

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

Dimitri Nikas

Director

Utilities & Infrastructure Ratings

Standard & Poor's Ratings Services

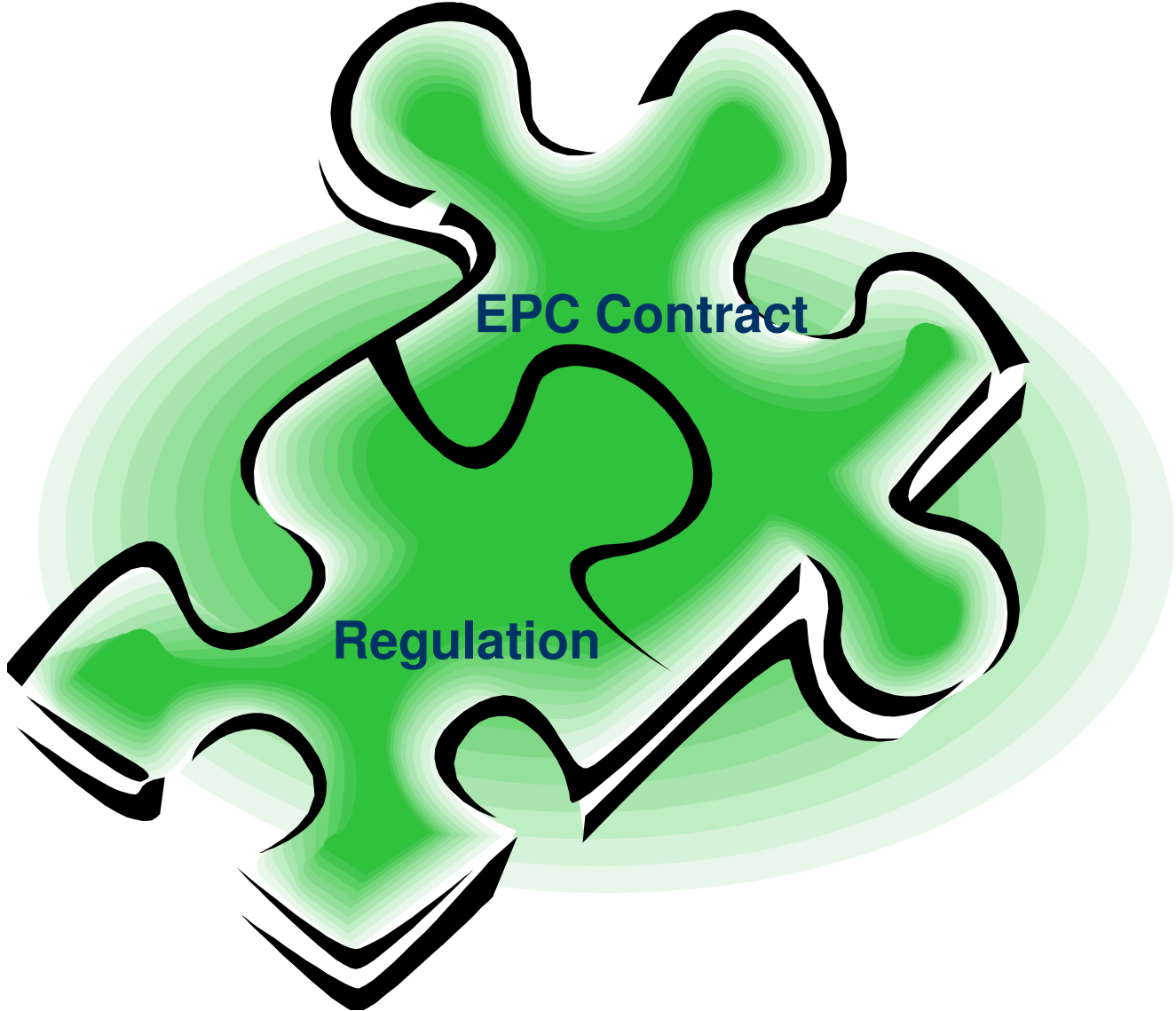
October 27, 2009

Regulatory Aspects That Can Support Credit Quality

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



EPC Contract Credit Issues

- **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

- **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

- **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**

Q&A

STANDARD & POOR'S

www.standardandpoors.com

All rights reserved. No part of this information may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P. S&P, its affiliates, and/or their third party providers have exclusive proprietary rights in the information, including ratings, credit related analyses and data, provided herein. This information shall not be used for any unlawful or unauthorized purposes. Neither S&P, nor its affiliates, nor their third party providers guarantee the accuracy, completeness, timeliness or availability of any information. S&P, its affiliates or their third party providers and their directors, officers, shareholders, employees or agents are not responsible for any errors or omissions, regardless of the cause, or for the results obtained from the use of such information. S&P, ITS AFFILIATES AND THEIR THIRD PARTY PROVIDERS DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates or their third party providers and their directors, officers, shareholders, employees or agents be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the information contained herein even if advised of the possibility of such damages.

The ratings and credit related analyses of S&P and its affiliates and the observations contained herein are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or make any investment decisions. S&P assumes no obligation to update any information following publication. Users of the information contained herein should not rely on any of it in making any investment decision. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of each of these activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P's Ratings Services business may receive compensation for its ratings and credit related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge) and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Copyright© 2009 by Standard & Poor's Financial Services LLC (S&P) a subsidiary of The McGraw-Hill Companies, Inc.8