



C. Dukes Scott
Executive Director

STATE OF SOUTH CAROLINA
OFFICE OF REGULATORY STAFF

1401 Main Street
Suite 850
Columbia, SC 29201

December 29, 2016

Mr. Kevin Marsh
Chairman and Chief Executive Officer
SCANA Corporation
220 Operation Way
Mail Code: D302
Cayce, SC 29033-3701

Re: SCE&G Petition for Updates and Revisions to Schedules Related to the
Construction of a Nuclear Base Load Generation Facility at Jenkinsville, South
Carolina - Docket No. 2016-223-E.

Dear Mr. Marsh,

I am writing to follow up on the production by SCE&G to ORS of the revised fully resource-loaded integrated project schedule ("Revised Project Schedule") and related information that is the result of the comprehensive review conducted earlier this year by Fluor after it was brought into the V.C. Summer project. ORS requested the production of this Revised Project Schedule early last spring and again during our review of SCE&G's application in Docket No. 2016-223-E. Although we were told initially that the Revised Project Schedule would be available to Westinghouse in the 3rd quarter of 2016¹, it was not.

Our interest in seeing the Revised Project Schedule has been intensified by recent events. ORS has been closely following news in financial publications regarding Toshiba Corporation ("Toshiba"), the parent company of Westinghouse Electric Company, LLC ("Westinghouse") which holds the Engineering, Procurement and Construction contract ("EPC Contract") for V.C. Summer Units 2 & 3 ("the Units" or "the Summer Project"). ORS is deeply concerned regarding statements in Toshiba's December 27, 2016 press release that indicate it is facing massive losses relating to the nuclear operations of Westinghouse².

ORS has had ongoing concerns regarding the project schedule since it was informed last spring that Fluor and Westinghouse were undertaking an effort to produce a revised fully resource-loaded Revised Project Schedule using Fluor's construction metrics. Now that Toshiba has announced significant

¹ In response to Question 1-33 of ORS's AIR dated March 4, 2015 regarding the October 2015 Amendment to the EPC Contract, SCE&G indicated that the target schedule for the completion of Fluor's Assessment and recommendations for changes to the schedule was the 3rd quarter of 2016.

² In particular, ORS is concerned regarding the statement that reads: "Currently, as the timing reaches the deadline (December 31, 2016) for the procedure, the possibility has been found that the goodwill will reach a level of several 100 billion yen or several billion US dollars, resulting in a negative impact on Toshiba's financial results, as a result of impairment of all or part of the goodwill."

charges to be written off against the Westinghouse nuclear operations, ORS's concerns about the status of the Summer Project are renewed and increased. These developments call into question the ability of Toshiba to stand behind the additional losses that may need to be incurred to complete the Units.

ORS has no direct authority over Westinghouse or Toshiba to compel the production of information relating to the Revised Project Schedule. However, ORS does have a relationship with SCE&G and has been promised by SCE&G that it will provide the Revised Project Schedule to ORS. The time has come for SCE&G to insist that Westinghouse produce the Revised Project Schedule, including Fluor's input, to SCE&G so that SCE&G can provide it to ORS. As reflected in paragraph 10 of the settlement agreement in Docket 2016-223-E, the Revised Project Schedule is critical to the preparation by SCE&G of revised milestones that are intended to guide the completion of the Units and to provide ORS a way of monitoring the progress of the project. It is imperative that ORS be provided with the Revised Project Schedule so that we can do our job in monitoring the project.

ORS believes that the only major project activity that could have resulted in Toshiba's announcement is Westinghouse's analysis of Fluor's input to the Revised Project Schedule. We are aware that Fluor's input has already been developed and reviewed by Westinghouse on-site management and we have been told that the Revised Project Schedule is currently under review by Westinghouse corporate management. During our December meetings with project personnel, ORS was informed that the Revised Project Schedule would not be available until at least late January or February 2017. In view of recent developments, this delay is unacceptable. Both SCE&G and ORS deserve to understand the schedule and budget risks identified by Fluor's review and the potential impacts these may have on the project. It is difficult for ORS to do our job, and for SCE&G to do its due diligence as an Owner, without timely access to this critical information regarding budget and schedule risks. We can no longer wait to learn the potential impacts of this Revised Project Schedule, and we need to be privy to the information developed by Fluor without the refinements and proposed mitigations that may result from Westinghouse corporate review.

Therefore, we ask that SCE&G request from Westinghouse the input provided by Fluor regarding the Revised Project Schedule immediately, including input regarding unit rates and labor man hours, and initiate all necessary actions to ensure that ORS is provided with this input by January 10, 2017. As soon as the entire Revised Project Schedule, including Westinghouse's input, is available, ORS requests that it be provided as well. This request is made pursuant to S.C. Code Ann. § 58-27-40, which requires each electrical utility to obey and comply with all requirements of every direction prescribed by the ORS in relation to any matter relating to or affecting the business of the electrical utility.

Sincerely,


C. Dukes Scott
Executive Director