

# Oglethorpe Power Corp., GA, Placed On CreditWatch Negative On Escalating Nuclear Plant Costs

14-Aug-2018 12:02 EDT

[View Analyst Contact Information](#)

NEW YORK (S&P Global Ratings) Aug. 14, 2018--S&P Global Ratings has placed its following ratings on Oglethorpe Power Corp. (OPC), Ga., on CreditWatch with negative implications:

Its 'A-' issuer credit rating and senior secured debt ratings; and  
Its 'AA' ratings on three series of the utility's debt obligations that we rate using our joint support rating methodology to reflect the benefits of the bonds' bank credit support.

"The CreditWatch placement reflect the Vogtle nuclear project co-owners' announcements that they have identified about \$1.5 billion of additional project construction costs to be shared pro rata among the co-owners," said S&P Global Ratings credit analyst David Bodek. The project co-owners are also proposing creating an \$800 million, project-level, contingency reserve to which they will each need to contribute.

We view this announcement as another chapter in the projects' recurring cost increases. The recurrent and material budget adjustments underscore the uncertain magnitude of Oglethorpe's ultimate exposure to Vogtle project costs. We believe that the budget adjustments raise questions about project stewardship. The owners' replacement of several successive project construction managers has not stemmed the tide of rising completion costs. Moreover, because the new estimates add more than \$1 billion to the projects' construction costs, their contracts require the co-owners to vote in September whether to proceed with construction. This vote will revisit their spring 2017 decisions to proceed following the bankruptcy of the construction contractor Westinghouse Electric Co. LLC (WEC). The bankruptcy led to the owners' loss of the fixed-price contract protections that their contract with WEC provided. If ownership interests representing at least 10% of the project choose not to proceed, it will saddle Oglethorpe with billions of dollars in debt without an associated revenue-producing asset. As of June 30, 2018, OPC's total investment in the additional Vogtle units was approximately \$3.4 billion.

Oglethorpe owns a 30% interest in the two 1,100 megawatt (MW) Westinghouse AP 1000 pressurized water reactor generation units nuclear units that it is developing with its co-owners at the Vogtle site in Georgia. Based on its 30% share, the additional construction costs will add \$450 million to Oglethorpe's project costs and the contingency reserve, \$240 million. The other owners are Georgia Power Co. (GPC; 45.7%), the Municipal Electric Authority of Georgia (22.7%), and the municipal utility serving the City of Dalton, Ga. (1.6%).

S&P Global Ratings expects to resolve the CreditWatch listings following our assessment of the Vogtle costs GPC plans to report to the Georgia Public Service Commission in its late-August construction monitoring filing and our assessment of the co-owners' September vote on whether to proceed with Vogtle's completion.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

Primary Credit Analyst: David N Bodek, New York (1) 212-438-7969;  
[david.bodek@spglobal.com](mailto:david.bodek@spglobal.com) (<mailto:david.bodek@spglobal.com>)

Secondary Contact: Jeffrey M Panger, New York (1) 212-438-2076;  
[jeff.panger@spglobal.com](mailto:jeff.panger@spglobal.com) (<mailto:jeff.panger@spglobal.com>)

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The

Content is provided on an “as is” basis. S&P PARTIES 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, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT’S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties 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 or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P’s opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. 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. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective 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 may receive compensation for its ratings and certain 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](http://www.standardandpoors.com) (<http://www.standardandpoors.com>) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (<http://www.ratingsdirect.com>) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (<http://www.globalcreditportal.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](http://www.standardandpoors.com/usratingsfees) (<http://www.standardandpoors.com/usratingsfees>).

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact S&P Global Ratings, Client Services, 55 Water Street, New York, NY 10041; (1) 212-438-7280 or by e-mail to: [research\\_request@spglobal.com](mailto:research_request@spglobal.com) ([mailto:research\\_request@spglobal.com](mailto:research_request@spglobal.com)).

Legal Disclaimers ([/en\\_US/web/guest/regulatory/legal-disclaimers](/en_US/web/guest/regulatory/legal-disclaimers))

Careers at S&P Global Ratings (<http://www.spglobal.com/careers>)

Terms of Use ([/en\\_US/web/guest/regulatory/termsofuse](/en_US/web/guest/regulatory/termsofuse))

Privacy and Cookie Notice ([/en\\_US/web/guest/regulatory/privacy-notice](/en_US/web/guest/regulatory/privacy-notice))

Copyright © 2018 Standard & Poor’s Financial Services LLC. All rights reserved.

Reproduction and distribution of this information in any form is prohibited except with the prior written permission of Standard & Poor’s Financial Services LLC and its affiliates (together, “S&P”). S&P does not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and is not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. S&P shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of this information, including ratings. S&P ratings are statements of opinions and are not statements of fact or recommendations to purchase hold or sell securities. They do not address the market value of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice. Please read our complete disclaimer here. ([/en\\_US/web/guest/regulatory/legal-disclaimers](/en_US/web/guest/regulatory/legal-disclaimers))