CREDIT OPINION
11 November 2024

Update

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RATINGS

Oglethorpe Power Corporation

Domicile	Tucker, Georgia, United States
Long Term Rating	Baa2
Type	LT Issuer Rating
Outlook	Positive

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Oglethorpe Power Corporation

Update to credit opinion following revision of outlook to positive from stable

Summary

Oglethorpe Power Corporation's (OPC: Baa1 Senior Secured, positive outlook) credit profile is supported by the meaningful scale of its generating portfolio, the recent in-service of Vogtle Unit 3 and Unit 4, long-term wholesale power contracts with financially sound members, rate setting autonomy, a growing service territory economy and a strong liquidity profile. These positive rating attributes, however, are offset in part by the approximately $8.3 billion of costs incurred to fund OPC's share of Vogtle Units 3 and 4 construction costs. These costs were funded in large part with debt and a driving factor for OPC's significant leverage profile, which stands at approximately $12.3 billion.

Positive considerations that are influencing OPC's credit file are the commercial operation and generally good operating performance at Vogtle Unit 3 and Unit 4, along with the extension of wholesale power contracts with all 38 of its electric member to 2085. Collectively, these achievements reduce OPC's business risk profile allowing it to recover the costs of its new nuclear units in member rates over the extended life of the assets leading to improved financial performance relative to historical levels.

Credit strengths

» Rate setting autonomy and a strong relationship with financially sound members under long term wholesale power contract

» Diversified portfolio of generating assets

» Reasonably competitive rates and strong liquidity profile

Credit challenges

» Elevated capital expenditure program

» Weak historical financial metrics, including a low equity capitalization ratio, caused by the debt financing for Vogtle construction and adjustments for capitalized interest

» Significant leverage profile

Rating outlook

OPC's positive outlook reflects an expectation for improved financial performance as the company begins to recover the approximate $8.3 billion incurred to fund its share of construction costs related to Vogtle Unit 3 and Unit 4. While new capital investment requirements are anticipated to help satisfy member load growth leading to incremental indebtedness, the positive outlook recognizes the implementation of rate increases for Vogtle

Unit 3 and Vogtle Unit 4 which should help to gradually improve cash flow to debt and equity capitalization ratios.

Factors that could lead to an upgrade

» Demonstration of a prospective ability to improve and maintain key credit metrics, including an adjusted funds from operations (FFO) to debt ratio at 5% and adjusted equity capitalization exceeding 10% combined with continued sound operating performance could lead to consideration of a one-notch upgrade. By comparison, we calculate these specific metrics at approximately 2% and 8%, respectively, at year-end 2023.

Factors that could lead to a downgrade

» In light of the positive outlook, a rating downgrade over the near-term is unlikely. OPC's outlook could be revised to stable, however, should the size and scale of capital expenditure program increase meaningfully relative to current expectations or should it encounter unexpected operating difficulties at any of its nuclear units.

Key indicators

Exhibit 1
Olgethorpe Power Corporation Key Indicators

	2019	2020	2021	2022	2023
Times Interest Earned Ratio (TIER)	0.7x	0.6x	0.6x	0.6x	0.7x
DSC (Debt Service Coverage)	0.7x	1.1x	1.1x	1.0x	1.0x
FFO / Debt	2.3%	1.9%	1.3%	1.5%	1.6%
(FFO + Interest Expense) / Interest Expense	1.6x	1.5x	1.4x	1.4x	1.4x
Equity / Total Capitalization	7.0%	7.6%	7.4%	7.3%	7.8%

Source: Moody's Ratings

Profile

Oglethorpe is a generation-only electric cooperative that provides wholesale power under contracts that extend through December 2085 to 38 member-owner distribution cooperatives (members or EMCs) located throughout Georgia.

Detailed credit considerations

Strong contractual relationships

OPC sells virtually all of its generation output to its members under wholesale power contracts (WPCs), limiting its exposure to market volatility. However, unlike most electric cooperatives, OPC supplies its members with less than 100% of their aggregate energy needs, transferring supply risk to the members. In 2023, OPC supplied about 68% of its members' aggregate energy needs.

While this arrangement is unusual compared to other cooperatives, it does not pose an incremental credit risk for OPC as the supply risk is transferred to the distribution members. Moreover, since its members' payment obligation to pay all of the cooperative's costs is joint and several, OPC's stable supply of relatively affordable base load power remains increasingly valuable to its members as their needs grow and they are continually forced to look for additional sources of supply.

OPC's board of director has the autonomy to set OPC's wholesale rates. Neither OPC's wholesale rates nor member retail rates are subject to regulation or approval of any federal or state authority.

Members' consolidated financial profile is sound

OPC's members exhibit a sound consolidated credit profile. The members' substantial residential customer base, which comprised approximately 68% of FY 2023 MWh sales, provides a high degree of cash flow stability enabling OPC's credit profile to remain resilient. In that regard, at year-end 2023, the members' average equity to capitalization ratio was strong at 51% and the average times interest earned ratio (TIER) exceeded 3.0x. While the members vary widely in terms of their individual size, only 2 members accounted for more than 10% of total FY 2023 member revenues, the largest at approximately 15% and the other at 11% .

Diversified portfolio of generating assets

OPC's diverse supply of relatively affordable base load power with an increasing degree of emission free generation remains increasingly valuable to its members. After multiple construction delays and cost increases, each of Vogtle Unit 3 and Unit 4 achieved commercial operation in July 2023 and April 2024, respectively. Operating performance for both units has been sound. With Vogtle Units 3 and 4 now online, OPC estimates that in 2025 that 44% of generation provided to members will be from emission-free sources, up from 32% in 2022.

OPC's generating sources includes its ownership shares in a coal plant that is co-owned and operated by Georgia Power Company (GPC, A3 positive), two nuclear facilities (Vogtle and Hatch) that are also co-owned by GPC and operated by Southern Nuclear Company and one pumped-storage hydroelectric facility, as well as a number of wholly-owned natural gas-fired units. OPC manages and operates another six natural gas-fired units owned by Smarr EMC, bringing OPC's generation resources to more than 9,300 MWs of summer planning capacity.

Elevated capital expenditure program will require incremental debt funding

OPC's members approved the construction of approximately 1,500 megawatts of additional natural gas generation capacity, power from which will be used to meet growing electric demand in their respective service territories. This new generation capacity will include approximately 1,200 MW of combined cycle units in Monroe County, Georgia and approximately 240 MW combustion turbine unit in Talbot County, Georgia. Costs are estimated at approximately $2.2 billion and will be funded in large part with incremental debt.

Weak historical financial metrics should gradually improve moving forward

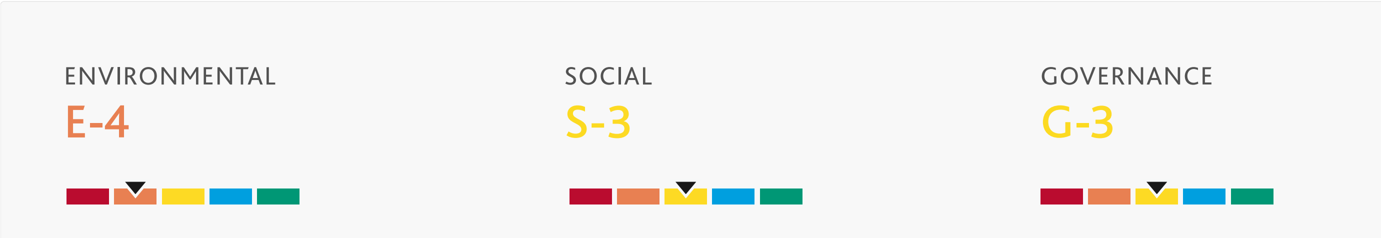
OPC's budgeting practices and rate structure allow it to achieve its minimum target of 1.10x margin for interest (MFI). Since 2009, OPC's board has approved rate increases to maintain MFI coverage at 1.14x. With Vogtle Unit 3 and Unit 4 in service and recovery commencing in wholesale rates, we understand that OPC will revert to its former policy and set rates to target an MFI of 1.10x.

As an electric generation cooperative, OPC does not seek to maximize margins, making metrics such as MFI or the debt service coverage (DSC) ratio less useful measures of credit strength. That said, OPC's metrics have been weak owing to the sizeable debt incurred for Vogtle Unit 3 and Unit 4 construction and the adjustment made for capitalized interest, with the times interest earned ratio (TIER) being below 1.0x in recent years. OPC's funds from operations (FFO) to interest ratio has remained between 1.4x-1.5x for the past three years and its adjusted equity to capitalization ratio averaged 7.5% for the fiscal years 2021-2023, positioning this financial metric at the low end of the 5%-20% “Baa” category range under the methodology. Similarly, during 2021 through 2023, OPC's FFO to debt ratio remained weak, averaging around 1.5% over the three year period. With the implementation of rate increases to recover costs for Vogtle Units 3 & 4 and the completion of this very large capital investment, OPC's cash flow to debt and equity capitalization ratios should gradually improve and such demonstrated improvement should lead to a stronger credit profile.

ESG considerations

OPC's Credit Impact Score is moderately negative (**CIS-3**). Its ESG attributes are considered to be having an overall limited impact on the current rating, with potential for future negative impact. OPC's **CIS-3** reflects highly negative environmental risk, tempered by moderately negative social and governance risks.

Exhibit 2
ESG issuer profile scores



Source: Moody's Ratings

Environmental

OPC's (**E-4** IPS) highly negative physical climate risks considers severe weather events like hurricanes, storms and tornados across its large service territory in Georgia, the most recent of which was Hurricane Helene in September 2024. While OPC did not experience any significant damage to its infrastructure during the storm, at peak, 435,000 member customers experienced outages. Moderately negative carbon transition risk reflects its long-term carbon emissions reduction plan, including the addition of new nuclear generation capacity at the Vogtle site and some renewable energy growth along with a continuing reliance on fossil fuels, including additions to its substantial natural gas fleet and declining dependence on coal. OPC's coal and nuclear generation assets include moderately negative risks for waste management and pollution.

OPC's exposure to social risks is moderately negative (**S-3** issuer profile score) and reflects moderately negative exposure to responsible production owing largely to its dependence on nuclear generation. Our assessment also considers the fundamental risk to US electric G&T cooperatives that demographics and societal trends could include social pressures or public concern around affordability, reputational or environmental concerns. In turn, these pressures could result in adverse political intervention into the cooperative's operations or regulatory/legislative changes and potential discontent among the cooperative's members' customer base over rates charged. OPC's shared ownership of nuclear generation plants also carries unique public safety risks that other forms of generation do not.

Governance

OPC's **G-3** issuer profile score incorporates moderately negative exposure to financial policy and risk management owing to the large investment in Vogtle. While OPC maintains a strong liquidity profile, it has incurred significant incremental debt to fund its participation in a much delayed and over budget new nuclear construction project at Vogtle. Similar to most of its peers, OPC's governance benefits from the unregulated nature of its rate setting process, which gives it the ability to raise rates unliterally when necessary to recover costs and maintain sound financial metrics.

Liquidity analysis

OPC continues to maintain a strong liquidity profile which provides support for its P-2 commercial paper program. As of June 30, 2024, OPC had access to $1.875 billion of multi-year credit facilities, of which nearly $1.4 billion was available.

OPC primarily funds its capital costs with commercial paper (CP) under its $1.275 billion CP program, and periodically repays the CP with proceeds from long-term debt issuance. As of June 30, 2024, its outstanding CP was $473 million.

External short-term liquidity is primarily provided by OPC's $1.275 billion committed senior unsecured syndicated credit facility due May 2029. The facility has same-day drawing availability and no ongoing material adverse change clause.

Additionally, as of June 30, 2024, OPC had committed credit facilities providing $710 million of borrowing capacity, $460 million of which can be incurred as senior unsecured debt and the remaining $250 million as senior secured debt. The $250 million senior secured obligation is available under a line of credit with National Rural Utilities Cooperative Finance Corporation (CFC: A2 stable), which expires in December 2028. Under a $110 million unsecured facility with CFC which also expires in December 2028, Oglethorpe has the option to convert any amounts outstanding under the line into a secured term loan under the $250 million facility. The maximum amount that can be drawn under the two CFC facilities combined is $250 million, reducing total availability under the committed facilities to an incremental $600 million.

Debt structure

OPC's credit profile is supported by its access to a variety of reliable funding sources, including both private and public debt capital markets, funding from the RUS, and borrowing under the DOE loan guarantee program which is specific to the Vogtle 3&4 project. OPC's main financing agreement is its first mortgage indenture, which provides a lien on most of its tangible.

OPC leverage is significant, with approximately $12.3 billion of secured indebtedness outstanding. This includes $5.5 billion borrowed from various lenders through the private and public capital markets, $2.7 billion of outstanding loans guaranteed by the RUS and secured under the first mortgage indenture, and $4.1 billion outstanding of loans from Federal Financing Bank (FFB) with a DOE guarantee. Regarding the FFB loans, OPC and other Vogtle participants utilized funding available under the DOE loan guarantee program, with the DOE agreeing to guarantee over $4.6 billion of OPC's obligations under a multi-advance term loan facility. The $4.1 billion amount outstanding reflects $500 million of repayments that have occurred to date.

Under the first mortgage indenture, OPC is required to establish and collect rates, which, along with its other revenues, are expected to yield a margin for interest ratio for each fiscal year of at least 1.10x. OPC is prohibited from paying any distribution of patronage capital to its members as its equity ratio is below the 20% minimum requirement. At December 31, 2023, OPC's unadjusted equity ratio was 9.4%.

Rating methodology and scorecard factors

As depicted below, Moody's evaluates OPC's financial performance relative to the U.S. Electric Generation and Transmission Cooperatives Methodology Scorecard.

OPC's scorecard-indicated outcome based on historical results is A3, which is one notch above its Baa1 senior secured rating. The one difference principally reflects the methodology's reliance historical metrics within the scorecard.

Exhibit 3
Olgethorpe Power Corporation

U.S. Electric Generation & Transmission Cooperatives [1][2]	**Current FY 12/31/2023**
Factor 1 : Wholesale Power Contracts and Regulatory Status (20%)	**Score**
a) % Member Load Served and Regulatory Status	Baa
Factor 2 : Rate Flexibility (20%)	
a) Board Involvement / Rate Adjustment Mechanism	A
b) Purchased Power / Sales (%)	Aaa
c) New Build Capex (% of Net PP&E)	Aa
d) Rate Shock Exposure	Baa
Factor 3 : Member / Owner Profile (10%)	
a) Residential Sales / Total Sales	A
b) Members' Consolidated Equity / Capitalization	A
Factor 4 : 3-Year Average G&T Financial Metrics (40%)	
a) Times Interest Earned Ratio (TIER)	Ba
b) Debt Service Coverage Ratio (DSC)	Aa
c) FFO / Debt	Baa
d) Funds from Operations Coverage of Interest (FFO/Interest)	A
e) Equity/Total Adjusted Capitalization	Baa
Factor 5 : G&T Size (10%)	
a) MWh Sales	Aa
b) Net PP&E	Aaa
Rating:	
Indicated Outcome from Grid	A3
Actual Rating Assigned (Senior Secured)	Baa1

Source: Moody's Ratings

Ratings

Exhibit 4

Category	Moody's Rating
OGLETHORPE POWER CORPORATION	
Outlook	Positive
Issuer Rating	Baa2
First Mortgage Bonds	Baa1
Senior Secured	Baa1
Commercial Paper	P-2
Underlying Senior Secured	Baa1

Source: Moody's Ratings

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