CREDIT OPINION
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South Carolina Public Service Authority

Update to credit factors following rating affirmation

Summary

South Carolina Public Service Authority's (Santee Cooper) credit profile considers the return to traditional rate-setting practices following the expiration of the rate freeze in January 2025 and the court-approved settlement of the disputed Cook Rate Freeze Exceptions. In 2025, the utility implemented a base rate increase, reinstated fuel adjusters, and implemented a rate surcharge to recover the Cook Rate Freeze Exception settlement amount. These and future rate adjustments are expected to result in a more predictable financial performance for Santee Cooper. Continued rate increases should improve debt service coverage ratios (DSCR) to the 1.3x to 1.5x range with an average of around 1.4x for 2026 and beyond.

The utility's continued demonstration of its willingness to implement rate adjustments is a key consideration of the A3 rating especially given Santee Cooper's large, mostly debt-funded capital 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 utility's A3 rating also reflects the utility's broad service area directly or indirectly serving approximately two 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 ($692 million available as of January 2, 2026).

Santee Cooper's credit profile also recognizes the issuer's high leverage with its adjusted debt ratio at around 139% at fiscal 2024 owing to the termination of the Summer nuclear project's Units 2 and 3, along with counterparty concentration with Central, and carbon transition risk due to coal plant ownership.

The utility's 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. The MOU outlines key terms and conditions regarding Brookfield's potential acquisition of these unfinished nuclear plants and associated construction completion. If the transaction were to move forward, the utility would receive a $2.7 billion cash payment and retain a targeted 25% ownership stake subject to the final costs of completing the nuclear plant. Santee Cooper expects that the cash payment would be used to reduce debt and it would not have any financial responsibility for construction completion of 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 requires the successful execution of extensive conditions and negotiation of definitive documentation, which adds substantial uncertainty around its likely execution.

Credit strengths

» Broad service area directly or indirectly serving two million people in South Carolina

» Expiration of freeze in January 2025

» Ownership by the state of South Carolina

» Current competitive rates for wholesale and retail customers

» Some generation diversity primarily across coal, nuclear and natural gas

» Long term contract with Central through 2058

» Strong adjusted liquidity including bank lines

Credit challenges

» Large, most debt funded capital program

» Historically high debt leverage ratio in the 'B' rating range

» Counterparty concentration with Central

» Heightened environmental risk including carbon transition risk given coal fired generation ownership

Rating outlook

The stable outlook reflects the utility's expectation of consistent rate setting that should lead to DSCRs between 1.3x and 1.5x for 2026 and thereafter despite significant additional capital spending needs over the next several years.

Factors that could lead to an upgrade

» The utility's rating could be upgraded if Santee Cooper demonstrates consistent rate setting that sustains average DSCRs of 1.5x and maintenance of strong adjusted liquidity above 200 days cash on hand (DCOH) while it embarks on its significant capital spending plan.

Factors that could lead to a downgrade

» The utility's rating could be downgraded if it does not sustain DSCRs of at least 1.2x or if adjusted liquidity falls below 150 DCOH 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.

Key indicators

Exhibit 1
Santee Cooper's key indicators

Santee Cooper	2020	2021	2022	2023	2024
Total Sales (mWh)	22,233,000	24,601,000	26,224,000	26,184,931	27,150,498
Debt Outstanding ($'000)	6,816,498	6,785,860	7,223,997	7,371,308	7,723,317
Debt Ratio (%)	118.1	119.7	129.4	127.4	131.5
Adjusted Debt Ratio (%)	132.1	133.7	139.8	136.3	138.6
Total Days Cash on Hand (days)	159	160	69	107	105
Adjusted Days Liquidity on Hand (days)	205	242	206	226	257
Fixed Obligation Charge Coverage Ratio (x)	1.51x	1.23x	0.44x	1.17x	1.25x

Source: Moody's Ratings, Audit financial statements

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.

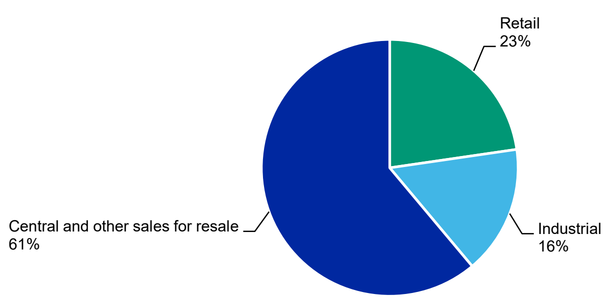
Detailed credit considerations

Revenue Generating Base

Broad service area covers over one third of South Carolina's population

Santee Cooper directly or indirectly covers a broad service area with approximately two million people, roughly 36% of the state's population, in all 46 counties of the state of South Carolina. Most of these people are served indirectly via the all requirements arrangement with Central that expires at the end of 2058. Central provides power to 20 distribution cooperatives in the state and represents the issuer's largest revenue source at around 60% of total sales. After Central, direct sales to over 200,000 retail customers is the second largest at around 23% of total sales followed by direct sales to some of the largest industrial firms in the state and to military installations that represent around 16% of sales (see exhibit 2).

Exhibit 2
Electricity sales breakdown



Source: Audited financials

Return to traditional rate setting after rate freeze expiration

Following the expiration of the rate freeze in January 2025, Santee Cooper has returned to its traditional rate setting process. The utility's rates are set by the utility's board of directors and not by the state regulator. Under the contract with Central, the utility follows a cost of service methodology including monthly pass through of fuel costs and an annual true up mechanism for other costs.

In 2025, the utility implemented a base rate increase, fuel cost adjustment increase and rate surcharge to recover the Cook Rate Freeze Exception settlement amount. The Cook Rate Freeze Exception settlement totals $550 million including interest during the rate freeze and is being recovered over a 10 year period. These and future rate adjustments are expected to result in a more predictable financial performance for Santee Cooper.

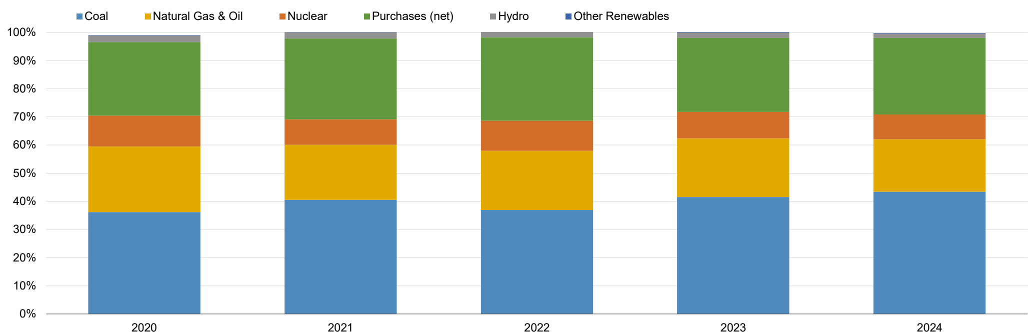
Financial Operations and Position

Additional generation reduces coal reliance but increases debt

The utility owns power generation assets totaling 5,163 MW (summer) / 5,388 MW (winter) and over the last three years, coal fired generation represented the largest source of power with an average share of 38% (see exhibit 3).

Exhibit 3

Historical power supply mix



Source: Audited financial statements

Santee Cooper's reliance on coal fired generation exposes the issuer to heightened environmental risk including longer term carbon transition risk. There is no renewable energy requirement in South Carolina at this time.

That said, Santee Cooper has some fuel diversity as shown in Exhibit 3. Over the long term, we expect the utility's reliance on coal should decrease according to the utility's 2025 integrated resource plan (IRP). Under the IRP, Santee Cooper expects to add at least 1,000 MW of new natural gas fired generation including expansions and upgrades to an existing plant.

New generation represents the largest portion of the utility planned capital spending. 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.

Greater expected stability to DSCRs following rate freeze expiration

Santee Cooper's DSCRs for 2024 was 1.25x, which was a substantial improvement from around 0.44x in 2022. The utility's improved financial metrics reflected the decline of power and fuel prices compared to 2022.

For 2025, we estimate the utility's DSCR will have improved to around 1.40x given the substantial rate actions taken by Santee Cooper following expiration of the rate freeze. Looking forward, the utility expects DSCRs between 1.30x to 1.50x with an average of around 1.40x on a Moody's adjusted basis.

Regarding leverage, the utility's adjusted debt ratio at around 139% at year end 2024 is very high relative to its peers and falls in the 'B' category for this metric due to the failed construction of the Summer nuclear plant expansion and the need to continue to pay debt service on the related debt. Santee Cooper's debt burden was further exacerbated by the sharp rise in fuel and power costs in

2022, which the utility was not able to recover that year. If the potential transaction with Brookfield were to be fully executed, it would significantly address the legacy debt from the partially completed nuclear projects.

Liquidity

The utility maintains both internal and external liquidity sources to manage its overall liquidity position. As of year end 2024, Santee Cooper had Moody's adjusted, unrestricted cash and investments equal to approximately 105 DCOH. Santee Cooper also has external liquidity that resulted in adjusted days liquidity on hand of 256 days at year end 2024. The utility has increased it external liquidity since then. As of January 2, 2026, Santee Copper had $400 million of letter of credit facilities to support its CP program in addition to $1.1 billion of bank lines to support general liquidity. These facilities are strong external sources of liquidity. That said, Santee Cooper's bank lines have rating triggers whereby ratings below Baa3 or BBB- by two of three rating agencies result in an event of default. To the extent Santee Cooper's rating approaches this level, we will reconsider the inclusion of the bank lines in our adjusted liquidity ratio.

Significant state oversight

The state of South Carolina provides substantial state oversight on the utility. Per Act 90 of 2021, Santee Cooper's 12 voting board members are appointed by South Carolina's governor subject to review by the State Regulation of Public Utilities Review Committee and confirmation by the state senate. Central appoints two non-voting members to the board. The utility's board is required to provide reports to the Advisory Board consisting of the state governor, attorney general, state treasurer, comptroller general, and secretary of state. The Advisory Board also approves the external auditor and board member compensation.

Furthermore, the state of South Carolina has oversight of key board actions including rates, debt issuance, and new generation. On rates, the utility must submit any rate adjustments to the state Office of Regulatory Staff (ORS) for review or comment prior to board approval in addition to providing public notice to customers with an opportunity for comment. Act 90 has also established a process for challenging rate changes although Santee Cooper can implement interim rates for 18 months if needed to avoid a default or to ensure proper operations after the rate freeze under the Cook settlement.

On debt issuance, the state's Joint Bond Review Committee (JBRC) must approve any new debt prior to issuance other than short term or revolving loans needed for day to day operations. JBRC also must approve any real estate transfers.

Santee Cooper must file an IRP every 3 years with the state utility regulator and the state utility regulator also needs to approve any major utility facility acquisition.

General fund transfers to the state total approximately $17 million per year.

Debt and Other Liabilities

Legal security

Santee Cooper's bonds benefit from a pledge of the electric and water system's gross revenue and a sum-sufficient rate covenant. There is no debt service reserve account or additional bonds test.

Debt structure

As of January 2, 2026, Santee Cooper had approximately $7.54 billion in revenue bonds outstanding. Most of these bonds are long term, fixed rate amortizing debt except for the 2019 Series A bonds, which are variable rate debt. The utility also has a $400 million CP program backed by a $400 million letter of credit arrangement and $1.1 billion of bank lines.

Debt-related derivatives

Santee Cooper does not have debt related derivatives.

Pensions and OPEB

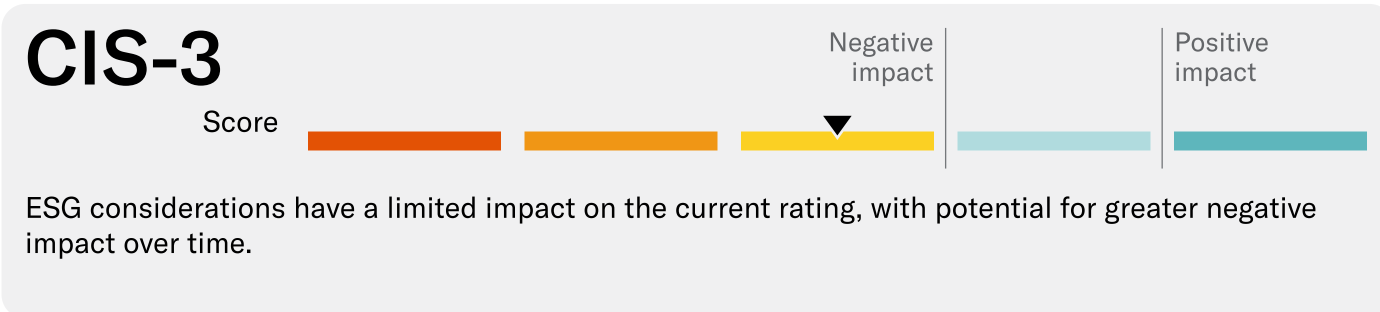
Santee Cooper participates in the South Carolina Retirement Systems (SCRS), a cost sharing, multiple-employer public employee retirement system. Moody's adjusted net pension liability (ANPL) for Santee Cooper as of year end 2024 was around $415 million, compared to its reported net pension liability of $280 million. Moody's adjusts the reported pension liabilities of entities that report under governmental accounting standards, to enhance comparability across rated issuers. Under governmental pension accounting, liabilities are discounted using the assumed rate of investment return on plan assets. Under our standard adjustments, we value liabilities completely independent of asset composition or return expectation, using a market based discount rate for high quality taxable bonds as a proxy for the risk of pension benefits.

Separately, Santee Cooper's reported net OPEB liability totaled $161 million as of year end 2024.

ESG considerations

South Carolina Public Service Authority's ESG credit impact score is CIS-3

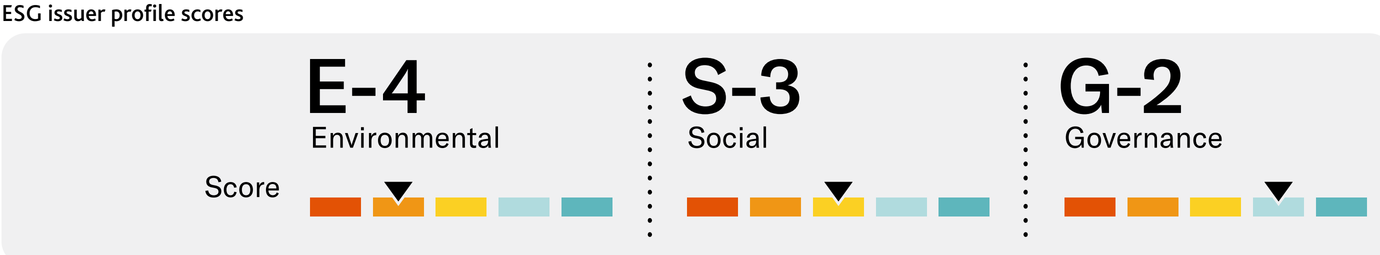
Exhibit 4
ESG credit impact score



Source: Moody's Ratings

South Carolina Public Service Authority (Santee Cooper) **CIS-3** considers high environmental risk from its reliance on coal fired generation and its exposure to extreme weather events. However, social and governance risks have moderated given the utility's return to its traditional rate setting processes following the expiration of its rate freeze in January 2025.

Exhibit 5
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Santee Cooper's **E-4** score reflects exposure to coal fired generation that provides around 40% of its power supply and its exposure to extreme weather events such a storm risks in its broad service area covering large portions of the state of South Carolina. Furthermore, waste & pollution risk are heightened because of its ownership of coal fired generation and its partial ownership of a nuclear plant.

Social

Santee Cooper's **S-3** score reflects the risk of demographic and societal concerns over environmental, social, or affordability issues could lead to adverse political intervention. The issuer has exposure to responsible production given its partial nuclear plant ownership.

Governance

Santee Cooper's **G-2** score considers the expiration of the rate freeze and the return to traditional rate setting.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

Moody's evaluates Santee Cooper's rating under the US Public Power Electric Utilities with Generation Ownership Exposure methodology, As depicted below, the grid indicated outcome is A3 which is the same as its A3 assigned rating.

The scorecard is a summary that does not include every rating consideration. Please see Methodology on U.S. Public Power Electric Utilities with Generation Ownership Exposure for more information about the limitations inherent to grids.

Exhibit 6

Santee Cooper's Scorecard

Factor	Subfactor	Score	Metric
1. Cost Recovery Framework Within Service Territory		Aa	
2. WIlingness and Ability to Recover Costs with Sound Financial Metrics		A	
3. Generation and Power Procurement Risk Exposure		A	
4. Competitiveness	Rate Competitiveness	A	
5. Financial Strength and Liquidity	a) Adjusted days liquidity on hand (3-year avg) (days)	Aa	229 days
	b) Debt ratio (3-year avg) (%)	B	138%
	c) Adjusted Debt Service Coverage or Fixed Obligation Charge Coverage (3-year avg) (x)	B	0.95x
Preliminary Grid Indicated rating from Grid factors 1-5		**A3**	
		Notch	
6. Operational Considerations		0.0	
7. Debt Structure and Reserves		-0.5	
8. Revenue Stability and Diversity		0.0	
Grid Indicated outcome:		**A3**	

Source: Moody's Ratings

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