MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns Aa2 to Omaha Public Power District, NE's Electric Revenue Bonds, 2025 Series A bonds; Outlook is stable

15 May 2025

Approximately $480 million of debt affected

New York, May 15, 2025 -- Moody's Ratings (Moody's) has assigned Aa2 to Omaha Public Power District, NE's (OPPD) $480 million of Electric System Revenue Bonds, 2025 Series A. The outlook is stable.

RATINGS RATIONALE

The Aa2 rating assignment reflects the utility's robust service area that has proven resilient through economic cycles, its competitive rates, and strong financial performance including consistent debt service coverage ratios (DSCR) and good liquidity. Further supporting the district's credit quality is its location in an all public power state with no indirect competition from investor owned utilities.

The district's credit quality also considers elevated exposure to carbon transition risk given the district's reliance on coal fired generation for a majority of its power supply, our high adjusted debt ratio, and moderately below average sizing of the debt service reserve. The combined effect of OPPD transitions away from coal fired generation and growing load demand has contributed to a substantial increase in capital spending and higher debt with total debt increasing to $3.5 billion in 2024 compared to $1.93 billion in 2020. While the increase in OPPD's total debt is substantial over this timeframe the debt ratio has grown more moderately since total net assets have grown as well.

For 2024, OPPD's total DSCR was at 2.03x and is consistent with the district's objective to maintain at least 2.0x DSCR. Adjusted liquidity on hand increased to 357 days in 2024 compared to 311 days in 2023 mostly due to a $150 million increase to its committed bank lines to a total of $600 million in 2024. 2024's financial performance benefited from a 3.1% base rate increase in January 2024. In January 2025, OPPD implemented a 4.9% base rate increase that should further support revenue growth. The district's base rate increase is needed to ensure the utility's ability to meet rising debt service costs as the utility funds substantial higher capital spending. The district spent $754 million on capital spending in 2024 compared to an average of $161 million from 2017-2019. A large, growing economy including new data centers is driving sharply higher electricity demand and associated capital spending needs. According to the US Bureau of Labor Statistics, the unemployment rate in the Omaha-Council Bluffs, NE-IA Metropolitan Statistical Area was at 3.1% (P) as of March 2025, which is lower than the 4.2% unemployment rate for the US for the same period.

For 2025, the utility forecasts achieving DSCR of around 2.3x driven by its 2025 rate increase and strong demand growth including new data centers. In the first quarter of 2025, retail revenue increased by around 16% compared to the same period in 2024 support by around an 11% increase to total retail electricity demand. To meet increasing electricity demand, the district's 600 MW of new natural gas fired generation is expected to be online by the summer of 2025. An affiliate of Zachry Holdings, Inc. (Zachry) is the contractor for these new power plants and positively, Zachry emerged from bankruptcy on April 10, 2025. That said, the utility has had some unexpected challenges this year including a blizzard in March 2025 that cost the utility an estimated $30 to $35 million.

Looking past 2025, OPPD expects to issue a substantial amount of new debt through at least 2030 as it seeks to meet growing load while also ensuring reliability and decarbonizing its power supply portfolio to achieve its long-term goal of net zero by 2050. As part of this plan, OPPD plans to build 900 MW of additional natural gas fired generation, convert North Omaha coal units 4 & 5 to natural gas, source battery storage, build 166 miles of new 345 KV transmission, and add at least 1 to 1.5 GW of new renewables either owned or contracted. While the utility's debt burden will rise leading to higher annual debt service, we expect OPPD will implement rate increases to maintain sound financial metrics including total DSCR of at least 2.0x and adjusted liquidity on hand of at least 300 days.

RATING OUTLOOK

The stable outlook reflects OPPD's strong service area and our expectation that the district will maintain total DSCR of at least 2.0x and adjusted liquidity on hand in excess of 300 days.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

OPPD's rating could be upgraded if it successfully reduces carbon transition risk while maintaining well over 300 days liquidity on hand and total DSCR above 2.50x on a sustained basis or the district's adjusted debt ratio falls well below 65% while maintaining sound financial metrics.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

OPPD could be downgraded if there is material weakening of its service area, total DSCR materially falls below 2.0x or total days liquidity on hand falls below 175 days on a sustained basis or the district's willingness to raise rates with sound financial metrics weakens.

LEGAL SECURITY

Senior lien bonds benefit from the first claim on the electric system's net revenues, subordinate lien bonds and the commercial paper program have a second lien on the system's net revenues. The rate covenant requires net revenues to be sum sufficient for all outstanding debt. The additional bonds test requires net revenue coverage of senior lien debt service to be at least 1.4x and coverage of subordinate lien debt service to be 1.0x both as defined under OPPD's bond resolution. The debt service reserve fund requirement for the senior bonds is moderately below average at maximum annual interest. OPPD no longer has any subordinate bonds.

USE OF PROCEEDS

After funding incremental amounts into the debt service reserve and paying for transaction costs, net proceeds from issuance are expected to be used to fund capital spending.

PROFILE

OPPD is a public corporation and political subdivision of the state of Nebraska. The district provides electric service in the City of Omaha, and adjacent territories comprising all of Douglas, Sarpy and Washington counties and a portion of Cass, Saunders, Dodge, Otoe, Nemaha, Johnson, Pawnee, Richardson, Burt and Colfax counties. The utility serves a population of around 893,000 people in 13 counties, more than any other utility in the state, while covering more than 5,000 miles in service area territory.

METHODOLOGY

The principal methodology used in this rating was US Public Power Electric Utilities with Generation Ownership Exposure published in January 2023 and available at https://ratings.moodys.com/rmc-documents/398041. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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