FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Alabama Muni Electric Auth's Rev Ref Bonds at 'AA-'; Outlook Stable

Wed 25 Mar, 2026 - 6:07 PM ET

Fitch Ratings - New York - 25 Mar 2026: Fitch Ratings has affirmed the following bonds issued by the Alabama Municipal Electric Authority, AL (AMEA) at 'AA-':

--$19.7 million outstanding taxable power supply system revenue refunding bonds, 2020 series A.

Fitch has also affirmed AMEA's Issuer Default Rating (IDR) at 'AA-'.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Alabama Municipal Electric Authority (AL)	LT IDR	AA- Rating Outlook Stable	Affirmed	AA- Rating Outlook Stable
Alabama Municipal Electric Authority (AL) /Electric Revenues/1 LT	LT	AA- Rating Outlook Stable	Affirmed	AA- Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

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SECURITY

The bonds are payable by a first lien on net revenues of the system, after provision for operation and maintenance expenses.

KEY RATING DRIVERS

Revenue Defensibility - aa

Unconditional PSCs; Very Strong Member Credit Quality

AMEA's revenue defensibility is very strong and supported by long-term, take-and-pay power sales contracts (PSCs) with its 11 members. The PSCs extend through 2045, and the contract framework includes the authority's unlimited ability to reallocate costs among its members in the event of member non-payment. Members may terminate the PSCs but only if adequate provisions have been made for the full payment of a member's obligations.

Revenue defensibility is further supported by the very strong credit quality of its two largest purchasing members - the cities of Foley and Dothan, AL. Fitch assesses the authority's member credit quality as very strong, as evidenced by a purchaser credit index (PCI) of 1, calculated based on an evaluation of the two largest members which account for 66% of revenues. Member credit quality is underpinned by independent rate-setting ability and highly competitive retail rates, mixed demographics and demand characteristics, and strong financial metrics.

Operating Risk - a

Low Cost, Diverse Power Provider

AMEA's strong operating cost risk assessment is supported by a low and historically stable operating cost burden, which exceeded 7 cents/kWh in 2025 and averaged below 7 cents/kWh between 2021-2025. The authority has access to a diverse mix of purchased power agreements (PPAs) and owned generation (AMEA-Sylacauga natural gas fired facility).

AMEA replaced expiring PPAs at the beginning of 2026, including the authority's all-requirements contract with Alabama Power, with new PPAs that management expects to generate near-term power supply cost savings. AMEA executed a PPA with Southern Power

Company and a bilateral capacity PPA, which together are designed to meet anticipated power supply requirements.

Capital needs at the authority are minimal, with approximately $13 million in spending projected through 2030, generally for construction of new member delivery points.

Financial Profile - aa

Financial Profile to Strengthen

Tighter financial performance in 2025 occurred but is likely to strengthen with anticipated cost savings in purchased power provided by new PPAs. Operating margin declined to negative 1% from the year prior and reserves from the rate stabilization fund were used to cover a portion of higher than budgeted purchased power costs. Fitch-calculated coverage of full obligations (COFO) declined to 1.0x from above 1.1x in prior years. Debt service coverage was still a healthy 1.7x. Unrestricted cash and investments declined to a still adequate 121 days of cash on hand in 2025. Leverage increased to 6.7x in 2025, up from around 6x over the last five years due to the lower cashflow.

Fitch's scenario analysis is informed by AMEA's five-year forecast and incorporates lower purchased power expense assumptions reflecting expected costs savings generated from the new PPAs that will be passed through member wholesale rates. Fitch's rating case indicates that operating margin is expected to recover, with COFO and liquidity returning to pre-2025 levels. We expect leverage to also return to or just above 6.0x.

Asymmetric Additional Risk Considerations

No asymmetric additional risk considerations affected the final rating determination.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Evidence of a weakening in purchaser credit quality;

--A sustained increase in leverage in excess of 8.0x in Fitch's rating case.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--A sustained decline in leverage to closer to 5.0x or less in Fitch's rating case.

PROFILE

Alabama Municipal Electric Authority (AMEA) is a joint-action agency with members primarily in southeast and southern Alabama that serve approximately 121,000 retail electric customers. AMEA's 11 members consist of seven cities (Alexander City, Dothan, Fairhope, LaFayette, Lanett, Opelika, and Piedmont), and four public corporations (the utilities board of the cities of Foley, Sylacauga, and Tuskegee and the electric board of the city of Luverne).

Sources of Information

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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APPLICABLE CRITERIA

U.S. Public Sector, Revenue-Supported Entities Rating Criteria (pub. 10 Jan 2025) (including rating assumption sensitivity)

U.S. Public Power Rating Criteria (pub. 26 Feb 2026) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

FAST Econometric API - Fitch Analytical Stress Test Model, v3.1.1 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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Alabama Municipal Electric Authority (AL)	EU Endorsed, UK Endorsed

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