

ENERGY

Credit rater downgrades JEA over Plant Vogtle exposure



BYRON E. SMALL

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Washington, DC

S&P Global Ratings downgraded several of JEA's debt obligations Friday, a sign that the credit rater is worried about JEA's exposure to Plant Vogtle, an unfinished nuclear power plant that is billions over budget and years behind schedule.

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cost overruns," S&P Global Ratings credit analyst Jeffrey Panger said in a statement.

"The downgrade also reflects the co-owners' plans to amend the Georgia Vogtle nuclear

Oglethorpe Power Corp.

project
tucker, GA

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Authority of Georgia] (and hence JEA), and its co-owners, to cost escalations as they proceed with the projects."

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In what it now calls a "terrible decision," JEA signed a power purchase agreement with MEAG Power in 2008 that obligates it to pay 41.2 percent of its debt service stemming from the construction of two units at the plant and to buy 206 megawatts annually from the plant for 20 years after the units open. A "hell-or-high-water clause" binds JEA to its obligations even if the plant is never finished, is finished in a reduced capacity or is finished but does not generate at expected levels.

The units were scheduled to open in 2016 and 2017, but delays and overruns led to the contractor's bankruptcy last year; the units are now scheduled to open in 2021 and 2022 and cost about \$30 billion, about \$16 billion more than originally estimated. JEA's expected contribution has so far about doubled to nearly \$3 billion.

"We do not consider this budget revision final," S&P stated in a press release.

"Consequently, we believe that the ultimate cost is uncertain. We believe significant risks remain that will continue to challenge the Vogtle project, and additional overruns or project delays are possible."

JEA is engaged in a number of efforts to escape the purchase agreement. It has [filed a lawsuit](#) against MEAG Power, claiming the contract should be voided, and has [petitioned](#) the Federal Energy Regulatory Commission, asking the regulator to intervene. Earlier this week, JEA [failed to persuade](#) two of the owners, MEAG Power and Oglethorpe Power, to halt construction in a [vote](#) triggered by more than \$1 billion in cost overruns announced in August.

The co-owners' unanimously agreed on Wednesday – after [extending a voting deadline](#) five times – to continue construction and reached an agreement that gives Georgia Power Co. sole authority to cancel construction in the future. Before the new agreement, Georgia Power, MEAG Power and Oglethorpe all had to agree to continue construction or else the project would end.





S&P also lowered ratings for PowerSouth Energy Cooperative, which signed a power purchase agreement similar to JEA's with MEAG Power, as well as for Oglethorpe and Southern Co., the parent of Georgia Power.

Despite the downgrade, JEA defended the state of its finances.

"JEA believes its financial condition has never been stronger," the utility said in a statement. "Since 2010, we have paid down over \$2.5 billion of debt while investing nearly \$2.4 billion in capital projects in our community... Our Board and leadership believe the actions that have been, and are being, taken by JEA are in the best interests of JEA and its long-term financial position."

S&P said that given the expectation of future cost increases at Plant Vogtle, the utilities' ratings may be downgraded further in the future.

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