

MOODY'S

RATINGS

Rating Action: Moody's Ratings upgrades Oglethorpe Power's senior secured ratings to A3 from Baa1; outlook is stable

21 Jan 2025

New York, January 21, 2025 -- Moody's Ratings (Moody's) today upgraded Oglethorpe Power Corporation's (OPC) senior secured first mortgage bonds and senior secured tax-exempt revenue bonds to A3 from Baa1, its Issuer Rating to Baa1 from Baa2 and affirmed its short-term rating for commercial paper at P-2.

Concurrently, we assigned an A3 rating to OPC's \$350 million Green First Mortgage Bonds, Series 2025A due 2055. OPC's outlook has been revised to stable from positive.

Proceeds from the First Mortgage Bond offering will be used for the long-term financing of approximately \$294 million of remaining costs relating to Vogtle Unit 4 and the remainder to refinance a portion of DOE loan repayments made before Vogtle 4 reached commercial operation.

RATINGS RATIONALE

Today's rating action considers an overall reduction of OPC's business risk profile following completion of the Vogtle new nuclear units (Unit 3 &4), the sound operating profile of the units since the commencement of operations and the extension of wholesale power contracts with 38 electric member corporations (EMC or members) by 35 years to 2085. Completion of the new nuclear units has allowed OPC to begin to recover the related costs in member rates, providing for improved financial performance relative to historical levels, while the extension of the wholesale power contracts better matches the expected operating life of OPC's generating assets and provides financial flexibility from a financing perspective.

Vogtle Unit 4 entered commercial operation in April 2024 with fully dispatchable net electrical output of approximately 1,100 megawatts (OPC's share is 330 megawatts). This followed Plant Vogtle Unit 3's commercial operation on 29 July 2023, also with roughly 1,100 megawatts of nameplate capacity (330 megawatts). Both units have been operating at a capacity factor in excess of 96% since achieving commercial

operation.

OPC's credit profile reflects in part the financial strength of its EMC members to whom it sells virtually all of its generating output under long-term wholesale power contracts. OPC's EMC customers consolidated credit profile remains sound as members' average equity to capitalization ratio was 51% in FY 2023 and the average times interest earned ratio (TIER) exceeded 3.0x. While the members vary widely in terms of their individual size, only two members accounted for more than 10% of total FY 2023 member revenues, the largest at approximately 15% and the other at 11%.

OPC's historical financial metrics have been weak owing to the sizeable debt incurred for Vogtle Unit 3 and Unit 4 construction. That said, implementation of rate increases to recover costs for Vogtle Units 3 & 4 has resulted in modest improvements to recent financial performance. Specifically, OPC's cash flow to debt and adjusted equity capitalization ratios on an adjusted basis have increased to 2.3% and 8.4%, respectively, for the 12 months ended September 30, 2024 compared to 1.5% and 7.3%, respectively, in FY 2022. Today's rating action factors in an expectation that these financial metrics to continue to trend upward.

The rating action also considers an elevated capital expenditure program over the near-term. OPC's members approved the brownfield construction of a new 1,425 megawatt combined cycle generation facility, power from which will be used to meet growing electric demand in their respective service territories. Costs are estimated in a range of approximately \$1.8 billion to \$2.3 billion and will be funded in large part with incremental debt.

RATING OUTLOOK

The stable outlook for OPC is supported by an expectation for continued strong operating and modestly improving financial performance

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

OPC's rating are unlikely to experience upward rating pressure over the near-term in light of an elevated capital expenditure program. Materially improved financial performance, including cash flow to debt in excess of 7.0% and equity capitalization of 20%, could potentially trigger upward rating pressure.

Downward rating pressure could be triggered should the size and scale of OPC's capital expenditure program increase meaningfully relative to current expectations or should it encounter material operating difficulties at any of its nuclear units.

PROFILE

OPC is a generation-only electric cooperative that provides wholesale power under contracts that extend through December 2085 to 38 member-owner EMC's located

throughout Georgia.

LIST OF AFFECTED RATINGS

Issuer: Oglethorpe Power Corporation

..Upgrades:

... LT Issuer Rating, Upgraded to Baa1 from Baa2

... Senior Secured First Mortgage Bonds, Upgraded to A3 from Baa1

... Backed Senior Secured First Mortgage Bonds, Upgraded to A3 from Baa1

... Underlying Senior Secured First Mortgage Bonds, Upgraded to A3 from Baa1

..Assignments:

... Senior Secured First Mortgage Bonds, Assigned A3

..Affirmations:

... Backed Senior Secured First Mortgage Bonds, Affirmed A1

... Commercial Paper, Affirmed P-2

..Outlook Actions:

...Outlook, Changed To Stable From Positive

The principal methodology used in these ratings was US Electric Generation and Transmission Cooperatives published in June 2024 and available at <https://ratings.moodys.com/rmc-documents/423471>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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