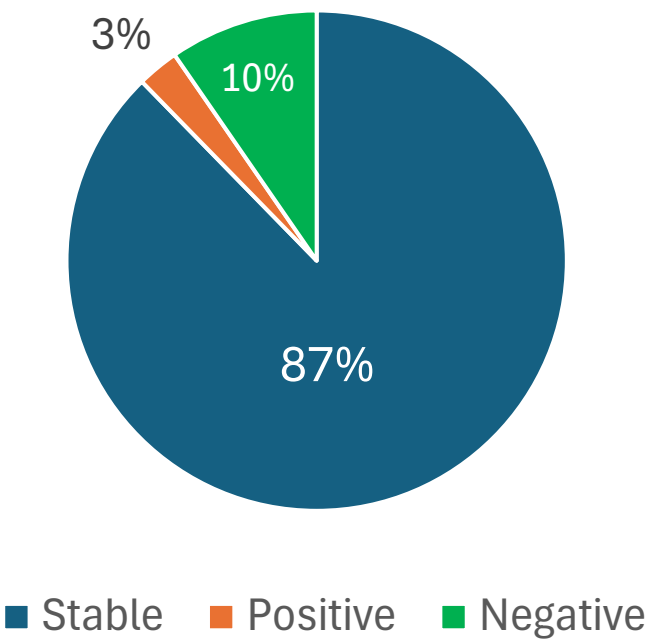


# Public Power | The Overall U.S. Public Power Ratings Distribution Remains Sound

Ratings Distribution - Not for Profit  
Public Power and Electric Cooperative  
Utilities

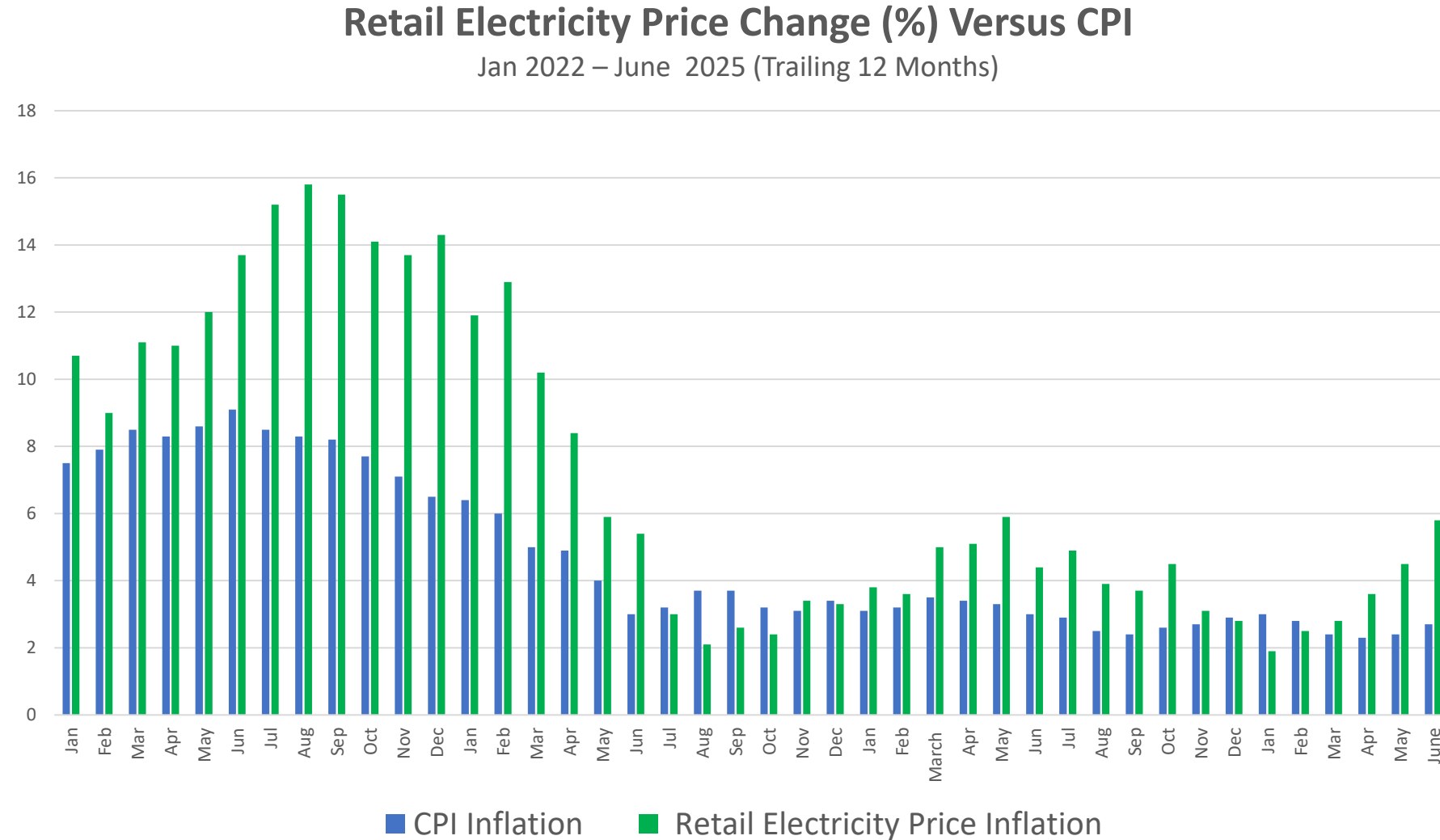


Rating Outlook Distribution





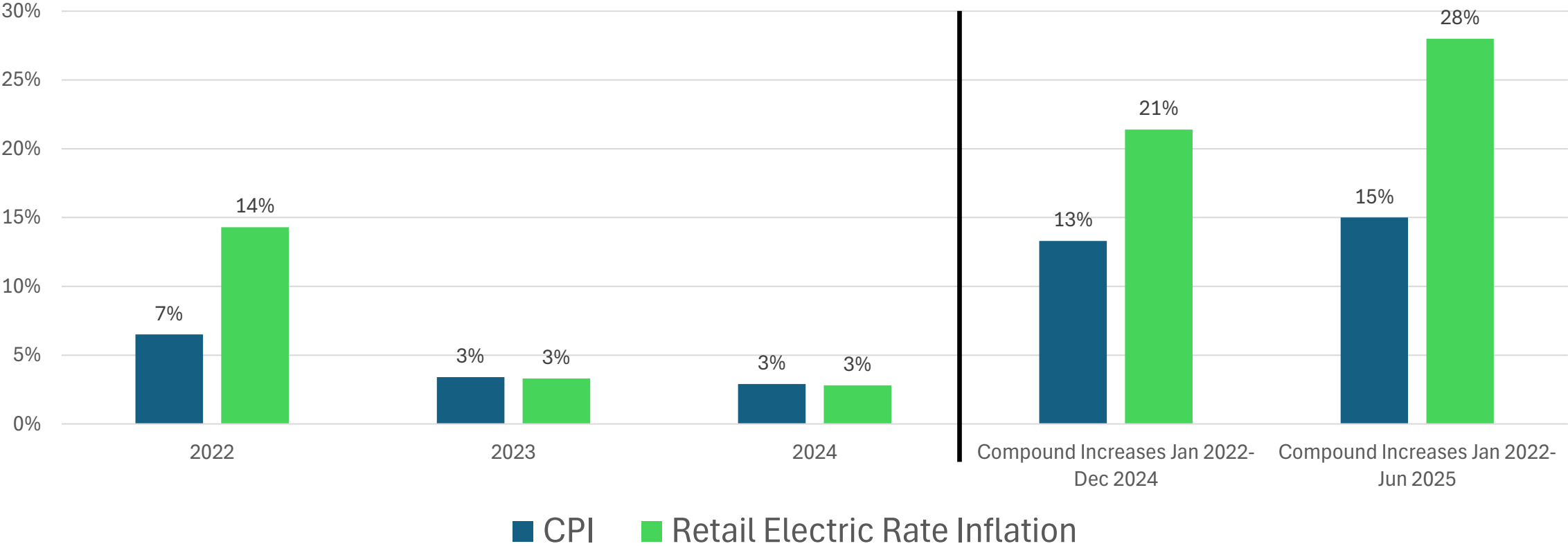
# Public Power | Inflationary Pressures are Eroding Ratemaking Flexibility: Retail Electric Rate Increases Outpace CPI Inflation





Public Power | **Multi-year Cumulative Effect:  
Compound Inflationary Increases in CPI vs Retail Electricity Rates**

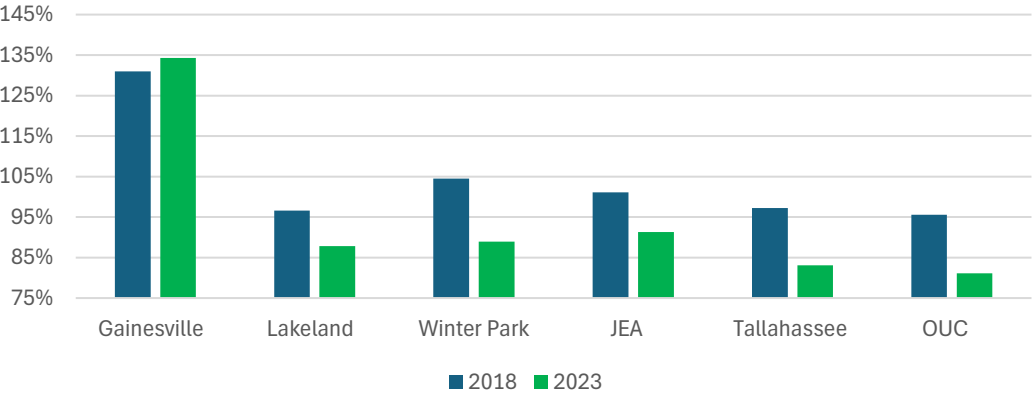
**Retail Electricity Prices Have Outpaced CPI and  
Diminish Ratemaking Flexibility**



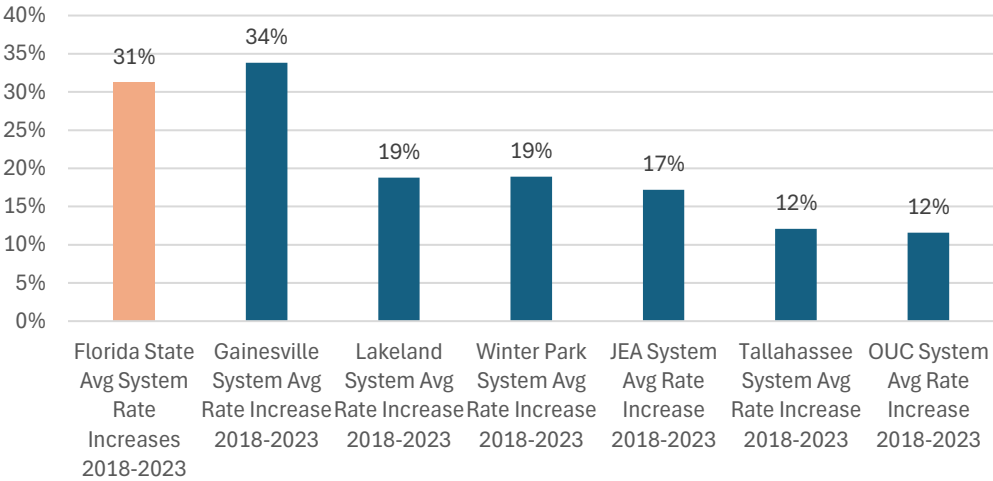


# Public Power | Examples of Florida Municipal Utilities Exhibiting Improving Relative Rate Competitiveness But Diminishing Affordability

Generally Improving Rate Comparability Versus the State's Average System Rate  
Masks Rate Increases and Consumer Affordability Pressures



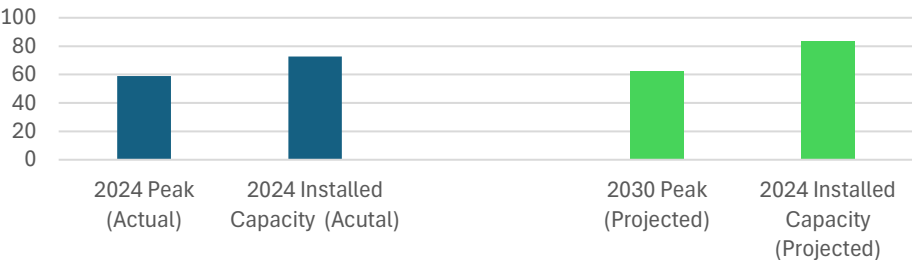
Five-Year Cumulative Increases in Select Florida Municipal Utilities' Electric Rates





# Public Power | Projected Florida Infrastructure Investments Could Exacerbate Affordability Pressures

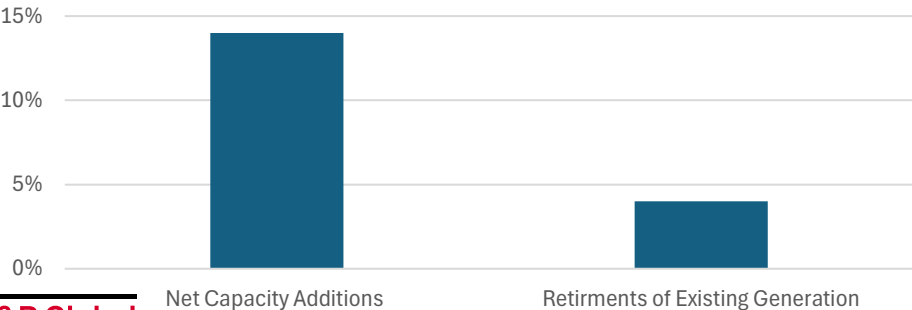
“SERC-FL” Peak Demand versus  
Installed Capacity  
Actual vs Projected  
(GW)



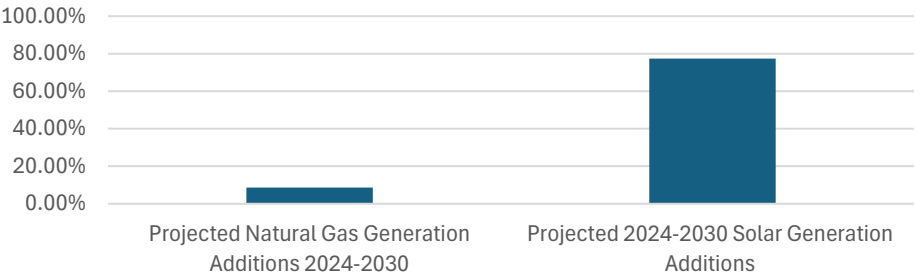
“SERC – FL” Reserve Margin  
Actual vs Projected  
(%)



“SERC-FL” Generation Plant Additions and  
Retirements  
2024-2030  
Versus Existing Installed Capacity

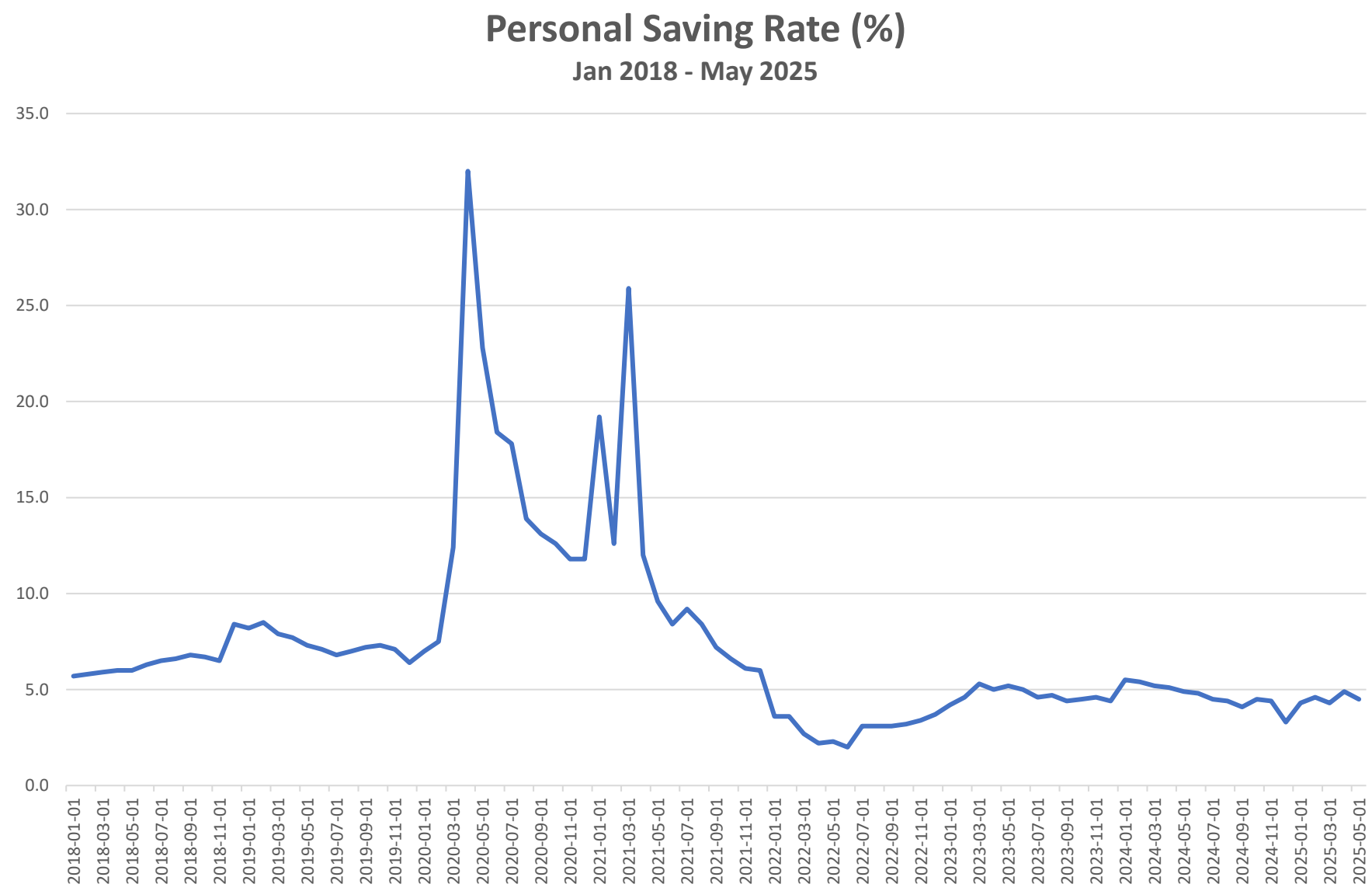


Solar Generation is Projected to Dominate  
“SERC-FL” Capacity Additions  
and the Removal of IRA Incentives Under the  
"One Big Beautiful Bill" Might Exacerbate  
Pressure on Consumers’ Retail Rates





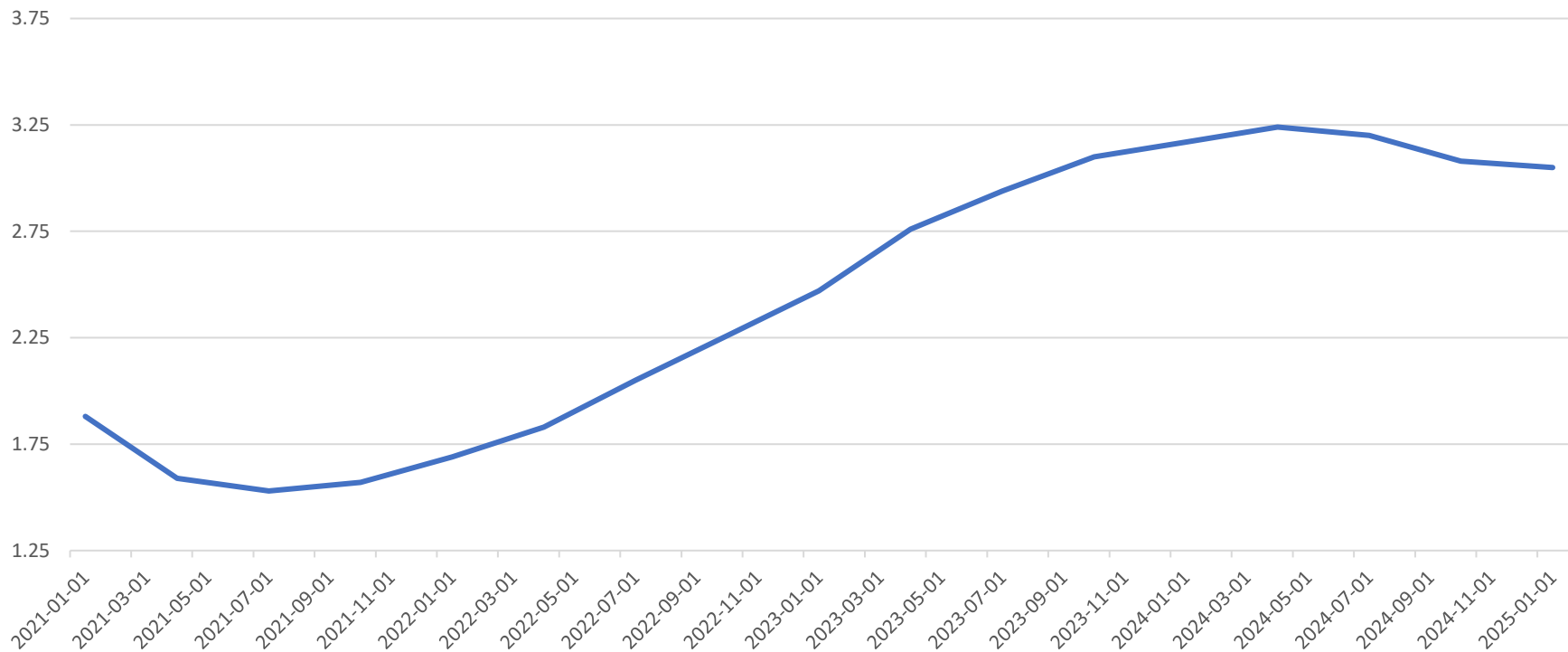
Public Power | **Affordability: The Personal Saving Rate Trails Pre-Pandemic Levels**





# Public Power | Affordability: Credit Card Delinquencies are at a 10-Year High

Elevated Credit Card Delinquencies (%) Reflect Consumers' Financial Strains  
Jan 2021 – Jan 2025





# Public Power | As Economic Pressures Increase, The Right to Exercise Autonomous Ratemaking Authority and a Willingness to Perpetuate Historical Financial Performance are Diverging





## Public Power | Profile of Downgraded Utilities (2024)

Median fixed charge coverage of  
utilities downgraded in 2024:

1.0x

Median days liquidity of utilities  
downgraded in 2024:

74

Median fixed charge coverage of  
rated not-for-profit retail electric  
portfolio:

1.5x

Median days liquidity of rated  
not-for-profit retail electric portfolio:

168



## Public Power | Profile of Downgraded Utilities (2024) – Smaller Utilities Tend to be Less Able to Absorb or Socialize Higher Costs than their Larger Counterparts

Median number of customers of  
utilities downgraded in 2024:

13,888

Median number of customers of  
rated retail not-for-profit electric  
utilities:

16,892

Average Number of Customers  
Among Rated Public Power Utilities:

90,600



# Public Power | Mounting Economic and Political Pressures are Likely to Compound Affordability Considerations

## LIHEAP

**AP** The Associated Press [+ Follow](#)

1.2M Followers

Trump administration fires staff of program that helps low-income households pay for heat

April 1, 2025

## Tariffs

THE WALL STREET JOURNAL.

### How Tariffs Could Shock America's Power System

Transformers used in power grids are especially vulnerable to trade disruptions

By Jinjoo Lee [Follow](#)

Feb. 20, 2025 7:00 am ET

## Legislation

The WHITE HOUSE

ARTICLES

### President Trump's One Big Beautiful Bill Is Now the Law

The White House | July 4, 2025



## Public Power | Tariff Costs Are Influencing Inflation

- Tariffs could adversely affect the supply chain and the cost and availability of materials critical to utilities engaged in a build cycle
- The breadth of international trading partners that tariffs target, limits utilities' options for securing alternative suppliers
- Tariff-driven U.S. economic volatility could lead to costlier and tighter financing conditions





## Public Power | Legislation: The One Big Beautiful Bill Act

- The bill either removes, dilutes, or truncates tax incentives for clean energy investments
- Not-for-profit utilities' ability to monetize credits requires commencing construction within an aggressive time frame.
  - Significant transmission interconnection and supply chain backlogs could frustrate utilities' abilities to meet construction commencement milestones.
- FEOC (Foreign Entity of Concern) considerations can also present significant barriers to monetizing tax credits because China is a major supplier of electric sector infrastructure and material.
- The loss of access to tax credits could compound consumer rate affordability issues as utilities add renewable generation to supplement production capacity.



# Public Power | Averting and Responding to More Frequent, Severe, and Costly Climate Events are Adding to Financial Exposures

## Wildfires



## Polar Vortices



## Hurricanes



## Flooding



## Extreme Heat





# Public Power | Outlook: Financial Pressures and Their Mitigants – Balancing Rising Costs, Affordability, and Utilities' Financial Resilience

- Affordability exposures remain prominent
  - Inflationary pressures borne by utilities and their customers
  - Natural gas prices are rising and past reductions in natural gas prices were eclipsed by increasing costs of labor, materials, and debt
- The candidate versus the incumbent
  - BLS data shows that savings have not materialized . . . yet (?)
- Utility long-term planning horizons and resource commitments
  - Responses to April 2024's EPA emissions and byproduct rules
  - Utilities face legal and strategic barriers to abandoning infrastructure commitments and face a pendulum of vacillating environmental stringencies of successive federal administrations
- Beyond Florida, restrictive state regulations might survive federal easing
- Persistent load growth, climate events, emissions regulations, will continue to have inflationary effects
- **Yet, despite these exposures, S&P's ratings distribution for public power utilities remains strong, reflecting financial metrics that broadly provide utilities with resilience to withstand increasing costs and ratemaking flexibility reductions.**





Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.spcapitaliq.com](http://www.spcapitaliq.com) (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

Australia: S&P Global Ratings Australia Pty Ltd holds Australian financial services license number 337565 under the Corporations Act 2001. S&P Global Ratings' credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.

**[spglobal.com/ratings](http://spglobal.com/ratings)**





# ***Outlook for U.S. Public Power***

***Florida Municipal Electric  
Association***

***2025 Annual Meeting***

**July 23, 2025**

**Dennis Pidherny, Managing Director**



## FitchRatings

## Fitch Wire + | 8 July 2024

Justin M. Patrie, CFA  
Senior Director, Fitch Wire  
+1 646 582 4964  
justin.patrie@fitchratings.com



## U.S. Presidential Election: Key Cross-Sector Credit Themes (July 8, 2024)

- There is bipartisan support for trade protectionism and using tariffs, subsidies and incentives as part of a broader strategy to promote reshoring.
  - Lower economic growth
  - Supply chain interruptions
  - Inflationary effect on imports
- Despite material distinctions on revenue and expenditure policy between parties, no change in U.S. fiscal position is expected; Large deficits and rising public debt remain Fitch's base case.
  - Increasing ratio of debt/GDP
  - Changes in tax policy
  - Debt ceiling brinksmanship
- Public statements from Republican leaders indicate a strong willingness to rollback climate related policies and regulation.
  - Reduced infrastructure spending
  - Repeal of IRA and/or IIJA
  - Reduced support for public assistance for climate-related disasters and changes to FEMA

### Potential Policy Themes for Credit



TRADE PROTECTIONISM



PERSISTENT FISCAL PRESSURES



GEOPOLITICAL REPOSITIONING & FOREIGN POLICY



CLIMATE POLICY ROLLBACK



FISCAL DETERIORATION



SOCIAL POLICY REFORM: HEALTHCARE, HOUSING, EDUCATION



RESTRICTIVE IMMIGRATION



# U.S. Public Power and Electric Cooperatives Outlook 2025

## Neutral



# U.S. Public Power and Electric Cooperatives Outlook 2025

## Core Credit Drivers: Public Power

Sub-sectors	Revenues			Expenditures				Financial profile		
	Personal income/affordability	Real estate values	Demand/volumes	Labor costs	Labor availability	Non-labor operating costs	Capital input costs	Leverage	Cost of debt	Financial reserves and liquidity
Public Power	↔	NM	↗	↔	↔	↔	↔	↔	↗	↔

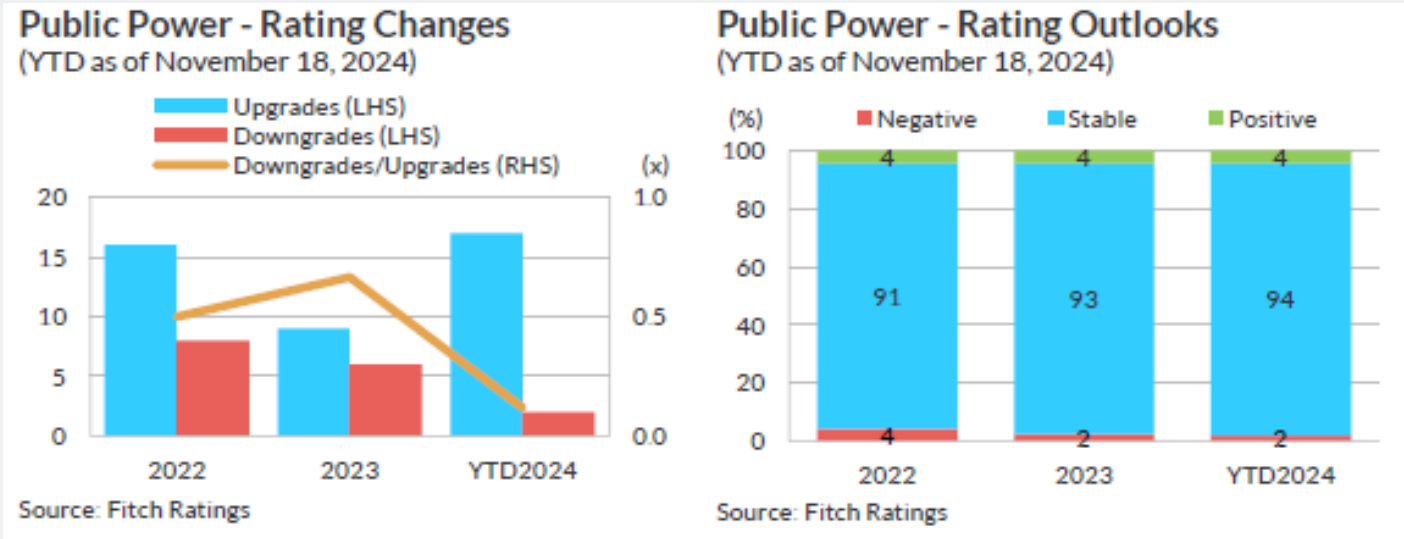
↑ Improving — High relevance. ↗ Improving — Moderate relevance. ↔ Neutral. ↘ Deteriorating — Moderate relevance.

↓ Deteriorating — High relevance. NM – Not material.

Source: Fitch Ratings

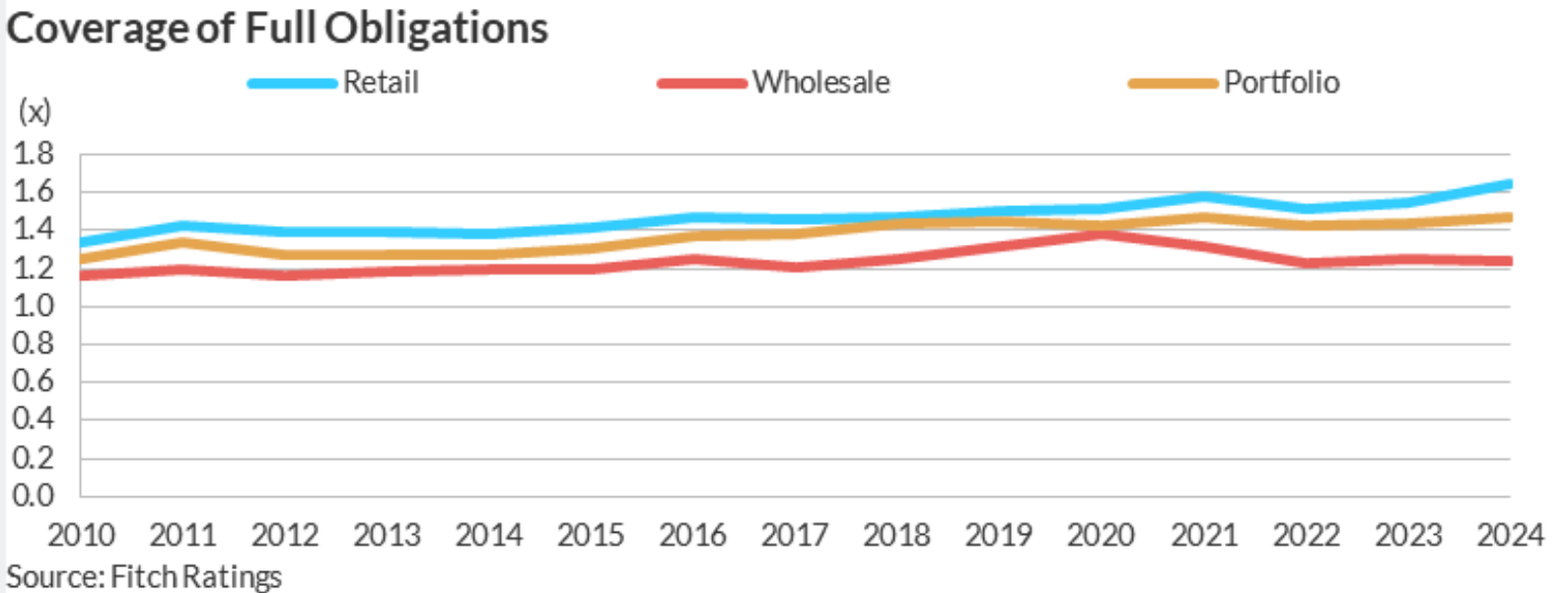


# U.S. Public Power and Cooperative Rating Actions



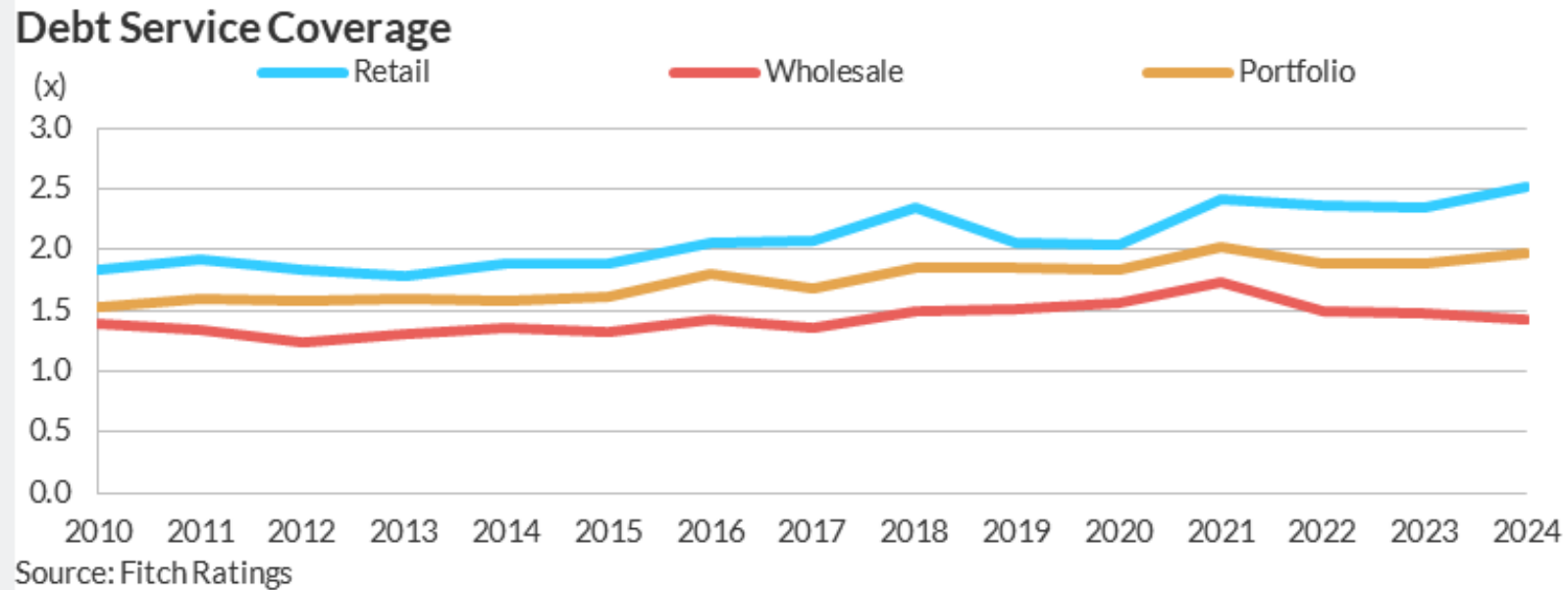


*U.S. Public Power and Cooperative Sector – Peer Credit Analysis*



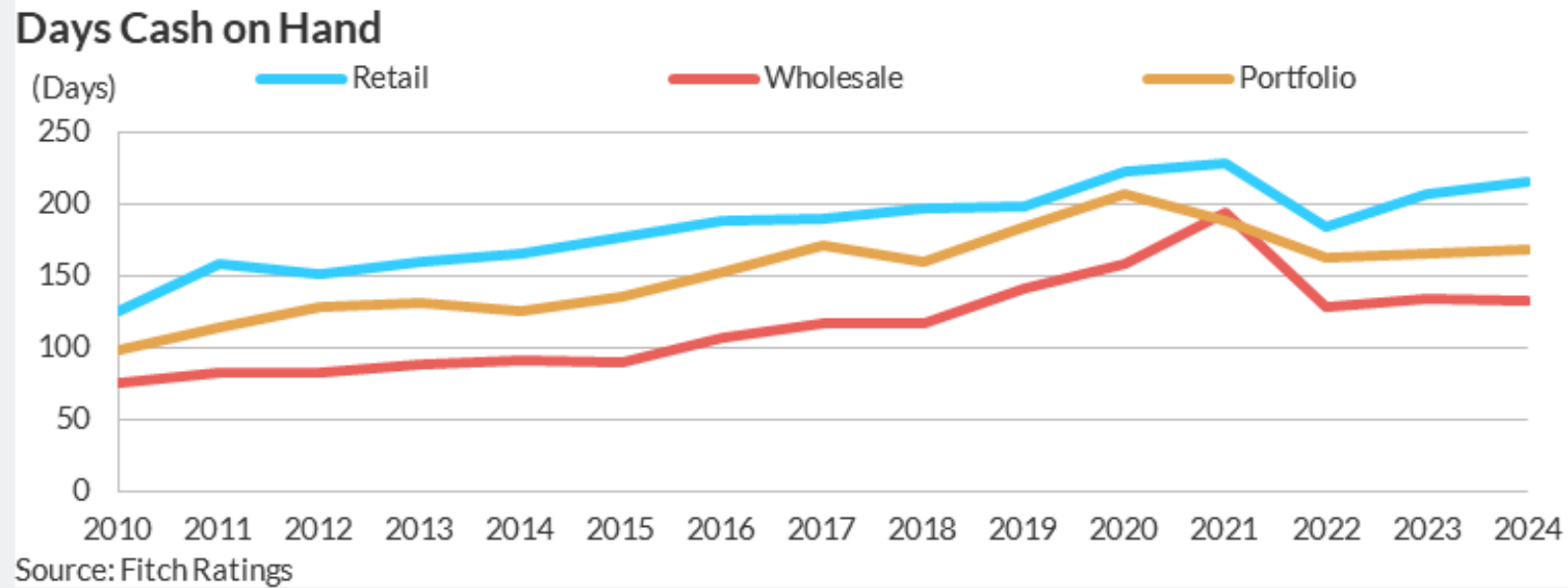


## U.S. Public Power and Cooperative Sector – Peer Credit Analysis



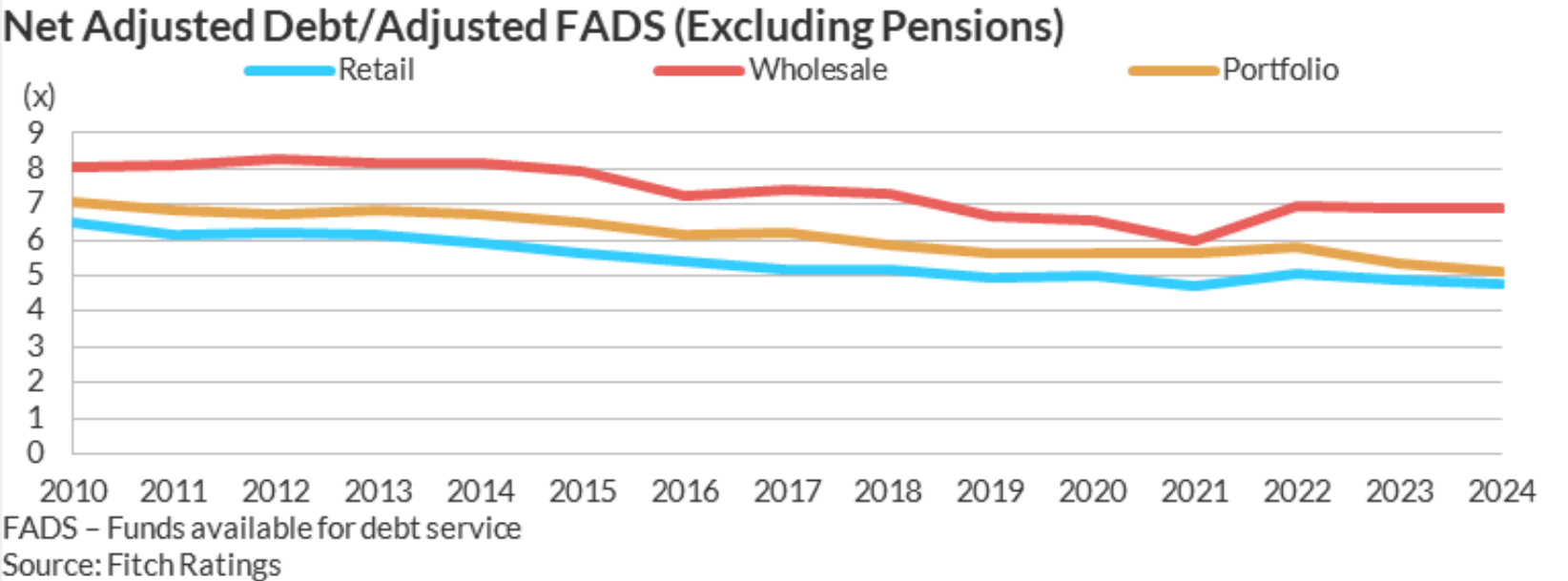


## U.S. Public Power and Cooperative Sector – Peer Credit Analysis





U.S. Public Power and Cooperative Sector – Peer Credit Analysis





“US ‘Liberation Day’ tariff hikes were far worse than expected.”

“Prospects for the world economy are not looking quite as bad as they did mid-April, but we are still expecting a sharp slowdown induced by the trade war.”

- Fitch Ratings



# U.S. Public Power and Cooperative Rating Actions

## Federal Government Policy Risks to USPF Credit

	Direct Impacts				Indirect Impacts		Financial Impact (Given Issuer Response)	Overall Credit Impact
	<i>Federal Spending Cuts</i>	<i>Trade War</i>	<i>Mass Deportations</i>	<i>Federal Job Cuts</i>	<i>Financial Market Volatility</i>	<i>Economic Effects</i>		
States	High	Low	Low	Low	Moderate	Elevated	Moderate	Moderate
Local Governments	Low	Low	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate
School Districts	Moderate	Low	Moderate	Low	Moderate	Moderate	Moderate	Moderate
Public Power	Low	Elevated	Moderate	Low	Low	Low	Moderate	Moderate
Water & Sewer	Low	Elevated	Moderate	Low	Low	Low	Moderate	Moderate
Transportation	Moderate	Elevated	Low	Low	Low	Moderate	Moderate	Moderate
Hospitals	High	Moderate	Moderate	Low	Elevated	Moderate	Moderate	Elevated
Life Plan Communities	Low	Moderate	Moderate	Low	Elevated	Low	Moderate	Moderate
Higher Education	Elevated	Low	Moderate	Low	Elevated	Low	Moderate	Elevated
Community Development & Social Lending	Elevated	Low	Low	Elevated	Low	Elevated	Moderate	Moderate
USPF overall	Moderate	Moderate	Moderate	Low	Elevated	Low	Moderate	Moderate

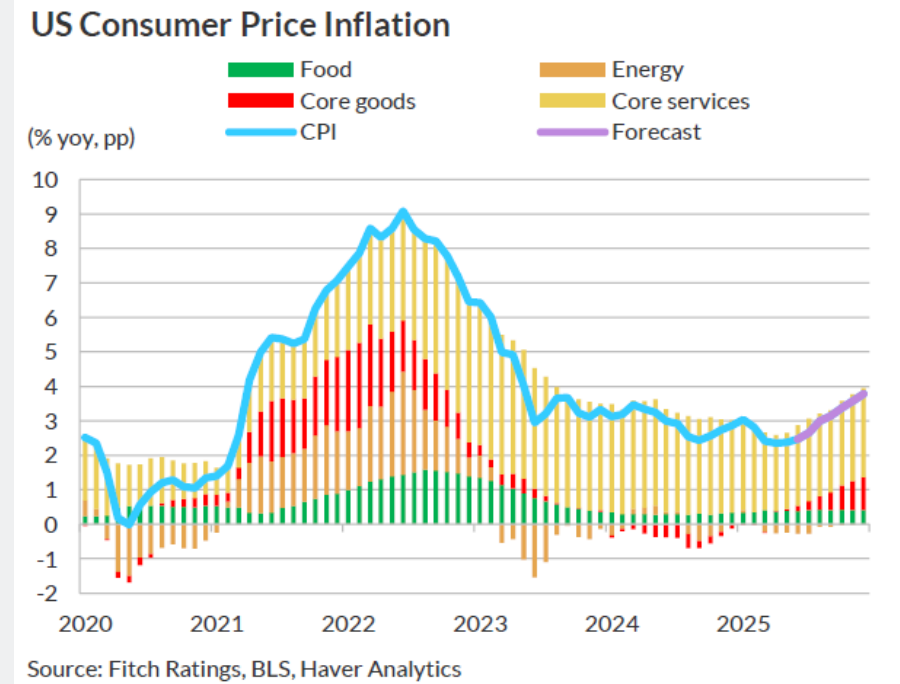
Source: Fitch Ratings

**Fitch**Ratings



## Near-Term Operating Cost Pressures Return

- Pressures on operating costs are expected to return, given tariff-related trade shocks and higher expectations for inflation; Fitch expects rates of 3.8% in 2025, up from 2.9% in 2024;
- Limited scope for import substitution or trade diversion in the near term; Adverse supply shock in the US could be marked.
- Little evidence so far of a tariff-induced increase in core goods prices; But inflation is still expected to rise as goods prices pick up.
- Inflation is expected to subside to 3.4% in 2026.





## Near-Term Operating Cost Pressures Return

- Fitch's base case natural gas prices were raised to \$3.60/mcf (cubic feet) for 2025 and \$3.5/mcf for 2026 last month; Prices remain generally unchanged at \$2.75/mcf over the longer term.
- Recent price assumption adjustments reflect increasing exports and reducing storage levels.
- This follows prices of \$2.2/mcf in 2024.

### Oil and Gas Price Assumptions

	2024	2025		2026		2027		2028		Mid-cycle	
	Actual	Old	New	Old	New	Old	New	Old	New	Old	New
<b>Base Case</b>											
Brent (USD/bbl)	80.5	65.0	70.0	65.0	65.0	65.0	65.0	60.0	60.0	60.0	60.0
WTI (USD/bbl)	76.6	60.0	65.0	60.0	60.0	60.0	60.0	57.0	57.0	57.0	57.0
Henry Hub (USD/mcf)	2.2	3.25	3.60	3.00	3.50	2.75	3.00	2.75	2.75	2.75	2.75
TTF (USD/mcf)	11.0	12.0	12.0	8.0	8.0	7.0	7.0	7.0	7.0	5.0	5.0
<b>Stress Case</b>											
Brent (USD/bbl)		35.0	35.0	45.0	45.0	48.0	48.0	48.0	48.0	48.0	48.0
WTI (USD/bbl)		32.0	32.0	42.0	42.0	45.0	45.0	45.0	45.0	45.0	45.0
Henry Hub (USD/mcf)		2.5	3.0	2.25	2.5	2.25	2.25	2.25	2.25	2.25	2.25
TTF (USD/mcf)		5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.5	4.5

Assumptions as of June 2025.

Bbl: barrel; mcf: thousand cubic feet; TTF: Title Transfer Facility; WTI: West Texas Intermediate.

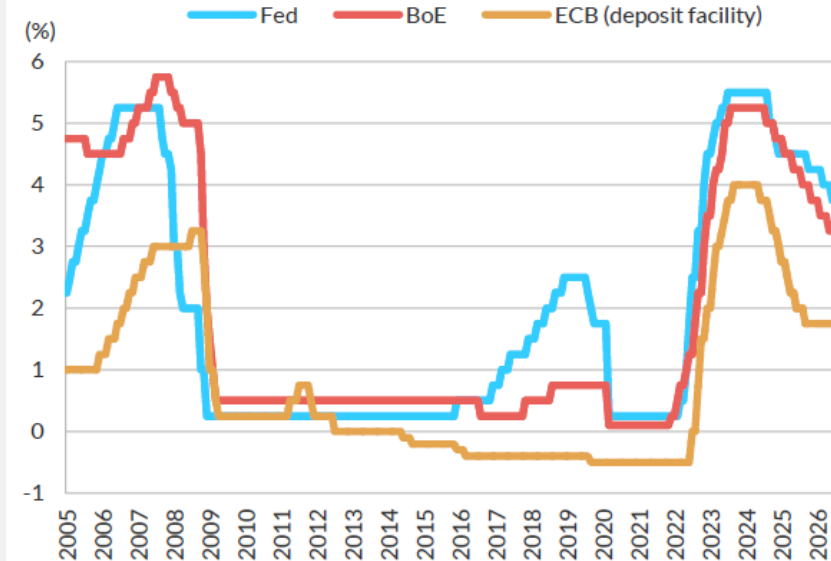
Source: Fitch Ratings



## Near-Term Operating Cost Pressures Return

- Expectations for lower interest rates have eased somewhat in 2025. While Fitch expects policy rates to continue their downward trend, future cuts will be delayed until 4Q25 (4.25% at YE25); Further easing is expected in 2026 (3.5% at YE26).
- 10-year Treasury yields are expected to remain unchanged at roughly 4.5%.

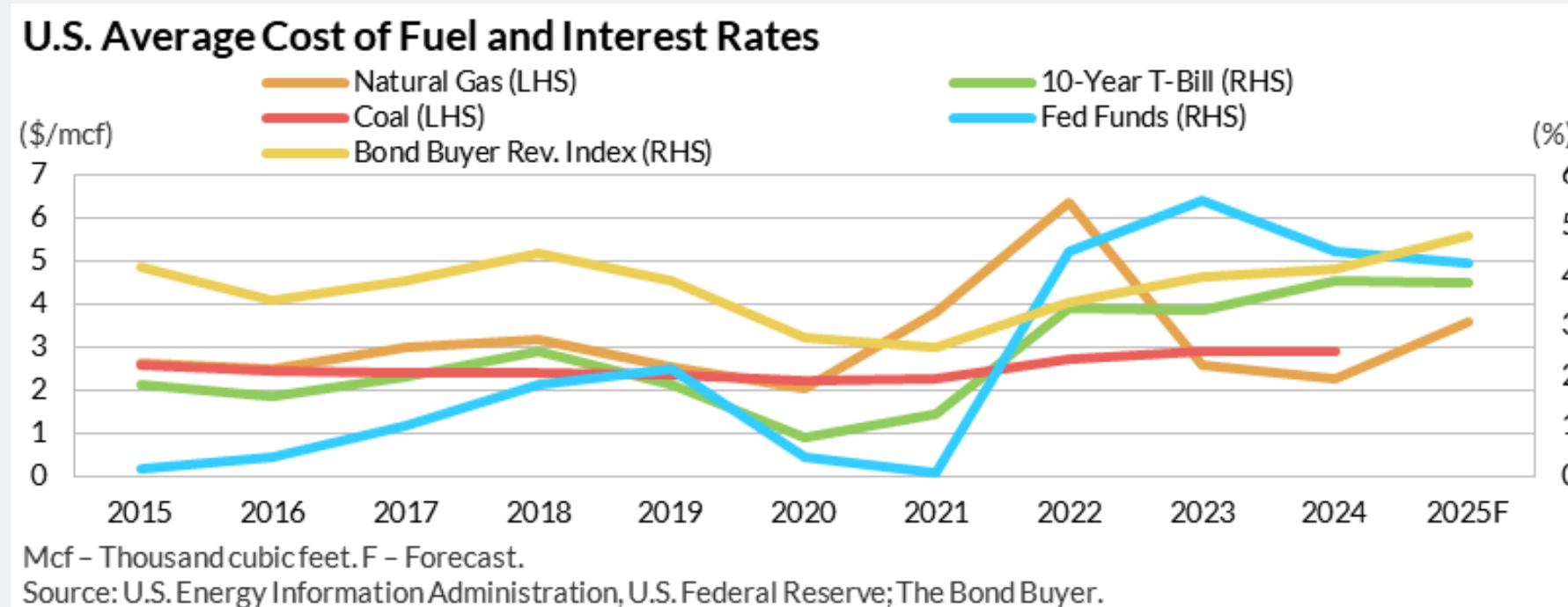
Policy Interest Rates Outlook - US, UK & Eurozone



Source: Fitch Ratings' forecasts, Fed, ECB, BoE, Haver Analytics



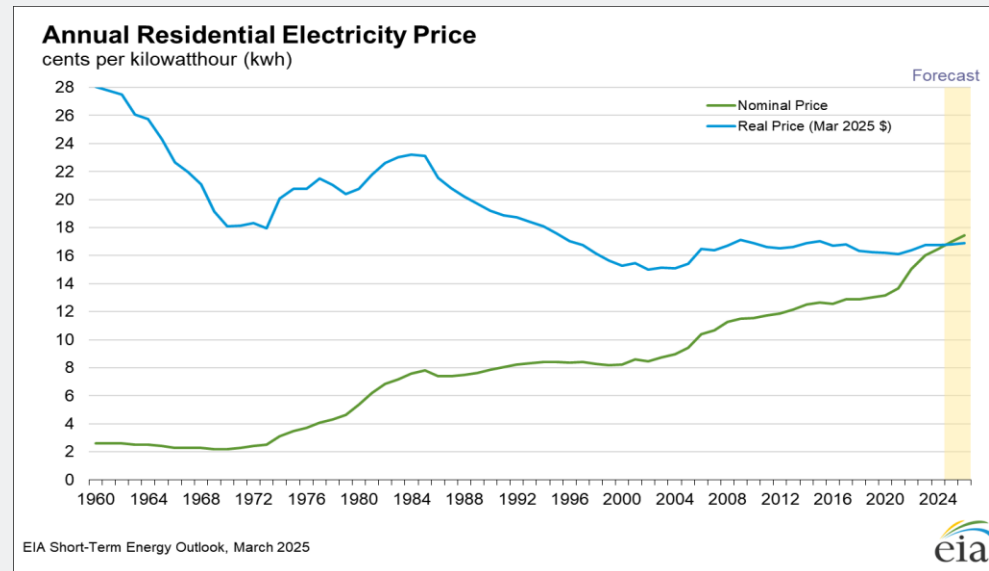
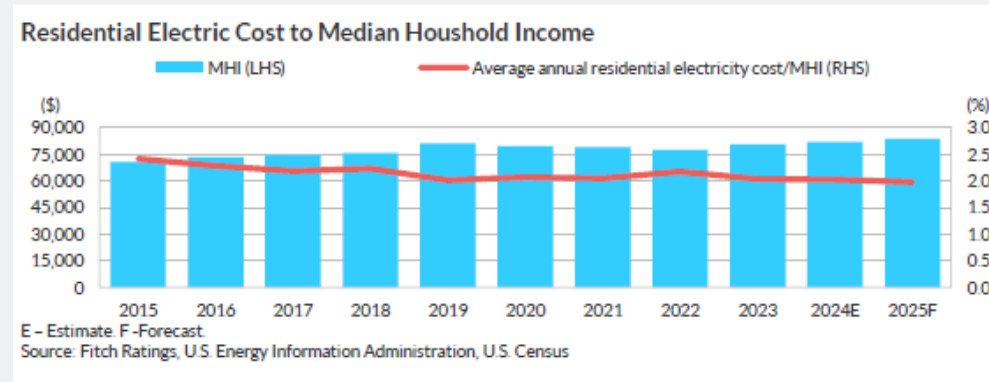
## Near-Term Operating Cost Pressures Return





## Affordability Ratios Could Weaken Modestly

- Affordability was relatively stable in 2024 but could weaken modestly in 2025 and 2026 if real median household income (MHI) growth slows
- Electric costs were unchanged at 2.04% of MHI in 2024 and should remain under 2.08% through 2026, even with no MHI growth.
- Ratios remain well below the levels observed during the great recession (2.5% to 2.7%).
- Real average residential electric prices have remained relatively unchanged since 2007.
- Changes in ratios will likely be tied to changes in real MHI.





## Affordability Ratios Could Weaken Modestly

- Fitch recently revised its US GDP forecast upward modestly to 1.5% in 2025 and 2026, following the de-escalation of trade tensions with China in May; Nevertheless, growth is expected to slow sharply this year.
- “Signs are...emerging of an underlying slowdown. Consumption growth slowed to 1,6% annualized in the three months to April...and retail sales were weak in May.” (Fitch Ratings, June 26, 2025)

### United States - Forecast Summary

(%)	Annual Avg. 2020-2024	2024	2025F	2026F	2027F
GDP	2.4	2.8	1.5	1.5	2.1
Consumer spending	2.9	2.8	2.0	1.5	2.1
Fixed investment	2.8	3.7	1.3	0.4	2.0
Net trade (contribution pp)	-0.4	-0.4	-1.1	0.2	0.0
CPI inflation (end-year)	4.0	2.9	3.8	3.4	2.4
Unemployment rate	5.0	4.0	4.4	4.9	4.8
Policy interest rate (end-year)	2.05	4.50	4.25	3.50	3.00
Exchange rate, USDEUR (end-year)	0.90	0.96	0.89	0.89	0.89

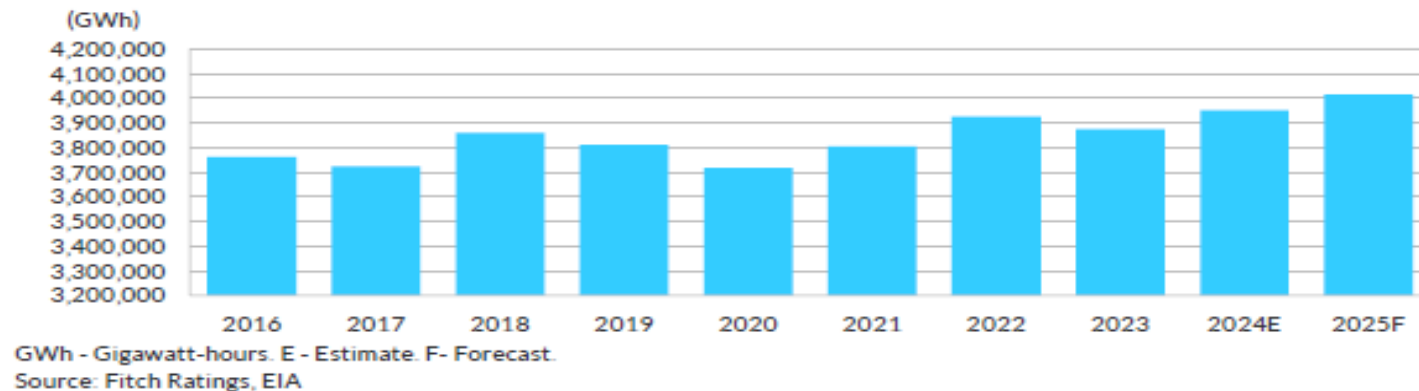
Source: Fitch Ratings



## Electric Demand is Growing...But by How Much and When?

- U.S. electricity demand, which has stayed relatively flat over the last two decades, is poised to grow between 2.0%-2.5% annually through 2030, well above the 0.2% growth rate since 2010.
- Data center and AI-related demand is expected to drive growth; Data centers are expected to account for between 5%-9% of U.S. power demand by 2030, up from about 4% currently.
- Resurgence of manufacturing and industrial electrification will further drive demand; The IRA and CHIPS and Science Act have created an impetus for onshoring clean energy and semiconductor manufacturing.
- Electric vehicles are a small but fast-growing part of the U.S. transportation fleet; As penetration increases, so will the demand for electricity to charge them.
- Near-term demand could be tempered by global trade war and lower economic growth, but 2025Q1 sales up 4.9% over 2024Q1.

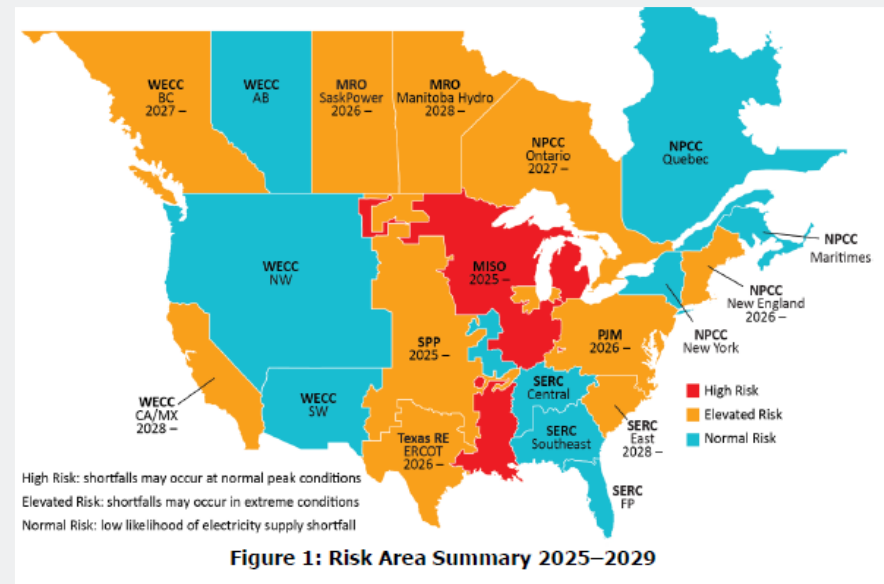
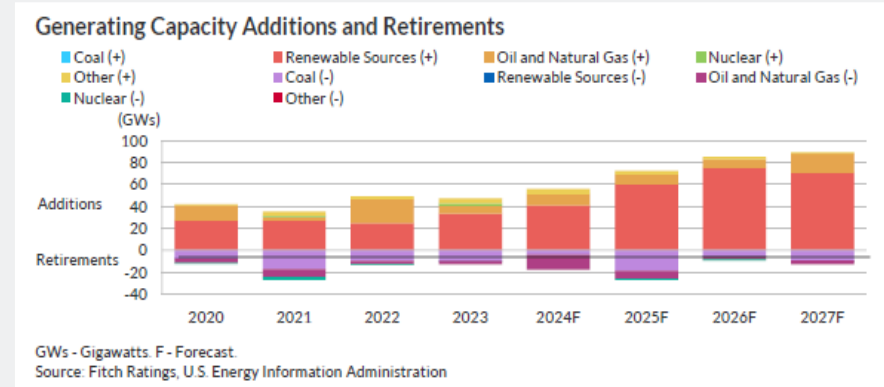
**Annual U.S. Retail Sales of Electricity**





## Capacity and Reliability Concerns Remain

- Risks related to regional generating capacity constraints and energy shortfalls remain and could result in market dislocation.
- Projected capacity needs to offset plant closures and meet growing demand are aggressive; EIA projects 2024-2027 capacity additions that are 52% higher than actual capacity added during 2020-2023.
- Extreme temperatures and burgeoning data- and AI-related demand could drive record peak demand for electricity; While clean energy targets, plant retirements, wildfire risks and supply chain issues could frustrate resource availability and development.
- Supply/demand imbalances and periodic market dislocations could significantly increase the price of market energy and overall power costs weakening financial performance and credit quality.



Source: North American Electric Reliability Corporation



## Looser Environmental Regulations Could Facilitate Resource Planning

- EPA recently announced its intention to reconsider environmental regulations on power plants (Clean Power Plan 2.0), Mercury and Air Toxic Standards, effluent limitations and guidelines and greenhouse gas reporting requirements.
- Collectively, these efforts could facilitate the sector's ability to meet growing demand.
- A more relaxed timetable for asset retirements and emission reduction strategies could moderate capital spending, bolster regional reserve margins and reduce exposure to market dislocation and price spikes.
- State- and local-led initiatives, together with proposals and policies aimed at limiting investment in thermal coal, will continue to drive certain issuers toward strategies promoting lower emissions and decarbonization.

### **EPA Announces Action to Address Costly Obama, Biden “Climate” Measurements (Social Cost of Carbon)**

March 12, 2025

### **Trump EPA Announces Path Forward on National Air Quality Standards for Particulate Matter (PM2.5) to Aid Manufacturing, Small Businesses**

March 12, 2025

### **Trump EPA to Reconsider Biden-Harris MATS Regulation That Targeted Coal-Fired Power Plants to be Shut Down**

March 12, 2025



Reduced support for public assistance for climate-related disasters and changes to FEMA is a concern

## **FITCH WIRE**

### **US Public Finance Issuers Broadly Resilient to Federal Policy Pressure**

Thu 08 May 2025 - 9:50 AM ET

## **FITCH WIRE**

### **US Public Finance Credits Resilient Amid Hurricane Helene Recovery**

Thu 03 Oct 2024 - 11:03 AM ET

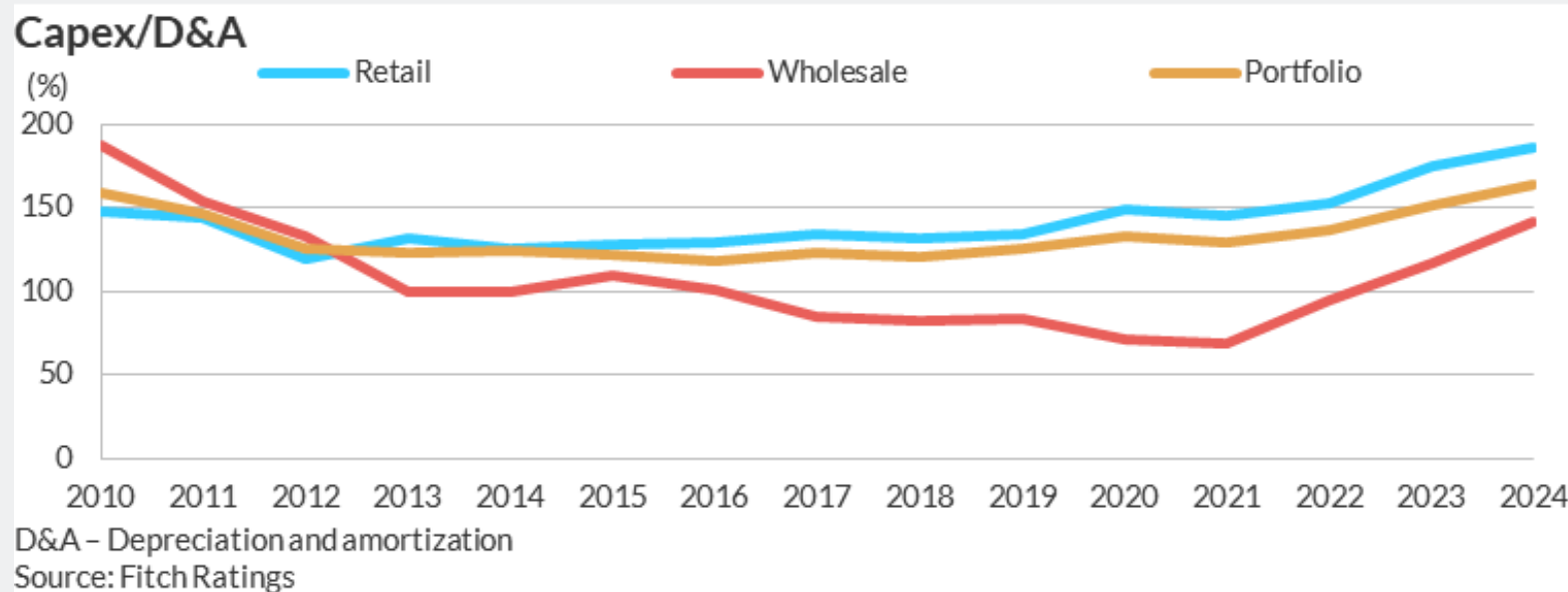
*“Timely federal intervention, primarily through the Federal Emergency Management Agency (FEMA), is key to supporting fiscal stability for [entities] affected by...storm[s].”*

*“Power utilities typically manage costs associated with extreme weather events through robust cash reserves and liquidity facilities designed to bridge the timing between restoration costs and reimbursement by FEMA. FEMA typically reimburses around 75% of restoration costs.”*



## Capital Spending is Growing

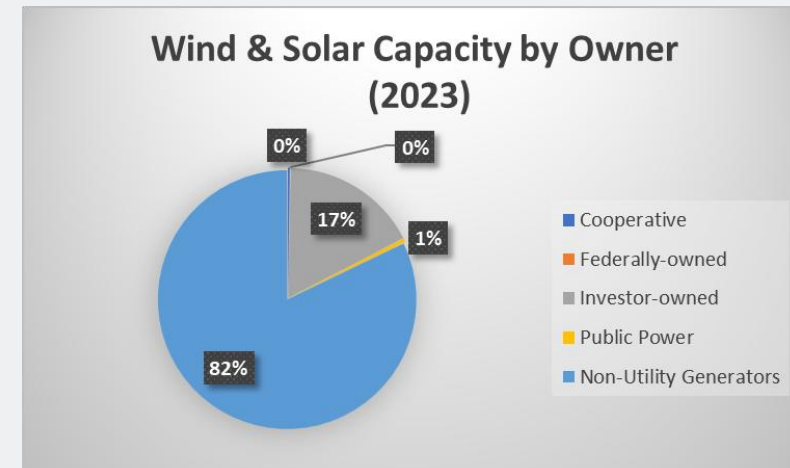
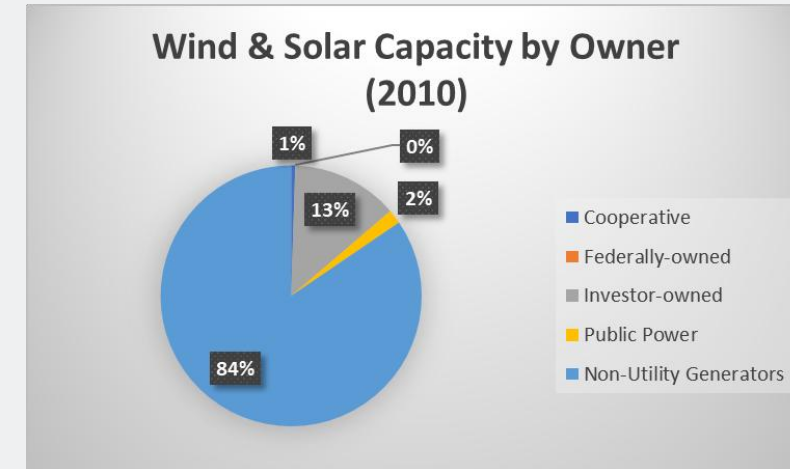
- Capital spending across the utility sector has grown dramatically since 2021.
- Rates of capital investment for public and cooperative utilities are similarly higher, with the median ratio of capital investment to depreciation for retail systems improving to over 185% in 2024, the highest level since 2010; The ratio for wholesale systems rose for the third year in a row to 142% in 2024 from 117% in 2023.
- Investment over the near term should continue to grow, not only because of growing electric demand and the need for additional infrastructure, but also because of rising costs for materials and labor.
- Higher capital spending will drive increased borrowing but is unlikely to materially weaken credit quality.





## Capital Spending is Growing

- Capital spending related to new generating capacity and the energy transition will continue to be dominated by private sector investment.
- In 2023, federal and public power systems owned roughly 304 MWs of solar capacity and 773 MWs of wind capacity; IOU and Non-Utility Generators owned 14,197 MWs and 78,385 MWs, and 27,207 MWs and 119,862 MWs, respectively.
- Overall, recent figures indicate that federal, public and cooperative power systems currently own 21% of all U.S. generating capacity, but account for only 4% of proposed construction.
- The introduction of direct pay tax credits through the Inflation Reduction Act (IRA) is expected to spur greater direct investment in clean energy projects across the sector.



Source: APPA, EIA, Fitch Ratings



## Noteworthy Rating Actions – Los Angeles Department of Water & Power

- Rating Watch triggered by devastating wildfires; Fires had not been contained, damage to utility infrastructure was unknown, source of ignition had not been determined.
- Concerns related to potential wildfire liabilities and CA's application of inverse condemnation, liquidity, billing and collection trends, capital demands and rate flexibility.
- Affirmation based on the extinguishment of the wildfire, the loss of less than 1% of its customer base and an estimated cost of direct physical damage of only \$78 million to the electric system.
- Negative Outlook reflects continuing source of ignition investigation by ATF, litigation filed against the city and utility systems, account for only 4% of proposed construction.
- Effect of a large liability is expected to be tempered by legislative support or a state-facilitated mechanism in line past support for wildfire liabilities.

### Rating Action Commentary

#### **Fitch Places Los Angeles, LADWP and Related Ratings on Rating Watch Negative Due to Wildfires**

Fri 17 January 2025 - 1:19 PM ET

### Rating Action Commentary

#### **Fitch Affirms 'AA-' on LADWP, CA's Power Rev Bonds; RWN Removed; Outlook Negative**

Tue 08 April 2025 - 5:17 PM ET



## Climate Risk in Ratings

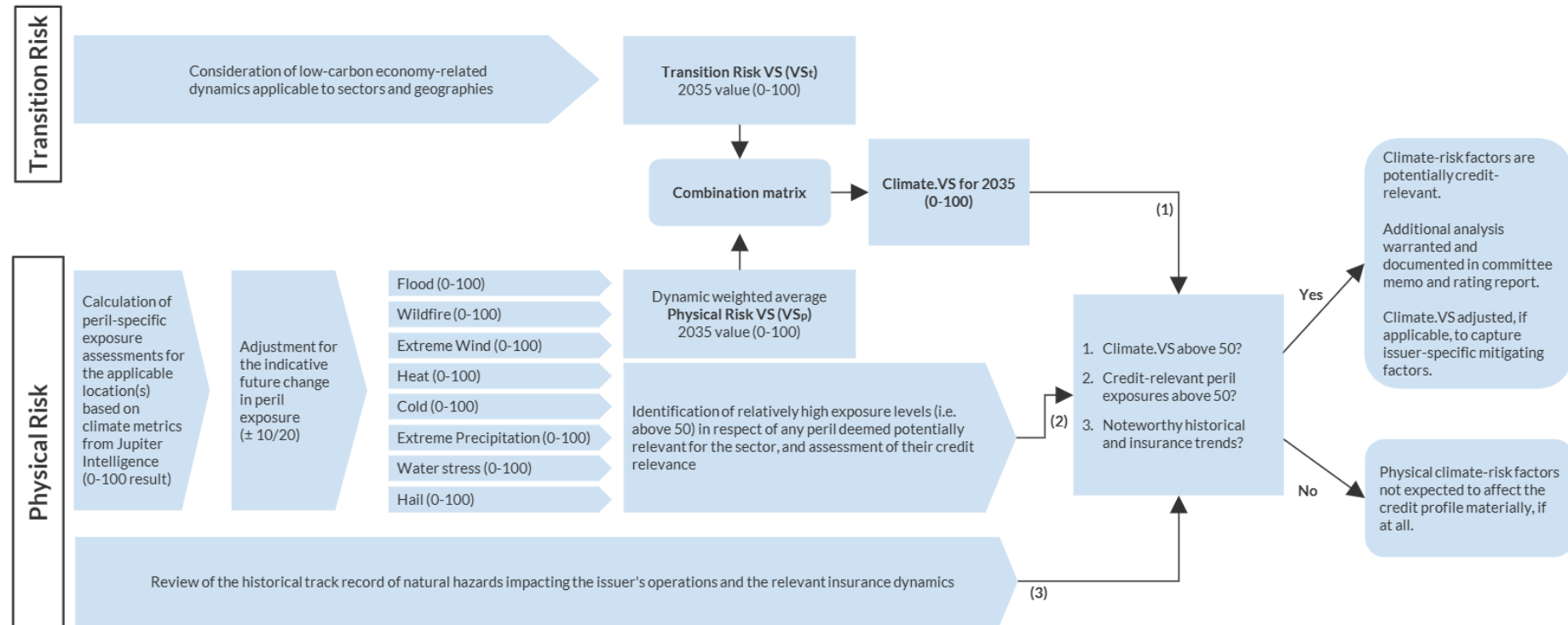
- Fitch is contemplating introducing a screening framework centered on Climate Vulnerability Signals to enhance its ability to identify and consider potentially credit-relevant climate risks in its rating process for global infrastructure and project finance issuers and transactions.
- Fitch currently integrates climate risk into infrastructure and project finance ratings when it is deemed sufficiently relevant and material to an issuer's creditworthiness.
- The screening framework would enhance the way potential climate risk factors are captured, considered and communicated.
- Fitch is evaluating comments received through the end of the comment period (May 31, 2025).
- Similar frameworks will likely to be considered across all of Fitch's analytical teams over time.





# Climate Risk in Ratings

## Infrastructure and Project Finance Climate Risk Screening Framework



Source: Fitch Ratings



ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](https://www.fitchratings.com). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR WHICH THE LEAD ANALYST IS BASED IN AN ESMA- OR FCA-REGISTERED FITCH RATINGS COMPANY (OR BRANCH OF SUCH A COMPANY) CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2021 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004.

Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts.

As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.