Research Update:

South Carolina Public Service Authority Revenue Debt Rating Raised To 'A' From 'A-' On Improved Financial Performance

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Overview

- S&P Global Ratings raised its long-term and underlying ratings on South Carolina Public Service Authority's (Santee Cooper, or the authority) combined utility revenue debt outstanding to 'A' from 'A-'.
- At the same time, S&P Global Ratings assigned its 'A' long-term rating to Santee Cooper's $252.6 million series 2026D revenue obligation tax-exempt improvement bonds, $218.8 million series 2026E revenue obligation taxable improvement bonds, and $97.3 million series 2026F revenue obligation tax-exempt refunding bonds.
- The outlook is stable.
- The upgrade reflects our opinion of the authority's improved financial performance trend--underpinned by prudent rate increases and management's proactive and credit-supportive operational, financial, and risk management policies--amid a substantial capital plan and associated debt needs. We expect the authority will sustain its improved financial position now that it has regained rate-making flexibility following the expiration of a multiyear rate freeze.

Rationale

Security

A net revenue pledge of the combined utility, which includes electric and water services, secures the bonds. The electric system constitutes virtually all the pledged revenues. The authority had $8.4 billion in total debt outstanding (including commercial paper) as of Dec. 31, 2025.

We rate Santee Cooper under our wholesale criteria, reflecting the dominance of revenues from the authority's wholesale customers, which made up 63% of operating revenues as of fiscal year-end Dec. 31, 2025. In our analysis we consider the authority's financial and operational risks, as they relate to both Santee Cooper's direct serve retail customers (220,000; residential, commercial, and small industrial) and wholesale customers, predominately Central Power

Electric Cooperative (Central), South Carolina, which serves 19-member distribution cooperatives that in turn serve more than 940,000 meters, under a coordination agreement that extends through 2058.

Santee Cooper's wholesale sales are made to seven entities on a direct basis--the bulk to Central, five municipals, and Piedmont Municipal Power Agency (PMPA). Sales to Central are wholesale, and Central resells this power to its 19 members (retail distribution cooperatives) and also bills its members for debt service associated with "low risk" transmission services, plus a small administrative charge. Therefore, we are taking a system approach in applying the wholesale criteria.

There is also an implicit step-up obligation on the part of Santee Cooper's retail customers, and Central and its members (under cost plus contract), which would bear higher rates to meet fixed costs should any of the five municipals or PMPA default on payments. Santee Cooper maintains a demand sales adjustment clause that allows firm customers' rates to adjust based on fluctuations in off-system sales. For example, if a municipal customer or PMPA were to default on their payments, this would allow for Central or retail customers' rates to increase automatically without the board having to take action.

Credit highlights

The rating reflects our view of Santee Cooper's meaningful improvement in financial performance following the rate freeze expiration on Dec. 31, 2024, and resolution of the Cook settlement, surrounding the recovery around the costs related to the canceled V.C. Summer project. With this reinstated financial flexibility, fixed-cost coverage (FCC) improved to a solid 1.3x in fiscal 2025 from 1.1x in fiscal 2023 supported by a base rate increase in April 2025 (the first since 2017) and reinstatement of the authority's automatic and dynamic cost-recovery mechanisms, which recover about 75% of costs. The authority had $1.13 billion in total liquidity including unused bank facilities at fiscal year-end 2025, equating to 257 days' cash on hand (DCOH) of operating expenses and unused bank facilities, up from $871.89 million or 224 DCOH in fiscal 2023. Projections indicate gradual growth to approximately 400 DCOH by 2029, and we believe these healthy levels provide sound cushion against operational or cost variability.

Looking ahead, the sustainability of this improved financial trajectory will depend on the authority's ability to navigate several persistent external pressures--namely inflation, regional system expansion, and regulatory requirements--which are driving up the costs associated with maintaining system reliability. With this in mind, we believe that the authority will likely maintain the capacity to make rate and other budgetary adjustments to support its capital needs, combined with its experienced management team, to support consistent and stable financial operations. Further tempering external exposures is the durability of the contract with Central.

Furthermore, the rating upgrade is further underpinned by our analysis of management-provided forecasts that the authority will maintain stable FCC at about 1.3x-1.4x (S&P Global Ratings-calculated) and robust liquidity through fiscal 2029.

Although we expect financial metrics will remain stable at the recently improved levels, Santee Cooper's adopted and planned rate increases could somewhat erode the authority's solid competitive position (weighted average retail rates were 80% of the state average in 2024) and commensurate affordability; a 15% overall rate increase was implemented in 2025, and a 3.3% and 3.1% rate increase is planned, albeit not yet approved by the board, for 2027 and 2028, respectively. The 15% overall rate increase includes the unfreezing of rate adjustors, a rider to recover $550 million in settlement cost related to its failed V.C. Summer nuclear expansion project (the Cook settlement), which will be levied over a 10-year period, and a retail base rate increase. Retail base rates did not increase in 2026.

The authority has entered a memorandum of understanding (MOU) with Brookfield Asset Management Ltd. regarding the canceled V.C. Summer nuclear units two and three. Under the proposed terms, Santee Cooper would receive a $2.7 billion cash payment and an up to 25% ownership share in the plant’s output, with no additional investment required from Santee Cooper. Brookfield is currently analyzing the feasibility of the project as per the MOU. Therefore, the authority has not incorporated any of the potential financial or operational benefits this transaction would provide, which we view as prudent. However, we also recognize that the successful execution of this transaction would translate into reduced rate pressure or improved financial metrics or both for the authority; a final investment decision is anticipated for early 2028.

The rating on Santee Cooper further reflects our opinion of the following factors:

- The deep and diverse service area and customer base spans much of South Carolina; the authority serves about 1.15 million end use customers, which provides it with both revenue certainty and economies of scale.
- Santee Cooper faces a dual landscape of significant growth and heightened risk related to data center expansions in Central's service area, which are expected to drive 70% of the projected load growth, alongside rapid population increases. While this presents an opportunity for increased sales, it also introduces risks of stranded investments, cost-shifting, and grid stability challenges. The authority is proactively addressing these through credit-protective measures, specifically by introducing a new high impact load rate for large customers, which replaces the existing experimental large load rate, as the new rate is an incrementally priced rate designed to protect existing customers from costs caused by large new customers joining the system. Santee Cooper prepares financial forecasts that reflect definitive load growth prospects and a small portion of potential load growth prospects. Nevertheless, the scale of projected growth--18% by 2030 and 32% by 2035--will necessitate significant capital investment in net generation capacity.
- Driven by a strengthening state economy, the authority set several new peak power demand records in 2025; to support this load growth, the board of directors voted to advance some of the capacity projects.
- Santee Cooper maintains a hedging program that, coupled with its diverse fleet of assets, insulates it from fuel and energy pricing variability. Despite these hedges, the authority faced unbudgeted fuel and energy costs from Winter Storm Fern in February 2026, along with a number of unplanned generation outages. The authority estimates its total exposure to the event was about $97 million, which we believe is manageable given its robust margins, liquidity, and automatic cost recovery mechanisms.
- To address projected load growth, Santee Cooper’s resource plan calls for more than 1,700 megawatts (MW) of additional capacity between 2027 and 2033, split between natural gas (1,400 MW) and battery storage (300 MW), translating into substantial additional capital spending over that period.
- Santee Cooper is a highly leveraged utility, with debt measuring 79% of total capitalization. We expect this ratio will remain steady despite the planned $4.6 billion debt issuance to fund the authority's $5.9 billion 2026-2030 capital plan, which will largely support transmission and resource spending.

- We believe Santee Cooper faces physical transition risks given its predominately fossil-fuel fired resource mix (51% coal and 25% natural gas in 2025). The authority's integrated resource plan (IRP) indicates this resource mix will essentially flip by 2040 (55% natural gas and 25% coal) as it retires coal units yet adds gas plants; this represents a significant departure from its previous IRP, which showed a 37% gas and 23% coal reliance by 2040. Although the carbon intensity of natural gas is less than that of coal, we believe the authority's projected 81% reliance on fossil fuel resources in 2040 exposes the utility to potential future cost exposures related to energy supply decarbonization.
- Governance is moderately credit negative compared with that of peers due to the requirement for joint resource planning with Central and subsequent regulatory approval. However, we believe this risk is partially mitigated by Central's plan to supply resources to the system for a portion of the expected load growth beginning in 2029.
- Other governance factors are highlighted by credit supportive rate-setting practices and comprehensive management policies. The authority maintains risk management policies and practices that are focused on management of its system to uphold its financial position, sustain customer growth, mitigate any cybersecurity threats, and maintain reliability. In our view, this high level of planning and risk management lends to the authority's overall operational and financial stability.
- Because of the high unpredictability of federal policy, along with the economy's stressors and the associated financial pressures consumers are facing, we are monitoring the strength and stability of electric utilities' revenue streams for evidence of delinquent payments or other revenue erosion. (See "Economic Outlook U.S. Q3 2026: Resilient to Layered Supply Shocks," June 24, 2026).

Outlook

The stable outlook reflects our expectation that the authority will achieve financial performance in line with forecast levels while addressing cost pressures and debt needs related to its sizable capital plan, mitigating risks associated with its substantial forecast load growth, and ensuring rate affordability and competitive positioning.

Downside scenario

We could lower the rating if financial metrics fall short of projected levels due to unbudgeted capital costs or debt and resource additions that are misaligned with realized energy growth. We could also lower the rating if we believe the quality of cash flows from Central have deteriorated.

Upside scenario

Over the longer term, we could raise the rating if the authority is able to establish a track record of materially higher FCC on a sustained basis and maintain robust liquidity while mitigating upward pressure on debt to capitalization as the authority executes capital plans. At the same, we will evaluate whether the authority sustains timely cost recovery while maintaining rate affordability and its competitive position.

Ratings List
New Issue Ratings
US$218,800,000 South Carolina Public Service Authority, South Carolina, Revenue Obligation 2026 Taxable Improvement, Series E, dated: Date of Delivery, due: December 1, 2056

Ratings List		
Long Term Rating	A/Stable	
US$252,600,000 South Carolina Public Service Authority, South Carolina, Revenue Obligation 2026 Tax-Exempt Improvement, Series D, dated: Date of Delivery, due: December 1, 2056		
Long Term Rating	A/Stable	
US$97,300,000 South Carolina Public Service Authority, South Carolina, Revenue Obligation 2026 Tax-exempt Refunding, Series F, dated: Date of Delivery, due: December 1, 2056		
Long Term Rating	A/Stable	
Upgraded;Outlook Action		
	To	**From**
Public Power		
South Carolina Pub Svc Auth, SC Wholesale and Retail Electric System	A/Stable	A-/Positive

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.