

## **What Are the Credit Implications for New Nuclear Construction in the U.S.**

Dimitri Nikas

Director

Utilities & Infrastructure Ratings

Standard & Poor's Ratings Services

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# Regulatory Aspects That Can Support Credit Quality

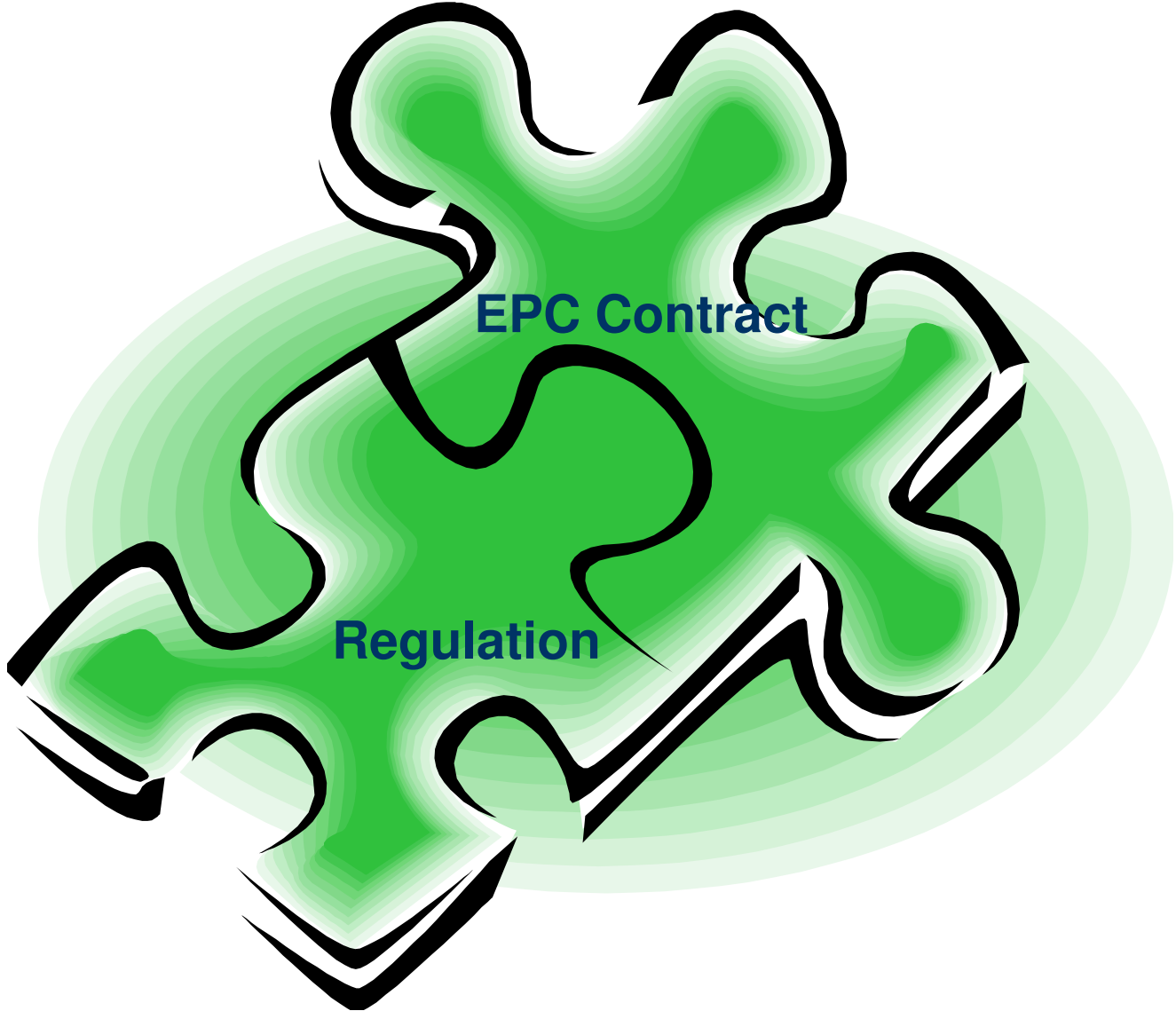
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## Regulated Electric Utilities

1. Pre-approval of project, cost and schedule
2. Cash return on CWIP
3. Periodic reviews of costs & schedules
4. Completed project goes into rate base w/o major rate case filing
5. Future commissions cannot review prior prudent decisions
6. Contingency in budget & schedule while still remaining under prudent
7. Recovery of abandoned investment

# Two Pieces to the Puzzle

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# EPC Contract Credit Issues

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- **Risk sharing in the EPC contract re-surfaces**
- **Cost categories**
  - Fixed
  - Firm with known escalation
  - Indexed
  - Market
- **Liquidated damages, performance guarantees, limits of liability determined by each company's**
  - Specific situation – regulated vs. merchant
  - Risk appetite / tolerance

# Merchant Generation Credit Issues

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- **EPC Contract – Ideally very strong with many protections to ensure cost is well defined**
- **Financing – How much leverage? Term and nature of debt financing?**
- **Recovery of investment via**
  - Long-term Off-take Agreements – Provides cash flow certainty
  - Sales into open market – Provides cash flow volatility

## **Other Items That Affect Credit Quality**

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- **What is the company's starting point?**
- **Financial performance during the construction period**
- **Access to the capital markets**
- **Level of construction experience**
- **Labor issues**
- **Supply chain issues**
- **Ability to contain costs/deal with price escalation while still making the project viable and economical**
- **Effectiveness/Robustness of COL and ITAAC processes**

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## Q&A

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