Omaha Public Power District, NE's $500 Million Series 2025A Electric System Revenue Bonds Rated 'AA'; Outlook Stable

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Overview

- S&P Global Ratings assigned its 'AA' rating to the Omaha Public Power District (OPPD, or the district), Neb.'s approximately $500 million series 2025A senior-lien electric system revenue bonds.
- At the same time, S&P Global Ratings affirmed its 'AA' rating on the OPPD's parity obligations and its 'A-1+' short-term rating on the district's commercial paper (CP).
- The outlook, where applicable, is stable.

Rationale

Security

The 2025A bonds are being issued for general capital purposes, including reimbursement of capital outlays for generation facilities, supporting its goal of achieving net-zero carbon emissions by 2050 and meeting growing power demand.

The bonds are secured by a pledge of the net revenues of OPPD's electric system. At fiscal year-end 2024, the district had $3.3 billion of senior-lien debt outstanding. OPPD has authority to issue up to $350 million of CP and additionally has two lines of credit totaling $600 million. The district had $569 million of undrawn capacity on the lines as of Dec. 31, 2024, $350 million of which is committed to support outstanding CP. OPPD has covenanted that it will not issue CP in excess of amounts undrawn capacity on the lines of credit.

Credit highlights

In our view, key credit strengths include the district's strong, diverse, and steadily growing customer base supported by an economically sound service area; proven track record of maintaining robust fixed-charge coverage (FCC) aligned with budgeted and forecast assumptions; and substantial liquidity.

Offsetting these strengths are OPPD's sizable $4.4 billion capital improvement program (CIP; 2026-2030), spurred by a combination of demand growth (primarily attributable to existing data center expansions); power supply transformation pressures (in support of OPPD's goal of net-zero carbon dioxide emissions by 2050); and the Southwest Power Pool's (SPP) reserve margin requirement, which passed summer-season requirements to 16% beginning in 2026 from 12% in prior years (winter-season margin will be 36%).

The largest component of the ongoing capital plan is the planned addition of 900-megawatt capacity (MW) to two of OPPD's owned generating plants. OPPD is now proceeding with the capacity additions given the nearing commercialization of two peaking units; Turtle Creek Station (TCS; 450 MW) and Standing Bear Lake Station (SBL; 150 MW) that will support reliability through the project progression. When SBL and TCS become fully operational later this year, OPPD will also be able to proceed with the retirement of North Omaha Station units 1-3 in 2026. The capital plan will be funded with debt (60% estimated) and revenues (40%). To meet the expected increased debt service obligations, OPPD is relying on anticipated organic growth, continued data-center upscaling, and modest rate increases, which collectively are expected increase revenues between $50 million and $200 million annually.

In our view, OPPD's credit profile reflects the following strengths:

- The service area is deep and diverse, and includes the City of Omaha and all or portions of 13 Nebraska counties, serving 413,000 meters. Residential customers, which account for around 33% of operating revenue, provide stability to the district's demand profile.
- Electric demand growth is strong, with 7% average annual load growth, and 4% annual peak growth projected, with data centers expected to account for most of the growth over the next three years (although other customer classes are also projected to grow). We believe that management has appropriately mitigated risk related to the data centers by recovering fixed costs associated with the expansion via the demand charge and OPPD will not be exposed to variable power costs due to the pass-through of energy at market prices.
- Procurement of additional purchased power agreements and owned generation for continued power reliability. In 2024, OPPD had nearly 3.7 gigawatts (GW) of accredited capacity, compared to 2.8 GW of all-time peak load. The district has 1,600 MW of renewable contracts planned through 2030 in addition to the discussed 900MW of owned generation additions. Furthermore, 170 MW of battery storage and 320 MW of on-site fuel storage is planned for further reliability and peak shaving.
- We anticipate that OPPD will maintain its competitive market position despite growth pressures. According to the Department of Energy's Energy Information Administration, average revenue per kilowatt-hour was at the state average in 2023, the most recent year of available comparative information. While OPPD approved a 6.3% rate increase in early fiscal 2025, we do not anticipate it will materially move the market position, as the district benefits from significant economies of scale and we understand that other utilities within the state are similarly raising rates in light of inflationary pressures and their own capital improvement needs.
- FCC has averaged a robust 1.75x over fiscal years 2022-2024, and supportive of planned capital outlay. Furthermore, OPPD consistently produces FCC in line with prior budgets and forecasts, and therefore, we expect that future FCC will remain within similar projections (1.7x forecast average FCC).
- Liquidity is also robust, with $1.2 billion in available reserves (including undrawn capacity on credit lines), measuring 381 days of operating expenses at fiscal year-end 2024 (or 255 days

without the lines). Management projects maintaining days' liquidity near this level through its five-year forecast.

The rating reflects our opinion of the following credit risks:

- OPPD's power supply remains coal dependent, at 59% of energy in 2024. Despite load growth and the incremental transition to lower carbon-intensity resources, management nevertheless expects coal-fired generation will still be a significant component (38%) of its generation mix by 2033. We believe this will continue to expose the utility to future emission regulations, which we view as inevitable.
- The electric system is moderately leveraged, with $3.3 billion of total debt outstanding (excluding separately secured separate system debt) in fiscal year-end 2024. Debt is expected to nearly double to over $6 billion by 2030 but is not expected to surpass 70% debt-to-capitalization. Debt-to-capitalization was 66% in fiscal 2024.

Environmental, social, and governance

Environmental risk factors pose a moderately negative credit risk related to potential regulation of carbon emissions from OPPD's stakes in the coal-fired units (59% of energy in 2024), but we also note that the utility has substantial solar renewables (33% of energy) and zero-emission hydroelectric (3%). The district's goal is to achieve net-zero carbon dioxide emissions by 2050. In furtherance of this goal and to meet increasing demand and capacity requirements, OPPD plans to reduce or eliminate coal-fired generation, and add a substantial number of renewables, storage, and gas-fired combustion turbines. The layering in of these new resources is proceeding as per schedule. OPPD projects that by 2033, coal, renewables, hydro, and gas will account for 38%, 55%, 2%, and 5%, respectively, of energy needs. The region experiences intermittent storm and wind damage, but has shown a track record of timely decision-making, quick system recovery, and long-term system hardening.

We view social risks as credit neutral, and primarily related to rates that are near Nebraska's state average and expected to remain so over the next five years. We believe that OPPD has solid rate-raising flexibility to absorb rate pressures related to projected growth, albeit constrained by below-average incomes, although median household effective buying income improved to 95% of national median in 2023, from 89% in 2022. We are monitoring 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 reductions, 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. 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 "U.S. Economic Outlook Update: Higher Tariffs And Policy Uncertainty To Weaken Growth," published May 1, 2025.)

Governance risks are also adequate relative to those of OPPD's regional peers. The utility has complete rate-setting autonomy and generally credit-supportive financial policies. We view positively OPPD's frequent review (and adherence) of district policies, and annual reviews of financial forecasts and capital plans.

Outlook

The stable outlook reflects our view that OPPD will continue to produce stable and robust FCC and liquidity, considering its track record of adjusting rates as needed, and robust long-range financial, capital, and resource adequacy planning that mitigates significant unforeseen capital requirements or chronic unbudgeted expenses.

Downside scenario

Although unlikely to occur, we could take a negative rating action if inflationary, regulatory, or capital pressures, or insufficient cost recovery lead to FCC and liquidity falling significantly below levels of the past several years. Our opinion of the likelihood of this occurring is tempered by the district's historically strong and stable financial metrics, aided by well-established liquidity and coverage targets.

Upside scenario

Given modest incomes that somewhat constrain rate-raising flexibility, growth pressures that are driving an ambitious capital spending plan, and long-term reliance on coal-fired generation (although less than current levels), we do not anticipate raising the rating over the next two years.

Credit Opinion

Demand growth, highlighted by data center expansions

Although demand is growing across all customer classes, the bulk is in industrial loads, largely attributable to the data centers. Since 2019, Google and Facebook have announced more than $3 billion in combined spending and expansion projects for their respective data centers within the OPPD service territory. We understand that both companies have procured renewable resources that will hedge market-priced power purchases wheeled from OPPD. Facebook and Google are under a rate tariff that includes a demand charge (with margin) and the pass-through of the market price of power. Insofar as market purchases are a direct pass-through to the data centers, there is only a modest effect on operating revenue, related to the demand charges. Therefore, we do not believe that OPPD bears cost risk related to providing power to these data centers, although we note that the demand charges provide support for OPPD's total fixed costs. We also acknowledge that the data centers present the utility with a degree of counterparty exposure; both enterprises are highly rated entities that have posted sureties to support OPPD's capital investment, and they represent manageable risk to its credit quality. OPPD's top 10 customers, which accounted for 17% of revenue in 2024, are projected to account for 27% by 2029; in our view, this will not pose undue credit risk. Because the power costs are a straight pass-through to the data centers, the fact that megawatt-hour sales to the top 10 customers will more than double presents a lesser credit risk.

Capital plan and its effects on rates and financial metrics

The district currently has 3,694 MW of accredited owned and purchased generation (nearly 600 MW added since 2023). OPPD projects peak demand will increase 100 MW annually over the next several years. Combined with higher SPP reserve requirements, OPPD plans to add approximately 1600 MW of contracted wind and solar and 900 MW of gas-fired combustion turbines to meet the increasing demand and higher SPP reserve requirements, meet growth, and to address its decarbonization goals. The district's 2026-2030 capital plan totals $4.4 billion, with about 60% financed with debt. Despite the increase in projected capital needs (prior five-year CIP was projected to be $3.8 billion), we view positively that OPPD is near finalization of its two dual fuel (natural gas and oil) peaking units; TCS and SBL. Moreover, the near-completion of TCS and SBL opened the path for continued 900MW capacity additions to OPPD's existing generating assets. The price of the turbines, a large portion of overall capital costs, has been secured, somewhat mitigating risk of price escalations. OPPD has entered into an engineering, procurement, and construction contract with Kiewit Corp., a major regional contractor, further limiting construction or counterparty bankruptcy risk.

We note that the utility now has a commodity risk policy that hedges coal, power, and natural gas. (Gas-fired generation currently accounts for only about 5% of energy.) OPPD's natural gas hedging is currently in a trial phase but is expected to be operational as a liquidity protective measure prior to the new gas-fired resources coming online as unaccredited capacity in the summer of 2025; accreditation is expected by 2026, pending interconnection approval. We also note that OPPD's capital plan includes the addition of fuel oil capability and storage at existing gas generation facilities to improve resiliency.

March 2025 Winter Storm

In early calendar 2025, OPPD experienced a prolonged and damaging blizzard that left many of OPPD's customers without power. Most of the customers had power restored within hours, but the storm resulted in approximately $30 million-$35 million in damage. Given OPPD's sizable liquidity, we do not anticipate long-term implications to the district as a result of this storm.

Ratings List	
New Issue Ratings	
US$500.0 mil elec sys rev bnds ser 2025A due 02/01/2045	
Long Term Rating	AA/Stable
Ratings Affirmed	
Public Power	
Omaha Pub Pwr Dist, NE Retail Electric System	AA/Stable
Omaha Pub Pwr Dist, NE Retail Electric System 1st Lien	A-1+

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