



Rating Action: Moody's affirms Omaha Public Power District's (NE) A1 on separate system bonds. Outlook is stable

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Approximately \$198 million of debt affected

New York, September 25, 2023 -- Moody's Investors Service has affirmed Omaha Public Power District's (OPPD, Aa stable) Separate System revenue bond's A1 rating. The outlook is stable.

RATINGS RATIONALE

The affirmation of OPPD's Separate System revenue bonds A1 rating reflects the A2 weighted average credit quality of the participants and strong take-or-pay contracts. These contracts have stronger than usual contractual protections such as a step in requirement by OPPD to take the first 50 MW of any defaulted participant(s) on a cumulative basis followed by a separate 60% step-up provision. These enhancements support the rating being above the weighted average credit quality of its participants backing the bonds. OPPD's full ownership and operational control of the coal plant and the project's adequate operating history since 2010 further supports the rating.

Also considered in the rating are heightened environmental risk exposures including significant carbon transition risk as a single coal fired plant and a smaller than typical debt service reserve fund (DSRF) sized to maximum annual interest.

RATING OUTLOOK

The stable outlook reflects the participants' credit quality and our expectation that the project will continue to provide reliable, long-term power to its participants.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

The rating could be upgraded if the weighted average credit quality of the project bond participants materially improves while the project maintains sound operations.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

The rating could be downgraded if weighted average credit quality of the project bond participants significantly weakens, the take-or-pay contract terms are challenged or violated or if new environmental compliance requirements significantly increases costs.

LEGAL SECURITY

The bonds benefit from a pledge of the net revenues derived under the take-or-pay contracts with the five participants. The borrower is subject to a sum-sufficient rate covenant after operating and maintenance costs. There is a smaller than typical cash funded debt service reserve fund sized at maximum annual interest. An additional bonds test requires net revenues to cover debt service by 1.1x and the rate covenant is essentially sum sufficient. The bonds are not an obligation of OPPD's electric system although OPPD is required to step-up to take the first 50 MW of any defaulting party.

PROFILE

OPPD Separate System sells its share of the output of the Nebraska City Station Unit No. 2 (NC2) plant and derives its revenues under take-or-pay contracts with its participants. The NC2 plant is a 691 megawatt (MW) coal fired unit built adjacent to Nebraska City Station Unit No. 1 approximately five miles southeast of Nebraska City, NE. NC2 went operational in May 2009 and uses Toshiba turbine/generator, ALSTOM pollution control equipment and has a cooling tower. OPPD owns the plants and sells 50% of the output to the seven participants, of which five are also obligated to pay for the rated bonds. OPPD retains the other 50% for its use and it operates the plant.

METHODOLOGY

The principal methodology used in these ratings was US Municipal Joint Action Agencies published in December 2022 and available at <https://ratings.moodys.com/rmc-documents/396803>. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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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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