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[Fitch: Outlook Stays Neutral for U.S. Public Power in 2025]

Fitch Ratings-New York/Austin-12 December 2024: Operating performance appears to be on solid footing for U.S. public power headed into 2025 as utilities address growing electric demand for the first time in over a decade, according to Fitch Ratings in its annual outlook report. Fitch's outlook for the sector is neutral.

Lower interest rates coupled with slow but steady economic growth and manageably higher natural gas costs should support stable credit quality. "Moderate inflationary pressures will help utilities meet load growth needs, including new generation capacity investment," said Senior Director Kathy Masterson. "Conversely, significant capital cost pressures or resurgent supply chain constraints could dampen sector performance."

As demand grows, so does the risk of capacity concerns that could lead to market imbalances, higher wholesale energy prices, and regional shortages. "Increased data and AI-related loads, combined with extreme temperatures, are likely to drive record peak electricity demand," said Masterson. "Regional droughts, plant retirements, stricter market capacity requirements, and wildfire risks could challenge resource availability."

Potentially mitigating capacity concerns are the incoming Trump adminstration's likely plan to roll back EPA rules now in place to limit carbon dioxide emissions. This will facilitate the sector's ability to meet growing demand and provide utilities not subject to state and local government mandates with a more relaxed timetable to reduce emissions. The absence of federal legislation, however, will allow other systems to alter resource strategies, delay asset retirements, and reassess capital spending plans.

Fitch's 'U.S. Public Power and Electric Cooperatives Outlook 2025' report is available at www.fitchratings.com.