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Fitch: US Public Power Systems Resilient Following Winter Storm Fern

Fitch Ratings-New York-02 February 2026: Despite the expansive winter storm and subfreezing temperatures that affected large portions of the Midwest, South, and Eastern U.S. last week, U.S. public power systems largely avoided systemic power outages and material operational impacts that could weaken utility finances and credit quality, Fitch Ratings says.

Ahead of the storm, regional grid operators and federal agencies took steps to preserve reliability. The U.S. Department of Energy issued emergency orders to expand dispatch flexibility and enable use of backup generation at large loads.

Grid operators in affected regions reported periods of elevated market prices. They cited demand spikes from frigid temperatures and power plant outages relating to tight natural gas supplies in parts of the country. However, available resource capacity broadly exceeded demand, and overall grid reliability was more robust than during Winter Storm Uri in 2021 and Winter Storm Elliot in 2022. The recent storm was less severe in terms of duration and frigid conditions across the South than those events. Improved reliability may also reflect winterization investments in natural gas infrastructure in Electric Reliability Council of Texas (ERCOT) and other markets.

Grid operators have also taken steps to bolster reliability. For example, the Southwest Power Pool increased its winter planning reserve margin to 36% for the 2026/2027 season. Planning reserve margins represent the amount of back-up power utilities must have to protect against unplanned conditions or events on the regional power grid.

News reports indicate significant loss of life and damage from the storm system, with at least 140 confirmed fatalities and over a million utility customers who lost power. Localized damage largely due ice accumulation and downed trees drove most outages, particularly in the South.

In the hard-hit mid-south region, the Tennessee Valley Authority (AA+/Stable) restored transmission service to all local power companies. Nashville Electric Service (AA+/Stable) outages peaked at about 230,000, and the utility is working to restore power to about 25,000 customers. Extensive mutual aid agreements among utilities provide a framework for assistance and cooperation to get power restored as quicky and safely as possible. However, crews will need time to fully address all damage.

Fitch-rated municipally owned systems typically maintain robust liquidity balances that they can use for emergency infrastructure repairs. The majority of systems reported an excess of 225 days cash on hand at fiscal YE 2024. Many also maintain additional liquidity facilities to bridge timing gaps between restoration costs and available cost reimbursement by the U.S. Federal Emergency Management Agency (FEMA). FEMA typically reimburses around 75% of restoration costs. President Trump approved federal emergency disaster declarations for 12 states, mostly in the South, allowing these states to access FEMA support.

Forecast temperatures remain well below seasonal averages across the Midwest and East. Spot

prices for natural gas and wholesale power remain above normal ranges. Retail customers may see higher monthly bills as utilities pass through some costs from this period, but Fitch does not expect these alone to materially affect credit quality. Fitch-rated public power utilities typically protect against price volatility through hedges and other mitigation strategies that reduce risks to operating costs from unfavorable market prices, which further insulates credit quality.

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