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S&P: Prolonged Cold Spell Could Pressure U.S. Not-Fo--Profit Electric Utilities Ratings

Key Takeaways

- S&P Global Ratings is monitoring potential unbudgeted power-procurement costs and damages facing public power and electric cooperative utilities as a result of the Jan. 25-26 severe weather event referred to as Winter Storm Fern.
- In particular, the storm's freezing rain and ice caused historic levels of customer outages throughout the Nashville Electric Service (NES) territory, but based on its initial infrastructure assessments, we believe NES is well positioned to absorb financial impacts given its strong liquidity position ($519 million), which provides a bridge to federal aid.
- The storm led to increased demand for heat and power, causing widespread spikes in natural-gas spot and wholesale electricity prices across power markets both in and beyond Tennessee, and the financial metrics of our rated utilities in the region may be pressured if cost-recovery practices do not dynamically recover costs.

Following the winter storm, frigid temperatures and potential credit pressures remain beyond the damage that caused power outages of varying severity, particularly in Tennessee and Mississippi. NES experienced the highest percentage of customer outages of any of our rated not-for-profit electric utilities. As the extreme cold temperatures linger across the nation, particularly in the Electricity Reliability Council of Texas (ERCOT), PJM Interconnection LLC (PJM), and Midcontinent Independent System Operator (MISO) independent system operator (ISO) regions, S&P Global Ratings will monitor the size of unbudgeted storm-recovery, fuel, and power-procurement costs facing our rated public power and electric cooperative utilities. Even utilities that did not experience storm-related infrastructure damage could face credit pressures because of elevated and unbudgeted fuel- and power-procurement costs during extremely cold weather.

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29-Jan-2026

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