



Rating Action: Moody's Ratings assigns A1 to Sun Prairie, WI Combined Utility Enterprise's revenue bonds

16 Sep 2026

New York, September 16, 2026 -- Moody's Ratings (Moody's) has assigned an A1 rating to the City of Sun Prairie, WI Combined Utility Enterprise's Water and Light Utility Revenue Bonds, Series 2026B with a proposed par value of roughly \$9.7 million. We maintain an A1 rating on the enterprise's outstanding combined utility revenue bonds. Following the concurrent sales of GOULT and revenue bonds, the city will have about \$225 million of debt outstanding.

RATINGS RATIONALE

The A1 rating on the combined utility revenue bonds reflects the utility's modest but growing service area near the City of Madison (Aaa stable) and healthy financial operations. Liquidity was strong at approximately 200 days unrestricted cash on hand in fiscal 2025 (FYE 12/31) and is expected to improve moderately in 2026. Net revenue from electric and water operations provided ample coverage of 3x annual debt service in 2025, even when adjusted to account for annual transfers to the city. The adjusted debt service coverage ratio will remain strong at over 2.3x following the current issuance. The debt ratio will remain low, with management typically borrowing every 2-3 years to fund projects from its 10-year capital plan.

The customer base is stable and fairly diverse for its size. The top ten electric customers account for just under 25% of electric revenue. Electric rates are competitive within the state, and the median family income is strong at about 116% of the US median.

The electric system accounts for over 80% of the combined utility revenue, with the water system accounting for the remainder. Rates for both systems are subject to approval by the Wisconsin Public Service Commission (PSC). Recent rate increases will support steady operations and continued capital investment over the next few years. A Power Cost Adjustment Clause allows the electric utility to pass purchased power costs through to its customers.

The city purchases its power and energy requirements from WPPI Energy (A1 stable) under a "take and pay" contract that expires in 2055. WPPI has a diverse power supply portfolio with some exposure to coal, which supplied about 35% of the energy mix in 2025.

RATING OUTLOOK

We do not assign outlooks to municipal utility issuers with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Substantial and sustained increases to the combined utility's liquidity above 250 days cash on hand coupled with maintenance of strong adjusted debt service coverage ratio
- Improvement in the City of Sun Prairie's (Aa2) credit quality

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Material narrowing of the combined utility's liquidity below 90 days cash on hand or weakening of coverage below 2x revenue
- Weakening of the city's credit quality

PROFILE

The City of Sun Prairie encompasses roughly 13 square miles of Dane County in south-central Wisconsin, about 20 miles northeast of the City of Madison. The city provides comprehensive municipal services, including water and electric utilities, to a population of about 40,000 residents.

The combined utility is an enterprise fund of the city. It provides electricity and water services within the City of Sun Prairie and a portion of surrounding communities. Both the electric and water systems operate under service rules established by the PSC. The city purchases its power and energy requirements from WPPI Energy. The water utility consists of seven wells with electric pumping equipment and a water distribution system.

METHODOLOGY

The principal methodology used in this rating was US Public Power Electric Utilities with Generation Ownership Exposure published in January 2023 and available at <https://ratings.moodys.com/rmc-documents/398041>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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