



A Rating Agency Perspective on New Nuclear Construction and Credit Quality

Washington, D.C.

27 March 2006



What Issues Do They Face Today?

- S&P Overview and Methodology
- Overview of Credit Aspects for Nuclear Plant Owners
- Potential for New Construction and Credit



What is S&P

- Analytical Services
- Bond Ratings
- Scale
- What Our Ratings are NOT
 - Not a Recommendation to Buy, Sell, Hold
 - Not a Comment Suitability of Investments



Rating Definitions

Capacity To Pay Interest & Principal Is:

Investment-Grade		Speculative-Grade	
AAA	Strongest	BB+	Least Speculative
AA+		BB	
AA	Very Strong	BB-	
AA-		B+	
A+		B	Speculative
A	B-		
A-	Strong	CCC	Highly Speculative
		CC	
BBB+	Adequate	C	Non-Paying Income Bonds
BBB			
BBB-			
		D	In Default



Global Utility Rating Matrix

Indicative Ratings

Financial Profile	Weak	A	BBB	BB
	Average	AA	A	BBB
	Strong	AAA	AA	A
		Strong	Average	Weak
		Business Profile		



Business Profile

- Global Scale: 1 (Strongest) To 10 (Weakest)
- 5 Factors Evaluated:
 - Regulation
 - Markets
 - Operations
 - Competitiveness
 - Management
- Each Factor Scored & Weighted



Additional Credit Aspects

- Generally More Risky Than other Types of Generation
 - Operating
 - Regulatory
 - Environmental
- Higher Business Risk Requires Stronger Financial Performance



Potential For New Construction

- High Hydrocarbon Prices are Driving Generation Costs
- Nuclear Lower Cost Producer
- Air Quality Compliance Supports New Construction
- Energy Policy Act 2005



Credit Issues

- Regulatory “Safety Net”- Rate Base or Unregulated
- Operating Performance
- Energy Policy Act
- Financing Structure



John Kennedy
Director, Utilities, Energy and Project Finance
Standard & Poor's
55 Water Street
New York, NY 10041
P 212-438-7670
F 212-438-2154
john_kennedy@sandp.com