MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns A3 to South Carolina Public Service Authority's Revenue Obligations, 2026 Series D, E, and F. A3 on parity bonds affirmed; outlook revised to positive from stable

28 Jul 2026

Up to approximately $8.3 billion of bonds affected

New York, July 28, 2026 -- Moody's Ratings (Moody's) has affirmed South Carolina Public Service Authority's (Santee Cooper) A3 rated revenue bonds and assigned an A3 rating to the utility's new bond issuances consisting of up to $248 million of Revenue Obligations, 2026 Tax-Exempt Improvement Series D, up to $219 million of Revenue Obligations, 2026 Taxable Improvement Series E, and up to $140 million of Revenue Obligations, 2026 Tax-Exempt Refunding Series F. The outlook has been revised to positive from stable.

Net proceeds from the issuance are expected to reduce drawn bank lines by $485 million and potentially refund around $153 million of debt.

RATINGS RATIONALE

The change in Santee Cooper's outlook to positive considers the expected improvement to the utility's liquidity post bond issuance and its proposed retail rate increases for 2027 and 2028. The expected increase in Santee Cooper's liquidity should provide the utility substantial financial flexibility. If the utility had paid down the same amount of bank debt in 2025, its adjusted days liquidity would have been higher by 111 days at 370 adjusted days liquidity instead of 259 adjusted days liquidity. Furthermore, the approval and implementation of Santee Cooper's proposed base rate increases would demonstrate the utility's sustained ability to recover costs even as affordability concerns have risen. Santee Cooper's 2027's rate increase is expected to be approved by year end 2026 for implementation in early 2027.

Strong recovery and sustained cost recovery are essential mitigants as the utility undertakes a large capital spending program. From 2026 through 2028, the utility estimates $3.5 billion of capital spending including $1.4 billion for generation resources, $1.1 billion for transmission projects and $800 million for general improvements. We expect the utility will continue to have a robust capital spending program funded significantly with debt after 2028 to supply growing demand, strengthen system reliability, and ensure environmental compliance.

The affirmation of Santee Cooper's A3 rating considers the return to traditional rate setting practices following the expiration of the rate freeze in January 2025, its broad service area directly or indirectly serving approximately 2 million people in South Carolina, ownership by the state of South Carolina (Aaa stable), and competitive rates. Additional credit strengths include a long-term, all requirements contract with Central Electric Power Cooperative Inc. (Central) maturing at the end of 2058, some generation diversity, and strong adjusted liquidity on hand supported by a total of $1.5 billion of committed bank lines and bank letter of credit backed commercial paper (CP) program.

The A3 rating also recognizes the issuer's high leverage with its adjusted debt ratio at around 131% at FY 2024 owing to the termination of the Summer nuclear project's Unit 2 & 3, along with counterparty concentration with Central, prospective debt service coverage ratios (DSCR) in the 1.3x to 1.5x range, and carbon transition risk due to coal plant ownership.

The A3 rating does not consider Santee Cooper's memorandum of understanding (MOU) with Brookfield Asset Management (Brookfield) regarding the partially built Summer Nuclear Units 2 and 3. If this contemplated transaction were to be executed, it would likely be a substantial credit positive for the utility. That said, the transaction has material uncertainty around its likely execution.

RATING OUTLOOK

The positive outlook reflects the utility's expectation of consistent rate setting that should lead to DSCR between 1.3x to 1.5x and sustained adjusted liquidity well in excess of 250 days.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- The utility's rating could be upgraded if Santee Cooper maintains strong adjusted liquidity well above 250 days while also demonstrating consistent rate-setting that sustains average DSCR between 1.30x to 1.50x.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- The utility's outlook could be revised to stable if adjusted liquidity falls below 250 days or if the utility fails to demonstrate consistent rate setting.

- The utility's rating could be downgraded if it does not sustain DSCR of at least 1.2x or if adjusted liquidity falls below 150 days for a sustained period. The utility's rating could also be downgraded if political influence weighs on Santee Cooper's operations including its rate setting, if new major disputes arise with Central, or if the utility undertakes any material risks associated with any resumption of construction at the partially completed Summer nuclear plants.

PROFILE

South Carolina Public Service Authority (Santee Cooper) was created by the South Carolina State Legislature in 1934 and provides both retail and wholesale electric service directly or indirectly to approximately two million people in all 46 counties of the state. Santee Cooper also has a water system serving over 260,000 people. The utility also operates an integrated transmission system which includes lines owned by the issuer as well as those owned by Central Electric Power Cooperative Inc, Santee Cooper's largest wholesale customer.

METHODOLOGY

The principal methodology used in these ratings 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 onhttps://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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