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## **S&P U.S. Not-For-Profit Public Power, Electric Cooperative, And Gas Utilities 2025 Outlook: Climate Change, Energy Transition, And Load Growth Underlie Negative Trends**

### **Sector View: Negative**

- Not-for-profit (NFP) public power, electric cooperative, and gas utilities remain susceptible to negative rating actions because of rising operating expenses and the costs of direct and indirect capital investments. These pressures constrain rate-making flexibility and remain an obstacle to timely and adequate cost recovery.
- The catalysts for increasing costs include utilities' initiatives to strengthen infrastructure to better withstand more frequent and severe extreme weather events, investments to reduce harmful generation emissions and byproducts, and generation additions to support developing technologies' substantial energy requirements.
- Utilities with limited customer bases can face obstacles to efficiently allocating costs, making their financial performance and creditworthiness more vulnerable to cost-induced erosion than those with larger and more diverse customer bases.
- S&P Global Ratings' negative sector outlook reflects its opinion that a subset of the utilities face greater susceptibility to lower ratings, but this view does not indicate expectations of widespread downgrades. Many NFP utilities continue to achieve financial performance that provides latitude to address cost increases without eroding creditworthiness.

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