

Parent Company Guarantee (PCG) Effect on Operational & Financial Flexibility

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PCG Effects

NRC Cost Definition

- Cost of a funding method is defined as the incremental revenue requirements that result from using a particular funding method, other factors being equal. 50 FR 5600, 5608
- Financing cost of PCG is zero

PCG Effects

Discussion Questions

- What is the incremental revenue requirement of the indirect costs?
 - Exelon did not have any indirect costs from its use of \$219 million PCG
- What cost savings can be realized from discounting the face amount of a PCG?
- Agreement to no cost from “set asides,” credit down-grade, or trust fund reallocation?

PCG Effects

Future Concerns

- Concern that PCG could have future effect
 - Changes in credit rating standards
 - Imputation of debt by counter-parties
 - Cost of alternative financial assurance if licensee unable to meet financial test