

**BECHTEL REPORT ISSUES AS DISCUSSED IN PRIOR QUARTERLY REPORTS
AND TESTIMONY AND IN CORRESPONDENCE FROM AND WITH ORS****1. PROBLEMS WITH CONSORTIUM****Bechtel Executive Summary: Issues Facing the Project, p. 1**

- The Consortium lacks the project management integration needed for a successful project outcome.
- There is a lack of a shared vision, goals, and accountability between the Owners and the Consortium.
- The Contract does not appear to be serving the Owners or the Consortium particularly well.
- The relationship between the Consortium partners (Westinghouse Electric Company (WEC) and Chicago Bridge & Iron (CB&I)) is strained, caused to a large extent by commercial issues.

Pre-Bechtel Report**Pre-filed Direct Testimony of Stephen A. Byrne, May 26, 2015, 2015-103-E, Transcript at 253-254.**

“It is a critical necessity for the project that we effectively enforce the EPC Contract for the benefit of the customers of SCE&G and Santee Cooper. But effectively managing a project of this scope and complexity also requires a close working relationship between the owners and the contractor. This leads to an important challenge, that of maintaining an effective working relationship with WEC/CB&I in spite of mounting commercial disputes over the rights of the parties under the EPC Contract. Striking the proper balance between these two potentially conflicting requirements is a challenge now and will be an increasing challenge going forward. Failure in either direction could be a risk to the project. This effort is complicated by the high level of turnover in WEC/CB&I project management. The senior on-site project managers have resigned, or have been replaced several times since the project began. This turnover has made establishing and maintaining effective working relationships a challenge.”

Testimony of Kevin B. Marsh, July 21, 2015, 2015-103-E, Transcript at 141-43.

(Cross examination by Robert Guild)

“We have been in discussions with the consortium on numerous occasions since we got the revised integrated schedule. I believe it was in August of last year, and the cost data that went with that schedule followed shortly thereafter. Once we got the cost information, we put a

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team together on the site, at the project, to review the schedule, to understand the assumptions they'd made, and to challenge the costs and the data that was in that schedule to determine, one, if we thought it was a reasonable estimate to reflect what it would take to complete the plants, based on the timeline they had given us. Our team on site agreed with the costs as the best estimate we had at the time and what it would take to complete the plants by June of '19—Unit 2 in June of '19 and Unit 3 in June of 2020. And based on that, we then began to negotiate over who would be responsible for the costs. So we didn't have a dispute over what the costs were and whether or not they were reasonable; it was a question of accountability or who would be actually the one to pay the costs.”

...

We have talked with the consortium about our disagreement with those costs, and the reasons giving rise to those costs, principally—the delay in the structural submodules that have been delivered to us, and some productivity factors based on the work that's being performed at the plant—and do not believe that we are responsible for paying these costs. We have identified those cost to them. We have, you know, not gone to a legal proceeding at this point, but, certainly, that's an option we will have at some point down the road if we can't find a fair resolution.”

Testimony of Kevin B. Marsh, July 21, 2015, 2015-103-E, Transcript at 146-148.

(Cross examination by Robert Guild)

“The consortium—I need to be honest with the Commission—they have a position that's very different from ours, which is why we're in negotiations....Certainly, we've identified in our testimony that we don't think the consortium is in compliance with the contract, specifically in the areas of the submodules that are delivered to the plant site, to comprise the modules that are put together there, and in their productivity on the site.”

September 30, 2015 Quarterly Report at 15.

“During the period, SCE&G learned that work to incorporate certain design changes to submodules being constructed at CB&I-LC had been delayed due to a commercial dispute between CB&I and WEC concerning responsibility for the cost of the changes.”

Letter from Dukes Scott to SCE&G, October 14, 2015

“On September 10, 2015, ORS consultant, Gary Jones, visited Greenberry and Vigor (previously Oregon Iron Works) module-fabrication facilities located near Portland, Oregon. Below are ORS observations and recommendations resulting from Mr. Jones' visit; SCE&G needs to:

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- Continue to pursue the release of design-change documentation to the fabricators. Changes have been held by CB&I and not released to the fabricators because of contract cost-dispute issues between Westinghouse and CB&I.”

Post-Bechtel Report

Pre-filed Direct Testimony of Kevin B. Marsh, July 1, 2016, 2016-223-E, Transcript at 55-56.

“After the July 2015 BLRA update hearing, we continued our efforts to negotiate a resolution with the Consortium. At that time, it became increasingly apparent that disagreements between Westinghouse and CB&I were impeding our attempts to negotiate a settlement with them jointly. In our discussions, we sensed a distinct lack of cooperation and agreement between the Consortium partners. It became obvious to us that there were commercial disputes between those two companies that were causing relationships to deteriorate. But because the Consortium documents are confidential to us, we did not have a window into those disputes. However, it was clear that the Consortium was not unified in addressing the challenges facing the project.

Outside of our direct negotiations with the Consortium, it became clear that the Consortium partners were in dispute about key matters, such as who was responsible to pay for the schedule mitigation plans of certain subcontractors and who would pay the subcontractors’ costs for making late-in-the-process design changes in certain components and submodules. These disputes were threatening efforts to maintain and improve the project schedule.

During the first week of September 2015, Westinghouse and CB&I requested a meeting with us and Santee Cooper. At the meeting, CB&I communicated to us its desire to exit the project and refocus its business on other areas. Under its new direction, CB&I would continue to offer nuclear maintenance and refueling services to the industry, but they no longer wanted to be in the nuclear-power-plant construction business. CB&I further stated its belief that the negotiations between the Consortium, SCE&G and Santee Cooper had stalled and we were headed toward litigation over the costs that SCE&G and Santee Cooper were disputing. The Consortium representatives told us that the litigation related to the two AP1000 units SNC is constructing at the Vogtle site in Georgia had been very expensive, time-consuming, and distracting to the orderly progress of the project. CB&I expressed its belief that it would be in the best interest of all parties if CB&I were to exit the project and a different path forward could be found.

At that juncture, Westinghouse and CB&I told us that they had tentatively resolved their internal disputes through an agreement which would allow CB&I to exit the Consortium.”

This same testimony is also provided in the summary of Kevin Marsh’s testimony at 37 and at pages 109-110.

Testimony of Kevin B. Marsh, October 4, 2016, 2016-223-E, Transcript at 107.

“I believe the issues we talked about in the July hearing and also when we came back in the *ex parte* in November had to do with our relationship with Westinghouse and CB&I. We had indicated in the July hearing that there were a number of issues that were in dispute that we

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continued to try to resolve with the consortium in a favorable manner for customers. We felt like the amendment to the EPC contract that was signed with Westinghouse in October gave us a chance to resolve those issues, and our effort in November was to update the Commission as quickly as possible as to what had happened, because they showed a keen interest and encouraged us to work extremely hard to resolve those issues at the hearing in July. So that's what we were discussing with the Commission in November."

Pre-filed Direct Testimony of Stephen A. Byrne, July 1, 2016, 2016-223-E, Transcript at 421-422.

"... Internal Consortium agreements and interactions are confidential as to us. However, by mid-2015, disputes were spilling over into the supply chain and impeding action on important issues. The disputes seemed to be about who in the Consortium was responsible for paying for unanticipated costs in Fixed or Firm cost categories. Important matters were being delayed while the Consortium partners worked out their differences.

At the same time, the Consortium would not engage SCE&G and Santee Cooper in meaningful negotiations about the outstanding disputes we had with them. It seemed to us that CB&I and Westinghouse were avoiding negotiating with us rather than presenting us with a divided front.

We also understood that Consortium members were coming under financial stress because of the large payments SCE&G had begun to withhold in 2015. SCE&G did so to protect its rights under the EPC Contract and to put pressure on the Consortium to improve its schedule and efficiency performance. The Consortium disputed our right to withhold these payments. But in the end, we withheld payments worth over \$135 million on a 100% basis. It was not clear what the Consortium would do in response. But we considered litigation to be a likely result.

When we met in September of 2015, CB&I stated that in its opinion the project was headed toward litigation, certainly between the Consortium and Santee Cooper and SCE&G, and possibly between members of the Consortium itself. Going to litigation could have been highly damaging to the project."

Testimony of Stephen A. Byrne, October 12, 2016, 2016-223-E, Transcript at 392.

"From the project-management perspective, the amendment came at an opportune time. Prior to the amendment, CB&I was experiencing problems as the construction lead in improving labor productivity and meeting schedule goals. SCE&G had been using what it believed to be its rights under the EPC contract to put financial pressure on Westinghouse and CB&I to correct inefficiencies. Disputes between SCE&G and the consortium of Westinghouse and CB&I were escalating and moving towards litigation. Litigation would have been expensive and disruptive, and, worse, it would've made it difficult to agree on schedule mitigation plans and for the parties to communicate openly and cooperate freely in managing the project.

The amendment took us off that course. Westinghouse is now the sole entity responsible for all decisions and all costs under the EPC contract. This change will streamline decision-making, reduce inefficiencies, and allow any disputes to be addressed more quickly. The

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amendment also cleared the way for Westinghouse to bring the Fluor Corporation into the project....”

Testimony of Stephen A. Byrne, October 12, 2016, 2016-223-E, Transcript at 503-504.

(Cross examination by Sandra Wright)

“A: When CB&I came on the project, we thought that they would be an improvement over the Shaw Group, and we were optimistic based on the performance of the CB&I Services group on the site with the shield building contraction, that we would see an improvement in worker efficiencies and those kind of things. That did not materialize.

Q: When did you realize that wasn’t materializing?

A: Exactly when, I don’t know. But we gave them some opportunities over a year, or so, to come up with improvements. Those improvements weren’t happening, and then we starting challenging them on those and started withholding money.”

Testimony of Stephen A. Byrne, October 12, 2016, 2016-223-E, Transcript at 528-529.

(Cross examination by Sandra Wright)

“A: [Westinghouse] had a myriad of problems and issues. One of the biggest problems and issues is that the consortium partners were not getting along. You know, we saw some of that. We certainly didn’t see all of it. Obviously, as a consortium, they had a consortium agreement that we were not privy to, so they had commercial disputes between the two companies. They resolved those as they have exited. So Westinghouse won’t have the excuse that they can point at CB&I any longer, and CB&I would, at times, point at Westinghouse, so they were pointing fingers at each other. That issue has gone away because it’s now Westinghouse’s responsibility.”

Testimony of Stephen A. Byrne, October 12, 2016, 2016-223-E, Transcript at 572.

(Cross examination by Robert Guild)

“Q: So, Chicago Bridge & Iron, as we’ve been told and as you’ve told us, was largely responsible for much of the productivity shortfalls, quality shortfalls, that got us where we are today in terms of additional costs and delaying the project; isn’t that the case?

A: CB&I was, yes.

...

Q: And CB&I, therefore, incurred liability to SCANA/SCE&G for those contractual failures to meet schedule, to meet productivity requirements, and to produce product that met quality standards; isn’t that the case?

A: Certainly, that was a contentious point between us.”

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Pre-filed Testimony of Gary Jones, ORS, September 1, 2016, 2016-223-E, Transcript at 905.

“This contractual ownership change is a positive step forward in completing the Project. The commercial relationship between WEC and CB&I had deteriorated to the point that it was jeopardizing the completion of the Units. I view CB&I’s exit as a necessary change.”

June 30, 2016 Quarterly Report at 12.

“Commercial issues between WEC and CB&I related to mechanical modules produced by CB&I-LC remain partially unresolved and are impacting mechanical module production schedule. WEC has undertaken schedule mitigation planning related to this issue. Potential critical-path mechanical modules that had been assigned to CB&I-LC are being shipped to the site in kit form and are being fabricated there. Production of these modules, and other structural and mechanical modules, remains an important focus area for the project.”

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Bechtel Conclusions: Issues to be Resolved, p. 61-62

- Construction productivity is poor for various reasons including changes needed to the design, sustained overtime, complicated work packages, aging workforce, etc.
- The indirect to direct craft ratio is high.
- Field non-manual turnover is high.

Pre-Bechtel Report

Pre-filed Direct Testimony of Stephen A. Byrne, May 26, 2015, 2015-103-E, Transcript at 277.

“At present, SCE&G is challenging several categories of costs being billed to it by WEC/CB&I. Those challenges include:

...

3. Cost invoiced by WEC/CB&I which are the result of WEC/CB&I not meeting productivity factors. SCE&G believes that WEC/CB&I is under a contractual obligation to efficiently conduct its construction activities, and some or all of any labor costs based on failure to meet productivity factors is WEC/CB&I’s payment responsibility.”

Pre-filed Direct Testimony of Carlette L. Walker, May 26, 2015, 2015-103-E, Transcript at 616-617.

“[T]he cost increases in these categories are primarily attributable to the delay caused by the inability of the module fabrication facility in Lake Charles, Louisiana, to produce submodules for the project in a timely fashion. WEC/CB&I also has not met the overall productivity factors on which its original cost estimates were based and has increased its labor productivity factors resulting in increased Direct Craft Labor cost for the project. Design changes by WEC also have increased the anticipated number of LARS [License Amendment Requests] required during the construction process, and WEC projects that additional licensing support will be necessary to process these LARS. Finally, WEC has proposed to increase the ratio of Indirect Craft Labor to Direct Craft Labor and the ratio of Field Non-manual Labor to Direct Craft Labor. SCE&G asserts that WEC/CB&I is contractually responsible for these issues and the resulting increases in the Delay and Other EAC cost.”

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Pre-filed Direct Testimony of Stephen A. Byrne, May 26, 2015, 2015-103-E, at Transcript 256-258.

“For various reasons, to date WEC/CB&I has not met the overall PF on which its original cost estimates were based. In preparing the Revised, Fully-Integrated Construction Schedule, WEC/CB&I forecasted an increase its PF across the board. (The higher the rate indicates more hours required for a task). SCE&G has not accepted responsibility to pay for this increased labor. Unfavorable productivity factors have been a matter of frank and direct discussion between the parties, and WEC/CB&I’s senior leadership has recognized the need to improve in this area. In justifying their confidence in the revised rate on which the current construction schedule is based, WEC/CB&I points to things like reduced delay in submodule production, increasing levels of design finalization, and lessons learned from construction of the first AP1000 unit in China. They also point to the increasing adaptation by the project’s work-force to the requirements of nuclear construction. They further reference the assumption that productivity for Unit 3 will improve due to the experience gained in completing similar scopes of work on Unit 2.

SCE&G fully supports WEC/CB&I in its efforts to improve labor productivity and will continue to monitor WEC/CB&I’s performance and demand improvement. But the possibility that WEC/CB&I will fail to meet current productivity assumptions for the project represents an important risk to both the cost forecasts and the construction schedule for the project.”

Direct Testimony of Stephen A. Byrne, July 21, 2015, 2015-103-E, at Transcript 217.

“It is taking the consortium too much time and too much labor expense for the scopes of work required to complete the project. For the current schedules to be achieved, the consortium must improve the productivity factors of their workforce. Unfavorable productivity factors have been the matter of frank discussions between the parties, and the consortium’s senior leadership recognizes the need to improve in this area.”

Pre-filed Direct Testimony of Kevin B. Marsh, May 26, 2015, 2015-103-E, Transcript at 88-90 (quoting Combined Application, Docket No. 2008-196-E, Exhibit J, p. 6-12)

“SCE&G’s 2008 BLRA application acknowledged that, “[f]or a project of the scope and complexity of the licensing and constructing of the Units, any list of potential risk factors compiled at this stage of the process will not be exhaustive.” Petition, Docket No. 2008-196-E, Exhibit J, p. 12. With that caveat, SCE&G listed the specific risks that seemed most important at the time. Among the risks specifically enumerated at that time were many, if not all, of the risks that have resulted in the current update filing: ...

- Construction Efficiencies: “The project schedule and costs are based on efficiencies and economies anticipated from the use of [standardized designed and advanced modular construction processes]. . . . However, standardized design and advanced modular construction has not been used to build a nuclear facility in the United States to date. The construction process and schedule is subject to the risk that the

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benefits from standardized design and advanced modular construction may not prove as great as anticipated.”....”

March 31, 2015 Quarterly Report at 4-5.

“SCE&G sent WEC/CB&I a letter on May 5, 2015, after the close of the reporting period, outlining certain steps SCE&G intends to take to withhold payment of invoiced amounts related to delay and performance factors.”

This statement was repeated in the June 30, 2015 Quarterly Report.

June 30, 2015 Quarterly Report at 2-3.

“It is SCE&G’s position that the delay and the majority of the increased costs reflected in the current schedules have been due to WEC/CB&I’s failure to meet its contractual obligations related to structural module fabrication, timely design finalization, labor productivity, indirect labor costs and other matters, all despite SCE&G’s repeated insistence upon improvements in performance. Accordingly, SCE&G has advised WEC/CB&I that it remains contractually obligated to satisfy the Guaranteed Substantial Completion Dates previously agreed to in the EPC Contract and other obligations under the EPC Contract, and WEC/CB&I is liable for costs associated with delay and other matters.”

September 30, 2015 Quarterly Report at 10.

“SCE&G continues to monitor WEC/CB&I’s labor productivity. Labor productivity continues to be a major challenge for the project. WEC/CB&I is analyzing the factors impeding productivity and is reporting on its efforts to resolve this issue. This is a focus area for the project.”

Letter from Dukes Scott to SCE&G, December 14, 2015

“The increased labor productivity rates necessary to attain the completion dates for the Project have not been realized, and no discernable progress has occurred. Some additional delays can be expected in the transition relating to CB&I’s departure and Fluor coming up to speed; therefore, it is difficult to understand how these delays, coupled with the continued below-par productivity rates, support the Project completion dates. This issue will need to be addressed by SCE&G once the transition is completed.”

December 31, 2015 Quarterly Report at 2.

“To aid in the transition, WEC and Fluor convened 25 work stream review teams which met during the period to evaluate key aspects of this project and the sister AP1000 construction project, the Southern Company’s project to construct Vogtle Units 3 & 4. The goals of these 25 work stream review teams were to streamline processes, eliminate inefficiencies and identify means to increase the levels of productivity and accountability for key work processes. SCE&G personnel participated on multiple work teams as did personnel from Southern Company. As a result of these efforts, WEC and Fluor are moving to standardize and simplify work packages for

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construction activity related to the nuclear islands (NIs) for the four units, streamline the processes for the transfer of equipment between suppliers and contractors, and minimize design changes being communicated to module and submodule vendors.”

December 31, 2015 Quarterly Report at 3.

“Fluor is in the process of updating the construction schedule for the Units to reflect the changes due to the Settlement and its review of the work streams. The activities associated with the transition, specifically achieving the anticipated improvements in efficiency and productivity, along with meeting the new construction schedule when issued, are principal focus areas for SCE&G. Schedule mitigation will be required to meet the substantial completion dates agreed to in the Settlement.”

December 31, 2015 Quarterly Report at 9.

“Labor productivity improvement continues to be an important focus area for the project. WEC and Fluor are working on a plan to increase productivity as direct responsibility for on-site construction shifts to Fluor.”

Letter from Dukes Scott to SCE&G, January 5, 2016

“If the productivity and efficiency gains required to complete this project in a timely manner and within budget are to be realized, Fluor will need to leverage its vast experience in this area through utilizing specific work processes and management controls, which it can do only if it is granted direct responsibility for the craft labor.”

March 31, 2016 Quarterly Report at 1.

“To mitigate the construction schedule, Fluor has implemented changes to the schedules that construction crews are working. A limited night shift of approximately 300 craft workers is in place. Fluor plans to expand to a full night shift of more than 1,000 craft workers when hiring and training make this feasible. Availability and retention of labor is the principal limiting factor for mitigating the project schedule through a more aggressive labor schedule.”

March 31, 2016 Quarterly Report at 2.

“Since the Amendment was signed in the last quarter, Fluor has initiated or proposed a total of 28 Functional Area Assessments (FAAs) to improve project efficiency and schedule performance by assessing and restructuring individual work streams. These FAAs are being conducted in collaboration with WEC, SCE&G and Southern Nuclear Company (SNC). Fifteen FAAs have been initiated; seven FAAs are complete. The results of three are fully implemented. These initial FAAs have focused on safety, change management, quality control programs, commercial grade dedication, field engineering, construction programs/productivity, facilities plans, equipment plans and construction permitting. Fluor’s review of the Integrated Project Schedule (IPS) continues and will incorporate changes due to the Amendment, the FAAs, and the analysis of schedule mitigation plans.”

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Post-Bechtel Report

Letter from Dukes Scott to SCE&G, May 13, 2016

“Construction labor productivity rates and overall productivity improvements have not yet significantly increased, although the activity levels have increased. Craft labor manpower increases will need to occur soon if there is to be a chance of meeting project completion dates. Process changes in several areas such as welding, procurement, and work-package preparation and closure will also soon need to be implemented to meet completion schedules.”

Letter from Dukes Scott to SCE&G, June 30, 2016

“Westinghouse and Fluor continue to struggle with craft labor productivity. While a slight improvement was shown during the first three months of Fluor’s tenure on site, the most recent two months have trended negatively, with a performance factor now hovering around 2.0. This score indicates that only about half the work planned is being done for the labor hours expended. Furthermore, the project has not attained the improved productivity factor of 1.15 that formed the basis for the approved schedule and budget in Order No. 2015-661. Fluor’s efforts to implement process changes through their Functional Area Assessments and subsequent improvement recommendations appear to be a step in the right direction; however, the assessments and the associated implementation of identified improvements are moving much too slowly. This effort needs to accelerate dramatically if the project is to meet its scheduled completion dates.”

June 30, 2016 Quarterly Report at 2.

“Westinghouse Electric Company, LLC (Westinghouse or WEC) and Fluor continue to conduct a series of Functional Area Assessments (FAAs) defining actions to streamline processes and implement performance improvements. Changes identified in the first round of FAAs are being implemented. Fluor’s integration into the project continues with the assignment of key personnel to project management functions and with changes in roles and reporting structures to increase clarity regarding the division of responsibility among leadership teams and functional areas.”

June 30, 2016 Quarterly Report at 2.

“To mitigate delays in the construction schedule, Fluor continues to operate a 2-6-10 and 1-5-10 schedule, *i.e.*, construction crews are scheduled to work six ten-hour days for two weeks, then five ten-hour days for one week.”

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Pre-filed Direct Testimony of Stephen A. Byrne, July 1, 2016, 2016-223-E, Transcript at 421-422.

“When CB&I became the Consortium’s construction lead in 2013, there was good reason to expect positive results. An operating division of CB&I, CB&I Services, had been on site for several years fabricating the containment vessels for the Units. After some initial quality issues that were quickly resolved, CB&I Services’ work was consistently timely and of high quality. In its role as construction lead, however, CB&I did not succeed as expected in improving construction productivity on the site or resolving quality issues and timeliness issues at submodule suppliers.”

Pre-filed Direct Testimony of Kevin B. Marsh, July 1, 2016, 2016-223-E, Transcript at 53-57.

“Over the last several years, SCE&G and its partner, Santee Cooper, have put increasing pressure on the Consortium to improve construction efficiencies and correct supply chain problems particularly as related to submodule fabrication and fabrication of other components. Initially, we sought to increase pressure on the Consortium through techniques such as increased Quality Assurance and Quality Control (QA/QC) staffing and heightened levels of QA/QC inspections and audits on-site and at key suppliers’ locations worldwide. SCE&G posted full-time QA/QC inspectors at the most important suppliers’ off-site facilities. We conducted regular oversight meetings with the Consortium. We regularly and very emphatically escalated issues of concern to senior levels within the Consortium and followed up on those issues. We were supported in this effort by our partner, Santee Cooper, and Southern Nuclear Company (“SNC”) which is constructing two AP1000 units at its Vogtle site in Georgia.

However, in the years leading up to the Amendment negotiations, we became increasingly frustrated with the results the Consortium was achieving. In July 2014, we began to withhold large payments for calendar-based EPC payments where we did not believe sufficient progress had been made to support the amount of the required payments. We also returned invoices unpaid where they reflected additional costs caused by delay or other inefficiency (like additional storage and maintenance cost for equipment stored on site).

Furthermore, under the EPC Contract, SCE&G and Santee Cooper were required to pay actual prices for Craft Labor and supporting indirect labor (i.e., on-site labor to support direct craft workers) and associated materials and supplies. As the project progressed, we became very concerned with poor labor productivity and poor efficiency ratios for indirect labor costs. In June 2015, we began re-computing invoices for these expenses as if the project had met projected productivity and efficiency factors on which earlier project budgets had been based. We disputed the amounts that exceeded the recomputed invoices based on the assertion that the failure to meet the initial projections constituted a failure to use “Good Industry Practices” as required by the EPC Contract. ...

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In our last proceeding before this Commission, we committed to you that we would continue to negotiate with the Consortium to reduce these costs and to resolve these matters.”

Testimony of Kevin B. Marsh, October 4, 2016, 2016-223-E, Transcript at 197.

(Cross examination by Commissioner Fleming, addressing workforce)

“Q: And the workforce?

A: The workforce, they have taken quite a few measures. They have reached out extensively across the country to bring in additional workers. They’ve been pretty successful doing that. Although, with any project of this size you do have turnover, so while you are bringing in 10 you’ve got to make sure you don’t have three leaving, so you get the net increase in the workers that you need. They’ve been successful in doing that, to date. They’re going to continue to need to be more aggressive in terms of finding those workers as the work ramps up.

They’ve been unique and novel, I think, in looking at some of the approaches to address the work that needs to be done. They have a non-English-speaking group that they have negotiated with that comes in, where they can assign particular scopes of work to a group of people that are non-English speaking, but they have an English-speaking supervisor so he can communicate both with the Fluor and Westinghouse team and also effectively with the workers on-site. They’ve been successful at doing that. We have very few labor union workers on the site today, other than those from CB&I that continue to do some of the welding as a subcontractor, but they’ve been successful in doing that. They’re also exploring the possibility of bringing in some union workers, again, where they can isolate that work effectively without impacting the ongoing construction team.

So I believe Fluor is pretty creative in trying to identify workers and make sure we can ramp the workforce up.”

Pre-filed Direct Testimony of Stephen A. Byrne, July 1, 2016, 2016-223-E, Transcript at 448-449.

“The Consortium argued that the productivity and efficiency ratios that it used in preparing the prior forecasts were estimates only and SCE&G and Santee Cooper were contractually at risk to pay actual costs. In response, SCE&G and Santee Cooper argued that the EPC Contract contained terms requiring the Consortium to construct the Units using “Good Industry Practice,” which encompasses “the practices, methods, standards and acts engaged in and generally acceptable to the nuclear power industry in the United States.” SCE&G and Santee Cooper asserted that the failure by the Consortium to achieve its earlier productivity and efficiency estimates was the result of the Consortium’s failure to use Good Industry Practice.”

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Pre-filed Direct Testimony of Stephen A. Byrne, July 1, 2016, 2016-223-E, Transcript at 448.

“One group of challenged costs involved invoices that SCE&G and Santee Cooper refused to pay based on productivity concerns. As I indicated earlier in my testimony, beginning in June of 2015, for each invoice involving Target labor, we calculated an alternative invoice by applying the labor productivity factors and labor efficiency ratios that the Consortium used in its original project cost forecasts. (Labor efficiency ratios are the ratios of Indirect Labor and Field Non-Manual labor associated with Direct Craft Labor.) We disputed the difference between the actual and alternative invoices, and withheld 10% of the disputed amount as the EPC Contract provided.”

Testimony of Stephen A. Byrne, October 12, 2016, 2016-223-E, Transcript at 395-396.

“In addition, one of Fluor’s principal goals today is to implement mitigation plans to meet schedule goals. These mitigation plans will require more total units of labor, more shifts of workers on the site, and more supervisory and indirect labor to support those new work shifts. Westinghouse and Fluor will need to offer higher pay to attract workers who are willing to work the extended hours and these back shifts. For those reasons, we believe that the schedule mitigation will limit opportunities for improving the labor costs.”

Also stated during cross examination by Commissioner Hamilton at Transcript page 624.

Testimony of Stephen A. Byrne, October 12, 2016, 2016-223-E, Transcript at 620-621.

(Cross examination by Commissioner Hamilton)

“Q: Have you been able to see, since you’ve been under the new contract, any improvement in the productivity and efficiency of employees on Unit 3 versus Unit 2?”

A: We have seen increases in productivity on Unit 3 over Unit 2. It’s hard to say whether those are a function of the contract or a function of Fluor, but had we not entered into the contract, we would not have gotten Fluor. So from that respect, you can say that it’s a direct relationship with the contract.

The Westinghouse team, as well, has been changed somewhat on the site. Our Westinghouse team lead has been there for probably 18 months now, and that person seems to be driving towards meeting goals a lot better than his predecessors were...So what we’re seeing is, they are hitting milestones. One of the things we’re not necessarily seeing yet is the productivity improvements we need to see on Unit 2. Unit 3 is improving because, obviously, they learned lessons on Unit 2.”

Testimony of Stephen A. Byrne, October 12, 2016, 2016-223-E, Transcript at 657-658.

(Cross examination by Commissioner Fleming)

“Q: And so, you feel like working with Fluor is the answer to improve the productivity?”

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A: Yeah, I think Fluor is in a much better position to improve productivity than CB&I or Shaw ever were....”

Pre-filed Testimony of Allyn Powell, ORS, September 1, 2016, 2016-223-E, Transcript at 725-726.

“Westinghouse has further indicated that the current construction schedule cannot be met without substantial improvement in current production and productivity rates. The current schedule requires the simultaneous use of numerous mitigation strategies, which are worked outside of the main schedule and increase ORS’s concern regarding the uncertainty in the schedule. Meeting the current construction schedule will require substantial improvements in both productivity and production....ORS has seen positive changes recently, but with Fluor’s fully resource-loaded construction schedule still outstanding a great deal of uncertainty remains. While ORS believes the sequence of construction activities to be valid, ORS has concerns these activities may take longer than previously estimated....”

Pre-filed Testimony of Gary Jones, ORS, September 1, 2016, 2016-223-E, Transcript at 902-903.

“In April 2016, Fluor assumed direct responsibility for craft labor on the Project after working with Westinghouse since January 2016. The evolution of this transition has been slower than anticipated, and as such the full impact of Fluor’s process improvements has not yet been realized. However, there are significant process and procedural changes that are underway, which include implementing more streamlined and effective construction work packages to expedite work in the field, changes in the procurement areas to better ensure that construction commodities are available when required and do not delay welders, expedite the availability of welding commodities, and accelerate the welding production; and changes in the field engineering support to reduce turn-around time on design change requests and reduce construction delays.

These changes and other process improvements must be promptly implemented, in addition to significantly increasing the construction labor force, if the increased production levels required to support the Project schedule are to be obtained.”

Letter from Dukes Scott to SCE&G, July 12, 2016, incorporating SCE&G’s Responses to June 30, 2016 Letter

“SCE&G asserts that SCE&G and Santee Cooper have initiated an effort with Westinghouse and Fluor to align the four companies on the top five project focus areas; the productivity factor will be addressed in one of these five areas, which is construction efficiency and schedule adherence. Fluor has analyzed the Shaw and CB&I Power project controls system and determined that it is necessary to convert the project to Fluor’s controls system. Once completed, a more meaningful productivity factor can be monitored and used to identify issues by discipline/area and to more accurately predict resource needs. SCE&G anticipates that initiatives in the other four top focus areas—prevention and timely resolution of design issues,

PRODUCTIVITY

modules, construction resources, and procurement—will also improve the site craft productivity factor.

...

SCE&G replies that construction resources is a top five project focus area and that Fluor has provided metrics on recruiting and attrition to a much higher level of detail and greater depth than previously provided by CB&I. SCE&G further informs ORS that Westinghouse and Fluor are in the process of pursuing a number of mitigation strategies to increase the number of craft labor personnel including, among other things, evaluating craft compensation packages (mobilization, pay rate, per diem, retention incentive, etc.) against current markets for each discipline; subcontracting to augment direct hire craft; and relocating demobilized craft at other Fluor projects to V.C. Summer.”

...

SCE&G has scheduled a review of the Functional Area Assessment reports and actions with ORS on July 27, 2016.”

Letter from Dukes Scott to SCE&G, August 8, 2016

“Very informative briefings were provided by Carl Churchman (Westinghouse Vice President and Project Director) and Jeff Hawkins (Fluor Vice President and Site Project Director). They provided their perspective on the project status and the process improvements underway with respect to site industrial safety, the nuclear safety culture among the workforce, procurement, the project schedule, labor productivity and staffing, module fabrication and installation, field engineering and other aspects of the construction of the plant. Each voiced their deep commitment to completing the project and recognized several key challenges that must be overcome to meet the project schedule.

...

Craft labor productivity still continues to be an issue on the project. The target direct craft labor performance factors are still not being met and overall productivity is still falling significantly short of the goals set by Westinghouse and Fluor earlier this year. The previous monthly production goal for June was for approximately 1.25% of the work remaining to be completed during the month while the actual value achieved was 0.6%. The project construction was scheduled to be at about 25% complete by the end of June while it was actually at about 22% complete. This remains a serious issue that requires continued focus.”

September 30, 2016 Quarterly Report at 7.

“During the period, Fluor continued to implement changes to streamline processes and implement performance improvements based on its Functional Area Assessments (FAAs). Fluor’s review of the Integrated Project Schedule (IPS) is ongoing and review and issuance of the plan by WEC is expected to take place around the end of 2016.”

3. DESIGN FINALIZATION

Bechtel Executive Summary: Issues Facing the Project, p. 1; Conclusions: Top Priority Recommendations, p. 62

- The detailed engineering design is not yet completed which will subsequently affect the performance of procurement and construction.
- The issued design is often not constructible resulting in a significant number of changes and causing delays.

- Consortium – Initiate a focused effort to complete WEC known engineering “debt”. (O&Rs E2 and E9)
- Consortium – WEC engineering maintain focus on releasing the over 1,000 drawing holds that exist. (O&R E13)

Pre-Bechtel Report

March 31, 2014 Quarterly Report at 17.

“As of March 31, 2014, the Units 2 & 3 plant design packages issued for construction (IFC) are 88% complete. This is a lower number than previously reported. WEC/CB&I has informed SCE&G that the change results from a change in the count of plant design packages to be produced due in part to the comprehensive review of engineering requirements which was underway at the close of the period (see Section I.C. above). SCE&G has requested WEC/CB&I to justify this position. IFC delivery from WEC/CB&I continues to be a focus area and SCE&G is conducting monthly oversight meetings with WEC/CB&I concerning this issue.”

Pre-filed Direct Testimony of Carlette L. Walker, May 26, 2015, 2015-103-E, Transcript at 616-617.

“Design changes by WEC also have increased the anticipated number of LARS [License Amendment Requests] required during the construction process, and WEC projects that additional licensing support will be necessary to process these LARs.”

Pre-filed Direct Testimony of Stephen A. Byrne, May 26, 2015, 2015-103-E, Transcript at 245-246.

“Design finalization has been an important risk factor for the project since its inception. As we stated in 2008,

DESIGN FINALIZATION

Under the current NRC licensing approach, there is engineering work related to the Units that will not be completed until after the COL is issued. Any engineering or design changes that arise out of that work, or the engineering or design changes required to address problems that arise once construction is underway, are potential risks which could impact cost schedules and construction schedules for the Units.

Combined Application in Docket No. 2008-196-E at Exhibit J, page 6.

The most challenging aspect of design finalization of the AP1000 Units is finalization of the Nuclear Island (“NI”). The NI includes the Shield Building and containment vessel which house the reactor, steam-generators, refueling equipment and passive safety components of the Units, and the Auxiliary Building, which houses other nuclear components of the plant. Design delay and design changes related to the NI have been a major source of delay in the project to date and have contributed to delay in submodule production. As of May 2015, design finalization for the NI was approaching completion, indicating that risks associated with this aspect of the project are being mitigated.”

Pre-filed Direct Testimony of Kevin B. Marsh, May 26, 2015, 2015-103-E, Transcript at 88-90 (quoting Combined Application, Docket No. 2008-196-E, Exhibit J, p. 6-12).

“SCE&G’s 2008 BLRA application acknowledged that, “[f]or a project of the scope and complexity of the licensing and constructing of the Units, any list of potential risk factors compiled at this stage of the process will not be exhaustive.” Petition, Docket No. 2008-196-E, Exhibit J, p. 12. With that caveat, SCE&G listed the specific risks that seemed most important at the time. Among the risks specifically enumerated at that time were many, if not all, of the risks that have resulted in the current update filing:...

- Design Finalization: “[T]here is engineering work related to the Units that will not be completed until after the COL [Combined Operating License] is issued. Any engineering or design changes that arise out of that work . . . could impact cost schedules or construction schedules for the Units.”

Testimony of Kevin B. Marsh, July 21, 2015, 2015-103-E, Transcript at 129.

(Cross examination by Robert Guild)

“We discussed that with the Commission at the initial filing, that these plants to be built at the Jenkinsville site, as well as the ones built at Vogtle by Georgia Power, are the only ones being built in the United States. However, there are four AP1000s under construction in China that started several years before our project started, and we expected and have received some design changes from that process. Mr. Byrne can address that in more detail. But we’ve tried to incorporate design changes that were considered necessary, that refined the original design, into our process. Of course, it takes time and effort to do that, and that has contributed to some of the delays we have encountered. Mr. Byrne can go into more detail, but there could be constructability issues by the fabricator as they take the design drawings and try to actually

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produce the work that's in the design drawings, and they have to go back to the designers to work through those issues.”

Testimony of Kevin B. Marsh, July 21, 2015, 2015-103-E, Transcript at 132-133.

(Cross examination by Robert Guild)

“On a project of this size, you know, design finalization is rarely completed when a project starts. We built our Cope generating facility, our coal fired plant, back in 1996. The design was not completed when that plant started construction. It's typically completed along the way and finishes in time to make sure the components are available and the design is available to finish the project. So there's design that takes place throughout the process.

We never represented to the Commission that the design was completed. We offered that this was a new design; a conceptual design has been done. The design had been certified by the Nuclear Regulatory Commission. There were several dockets that were heard before the Nuclear Regulatory Commission to certify that design. And there were a number of dockets—if I recall, it was probably 18 or 19. I think the design certification was probably docket 19, if I remember my numbers correctly. But there was a lot of work on the initial design, but the detailed design of the individual components had to be done as the project was under construction.

Certainly, a large percentage of that is done now. There remains a percentage that will still need to be completed as we move forward. I'll ask you to get Mr. Byrne to give some more detail on that, but we have never represented that the design was completed from the day we started the project. That's not customarily the way large projects of any kind are done, whether it's a large power plant or a large project for any other type facility.”

June 30, 2015 Quarterly Report at 2-3.

“It is SCE&G's position that the delay and the majority of the increased costs reflected in the current schedules have been due to WEC/CB&I's failure to meet its contractual obligations related to structural module fabrication, timely design finalization, labor productivity, indirect labor costs and other matters, all despite SCE&G's repeated insistence upon improvements in performance. Accordingly, SCE&G has advised WEC/CB&I that it remains contractually obligated to satisfy the Guaranteed Substantial Completion Dates previously agreed to in the EPC Contract and other obligations under the EPC Contract, and WEC/CB&I is liable for costs associated with delay and other matters.”

Letter from Dukes Scott to SCE&G, October 14, 2015

On September 10, 2015, ORS consultant, Gary Jones, visited Greenberry and Vigor (previously Oregon Iron Works) module-fabrication facilities located near Portland, Oregon. Below are ORS observations and recommendations resulting from Mr. Jones' visit; SCE&G needs to:

...

DESIGN FINALIZATION

- Continue to pursue the release of design-change documentation to the fabricators. Changes have been held by CB&I and not released to the fabricators because of contract cost-dispute issues between Westinghouse and CB&I. At the time of their meeting, no changes had been released to Greenberry since late March of this year and none had been released to Vigor since early June. The withholding of design-change documentation represents hundreds of changes and has resulted in delays in delivery; it will also result in extensive rework at the site once the modules are received. Subsequent to their meetings, Mr. Jones was advised by SCE&G that action has been taken on this issue and that the changes were being prioritized by CB&I and released to the fabricators for incorporation. However, this momentum needs to continue and detailed monitoring is required.

December 31, 2015 Quarterly Report at 14.

“WEC and Fluor are moving to standardize and simplify work packages for construction activity related to the nuclear islands (NIs) for the four units, streamline the processes for the transfer of equipment between suppliers and contractors, and minimize design changes being communicated to module and submodule vendors.

Design changes continue to be communicated by WEC to submodule fabrication vendors. The work of incorporating these changes into the fabrication process continues to delay submodule production. This is an area that WEC and Fluor intend to address going forward.”

Letter from Dukes Scott to SCE&G, January 5, 2016

“One of the most significant drains on project construction productivity has been the inability to maintain the craft focused on a work activity due to incomplete or inadequate work packages and material availability. Ensuring accurate and complete preparation of construction work packages should be a top priority that is continually monitored.”

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Post-Bechtel Matters

June 30, 2016 Quarterly Report at 12.

“Design changes continue to be communicated by WEC to submodule fabrication vendors on a schedule that disrupts the fabrication process and delays submodule production. WEC has trained 30 former CB&I engineers who are now employees of the newly formed WEC subsidiary WECTEC to support module design work and the prompt resolution of constructability and fabrication issues. This is a focus area for improving schedule performance and construction efficiency and is receiving a high level of attention from WEC and Fluor.”

Letter from Dukes Scott to SCE&G, June 30, 2016

“Design changes continue to adversely affect fabrication and construction schedules. The number of design changes appears to be high considering the design completion status that the ORS understood in the early stages of the project. The factors driving these changes need to be further investigated, and additional management controls need to be established with the goal of reducing the frequency of design changes to only those that are absolutely required.”

Letter from Dukes Scott to SCE&G, July 12, 2016, incorporating SCE&G’s Responses to June 30, 2016 Letter

“SCE&G states that prevention and timely resolution of design issues is a top five focus area for the project. Westinghouse and Fluor are undertaking advanced planning initiatives to maximize early identification and resolution of potential issues; increasing accountability to build as designed where practical and ensure alignment between construction and engineering; and focusing engineering resources on critical areas. The use of field engineering resources and “clash” software by Westinghouse and Fluor is beginning to pay dividends. A recent example is a set of four work packages where 111 issues were identified and corrected prior to work commencing, and only four issues were identified after work commenced. In addition, SCE&G is working with Southern Nuclear and the NRC to add a new license condition to allow construction work to proceed at risk where a License Amendment Request (LAR) is needed.

“SCE&G has informed ORS that it has discussed these issues with Westinghouse on a regular basis.

4. OWNER'S PROJECT MANAGEMENT/OVERSIGHT FUNCTION

Bechtel Executive Summary: Issues Facing the Project; Top Priority Recommendations p. 1-2
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- The oversight approach taken by the Owners does not allow for real-time, appropriate cost and schedule mitigation.

- Owners – Develop an Owners' Project Management Organization (PMO) and supplement current Owner staff with additional EPC-experienced personnel.

Pre-Bechtel Report

September 30, 2015 Quarterly Report at 10.

“During the period, WEC/CB&I initiated a new Project Management Organization (PMO) to provide a centralized location and project team on site to coordinate all work activities. The PMO's leaders are instituting new approaches to align and focus resources and activities and to organize work at the site.”

December 31, 2015 Quarterly Report at 2.

“During the period, SCE&G initiated a new Project Management Organization (PMO) to provide direct oversight of the WEC PMO that was organized last quarter. The SCE&G PMO mirrors the structure of WEC's PMO. It is led by a SCE&G Project Manager as a single point of accountability to oversee the schedule and cost aspects of construction oversight activities of the New Nuclear Deployment (NND) group. SCE&G's PMO leadership is instituting new approaches to align and focus resources and activities to assist Fluor to better organize work at the site. It will oversee the Integrated Project Schedule (IPS), and provide project management for non-EPC Contract related construction activities.”

March 31, 2016 Quarterly Report at 2.

“The new SCE&G Project Management Organization (PMO) aligns SCE&G's project management oversight with Westinghouse's and Fluor's efforts. It has been implemented and is working effectively.”

Repeated in the June 30, 2016 Quarterly Report.

5. PROJECT SCHEDULE

Bechtel Executive Summary: Issues Facing the Project, p. 1; Issues to be Resolved, p. 61; Conclusions: Top Priority Recommendations, p. 62

- While the Consortium’s engineering, procurement, and construction (EPC) plans and schedules are integrated, the plans and schedules are not reflective of actual project circumstances.

- Consortium – Create a new, more achievable, project schedule. Remove the mandatory constraints from the Integrated Project Schedule and allow the schedule to move based on the logic. Prioritize the development of mitigation/recovery plans based on their impact to the schedule. Ensure appropriate time is allocated for the installation of bulk commodities (large and small bore piping, pipe supports, cable tray, conduit, cabling).
- The Consortium’s forecasts for schedule durations, productivity, forecasted manpower peaks, and percent complete do not have a firm basis.

Pre-Bechtel Report

June 30, 2014 Quarterly Report at 2-3.

“During the third quarter of 2013, WEC/CB&I provided SCE&G with revised Unit 2 and Unit 3 construction schedules (Revised Unit 2 and Unit 3 Schedules) which were based on a reevaluation of the submodule production schedule at the CB&I facility in Lake Charles, LA. Based on these schedules, it was anticipated that Units 2 and 3 would be completed in the last quarters of 2017 and 2018 or the first quarters of 2018 and 2019, respectively. From an Engineering, Procurement and Construction Contract (EPC Contract) perspective, SCE&G did not agree to these schedule changes and advised WEC/CB&I that it remained obligated to satisfy the dates previously agreed to in the EPC Contract, as amended.”

This was also repeated in the March, 31, 2014 Quarterly Report at 2.

June 30, 2014 Quarterly Report at 2-3.

“During the fourth quarter of 2013, the Consortium began a full re-baselining of the Unit 2 and Unit 3 construction schedules to incorporate a more detailed evaluation of the engineering and procurement activities necessary to accomplish the schedules and to provide a detailed reassessment of the impact of the Revised Unit 2 and Unit 3 Schedules on engineering and design resource allocations, procurement, construction work crew efficiencies, and other items. The result will be a revised fully integrated project schedule with timing of specific construction activities along with detailed information on budget, cost and cash flow requirements (Revised

PROJECT SCHEDULE

Fully Integrated Construction Schedule). While this detailed re-baselining of construction schedules has not been completed, in August 2014, SCE&G received preliminary information in which the Consortium has indicated that the substantial completion of Unit 2 is expected to occur in late 2018 or the first half of 2019 and that the substantial completion of Unit 3 may be approximately 12 months later. These expected substantial completion dates do not reflect all efforts that may be possible to mitigate delay nor has SCE&G accepted this new schedule. The Consortium has not yet provided any cost estimates related to the delay. Further, based on the preliminary schedule information arising from the re-baselining effort, the completion dates for a number of milestones are expected to extend beyond the 18-month contingency period. SCE&G anticipates that the revised schedule and the cost estimate at completion will be finalized in the latter half of 2014. SCE&G plans to reevaluate and reschedules its owners cost estimates and cash flow requirements in light of that new schedule when it is finalized. Upon completion of the re-baselining and the finalization of the revised schedule and cost of completion, SCE&G expects to petition the Commission for an order to update the Base Load Review Act (BLRA) construction milestone schedule and/or capital cost estimates schedule for the project as the BLRA permits.”

June 30, 2014 Quarterly Report at 2-3.

“SCE&G cannot predict with certainty the extent to which the delays in the substantial completion of the Units will result in increased project costs. SCE&G has not accepted responsibility for any delay-related costs and expects to have discussions with the Consortium regarding such responsibility. Additionally, the EPC Contract provides for liquidated damages in the event of a delay in the completion of the facility, which will also be included in discussions with the Consortium.”

These same reports were repeated in the September 30, 2014 report, December 31, 2014 Quarterly Report, and March 31, 2015 Quarterly Report.

March 31, 2015 Quarterly Report at 2-3.

“During the first quarter of 2015, SCE&G determined that the joint review of the Revised, Fully-Integrated Construction Schedule and the evaluation of mitigation strategies had progressed sufficiently for SCE&G to recognize the Consortium’s Revised, Fully-Integrated Construction Schedule as the project schedule for the Base Load Review Act (BLRA) reporting purposes and other purposes related to the management of the project.”

March 31, 2015 Quarterly Report at 4.

“Based on these new cost and schedule forecasts, SCE&G filed the March 2015 Update Petition seeking Commission approval of a new capital cost schedule and construction schedule for the Units. The Revised, Fully-Integrated Construction Schedule included with the March 2015 Update Petition is based upon SCE&G’s review and analysis of the information provided to the Company by the Consortium. As a result of its review and analysis and representations of the Consortium, SCE&G has recognized the construction schedule as the anticipated construction schedule for the project and as a reasonable and prudent schedule for approval by the Commission under the BLRA.”

PROJECT SCHEDULE

Pre-filed Direct Testimony of Stephen A. Byrne, May 26, 2015, 2015-103-E, Transcript at 277.

“At present, SCE&G is challenging several categories of costs being billed to it by WEC/CB&I. Those challenges include:

...

Cost invoiced by WEC/CB&I which are related to general project delay. SCE&G takes the position that these delay costs are WEC/CB&I payment responsibility for reasons including WEC/CB&I failure to meet its responsibilities under the EPC Contract to effectively manage the project.

Letter from Dukes Scott to SCE&G, October 14, 2015

“With regard to the 2015-09-22 and 2015-09-23 visit to the V.C. Summer site, ORS staff and Mr. Jones were advised that no schedule update was provided to SCE&G by the Consortium in August. The reason provided is that the schedule is being revised to reflect the current delays in the shield building panel deliveries from the fabricator (Newport News Industrial) and the delays in the erection of the shield building panels. These delays are above and beyond those outlined in the recent SCE&G filing under Docket No. 2015-103-E that were approved by the PSC as well as those that had been reported to the ORS in July. It was stated that the expected delay will be an additional four months.”

Letter from Dukes Scott to SCE&G, December 14, 2015

“The construction schedule for Unit 3 has not been adequately integrated considering proper sequencing of precursor activities. In addition, the required resources have not been adequately assessed, especially with regard to the impact of delays in the construction of Unit 2 and how this will impact the staffing of Unit 3. The current schedule utilizes overly optimistic assumptions with regard to acceleration of module deliveries and erection, construction productivity improvements on all commodities, and the acceleration of testing and start-up activities. SCE&G needs to reassess the Unit 3 schedule with the EPC Contractor.

....

The required mitigation approach to accelerate the Unit 2 and Unit 3 Shield Building panels from Newport News Industrial was not finalized, and it is not clear that the approach is still viable. SCE&G needs to determine whether mitigation is still an option and determine the impact on the Project.

....

The increased labor productivity rates necessary to attain the completion dates for the Project have not been realized, and no discernable progress has occurred. Some additional delays can be expected in the transition relating to CB&I’s departure and Fluor coming up to speed; therefore, it is difficult to understand how these delays, coupled with the continued below-par productivity rates, support the Project completion dates. This issue will need to be addressed by SCE&G once the transition is completed.”

PROJECT SCHEDULE

Post-Bechtel Report

Letter from Dukes Scott to SCE&G, May 13, 2016

“The ORS met with the lead Westinghouse Electric Company (WEC) project scheduling staff for the first time since Fluor became involved in the project. This meeting allowed the ORS to review the current revised integrated project schedule in more detail. The ORS now has a better understanding of the assumptions and bases of the schedule and the process of its development over the past few months. We learned that the initial schedule presented by WEC in August 2015 had arbitrarily held constraints that resulted in an unreliable and unrealistic depiction of the schedule for the remaining work. SCE&G and the on-site WECTEC project schedulers have worked to refine and accurately represent the remaining work and the logical ties among the work activities, as well as to reduce the number of arbitrary constraints. The ORS also obtained a better understanding of the documentation available to help us understand the schedule, including a more detailed Project Plan-of-the Day package. However, the ORS remains concerned that the schedule still needs refinement and has not yet received a complete detailed review and revision by Fluor that includes the resources needed to complete each task. This review will not be completed until the third quarter of this year. By that time, the ORS is concerned that additional delays may be identified in the project completion dates, especially on Unit 3.”

PROJECT SCHEDULE

Testimony of Kevin B. Marsh, October 4, 2016, 2016-223-E, Transcript at 193-194.

(cross examination by Commissioner Fleming)

“Q: Okay. I’d like to ask you, what do you think are the two or three biggest challenges to successfully completing the V.C. Summer units?”

A: There are probably a number of these, and I’m sure Mr. Byrne will correct me if he doesn’t agree with me. But, certainly, the completion of the shield building on the first unit. That shield building is one of the newest designs, and in making sure we can fabricate the parts and have them delivered on-site in timely fashion, weld those together and get those places on the nuclear island in a timely fashion and to have those completed...Making sure that design is completed, so those pieces can be delivered in time for early completion of the units or on-time completion of the units is something that I follow pretty closely.

On the second unit, I think it’s more with some of the structures on the base end of the new unit, making sure we get out of the ground in a timely fashion....

I continue to have concerns about Fluor being able to attract enough qualified workers to the site. There are a lot of large projects going on around the Southeast right now that don’t involve nuclear, and some workers may prefer not to work in a nuclear environment where you have strict guidelines and strict rules in terms of compliance and documentation and quality control. So making sure we get enough workers on-site is a concern of mine, too.

Q: Okay. And what about the lack of a resource-loaded integrated schedule for the completion?

A: We have a schedule in place today. It was the one that was in place when Fluor completed the—when Fluor came on-site with the new contract. They’re in the process of going through that schedule today to make any changes they deem appropriate....

Now, their schedule moves—and if you’re looking at a live schedule, they may be ahead a month, maybe behind a couple of months, and that’s normal with a project of this size and they’re making adjustments to account for those changes as we go through time. It’s just not a firm date that never moves when you go through that construction process. They believe they can attract the resources to do that, and I will continue to ask them that question every time we meet.”

Testimony of Stephen A. Byrne, October 12, 2016, 2016-223-E, Transcript at 642.

(Cross examination by Commissioner Elam)

“A: Yes. So the functional area review team started, actually, before Fluor even came on-site, so they started back in the November-December timeframe; they’re continuing today. They include members from Fluor and Westinghouse, from SCE&G, and from Southern Company, and they took a look at discrete areas where they thought that they had opportunities for significant improvement.

PROJECT SCHEDULE

Work planning was one example, part of that. They took a look at the work packages that they would give the craft, and they said, ‘This is too difficult; we need to streamline those.’ So they’ve implemented that plans to streamline those.”

Pre-filed Testimony of Allyn Powell, ORS, September 1, 2016, 2016-223-E, Transcript at 732.

“With respect to the schedule, ORS is concerned regarding the degree of uncertainty remaining regarding the schedule...ORS believes that these dates are optimistic, but that the Project is likely to be completed within 18 months of these dates. For this reason, ORS does not oppose the revised GSCD and BLRA milestone schedule. ...”

Testimony of Allyn Powell, ORS, October 12, 2016, 2016-223-E, Transcript at 743.

(cross examination by Robert Guild)

“A: ...What ORS was very concerned about is that there’s a lot of uncertainty, in our minds, regarding the construction schedule and how long it’s going to take to complete the project, how many man-hours it’s going to take to complete the project. We would be much more comfortable if we had Fluor’s input at this point, to help us with that....”

Pre-filed Testimony of Gary Jones, ORS, September 1, 2016, 2016-223-E, Transcript at 923.

“SCE&G still does not have a reliable schedule for the Project, and will not have a reliable schedule until Fluor completes its review and works through the resource-loaded integrated schedule which is due in the fourth quarter of 2016. ...Fluor’s review of and revision to the schedule represent a significant milestone for the Project.”

June 30, 2016 Quarterly Report at 2.

“Fluor’s review of the Integrated Project Schedule (IPS) continues and will incorporate changes due to the October 2015 Amendment to the EPC Contract (Amendment), the FAAs, and the analysis of schedule mitigation plans. These changes are anticipated to focus principally on the scheduling and sequences of construction activities within the current Guaranteed Substantial Completion Dates (GSCDs). Changes in the IPS are not anticipated to affect the GSCDs themselves which are contractually established.”

Letter from Dukes Scott to SCE&G, June 30, 2016

“Consistently meeting the construction schedule continues to be a significant issue for the project. This area must improve if any credibility is to be assigned to the current substantial completion dates and associated mitigation strategies that must be implemented in order to bring the plant to completion.”

Letter from Dukes Scott to SCE&G, August 8, 2016

PROJECT SCHEDULE

“Very informative briefings were provided by Carl Churchman (Westinghouse Vice President and Project Director) and Jeff Hawkins (Fluor Vice President and Site Project Director). They provided their perspective on the project status and the process improvements underway with respect to site industrial safety, the nuclear safety culture among the workforce, procurement, the project schedule, labor productivity and staffing, module fabrication and installation, field engineering and other aspects of the construction of the plant. Each voiced their deep commitment to completing the project and recognized several key challenges that must be overcome to meet the project schedule.

...

ORS also had the opportunity to meet with senior SCE&G staff to discuss observations made during this visit. At the end of the visit, ORS met with Ron Jones, SCE&G and Jeff Archie. ORS provided an assessment of our concerns, especially with regard to schedule performance and the bases for cost increases and change orders being discussed as part of Docket No. 2016-223-E. ORS also discussed observations related to quality programs.”

September 30, 2016 Quarterly Report at 7.

“During the period, Fluor continued to implement changes to streamline processes and implement performance improvements based on its Functional Area Assessments (FAAs). Fluor’s review of the Integrated Project Schedule (IPS) is ongoing and review and issuance of the plan by WEC is expected to take place around the end of 2016.”

Letter from Kevin Marsh to Dukes Scott, January 18, 2017

“Thanks for your letter dated December 29, 2016 regarding the recent announcement by Toshiba and Westinghouse of pending write-downs associated with the Summer and Vogtle AP1000 nuclear projects. I share your concerns regarding the impact of these write-downs and the delivery of the revised fully integrated construction schedule (the “revised schedule”). As we discussed, our SCANA team along with representatives of Santee Cooper met with Westinghouse and Toshiba in an effort to learn more about this situation and inquire about the delivery of the revised schedule we were expecting by the end of 2016. I also share your high level of interest in receiving the revised schedule as soon as possible.

I provided Westinghouse and Toshiba a copy of your letter to emphasize the importance of having access to the schedule as part of our commitment to keeping both the Office of Regulatory Staff and the Public Service Commission of SC updated on the status of the new nuclear project. Westinghouse and Toshiba have informed me that the revised schedule is a part of the financial review and evaluation of the pending write-downs associated with the AP1000 projects, and that they expect the revised schedule to be available at the time Toshiba releases its financial results in mid-February.

We continue to communicate with Westinghouse and Toshiba in order to monitor this situation as closely as possible and will update you accordingly.”

PROJECT SCHEDULE

6. PROCUREMENT

Bechtel Executive Summary: Top Priority Recommendations, p. 3; Bechtel Conclusions: Issues to be Resolved, p. 61-62; Conclusions: Top Priority Recommendations, p. 63-63

- Consortium – Complete the inventory revalidation effort and establish a program to continually validate inventory. Complete the procurement schedule adherence effort to ensure equipment delivery dates meet construction need dates.

- There is a significant disconnect between construction need dates and procurement delivery dates.
- The amount of stored material onsite is significant, creating the need for an extended storage and maintenance program.

- Consortium - Expedite the implementation of blanket purchase orders. (O&R P8)
- Consortium - Complete the procurement schedule adherence effort to ensure equipment delivery dates meet construction need dates. (O&R P17)

Post-Bechtel Report

Letter from Dukes Scott to SCE&G, May 13, 2006

“Continuing commodity shortages have resulted in delays. Fluor is to assume greater responsibilities in commodities purchasing and control, and SCE&G hopes to see improvements soon.

.....

Progress in completing the so-called “Reactor Containment” areas of the Unit 2 Auxiliary Building that support the SB panels has been problematic, primarily due to design changes and commodity shortages. This area is very near critical path and needs additional focus and effort.”

June 30, 2016 Quarterly Report at 11.

“Fluor is overhauling the legacy Chicago Bridge & Iron Company (CB&I) processes for requisition, procurement and delivery of commodities and other materials and supplies used on

site. CB&I's system was geared to 'just in time' delivery which did not allow for sufficient time to process deliveries for documentation review, inspection, stocking and distribution. Delays resulted in shortages that created construction inefficiencies. Fluor is moving to remedy this situation."

Letter from Dukes Scott to SCE&G, June 30, 2016

"The lack of availability of key commodities continues to plague the project and result in construction delays. Note that this issue is not tied to major components, as most of these are now on-site far ahead of their actual construction need date. The commodities in question are rebar, welding rod, standard structural steel, bolting, lubricants, steel plates, Nelson studs, and other standard construction commodities. These shortages are the result of Westinghouse's "just-in-time" approach to the ordering and delivery of these commodities. This approach has proved to be ineffective as the components are not available when required. On large construction projects, such commodities are routinely stocked in sufficient quantity to ensure they do not delay construction. Our consultant states that he has never worked on a nuclear project that was delayed by the lack of availability of standard rebar. At VCS, standard rebar unavailability has resulted in construction delays of critical path activities."

Letter from Dukes Scott to SCE&G, July 12, 2016, incorporating SCE&G's Responses to June 30, 2016 Letter

"SCE&G states that SCE&G, Santee Cooper, Westinghouse, and Fluor all agree that procurement is a top five focus area for the project. To address availability of key commodities, Westinghouse has recently consolidated the responsibility for delivery of material and equipment into a single organization so that each commodity now has a single point of accountability for scope, schedule, and budget. This organizational transition was completed at the end of June 2016."

Testimony of Stephen A. Byrne, October 12, 2016, 2016-223-E, Transcript at 643.

(Cross examination by Commissioner Elam)

"A: ...Procurement is one that is still going. The procurement area is one that Fluor saw a lot of areas that they can improve, and so they've implemented a lot of plans in procurement, but there's more coming."

Letter from Dukes Scott to SCE&G, August 8, 2016

"Very informative briefings were provided by Carl Churchman (Westinghouse Vice President and Project Director) and Jeff Hawkins (Fluor Vice President and Site Project Director). They provided their perspective on the project status and the process improvements underway with respect to site industrial safety, the nuclear safety culture among the workforce, procurement, the project schedule, labor productivity and staffing, module fabrication and installation, field engineering and other aspects of the construction of the plant. . . .

An additional special briefing was held with Dan Magnarelli (Westinghouse), who heads up the Functional Area Assessments, and Rob Carlon and Mike Valore (Fluor) who are also working in this area. The status of these assessments and the implementation of the recommendations from at least some of these assessments are more advanced than we had previously understood. This briefing concentrated on the assessment of the procurement process and we learned the minimum/maximum methodology for the purchase of construction commodities is being implemented in several areas. This has the potential to result in decreased construction delays due to material unavailability. An extensive inventory of on-site commodities, along with an assessment of their construction readiness, is also underway. ORS plans to discuss the results of the remaining Functional Area Assessments, which cover a variety of fields including quality control, welding/NDE, field engineering and subcontracting, at future meetings.”

7. LARS, ITAACS AND STARTUP

Conclusions: Issues to be Resolved, p. 61-62; Conclusions: Top Priority Recommendations, p. 63-63
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- There is significant engineering and licensing workload remaining (currently over 800 engineers). ITAAC closure will be a significant effort,

Pre-Bechtel Report

Pre-filed Direct Testimony of Stephen A. Byrne, May 26, 2015, 2015-103-E, Transcript at 259-260.

“Uncertainties about how ITAACs would be administered was an important risk factor that SCE&G identified in 2008: ‘[T]he NRC is still developing the process for approving the results of ITAAC tests once they are completed and for resolving disputes or other issues related to the results of those tests.’ Combined Application, Docket No. 2008-196-E, at Exhibit J, page 4. The NRC has now issued regulatory guidance resolving some of the outstanding issues concerning the review of ITAAC Closure Notification (“ICN”) packages. See Guidance for ITAAC Closure, 80 Fed. Reg. 265 (January 2, 2015). However, there are still important issues to be resolved, such as how a hearing will be conducted if ITAAC results are challenged. Furthermore, the sheer number of ITAACs to be completed poses a challenge to the schedule for the substantial completion of the Units.

As of late May 2015, SCE&G has successfully completed 22 ITAAC packages and has submitted 20 ICN packages to the NRC. While the ITAAC process seems to be working satisfactorily at present, completing the required ITAAC program on schedule remains an important risk factor for the project.”

Direct Testimony of Stephen A. Byrne, July 21, 2015, 2015-103-E, Transcript at 218.

“Another challenge will be the successful completion of inspections, tests, analysis, and acceptance criteria—or ITAAC—required to demonstrate the units’ conformity with the design documents. This ITAAC process is new to the nuclear industry. Over 1700 ITAACs must be completed for the project. Initial results are good, but we are in the early stages of this process.”

Post-Bechtel Report

Letter from Dukes Scott to SCE&G, August 8, 2016

“As the project progresses, an increasing number of Licensing Amendment Requests (LARs) will need to be processed each month to support construction. The number of LARs to be processed each month must double from 4 or 5 per month to 8 to 10 per month over the next

several months in order to support construction activities. This presents another major challenge for the project.”

Testimony of Stephen A. Byrne, October 12, 2016, 2016-223-E, Transcript at 524.

(Cross examination by Commissioner Howard)

“Q: Let’s talk about LARs....Are you comfortable with this many LARs out there?

A: Yes, I think we’ve identified probably 150 LARs that we will need by the end of the project. So whatever number you are looking at, it’s going to grow. When we—we load those into our schedule now, so we know when we’re going to need the output of that LAR....

So the LAR process, as you point out, can take some time. It’s serious; the NRC takes a lot of time to review. We take a lot of time to prepare them. We need input from Westinghouse or other vendors, significantly. But we’ve got every one of those loaded into our schedule. All of them now meet our construction need dates....”

September 30, 2016 Quarterly Report at 14.

“During this period, SCE&G submitted seven ITAAC Closure Notifications to the NRC. Of the 53 submitted ITAAC Closure Notifications, 49 have been verified complete and four are under review by the NRC. ITAAC submittal rates must increase significantly in 2017 to meet schedule requirements. SCE&G has raised concerns with WEC about timeliness and the level of engineering support being provided by WEC for this process. The ITAAC submittal rate is an area of focus for the project.”

8. WESTINGHOUSE PRICING/FIXED PRICE OPTION

General Concern, not addressed in Bechtel Report

Post-Bechtel Report

Pre-filed Direct Testimony of Joseph M. Lynch, July 1, 2016, 2016-223-E, Transcript at 776.

“When focusing on the most likely range of 2.9% to 5.0% in labor rate growth rates and the PF falling between 1.50 and 2.00, SCE&G estimates that the cost to complete the Units will be between 10.9% [\$364 million] and 29.3% [\$981 million] higher than the Fixed Price option. While Westinghouse may be able to make significant improvements over past performance, SCE&G believes it is in the best interest of its customers to choose the Fixed Priced option and removed the price uncertainty that exists without it.”

Pre-filed Direct Testimony of Stephen A. Byrne, July 1, 2016, 2016-223-E, Transcript at 429.

“In [the] negotiations, Westinghouse told us that it recognized the great value represented by its AP1000 business and the need to complete our project successfully to protect that value and Westinghouse’s reputation worldwide. Westinghouse was willing to take on substantial new commitments under the EPC Contract to accomplish those goals.

This may turn out to be a strategy for Westinghouse. In June of 2016, less than nine months after the Amendment was executed, Westinghouse announced that it is negotiating a contract to construct six AP1000 units in India. It is working on a similar proposal to construct three new AP1000 units at the Moorside nuclear power station on the west coast of England. We also understand that there is interest in AP1000 units in Europe where nuclear power is increasingly seen as an alternative to continued reliance on Russian natural gas. The AP1000 units remain the safest, most technologically sophisticated and simplest nuclear unit available today.

In light of Westinghouse’s business interests, we were able to convince Westinghouse to accept new liquidated damages that are capped at \$371.8 million for the two Units.”

Pre-filed Direct Testimony of Stephen A. Byrne, July 1, 2016, 2016-223-E, Transcript at 432-438.

“In the negotiations with Westinghouse, SCE&G was able to convince Westinghouse to provide us with an irrevocable option to move all remaining Firm, Target and Time and Material costs, except for \$38.3 million of the Time and Material budget, to the Fixed Price category. The Fixed Price would be approximately \$3.345 billion (future dollars) for all invoices paid after June 30, 2015. Any payments made after that date are credited to the Fixed Price amount. We have computed the labor productivity factor that Fluor and Westinghouse must achieve from January of 2016 forward to have actual costs to SCE&G come in less than the Fixed Price, all

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other things being equal. That labor productivity factor is 1.15. We expect construction to become more efficient under Fluor and with a restructured project team. But it is unlikely that productivity will improve fast enough for the remaining work on the project to be completed at a productivity factor of 1.15 or below. Our experience with the project to date makes us believe that it is highly unlikely that Fluor and Westinghouse can bring the productivity factor to 1.15 or lower measured between January 1, 2016, and the end of the project. This tells us that, all other things being equal, exercising the Fixed Price option is best for the Company and its customers.

Testimony of Stephen A. Byrne, October 12, 2016, 2016-223-E, Transcript at 395.

“As Mr. Marsh mentioned, the fixed-price option represents an increase in the forecasted EPC costs of about \$505 million. The amount is net of future change orders and certain time-and-material costs. In June of 2016, SCE&G gave notice to Westinghouse that the company and Santee Cooper had decided to exercise the option. The decision to exercise the option focused on variable labor costs. While a significant amount of the EPC contract costs were already fixed or firm, the remaining variable costs were almost entirely labor related. We concluded that it is very likely that the increase in the variable labor costs will exceed the previously approved forecast by \$505.5 million, or more, over the remaining life of the project. It will be exceedingly difficult for Westinghouse and Fluor to bring cumulative productivity factors in line with those used in their own 2014 projections for EAC, or estimated completion. This is true, even if construction work becomes more productive under the new project structure.”

Testimony of Stephen A. Byrne, October 12, 2016, 2016-223-E, Transcript at 580-81.

(Cross examination by Robert Guild)

“Q: All right. Now you’ve explained why you think the fixed-price contract is a good deal. Do you acknowledge the concern that has been expressed by ORS’s nuclear expert that, historically, such fixed price contracts are more adversarial and that, instead of producing a more amicable, cooperative relationship with Westinghouse, you’re likely to be in a more adversarial relationship going forward? Do you understand their concerns to that effect?”

A: I’m not sure that that was the exact characterization, but I heard something along those lines from the Office of Regulatory Staff.

Q: ...But if, indeed, the fixed-price contract makes your relationship more adversarial and not less adversarial, might things just go downhill even faster than they have in the past? Have you thought about that, Mr. Byrne?

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A: Yeah, I don't believe they would go downhill even faster. Again, the renegotiated EPC contract has terms that are intended to specifically avoid those kinds of contentions going forward. We did have a significantly contentious environment. There were some of the commercial disputes we'd been in with Westinghouse for years; there didn't seem to be any rapid resolution to those. So the contract with its new provisions should streamline that process going forward.

So, understanding that fixed-price EPC contracts have had some issues in the past, I think coming in at this point, this far along in the construction process, the renegotiation to a fixed-price was the right thing to do for us at this point in time."

Testimony of Kevin B. Marsh, October 4, 2016, 2016-223-E, Transcript at 135.

(Cross examination by Robert Guild)

"Q: Notwithstanding those commitments by Westinghouse to deliver a substantially fixed-price contract and completion by specific dates, ORS still expressed reservations and concerns that Westinghouse would be able to meet those commitments; isn't that correct?

A: I think they have their concerns. I believe with their meetings on-site, they got themselves comfortable with the contract based on the changes that were made, specifically on the additional liquidated damages that would help cover some of the costs if they were not able to finish the contract on time, and other issues."

Pre-filed Testimony of Allyn Powell, ORS, September 1, 2016, 2016-223-E, Transcript at 727-728.

"...While ORS believes, based on SCE&G's sensitivity study, that the Option on its surface represents a good value given current production and productivity trends, the determination of the Option's true value is based entirely on an analysis of Westinghouse's willingness to abide by the terms of the contract and SCE&G's willingness to hold Westinghouse to those terms....Based on previous experience with this contract and SCE&G's sensitivity study, which at current production and productivity trends shows substantial potential losses to Westinghouse, ORS is concerned that the Option will not truly fix this portion of the cost of the Units. For this reason, in the Settlement ORS insisted that SCE&G agree to stand behind the "fixed price" and provide a guarantee that no additional ratepayer dollars will be requested for items in the scope of the "fixed price" in the Option."

Pre-filed Testimony of Gary Jones, ORS, September 1, 2016, 2016-223-E, Transcript at 908-91.

"In addition, 'fixed price' contracts have generally resulted in reduced participation and influence by the owners of the construction project. The sentiment and approach adopted by the contractor is generally, 'we have guaranteed you the project for this price; leave us alone and we will deliver.' This is not an acceptable approach. ORS regards SCE&G's participation as essential to the satisfactory completion of the Project.

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...

However, since the start of the Project, WEC has not consistently demonstrated its ability to meet contractual commitments. The benefit to the ratepayers from the Option is only as good as WEC's financial ability and willingness to stand behind the EPC Contract. Based on our previous experience in the Project, ORS has little confidence in WEC's assurances that it will be able to deliver on its 'fixed price' commitment."

December 31, 2016 Quarterly Report at 20.

"WEC officials, in a discussion the morning of February 14, 2017, indicated that WEC and its parent guarantor, Toshiba Corporation, are committed to completing Units 2 and 3, with a revised completion schedule of April 2020 and December 2020, respectively; however, the Company will continue to monitor WEC's ability to adhere to the new schedule, as well as the financial condition of WEC and Toshiba and its effect on their ability to complete the project. The total project capital cost is now estimated at approximately \$7.7 billion including escalation and allowance for funds used during construction (SCE&G's portion in future dollars)."

9. STORAGE/PREVENTIVE MAINTENANCE

Bechtel Report; 4.1.3, p. 27

Pre-Bechtel Report

Pre-filed Testimony of Ronald Jones, May 26, 2015, 2015-103-E, Transcript at 579-580.

“SCE&G is responsible for the warehouse and storage space for materials and equipment necessary to operate the Units. SCE&G also is required to pay for the office space and related support facilities for its NND team personnel while they are on site. Because of delays in the project schedule, construction teams and operational readiness teams will overlap more, requiring more space. In addition, the maintenance, upkeep and other cost of office space and related support facilities will have to be borne by the project for a longer period of time. SCE&G has taken reasonable steps to reduce the scope and cost of the additional warehouse, storage, office, and other support facilities. Nevertheless, SCE&G forecasts that additional facilities and facilities cost associated with the new Substantial Completion Dates will increase Owner’s cost by approximately \$6.1 million, or approximately 1% of the total change in the capital cost schedule.”

Pre-filed Direct Testimony of Carlette L. Walker, May 26, 2015, 2015-103-E, Transcript at 632.

“Pursuant to the terms of the approved EPC Contract, SCE&G is responsible for the warehouse and storage space for materials and equipment necessary to operate the Units. The Company also is required to pay for the office space and related support facilities for its NND team personnel while they are on site. Because of the delay in the project schedule, it will be necessary for the construction and operational readiness teams to perform certain scopes of work simultaneously. Therefore, additional facilities will be required to provide the teams with sufficient space to complete their respective scopes of work. In addition, the maintenance, upkeep, and other costs of office space and related support facilities will have to be borne by the project for a longer period of time.”

September 30, 2015 Quarterly Report at 13.

“Storage of equipment is an issue which the Consortium is addressing in part by securing additional warehouse facilities off-site.

September 30, 2015 Quarterly Report at 19.

“SCE&G continued oversight of on-site storage, preventative maintenance and preservation of components before and after installation. CB&I has recently issued a revised procedure to clarify storage and preservation requirements for all components. SCE&G continues to monitor resolution of CB&I’s preventative maintenance (PM) backlog.”

Letter from Dukes Scott to SCE&G, January 5, 2016

“Inventory storage and control present one of the major challenges to successful completion of the project. CB&I intends to conduct a complete site inventory and re-verification of the site warehouses and lay-down areas. This effort will assist the project in properly staging equipment and commodities to support ongoing construction activities.”

10. MODULE FABRICATION

Multiple Observations in Bechtel Report

Pre-Bechtel Report

March 31, 2014 Quarterly Report at 14.

“[T]he fabrication and delivery of CA20 and CA01 submodules is a critical path items for both Units. Accordingly, production of these modules remains a very important focus area for the project. SCE&G maintains a presence on site at CB&I-LC to monitor activities at CB&I-LC and interact with CB&I-LC leadership on a regular basis.”

March 31, 2014 Quarterly Report at 15.

“Delays in setting the CA01 module would likely affect the schedule for setting the CA03 module and therefore the other construction activities that follow the setting of that module. For this reason, SCE&G is monitoring the schedule for completing and setting the CA01 module closely.”

March 31, 2014 Quarterly Report at 16.

“CB&I has transferred fabrication for the principal Unit 3 CA20 and CA01 submodules to Oregon Iron Works, and Toshiba/IHI Corporation, respectively. Each of these entities is experienced in modular construction.”

March 31, 2014 Quarterly Report at 16.

“Senior management from both SCE&G and WEC/CB&I continue to monitor the fabrication and delivery process related to submodules. WEC personnel continue to provide onsite engineering support for production at CB&I-LC. SCE&G continues to maintain a permanent resident inspector at the CB&I-LC facility who provides additional monitoring. SCE&G will monitor closely the startup processes at Oregon Iron Works and Toshiba/IHI Corporation. The fabrication of the submodules continues to be an important area of focus for the project.”

June 30, 2014 Quarterly Report at 13.

“[T]he fabrication and delivery of CA01 submodules is a critical path item for both Units. Accordingly, production of these modules remains a very important focus area for the project. SCE&G maintains a presence on site at CB&I-LC to monitor activities at CB&I-LC and interact with CB&I-LC leadership on a regular basis.”

March 31, 2015 Quarterly Report at 15.

MODULE FABRICATION

“After the close of the period, WEC/CB&I made the decision to transfer fabrication of the Unit 3 CA03 modules from the MetalTek-SMCI Division (SMCI) in Lakeland, Florida to CB&I-LC due to production issues at SMCI.”

This was repeated in the June 30, 2015 Quarterly Report at 17.

June 30, 2015 Quarterly Report at 16-17.

“Due to production issues at SMCI in Lakeland, Florida, and with input from SCE&G, WEC/CB&I has decided that parts and materials for future Unit 2 CA03 submodules will be shipped from SMCI to the Jenkinsville site in kit form where they will be assembled and welded together by CB&I personnel.”

June 30, 2015 Quarterly Report at 24

“WEC/CB&I subcontracted the construction of the steel panels which will form the walls of the Shield Buildings to NNI in Newport News, Virginia. Schedule delay related to the finalization of design of these panels have placed the fabrication of these panels on the critical path for timely completion of the project. CB&I and NNI are in discussions to expand its manufacturing facility to allow for additional panels to be worked in parallel, thus mitigation potential schedule delay.”

Letter from Dukes Scott to SCE&G, October 14, 2015

“On September 10, 2015, ORS consultant, Gary Jones, visited Greenberry and Vigor (previously Oregon Iron Works) module-fabrication facilities located near Portland, Oregon. Below are ORS observations and recommendations resulting from Mr. Jones’ visit; SCE&G needs to:

- Ensure that the Consortium improves the continuity and performance of their source inspectors assigned to the subject facilities. Turnover of CB&I source inspectors at Greenberry, especially among the leadership, has been high. This turnover has contributed to the delays in module delivery due to re-inspections. Every change in leadership produces new directions and new inspectors restarting the process. In fact, the Westinghouse lead assigned to the area had never visited the Greenberry facilities or offices.
- Pursue changes with the Consortium source-inspection processes and procedures at these facilities and possibly at other module-fabrication facilities. The extent of the required documentation to be submitted as part of the module and sub-module Certificates and Conformance is excessive and unnecessary. CB&I inspectors could perform their inspections and checks earlier in the process, rather than waiting until all the paperwork has been completed by the fabricators. These issues have resulted in unnecessary delivery delays.
- Continue to pursue the release of design-change documentation to the fabricators. Changes have been held by CB&I and not released to the fabricators because of contract

MODULE FABRICATION

cost-dispute issues between Westinghouse and CB&I. At the time of their meeting, no changes had been released to Greenberry since late March of this year and none had been released to Vigor since early June. The withholding of design-change documentation represents hundreds of changes and has resulted in delays in delivery; it will also result in extensive rework at the site once the modules are received. Subsequent to their meetings, Mr. Jones was advised by SCE&G that action has been taken on this issue and that the changes were being prioritized by CB&I and released to the fabricators for incorporation. However, this momentum needs to continue and detailed monitoring is required.”

Letter from Dukes Scott to SCE&G, December 14, 2015

“Delayed structural module fabrication and delivery continue as a critical issue for the Project. Improvements are needed from all subcontractors and the continued role of CB&I - Lake Charles needs immediate attention and resolution.”

December 31, 2015 Quarterly Report at 8.

“WEC and NNI have reached agreement on a mitigation plan to accelerate Shield Building panel fabrication. In addition, WEC is de-scoping much of the submodule and mechanical modules work initially assigned to CB&I-LC and CB&I-Island Park including fabrication of the Tension Ring and Air Inlet components of the Shield Buildings. WEC is preparing a revised critical path for the project to reflect current schedule information and mitigation plans. Additional mitigation will be required in critical path areas to bring the current Integrated Construction Plan (ICP) into compliance with the substantial completion dates.”

March 31, 2015 Quarterly Report at 12.

“[T]he fabrication and delivery of Shield Building components and structural submodules for the Unit 3 CA01 module are critical path items for the project. Accordingly, production of these components and submodules, and other structural and mechanical modules, remains a very important focus area for the project.”

Pre-filed Direct Testimony of Kevin B. Marsh, May 26, 2015, 2015-103-E, Transcript at 88-90 (quoting Combined Application, Docket No. 2008-196-E, Exhibit J, p. 6-12).

“SCE&G’s 2008 BLRA application acknowledged that, “[f]or a project of the scope and complexity of the licensing and constructing of the Units, any list of potential risk factors compiled at this stage of the process will not be exhaustive.” Petition, Docket No. 2008-196-E, Exhibit J, p. 12. With that caveat, SCE&G listed the specific risks that seemed most important at the time. Among the risks specifically enumerated at that time were many, if not all, of the risks that have resulted in the current update filing:

...

- Module production: “It is possible that manufacturers of unique components (e.g., steam generators and pump assemblies or other large components or modules used in the Units) and manufacturers of other sensitive components may encounter problems

MODULE FABRICATION

with their manufacturing processes or in meeting quality control standards. . . . Any difficulties that these foundries or other facilities encounter in meeting fabrication schedules or quality standards may cause schedule or price issues for the Units.”

Testimony of Kevin B. Marsh, July 21, 2015, 2015-103-E, Transcript at 127.

(Cross examination by Robert Guild)

“Module production goes through a number of phases...The challenge has been in producing those submodules in a way that met the design applications. Many cases, some of the designs changes, as they were building the modules—the submodules, because of constructability concerns. They needed to make sure they were in compliance with all the quality-control assurances that we needed for a nuclear project...The challenge has been in the initial fabrication of those submodules, before they are sent to the site for assembly.”

Pre-filed Direct Testimony of Stephen A. Byrne, May 26, 2015, 2015-103-E, Transcript at 255-256.

“Delay in production of modules, submodules and Shield Building panels has been a major source of delay for the project. This remains a key focus area for concern going forward.

However, there are indications that problems in this area are lessening. Three of the six major structural modules for Unit 2 (CA04, CA05, and CA20) have now been fabricated and set in place. The fabrication of a fourth (CA01) is physically complete. All submodules for a fifth (CA02) are on site. Submodules for the sixth module (CA03) are being received. There are one hundred and sixty-seven (167) Shield Building cylinder panels for each Unit. As of May 2015, more than sixty-eight (68) Unit 2 and six (6) Unit 3 Shield Building cylinder panels had been received on site and initial welding of the first ring of them had begun. However, module and submodule production remains a major challenge for the project.”

Direct Testimony of Stephen A. Byrne, July 21, 2015, 2015-103-E, Transcript at Transcript 218.

“In our initial BLRA filing in 2008, SCE&G identified uncertainties around the use of modular construction for nuclear units as a potential source of delay. This is a new technique for commercial nuclear builds. Much of the current delay in the substantial completion dates of the units has been caused by delays in fabrication and delivery of submodules for the units.

Beginning in 2010, SCE&G began raising concerns about delays in submodule fabrication. SCE&G worked diligently to convince the consortium to address these issues.”

June 30, 2015 Quarterly Report at 2-3.

“It is SCE&G’s position that the delay and the majority of the increased costs reflected in the current schedules have been due to WEC/CB&I’s failure to meet its contractual obligations related to structural module fabrication, timely design finalization, labor productivity, indirect labor costs and other matters, all despite SCE&G’s repeated insistence upon improvements in performance. Accordingly, SCE&G has advised WEC/CB&I that it remains contractually

MODULE FABRICATION

obligated to satisfy the Guaranteed Substantial Completion Dates previously agreed to in the EPC Contract and other obligations under the EPC Contract, and WEC/CB&I is liable for costs associated with delay and other matters.”

September 30, 2015 Quarterly Report at 16.

“In the second quarter of 2015 WEC/CB&I decided that parts and materials for future Unit 2 CA03 submodules will be shipped from SMCI to the Jenkinsville site in kit form where they will be assembled and welded together by CB&I personnel....The production schedule to date of Unit 3 CA01 and CA20 submodules by Toshiba, IHI Corporation, Oregon Iron Works and CB&I-LC does not support the construction schedule for the Units. WEC/CB&I is formulating plans with these vendors to mitigate these potential schedule delays.”

September 30, 2015 Quarterly Report at 17.

“During the period, CB&I stopped production of mechanical modules at the CB&I-Island Park facilities in Beaumont, Texas and transferred production of these modules to CB&I-LC. The reason for doing so was the inadequate rate of production at the Island Park facility. To accelerate production, CB&I-LC continues to fabricate higher-priority Unit 2 mechanical modules on site and to assemble first floor Auxiliary Building mechanical modules there.”

December 31, 2015 Quarterly Report at 15.

“During the period, production of mechanical modules at the CB&I-Island Park facilities in Beaumont, Texas was de-scoped and sent back to CB&I-LC. In addition, work on six mechanical modules for Unit 2 and thirteen for Unit 3 were de-scoped from CB&I-LC and the materials and parts are being shipped to Jenkinsville for fabrication on site.”

March 31, 2016 Quarterly Report at 12.

“Design changes continue to be communicated by WEC to submodule fabrication vendors on a schedule that disrupts the fabrication process and delays submodule production. This is an area that WEC and Fluor are addressing as a focus area for improving schedule performance and construction efficiency.

WEC is de-scoping much of the submodule and mechanical modules work initially assigned to CB&I-LC and CB&I-Island Park and has authorized NNI to begin engineering and procurement work for the Shield Building Tension Rings and Air Inlets.”

March 31, 2016 Quarterly Report at 13.

“The production schedule to date of Unit 3 CA01 submodules by Toshiba and IHI Corporation does not support the construction schedule for the Units. WEC continues to formulate plans with these vendors to mitigate these potential schedule delays. A number of these mitigation plans are focused on shortening transportation time from Japan.”

Post-Bechtel Report

MODULE FABRICATION

Letter from Dukes Scott to SCE&G, May 13, 2016

“With regard to construction progress on the project:

Positives

a. SCE&G completed the concrete fill within the walls of the Unit 2 CA20 structural module on April 5. As the first concrete fill of a major structural module on the site, completion of this item is a significant accomplishment.

b. All 17 submodules on Unit 2 CA03 are now standing upright on the plenum in the fabrication tent on site, and final welding and outfitting of the module are underway. The module is on schedule for its placement in the containment vessel in June.

c. Newport News Industrial has made good strides in meeting their most recent schedules for delivery of Shield Building (SB) panels, and the erection of Course 4 of the SB panels has been completed at the construction site.

d. Progress has been made on the on-site fabrication of the Unit 3 CA20 module, subassemblies 1 & 2, in the Module Assembly Building (MAB) that supports a July 2016 placement date. All 72 submodules for this module have been delivered to the site, and subassemblies 3 & 4 have already been placed in the Unit 3 Auxiliary Building.

e. Progress was evident in the MAB on the Unit 3 CA01 module. Six submodules were erected on the plenum in a single week in April, which represents the highest production yet on this activity.

f. Unit 3 Containment Vessel (CV) Ring # 1 installation was completed on April 13.

Concerns

.....

m. Mechanical module delivery continues to fall behind schedule. As a result, SCE&G and WECTEC are considering moving fabrication to the site. While this may improve quality and better support construction, it will increase the demands on craft labor on site, and may increase project costs.”

June 30, 2016 Quarterly Report at 11.

“The last of the submodules required to fabricate the Unit 3 Module CA01 arrived on site during the period. As a result, fabrication of structural modules and submodules is no longer on the project’s primary critical path.”

MODULE FABRICATION

Letter from Dukes Scott to SCE&G, June 30, 2016

“Module fabrication and delivery continue to drive the critical paths for the project; however, the focus is gradually shifting from structural modules to mechanical modules and structural steel modules in the Nuclear Island. In addition, the transition areas at the Shield Building to Auxiliary Building roof and the air inlet/tension ring areas of the upper Shield Building are becoming increasingly important. Contracts need to be finalized, and fabrication releases need to be expeditiously forthcoming in order to avoid schedule impacts. As it is, because these contracts have taken so long to be finalized, these items will be on a very tight schedule with little margin.”

Letter from Dukes Scott to SCE&G, July 12, 2016, incorporating SCE&G’s Responses to June 30, 2016 Letter

“SCE&G asserts that modules, including fabrication and delivery, is a top five focus area for the project. In addition, SCE&G asserts that it maintains its on-site presence at key module vendors, has recently increased oversight efforts, and is working daily with Westinghouse personnel to align priorities, reporting, and mitigations. According to SCE&G, Westinghouse has given suppliers advance authorization to fabricate the Shield Building roof steel and Air Inlet/Tension Ring panels. Westinghouse is also reporting weekly to SCE&G on contract finalization for upcoming scopes of work and has increased authority levels for more than 30 engineers to resolve issues to improve supplier response times. Finally, Westinghouse has moved the responsibility for structural steel procurement from the commodity delivery organization to the module organization to aid this procurement.

...

SCE&G replies that it is currently performing an assessment of installation of components on the CA03 module to identify efficiency gaps and will communicate improvement opportunities to Westinghouse and Fluor.”

MODULE FABRICATION

Testimony of Kevin B. Marsh, October 4, 2016, 2016-223-E, Transcript at 100-101.

(Cross examination by Sandra Wright)

“Q: Okay. All right. So now we have a consortium of two?”

A: That’s correct.”

Q: CB&I and Westinghouse. And Westinghouse and CB&I are having problems. But we’re having problems, too; SCE&G is having problems at the site. We’re having problems with major errors happening, construction errors. Is that correct?

A: There were a number of issues that caused issues in the plant construction. The largest one was probably the manufacture or the fabrication of the submodules which were being done by CB&I at their plant site in Lake Charles, trying to make sure they met the quality control standards that we expected for the work to go into the nuclear plants”

Testimony of Kevin B. Marsh, October 4, 2016, 2016-223-E, Transcript at 196.

(Cross examination by Commissioner Fleming, addressing construction of shield building)

“A: Well, we encouraged CB&I at the time to have more than one site to fabricate parts and pieces for these plants, especially submodules and some of the major components that go along with the submodules. They now have, I believe it’s five different locations where we are fabricating parts. Newport News, in Virginia, is doing the majority of the shield building parts for the first new unit. We have people on-site supervising activities up there. We visit on a regular basis. We stay close, to find out if there are any issues coming up. I know, in talking with Westinghouse and Fluor when they assumed responsibility for the project, they recognized that as one of the areas they needed to focus attention and I know Westinghouse has put additional money and effort and resources into making sure Newport News has what it needs to complete those shield building panels.”

Testimony of Stephen A. Byrne, October 12, 2016, 2016-223-E, Transcript at 524.

(Cross examination by Sandra Wright)

“A: ...Originally, the premise, from starting with the Shaw Group, was that they were going to do all of the big modules at one place. That was something that we pushed them to change as soon as they started that project. They were loath to change that. Chicago Bridge & Iron, when they took over, they saw the single facility bottleneck as a problem and started to finally diversify the supply chain.

So, as opposed to relying on a facility that’s called CB&I Lake Charles, in Lake Charles, Louisiana, for all the big modules and a number of mechanical modules, we now have moved those to different fabricators around the country, and we’re getting better quality and more timely deliveries. “

MODULE FABRICATION

Testimony of Stephen A. Byrne, October 12, 2016, 2016-223-E, Transcript at 635-636.

(Cross examination by Commissioner Howard)

“Q: ...Please update us on the commercial issues relating to the mechanical modules produced by CB&I at the Lake Charles facility. Where is the module? Is it on-site, or have you disassembled it to be repaired?”

A: There are a variety of different types of modules. ...We did get some [mechanical modules] in that didn't meet our quality standards. We did have to do some rework of those. In the rework arena, it could be anything from a couple of welds needing to be touched up to, you know, this is deficient and we might as well start from the rails. So we're doing that largely on-site now. We do have inspectors in some of the facilities to let us know what's going on in the facilities. And then we've, again, diversified the supply chain...

So the diversification of that supply chain is largely complete. The commercial disputes have been resolved....”

Letter from Dukes Scott to SCE&G, August 8, 2016

“Construction progress was significantly more visible during this visit than last month. The Unit 2 CA03 module has been set inside of containment. This involved a complicated lift with the Heavy Lift Derrick (HLD) and very precise module placement. The overall setting of the module appears to have been well executed and the lessons learned from both China and Vogtle appear to have been incorporated appropriately. It was disappointing, however, that the scheduled date for this module set slipped several times. This leaves the CA02 module as the remaining major structural module to be installed in Unit 2. In addition, visible progress was seen in the Unit 2 Annex Building and the Unit 2 Turbine Building. The installation of structural steel in the top section of the Turbine Building also has progressed well.

....

It was concerning to learn that the fabrication of the sub-modules for the Unit 3 CA03 module will remain with CB&I-Lake Charles. Although the logic (material availability, primarily) for this decision appears to be sound, the past performance of CB&I-LC with respect to producing modules on schedule and with the appropriate paperwork is concerning.”

September 30, 2016 Quarterly Report at 7.

“The fabrication of Shield Building components and structural submodules for Unit 3 Module CA01 is a potential critical path item for the project. Additional mitigation will be required in certain of these critical path areas to support the substantial completion dates described below.”

September 30, 2016 Quarterly Report at 10.

“The on-site assembly of structural modules remains a potential critical path item for the project as does the quality and fabrication schedule of mechanical modules.”

MODULE FABRICATION

September 30, 2016 Quarterly Report at 10.

“Commercial issues between WEC and CB&I related to mechanical modules produced by CB&I-LC remain unresolved and are impacting mechanical module production schedule. During the period, WEC implemented contingency purchase orders for the mechanical modules CB&I-LC had been supplying. Other vendors now will be supplying these modules. WEC continues schedule mitigation planning related to these modules and issuing purchase orders to other vendors. Production of these modules, and other structural and mechanical modules, remains an important focus area for the project.”

September 30, 2016 Quarterly Report at 10-11.

“One hundred twenty-seven (127) of the 167 Shield Building Panels for the Unit 2 Shield Building have been received on site from NNI. Seventy-three (73) of the Unit 3 Shield Building panels are on site. NNI continues to meet quality and schedule expectations. NNI is actively implementing its mitigation plan to accelerate shield building panel fabrication.”

September 30, 2016 Quarterly Report at 11.

“During the period, NNI issued a schedule for fabricating the Unit 2 and Unit 3 Air Inlet and Tension Rings. This schedule meets construction need dates for these components.”

V.C. Summer Nuclear Project Ratepayer Litigation

SCANA Corporation and South Carolina
Electric & Gas Company

- History of V.C. Summer Nuclear Project Units 2 & 3
 - History and success of V.C. Summer Unit 1
 - SCE&G's need as of 2005 for new “base load” generating plants
 - SCE&G selects Westinghouse's AP1000 Nuclear Reactor for base load needs.
 - The EPC Contract
 - Construction begins on the Project
 - SCE&G actively manages the project
 - The EPC Amendment
 - The decision to abandon the project

- The Constitutional, Statutory, and Regulatory Regime for Utilities in South Carolina

- Takings Clause
- “No person shall be . . . deprived of . . . property, without due process of law, nor shall private property be taken ***for public use***, without just compensation.”
- U.S. Const. amend. V (emphasis added).

- *Fed. Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591, 603 (1944) (emphasis added).
 - “The rate-making process under the [Natural Gas Act of 1938], i.e., the fixing of ‘just and reasonable’ rates, ***involves a balancing of the investor and the consumer interests.***
 - From the investor or company point of view
 - There must be enough revenue not only for operating expenses but also for the capital costs of the business. ***These include service on the debt and dividends on the stock.***
 - ***The return to the equity owner should be*** commensurate with returns on investments in other enterprises having corresponding risks [and] ***sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.***”

- ***Bluefield Waterworks & Imp. Co. v. Pub. Serv. Comm'n of W. Va.***, 262 U.S. 679, 692–93 (1923)
(citations omitted)
 - “The return [to the utility from rates] should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties.”

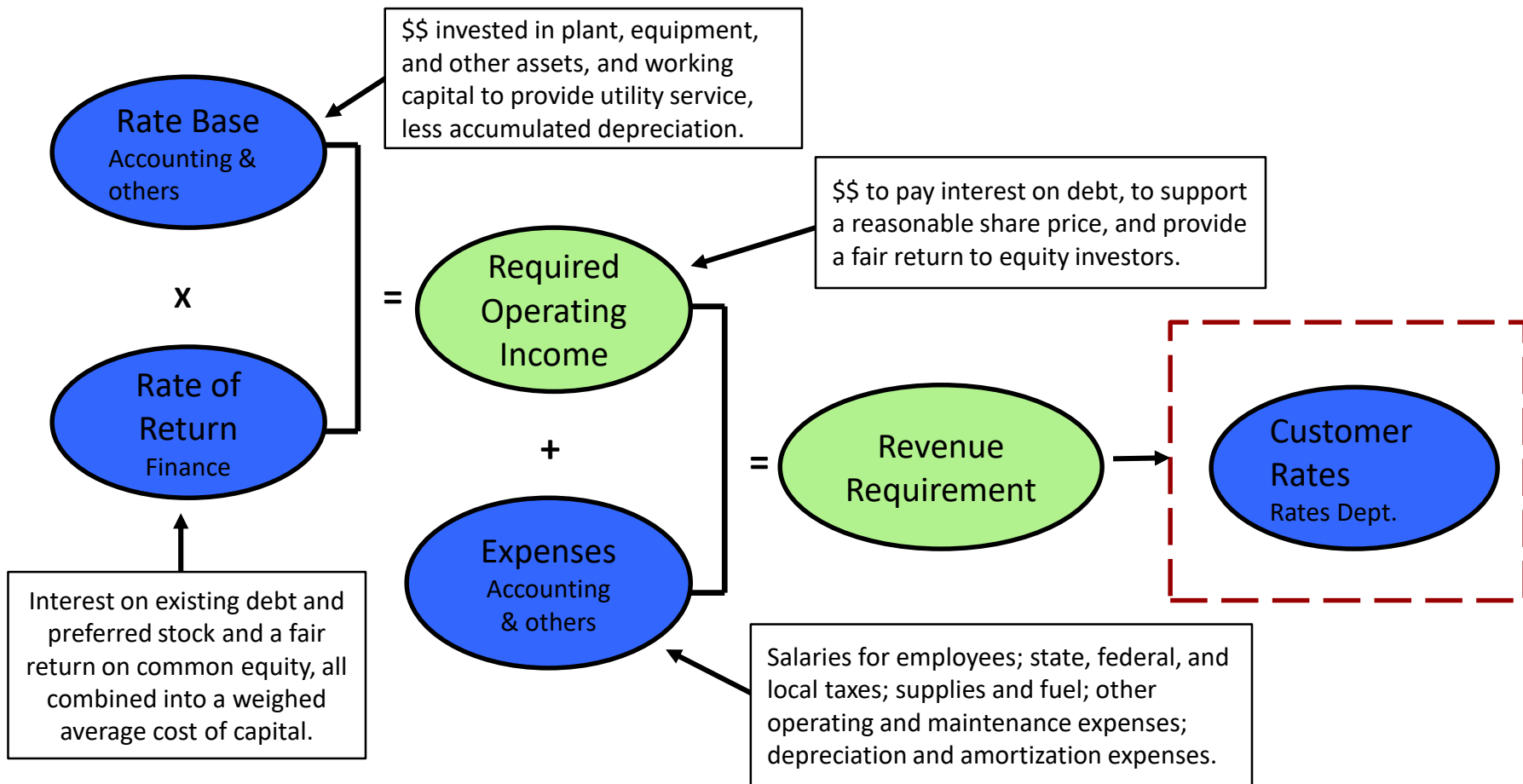
- Together, the *Hope* and *Bluefield* cases provide “the basic principles of utility rate regulation” in South Carolina.
- *S. Bell Tel. & Tel. Co. v. Pub. Serv. Comm’n*, 270 S.C. 590, 595, 244 S.E.2d 278, 281 (1978), holding modified by *Parker v. S.C. Pub. Serv. Comm’n*, 280 S.C. 310, 313 S.E.2d 290 (1984); *Patton v. S.C. Pub. Serv. Comm’n*, 280 S.C. 288, 291, 312 S.E.2d 257, 259 (1984).

- “[T]he reasonableness of rates should be determined by an evaluation of the utility’s holdings and obligations and the return which the utility realizes from the rates. *The focus is upon the financial condition of the utility, particularly whether the return realized from the rates is so low as to be confiscatory to the utility or so high as to be unduly burdensome to the utility’s customers.*”
- *Mims v. Edgefield Cnty. Water & Sewer Authority*, 278 S.C. 554, 555-56, 299 S.E.2d 484, 485-86 (1983) (emphasis added).

- “[R]atefixing power operates exclusively within a range of reasonableness, bounded on the one hand by ***the utility’s constitutional right to a fair and reasonable return***, and on the other hand by its ***customers’ statutory right to rates that are not unreasonable or exorbitant.***”
- *Gulf States Util. Co. v. Pub. Util Comm’n*, 784 S.W.2d 519, 520 n.2 (Tex. App. 1990) aff’d 809 S.W.2d 201 (Tex. 1991) (emphasis added).

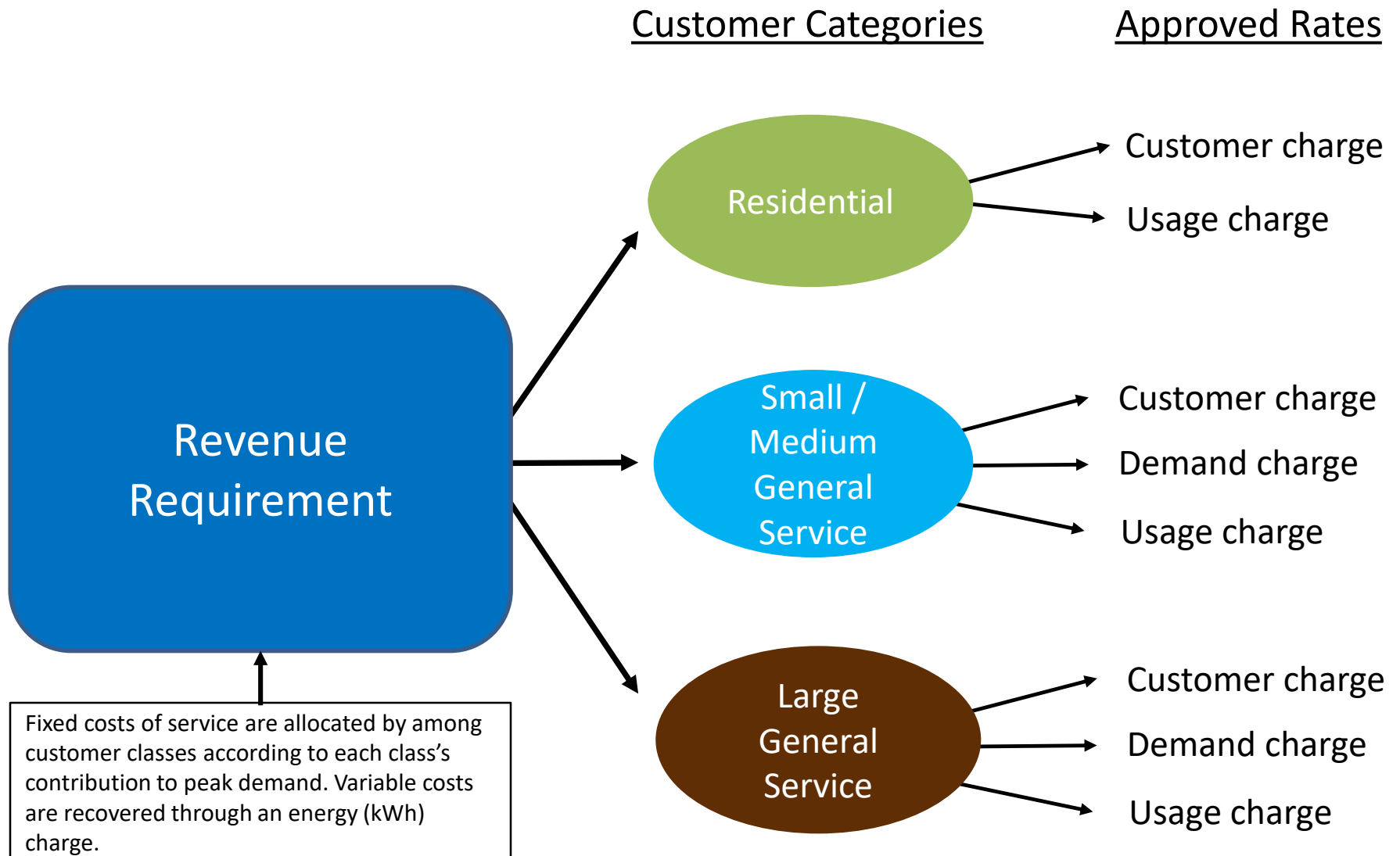
- The “Used and Useful” principle is no longer a constitutional mandate.
 - For almost seventy years, courts have repeatedly recognized that “the constitutional basis for ‘used and useful’” has been swept away.” *Wash. Gas Light Co. v. Baker*, 188 F.2d 11, 19 (D.C. Cir. 1950) (allowing recovery of prudent expenditures for an abandoned plant that was not used and useful).
 - “[U]sed and useful’ has ceased to have any constitutional significance.” *Jersey Cent. Power & Light Co. v. FERC*, 810 F.2d 1168, 1175 (D.C. Cir. 1987) (en banc).
 - *S. Bell Tel. & Tel. Co. v. PSC*, 270 S.C. 590, 601, 244 S.E.2d 278, 283–84 (1978) (holding that the property a utility holds for future use can be included in the rate base, though it is not used and useful in serving current ratepayers).

Rate Setting Process



After the revenue required by the utility is identified, the next step is determining how that revenue will be collected from the utility's various types of customers, that is, developing customer rates.

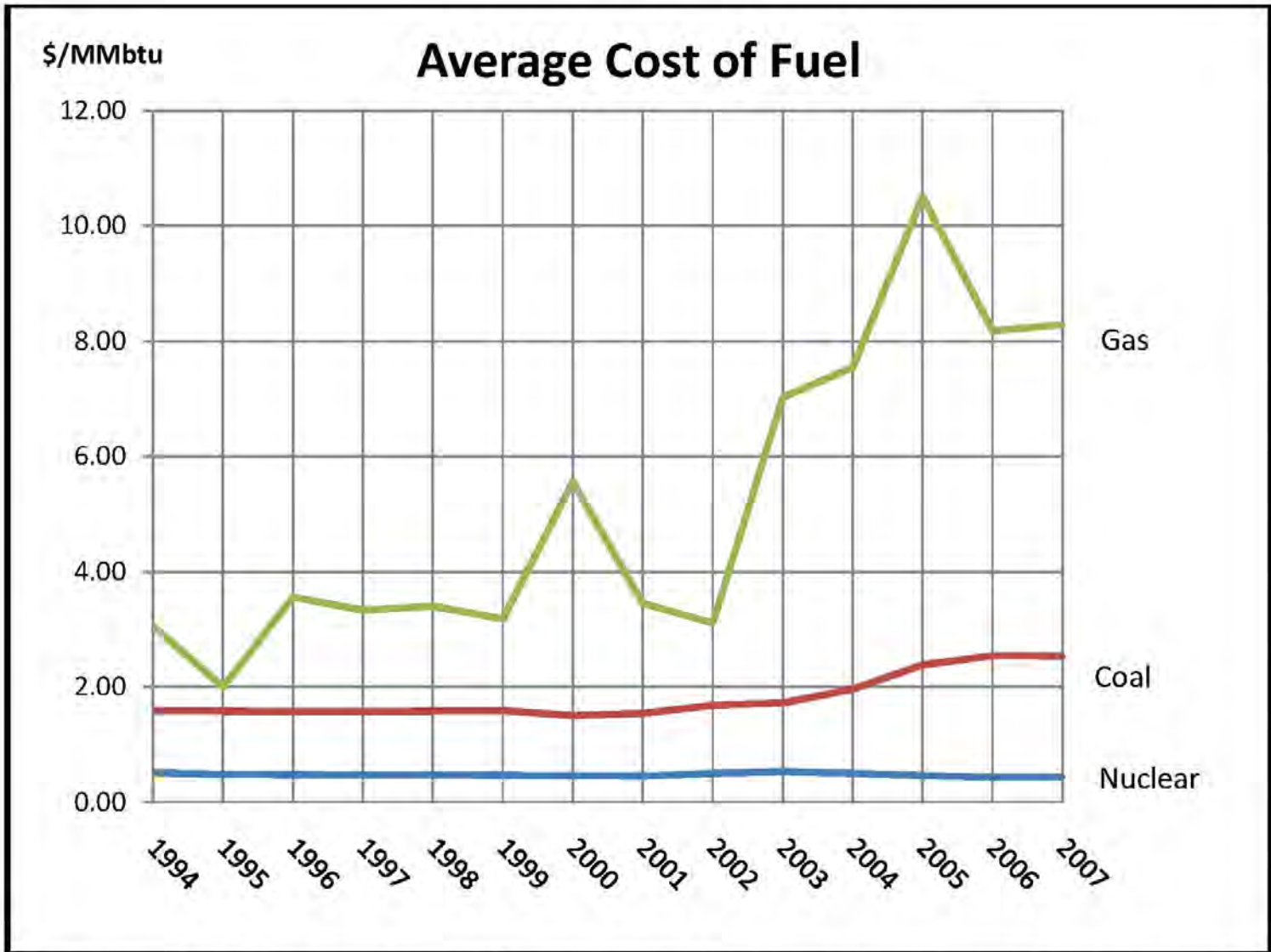
Revenue Allocation Process



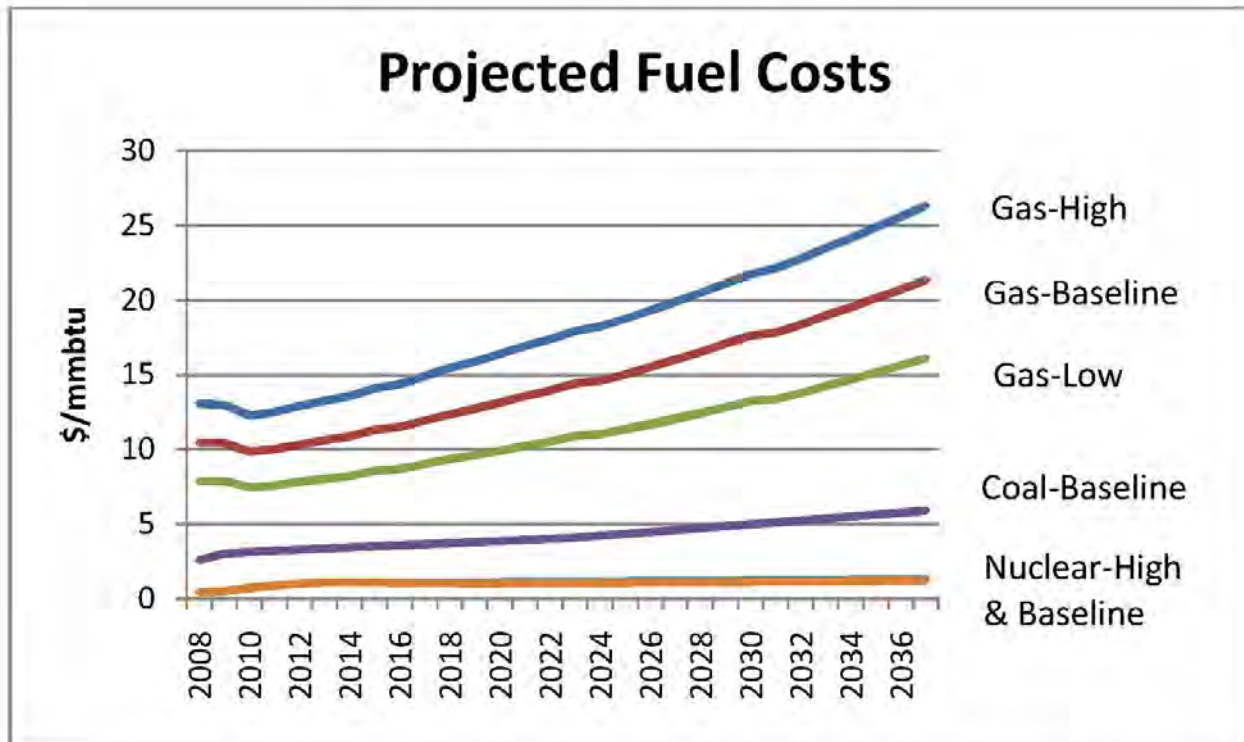
- “Revised rates” means a revised schedule of electric rates and charges reflecting a change to the utility’s then current nonfuel rates and charges to add incremental revenue requirements related to a base load plant.
 - For a nuclear plant under construction, until it enters commercial operation the rate adjustments related to the plant shall include recovery of the [utility’s] weighted average cost of capital applied to the outstanding balance of capital costs of that plant only
 - and shall not include depreciation or other items constituting a return of capital to the utility.

S.C. Code Ann. § 58-33-220(17) (emphasis added).

- S.C. Code § 58-33-280(K) – Abandonment
 - Where a plant is abandoned after a base load review order approving rate recovery has been issued,
 - The utility must prove by a preponderance of the evidence that the decision to abandon construction of the plant was prudent, and
 - Recovery of capital costs [for the abandoned plant] and the utility's cost of capital associated with them may be disallowed only to the extent that the failure by the utility to anticipate or avoid the allegedly imprudent costs, or to minimize the magnitude of the costs, was imprudent considering the information available at the time that the utility could have acted to avoid or minimize the costs.



Sources: Annual 10-K reports sent to Securities and Exchange Commission (nuclear, coal, gas:2001-2007)and FERC Form 1 annual reports (gas:1994-2000).



The high and baseline nuclear price forecasts are almost indistinguishable in the graph because of the scale required to include the higher gas prices even though the high nuclear price is almost 10% greater than the baseline price.

SCE&G's Requested Rate Increases

Docket No.	Order No.	Requested Revenue Increase	Requested Retail Increase	Requested Residential Bill Increase
2008-196-E	2009-104(A)	\$8,986,000	0.49%	\$0.54
2009-211-E	2009-696	\$22,533,000	1.10%	\$1.31
2010-157-E	2010-625	\$54,561,000	2.73%	\$3.33
2011-207-E	2011-738	\$58,537,000	2.70%	\$3.58
2012-186-E	2012-761	\$56,747,000	2.53%	\$3.57
2013-150-E	2013-680(A)	\$69,671,000	2.97%	\$4.32
2014-187-E	2014-785	\$70,038,000	2.99%	\$4.34
2015-160-E	2015-712	\$69,648,000	2.78%	\$4.01
2016-224-E	2016-758	\$74,161,000	3.06%	\$4.44
TOTAL		\$484,882,000		\$29.44

Approved Rate Increases

ORS Reduction	Approved Increase	Approved Retail Increase	Approved Residential Increase
(\$1,183,509)	\$7,802,491	0.43%	\$0.48
\$0	\$22,533,000	1.10%	\$1.31
(\$7,260,000)	\$47,301,000	2.31%	\$2.87
(\$5,753,658)	\$52,783,342	2.43%	\$3.23
(\$4,598,087)	\$52,148,913	2.33%	\$3.28
(\$2,430,768)	\$67,240,232	2.87%	\$4.18
(\$3,800,000)	\$66,238,000	2.82%	\$4.11
(\$5,122,000)	\$64,526,000	2.57%	\$3.71
(\$9,733,000)	\$64,428,000	2.66%	\$3.86
(\$39,881,022)	\$445,000,978		\$27.03

SCE&G's Requested Rate Increases						Approved Rate Increases			
Docket No.	Order No.	Order Date	Effective Date	Incremental CWIP	Requested Revenue Increase	ORS Reduction	Approved Increase	Approved Retail Increase	Approved Residential Increase
2008-196-E	2009-104(A)	03/02/09	04/01/09	\$65,960,797	\$8,986,000	(\$1,183,509)	\$7,802,491	0.43%	\$0.48
2009-211-E	2009-696	09/30/09	10/30/09	\$207,140,000	\$22,533,000	\$0	\$22,533,000	1.10%	\$1.31
2010-157-E	2010-625	09/30/10	10/30/10	\$399,146,000	\$54,561,000	(\$7,260,000)	\$47,301,000	2.31%	\$2.87
2011-207-E	2011-738	09/30/11	10/30/11	\$436,725,000	\$58,537,000	(\$5,753,658)	\$52,783,342	2.43%	\$3.23
2012-186-E	2012-761	09/28/12	10/30/12	\$436,229,000	\$56,747,000	(\$4,598,087)	\$52,148,913	2.33%	\$3.28
2013-150-E	2013-680(A)	10/02/13	10/30/13	\$569,356,000	\$69,671,000	(\$2,430,768)	\$67,240,232	2.87%	\$4.18
2014-187-E	2014-785	09/30/14	10/30/14	\$561,062,000	\$70,038,000	(\$3,800,000)	\$66,238,000	2.82%	\$4.11
2015-160-E	2015-712	09/30/15	10/30/15	\$547,224,000	\$69,648,000	(\$5,122,000)	\$64,526,000	2.57%	\$3.71
2016-224-E	2016-758	10/26/16	11/27/16	\$574,150,000	\$74,161,000	(\$9,733,000)	\$64,428,000	2.66%	\$3.86
Total				\$3,796,992,797	\$484,882,000	(\$39,881,022)	\$445,000,978		\$27.03

- **[N]o court of this State shall have jurisdiction to hear or determine any issue, case, or controversy concerning any matter which was or could have been determined in a proceeding before the [South Carolina Public Service Commission] under this chapter or to stop or delay the construction, operation, or maintenance of a major utility facility, except to enforce compliance with this chapter or the provisions of a certificate issued hereunder, and any such action shall be brought only by the Office of Regulatory Staff.** Provided, however, nothing herein contained shall be construed to abrogate or suspend the right of any individual or corporation not a party to maintain any action which he might otherwise have been entitled.

S.C. Code Ann. § 58-33-320 (emphasis added).

- **Where a plant is abandoned after a base load review order approving rate recovery has been issued**, the capital costs and [allowance for funds used during construction] related to the plant shall nonetheless be recoverable under this article . . . [under stated conditions]. **The commission** shall order the amortization and recovery through rates of the investment in the abandoned plant as part of an order adjusting rates under this article.
- S.C. Code Ann. § 58-33-280 (emphasis added).

- The Real Estate Commission is responsible for the enforcement and implementation of this chapter and the Department of Labor, Licensing and Regulation, at the request of the Real Estate Commission, shall prosecute a violation under this chapter. The commission shall promulgate regulations for the implementation of this chapter, subject to the State Administrative Procedures Act. **The provisions of this section do not limit the right of a purchaser or lessee or a vacation time sharing association to bring a private action to enforce the provisions of this chapter.**
- S.C. Code Ann. § 27-32-130

- **[N]o court of this State shall have jurisdiction** to hear or determine any issue, case, or controversy concerning any matter which was or could have been determined in a proceeding before the [South Carolina Public Service Commission] under this chapter or to stop or delay the construction, operation, or maintenance of a major utility facility, **except to enforce compliance with this chapter or the provisions of a certificate issued hereunder**, and any such action shall be brought only by the Office of Regulatory Staff. **Provided, however, nothing herein contained shall be construed to abrogate or suspend the right of any individual or corporation not a party to maintain any action which he might otherwise have been entitled.**
- S.C. Code Ann. § 58-33-320 (emphasis added).

- *Edge v. State Farm Mutual Insurance Co.*, 366 S.C. 511, 623 S.E.2d 387 (2005), prohibits judicial challenges to filed rates:
 - The filed rate doctrine was originally a federal preemption rule which provided that ***rates duly adopted by a regulatory agency are not subject to collateral attack in court.*** The filed rate doctrine stands for the proposition that ***because an administrative agency is vested with the authority to determine what rate is just and reasonable, courts should not adjudicate what a reasonable rate might be in a collateral lawsuit.***
 - *Id.* at 511, 517, 623 S.E.2d at 391 (2005) (citations & quotations omitted) (emphasis added).

- The reasons for the doctrine are:
 - to preserve “the **agency’s authority** to determine the reasonableness of rates;”
 - to recognize “the **agency’s expertise** with regard to that industry;”
 - “allowing an action would **undermine the regulatory scheme** because the statute allows for enforcement by the appropriate state officers;” and
 - “allowing an action may result in different prices being paid by victorious plaintiffs than non-suing ratepayers, which **violates the statutory scheme of uniform rates.**”
- *Edge*, 366 S.C. at 518, 623 S.E.2d at 391-92 (emphasis added).

- Application of the filed rate doctrine in any particular case ***is not determined by the culpability of the defendant's conduct or the possibility of inequitable results. Nor does the doctrine's application depend on the nature of the cause of action the plaintiff seeks to bring.*** Rather, ***the doctrine is applied strictly to prevent a plaintiff from bringing a cause of action*** even in the face of apparent inequities whenever [the principles] underlying the doctrine [are] implicated by the cause of action the plaintiff seeks to pursue.
- *Marcus v. AT&T Corp.*, 138 F.3d 46, 58-59 (2d Cir. 1998) (emphasis added).

- The plaintiffs respond [to defendant's invocation of the filed rate doctrine] that courts would not be required to determine a 'reasonable' rate, but rather would only have to decide what damages arose from the fraud, a task courts routinely undertake. ***However, the two are hopelessly intertwined:*** "The fact that the remedy sought can be characterized as damages for fraud does not negate the fact that the court would be determining the reasonableness of rates," and that any "attempt to determine what part of the rate previously deemed reasonable was a result of the fraudulent acts would require determining what rate would have been deemed reasonable absent the fraudulent acts, and then finding the difference between the two."
- *Wegoland Ltd. v. NYNEX Corp.*, 27 F.3d 17, 21 (2d Cir. 1994) (quoting *Wegoland Ltd. v. NYNEX Corp.*, 806 F. Supp. 1112, 1119 (S.D.N.Y. 1992)) (emphasis added)

- Plaintiff's argument [that the Court can determine damages], however, incorrectly assumes that the Court does not need rate-making expertise to determine whether or not (1) defendants' fraud was so pervasive that it was the sole basis for the rate increases and (2) absent defendants' fraud, the rates pre-existing the approved increases were reasonable ***These assumptions are nonsensical because the Court cannot ascertain either the pervasiveness of the fraud or the reasonableness of the rates existing prior to the increases without a thorough understanding of the factors involved in ascertaining a reasonable rate.***
- *Fersco v. Empire Blue Cross/Blue Shield of N.Y.*, 1994 WL 445730, *3 (S.D.N.Y. Aug. 17, 1994) (emphasis added)

- When a petition has been filed with the [PSC] concerning any rate or charge for any electric current furnished or service performed by any electrical utility and the [PSC] has found after hearing that the electrical utility has charged an ***unreasonable, excessive, or discriminatory amount for electric current or service, the [PSC] may order the electrical utility to make due reparation to the petitioner, with interest from the date of collection;*** however, no unreasonable discrimination must result from the reparation. ***But no order for the payment of reparation upon the ground of unreasonableness must be made by the commission in any instance wherein the rate or charge in question has been authorized by law.***
- S.C. Code Ann. § 58-27-960 (entitled “Reparation orders; suits to enforce”).

- “Primary jurisdiction,” on the other hand, applies where a claim is originally cognizable in the courts, and comes into play whenever enforcement of ***the claim requires the resolution of issues which, under a regulatory scheme, have been placed within the special competence of an administrative body***; in such a case the judicial process is suspended pending referral of such issues to the administrative body for its views.
- *United States v. W. Pac. R. Co.*, 352 U.S. 59, 63-64 (1956)

- Intended v. incidental beneficiary of a contract
 - “[I]f a contract is made for the benefit of a third person, that person may enforce the contract ***if the contracting parties intended to create a direct, rather than an incidental or consequential, benefit to such third person.***”
 - *Windsor Green Owners Ass’n v. Allied Signal, Inc.*, 362 S.C. 12, 17, 605 S.E.2d 750, 752 (Ct. App. 2004) (emphasis added).
 - Third party beneficiaries potentially eligible to bring a breach of contract claim are a “***narrow class,***” and are often ***confined to beneficiaries of wills or other estate planning documents or other specific entities or individuals identified as such by name or category in the contract.***
 - See *Fabian v. Lindsay*, 410 S.C. 475, 491, 765 S.E.2d 132, 141 (2014).

- General customers of public utilities are not part of this narrow class, and are, at most, incidental beneficiaries of a utility's contracts.
 - “When [the utility] entered its numerous supply and construction contracts, its primary intent was to benefit its shareholders, and any advantages ultimately realized by [utility's] customers were incidental. For this Court to hold otherwise would not only expose contracting parties to countless unforeseeable lawsuits, but would also impair the notion of privity of contract.” *Suffolk County*, 728 F.2d at 63 see also *Bodine v. Osage County Rural Water Dist.* No. 7, 949 P.2d 1104, 1114 (Kan. 1997) (“We do not believe a patron of a utility is a third-party beneficiary of a contract that helps provide a service to the patron.”).

- “It is a general principle of corporate law deeply ‘ingrained in our economic and legal systems’ that a parent corporation (so-called because of control through ownership of another corporation's stock) is not liable for the acts of its subsidiaries.”
- *United States. v. Bestfoods*, 524 U.S. 51, 61 (1998) (internal quotation omitted).

- “[Courts have] ***a very limited scope of review*** in cases involving a constitutional challenge to a statute. ***All statutes are presumed constitutional and will, if possible, be construed so as to render them valid.*** *Davis v. County of Greenville*, 322 S.C. 73, 470 S.E.2d 94 (1996).
- A legislative act will not be declared unconstitutional ***unless its repugnance to the constitution is clear and beyond a reasonable doubt.*** *Westvaco Corp. v. South Carolina Dep’t of Revenue*, 321 S.C. 59, 467 S.E.2d 739 (1995).
- ***A legislative enactment will be declared unconstitutional only when its invalidity appears so clearly as to leave no room for reasonable doubt that it violates a provision of the constitution. Id.***”
- *Joytime Distributors & Amusement Co., Inc. v. State*, 338 S.C. 634, 640, 528 S.E.2d 647, 650 (1999) (emphasis added).

- The U.S. Supreme Court has repeatedly held that a ratepayer has no constitutionally protected property right in paying any particular rate or the funds paid for service
 - “[T]o have the service, the customers must pay for it,” and “[t]he revenue paid by the customers for service belongs to the [utility].” *Bd. of Pub. Util. Comm’rs v. N.Y. Tel. Co.*, 271 U.S. 23, 31 (1926).
 - “No one has a legal right to the maintenance of an existing rate or duty.” *Norwegian Nitrogen Prods. Co. v. United States*, 288 U.S. 294, 318 (1933);
 - *Wright v. Cent. Ky. Natural Gas Co.*, 297 U.S. 537, 542 (1936) (per curiam) (holding that ratepayers had no vested property right in impounded funds they had paid to the utility).

- The takings clause of the South Carolina Constitution is implicated “where private property is ***taken for public use by the State*** or by any of its agencies . . . or by a municipal corporation.” *Smith v. City of Greenville*, 229 S.C. 252, 260, 93 S.E.2d 639, 643 (1956) (emphasis added) (internal citations or quotations omitted).

- What the [ratepayers] seek would require that this court analogize an increase in utility rates without a prior hearing to a termination of utility services without a prior hearing and, thus, hold that such increase constitutes a deprivation of property within the concept of the . . . [due process clause]. To so hold would necessitate that this court extend [prior cases regarding due process] to an uncharted point not supported by any cited authority. We refuse to sanction such an extension.
- *Holt v. Yonce*, 370 F. Supp. 374, 377 (D.S.C. 1973) (three-judge court) (per curiam), summarily aff'd, 415 U.S. 969 (1974).

- ***Update proceedings are likely to be a routine part of administering BLRA projects going forward*** (including future projects proposed by other electric utilities), such that under the Sierra Club's argument, the prudence of the decision to build the plant ***will be open to repeated relitigation during the construction period*** if a utility seeks to preserve the benefits of the BLRA for its project. ***Reopening the initial prudency determinations each time a utility is required to make an update filing would create an outcome that the BLRA was intended to prevent and would defeat the principal legislative purpose in adopting the statute.***
- *S.C. Energy Users Comm'n v. S.C. Elec. & Gas*, 410 S.C. 348, 360, 764 S.E.2d 913, 919 (2014) (quoting PSC Order No. 2012 884 at 17-18) (emphasis added).

- When a statute is found unconstitutional, we have recognized the general rule that an adjudication of [the] unconstitutionality of a statute ordinarily reaches back to the date of the act itself.... However, we also have recognized the necessity of upholding the validity of transactions or events that occurred before a statute was declared unconstitutional.... A close reading of the few South Carolina cases discussing the general rule indicates it is followed except in special or unusual circumstances, such as when doing so would create widespread havoc involving a great number of people or transactions, spawn unnecessary litigation, or result in flagrant injustice.
- *Bergstrom v. Palmetto Health Alliance*, 358 S.C. 388, 400, 596 S.E.2d 42, 48 (2004) (emphasis added); see also *White v. J.M. Brown Amusement Co.*, 360 S.C. 366, 374, 601 S.E.2d 342, 346 (2004) (applying the exception).

- “Approximately 100 state regulatory agencies in some 33 jurisdictions have faced the question of how to allocate the burden of costs associated with abandonment of power plant projects. . . . A substantial majority of the public utility regulatory agencies that have considered the question have permitted a utility to recover all or some portion of the prudently incurred costs of a nuclear power plant reasonably abandoned before completion.”
- *People’s Org. for Wash. Energy Res. v. Wash. Util. & Transp. Comm’n*, 711 P.2d 319, 331 (Wash. 1985) quoting *Attorney Gen. v. Department of Pub. Util.*, 390 Mass. 208, 455 N.E.2d 414, 422 (1983); accord, *State ex rel. Util. Comm’n v. Thornburg*, 385 S.E.2d 451, 458 (N.C. 1989).



K. Chad Burgess
Director & Deputy General Counsel

chad.burgess@sca.com

February 6, 2018

VIA ELECTRONIC FILING

The Honorable Jocelyn Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RE: Investigation of Property Transfers from South Carolina Electric & Gas Company, SCANA, Other SCANA Affiliates and Non-Affiliated Entities, and Allocation of Expenses, Revenues and Plant between South Carolina Electric & Gas Company, SCANA and SCANA Affiliates
Docket No. 89-230-E/G

Friends of the Earth and Sierra Club, Complainant/Petitioner v. South Carolina Electric & Gas Company, Defendant/Respondent
Docket No. 2017-207-E

Request of the Office of Regulatory Staff for Rate Relief to South Carolina Electric & Gas Company's Rates Pursuant to S.C. Code Ann. § 58-27-920
Docket No. 2017-305-E

Dear Ms. Boyd:

By Order No. 92-931, ("Order"), dated November 13, 1992, issued in Docket No. 89-230-E/G, the Public Service Commission of South Carolina ("Commission") required South Carolina Electric & Gas Company ("SCE&G" or "Company") to "[f]ile all available ratings and notifications of any change in a security rating within 15 days or as soon as possible" with such notification to include "the news release or other information for the rating agency setting forth the reason for the change." See Appendix A to Order No. 92-931, Financial Transactions Reporting Requirement II.B.6.A.

In compliance with the Order, the Company hereby notifies the Commission that on February 5, 2018, Moody's Investors Services ("Moody's") has taken negative credit action against SCANA Corporation ("SCANA") and SCE&G by downgrading their credit ratings across

(Continued . . .)

The Honorable Jocelyn Boyd
February 6, 2018
Page 2

the board. Additionally, Moody's has placed SCANA and SCE&G under review for further downgrade. Below are tables reflecting the downgrades experienced by SCANA and SCE&G.

SCANA	Prior Rating as of January 3, 2018	Current Rating as of February 5, 2018
Issuer Rating Corporate Credit Rating Issuer Default Rating	Baa3	Ba1
Senior Unsecured Debt (Medium-Term Notes)	Baa3	Ba1
Short-Term Debt (Commercial Paper)	P-3	NP

With the downgrade by Moody's, all of SCANA's current credit ratings referenced in the table above are now below investment grade, which is commonly referred to as "speculative 'junk' grade."

SCE&G	Prior Rating as of January 3, 2018	Current Rating as of February 5, 2018
Issuer Rating Corporate Credit Rating Issuer Default Rating	Baa2	Baa3
Senior Unsecured Debt (First Mortgage Bonds)	A3	Baa1
Short-Term Debt (Commercial Paper)	P-2	P-3

SCE&G's current credit ratings have not yet fallen below investment grade; however, Moody's has informed SCANA that "[t]o the extent that there is evidence of additional financial stress or adverse political or regulatory developments, ratings could be affected further." This statement is not only applicable to SCE&G, but all of SCANA's subsidiaries. Please be advised that if Moody's downgrades SCE&G's Issuer Rating by one notch, then SCE&G's Issuer Rating will be considered "speculative 'junk' grade."

As support for its decision to downgrade the credit ratings of SCANA and SCE&G, Moody's cited the recent action of the South Carolina House of Representatives overwhelming passage of H.4375, which was designed specifically for the purpose of repealing the rates SCE&G is collecting under the Base Load Review Act. Recognizing the significance of such legislation, Moody's states in its press release, a copy of which is enclosed, "[t]he proposed immediate reduction in revenue would have a material negative impact on SCE&G and SCANA's cash flow credit metrics."

(Continued . . .)

The Honorable Jocelyn Boyd
February 6, 2018
Page 3

Moody's opinion concerning the material negative impact that an immediate reduction in revenue would have upon SCE&G is consistent with the opinion expressed by SCE&G through multiple affidavits filed with the Commission in Docket Nos. 2017-207-E and 2017-305-E explaining that a write down of assets associated with the construction of the new nuclear units could cripple SCE&G's and SCANA's balance sheet, lead to debt covenants being violated, result in short term notes becoming immediately due, cause the Company's credit ratings to fall to junk status, damage SCE&G's trade credit, and set in motion a cascading series of events that could be financially detrimental to the Company.

By copy of this letter we are serving a copy of SCE&G's notification upon the South Carolina Office of Regulatory Staff as well as the parties of record in Docket Nos. 2017-207-E and 2017-305-E.

If you have any questions, please advise.

Very truly yours,



K. Chad Burgess

KCB/kms
Enclosure

cc: Dawn Hipp
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Alexander G. Shissias, Esquire
Christopher S. McDonald, Esquire
Damon E. Xenopoulos, Esquire
Derrick Price Williamson, Esquire
Dino Teppara, Esquire
Elizabeth Jones, Esquire
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James R. Davis, Esquire
Richard L. Whitt, Esquire
Michael N. Couick, Esquire
Lynn Teague
(via electronic mail and First Class U.S. Mail w/enclosure)

MOODY'S INVESTORS SERVICE

Rating Action: **Moody's downgrades SCE&G to Baa3 and SCANA to Ba1, ratings remain under review**

Global Credit Research - 05 Feb 2018

Approximately \$9 billion of debt and credit facilities affected

New York, February 05, 2018 -- Moody's Investors Service (Moody's) downgraded the ratings of South Carolina Electric & Gas Company (SCE&G, senior unsecured to Baa3 from Baa2), and its parent company SCANA Corporation (SCANA, senior unsecured to Ba1 from Baa3) and continued the review for downgrade that began on November 1, 2017. The review was originally initiated as a result of escalating political and regulatory contentiousness following the organization's decision to cease construction of the V.C. Summer new nuclear units 2 and 3. Moody's today also placed the long-term ratings of SCANA's local gas distribution utility subsidiary, Public Service Company of North Carolina (PSNC, A3 senior unsecured) under review for downgrade.

RATINGS RATIONALE

The rating action follows the South Carolina House of Representatives overwhelming passage of H 4375, a bill that, if enacted, would temporarily repeal the rates SCE&G is collecting under the Base Load Review Act (BLRA) for its abandoned nuclear investment. As proposed in the legislation, "experimental" rates would be in place until the Public Service Commission of South Carolina (SCPSC) makes a determination in SCE&G's ongoing rate proceeding, which is likely to be concluded in the third quarter of this year. The proposed immediate reduction in revenue would have a materially negative impact on SCE&G and SCANA's cash flow credit metrics.

"The downgrade of SCE&G and SCANA is driven by a political and regulatory environment that has become exceedingly contentious and uncertain, and our assumption that SCE&G will ultimately be required to make considerable rate concessions to move forward", said Laura Schumacher, Senior Credit Officer. "Although we recognize H 4375 has not yet been signed into law, the bill has the full support of the governor, and at least some members of the Senate, which was contemplating similar legislation" added Schumacher. The BLRA that this legislation targets has been a key factor supporting SCE&G and SCANA's credit quality as it constructed the Summer nuclear units and any weakening of its provisions will have a detrimental effect on the organization's risk profile and on its ability to recover Summer costs.

We also believe the politically charged environment will weigh heavily on the SCPSC as it looks to implement rates that are fair and reasonable, perhaps leading to rates that are authorized at unusually low levels or include provisions that significantly delay recovery. Events over the past few months have led us to conclude the regulatory environment for SCE&G has deteriorated markedly and is now considerably below average.

The rating action also considers the negative legislative reaction to recent credit neutral proposals by SCANA, and by SCANA and Dominion Energy, Inc. (Dominion, Baa2 negative) in conjunction with their proposed merger, that would better balance the cost of nuclear abandonment between ratepayers, creditors and shareholders. As such, we believe SCE&G and SCANA will ultimately be required to absorb a greater portion of these costs, which would likely materially weaken their financial position. For example, we expect that the companies' ratios of cash from operations excluding changes in working capital (CFO pre-WC) to debt could decline to the low-teens.

The continued review of SCE&G and SCANA will focus on the companies' uncertain and rapidly evolving political and regulatory environment as well as the likely impact on their future financial profiles. To the extent there is evidence of additional financial stress or adverse political or regulatory developments, ratings could be affected. For example if the legislature were to move to replace members of the SCPSC; if SCE&G is ordered to refund amounts previously collected under the BLRA, particularly without the benefit of a larger, better capitalized partner; or if rates established by the SCPSC do not provide an opportunity for SCE&G to maintain a ratio of CFO pre-WC to debt that is at least in the low-teens, ratings could be revised downward. Furthermore, if the company is unable to draw on its credit lines, or issue additional debt, due to covenant violations or an inability to represent that it has not experienced a material adverse change, there could also be

downward movement in the ratings.

The review for downgrade at PSNC recognizes its position within the SCANA family and the absence of strong ring fencing type provisions that could serve to insulate it from potential financial distress at the parent. As such, and in light of the wide rating differential between PSNC and its parent SCANA, a downgrade of SCE&G and SCANA would likely result in a downgrade of PSNC.

The ratings could be confirmed at their current levels if there is a substantial decline in the political and regulatory contentiousness characterizing the Summer cost recovery discussions, if the cost recovery provisions of the BLRA are upheld and the Act remains in place, if there is a solution that provides balance in the recovery of Summer costs among ratepayers, creditors and shareholders, maintaining SCE&G and SCANA's credit profiles, and if SCE&G is able to collect rates going forward that will support stable cash flow metrics, including a ratio of CFO pre-WC to debt at least in the low-teens range.

Downgrades:

..Issuer: SCANA Corporation

.... Issuer Rating, Downgraded to Ba1 from Baa3; Placed Under Review for further Downgrade

....Senior Unsecured Bank Credit Facilities, Downgraded to Ba1 from Baa3; Placed Under Review for further Downgrade

....Senior Unsecured Commercial Paper, Downgraded to NP from P-3; Placed Under Review for further Downgrade

....Senior Unsecured Regular Bonds/Debentures, Downgraded to Ba1 from Baa3; Placed Under Review for further Downgrade

..Issuer: South Carolina Electric & Gas Company

.... Commercial Paper, Downgraded to P-3 from P-2; Placed Under Review for further Downgrade

.... Issuer Rating, Downgraded to Baa3 from Baa2; Placed Under Review for further Downgrade

....Multiple Seniority Shelf, Downgraded to (P)Baa1 from (P)A3; Placed Under Review for further Downgrade

....Senior Secured First Mortgage Bonds, Downgraded to Baa1 from A3; Placed Under Review for further Downgrade

....Senior Unsecured Bank Credit Facilities, Downgraded to Baa3 from Baa2; Placed Under Review for further Downgrade

..Issuer: South Carolina Fuel Company Inc.

.... Commercial Paper, Downgraded to P-3 from P-2; Placed Under Review for further Downgrade

....Senior Unsecured Bank Credit Facilities, Downgraded to Baa3 from Baa2; Placed Under Review for further Downgrade

On Review for Downgrade:

..Issuer: Public Service Co. of North Carolina, Inc.

....Senior Unsecured Bank Credit Facilities, Placed on Review for Downgrade, currently A3

....Senior Unsecured Regular Bonds/Debentures, Placed on Review for Downgrade, currently A3

Outlook Actions:

..Issuer: Public Service Co. of North Carolina, Inc.

....Outlook, Changed To Rating Under Review From Stable

Affirmations:

..Issuer: Public Service Co. of North Carolina, Inc.

....Senior Unsecured Commercial Paper, Affirmed P-2

SCANA is a holding company for SCE&G, a vertically integrated electric utility with local gas distribution operations regulated by the SCPSC; Public Service Company of North Carolina, a local gas distribution company regulated by the North Carolina Utilities Commission; and SCANA Energy Marketing, Inc. (SEMI, not rated), a non-regulated gas marketing business in Georgia.

The new V.C. Summer Units 2 and 3 are two Westinghouse AP1000 nuclear units (approximately 1,100 MWs each) that had been under construction at SCE&G's existing VC Summer plant site. SCE&G owns 55% of the new units, with the remaining 45% owned by the South Carolina Public Service Authority (Santee Cooper, A1 negative).

The principal methodology used in these ratings was Regulated Electric and Gas Utilities published in June 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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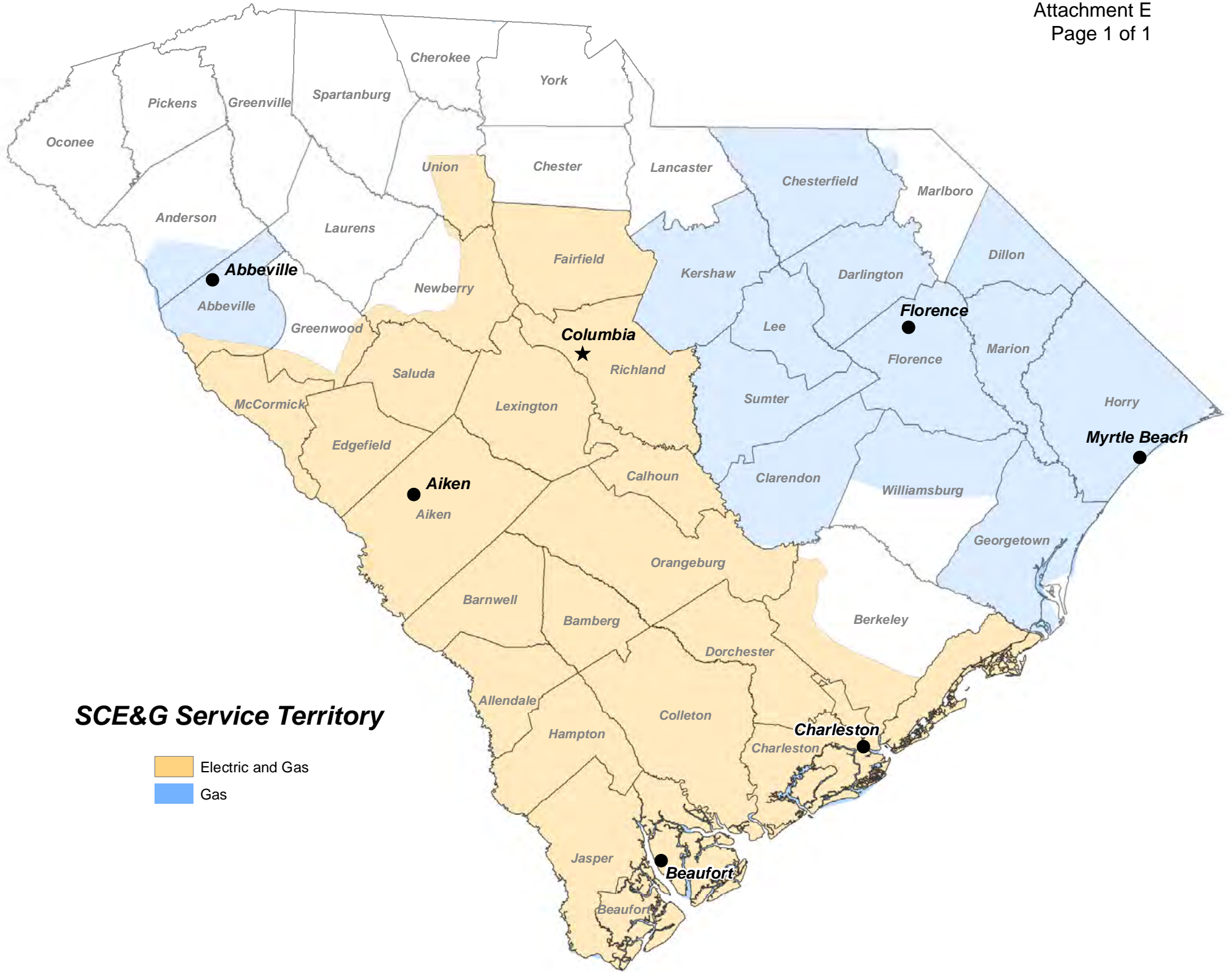
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MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

February 5, 2018

\$ in Millions

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total SCANA Dividends Declared	\$ 230.0	\$ 239.0	\$ 250.0	\$ 260.0	\$ 284.0	\$ 298.0	\$ 312.0	\$ 329.0	\$ 350.0
BLRA Dividend Estimate	\$ 3.0	\$ 11.5	\$ 26.6	\$ 41.0	\$ 55.2	\$ 73.3	\$ 91.4	\$ 106.8	\$ 120.4



SCE&G Service Territory

- Electric and Gas
- Gas

Presentation to V.C. Summer Nuclear Project Review Committee



Kevin B. Marsh
SCANA Corporation, Chairman and Chief Executive Officer
August 22, 2017

Why Did We Choose Nuclear in 2008?

- **Growing customer demand required the addition of new base load generation.**
- **Nuclear generation is non-emitting and aided compliance with increasingly stringent environmental regulations.**
 - **No Carbon Dioxide (CO₂)**
 - **No Sulfur Dioxide (SO₂)**
 - **No Nitrogen Dioxide (NO₂)**
 - **No Mercury (Hg)**
 - **No Particulate Matter**
- **Nuclear generation provided SCE&G with a balanced generation portfolio.**
- **Nuclear generation provided a hedge against volatile natural gas prices.**
- **Santee Cooper, our partner for over 30+ years in Unit 1, desired to join with us in new nuclear construction.**
- **Federal government provided certain incentives to encourage nuclear construction (Production Tax Credits).**

Initial Project Approval and Prudency Review

- **The Company presented testimony to the Commission to support:**
 - **The need for base load generation**
 - **Selection of nuclear generation**
 - **Selection of contractor**
 - **Risk factors**
 - **Cost projection for the project**
- **The proceeding involved testimony from more than 20 experts, both for and against, over a three week period.**
- **The Commission issued an order granting SCE&G's request for a Certificate to construct and operate the new nuclear units.**

Initial Project Approval and Prudency Review

- **South Carolina Supreme Court affirmed the Commission's 2009 decision that the Company's decision to construct new nuclear generation was prudent:**

“[B]ased on the overwhelming amount of evidence in the record, the Commission's determination that SCE&G considered all forms of viable energy generation, and concluded that nuclear energy was the least costly alternative source, is supported by substantial evidence.”

Friends of Earth v. Pub. Serv. Comm'n of S.C., 387 S.C. 360, 369 (2010).

Five Subsequent Prudency Reviews

- **Five subsequent fully litigated reviews were conducted, and the PSC issued orders in 2010, 2011, 2012, 2015, and 2016 concluding that the updates to cost and construction schedules were prudent.**
- **Mr. Byrne appeared in each of these proceedings, and I appeared in all but the first subsequent review; along with other witnesses, we gave evidence and were subject to cross examination.**
- **In 2012, 2015 and 2016, we again put detailed studies in the record establishing that it was prudent to continue constructing the Units.**
- **These reviews were in addition to the 34 detailed quarterly updates we have filed since 2009 that identified construction progress, cost forecast updates, and areas of focus for the project.**

Challenges Overcome or Mitigated

- **Delay in obtaining Nuclear Regulatory Commission (NRC) licenses**
- **First project under new NRC regulatory oversight structure (10 CFR Part 52)**
- **Module fabrication**
- **Nuclear supply chain**
- **AP1000 design modifications**
- **Productivity of Consortium on-site construction**

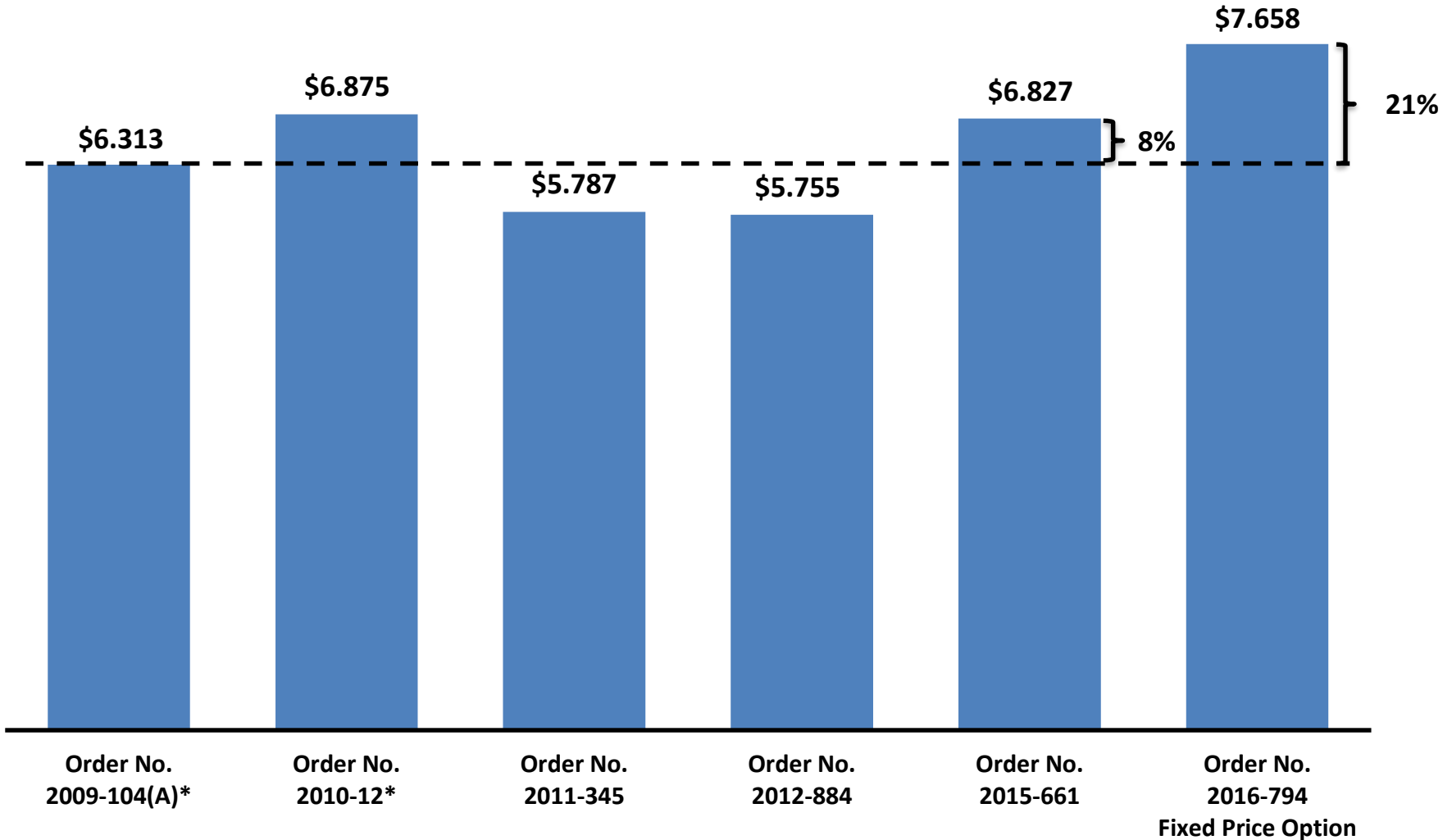
2017 Status

- **Total Project is approximately 67% complete.**

Completion Percentages	
Phase	% Complete 2nd Quarter 2017
Engineering	97%
Procurement/Modules	92%
Construction	36%
Start-up	10%
Total	67%

SCE&G New Nuclear Projected Costs (55%)

(\$ in billions)



* Includes contingency

--- Original Approved Cost

Westinghouse Bankruptcy

- **Westinghouse filed for bankruptcy on March 29, 2017, and told us that they would not honor our Fixed Price Contract.**
- **SCE&G and Santee Cooper began transition and evaluation period to determine the most prudent path forward for the project:**
 - **Complete both new units,**
 - **Complete one unit and delay construction of the other,**
 - **Complete one unit and abandon the other, or**
 - **Abandon both units.**

Project Evaluation

- **SCE&G and Santee Cooper conducted a 4 month comprehensive evaluation.**
 - **The cost and risk to customers was the key focus area of this evaluation.**
 - **The evaluation was conducted by an internal team and experienced, independent external consultants.**
 - **The evaluation analyzed the cost impact to customers and level of risk involved with each option.**

Project Evaluation

Key Considerations:

- **Public Service Commission of South Carolina approved the Fixed Price Option of \$7.7 billion for SCE&G's 55% share.**

Per Westinghouse / Toshiba:

- **At the time of bankruptcy, Westinghouse provided an estimate to complete construction of \$1.5 billion (\$800 million SCE&G share) over the Fixed Price Contract.**
- **But, parental guarantee was \$1.7 billion per contract (\$900 million SCE&G share).**

Our Results:

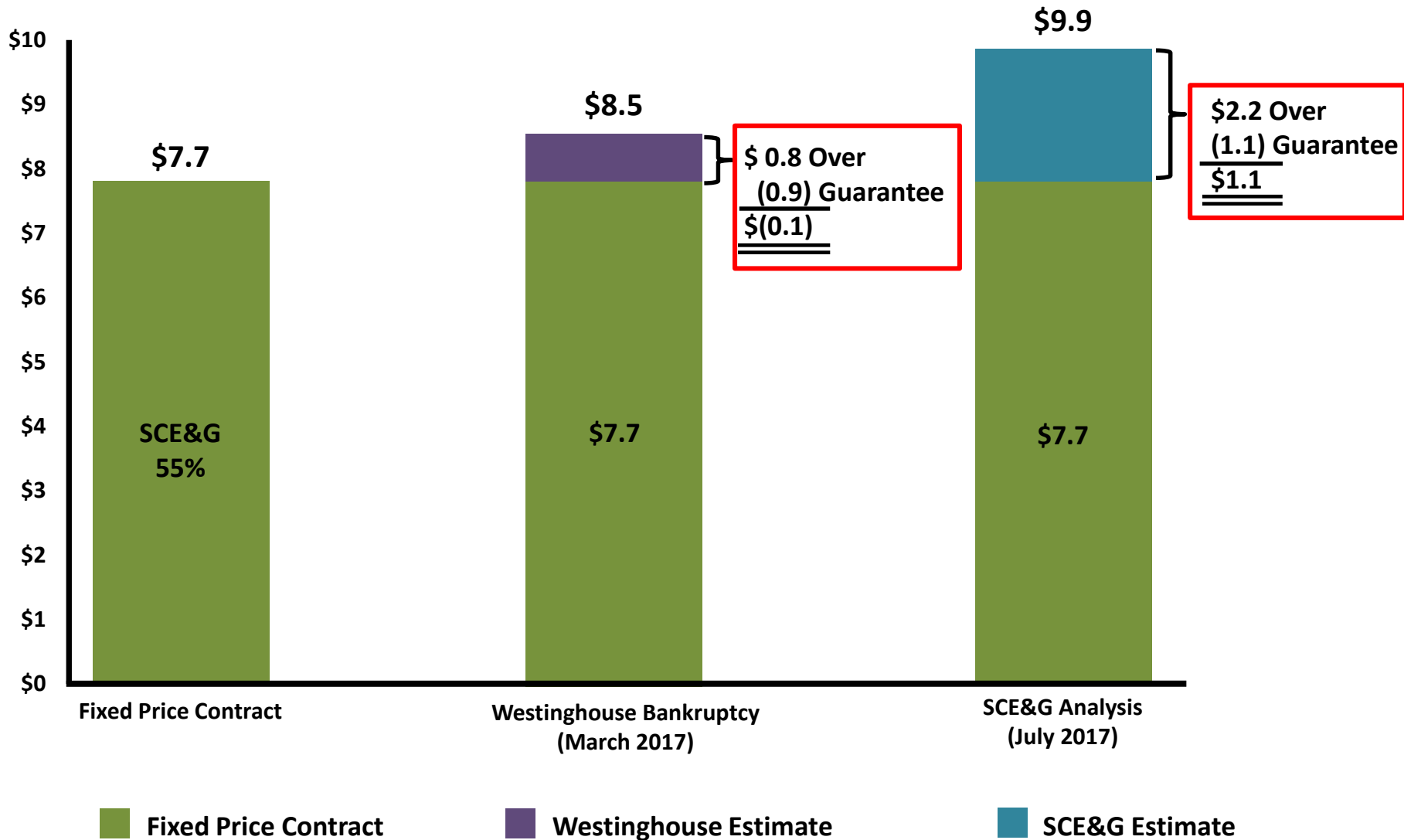
- **SCE&G's review determined that the additional cost to complete is almost 3 times more than Westinghouse's estimate.**
- **Although Toshiba Guarantee of \$2.2 billion (\$1.1 billion for SCE&G's 55% share net of liens) is \$500 million higher than contract, this does not offset the additional cost to complete.**
- **Guarantee is payable regardless of project outcome.**

In-Service Dates:

- **Projected In-Service Dates: Unit 2 – December 2022; Unit 3 – March 2024**
 - **Last approved in-service dates: Unit 2 – August 2019; Unit 3 – August 2020**

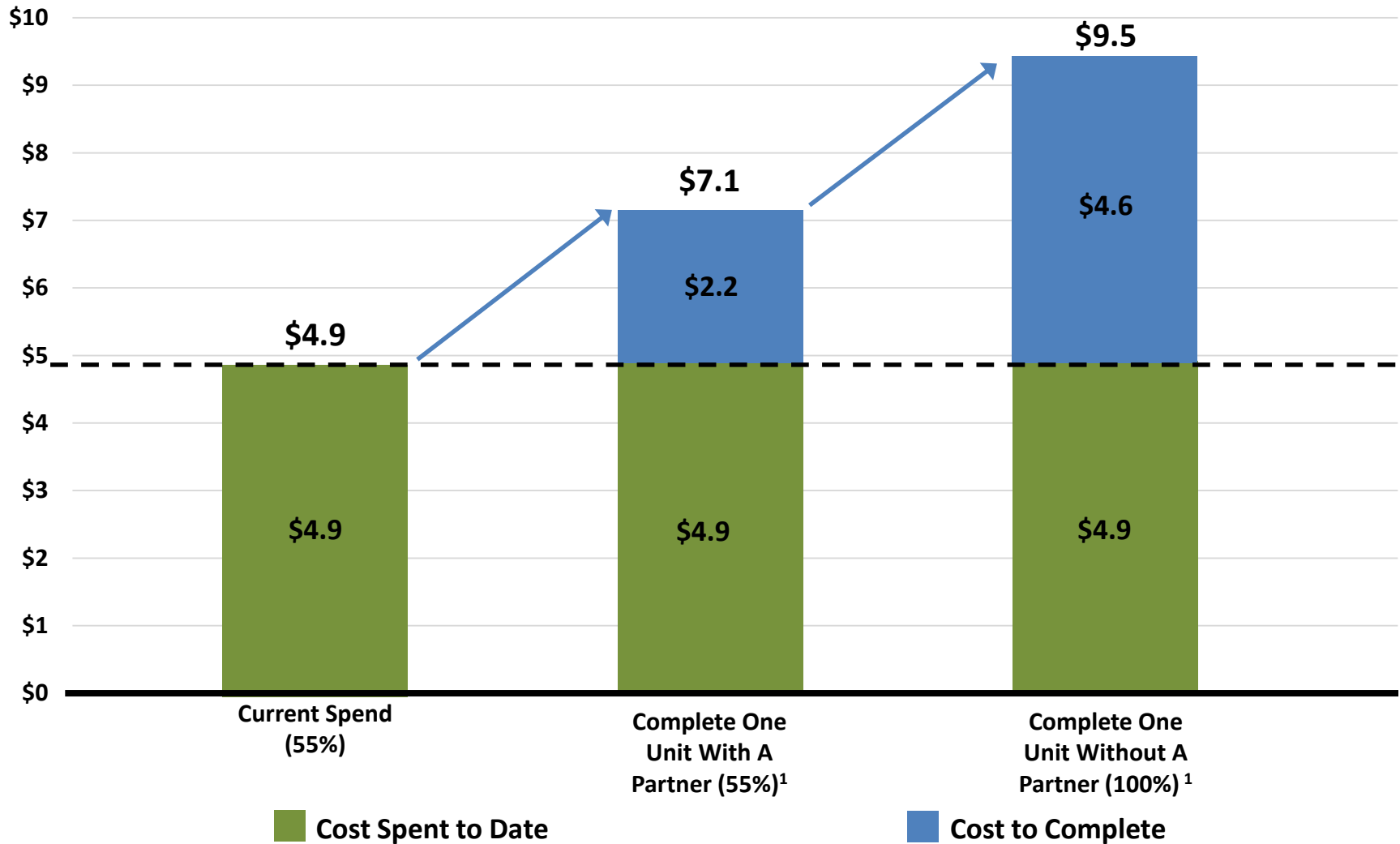
SCE&G Two Unit Cost (55%)

(\$ in billions)



One Unit Option

(\$ in billions)



Note 1: Includes the offset from the Toshiba Guarantee of \$1.1B (net of liens)

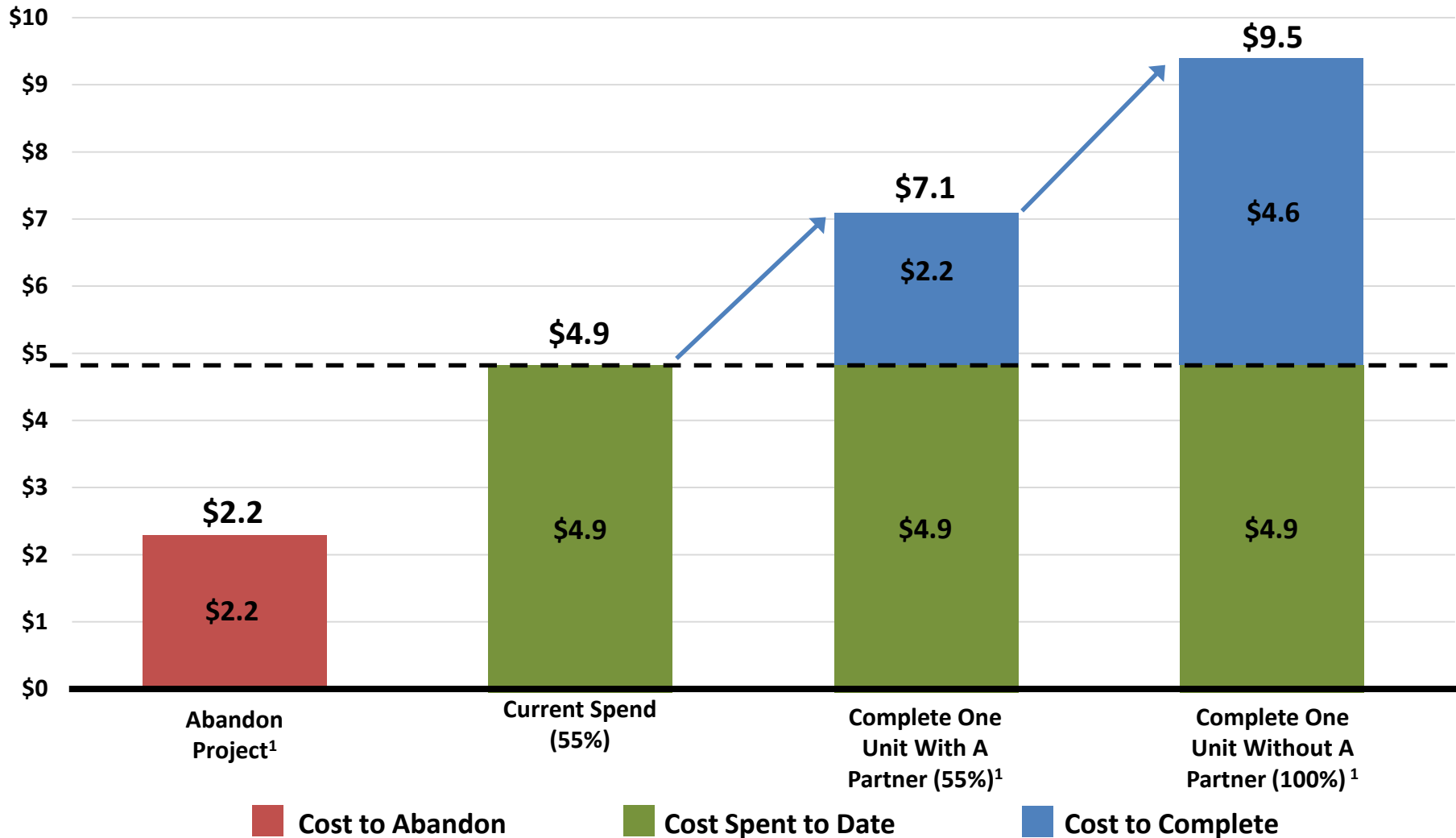
Abandonment Analysis

(\$ in billions)

Unit 2 & Unit 3 Costs Incurred Plus Wind Down Costs		\$4.9
Anticipated Toshiba Guarantee (net of liens)	Pre-tax (1.1)	
	<u>Tax 0.4</u>	
		(0.7)
Tax Deduction on Abandonment		<u>(2.0)</u>
Estimated Net Amount		<u><u>\$2.2</u></u>

One Unit Option vs. Abandonment

(\$ in billions)



Note 1: Includes the offset from the Toshiba Guarantee of \$1.1B (net of liens)

Project Evaluation Results and Conclusion

- **Pursuit of Government Grant/Support to Reduce Costs was Unsuccessful.**
- **Cost To Complete Both Units Is Too Expensive For Customers.**
- **Unresolved Risks to Customers of Completing Unit 2 And Abandoning Unit 3 include:**
 - **Availability of production tax credits,**
 - **Potential for future unanticipated cost increases and schedule delays due to lack of Fixed Price Contract, and**
 - **Absence of replacement partner.**
- **Conclusion: The most prudent path forward to manage risks and costs to customers is to cease construction of both new nuclear units.**

Key Points to Remember

- **We negotiated fixed price protection for our customers. The Westinghouse bankruptcy took that away.**
- **The additional cost to complete the units is significantly higher than Westinghouse projected at the time of bankruptcy.**
- **The construction schedule to complete the units would extend to 2022 and 2024.**
- **Continuing alone is not economic for our customers.**
- **Without the fixed price contract, construction and cost risks remain a factor (including PTCs).**
- **Given the Westinghouse bankruptcy, the decision to abandon the project is in the best interest of SCE&G's customers.**



Office of the Speaker
South Carolina House of Representatives

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JAMES H. LUCAS
SPEAKER OF THE HOUSE

September 25, 2017

Chief Mark A. Keel
South Carolina Law Enforcement Division
Post Office Box 21398
Columbia, South Carolina 29221-1398

Dear Chief Keel:

Since the group's creation in mid-August, the House Utility Ratepayer Protection Committee has been aggressively examining the various failures that led to the collapse of the V.C. Summer nuclear project. While the committee continues to examine the possible statutory and regulatory failings that contributed to this economic disaster, we believe that it is necessary for SLED to examine the situation for potential criminality on the part of SCANA and its principal subsidiary, SCE&G.

During the course of SCANA's testimony before the committee and through the examination of thousands of pages of documents, it has become our belief that the proximate cause of the V.C. Summer collapse is a direct result of misrepresentation by SCANA and SCE&G. We also believe that criminal fraud through the concealment of material information is also a plausible cause for the project's disastrous collapse.

As the committee continues to work towards finding a responsible path forward that protects ratepayer from experiencing this fiasco again, we will continue to scrutinize Santee Cooper's role in this situation. However, we would like to make you aware that as of the writing of this letter, neither the committee nor the Speaker's office will have any further contact with officials from SCANA or SCE&G.

Chief Mark A. Keel
September 25, 2017
Page Two

We believe this issue to be of the utmost importance and on behalf of the entire House of Representatives we ask that you immediately begin your investigation into this matter. The Speaker's office and the House Utility Ratepayer Protection Committee stand ready to turn over to SLED any and all information we have gathered, including video of all hearings we have conducted, to assist SLED in any possible manner.

If, as we suspect, criminal activity exists at the root of the V.C. Summer disaster, it is imperative that it be discovered as quickly as possible and that those responsible are held accountable for their actions.

We thank you for your swift attention to this matter.

Respectfully,

A handwritten signature in blue ink that reads "James H. Lucas". The signature is written in a cursive style with a large initial "J".

James H. Lucas
Speaker of the House

A handwritten signature in blue ink that reads "Peter M. McCoy Jr.". The signature is written in a cursive style with a large initial "P".

Peter M. McCoy, Jr.
House Utility Ratepayer Protection Committee

A handwritten signature in blue ink that reads "Russell L. Ott". The signature is written in a cursive style with a large initial "R".

Russell L. Ott
House Utility Ratepayer Protection Committee

S&P Global

RRA REGULATORY FOCUS

Legislators introduce pernicious V.C. Summer-related legislation in SC House

Monday, November 13, 2017 1:30 PM ET

By Dennis Sperduto

Several bills were introduced in the South Carolina House of Representatives on Nov. 9 that, if enacted, would significantly negatively impact the regulatory treatment to be accorded South Carolina Electric & Gas Co., or SCE&G, regarding its abandonment of V.C. Summer nuclear units 2 and 3. The bills would also impact the operations of the Public Service Commission of South Carolina and the South Carolina Public Service Authority, aka Santee Cooper, the state-owned electric and water utility.

Especially negative are House Bills 4380 and 4375, which, if enacted and not subsequently stayed or overturned by the state courts, would cause Regulatory Research Associates, an offering of S&P Global Market Intelligence, to again lower its rating of the South Carolina regulatory environment.

RRA on Oct. 3 lowered its rating of South Carolina regulation to Average/2 from Average/1. This action was the result of increasing regulatory and political opposition to SCE&G's July 31 decision to abandon construction of the two new Summer units and concerns regarding the related cost recovery. At that time, RRA noted that the heightened level of risk is not consistent with the previous Average/1 rating accorded the South Carolina regulatory environment.

SCE&G, a subsidiary of SCANA Corp., is currently collecting \$445 million annually in rates for the abandoned two Summer nuclear units, representing a cash return on construction work in progress, as permitted under the Base Load Review Act, or BLRA.

H.B. 4380

H.B. 4380 would require the PSC to order a refund to ratepayers of all amounts collected for costs attributed to a project constructed under the provisions of the BLRA, if it finds that the costs: are not actually used and useful for utility purposes; constitute a wrongful taking under the South Carolina Constitution or the United States Constitution; were the result of imprudence on the part of the utility; were the result of a willful misrepresentation or failure to disclose material facts by the utility; or were the result of poor management or oversight by the utility. The utility would bear the burden of proving that the costs collected may be recoverable under applicable state law.

H.B. 4375

H.B. 4375 would provide that no costs associated with the construction or expansion of a facility, including preconstruction costs, capital costs, construction work in progress, return on equity, weighted average cost of capital or AFUDC undertaken by a utility pursuant to an existing BLRA order may be made a part of the rate base or otherwise included in the rates charged by the electric utility or recovered from customers in any form until such time as the facility is determined by the PSC to be used and useful in service to the public. Generally, no electric utility property is considered used and useful until it commences commercial operations and is presently providing actual electric utility service to customers. If any previous PSC orders have approved any of these costs to be part of the rate base or otherwise included in the rates charged by the utility, the Office of Regulatory Staff, or ORS, would petition the commission to have these costs removed permanently.

In addition, H.B. 4375 would provide that, upon abandonment of construction of a plant, the PSC may upon its own motion, or upon petition from any party, or by a filing of a public utility, authorize the collection of interim rates until a plant or project the utility is constructing in South Carolina is used and useful in service to the public and is then providing actual utility service to customers, or until proceedings relating to the abandonment of the plant or project are concluded. The interim rates as imposed by this section, after notice and hearing, would not include any preconstruction

costs, capital costs, construction work in progress, return on equity costs, weighted average cost of capital or AFUDC. The interim rates would remain in effect, notwithstanding any litigation or repeals pertaining to them, until the final conclusion including appeals of proceedings involving the abandonment of the plant.

H.B. 4379

H.B. 4379 would create the Utilities Consumer Advocate, or UCA, within the Office of the Attorney General to represent the interests of consumers. The UCA would be appointed by the attorney general, would serve at the pleasure of the Attorney General, and would be an attorney qualified to practice in all courts in South Carolina. The UCA would not report to the Office of Regulatory Staff, or ORS, but would avail itself of the services of the ORS as necessary in representing the public utility interests of consumers. The ORS is to cooperate with all requests by the UCA and the ORS and would be available to provide research and expertise to the UCA as requested.

Also, H.B. 4379 would remove as a duty of the ORS in representing the "public interest" the current requirement to preserve the financial integrity of the state's public utilities and continued investment in and maintenance of utility facilities.

H.B. 4377 and 4376

H.B. 4377 would require that four commissioner seats of the seven-member PSC be up for re-election in 2018 for two-year terms commencing on July 1, 2018 and concluding on June 30, 2020. Currently, only three seats on the PSC are up for re-election in June 2018. Thereafter, all members of the PSC would be elected to a four-year term. Under existing statutes, commissioners are elected by the Legislature to serve four-year staggered terms from candidates nominated by a 10-member Legislative Public Utilities Review Committee, which nominates up to three candidates for each PSC seat. One commissioner is elected from each of South Carolina's seven Congressional districts. Commissioners must have a background and expertise in at least one of the following: energy issues; telecommunications issues; consumer advocacy and protection issues; water issues; finance, economics and statistics; accounting; engineering; or law.

H.B. 4377 would also require that, each year, the commissioners and their employees must attend at least six hours of continuing education curriculum which directly relates to the subject matter for which the PSC is responsible. The continuing education curriculum must be approved by the Public Utilities Review Committee.

H.B. 4376 would impact Santee Cooper by terminating the terms of all current board members upon the effective date of the legislation. The legislation would also prohibit the approval of new or revised increases in electric rates for Santee Cooper after the effective date of this legislation to generate revenue to pay the Summer abandonment or related costs. These abandonment costs must be paid in other ways that Santee Cooper determines is consistent with what other actions the General Assembly may take to deal with these costs. However, in all cases, the electric rates of Santee Cooper must be sufficient to pay the required debt service on all bonded or other indebtedness of the authority.

Background to the Summer nuclear expansion abandonment

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A major factor also contributing to SCE&G's abandonment decision was the March 29 bankruptcy filing of Toshiba subsidiary Westinghouse Electric Co. LLC, the engineering, procurement and construction manager of the Summer expansion project.

On Aug. 1, SCE&G filed with the PSC a petition to abandon the new nuclear units and for a prudence determination of the decision and the associated ratemaking. However, on Aug. 15, the company indicated that it will voluntarily withdraw its petition to abandon the units. The company stated that "over the past two weeks, SCE&G management has met with various stakeholders and members of the S.C. General Assembly, including legislative leaders, to discuss the abandonment of the new nuclear project and to hear their concerns. SCE&G's withdrawal decision was in response to those concerns, and to allow for adequate time for governmental officials to conduct their reviews." In addition to those mentioned above, reviews of the Summer project are being conducted by the General Assembly and the governor's office.

RRA notes that SCE&G's Aug. 1 filing regarding the Summer abandonment referenced the BLRA, which states: "where a plant is abandoned after a base load review order approving rate recovery has been issued, the capital costs and [allowance for funds used during construction] AFUDC related to the plant shall nonetheless be recoverable under this article provided that the utility shall bear the burden of proving by a preponderance of the evidence that the decision to abandon construction of the plant was prudent. ... Recovery of capital costs and the utility's cost of capital associated with them may be disallowed only to the extent that the failure by the utility to anticipate or avoid the allegedly imprudent costs, or to minimize the magnitude of the costs, was imprudent considering the information available at the time that the utility could have acted to avoid or minimize the costs. The commission shall order the amortization and recovery through rates of the investment in the abandoned plant as part of an order adjusting rates under this article."

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RRA REGULATORY FOCUS

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Background to the Summer nuclear expansion abandonment

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A major factor also contributing to SCE&G's abandonment decision was the March 29 bankruptcy filing of Toshiba subsidiary Westinghouse Electric Co. LLC, the engineering, procurement and construction manager of the Summer expansion project.

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RRA notes that SCE&G's Aug. 1 filing regarding the Summer abandonment referenced the BLRA, which states: "where a plant is abandoned after a base load review order approving rate recovery has been issued, the capital costs and [allowance for funds used during construction] AFUDC related to the plant shall nonetheless be recoverable under this article provided that the utility shall bear the burden of proving by a preponderance of the evidence that the decision to abandon construction of the plant was prudent. ... Recovery of capital costs and the utility's cost of capital associated with them may be disallowed only to the extent that the failure by the utility to anticipate or avoid the allegedly imprudent costs, or to minimize the magnitude of the costs, was imprudent considering the information available at the time that the utility could have acted to avoid or minimize the costs. The commission shall order the amortization and recovery through rates of the investment in the abandoned plant as part of an order adjusting rates under this article."

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RRA REGULATORY FOCUS

Tuesday, October 03, 2017 11:35 AM ET RRA

RRA lowers rating of SC regulation due to Summer risk

By Dennis Sperduto

As a result of increasing regulatory and political opposition to South Carolina Electric & Gas Co 's, or SCE&G's, July 31 decision to abandon construction of the two unit V.C. Summer nuclear expansion project and concerns regarding the related cost recovery, RRA is lowering its rating of the South Carolina Regulatory environment to Average/2 from Average/1.

RRA, an offering of S&P Global Market Intelligence, notes that the Public Service Commission of South Carolina has not issued a substantive ruling regarding the abandonment and related cost recovery. However, legislative and criminal investigations surrounding the abandonment decision, as well as an extremely negative rate proposal from the South Carolina Office of Regulatory Staff, or ORS, the state's consumer advocacy agency, indicate that the level of risk to the company receiving full recovery of and on its Summer investment has notably increased. This heightened level of risk is not consistent with the previous Average/1 rating accorded the South Carolina regulatory environment.

Recently, on Sept. 25, the South Carolina attorney general's office and members of the House of Representatives requested that the South Carolina Law Enforcement Division conduct a criminal investigation of the handling of the Summer expansion project by SCE&G and its parent SCANA Corp. In addition, on Sept. 26, South Carolina Attorney General Alan Wilson's office released an opinion that questions the constitutionality of the state's Base Load Review Act. The BLRA, among other things, was thought to provide strong support for SCE&G recovering its Summer expansion investment in the event the units were abandoned.

Perhaps of most concern to RRA is the ORS' Sept. 26 filing requesting that the PSC issue an order directing SCE&G to immediately suspend all revised rates that currently allow the company to collect from customers the revenue requirement associated with the Summer project that were previously approved by the commission pursuant to its authority under the BLRA. The BLRA provides for SCE&G to earn a cash return on construction work in progress, or CWIP, for the Summer expansion through an annual rate filing with the PSC. Under the BLRA, SCE&G has received nine CWIP-related rate increases and is currently collecting \$445 million in annual rates. The company's last CWIP related rate increase under the BLRA was \$64.4 million, which was authorized by the PSC on Oct. 19, 2016 (Docket No. 2016-224-E).

The ORS' filing relies upon an opinion published by the attorney general's office on Sept. 26, 2017, see below, that found "as applied, portions of the BLRA are constitutionally suspect." Based on its review of this opinion, ORS asserts that it is not just and reasonable or in the public interest to allow SCE&G to continue collecting the revised rates.

The ORS further alleges that SCE&G failed to disclose information that should have been disclosed and that would have appeared to provide a basis for challenging prior requests, and alleges that SCE&G should not be allowed to continue to benefit from the nondisclosure. The ORS also requests a PSC order that, if the BLRA is found to be unconstitutional or the General Assembly amends or revokes the BLRA, then SCE&G should make credits to future bills or refunds to customers for prior rate collections under the BLRA (Docket No. 2017-305-E).

RRA notes that in previous regulatory proceedings in South Carolina, the ORS has typically taken positions that, while reflecting the interests of ratepayers, were much more constructive than the comparatively extreme position it has taken on the Summer expansion abandonment.

On Sept. 28, SCE&G filed a motion for the PSC to dismiss the ORS' Sept. 26 proposal. In its motion, SCE&G asserts that the ORS' request is "illegal and unconstitutional and outside the statutory powers of the [PSC]." SCE&G requests that the PSC comply with the commission's binding regulations and provide for the utility's motion to be heard after due notice to the ORS and other parties and, to that end, establish a timetable for briefing and argument.

SCE&G argues that any action by the PSC to grant, even provisionally, the ORS' request "will by itself injure SCE&G financially and damage its ability to access the capital needed to maintain its utility system and provide service to its customers on reasonable terms." For this reason, SCE&G specifically requests that the PSC take no action related to the ORS' request until the utility's motion can be heard and decided. The utility argues that to grant the ORS' request while the instant motion is pending would deny SCE&G's motion without hearing or consideration in violation of the utility's rights under the Due Process Clauses of the South Carolina and United States constitutions, the state's Administrative Procedure Act and PSC regulations.

Among other things, SCE&G asserts that the ORS' request should be dismissed because it would unlawfully and unconstitutionally require the commission to: ignore the clear dictates of a validly enacted, binding and enforceable statute, the BLRA, that has been appealed and upheld by the South Carolina Supreme Court in multiple proceedings; engage in legally prohibited retroactive ratemaking; and deny SCE&G approximately \$445 million in annual revenue that "is critically important to its financial health, potentially ruining the financial posture of the Company, without any record or opportunity for SCE&G to be heard."

On Sept. 28, the PSC voted to appoint a hearing officer to schedule briefings and oral arguments on SCE&G's motion to dismiss the ORS request. In its decision, the PSC noted: "To ensure due process, not only in the interest of the proper exercise of the law, but also in the best interest of and protections for potentially affected citizens of this state — both in regard to immediate and long-term impacts — we must consider all facts relevant to the requested relief. Judgments of this magnitude require the highest measure of care, but also require expedient action. We are acting today with caution and purpose."

Background to the Summer nuclear expansion abandonment

On July 31, SCE&G announced that it will cease construction of Summer units 2 and 3, each 1,117-MW plants, and will request PSC approval of its abandonment plan. SCE&G reached this decision after considering the additional costs to complete units 2 and 3, the uncertainty regarding the availability of

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On Aug. 1, SCE&G filed with the PSC a petition to abandon the new nuclear units and for a prudency determination of the decision and the associated ratemaking. However, on Aug. 15, the company indicated that it will voluntarily withdraw its petition to abandon the units. The company stated that "over the past two weeks, SCE&G management has met with various stakeholders and members of the S.C. General Assembly, including legislative leaders, to discuss the abandonment of the new nuclear project and to hear their concerns. SCE&G's withdrawal decision was in response to those concerns and to allow for adequate time for governmental officials to conduct their reviews." In addition to those mentioned above, reviews of the Summer project are being conducted by the General Assembly and the governor's office.

RRA notes that SCE&G's Aug. 1 filing regarding the Summer abandonment referenced the BLRA, which states: "where a plant is abandoned after a base load review order approving rate recovery has been issued, the capital costs and [allowance for funds used during construction] AFUDC related to the plant shall nonetheless be recoverable under this article provided that the utility shall bear the burden of proving by a preponderance of the evidence that the decision to abandon construction of the plant was prudent.... Recovery of capital costs and the utility's cost of capital associated with them may be disallowed only to the extent that the failure by the utility to anticipate or avoid the allegedly imprudent costs, or to minimize the magnitude of the costs, was imprudent considering the information available at the time that the utility could have acted to avoid or minimize the costs. The commission shall order the amortization and recovery through rates of the investment in the abandoned plant as part of an order adjusting rates under this article."

As previously mentioned, the BLRA provides for SCE&G to earn a cash return on CWIP through an annual rate filing with the PSC. As a result, of the \$4.9 billion of costs that were expected to be incurred through Sept. 30, only about \$1.5 billion are not currently reflected in rates.

In other related developments, on Sept. 21, SCE&G and SCANA announced that they had been served with a subpoena issued by the United States Attorney's Office for the District of South Carolina seeking documents relating to the companies' Summer expansion project. The subpoena requires the companies to produce a broad range of documents related to the project. SCE&G and SCANA indicated that they intend to cooperate with the government's investigation. The companies did not provide any expectation regarding the timing of the investigation.

In addition, on Sept. 25, the attorney general's office, the speaker of the South Carolina House of Representatives, and the chair and vice-chair of the South Carolina House Utility Ratepayer Protection Committee requested that the South Carolina Law Enforcement Division conduct a criminal investigation of the handling of the project by SCE&G and SCANA. The companies indicate that they "intend to fully cooperate with any potential government investigation of the project." The companies also noted that if an investigation is commenced by the law enforcement division, the timing of its conclusion cannot be predicted.

The primary mission of the law enforcement division is to provide manpower and technical assistance to law enforcement agencies and to conduct investigations on behalf of the state of South Carolina as directed by the governor and attorney general.

Attorney general office's opinion

On Sept. 26, the AG's office released an opinion that questions the constitutionality of the BLRA. The opinion found that "as applied, portions of the Base Load Review Act are constitutionally suspect. The Act fails to strike the constitutionally required balance between investors and ratepayers. It also denies ratepayers procedural due process. The Act further rewards abandonment of nuclear projects such that ratepayers must pay the utility's costs plus a substantial rate of return for investors without receiving any service from the plants. Such a provision, once abandonment is declared, transfers private property (ratepayers' money) to another private entity (the utility) for a private use (payment to utility's investors)." In addition, the "Act shifts the burden of costs from the utility and its investors to ratepayers without the plants ever being completed."

The opinion of the attorney general's office had been requested by members of the House of Representatives. RRA notes that this is an opinion of an interested party and that only the South Carolina courts can decide the constitutionality of the BLRA.

For a full listing of past and pending rate cases, rate case statistics and upcoming events, visit the [S&P Global Market Intelligence Energy Research Home Page](#).

For a complete searchable listing of RRA's in-depth research and analysis, please go to the [S&P Global Market Intelligence Energy Research Library](#).



Rating Action **Moody's downgrades SCE&G to Baa3 and SCANA to Ba1, I remain under review**

Global Credit Research - 05 Feb 2018

Approximately \$9 billion of debt and credit facilities affected

New York, February 05, 2018 -- Moody's Investors Service (Moody's) downgraded the ratings of South Carolina Electric & Gas Company (SCE&G, senior unsecured to Baa3 from Baa2), and its parent company SCANA Corporation (SCANA, senior unsecured to Ba1 from Baa3) and continued the review for downgrade that began on November 1, 2017. The review was originally initiated as a result of escalating political and regulatory contentiousness following the organization's decision to cease construction of the V.C. Summer new nuclear units 2 and 3. Moody's today also placed the long-term ratings of SCANA's local gas distribution utility subsidiary, Public Service Company of North Carolina (PSNC, A3 senior unsecured) under review for downgrade.

RATINGS RATIONALE

The rating action follows the South Carolina House of Representatives overwhelming passage of H 4375, a bill that, if enacted, would temporarily repeal the rates SCE&G is collecting under the Base Load Review Act (BLRA) for its abandoned nuclear investment. As proposed in the legislation, "experimental" rates would be in place until the Public Service Commission of South Carolina (SCPSC) makes a determination in SCE&G's ongoing rate proceeding, which is likely to be concluded in the third quarter of this year. The proposed immediate reduction in revenue would have a materially negative impact on SCE&G and SCANA's cash flow credit metrics.

"The downgrade of SCE&G and SCANA is driven by a political and regulatory environment that has become exceedingly contentious and uncertain, and our assumption that SCE&G will ultimately be required to make considerable rate concessions to move forward", said Laura Schumacher, Senior Credit Officer. "Although we recognize H 4375 has not yet been signed into law, the bill has the full support of the governor, and at least some members of the Senate, which was contemplating similar legislation" added Schumacher. The BLRA that this legislation targets has been a key factor supporting SCE&G and SCANA's credit quality as it constructed the Summer nuclear units and any weakening of its provisions will have a detrimental effect on the organization's risk profile and on its ability to recover Summer costs.

We also believe the politically charged environment will weigh heavily on the SCPSC as it looks to implement rates that are fair and reasonable, perhaps leading to rates that are authorized at unusually low levels or include provisions that significantly delay recovery. Events over the past few months have led us to conclude the regulatory environment for SCE&G has deteriorated markedly and is now considerably below average.

The rating action also considers the negative legislative reaction to recent credit neutral proposals by SCANA, and by SCANA and Dominion Energy, Inc. (Dominion, Baa2 negative) in conjunction with their proposed merger, that would better balance the cost of nuclear abandonment between ratepayers, creditors and shareholders. As such, we believe SCE&G and SCANA will ultimately be required to absorb a greater portion of these costs, which would likely materially weaken their financial position. For example, we expect that the companies' ratios of cash from operations excluding changes in working capital (CFO pre-WC) to debt could decline to the low-teens.

The continued review of SCE&G and SCANA will focus on the companies' uncertain and rapidly evolving political and regulatory environment as well as the likely impact on their future financial profiles. To the extent there is evidence of additional financial stress or adverse political or regulatory developments, ratings could be affected. For example if the legislature were to move to replace members of the SCPSC; if SCE&G is ordered to refund amounts previously collected under the BLRA, particularly without the benefit of a larger, better capitalized partner; or if rates established by the SCPSC do not provide an opportunity for SCE&G to maintain a ratio of CFO pre-WC to debt that is at least in the low-teens, ratings could be revised downward. Furthermore, if the company is unable to draw on its credit lines, or issue additional debt, due to covenant violations or an inability to represent that it has not experienced a material adverse change, there could also be

downward movement in the ratings.

The review for downgrade at PSNC recognizes its position within the SCANA family and the absence of strong ring fencing type provisions that could serve to insulate it from potential financial distress at the parent. As such, and in light of the wide rating differential between PSNC and its parent SCANA, a downgrade of SCE&G and SCANA would likely result in a downgrade of PSNC.

The ratings could be confirmed at their current levels if there is a substantial decline in the political and regulatory contentiousness characterizing the Summer cost recovery discussions, if the cost recovery provisions of the BLRA are upheld and the Act remains in place, if there is a solution that provides balance in the recovery of Summer costs among ratepayers, creditors and shareholders, maintaining SCE&G and SCANA's credit profiles, and if SCE&G is able to collect rates going forward that will support stable cash flow metrics, including a ratio of CFO pre-WC to debt at least in the low-teens range.

Downgrades:

..Issuer: SCANA Corporation

.... Issuer Rating, Downgraded to Ba1 from Baa3; Placed Under Review for further Downgrade

....Senior Unsecured Bank Credit Facilities, Downgraded to Ba1 from Baa3; Placed Under Review for further Downgrade

....Senior Unsecured Commercial Paper, Downgraded to NP from P-3; Placed Under Review for further Downgrade

....Senior Unsecured Regular Bonds/Debentures, Downgraded to Ba1 from Baa3; Placed Under Review for further Downgrade

..Issuer: South Carolina Electric & Gas Company

.... Commercial Paper, Downgraded to P-3 from P-2; Placed Under Review for further Downgrade

.... Issuer Rating, Downgraded to Baa3 from Baa2; Placed Under Review for further Downgrade

....Multiple Seniority Shelf, Downgraded to (P)Baa1 from (P)A3; Placed Under Review for further Downgrade

....Senior Secured First Mortgage Bonds, Downgraded to Baa1 from A3; Placed Under Review for further Downgrade

....Senior Unsecured Bank Credit Facilities, Downgraded to Baa3 from Baa2; Placed Under Review for further Downgrade

..Issuer: South Carolina Fuel Company Inc.

.... Commercial Paper, Downgraded to P-3 from P-2; Placed Under Review for further Downgrade

....Senior Unsecured Bank Credit Facilities, Downgraded to Baa3 from Baa2; Placed Under Review for further Downgrade

On Review for Downgrade:

..Issuer: Public Service Co. of North Carolina, Inc.

....Senior Unsecured Bank Credit Facilities, Placed on Review for Downgrade, currently A3

....Senior Unsecured Regular Bonds/Debentures, Placed on Review for Downgrade, currently A3

Outlook Actions:

..Issuer: Public Service Co. of North Carolina, Inc.

....Outlook, Changed To Rating Under Review From Stable

Affirmations:

..Issuer: Public Service Co. of North Carolina, Inc.

...Senior Unsecured Commercial Paper, Affirmed P-2

SCANA is a holding company for SCE&G, a vertically integrated electric utility with local gas distribution operations regulated by the SCPSC; Public Service Company of North Carolina, a local gas distribution company regulated by the North Carolina Utilities Commission; and SCANA Energy Marketing, Inc. (SEMI, not rated), a non-regulated gas marketing business in Georgia.

The new V.C. Summer Units 2 and 3 are two Westinghouse AP1000 nuclear units (approximately 1,100 MWs each) that had been under construction at SCE&G's existing VC Summer plant site. SCE&G owns 55% of the new units, with the remaining 45% owned by the South Carolina Public Service Authority (Santee Cooper, A1 negative).

The principal methodology used in these ratings was Regulated Electric and Gas Utilities published in June 2017. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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removal of Owner's contingency amounts from the forecasts as required by the opinion of the Supreme Court of South Carolina in *South Carolina Energy Users Comm. v. South Carolina Pub. Serv. Comm'n*, 388 S.C. 486, 697 S.E.2d 587 (2010). This chart shows that cost of the project in future dollars is approximately \$1.38 billion above the initial forecast.

Chart C: Summary of Nuclear Filings (billions of \$)

<u>Forecast Item</u>	<u>3/2/2009</u> <u>Order No.</u> <u>2009-104(A)</u>	<u>1/21/10</u> <u>Order No.</u> <u>2010-12</u>	<u>5/16/11</u> <u>Order No.</u> <u>2011-345</u>	<u>11/15/12</u> <u>Order No.</u> <u>2012-884</u>	<u>9/10/15</u> <u>Order No.</u> <u>2015-661</u>	<u>11/28/16</u> <u>Order No.</u> <u>2016-794</u>	<u>Currently</u> <u>Projected</u>
Capital Cost, 2007 Dollars	\$4.535	\$4.535	\$4.270	\$4.548	\$5.247	\$6.805	\$6.805
Escalation	\$1.514	\$2.025	\$1.261	\$0.968	\$1.300	\$0.532	\$0.538
Total Project Cash Flow	\$6.049	\$6.560	\$5.531	\$5.517	\$6.547	\$7.337	\$7.338
AFUDC	\$0.264	\$0.316	\$0.256	\$0.238	\$0.280	\$0.321	\$0.355
Gross Construction	\$6.313	\$6.875	\$5.787	\$5.755	\$6.827	\$7.658	\$7.693

*Rate of this
quarterly
report.*

2. Escalation Rates

As provided in Order No. 2009-104(A), the most current one-year inflation indices are used to escalate costs expected to be incurred in the twelve-month period after the date of each quarterly report. The most current escalation indices are found in the Handy-Whitman July 2016 update that was issued in November 2016 and reports data for the period January to June 2016. Those rates are reflected in this report. The approved capital cost targets have been adjusted to reflect the currently reported historical escalation rates.

Appendix 4 shows historical utility construction cost escalation rates. Current escalation rates are shown below on **Chart D**.

Presentation to S. C. House Utility Ratepayer Protection Committee



September 15, 2017



Presenters

Executive Leadership

Kevin Marsh
Jimmy Addison
Steve Byrne

Chief Executive Officer
Chief Financial Officer
Chief Operating Officer – SCE&G

Project Leadership

Jeff Archie
Alan Torres
Kyle Young

Chief Nuclear Officer
General Manager, Nuclear Plant Construction
Manager, Nuclear Plant Construction

Project Facts

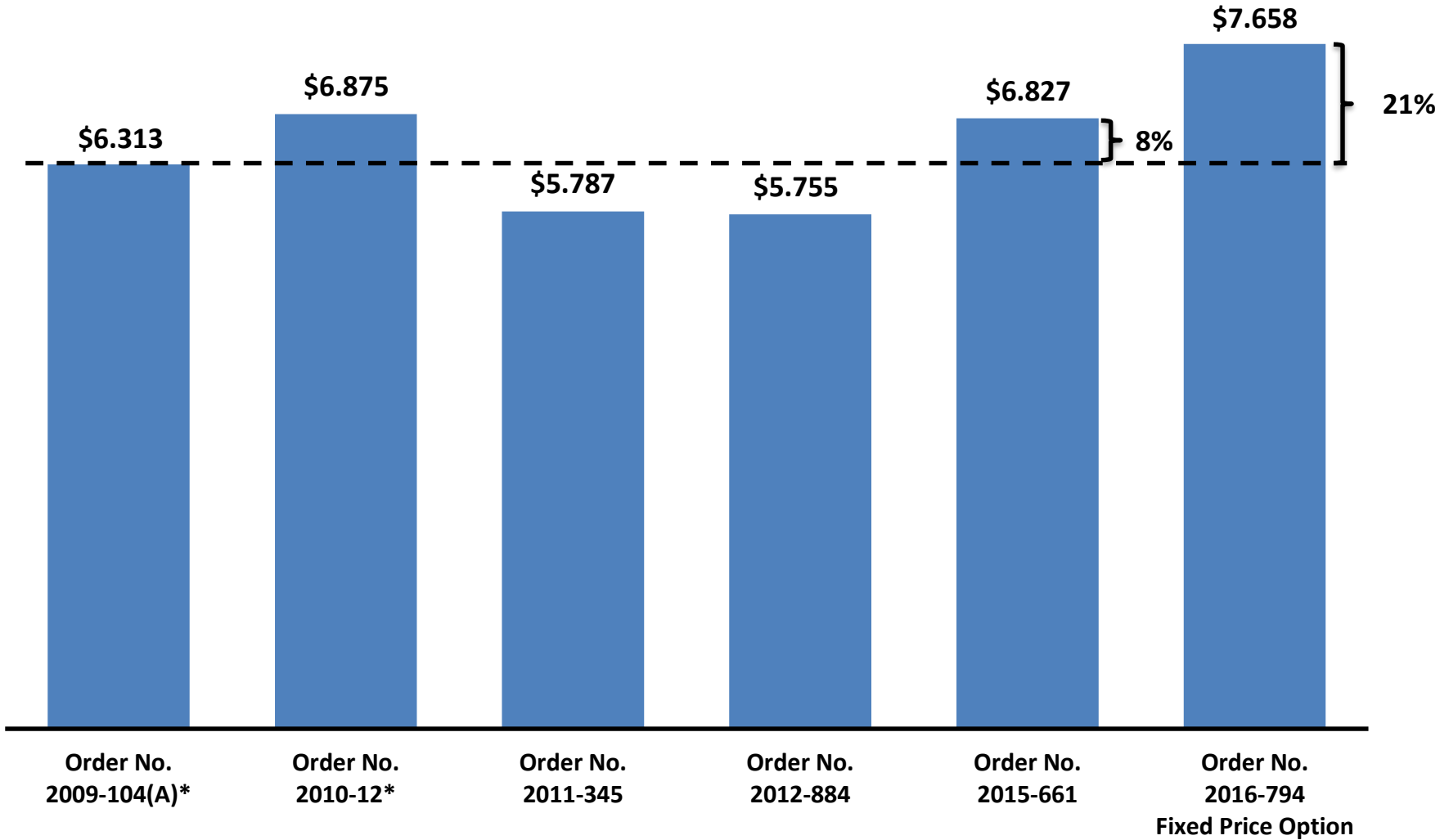
- **Approved AP1000 Design**
 - The NRC certified the AP1000 Design before the project began.
- **Schedule**
 - A project schedule has existed throughout construction.
- **Project Assessment Report and Project Oversight**
 - Counsel commissioned this report in support of potential litigation; SCE&G addressed the recommendations.

Why Did We Choose Nuclear in 2008?

- **Growing customer demand required the addition of new base load generation.**
- **Nuclear generation is non-emitting and aided compliance with increasingly stringent environmental regulations.**
- **Nuclear generation provided SCE&G with a balanced generation portfolio.**
- **Santee Cooper, our partner for more than 40 years in Unit 1, wanted to build new nuclear units with us.**
- **Federal government provided an incentive to encourage nuclear construction through Production Tax Credits.**

SCE&G New Nuclear Projected Costs (55%)

(\$ in billions)



* Includes contingency

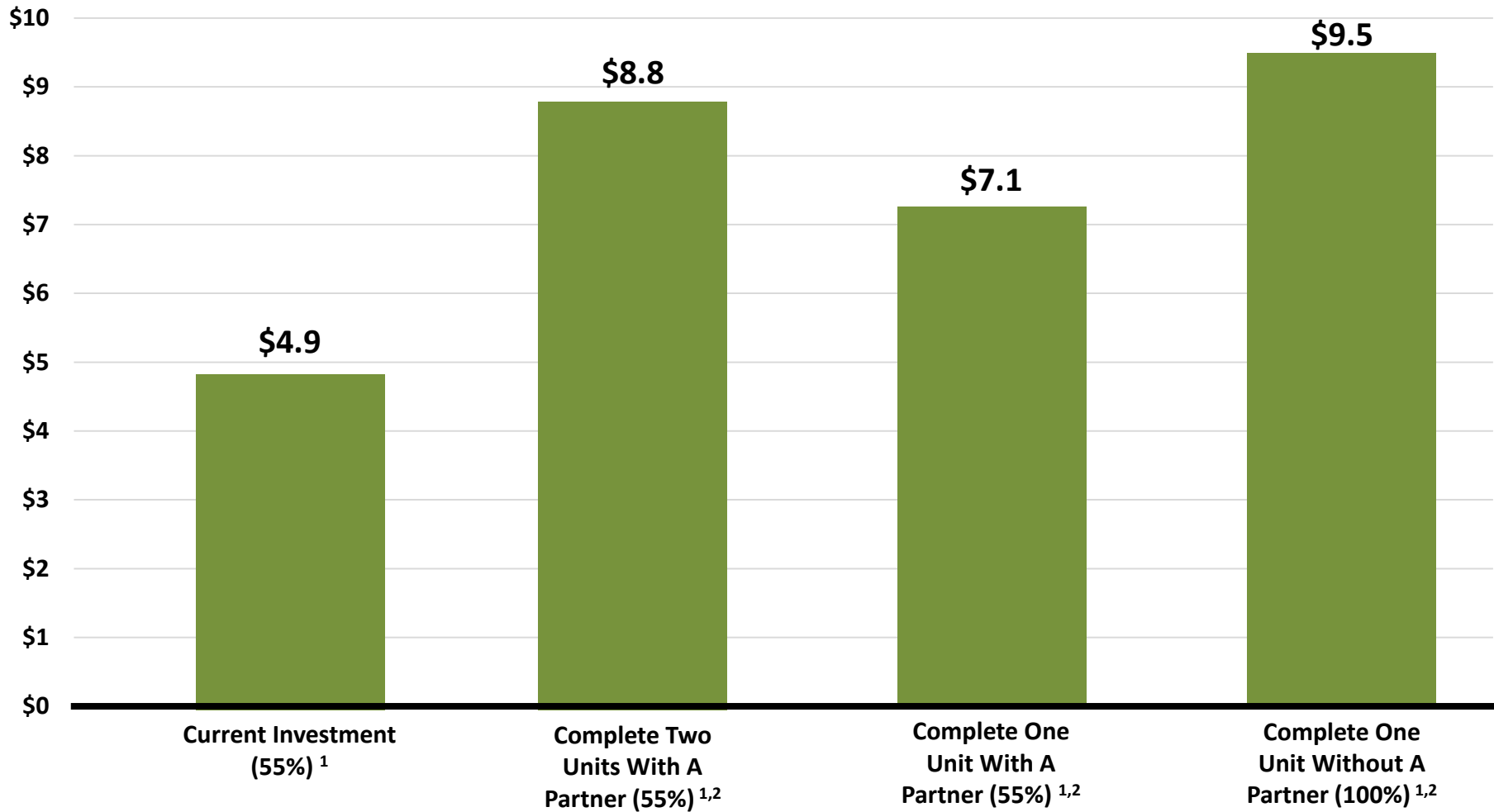
--- Original Approved Cost

Westinghouse Bankruptcy

- **Westinghouse filed for bankruptcy on March 29, 2017, and told SCE&G that they would not honor our Fixed Price Contract.**
- **SCE&G and Santee Cooper began transition and evaluation period to determine the most prudent path forward for the project:**
 - **Complete both new units,**
 - **Complete one unit and delay construction of the other,**
 - **Complete one unit and abandon the other, or**
 - **Abandon both units.**

Completion vs. Abandonment

SCE&G's Share (\$ in billions)



Note 1: SCE&G customers have not paid any of these amounts.

Note 2: Includes the offset from the Toshiba Guarantee of \$1.1B (net of liens).

Project Evaluation Results and Conclusion

- **Pursuit of government grant/support to reduce costs was unsuccessful.**
- **Cost to complete both units is too expensive for customers.**
- **Unresolved risks to customers of completing Unit 2 and abandoning Unit 3 include:**
 - **Availability of production tax credits,**
 - **Potential for future unanticipated cost increases and schedule delays due to lack of Fixed Price Contract, and**
 - **Absence of replacement partner.**
- **Conclusion: The most prudent path forward is to cease construction of both new nuclear units.**

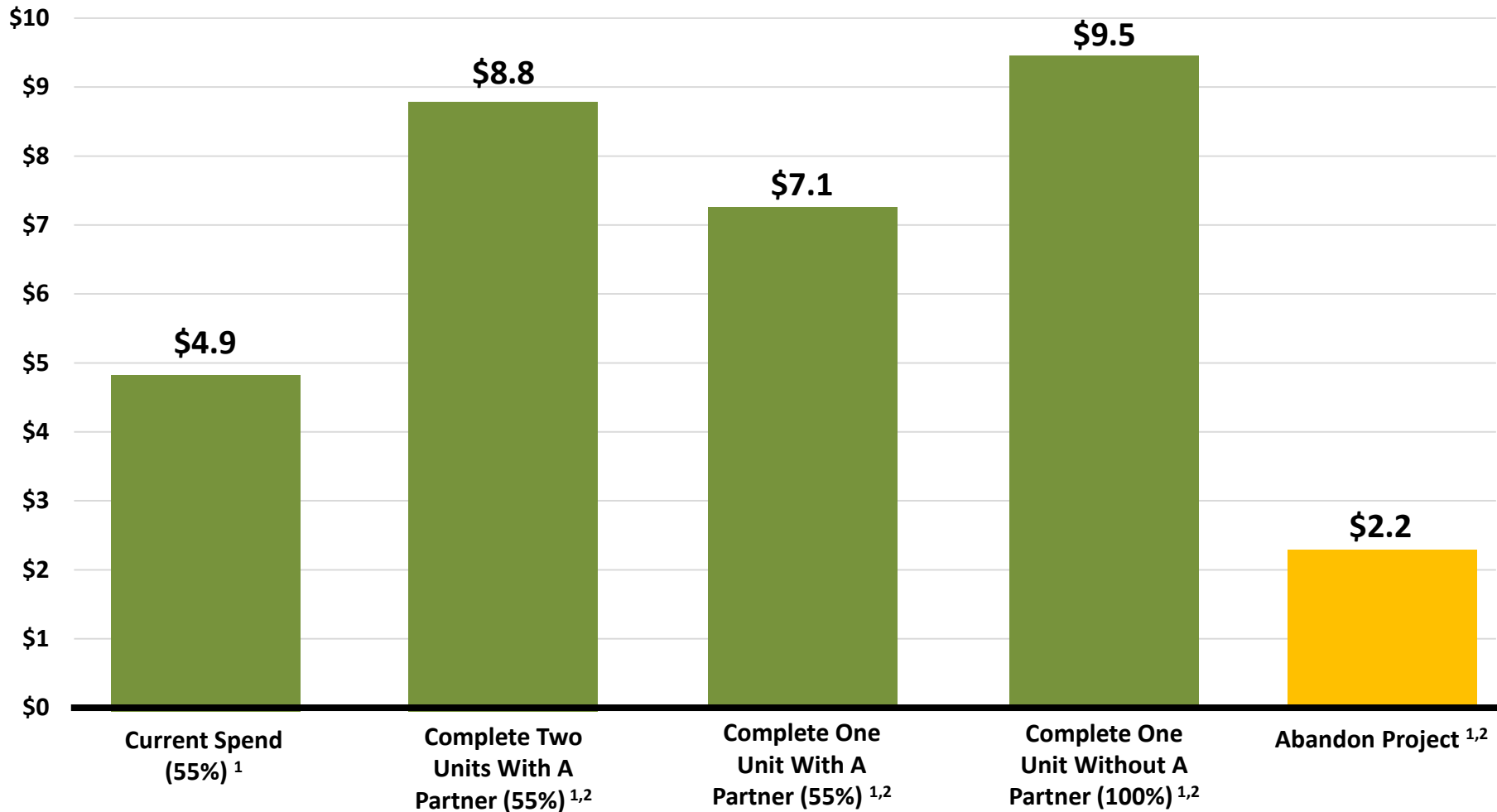
Abandonment Analysis

(\$ in billions)

Unit 2 & Unit 3 Costs Incurred Plus Wind Down Costs		\$4.9
Anticipated Toshiba Guarantee (net of liens)	Pre-tax (1.1)	
	<u>Tax 0.4</u>	
		(0.7)
Tax Deduction on Abandonment		<u>(2.0)</u>
Estimated Net Amount		<u><u>\$2.2</u></u>

Completion vs. Abandonment

SCE&G's Share (\$ in billions)



Note 1: SCE&G customers have not paid any of these amounts.

Note 2: Includes the offset from the Toshiba Guarantee of \$1.1B (net of liens).

Project Assessment

Project Consortium Issues

- **In 2015 significant commercial issues within the Consortium of Westinghouse and CB&I were impacting performance and productivity on the site.**
- **Outside legal counsel commissioned an independent assessment for use in potential litigation with the Consortium to validate challenges the Owners had identified.**
- **Report focused on completing the units as planned if Westinghouse had lived up to its commitments.**
- **SCE&G and Santee Cooper undertook steps to address material points made in the report.**

Project Areas of Focus

SCE&G Actions

- | | |
|---|--|
| 1. Project Management | 1. Fixed Price Contract, enhanced Project Management Organization, and added Construction Oversight Review Board. |
| 2. Engineering | 2. New completion metrics and construction packages; streamlined change processes; increased field engineers. |
| 3. Procurement | 3. Requested full site inventory review and risk mitigation plans. |
| 4. Modules | 4. Placed additional resident inspectors and diversified the supply chain. |
| 5. Construction & Project Controls | 5. Simplified work processes, schedule mitigation plans, and increased craft workforce. |

Detailed Project Assessment

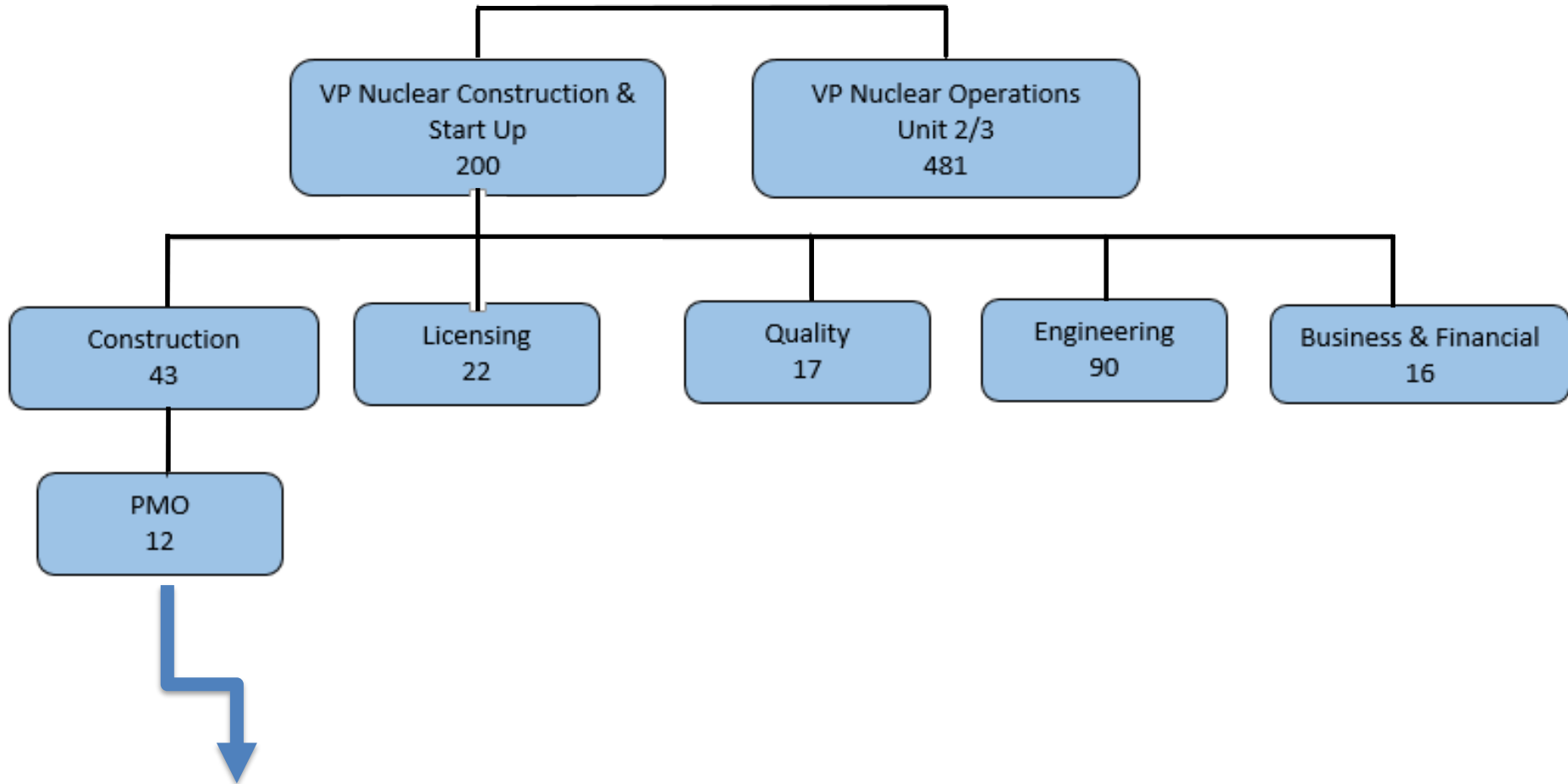
Project Management

- **SCE&G Actions Taken to Address Commercial Concerns:**
 - **The October 2015 amended EPC Agreement:**
 - Fixed the construction cost.
 - Resolved current commercial disputes.
 - **Westinghouse purchase of Stone & Webster from CB&I.**
 - Effectively ended Consortium structure.
 - Aligned Westinghouse business model of building AP1000s worldwide with SCE&G goal of completing project.
 - **In November-December 2015 SCE&G worked with Westinghouse during Westinghouse Transition Process prior to closing of Stone & Webster acquisition – assigned a team to work with Westinghouse, Fluor, and Southern Company on planning for going forward.**
 - **New Milestone Payment Schedule to align payments with progress.**

Project Management (Continued)

- **SCE&G Actions Taken to Address Organization Structure:**
 - Consortium transitioned from a traditional functionally-based management team to a site-directed Project Management Organization (PMO) in mid-2015.
 - In parallel SCE&G added a PMO and continued its functionally-based oversight activities. SCE&G PMO included additional personnel with large project experience and specific project regulatory experience.
 - Construction Oversight Review Board (CORB) established by Owners; provides a panel of experienced leaders in Licensing, Engineering, Procurement, Construction and Operational Readiness; members had recent experience from TVA's Watts Bar 2 completion.

Project Management (Continued)



- **SCE&G's Project Management Organization**
 - 312 years of large project construction experience
 - 164 years of nuclear experience
 - 50 years of 10 CFR part 52 experience

Engineering

- **SCE&G Actions Taken to Address Engineering Design:**
 - **SCE&G confirmed Westinghouse design activities were scheduled, resource loaded and appropriately tied to the V.C. Summer Construction schedule.**
 - **SCE&G ensured accountability was demonstrated by**
 - **Participating in Westinghouse design completion weekly meetings,**
 - **Westinghouse moving the authority to change the design from their home office to the site,**
 - **Westinghouse engineering staff informing the Westinghouse PMO and SCE&G PMO of top engineering issues on a daily basis.**
 - **SCE&G engineers were placed within the Westinghouse design organization in their home office and in China to make sure issues discovered in China were solved timely for the V.C. Summer design.**

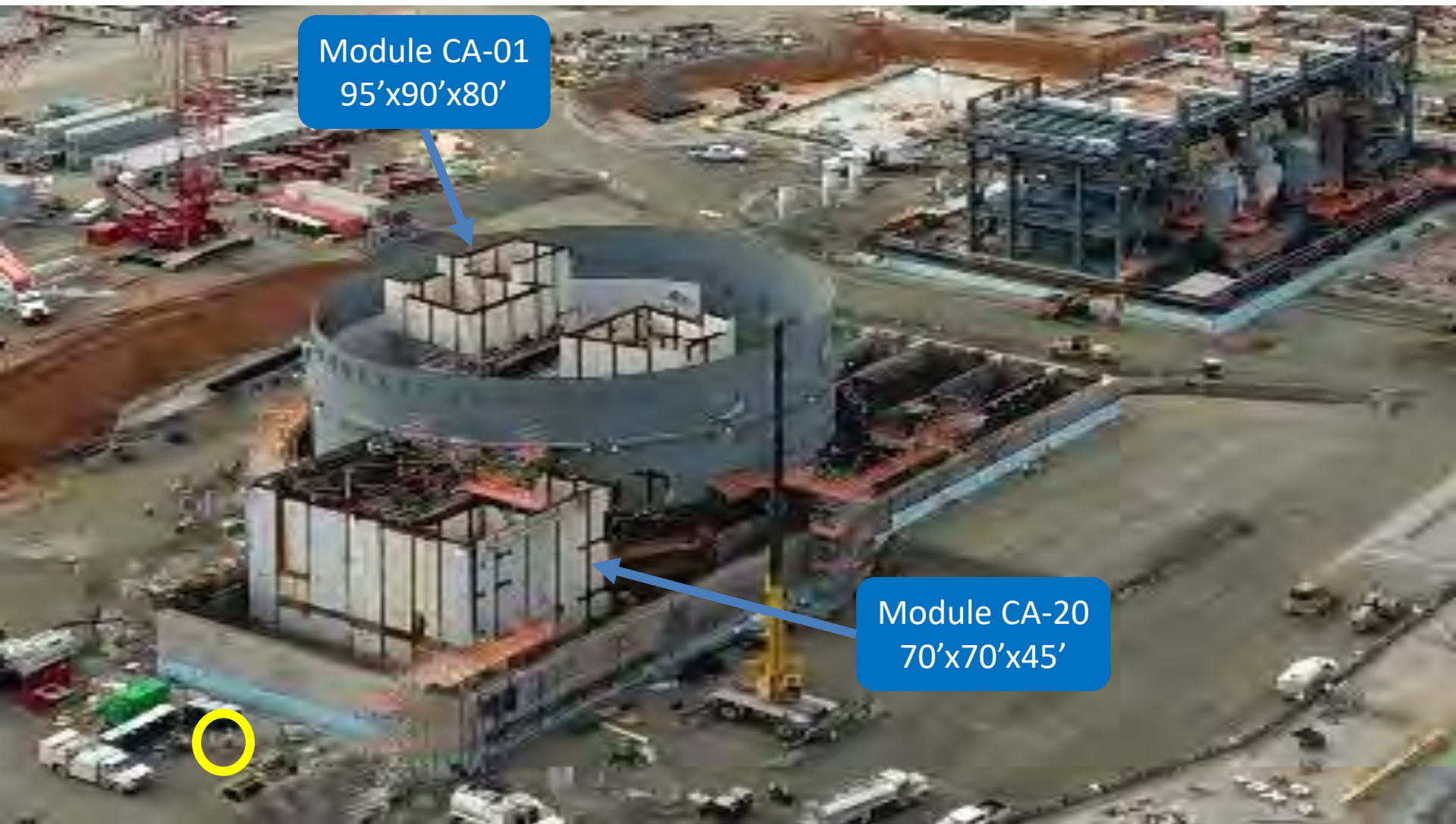
Procurement

- **SCE&G Actions Taken to Address Availability of Materials:**
 - SCE&G requested a full site inventory be completed.
 - SCE&G repeatedly requested the procurement process be streamlined.
 - Westinghouse only partially responsive to this request.
 - SCE&G recommended specific risk mitigation plans be created for several materials.
 - Westinghouse responded with plans and hired additional vendors.

Modules

- **SCE&G Actions Taken to Address Module Delays:**
 - **SCE&G fixed the cost of Structural Module fabrication and assembly in 2011.**
 - **SCE&G Module resident established in 2012 at Lake Charles.**
 - **SCE&G was insistent that Consortium diversify their module supply chain beyond Lake Charles and Westinghouse/CB&I subsidiaries.**
 - **Consortium and subsequently Westinghouse engaged 11 alternate vendors.**
 - **SCE&G Module residents hired and placed in each new major module vendor beyond Lake Charles Module.**
 - **Westinghouse dedicated module group was established.**
 - **SCE&G instituted weekly calls with Westinghouse and each resident to provide real-time information.**

Modules (Continued)



Module CA-01
95'x90'x80'

Module CA-20
70'x70'x45'



- **SCE&G Actions Taken to Address Schedule:**
 - **During the Westinghouse Transition Process in 2015, Westinghouse and Fluor were creating a resource-loaded Level 2 schedule.**
 - **SCE&G requested to be a part of this but was denied due to Fixed Price Contract.**
 - **SCE&G never received Estimate to Complete (with schedule) prior to bankruptcy.**
 - **SCE&G was successful in getting Westinghouse to identify and implement schedule mitigation plans.**

Construction & Project Controls (Continued)

- **SCE&G Actions Taken to Address Craft Turnover and Productivity:**
 - **Both SCE&G and Southern Company recommended to Westinghouse during the Westinghouse Transition Process to consider the alternative work schedules.**
 - **Westinghouse and Fluor chose to work all craft 50 to 60 hours a week.**
 - **SCE&G consistently requested that Westinghouse staff the night shift as the Integrated Project Schedule required.**
 - **Westinghouse never fully staffed.**
 - **During the SCE&G Estimate To Complete process, SCE&G implemented the plan to work an alternative work schedule and reviewed this with Fluor.**

Construction & Project Controls (Continued)

- **SCE&G Actions Taken to Address Resource Limitations:**
 - **SCE&G demanded that Westinghouse and Fluor increase staffing for the project.**
 - **Fluor responded by increasing their craft recruiting efforts.**
 - **Total craft doubled from 1,350 in August 2015 to 2,650 in March 2017.**

Construction & Project Controls (Continued)

- **SCE&G Actions Taken to Address Worker Productivity:**
 - **Westinghouse streamlined field installation work packages at the request of SCE&G.**
 - **Streamlined the non-nuclear design change process at the request of SCE&G.**



Old Work Package



New Work Package

Project Schedules Utilized

- **Level 1 schedule**
 - ✓ Reviewed on a monthly basis, first supplied with EPC contract in May 2008
 - Normally several hundred critical activities
 - Often referred to as a milestone schedule
 - Start to finish dates
- **Level 2 schedule**
 - ✓ Reviewed on a weekly basis
 - Normally thousands of items
 - More detail on systems or component interfaces
 - Includes Engineering, Procurement, Construction interface
- **Level 3 schedule**
 - ✓ Reviewed on a daily basis
 - Was resource loaded from 3 to 12 months
 - Normally hundreds of thousands of activities
 - More detail on durations of activities
 - Normally detailed to the discipline activity (i.e. concrete, piping, electrical)
 - Often called “working schedule”

Project Schedule Definitions

- **Integrated Project Schedule**
 - A schedule that has activities from a project's functional areas (i.e. Licensing, Engineering, Procurement, Modules, etc.) logically linked to subsequent activities (i.e. Construction, Operations, etc.)
- **Resource-loading**
 - Applying work hours to scheduled activities to determine how many total project resources are needed

Summary

- **Every decision we've made has been in the best interests of customers.**
- **We've had an approved design and schedule since day one.**
- **The Bechtel Report was a tool for validating project challenges and to support potential litigation with Westinghouse.**
- **I believe we would be building these plants if Westinghouse had not declared bankruptcy.**

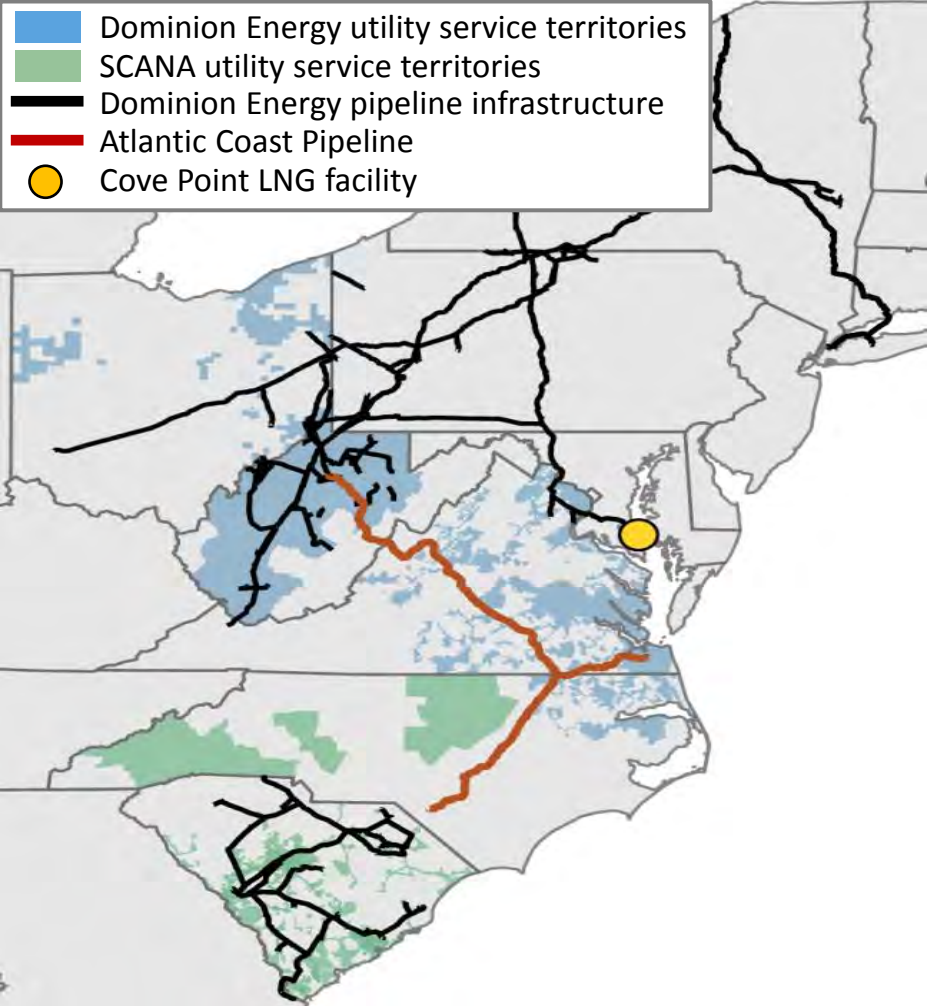
Questions



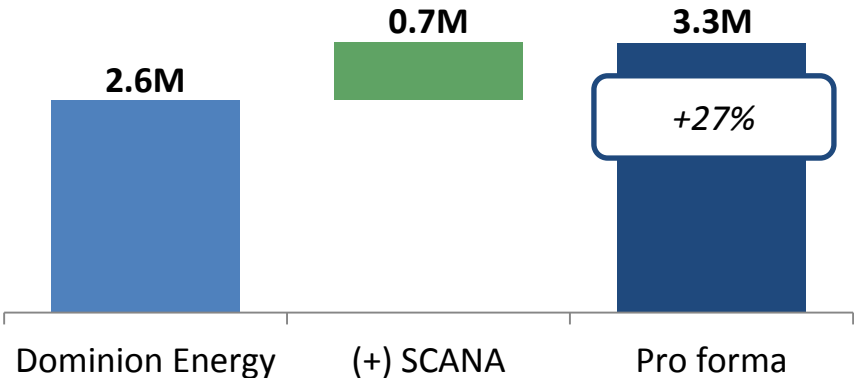
Dominion Energy/SCANA Combined

Combined southeastern service territory

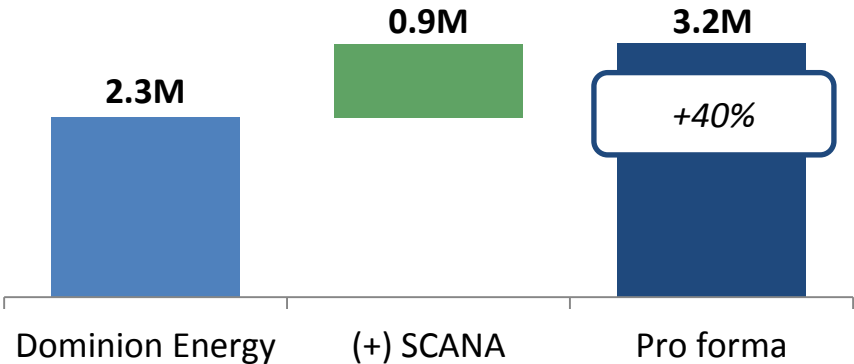
- Dominion Energy utility service territories
- SCANA utility service territories
- Dominion Energy pipeline infrastructure
- Atlantic Coast Pipeline
- Cove Point LNG facility



Regulated electric customers



Regulated gas customers



January 3, 2018

Dominion Energy, SCANA Announce All-Stock Merger With \$1,000 Immediate Cash Payment To Average South Carolina Electric & Gas Residential Electric Customer After Closing

- *Dominion Energy to fund \$1.3 billion of cash payments to all SCE&G electric customers within 90 days after closing*
- *Estimated additional 5 percent rate reduction from current levels for SCE&G electric customers*
- *More than \$1.7 billion of nuclear capital and regulatory assets never to be collected from customers*
- *SCANA shareholders to receive 0.6690 shares of Dominion Energy common stock for each SCANA share*
- *Transaction immediately earnings accretive, enhances EPS growth*
- *Transaction contingent upon South Carolina approval of proposed nuclear solution*
- *Combined company to serve 6.5 million electric and natural gas distribution customers in eight states*

RICHMOND, Va., and CAYCE, S.C. – Dominion Energy, Inc. (NYSE: D) and SCANA Corporation (NYSE: SCG) today announced an agreement for the companies to combine in a stock-for-stock merger in which SCANA shareholders would receive 0.6690 shares of Dominion Energy common stock for each share of SCANA common stock, the equivalent of \$55.35 per share, or about \$7.9 billion based on Dominion Energy's volume-weighted average stock price of the last 30 trading days ended Jan. 2, 2018. Including assumption of debt, the value of the transaction is approximately \$14.6 billion.

The agreement also calls for significant benefits to SCANA's South Carolina Electric & Gas Company subsidiary (SCE&G) electric customers to offset previous and future costs related to the withdrawn V.C. Summer Units 2 and 3 project. After the closing of the merger and subject to regulatory approvals, this includes:

- A \$1.3 billion cash payment within 90 days upon completion of the merger to all customers, worth \$1,000 for the average residential electric customer. Payments would vary based on the amount of electricity used in the 12 months prior to the merger closing.
- An estimated additional 5 percent rate reduction from current levels, equal to more than \$7 a month for a typical SCE&G residential customer, resulting from a \$575 million refund of amounts previously collected from customers and savings of lower federal corporate taxes under recently enacted federal tax reform.
- A more than \$1.7 billion write-off of existing V.C. Summer 2 and 3 capital and regulatory assets, which would never be collected from customers. This allows for the elimination of all related customer costs over 20 years instead of over the previously proposed 50-60 years.
- Completion of the \$180 million purchase of natural-gas fired power station (Columbia Energy Center) at no cost to customers to fulfill generation needs.

In addition, Dominion Energy would provide funding for \$1 million a year in increased charitable contributions in SCANA's communities for at least five years, and SCANA employees would have employment protections until 2020.

SCANA would operate as a wholly owned subsidiary of Dominion Energy. It would maintain its significant community presence, local management structure and the headquarters of its SCE&G utility in South Carolina.

The transaction would be accretive to Dominion Energy's earnings upon closing, which is expected in 2018 upon receipt of regulatory and shareholder approvals. The merger also would increase Dominion Energy's compounded annual earnings-per-share target growth rate through 2020 to 8 percent or higher.

Thomas F. Farrell, II, chairman, president and chief executive officer of Dominion Energy, said: "We believe this merger will provide significant benefits to SCE&G's customers, SCANA's shareholders and the communities SCANA serves. It would lock in significant and immediate savings for SCE&G customers – including what we believe is the largest utility customer cash refund in history – and guarantee a rapidly declining impact from the V.C. Summer project. There also are potential benefits to natural gas customers in South Carolina, North Carolina and Georgia and to their communities. And, this agreement protects employees and treats fairly SCANA shareholders, many of whom are working families and retirees in SCANA's communities. The combined resources of our two companies make all this possible."

"Dominion Energy is a strong, well-regarded company in the utility industry and its commitment to customers and communities aligns well with our values," said Jimmy Addison, chief executive officer of SCANA. "Joining with Dominion Energy strengthens our company and provides resources that will enable us to once again focus on our core operations and best serve our customers."

Strategic combination

The combination with SCANA would solidify Dominion Energy's position among the nation's largest and fastest-growing energy utility companies by adding significantly to its presence in the expanding Southeast markets. SCANA's operations include service to approximately 1.6 million electric and natural gas residential and business accounts in South Carolina and North Carolina and 5,800 megawatts of electric generation capacity. SCANA continues to experience strong growth in both customer count (more than 2 percent on average annually at SCE&G and PSNC Energy) and weather-normalized energy sales.

"SCANA is a natural fit for Dominion Energy," Farrell said. "Our current operations in the Carolinas – the Dominion Energy Carolina Gas Transmission, Dominion Energy North Carolina and the Atlantic Coast Pipeline – complement SCANA's, SCE&G's and PSNC Energy's operations. This combination can open new expansion opportunities as we seek to meet the energy needs of people and industry in the Southeast."

Once the merger is completed, the combined company would operate in 18 states from Connecticut to California. The company would deliver energy to approximately 6.5 million regulated customer accounts in eight states and have an electric generating portfolio of 31,400 megawatts and 93,600 miles of electric transmission and distribution lines. It also would have a natural gas pipeline network totaling 106,400 miles and operate one of the nation's largest natural gas storage systems with 1 trillion cubic feet of capacity.

Regulatory, shareholder approvals and conditions

The merger is contingent upon approval of SCANA's shareholders, clearance from the U.S. Federal Trade Commission (FTC)/the U.S. Department of Justice (DOJ) under the Hart-Scott-Rodino Act, and authorization of the Nuclear Regulatory Commission (NRC) and Federal Energy Regulatory Commission (FERC).

SCANA and Dominion Energy also will file for review and approval from the public service commissions of South Carolina, North Carolina, and Georgia.

"We will seek the approval of the Public Service Commission of South Carolina for the immediate customer payments, rate refunds over time and other conditions related to resolution of the V.C. Summer Units 2 and 3 situation," said Dominion Energy's Farrell. "We believe it is in the best interests of all parties to reach an agreement on this critical issue. Having certainty on this issue can act as a catalyst for economic development and it is essential for the Dominion Energy-SCANA merger to move forward. The availability, reliability and cost of energy are often the deciding factors when businesses consider investing – and we want businesses to have every reason to continue investing in SCANA's communities."

For SCANA shareholders

Under the terms of the merger agreement, SCANA common shareholders are to receive 0.6690 shares of Dominion Energy common stock for each share of SCANA common stock held. Based on Dominion Energy's volume-weighted average stock price of the last 30 trading days ended Jan. 2, 2018, this equates to a value of approximately \$55.35 per SCANA share. This represents an approximate 30.6 percent premium to the volume-weighted average stock price of SCANA's last 30 trading days ended Jan. 2, 2018. Upon closing of the merger, SCANA shareholders would own an estimated 13 percent of the combined company.

The transaction structure contemplates that the receipt of Dominion Energy shares will be tax-deferred for SCANA shareholders.

Customer refunds and other benefits

Cash payments proposed to SCE&G electric customers are to be paid via check or equivalent payment mechanism within 90 days after the closing of the merger, subject to approval of the Public Service Commission of South Carolina. Further details of the program will be announced later.

It is anticipated that the rate reductions – including refunds of \$575 million over time – would also be effective within 90 days of the merger closing, again subject to approval of the Public Service Commission of South Carolina.

A special website has been established for SCANA customers and communities at brighterenergyfuture.com. Information also is available on Facebook at Dominion Energy South and Twitter at @DominionEnergy.

Legal and financial advisers

McGuireWoods LLP served as legal counsel and Morgan, Lewis & Bockius LLP as tax counsel to Dominion Energy. Credit Suisse Securities (USA) LLC acted as the company's financial adviser for the transaction.

Mayer Brown LLP acted as legal counsel to SCANA. Morgan Stanley & Co. LLC acted as lead financial adviser and RBC Capital Markets, LLC acted as financial adviser to SCANA.

Conference call today

Dominion Energy leadership will discuss the announced combination during a conference call for investors at 9:00 a.m. ET today. Domestic callers should dial (877) 410-5657. The passcode for the call is "Dominion." International callers should dial (334) 323-9872. Participants should dial in 10 to 15 minutes prior to the scheduled start time.

A live webcast of the conference call also will be available on the company's investor information page at investors.dominionenergy.com.

A replay of the conference call will be available beginning about 12 p.m. ET Jan. 3 and lasting until 11 p.m. ET Jan. 10. Domestic callers may access the recording by dialing (877) 919-4059. International callers should dial (334) 323-0140. The PIN for the replay is 69688467. Additionally, a replay of the webcast will be available on the investor information pages by the end of the day Jan. 3.

About Dominion Energy

Dominion Energy is one of the largest energy utility companies in the United States, with 16,200 employees and operations in 18 states. It delivers electricity and natural gas to nearly 5 million homes and businesses, and its operations include 25,600 megawatts of electric generating capacity, 66,300 miles of natural gas gathering, transmission, distribution and storage pipelines, 64,200 miles of electric transmission and distribution lines, and one of the nation's largest natural gas storage systems. It is the only company to be included on the *Fortune* magazine list of most-admired gas and electric utilities for 12

consecutive years, including being ranked among the top two for the past six years. The company is a national leader in reducing carbon emissions and has been recognized regularly for its support of military veterans and others in need. More information is available at www.dominionenergy.com.

About SCANA

SCANA Corporation, headquartered in Cayce, S.C., is an energy-based holding company principally engaged, through subsidiaries, in electric and natural gas utility operations and other energy-related businesses. Information about SCANA and its businesses is available on the company's website at www.scana.com.

Forward-looking statements

This release contains statements that constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. The statements relate to, among other things, expectations, estimates and projections. We have used the words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "outlook," "predict," "project," "should," "strategy," "target," "will," "would," "potential" and similar terms and phrases to identify forward-looking statements in this presentation. Factors that could cause actual results to differ include, but are not limited to: the expected timing and likelihood of completion of the proposed acquisition of SCANA, including the ability to obtain the requisite approval of SCANA's shareholders; the risk that Dominion Energy or SCANA may be unable to obtain necessary regulatory approvals for the transaction or required regulatory approvals may delay the transaction or cause the parties to abandon the transaction; the risk that conditions to the closing of the transaction may not be satisfied; or the risk that an unsolicited offer for the assets or capital stock of SCANA may interfere with the transaction. Other risk factors for Dominion Energy's and SCANA's businesses are detailed from time to time in Dominion Energy's and SCANA's quarterly reports on Form 10-Q or most recent annual report on Form 10-K filed with the Securities and Exchange Commission (SEC).

Important additional information

In connection with the proposed transaction between Dominion Energy, Inc., and SCANA Corporation, Dominion Energy will file with the SEC a Registration Statement on Form S-4 that will include a combined Proxy Statement of SCANA and Prospectus of Dominion Energy, as well as other relevant documents concerning the proposed transaction. The proposed transaction involving Dominion Energy and SCANA will be submitted to SCANA's shareholders for their consideration. This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. **Shareholders of SCANA are urged to read the registration statement and the proxy statement/prospectus regarding the transaction when they become available and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information.**

Shareholders will be able to obtain a free copy of the definitive proxy statement/prospectus, as well as other filings containing information about Dominion Energy and SCANA, without charge, at the SEC's website (<http://www.sec.gov>). Copies of the proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the proxy statement/prospectus can also be obtained, without charge, by directing a request to Dominion Energy, Inc., 120 Tredegar Street, Richmond, Virginia 23219, Attention: Corporate Secretary, Corporate.Secretary@dominionenergy.com, or to SCANA Corporation, 220 Operation Way, Mail Code D133, Cayce, South Carolina 29033, Attention: Office of the Corporate Secretary, BoardInformation@scana.com.

Participants in the solicitation

Dominion Energy, SCANA and certain of their respective directors, executive officers and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding Dominion Energy's directors and executive officers is available in its definitive proxy statement, which was filed with the SEC on March 20, 2017, Dominion Energy's Annual Report on

Form 10-K, which was filed with the SEC on February 28, 2017 and certain of its Current Reports on Form 8-K. Information regarding SCANA's directors and executive officers is available in its definitive proxy statement, which was filed with the SEC on March 24, 2017, SCANA's Annual Report on Form 10-K, which was filed with the SEC on February 24, 2017 and certain of its Current Reports on Form 8-K. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials filed with the SEC. Free copies of these documents may be obtained as described in the preceding paragraph.

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DOMINION ENERGY CONTACTS:

Media: Ryan Frazier, (804) 819-2521 or C.Ryan.Frazier@dominionenergy.com

Grant Neely, (804) 771-4370 or Grant.Neely@dominionenergy.com

Financial analysts: Tom Hamlin, (804) 819-2154 or Thomas.E.Hamlin@dominionenergy.com

Steven Ridge, (804) 929-6865 or Steven.D.Ridge@dominionenergy.com

SCANA CONTACTS:

Media: Public Affairs, (800) 562-9308

Financial analysts: Bryant Potter, (803) 217-6916



Our energy future: bright, reliable, strong

SCANA to join Dominion Energy under \$7.9 billion common stock merger. Including assumption of debt, total value of \$14.6 billion*

Significant benefits for electric customers

- A **\$1.3 billion cash payment** within 90 days of closing to all customers, worth \$1,000 for an average residential customer.
- A **5 percent rate reduction** from current levels, equal to more than \$7 a month for a typical residential customer.
- More than **\$1.7 billion** write-off of existing new nuclear project capital and regulatory assets that will never be collected from customers. This allows for the elimination of all related customer costs over 20 years instead of the previously proposed 50-60 years.
- Completion of the **\$180 million** purchase of natural-gas fired power station at no cost to customers to fulfill generation needs.

For more information visit
BrighterEnergyFuture.com

*Subject to regulatory and other approvals

Benefits to communities, employees, shareholders

- Maintain SCE&G headquarters in South Carolina.
- **Funding for \$1 million increase** in charitable giving for five years.
- Employment protections for all employees until 2020.
- **Fair treatment for shareholders**, including many local retirees and working families.

Benefits to South Carolina, North Carolina

- Supportive of economic development.
- Financial strength to back energy infrastructure growth.
- Ending new nuclear project uncertainty.
- Known partner in Dominion Energy.
- Community and environmental steward.
- Track record of business success.
- Maintenance of “competitive” energy environment.

CERTIFICATE OF NONCOLLUSION

I, _____ of _____

("Bidder"), make and am authorized to make this statement on behalf of Bidder; that I certify and affirm that neither Bidder nor any employee or agent of Bidder has consulted, conferred, conspired or communicated with any person or firm or agent thereof with respect to (1) the amount of Bidder's bid or any component thereof; (2) the terms or conditions of work or sale or compensation proposed by Bidder; or (3) any other matter pertaining to the bid submitted herewith except for such persons or firms engaged or proposed to be engaged by Bidder as subcontractors or suppliers in connection with the work or sale covered by this bid and disclose by name in Bidder's proposal, nor directly or indirectly entered into any agreement, participated in any collusion or otherwise taken any action in restraint of free competitive bidding in connection with the submission of this bid.

**SOUTH CAROLINA ELECTRIC & GAS COMPANY'S
RESPONSES TO
SOUTH CAROLINA SENATE COMMITTEE
REQUEST TO PRODUCE
DATED AUGUST 28, 2017**

REQUEST NO. 8

Agency agreement between Santee Cooper and SCE&G.

RESPONSE NO. 8

Please find attached the following agreements between Santee Cooper and SCE&G:

1. Limited Agency Agreement for Long Lead Time Items, dated March 31, 2008. (Bates No. SCEG 08-0002 to SCEG 08-0014)
2. Limited Agency Agreement, dated May 23, 2008. (Bates No. SCEG 08-0015 to SCEG 03-0022)
3. Limited Agency Agreement, dated June 30, 2009. (Bates No. SCEG 08-0023 to 08-0030)
4. Limited Agency Agreement, dated August 6, 2010. (Bates No. SCEG 08-0031 to 08-0037)
5. Limited Agency Agreement, dated January 26, 2011. (Bates No. SCEG 08-0038 to 08-0043)
6. Design and Construction Agreement for V.C. Summer Nuclear Station Units 2 and 3, dated October 20, 2011. (Bates No. SCEG 08-0044 to SCEG 08-0101)
7. Letter Amendment No. 1 to the Design and Construction Agreement dated June 27, 2012. (Bates No. SCEG 08-0102)
8. Letter Amendment No. 2 to the Design and Construction Agreement dated July 24, 2012. (Bates No. SCEG 08-0103)
9. Letter Amendment No. 3 to the Design and Construction Agreement dated August 22, 2012. (Bates No. SCEG 08-0104)
10. Letter Amendment No. 4 to the Design and Construction Agreement dated September 25, 2012. (Bates No. SCEG 08-0105)
11. Letter Amendment No. 5 to the Design and Construction Agreement dated October 29, 2012. (Bates No. SCEG 08-0106)
12. Letter Amendment No. 6 to the Design and Construction Agreement dated November 27, 2012. (Bates No. SCEG 08-0107)
13. Limited Agency Agreement, dated October 27, 2015. (Bates No. 08-0108-0114)

**LIMITED AGENCY AGREEMENT
FOR LONG LEAD TIME ITEMS**

THIS LIMITED AGENCY AGREEMENT FOR LONG LEAD TIME ITEMS ("Agreement"), dated as of March 31, 2008 is entered into by and between SOUTH CAROLINA PUBLIC SERVICE AUTHORITY ("Principal"), a public power system owned by the State of South Carolina, and SOUTH CAROLINA ELECTRIC & GAS COMPANY ("Agent"), a corporation duly organized under the laws of the State of South Carolina, (Principal and Agent may be referred to individually as a "Party" and collectively as the "Parties"). Capitalized terms not defined herein, shall have the meaning given to them under the Limited Authorization (defined below).

WHEREAS, Principal and Agent are collaborating jointly in the financing, design, construction, operation, and decommissioning of a new advanced design light water nuclear-powered electric generating facility (the "Project");

WHEREAS, in connection with the Project, the Parties are presently negotiating the terms and conditions of an Engineering, Procurement and Construction Agreement (the "EPC Agreement") with a consortium consisting of Westinghouse Electric Company LLC ("Westinghouse") and Stone & Webster, Inc. (together with Westinghouse, "Contractor");

WHEREAS, in connection with the Project, Agent, on behalf of itself and Principal, wish to enter into a Limited Authorization to Proceed with Contractor (the "Limited Authorization") under which the Contractor shall place orders for certain long lead Equipment and perform the necessary engineering and design to place such orders (as defined in the Limited Authorization) necessary for the Project, a copy of which is attached hereto as Exhibit A; and

WHEREAS, the rights and obligations of the Parties to each other in connection with the Project is governed by that certain Bridge Agreement between Principal and Agent, dated October 30, 2006, and as further amended from time to time (the "Bridge Agreement");

WHEREAS, Sections 6.1 and 8.3 of the Bridge Agreement contemplate that the Parties may enter into one or more limited agency agreements in connection with certain Project-related third party agreements; and

WHEREAS, Principal and Agent desire to enter into such a limited agency agreement and Principal wishes to appoint Agent to act as agent on Principal's behalf in connection with the negotiation, execution and performance of the Limited Authorization, subject to certain limitations set forth herein, and Agent is willing to accept such limited agency appointment;

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Limited Agency Appointment. Pursuant to the terms of this Agreement and subject to the limitations set forth in Paragraph 2 of this Agreement, Principal hereby appoints and grants a limited agency authorization to Agent, and Agent hereby accepts such limited agency appointment and agrees to act on behalf of the Principal, with regard to the execution and performance of the Limited Authorization.

2. Limitations on Agency Appointment. Agent's authorization to act on behalf of Principal with respect to the Limited Authorization shall be limited to the execution and performance of the obligations of the Parties and enforcement of the rights of the Parties under the Limited Authorization. Agent may not terminate or cancel the Limited Authorization without the written consent of Principal.

3. Waiver of Certain Bridge Agreement Terms. For purposes of this Agreement, each of the Parties agrees to waive Section 2.2(b)(3) of the Bridge Agreement such that Principal shall, in the event of a termination by Principal but not of Agent as described in Paragraph 4(a) herein, recover 100 percent of any and all amounts paid by Principal to Agent for Equipment from the date of this Agreement through the period of time described in Paragraph 4(a). In such event, Agent shall have a period of one hundred eighty (180) days to refund the amounts referenced herein. Should Agent also terminate its participation in the Project, Agent shall provide such reimbursement within fifteen (15) days of its receipt of the amounts from Contractor.

4. Term and Termination.

(a) This Agreement shall remain in full force and effect beginning on the first date specified above and continuing thereafter until the earlier of: (i) the date of a Limited Agency Agreement between the Parties defining Agent's authority to implement the EPC Agreement, which supersedes this Agreement, (ii) the termination or cancellation of the Limited Authorization; or (iii) the termination by either Party of its participation in the Project, with or without cause; *provided, however*, that the terminating Party must provide the non-terminating Party with written notice at least forty-eight (48) hours prior to its intent to terminate its participation in the Project; *further provided, however*, that Principal shall not exercise its right to terminate its participation in the Project prior to May 31, 2008.

(b) If, after May 31, 2008, Principal terminates its participation in the Project, Agent shall have one hundred eighty (180) days to reimburse Principal for any and all amounts paid by Principal to Agent for Equipment from the date of this Agreement through the date of such termination. Should Agent also terminate its participation in the Project, Agent shall provide such reimbursement within fifteen (15) days of its receipt of the amounts from Contractor.

(c) The rights and obligations of the Parties for indemnification for acts or omissions occurring prior to the termination shall survive any termination of this Agreement.

(d) Agent's obligations under any third party agreements entered into prior to the termination of this Agreement would survive such termination and remain binding on Agent.

5. Representations and Warranties.

Each Party represents and warrants to the other Party that, as of the date first stated above:

(a) It is duly organized, validly existing and in good standing under the applicable laws of the jurisdiction of its organization and is qualified to do business in all jurisdictions necessary to perform this Agreement;

(b) It has the power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement and has taken all necessary corporate and/or other actions to authorize such execution, delivery and performance;

(c) The execution, delivery and performance of its obligations under this Agreement does not violate or conflict with: (i) any laws applicable to it; (ii) any provision of its charter or by-laws or comparable organizational documents; (iii) any order or judgment of any court of governmental authority applicable to it or any of its assets; or (iv) any contractual restriction binding on or affecting it or any of its assets;

(d) This Agreement has been duly executed and delivered by the Party and constitutes its legal, valid, and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law); and

(e) Except as otherwise permitted herein, it has neither initiated nor received written notice of any pending action, proceeding, or investigation, nor to its knowledge is any such action, proceeding, or investigation threatened (or any basis therefore known to it), which questions the validity of this Agreement, or which would materially or adversely affect its rights or obligations under this Agreement.

6. Funding and Audit Rights.

(a) The Parties shall fund the costs of the Equipment purchased by Contractor under the Limited Authorization in accordance with the Parties' respective percentage ownership interests described in Section 3.1(a) of the Bridge Agreement; *provided, however*, that in no event shall Agent commit Principal to an amount exceeding \$31.5 million. Exhibit A of the Bridge Agreement shall be deemed to include any and all amounts paid by Principal to Agent pursuant to this Agreement.

(b) Audits rights in connection with this Agreement shall be handled in accordance with Section 5.3 of the Bridge Agreement.

7. Access to Information. Agent shall make available to Principal all documentation related to the Limited Authorization and the actions of Contractor thereunder, including without limitation, copies of the Vendor Purchase Orders, which can be done by providing original documents, or copies of documents or allowing Principal's representatives to review the relevant files and business records as kept in the ordinary course of business at the Agent's offices or with

another representative of the Agent.

8. Indemnity.

(a) Agent agrees to indemnify, defend and hold harmless the Principal, its affiliates and any of their members, officers, directors and employees, agents and representatives against and in respect of all claims, liabilities, obligations, judgments, liens, injunctions, charges, orders, decrees, rulings, damages, dues, assessments, taxes, losses, fines, penalties, damages, expenses, fees, costs and amounts paid in settlement (including reasonable attorneys' fees, expert witness fees and disbursements in connection with investigating, defending or settling any action or threatened action), arising out of any claim, complaint, demand, cause of action, action, suit or other proceeding asserted or initiated or otherwise existing in respect of any matter (collectively, the "Losses") arising out of Agent's activities undertaken on behalf of Principal under this Agreement; *provided* that Principal shall be liable, and shall not be indemnified by Agent, for any Losses directly resulting from the untruth, inaccuracy or incompleteness of any representation or warranty made expressly by Principal in this Agreement, and Principal shall indemnify Agent, its affiliates and any of their officers, directors and employees, agents and representatives, for Losses that result from any such breach by Principal.

(b) Principal agrees to indemnify, defend and hold harmless the Agent, its affiliates and any of their members, officers, directors and employees, agents and representatives against and in respect of all claims, liabilities, obligations, judgments, liens, injunctions, charges, orders, decrees, rulings, damages, dues, assessments, taxes, losses, fines, penalties, damages, expenses, fees, costs and amounts paid in settlement (including reasonable attorneys' fees, expert witness fees and disbursements in connection with investigating, defending or settling any action or threatened action), arising out of any claim, complaint, demand, cause of action, action, suit or other proceeding asserted or initiated or otherwise existing in respect of any matter (collectively, the "Losses") arising out of Principal's activities under this Agreement; *provided* that Agent shall be liable, and shall not be indemnified by Principal, for any Losses directly resulting from the untruth, inaccuracy or incompleteness of any representation or warranty made expressly by Agent in this Agreement, and Agent shall indemnify Principal, its affiliates and any of their officers, directors and employees, agents and representatives, for Losses that result from any such breach by Agent.

9. Specific Performance. Each of the Parties acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the Parties and the matter in addition to any other remedy to which it may be entitled, at law or in equity.

10. Waivers. No waiver by either Principal or Agent of the performance of any obligation under this Agreement, or with respect to any default or any other matter arising in connection

with this Agreement, shall be deemed a waiver with respect to any subsequent performance, default or matter, whether of a like or different character.

11. Notices. Any notice, demand or request relative to this Agreement to be given to any of the Principal, or the Agent shall be in writing, and shall be delivered by U. S. mail, facsimile or hand delivery to the authorized representative of the Principal or Agent at the address specified below, or a successor designated in any notice given pursuant to this paragraph.

If to the Agent:

South Carolina Electric & Gas Company
Attention: President
Mail Code 190
Columbia, SC 29218
Facsimile: (803) 217-9336

If to the Principal:

South Carolina Public Service Authority
Attention: President and Chief Executive Officer
One Riverwood Drive
Moncks Corner, SC 29461
Facsimile: (843) 761-7037

12. Miscellaneous.

(a) Entire Agreement. This Agreement embodies the entire understanding and agreement among the Parties pertaining to the subject matter hereof and supersedes any and all prior negotiations, understandings or agreements with respect thereto.

(b) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same document.

(c) Assignment. No party to this Agreement shall assign any of its rights or obligations under this Agreement without first receiving the written consent of all other parties, which consent shall not be unreasonably withheld.

(d) No Third Party Beneficiaries. This Agreement is binding upon and intended solely for the benefit of the parties hereto and their respective successors and permitted assigns and, unless expressly stated herein, is not intended to and shall not confer any rights or benefits to any third party (other than successors and permitted assigns) not a signatory hereto.

(e) Amendment. Neither this Agreement nor any terms hereof may be changed, waived, discharged or terminated except by an instrument in writing signed by each of the parties hereto.

(f) Headings. The headings in this Agreement are for convenience of reference only and shall not be defined or limit the terms hereof.

(g) Governing Law. This Agreement and all questions with respect to the rights and obligations of the Parties and the construction, enforcement and interpretation hereof shall be governed by the laws of the State of South Carolina, without reference to the choice of law principles that require application of the laws of a different jurisdiction.

(h) Jurisdiction. Any dispute arising from this Agreement shall be subject to the jurisdiction of the courts in South Carolina.

(i) Severability. Any provision of this Agreement this prohibited or unenforceable in any jurisdiction, as to that jurisdiction, shall be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction.

(j) Good Faith Covenant. The Parties agree that their actions and dealings with each other shall be subject to an express covenant of good faith and fair dealing and that each Party shall act in a commercially reasonable manner in fulfilling its obligations under this Agreement.

(k) Confidentiality. The Parties acknowledge and agree that this Agreement is subject to the Confidentiality Agreement between the Parties dated as of June 8, 2006.

13. Clarification of Refund Obligations.

(a) If Principal terminates its participation in the Project and Agent elects to continue its participation in the Project, Principal shall recover 100 percent of any and all amounts paid by Principal to Agent for Equipment and Agent shall have one hundred eighty (180) days to refund such amount to Principal from the date of Principal's written notice to terminate its participation in the Project under Paragraph 4(b) herein.

(b) If Agent also terminates its participation in the Project within one hundred eighty (180) days from the date of Principal's written notice to terminate its participation in the Project under Paragraph 4(b) herein, any obligation of Agent to refund amounts paid by Principal shall be limited to the repayment by Agent to Principal of Principal's pro-rata share of amounts that Agent actually collects from Contractor. In no event shall Agent have any obligation to repay Principal any amount in excess of Principal's pro-rata share of amounts which Agent actually collects from Contractor, regardless of the amount of any payment by Principal hereunder.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties hereto, each acting through its respective duly authorized representative, have executed this Agreement, made as of the date first above written.


SOUTH CAROLINA PUBLIC SERVICE AUTHORITY



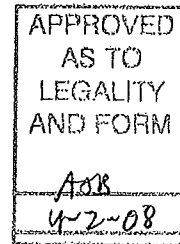
By:
Title:



SOUTH CAROLINA ELECTRIC & GAS COMPANY



By:
Title:



Attachment A

LIMITED AUTHORIZATION TO PROCEED

Among

SOUTH CAROLINA ELECTRIC & GAS COMPANY
Mail Code 190
Columbia, SC 29218
("Owner")

and

WESTINGHOUSE ELECTRIC COMPANY LLC
4350 Northern Pike
Monroeville, PA 15146
("Westinghouse")

and

STONE & WEBSTER, INC.
128 S. Tryon Street
Charlotte, NC 28202
("S&W")

Effective Date: March 31, 2008

Owner, Westinghouse and S&W (Westinghouse and S&W to be referred to herein as "Contractor") are presently negotiating the terms of a formal "ENGINEERING, PROCUREMENT, AND CONSTRUCTION AGREEMENT" (the "Agreement") for one or two new pressurized water nuclear power plants (referred to as "AP1000 Nuclear Power Plant(s)") proposed to be built at Owner's V.C. Summer Station near Jenkinsville, South Carolina (the "Facility").

1. Contractor has advised Owner that in order to meet Owner's desired completion date for the Facility, and due to the manufacturing schedules for certain equipment (the "Equipment") for the Facility, Owner must authorize Contractor to place orders for such Equipment immediately. The Equipment is more fully described in Attachment A hereto. Owner hereby authorizes Contractor, and Contractor agrees, to proceed with the ordering of the Equipment pursuant to this Limited Authorization to Proceed (this "Limited Authorization"). It is anticipated that Contractor will issue its own purchase orders ("Vendor Purchase Orders") to the vendor(s) (each a "Vendor") of the Equipment, and that Owner will be provided with copies of Vendor invoices detailing (i) the specific long lead material covered, (ii) the amount due to Vendor in connection therewith and (iii) the

LIMITED AUTHORIZATION TO PROCEED

03/31/2008

due date for such payments in order to verify the application of Owner's payments to Contractor hereunder and validate the Equipment assignment for Owner.

2. Within 15 days of the date of this Limited Authorization, Owner shall pay to Contractor the amount of \$70,000,000 (the "Long Lead Material Payment") as a lump sum payment, which shall be used by Contractor exclusively for the purpose of placing the Vendor Purchase Orders including Westinghouse labor for order placement for long lead time material. Owner shall have no obligation to pay any additional amounts to Contractor under this Limited Authorization.

3. The parties hereto will continue to negotiate the terms of the Agreement in good faith and will endeavor to conclude and sign the Agreement on or before May 31, 2008. As provided in a letter APC/VSG0015 from Westinghouse to Owner dated March 20, 2008 and amended in a letter APC/VSG0016 from Westinghouse and S&W to Owner dated March 31, 2008, the pricing for the Facility is agreed to be \$6,366,900,000 or \$2850 per KW, which includes a first mover discount, provided that certain conditions as set forth in said letter are met. The parties will use as the starting point for their negotiations the draft of the Agreement with a draft date of October 15, 2007. It is recognized that there are provisions in the draft Agreement and its attachments that remain to be agreed by the parties. Neither party is obligated to enter into the Agreement or any other definitive agreement, any such agreement being subject in all respects to a party's satisfaction with the terms thereof and the approval of its board of directors or equivalent governing body. It is understood that neither party has any liability to the other party for failure to enter into the Agreement or any other agreement (with the exception of the payment obligations under Paragraph 4.c. of this Limited Authorization).

4. This Limited Authorization is subject to the following provisions:

a. Contractor warrants and represents that it shall in good faith fully and promptly perform and observe all of the agreements, terms, covenants and conditions required to be performed and observed by Contractor under any material provision of a Vendor Purchase Order.

b. Upon Contractor's receipt of the first payment from Owner for the purpose of procuring Equipment, Contractor shall reserve the Equipment and the reservation dates agreed with the vendors for such Equipment for Owner and will not change the reservation date agreed with the vendor without Owner's prior written consent.

c. Owner may terminate this Limited Authorization upon seven (7) days' prior written notice to Contractor in the event that it has decided not to enter into the Agreement. Contractor shall reimburse Owner for all payments made by Owner to Contractor under this Limited Authorization within thirty (30) days of the date of the effective date of any termination. Contractor retains ownership of the rights in the Equipment at all times under this Limited Authorization and until the time that title

LIMITED AUTHORIZATION TO PROCEED

03/31/2008

transfers under the Agreement (if executed). Upon termination of this Limited Authorization, Owner has no rights in the Equipment or any further obligations under this Limited Authorization.

d. Upon execution of the Agreement this Limited Authorization shall terminate and all payments made under this Limited Authorization will be deemed as having been paid under the Agreement.

5. The parties acknowledge and agree that the Agreement will provide that upon any termination of the Agreement within the ten (10) month period immediately following its effective date, Contractor shall pay to Owner, within thirty (30) days following the date of termination, an amount equal to the Long Lead Material Payment. Moreover, if during the ten (10) month period immediately following the Agreement's effective date, Owner terminates the Agreement solely due to the failure of the South Carolina Public Service Commission to approve SCANA's Base Load Review Filing, Contractor shall pay to Owner an amount (in addition to the payment contemplated in the prior sentence) (the "Additional Amount") equal to (i) the aggregate payments made by Owner for the Equipment identified in Attachment A to this letter as of the date of termination minus (ii) the Long Lead Material Payment. Payments of the Additional Amount will be made in three equal installments at intervals of 12 months, 24 months and 36 months following the date of termination.

6. Owner authorizes the continuation of all S&W activities under Phase 1A/Phase 1 scheduled to be performed prior to the Agreement, which activities will continue to be funded and performed under separate agreements between Owner and S&W.

7. No Party shall be liable for any consequential, indirect, incidental, special or punitive damages, including, without limitation, loss of profits or revenues, whether arising in contract, tort (including, without limitation, negligence or strict liability), or under any other theory. Contractor's liability under this Limited Authorization is limited in all events to its obligation to reimburse the payments made by Owner as provided in paragraph 4.c. above.

LIMITED AUTHORIZATION TO PROCEED

03/31/2008

WESTINGHOUSE ELECTRIC COMPANY LLC

By: *Daniel S Lipman*

Name: DANIEL S LIPMAN

Title: Sr Vice-President

STONE & WEBSTER, INC.

By: *D.P. Barry*

Name: D.P. BARRY

Title: PRESIDENT

SOUTH CAROLINA ELECTRIC & GAS COMPANY

By: *William B. Timmerman*
William B. Timmerman
Chairman and Chief Executive Officer

By: *Kevin B. Marsh*
Kevin B. Marsh
President

APPROVED
AS TO
LEGACITY
AND FORM

ASB
3-31-08

Limited Authorization to Proceed

Attachment A

SCANA First 3 Months

Unit 2	Apr/2008	Total	Component Cost
	Cost	Cost	Cost
U1NCNS_MV01	\$8,525,000	\$8,525,000	85,250,000
U1NFXS_ME01	\$246,870	\$246,870	4,937,401
U1NFXS_MT01A	\$479,050	\$479,050	2,395,250
U1NFXS_MT01B	\$479,050	\$479,050	2,395,250
U1NFXS_MT02A	\$818,550	\$818,550	4,092,750
U1NFXS_MT02B	\$818,550	\$818,550	4,092,750
U1NFXS_PLV118A	\$611,094	\$611,094	12,221,873
U1RRCS_MB01	\$6,177,618	\$6,177,618	82,368,236
U1RRCS_MP01A	\$6,680,000	\$6,680,000	66,800,000
U1RRCS_MV02	\$308,000	\$308,000	6,160,000
U1RRCS_PL001A	\$2,725,000	\$2,725,000	17,250,000
U1RRXS_M100	\$3,522,991	\$3,522,991	23,486,608
U1RRXS_MV01	\$1,212,714	\$1,212,714	24,254,271
U1RRXS_MV10	\$875,000	\$875,000	9,000,000
U1RRXS_MV11	\$677,450	\$677,450	13,549,000
U1X1206_CA20	\$2,500,000	\$2,500,000	50,000,000
Labor	\$199,288	\$199,288	
Total Cost:	\$36,656,224	\$36,656,224	

Unit 3	Apr/2008	Total	Component Cost
	Cost	Cost	Cost
U2NCNS_MV01	\$7,672,500	\$7,672,500	85,250,000
U2NFXS_ME01	\$246,870	\$246,870	4,937,401
U2NFXS_MT01A	\$479,050	\$479,050	2,395,250
U2NFXS_MT01B	\$479,050	\$479,050	2,395,250
U2NFXS_MT02A	\$818,550	\$818,550	4,092,750
U2NFXS_MT02B	\$818,550	\$818,550	4,092,750
U2NFXS_PLV118A	\$611,094	\$611,094	12,221,873
U2RRCS_MB01	\$6,177,618	\$6,177,618	82,368,236
U2RRCS_MP01A	\$6,680,000	\$6,680,000	66,800,000
U2RRCS_MV02	\$308,000	\$308,000	6,160,000
U2RRCS_PL1001A	\$2,725,000	\$2,725,000	17,250,000
U2RRXS_M100	\$0	\$0	23,486,608
U2RRXS_MV01	\$1,212,714	\$1,212,714	24,254,271
U2RRXS_MV10	\$675,000	\$675,000	9,000,000
U2RRXS_MV11	\$677,450	\$677,450	13,549,000
U2X1206_CA20	\$2,500,000	\$2,500,000	50,000,000
Total Cost:	\$32,081,445	\$32,081,445	

No fee for these payments added to account for SGA and fee
SGA and fee will be accounted for in the Agreement true-up

No escalation	Total Cost	\$68,737,669
	Fixed	\$ 28,790,481
	0% \$	
	Total Fixed	\$ 28,790,481
	Firm	\$ 39,947,188
	0% \$	
	Total Firm	\$ 39,947,188
Subject to escalation		
Preliminary Escalation on firm price from Nov 2007 @ 7.5% per year 0.625% per month for 5, 6, and 7 months		3.16%
		\$ 1,262,331
	Firm w/Escal	\$ 41,209,519
	Total Invoice	\$ 70,000,000
		\$ 70,000,000

Westinghouse Proprietary Class 2

Execution Version

Confidential Trade Secret Information—Subject to Restricted Procedures

LIMITED AGENCY AGREEMENT

THIS LIMITED AGENCY AGREEMENT ("Agreement"), dated as of May 23, 2008, is entered into by and between SOUTH CAROLINA PUBLIC SERVICE AUTHORITY ("Principal"), a public power system owned by the State of South Carolina, and SOUTH CAROLINA ELECTRIC & GAS COMPANY ("Agent"), a corporation duly organized under the laws of the State of South Carolina, (Principal and Agent may be referred to individually as a "Party" and collectively as the "Parties").

WHEREAS, Principal and Agent wish to collaborate jointly in the financing, design, construction, operation, and decommissioning of a new advanced design light water nuclear-powered electric generating facility (the "Project");

WHEREAS, in connection with the Project, the Parties intend to enter into a Permanent Design and Construction Agreement and a Permanent Operating and Decommissioning Agreement that shall set forth the terms and conditions that shall govern the Parties' participation in the Project; and

WHEREAS, until such time as the Permanent Design and Construction Agreement and Permanent Operating and Decommissioning Agreement are negotiated, executed and delivered by the Parties, the rights and obligations of the Parties to each other in connection with the Project shall be governed by that certain Bridge Agreement between Principal and Agent, dated October 30, 2006, and as further amended from time to time (the "Bridge Agreement");

WHEREAS, Sections 6.1 and 8.3 of the Bridge Agreement contemplate that the Parties may enter into one or more limited agency agreements in connection with certain Project-related third party agreements, including but not limited to the Engineering, Procurement and Construction Agreement (the "EPC Contract") for up to two AP1000 nuclear power plant with Westinghouse Electric Company LLC and Stone & Webster, Inc. (collectively, "Westinghouse"), attached hereto as Exhibit A; and

WHEREAS, Principal and Agent desire to enter into such a limited agency agreement and Principal wishes to appoint Agent to act as agent on Principal's behalf in connection with the negotiation, execution and performance of the EPC Contract, subject to certain limitations set forth herein, and Agent is willing to accept such limited agency appointment;

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Limited Agency Appointment. Pursuant to the terms of this Agreement and subject to the limitations set forth in Paragraph 2 of this Agreement, Principal hereby appoints and grants a limited agency authorization to Agent, and Agent hereby accepts such limited agency appointment

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and agrees to act on behalf of the Principal, with regard to the negotiation, execution and performance of the EPC Contract.

2. Limitations on Agency Appointment. Agent's authorization to act on behalf of Principal with respect to the EPC Contract shall be limited to the negotiation, execution and performance of the obligations of the Owner (as such term is defined in the EPC Contract) and enforcement of the rights of such Owner under the EPC Contract; *provided, however*, that Agent shall not, without the prior written consent of Principal, which consent may be withheld in Principal's sole discretion, do or permit to be done any of the following:

	Agency Limitation	EPC Contract Section Reference
(a)	Agree upon a definitive contract price	N/A
(b)	Execute the EPC Contract	N/A
(c)	Issue a Full Notice to Proceed	3.2(b)
(d)	Terminate Second Unit	3.3(b)
(e)	With respect to any Major Subcontract under Section 3.7, Agent shall not (i) participate in any claim, action or proceeding; (ii) cure any default; (iii) consent to termination, assignment or modification; or (iv) assume or enter into any Major Subcontract in the event of Contractor's bankruptcy or insolvency	3.7
(f)	Substantial Completion	8.2
(g)	Approve payment of Final Payment	8.3
(h)	Approve substitute form of security or lower bond amount for Stone & Webster and/or Westinghouse	8.6(b) and 8.6(c)
(i)	Agree to any Change Order that increases the overall costs incurred under the EPC Contract by \$1M or more, or along with all prior Change Orders issued under the EPC extends the Project Schedule for 3 months or more beyond the Substantial Completion Date.	9.2, 9.4
(j)	Suspend the EPC Contract for Owner's Convenience	22.1

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(k)	Terminate the EPC Contract for Cause	22.2
(l)	Elect to take over the Project upon Owner's Termination for Cause	22.2(c)
(m)	Terminate the EPC Contract for Owner's Convenience	22.3
(n)	Terminate for failure to obtain regulatory approvals	22.4
(o)	File a Claim, initiate the dispute resolution process, or initiate or defend a lawsuit involving a third party in connection with the EPC Contract	27
(p)	Consent to entry of any judgment or award in a disputed matter in connection with the EPC Contract or enter into any settlement or compromise of a dispute in connection with the EPC Contract	N/A
(q)	Consent to an assignment of the EPC Contract	29
(r)	Materially amend, modify or supplement the EPC Contract	31

3. Term and Termination.

(a) This Agreement shall remain in full force and effect beginning on the first date specified above and continuing thereafter until February 1, 2019, unless renewed by the Parties in writing on a year-to-year basis no less than thirty (30) days prior to the expiration of the initial term or any subsequent renewal term, or upon the occurrence of one of the following: (i) the Project begins commercial operations; (ii) the Principal or Agent terminate their participation in the Project, with or without cause; *provided, however*, that each Party must provide to the other Party written notice at least sixty (60) days prior to any such abandonment of the Project and, in the event that the Project is abandoned by one Party but not the other, the abandoning Party shall use commercially reasonable efforts to facilitate the transfer of its obligations hereunder to the other Party or to any other entity designated or appointed by the other Party to assume the abandoning Party's obligations hereunder; or (iii) by written mutual agreement of the Parties.

(b) The rights and obligations of the Parties for indemnification for acts or omissions occurring prior to the termination shall survive any termination of this Agreement.

(c) Agent's obligations under any third party agreements entered into prior to the termination of this Agreement would survive such termination and remain binding on Agent.

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4. Representations and Warranties. Each Party represents and warrants to the other Party that, as of the date first stated above:

(a) It is duly organized, validly existing and in good standing under the applicable laws of the jurisdiction of its organization and is qualified to do business in all jurisdictions necessary to perform this Agreement;

(b) It has the power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement and has taken all necessary corporate and/or other actions to authorize such execution, delivery and performance;

(c) Its execution and delivery and performance of its obligations under this Agreement do not violate or conflict with: (i) any laws applicable to it; (ii) any provision of its charter or by-laws or comparable constituent documents Agreement; (iii) any order or judgment of any court of governmental authority applicable to it or any of its assets; or (iv) any contractual restriction binding on or affecting it or any of its assets;

(d) This Agreement has been duly executed and delivered by the Party and constitutes its legal, valid, and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law); and

(e) Except as otherwise permitted herein, it has neither initiated nor received written notice of any pending action, proceeding, or investigation, nor to its knowledge is any such action, proceeding, or investigation threatened (or any basis therefore known to it), which questions the validity of this Agreement, or which would materially or adversely affect its rights or obligations under this Agreement.

5. Expenses and Audit Rights. Expenses of the Parties and audits rights in connection with this Agreement (including without limitation, funding required under the EPC Contract) shall be handled in accordance with Article V of the Bridge Agreement.

6. Access to Information; Reporting Obligations.

(a) No less frequently than monthly (or more frequently as circumstances reasonably warrant), Agent, to the best of its knowledge, shall inform Principal of the status of the Project, including but not limited to any activities or decisions that the Agent has made or expects to make with regard to the EPC Contract. Further, as provided in Section 4.2(a) of the Bridge Agreement, Agent and Principal shall hold periodic meetings with (1) the Executive Steering Committee at the request of either member of the Executive Steering Committee and (2) other Project employees and contractors as either Party deems appropriate or at the request of either member of the Executive Steering Committee.

(b) Agent will make available to Principal all documentation related to the Project, which can be done by providing original documents, providing copies of documents or allowing

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Principal's representatives to review the relevant files and business records as kept in the ordinary course of business at the Agent's offices or with another representative of the Agent. Agent shall also make its personnel available to Principal for consultation.

(c) Principal shall provide Agent access to information in its possession reasonably necessary for Agent to perform its obligations under this Agreement; *provided, however*, that Principal may restrict access to information to the extent that it is subject to third party confidentiality restrictions and Principal has been unsuccessful in having such restrictions waived.

7. Indemnity.

(a) Agent agrees to indemnify, defend and hold harmless the Principal, its affiliates and any of their members, officers, directors and employees, agents and representatives against and in respect of all claims, liabilities, obligations, judgments, liens, injunctions, charges, orders, decrees, rulings, damages, dues, assessments, taxes, losses, fines, penalties, damages, expenses, fees, costs and amounts paid in settlement (including reasonable attorneys' fees, expert witness fees and disbursements in connection with investigating, defending or settling any action or threatened action), arising out of any claim, complaint, demand, cause of action, action, suit or other proceeding asserted or initiated or otherwise existing in respect of any matter (collectively, the "Losses") arising out of Agent's activities undertaken on behalf of Principal under this Agreement; *provided* that Principal shall be liable, and shall not be indemnified by Agent, for any Losses directly resulting from the untruth, inaccuracy or incompleteness of any representation or warranty made expressly by Principal in this Agreement, and Principal shall indemnify Agent, its affiliates and any of their officers, directors and employees, agents and representatives, for Losses that result from any such breach by Principal.

(b) Principal agrees to indemnify, defend and hold harmless the Agent, its affiliates and any of their members, officers, directors and employees, agents and representatives against and in respect of all claims, liabilities, obligations, judgments, liens, injunctions, charges, orders, decrees, rulings, damages, dues, assessments, taxes, losses, fines, penalties, damages, expenses, fees, costs and amounts paid in settlement (including reasonable attorneys' fees, expert witness fees and disbursements in connection with investigating, defending or settling any action or threatened action), arising out of any claim, complaint, demand, cause of action, action, suit or other proceeding asserted or initiated or otherwise existing in respect of any matter (collectively, the "Losses") arising out of Principal's activities under this Agreement; *provided* that Agent shall be liable, and shall not be indemnified by Principal, for any Losses directly resulting from the untruth, inaccuracy or incompleteness of any representation or warranty made expressly by Agent in this Agreement, and Agent shall indemnify Principal, its affiliates and any of their officers, directors and employees, agents and representatives, for Losses that result from any such breach by Agent.

8. Specific Performance. Each of the Parties acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state

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Execution Version

Confidential Trade Secret Information—Subject to Restricted Procedures

thereof having jurisdiction over the Parties and the matter in addition to any other remedy to which it may be entitled, at law or in equity.

9. Waivers. No waiver by either Principal or Agent of the performance of any obligation under this Agreement, or with respect to any default or any other matter arising in connection with this Agreement, shall be deemed a waiver with respect to any subsequent performance, default or matter, whether of a like or different character.

10. Notices. Any notice, demand or request relative to this Agreement to be given to any of the Principal, or the Agent shall be in writing, and shall be delivered by U. S. mail, facsimile or hand delivery to the authorized representative of the Principal or Agent at the address specified below, or a successor designated in any notice given pursuant to this paragraph.

If to the Agent:

South Carolina Electric & Gas Company
Attention: President
Mail Code 190
Columbia, SC 29218
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If to the Principal:

South Carolina Public Service Authority
Attention: President and Chief Executive Officer
One Riverwood Drive
Moncks Corner, SC 29461
Facsimile: (843) 761-7037

11. Miscellaneous.

(a) Entire Agreement. This Agreement embodies the entire understanding and agreement among the Parties pertaining to the subject matter hereof and supersedes any and all prior negotiations, understandings or agreements with respect thereto.

(b) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same document.

(c) Assignment. No party to this Agreement shall assign any of its rights or obligations under this Agreement without first receiving the written consent of all other parties, which consent shall not be unreasonably withheld.

(d) No Third Party Beneficiaries. This Agreement is binding upon and intended solely for the benefit of the parties hereto and their respective successors and permitted assigns and, unless expressly stated herein, is not intended to and shall not confer any rights or benefits to any third party (other than successors and permitted assigns) not a signatory hereto.

Execution Version

Confidential Trade Secret Information—Subject to Restricted Procedures

(e) Amendment. Neither this Agreement nor any terms hereof may be changed, waived, discharged or terminated except by an instrument in writing signed by each of the parties hereto.

(f) Headings. The headings in this Agreement are for convenience of reference only and shall not be defined or limit the terms hereof.

(g) Governing Law. This Agreement and all questions with respect to the rights and obligations of the Parties and the construction, enforcement and interpretation hereof shall be governed by the laws of the State of South Carolina, without reference to the choice of law principles that require application of the laws of a different jurisdiction.

(h) Jurisdiction. Any dispute arising from this Agreement shall be subject to the jurisdiction of the courts in South Carolina.

(i) Severability. Any provision of this Agreement this prohibited or unenforceable in any jurisdiction, as to that jurisdiction, shall be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction.

(j) Good Faith Covenant. The Parties agree that their actions and dealings with each other shall be subject to an express covenant of good faith and fair dealing and that each Party shall act in a commercially reasonable manner in fulfilling its obligations under this Agreement.

(k) Confidentiality. The Parties acknowledge and agree that this Agreement is subject to the Confidentiality Agreement between the Parties dated as of June 8, 2006.

Exhibits

A

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Exemption Version

Confidential Trade Secret Information—Subject to Restricted Procedures

IN WITNESS WHEREOF, the Parties hereto, each acting through its respective duly authorized representative, have executed this Agreement, made as of the date first above written.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: *James H. ...*

Title:

SOUTH CAROLINA ELECTRIC & GAS COMPANY

By: *William B. Timmerman*

Title: Chairman and CEO

LIMITED AGENCY AGREEMENT

THIS LIMITED AGENCY AGREEMENT ("Agreement"), dated as of June 30, 2009, is entered into by and between SOUTH CAROLINA PUBLIC SERVICE AUTHORITY ("Principal"), a public power system owned by the State of South Carolina, and SOUTH CAROLINA ELECTRIC & GAS COMPANY ("Agent"), a corporation duly organized under the laws of the State of South Carolina, (Principal and Agent may be referred to individually as a "Party" and collectively as the "Parties").

WHEREAS, the Parties jointly own an existing nuclear generating facility known as V.C. Summer Unit No. 1 and are jointly collaborating in the financing, design, licensing, construction, operation, and decommissioning of two new advanced design nuclear-powered electric generating facilities to be known as V.C. Summer Units Nos. 2 and 3 (collectively the "Project");

WHEREAS, in connection with proposed V.C. Summer Units Nos. 2 and 3, the Parties intend to enter into a Permanent Design and Construction Agreement and a Permanent Operating and Decommissioning Agreement that shall set forth the terms and conditions that shall govern the Parties' participation in the Project; until such time as the Permanent Design and Construction Agreement and Permanent Operating and Decommissioning Agreement are negotiated, executed and delivered by the Parties, the rights and obligations of the Parties to each other in connection with V.C. Summer Units Nos. 2 and 3 shall be governed by that certain Amended and Restated Bridge Agreement between the Parties, dated as of May 23, 2008;

WHEREAS, the rights and obligations of the Parties to each other in connection with V.C. Summer Unit No. 1 is governed by that certain Joint Ownership Agreement between the Parties, dated as of October 18, 1973, as that agreement has been amended;

WHEREAS, Sections 6.1 and 8.3 of the Amended and Bridge Agreement contemplate that the Parties may enter into one or more limited agency agreements in connection with certain Project-related third party agreements, including but not limited to the Alliance Agreement for the collaborative planning and performance of plan services for the two new units (along with the existing nuclear unit) with Westinghouse Electric Company LLC and Stone & Webster, Inc. (collectively, "Alliance Suppliers"), attached hereto as Exhibit A ("Alliance Agreement"); and

WHEREAS, Principal and Agent desire to enter into such a limited agency agreement and Principal wishes to appoint Agent to act as agent on Principal's behalf in connection with the negotiation, execution and performance of the Alliance Agreement, subject to certain limitations set forth herein, and Agent is willing to accept such limited agency appointment;

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Limited Agency Appointment. Pursuant to the terms of this Agreement and subject to the limitations set forth in Paragraph 2 of this Agreement, Principal hereby appoints and grants a limited agency authorization to Agent, and Agent hereby accepts such limited agency appointment and agrees to act on behalf of the Principal, with regard to the negotiation, execution and performance of the Alliance Agreement.

2. Limitations on Agency Appointment. Agent's authorization to act on behalf of Principal with respect to the Alliance Agreement shall be limited to the negotiation, execution and performance of the obligations of the Client (as such term is defined in the Alliance Agreement) and enforcement of the rights of such Client under the Alliance Agreement; *provided, however,* that Agent shall not, without the prior written consent of Principal, which consent may be withheld in Principal's sole discretion, do or permit to be done any of the following:

	Agency Limitation	Alliance Agreement Section Reference
(a)	Execute the Alliance Agreement	N/A
(b)	Consent to entry of any judgment or award in a disputed matter in connection with the Alliance Agreement or enter into any settlement or compromise of a dispute in connection with the Alliance Agreement	N/A
(c)	Consent to an assignment of the Alliance Agreement	N/A
(d)	Consent to an amendment to the Alliance Agreement	N/A
(e)	Consent to appointment of Client's Alliance Director	3.2

3. Term and Termination.

(a) This Agreement shall remain in full force and effect beginning on the first date specified above and continuing thereafter for the term of the Alliance Agreement.

(b) The rights and obligations of the Parties for indemnification for acts or omissions occurring prior to the termination shall survive any termination of this Agreement.

(c) Agent's obligations under any third party agreements entered into prior to the termination of this Agreement would survive such termination and remain binding on Agent.

4. Representations and Warranties.

Each Party represents and warrants to the other Party that, as of the date first stated above:

(a) It is duly organized, validly existing and in good standing under the applicable laws of the jurisdiction of its organization and is qualified to do business in all jurisdictions necessary to perform this Agreement;

(b) It has the power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement and has taken all necessary corporate and/or other actions to authorize such execution, delivery and performance;

(c) Its execution and delivery and performance of its obligations under this Agreement do not violate or conflict with: (i) any laws applicable to it; (ii) any provision of its charter or by-laws or comparable constituent documents Agreement; (iii) any order or judgment of any court of governmental authority applicable to it or any of its assets; or (iv) any contractual restriction binding on or affecting it or any of its assets;

(d) This Agreement has been duly executed and delivered by the Party and constitutes its legal, valid, and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law); and

(e) Except as otherwise permitted herein, the Party has neither initiated nor received written notice of any pending action, proceeding, or investigation, nor to its knowledge is any such action, proceeding, or investigation threatened (or any basis therefore known to it), which questions the validity of this Agreement, or which would materially or adversely affect its rights or obligations under this Agreement.

5. Access to Information; Reporting Obligations.

(a) Principal acknowledges that it has been given a full and fair opportunity to participate in the negotiation of the Alliance Agreement and that it is fully satisfied with the terms thereof, as well as the performance of Agent in negotiating such Alliance Agreement.

(b) No less frequently than monthly (or more frequently as circumstances reasonably warrant), Agent, shall inform Principal of any significant activities or decisions that the Agent has made or expects to make with regard to the Alliance Agreement including the status of any Alliance planning process or Alliance work, the activities of any Planning Team or Special Team established pursuant to Section 3.3 or Section 5.7 of the Alliance Agreement, any and all project and plant wide metric determinations made pursuant to Section 5.6 of the Alliance Agreement, and the status and results of any audit or dispute that arises under the Alliance Agreement.

(c) Upon request, Agent will make available to Principal all documentation related to its administration of the Alliance Agreement including all work performed hereunder and activities of the Planning Teams established pursuant to Section 3.3 of the Alliance Agreement, which can be done by providing original documents, providing copies of documents or allowing Principal's representatives to review the relevant files and business records as kept in the ordinary course of business at the Agent's offices or with another representative of the Agent. Upon request, Agent shall also make its personnel available to Principal for consultation.

(d) Principal shall have the right upon request to participate in any discussion with potential Alliance suppliers.

6. Indemnity.

(a) Agent agrees to indemnify, defend and hold harmless the Principal, its affiliates and any of their members, officers, directors and employees, agents and representatives against and in respect of all claims, liabilities, obligations, judgments, liens, injunctions, charges, orders, decrees, rulings, damages, dues, assessments, taxes, losses, fines, penalties, damages, expenses, fees, costs and amounts paid in settlement (including reasonable attorneys' fees, expert witness fees and disbursements in connection with investigating, defending or settling any action or threatened action), arising out of any claim, complaint, demand, cause of action, action, suit or other proceeding asserted or initiated or otherwise existing in respect of any matter (collectively, the "Losses") arising out of Agent's activities undertaken on behalf of Principal under this Agreement; *provided* that Principal shall be liable, and shall not be indemnified by Agent, for any Losses directly resulting from the untruth, inaccuracy or incompleteness of any representation or warranty made expressly by Principal in this Agreement, and Principal shall indemnify Agent, its affiliates and any of their officers, directors and employees, agents and representatives, for Losses that result from any such breach by Principal.

(b) Principal agrees to indemnify, defend and hold harmless the Agent, its affiliates and any of their members, officers, directors and employees, agents and representatives against and in respect of all claims, liabilities, obligations, judgments, liens, injunctions, charges, orders, decrees, rulings, damages, dues, assessments, taxes, losses, fines, penalties, damages, expenses, fees, costs and amounts paid in settlement (including reasonable attorneys' fees, expert witness fees and disbursements in connection with investigating, defending or settling any action or threatened action), arising out of any claim, complaint, demand, cause of action, action, suit or other proceeding asserted or initiated or otherwise existing in respect of any matter (collectively, the "Losses") arising out of Principal's activities under this Agreement; *provided* that Agent shall be liable, and shall not be indemnified by Principal, for any Losses directly resulting from the untruth, inaccuracy or incompleteness of any representation or warranty made expressly by Agent in this Agreement, and Agent shall indemnify Principal, its affiliates and any of their officers, directors and employees, agents and representatives, for Losses that result from any such breach by Agent.

7. Limitation of Principal's Liability

(a) THE PARTIES ACKNOWLEDGE THAT BECAUSE AGENT IS NOT COMPENSATING PRINCIPAL FOR PROVIDING SERVICES HEREUNDER, PRINCIPAL SHALL HAVE NO LIABILITY TO AGENT (OR ANYONE CLAIMING THROUGH OR UNDER AGENT) UNLESS PRINCIPAL ACTS IN BAD FAITH UNDER THIS AGREEMENT. EXCEPT FOR THE FOREGOING, PRINCIPAL SHALL HAVE NO LIABILITY TO AGENT FOR ANY REASON OR UNDER ANY THEORY OF RECOVERY. THIS LIMITATION APPLIES TO ALL PROVISIONS OF THIS AGREEMENT, NOTWITHSTANDING ANY LANGUAGE THAT REQUIRES AGENT TO ACT IN ACCORDANCE WITH ANY PARTICULAR STANDARD OF CARE.

(b) The Parties shall bear responsibility in proportion to their ownership interests for any claims brought by third parties with respect to the services provided by Agent under this Agreement.

(c) In no event shall either Party be liable to the other Party for consequential, indirect, special, punitive or exemplary damages, including specifically, replacement power and lost profits.

8. Specific Performance.

Each of the Parties acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the Parties and the matter in addition to any other remedy to which it may be entitled, at law or in equity.

9. Waivers.

No waiver by either Principal or Agent of the performance of any obligation under this Agreement, or with respect to any default or any other matter arising in connection with this Agreement, shall be deemed a waiver with respect to any subsequent performance, default or matter, whether of a like or different character.

10. Notices.

Any notice, demand or request relative to this Agreement to be given to any of the Principal, or the Agent shall be in writing, and shall be delivered by U. S. mail, facsimile or hand delivery to the authorized representative of the Principal or Agent at the address specified below, or a successor designated in any notice given pursuant to this paragraph.

If to the Agent:

South Carolina Electric & Gas Company
Attention: President
Mail Code 190
Columbia, SC 29218
Facsimile: (803) 217-9336

If to the Principal:

South Carolina Public Service Authority
Attention: President and Chief Executive Officer
One Riverwood Drive
Moncks Corner, SC 29461
Facsimile: (843) 761-7037

11. Miscellaneous.

(a) Entire Agreement. This Agreement embodies the entire understanding and agreement among the Parties pertaining to the subject matter hereof and supersedes any and all prior negotiations, understandings or agreements with respect thereto.

(b) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same document.

(c) Assignment. No party to this Agreement shall assign any of its rights or obligations under this Agreement without first receiving the written consent of all other parties, which consent shall not be unreasonably withheld.

(d) No Third Party Beneficiaries. This Agreement is binding upon and intended solely for the benefit of the parties hereto and their respective successors and permitted assigns and, unless expressly stated herein, is not intended to and shall not confer any rights or benefits to any third party (other than successors and permitted assigns) not a signatory hereto.

(e) Amendment. Neither this Agreement nor any terms hereof may be changed, waived, discharged or terminated except by an instrument in writing signed by each of the parties hereto.

(f) Headings. The headings in this Agreement are for convenience of reference only and shall not be defined or limit the terms hereof.

(g) Governing Law. This Agreement and all questions with respect to the rights and obligations of the Parties and the construction, enforcement and interpretation hereof shall be

governed by the laws of the State of South Carolina, without reference to the choice of law principles that require application of the laws of a different jurisdiction.

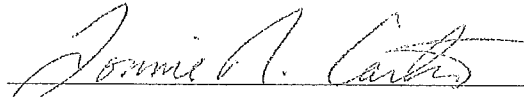
(h) Jurisdiction. Any dispute arising from this Agreement shall be subject to the jurisdiction of the courts in South Carolina.

(i) Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction, as to that jurisdiction, shall be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction.

(j) Good Faith Covenant. The Parties agree that their actions and dealings with each other shall be subject to an express covenant of good faith and fair dealing and that each Party shall act in a commercially reasonable manner in fulfilling its obligations under this Agreement.

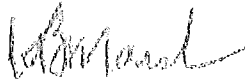
IN WITNESS WHEREOF, the Parties hereto, each acting through its respective duly authorized representative, have executed this Agreement, made as of the date first above written.

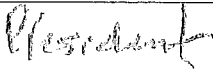
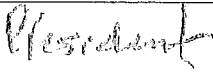
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY



By: Lonnie N. Carter
Title: President and CEO

SOUTH CAROLINA ELECTRIC & GAS COMPANY



By: 
Title: 

APB
6-29-09

R	E C E I V E D	CLP#	51639
	DEC 21 2010	Eff. #	
		Archive	CR122110

LIMITED AGENCY AGREEMENT

THIS LIMITED AGENCY AGREEMENT ("Agreement"), dated as of 6 day of August, 2010, is entered into by and between SOUTH CAROLINA PUBLIC SERVICE AUTHORITY ("Principal"), a public power system owned by the State of South Carolina, and SOUTH CAROLINA ELECTRIC & GAS COMPANY ("Agent"), a corporation duly organized under the laws of the State of South Carolina, (Principal and Agent may be referred to individually as a "Party" and collectively as the "Parties").

WHEREAS, the Parties jointly own an existing nuclear generating facility known as V.C. Summer Unit No. 1 and are jointly collaborating in the financing, design, licensing, construction, operation, and decommissioning of two new advanced design nuclear-powered electric generating facilities to be known as V.C. Summer Units Nos. 2 and 3 (collectively the "Project");

WHEREAS, in connection with proposed V.C. Summer Units Nos. 2 and 3, the Parties intend to enter into a Permanent Design and Construction Agreement and a Permanent Operating and Decommissioning Agreement that shall set forth the terms and conditions that shall govern the Parties' participation in the Project; until such time as the Permanent Design and Construction Agreement and Permanent Operating and Decommissioning Agreement are negotiated, executed and delivered by the Parties, the rights and obligations of the Parties to each other in connection with V.C. Summer Units Nos. 2 and 3 shall be governed by that certain Amended and Restated Bridge Agreement between the Parties, dated as of May 23, 2008;

WHEREAS, Sections 6.1 and 8.3 of the Amended and Bridge Agreement contemplate that the Parties may enter into one or more limited agency agreements in connection with certain Project-related third party agreements, including but not limited to an agreement for probability risk assessment modeling, attached hereto as Exhibit A ("Licensing Agreement"); and

WHEREAS, Principal and Agent desire to enter into such a limited agency agreement and Principal wishes to appoint Agent to act as agent on Principal's behalf in connection with the negotiation, execution and performance of the Licensing Agreement, subject to certain limitations set forth herein, and Agent is willing to accept such limited agency appointment;

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Limited Agency Appointment. Pursuant to the terms of this Agreement and subject to the limitations set forth in Paragraph 2 of this Agreement, Principal hereby appoints and grants a limited agency authorization to Agent, and Agent hereby accepts such limited agency appointment and agrees to act on behalf of the Principal, with regard to the negotiation, execution and performance of the Licensing Agreement.

2. Limitations on Agency Appointment. Agent's authorization to act on behalf of Principal with respect to the Licensing Agreement shall be limited to the negotiation, execution and performance of the obligations of the Licensee (as such term is defined in the Licensing Agreement) and enforcement of the rights of such Licensee under the Licensing Agreement; *provided, however*, that Agent shall not, without the prior written consent of Principal, which consent may be withheld in Principal's sole discretion, do or permit to be done any of the following:

	Agency Limitation	Alliance Agreement Section Reference
(a)	Consent to entry of any judgment or award in a disputed matter in connection with the Licensing Agreement or enter into any settlement or compromise of a dispute in connection with the Licensing Agreement	N/A
(b)	Consent to an assignment of the Licensing Agreement	N/A
(c)	Consent to an amendment to the Licensing Agreement	N/A

3. Term and Termination.

(a) This Agreement shall remain in full force and effect beginning on the first date specified above and continuing thereafter for the term of the Licensing Agreement.

(b) The rights and obligations of the Parties for indemnification for acts or omissions occurring prior to the termination shall survive any termination of this Agreement.

(c) Agent's obligations under any third party agreements entered into prior to the termination of this Agreement would survive such termination and remain binding on Agent.

4. Representations and Warranties.

Each Party represents and warrants to the other Party that, as of the date first stated above:

(a) It is duly organized, validly existing and in good standing under the applicable laws of the jurisdiction of its organization and is qualified to do business in all jurisdictions necessary to perform this Agreement;

(b) It has the power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement and has taken all necessary corporate and/or other actions to authorize such execution, delivery and performance;

(c) Its execution and delivery and performance of its obligations under this Agreement do not violate or conflict with: (i) any laws applicable to it; (ii) any provision of its charter or by-laws or comparable constituent documents Agreement; (iii) any order or judgment of any court of governmental authority applicable to it or any of its assets; or (iv) any contractual restriction binding on or affecting it or any of its assets;

(d) This Agreement has been duly executed and delivered by the Party and constitutes its legal, valid, and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law); and

(e) Except as otherwise permitted herein, the Party has neither initiated nor received written notice of any pending action, proceeding, or investigation, nor to its knowledge is any such action, proceeding, or investigation threatened (or any basis therefore known to it), which questions the validity of this Agreement, or which would materially or adversely affect its rights or obligations under this Agreement.

5. Access to Information; Reporting Obligations.

(a) Principal acknowledges that it has been given a full and fair opportunity to participate in the negotiation of the Licensing Agreement and that it is fully satisfied with the terms thereof, as well as the performance of Agent in negotiating such Licensing Agreement.

(b) Upon request, Agent will make available to Principal all documentation related to its administration of the Licensing Agreement including all work performed hereunder, which can be done by providing original documents, providing copies of documents or allowing Principal's representatives to review the relevant files and business records as kept in the ordinary course of business at the Agent's offices or with another representative of the Agent. Upon request, Agent shall also make its personnel available to Principal for consultation.

6. Indemnity.

(a) Agent agrees to indemnify, defend and hold harmless the Principal, its affiliates and any of their members, officers, directors and employees, agents and representatives against and in respect of all claims, liabilities, obligations, judgments, liens, injunctions, charges, orders, decrees, rulings, damages, dues, assessments, taxes, losses, fines, penalties, damages, expenses, fees, costs and amounts paid in settlement (including reasonable attorneys' fees, expert witness fees and disbursements in connection with investigating, defending or settling any action or threatened action), arising out of any claim, complaint, demand, cause of action, action, suit or

other proceeding asserted or initiated or otherwise existing in respect of any matter (collectively, the "Losses") arising out of Agent's activities undertaken on behalf of Principal under this Agreement; *provided* that Principal shall be liable, and shall not be indemnified by Agent, for any Losses directly resulting from the untruth, inaccuracy or incompleteness of any representation or warranty made expressly by Principal in this Agreement, and Principal shall indemnify Agent, its affiliates and any of their officers, directors and employees, agents and representatives, for Losses that result from any such breach by Principal.

(b) Principal agrees to indemnify, defend and hold harmless the Agent, its affiliates and any of their members, officers, directors and employees, agents and representatives against and in respect of all claims, liabilities, obligations, judgments, liens, injunctions, charges, orders, decrees, rulings, damages, dues, assessments, taxes, losses, fines, penalties, damages, expenses, fees, costs and amounts paid in settlement (including reasonable attorneys' fees, expert witness fees and disbursements in connection with investigating, defending or settling any action or threatened action), arising out of any claim, complaint, demand, cause of action, action, suit or other proceeding asserted or initiated or otherwise existing in respect of any matter (collectively, the "Losses") arising out of Principal's activities under this Agreement; *provided* that Agent shall be liable, and shall not be indemnified by Principal, for any Losses directly resulting from the untruth, inaccuracy or incompleteness of any representation or warranty made expressly by Agent in this Agreement, and Agent shall indemnify Principal, its affiliates and any of their officers, directors and employees, agents and representatives, for Losses that result from any such breach by Agent.

7. Limitation of Principal's Liability

(a) THE PARTIES ACKNOWLEDGE THAT BECAUSE AGENT IS NOT COMPENSATING PRINCIPAL FOR PROVIDING SERVICES HEREUNDER, PRINCIPAL SHALL HAVE NO LIABILITY TO AGENT (OR ANYONE CLAIMING THROUGH OR UNDER AGENT) UNLESS PRINCIPAL ACTS IN BAD FAITH UNDER THIS AGREEMENT. EXCEPT FOR THE FOREGOING, PRINCIPAL SHALL HAVE NO LIABILITY TO AGENT FOR ANY REASON OR UNDER ANY THEORY OF RECOVERY. THIS LIMITATION APPLIES TO ALL PROVISIONS OF THIS AGREEMENT, NOTWITHSTANDING ANY LANGUAGE THAT REQUIRES AGENT TO ACT IN ACCORDANCE WITH ANY PARTICULAR STANDARD OF CARE.

(b) The Parties shall bear responsibility in proportion to their ownership interests for any claims brought by third parties with respect to the services provided by Agent under this Agreement.

(c) In no event shall either Party be liable to the other Party for consequential, indirect, special, punitive or exemplary damages, including specifically, replacement power and lost profits.

8. Specific Performance.

Each of the Parties acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the Parties and the matter in addition to any other remedy to which it may be entitled, at law or in equity.

9. Waivers.

No waiver by either Principal or Agent of the performance of any obligation under this Agreement, or with respect to any default or any other matter arising in connection with this Agreement, shall be deemed a waiver with respect to any subsequent performance, default or matter, whether of a like or different character.

10. Notices.

Any notice, demand or request relative to this Agreement to be given to any of the Principal, or the Agent shall be in writing, and shall be delivered by U. S. mail, facsimile or hand delivery to the authorized representative of the Principal or Agent at the address specified below, or a successor designated in any notice given pursuant to this paragraph.

If to the Agent:

South Carolina Electric & Gas Company
Attention: President
Mail Code 190
Columbia, SC 29218
Facsimile: (803) 217-9336

If to the Principal:

South Carolina Public Service Authority
Attention: President and Chief Executive Officer
One Riverwood Drive
Moncks Corner, SC 29461
Facsimile: (843) 761-7037

11. Miscellaneous.

(a) Entire Agreement. This Agreement embodies the entire understanding and agreement among the Parties pertaining to the subject matter hereof and supersedes any and all prior negotiations, understandings or agreements with respect thereto.

(b) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same document.

(c) Assignment. No party to this Agreement shall assign any of its rights or obligations under this Agreement without first receiving the written consent of all other parties, which consent shall not be unreasonably withheld.

(d) No Third Party Beneficiaries. This Agreement is binding upon and intended solely for the benefit of the parties hereto and their respective successors and permitted assigns and, unless expressly stated herein, is not intended to and shall not confer any rights or benefits to any third party (other than successors and permitted assigns) not a signatory hereto.

(e) Amendment. Neither this Agreement nor any terms hereof may be changed, waived, discharged or terminated except by an instrument in writing signed by each of the parties hereto.

(f) Headings. The headings in this Agreement are for convenience of reference only and shall not be defined or limit the terms hereof.

(g) Governing Law. This Agreement and all questions with respect to the rights and obligations of the Parties and the construction, enforcement and interpretation hereof shall be governed by the laws of the State of South Carolina, without reference to the choice of law principles that require application of the laws of a different jurisdiction.

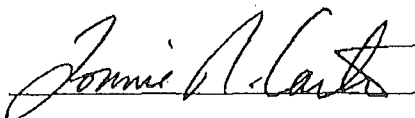
(h) Jurisdiction. Any dispute arising from this Agreement shall be subject to the jurisdiction of the courts in South Carolina.

(i) Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction, as to that jurisdiction, shall be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction.

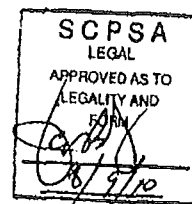
(j) Good Faith Covenant. The Parties agree that their actions and dealings with each other shall be subject to an express covenant of good faith and fair dealing and that each Party shall act in a commercially reasonable manner in fulfilling its obligations under this Agreement.

IN WITNESS WHEREOF, the Parties hereto, each acting through its respective duly authorized representative, have executed this Agreement, made as of the date first above written.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY



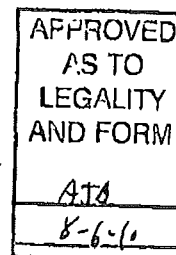
By: Lonnie N. Carter
Title: President and CEO



SOUTH CAROLINA ELECTRIC & GAS COMPANY



By: Kevin B. Marsh
Title: President & COO



LIMITED AGENCY AGREEMENT

THIS LIMITED AGENCY AGREEMENT ("Agreement"), dated as of 01-26-2011 is entered into by and between SOUTH CAROLINA PUBLIC SERVICE AUTHORITY ("Principal"), a public power system owned by the State of South Carolina, and SOUTH CAROLINA ELECTRIC & GAS COMPANY ("Agent"), a corporation duly organized under the laws of the State of South Carolina, (Principal and Agent may be referred to individually as a "Party" and collectively as the "Parties").

WHEREAS, the Parties jointly own an existing nuclear generating facility known as V.C. Summer Unit No. 1 and are jointly collaborating in the financing, design, licensing, construction, operation, and decommissioning of two new advanced design nuclear-powered electric generating facilities to be known as V.C. Summer Units Nos. 2 and 3 (collectively the "Project");

WHEREAS, in connection with proposed V.C. Summer Units Nos. 2 and 3, the Parties intend to enter into a Permanent Design and Construction Agreement and a Permanent Operating and Decommissioning Agreement that shall set forth the terms and conditions that shall govern the Parties' participation in the Project; until such time as the Permanent Design and Construction Agreement and Permanent Operating and Decommissioning Agreement are negotiated, executed and delivered by the Parties, the rights and obligations of the Parties to each other in connection with V.C. Summer Units Nos. 2 and 3 shall be governed by that certain Amended and Restated Bridge Agreement between the Parties, dated as of May 23, 2008;

WHEREAS, the rights and obligations of the Parties to each other in connection with V.C. Summer Unit No.1 is governed by that certain Joint Ownership Agreement between the Parties, dated as of October 18, 1973, as that agreement has been amended;

WHEREAS, Sections 6.1 and 8.3 of the Amended and Bridge Agreement contemplate that the Parties may enter into one or more limited agency agreements in connection with certain Project-related third party agreements, including but not limited to a series of agreements relating to the fabrication of nuclear Fuel Assemblies and performance of Fuel-related Services requirements of the two new units (along with the existing nuclear unit) with Westinghouse Electric Company LLC attached hereto as Exhibit A (collectively these agreements are referred to herein as the "Fuel Alliance Agreement"); and

WHEREAS, Principal and Agent desire to enter into such a limited agency agreement and Principal wishes to appoint Agent to act as agent on Principal's behalf in connection with the negotiation, execution and performance of the Fuel Alliance Agreement, subject to certain limitations set forth herein, and Agent is willing to accept such limited agency appointment;

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Limited Agency Appointment. Pursuant to the terms of this Agreement and subject to the limitations set forth in Paragraph 2 of this Agreement, Principal hereby appoints and grants a limited agency authorization to Agent, and Agent hereby accepts such limited agency appointment and agrees to act on behalf of the Principal, with regard to the negotiation, execution and performance of the Fuel Alliance Agreement.
2. Limitations on Agency Appointment. Agent's authorization to act on behalf of Principal with respect to the Fuel Alliance Agreement shall be limited to the negotiation, execution and performance of the obligations of the Client (as such term is defined in the Fuel Alliance Agreement) and enforcement of the rights of such Client under the Fuel Alliance Agreement; *provided, however,* that Agent shall not, without the prior written consent of Principal, which consent may be withheld in Principal's sole discretion, do or permit to be done any of the following:

	Agency Limitation	Fuel Alliance Agreement Section Reference
(a)	Execute the Fuel Alliance Agreement	N/A
(b)	Consent to entry of any judgment or award in a disputed matter in connection with the Fuel Alliance Agreement or enter into any settlement or compromise of a dispute in connection with the Fuel Alliance Agreement	N/A
(c)	Consent to an assignment of the Fuel Alliance Agreement	N/A
(d)	Consent to an amendment to the Fuel Alliance Agreement	N/A
(e)	Consent to appointment of Client's Fuel Alliance Director	3.2

3. Term and Termination.

(a) This Agreement shall remain in full force and effect beginning on the first date specified above and continuing thereafter for the term of the Fuel Alliance Agreement.

(b) The rights and obligations of the Parties for indemnification for acts or omissions occurring prior to the termination shall survive any termination of this Agreement.

(c) Agent's obligations under any third party agreements entered into prior to the termination of this Agreement would survive such termination and remain binding on Agent.

4. Representations and Warranties.

Each Party represents and warrants to the other Party that, as of the date first stated above:

(a) It is duly organized, validly existing and in good standing under the applicable laws of the jurisdiction of its organization and is qualified to do business in all jurisdictions necessary to perform this Agreement;

(b) It has the power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement and has taken all necessary corporate and/or other actions to authorize such execution, delivery and performance;

(c) Its execution and delivery and performance of its obligations under this Agreement do not violate or conflict with: (i) any laws applicable to it; (ii) any provision of its charter or bylaws or comparable constituent documents Agreement; (iii) any order or judgment of any court of governmental authority applicable to it or any of its assets; or (iv) any contractual restriction binding on or affecting it or any of its assets;

(d) This Agreement has been duly executed and delivered by the Party and constitutes its legal, valid, and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law); and

(e) Except as otherwise permitted herein, the Party has neither initiated nor received written notice of any pending action, proceeding, or investigation, nor to its knowledge is any such action, proceeding, or investigation threatened (or any basis therefore known to it), which questions the validity of this Agreement, or which would materially or adversely affect its rights or obligations under this Agreement.

5. Access to Information: Reporting Obligations.

(a) Principal acknowledges that it has been given a full and fair opportunity to participate in the negotiation of the Fuel Alliance Agreement and that it is fully satisfied with the terms thereof, as well as the performance of Agent in negotiating such Fuel Alliance Agreement.

(b) No less frequently than monthly (or more frequently as circumstances reasonably warrant), Agent, shall inform Principal of any significant activities or decisions that the Agent has made or expects to make with regard to the Fuel Alliance Agreement including the status of any Fuel Alliance planning process or Fuel Alliance work, the activities of any Planning Team, any and all project and plant wide metric determinations made pursuant to the Fuel Alliance Agreement, and the status and results of any audit or dispute that arises under the Fuel Alliance Agreement.

(c) Upon request, Agent will make available to Principal all documentation related to its administration of the Fuel Alliance, which can be done by providing original documents, providing copies of documents or allowing Principal's representatives to review the relevant files and business records as kept in the ordinary course of business at the Agent's offices or with another representative of the Agent. Upon request, Agent shall also make its personnel available to Principal for consultation.

(d) Principal shall have the right upon request to participate in any discussion with potential Fuel Alliance suppliers.

6. Indemnity.

(a) Agent agrees to indemnify, defend and hold harmless the Principal, its affiliates and any of their members, officers, directors and employees, agents and representatives against and in respect of all claims, liabilities, obligations, judgments, liens, injunctions, charges, orders, decrees, rulings, damages, dues, assessments, taxes, losses, fines, penalties, damages, expenses, fees, costs and amounts paid in settlement (including reasonable attorneys' fees, expert witness fees and disbursements in connection with investigating, defending or settling any action or threatened action), arising out of any claim, complaint, demand, cause of action, action, suit or other proceeding asserted or initiated or otherwise existing in respect of any matter (collectively, the "Losses") arising out of Agent's activities undertaken on behalf of Principal under this Agreement; *provided* that Principal shall be liable, and shall not be indemnified by Agent, for any Losses directly resulting from the untruth, inaccuracy or incompleteness of any representation or warranty made expressly by Principal in this Agreement, and Principal shall indemnify Agent, its affiliates and any of their officers, directors and employees, agents and representatives, for Losses that result from any such breach by Principal.

(b) Principal agrees to indemnify, defend and hold harmless the Agent, its affiliates and any of their members, officers, directors and employees, agents and representatives against and in respect of all claims, liabilities, obligations, judgments, liens, injunctions, charges, orders, decrees, rulings, damages, dues, assessments, taxes, losses, fines, penalties, damages, expenses, fees, costs and amounts paid in settlement (including reasonable attorneys' fees, expert witness fees and disbursements in connection with investigating, defending or settling any action or threatened action), arising out of any claim, complaint, demand, cause of action, action, suit or other proceeding asserted or initiated or otherwise existing in respect of any matter (collectively, the "Losses") arising out of Principal's activities under this Agreement; *provided* that Agent shall be liable, and shall not be indemnified by Principal, for any Losses directly resulting from the untruth, inaccuracy or incompleteness of any representation or warranty made expressly by Agent in this Agreement, and Agent shall indemnify Principal, its affiliates and any of their officers, directors and employees, agents and representatives, for Losses that result from any such breach by Agent.

7. Limitation of Principal's Liability.

(a) THE PARTIES ACKNOWLEDGE THAT BECAUSE AGENT IS NOT COMPENSATING PRINCIPAL FOR PROVIDING SERVICES HEREUNDER, PRINCIPAL SHALL HAVE NO LIABILITY TO AGENT (OR ANYONE CLAIMING THROUGH OR UNDER AGENT) UNLESS PRINCIPAL ACTS IN BAD FAITH UNDER THIS AGREEMENT. EXCEPT FOR THE FOREGOING, PRINCIPAL SHALL HAVE NO LIABILITY TO AGENT FOR ANY REASON OR UNDER ANY THEORY OF RECOVERY. THIS LIMITATION APPLIES TO ALL PROVISIONS OF THIS AGREEMENT, NOTWITHSTANDING ANY LANGUAGE THAT REQUIRES AGENT TO ACT IN ACCORDANCE WITH ANY PARTICULAR STANDARD OF CARE.

(b) The Parties shall bear responsibility in proportion to their ownership interests for any claims brought by third parties with respect to the services provided by Agent under this Agreement

(c) In no event shall either Party be liable to the other Party for consequential, indirect, special, punitive or exemplary damages, including specifically, replacement power and lost profits.

8. Specific Performance.

Each of the Parties acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the Parties and the matter in addition to any other remedy to which it may be entitled, at law or in equity.

9. Waivers.

No waiver by either Principal or Agent of the performance of any obligation under this Agreement, or with respect to any default or any other matter arising in connection with this Agreement, shall be deemed a waiver with respect to any subsequent performance, default or matter, whether of a like or different character.

10. Notices.

Any notice, demand or request relative to this Agreement to be given to any of the Principal, or the Agent shall be in writing, and shall be delivered by U. S. mail, facsimile or hand delivery to the authorized representative of the Principal or Agent at the address specified below, or a successor designated in any notice given pursuant to this paragraph.

If to the Agent:

South Carolina Electric & Gas Company
Attention: President
Mail Code 190
Columbia, SC 29218
Facsimile: (803) 217-9336

If to the Principal:

South Carolina Public Service Authority
Attention: President and Chief Executive Officer
One Riverwood Drive
Moncks Corner, SC 29461
Facsimile: (843) 761-7037

11. Miscellaneous.

(a) Entire Agreement. This Agreement embodies the entire understanding and agreement among the Parties pertaining to the subject matter hereof and supersedes any and all prior negotiations, understandings or agreements with respect thereto.

(b) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same document.

(c) Assignment. No party to this Agreement shall assign any of its rights or obligations under this Agreement without first receiving the written consent of all other parties, which consent shall not be unreasonably withheld.

(d) No Third Party Beneficiaries. This Agreement is binding upon and intended solely for the benefit of the parties hereto and their respective successors and permitted assigns and, unless expressly stated herein, is not intended to and shall not confer any rights or benefits to any third party (other than successors and permitted assigns) not a signatory hereto.

(e) Amendment. Neither this Agreement nor any terms hereof may be changed, waived, discharged or terminated except by an instrument in writing signed by each of the parties hereto.

(f) Headings. The headings in this Agreement are for convenience of reference only and shall not be defined or limit the terms hereof

(g) Governing Law. This Agreement and all questions with respect to the rights and obligations of the Parties and the construction, enforcement and interpretation hereof shall be governed by the laws of the State of South Carolina, without reference to the choice of law principles that require application of the laws of a different jurisdiction.

(h) Jurisdiction. Any dispute arising from this Agreement shall be subject to the jurisdiction of the courts in South Carolina.

(i) Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction, as to that jurisdiction, shall be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction.

(j) Good Faith Covenant. The Parties agree that their actions and dealings with each other shall be subject to an express covenant of good faith and fair dealing and that each Party shall act in a commercially reasonable manner in fulfilling its obligations under this Agreement.

EXECUTION VERSION – CONFIDENTIAL

DESIGN AND CONSTRUCTION AGREEMENT
BETWEEN
SOUTH CAROLINA PUBLIC SERVICE AUTHORITY
AND
SOUTH CAROLINA ELECTRIC & GAS COMPANY
FOR
VIRGIL C. SUMMER NUCLEAR STATION
UNITS 2 AND 3
dated as of
October 20, 2011

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Exhibits

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DESIGN AND CONSTRUCTION AGREEMENT

This Design and Construction Agreement (this “Agreement”) is entered into this 20th day of October, 2011 (the “Effective Date”) by and between the **South Carolina Public Service Authority** (the “Authority”) and **South Carolina Electric & Gas Company** (“SCE&G”). The Authority and SCE&G are each referred to herein as a “Party” and together, as the “Parties.”

RECITALS

WHEREAS, the Parties jointly own the Virgil C. Summer Nuclear Station, Unit 1, located in Jenkinsville, South Carolina with such joint ownership governed by (i) the Joint Ownership Agreement between SCE&G and the Authority dated October 18, 1973, as amended by Amendment No. 1 dated as of June 1, 1976 (the “JOA”) and (ii) the Agreement for the Construction, Maintenance and Operation of Certain Transmission Lines from the Project Substation at V.C. Summer Nuclear Station, Unit #1 between SCE&G and the Authority dated as of November 1, 1978;

WHEREAS, the Parties are collaborating jointly in the design, construction, operation, and decommissioning of two (2) new advanced design light water nuclear-powered electric generating facilities, to be located at the Site (as defined herein), in which each Party would have an ownership share and commensurate rights to electricity produced by the facilities;

WHEREAS, SCE&G, on behalf of the Parties, entered into an “Engineering, Procurement and Construction Agreement” (the “EPC Agreement”) with Westinghouse Electric Company, LLC and Stone & Webster, Inc. on May 23, 2008;

WHEREAS, the relationship between the Parties with respect to this new joint undertaking is currently governed by those certain agreements as set forth in **Schedule 1** herein, as well as the Amended and Restated Bridge Agreement between SCE&G and the Authority dated as of May 23, 2008 (the “Bridge Agreement”), which agreement shall be superseded by this Agreement;

WHEREAS, the Parties wish to set forth herein the terms and conditions for the Parties’ participation in this joint undertaking; and

WHEREAS, the Parties are simultaneously negotiating an “Operating and Decommissioning Agreement” (the “Operating and Decommissioning Agreement”) and an “Amended and Restated Agreement for the Construction, Maintenance and Operation of Certain Transmission Lines from the Project Substation at V.C. Summer Nuclear Station, Units #1-3” (“Transmission Agreement”) to address certain of the issues not covered herein.

NOW, THEREFORE, in consideration of the premises, and the mutual representations, warranties, covenants, and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Parties agree as follows:

EXECUTION VERSION – CONFIDENTIAL

1. Definitions

For purposes of this Agreement, the following terms have the meanings specified or referred to in this Section 1:

AAA has the meaning set forth in Section 19.2 herein.

AFUDC has the meaning set forth in Section 3.6.1(b) herein.

Agreement has the meaning set forth in the introductory paragraph.

Ancillary Facilities means the facilities, structures and improvements at the Site, including cooling facilities, and all supporting buildings, components, systems, and substations that are not part of a Unit. This definition does not include any such assets that are used solely in connection with the Existing Unit.

Assignee has the meaning set forth in Section 6.2.2(c) herein.

Auditor has the meaning set forth in Section 8.2.2 herein.

Base Load Review Act means S.C. Code Ann. § 58-33-210 *et seq* (Supp. 2007), as amended.

Bridge Agreement has the meaning set forth in the Recitals herein.

Business Day means every calendar day other than Saturday, Sunday or a legal holiday recognized by the State of South Carolina.

Commercial Operation Date means, with respect to each Unit, the date on which such Unit is able to produce commercial amounts of Energy and has passed all Performance Tests (as defined under the EPC Agreement) under the EPC Agreement.

Confidentiality Agreement has the meaning set forth in Section 21 herein.

Consortium means Westinghouse Electric Company, LLC and Stone & Webster, Inc., as their interests are allocated in the EPC Agreement.

Construction Cost means all costs allocable to the acquisition, design, engineering, licensing and construction of the Project, excluding the cost of Nuclear Fuel and interest during construction. Credits relating to such costs, including insurance proceeds, shall be applied to the Construction Cost when received.

Day means a calendar day and includes Saturdays, Sundays and legal holidays.

Effective Date has the meaning set forth in the introductory paragraph herein.

Energy means the net measured amount of electric energy generated by each Unit and delivered to the delivery point, as agreed to by the Parties, for any period.

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EPC Agreement has the meaning set forth in the Recitals herein, and as such agreement may be modified from time to time.

EPC-specific Limited Agency Agreement has the meaning set forth in Section 2.1 of the Agreement.

Equipment means machinery, computer hardware and its associated software, apparatus, components, articles, materials, systems and structures, and items of any kind that shall become a permanent part of the Facility to be provided by the Consortium under the EPC Agreement, but excluding the Nuclear Fuel.

Executive Steering Committee means the body previously established as set forth in Section 7.2 herein.

Existing Unit means Unit 1, the nuclear power facility currently operating at the Site.

Existing Unit Real Property has the meaning set forth in 3.3.1.a.1.

Facility means the Unit or Units and the Ancillary Facilities to be located at or near the Site and a portion of Shared Use Facilities.

Final Completion means that a Unit has achieved all of the conditions set forth in Section 12.6 of the EPC Agreement.

Government Approval means any authorization, consent, approval, clearance, license, ruling, permit, tariff, certification, exemption, filing, variance, order, judgment, no-action or no-objection certificate, certificate, decree, decision, declaration or publication of, notices to, confirmation or exemption from, or registration by or with any Government Authority relating to the design, engineering, procurement, construction, testing, financing, completion, ownership or operation of the Facility.

Government Authority means any federal, state, county, city, local, municipal, foreign or other government or quasi-governmental authority or any department, agency, subdivision, court or other tribunal of any of the foregoing that has jurisdiction over a Party, the Facility or the activities that are the subject of this Agreement, but does not include the Authority.

Indemnified Party has the meaning set forth in Section 20 herein.

Indemnifying Party has the meaning set forth in Section 20 herein.

Insolvent means, with respect to a Person, that such Person (i) makes any general assignment or any general arrangement for the benefit of creditors, (ii) files a petition or otherwise commences, authorizes, defaults as to or acquiesces in the commencement of a case, petition, proceeding or cause of action under any bankruptcy, insolvency or similar law for the protection of debtors or creditors, or has such a case, petition, proceeding or cause of action involuntarily filed or commenced against it and such case, petition, proceeding or cause of action is not withdrawn or dismissed within sixty (60) Days after such filing, (iii) otherwise becomes adjudicated a debtor in bankruptcy or insolvent (however evidenced), (iv) is unable (or admits in

EXECUTION VERSION – CONFIDENTIAL

writing its inability) generally to pay its debts as they become due, (v) is dissolved (other than pursuant to a consolidation, acquisition, amalgamation or merger), (vi) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, acquisition, amalgamation or merger), (vii) seeks, or becomes subject to the appointment of an administrator, provisional liquidator, conservator, assignee, receiver, trustee, custodian or other similar entity or official for all or substantially all of its assets, (viii) has a secured party take possession of all or substantially all of its assets or has a distress, levy, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within sixty (60) Days thereafter, (ix) causes or is subject to any event with respect to which, under the applicable Law of any jurisdiction, said event has an analogous effect to any of the events specified in clauses (i) to (viii) (inclusive); or (x) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

Intellectual Property means all Inventions and other works of authorship, related to or developed in connection with the Project.

Interest means, for any Day on which the calculation of an interest amount begins under this Agreement, the “Prime Rate” specified for such Day (or, if such Day is not a Business Day, on the first Business Day following such Day) under the money rate table of The Wall Street Journal. In the event that The Wall Street Journal ceases to report a Prime Rate, the Prime Rate shall be the three month London InterBank Offered Rate (LIBOR) plus two hundred basis points.

Inventions means any and all inventions, technologies, know-how, ideas, processes, techniques, algorithms, programs, discoveries, improvements, devices, products, concepts, designs, prototypes, samples, models, technical information, materials, drawings, specifications, mask works, topography, and other trade secrets and works of authorship.

JOA has the meaning set forth in the Recitals herein.

Joinder Agreement means the joinder agreement referenced in Section 3.6.4 and attached hereto as Exhibit J.

LAA for Long Lead Time Items has the meaning set forth in Section 6.2.2.d.

Law or Laws means (a) any constitution, statute, law, rule, regulation, code, treaty, ordinance, judgment, decree, writ, order, concession, grant, franchise, license, agreement, directive, requirement, or other governmental restriction or any similar form of decision of or determination by, or any binding interpretation or administration of any of the foregoing by, any Government Authority, whether now or hereafter in effect or (b) any requirements or conditions on or with respect to the issuance, maintenance or renewal of any Government Approval or applications therefore, whether now or hereafter in effect.

Losses has the meaning set forth in Section 20 herein.

New Unit Real Property has the meaning set forth in 3.3.1.a.2.

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Nuclear Exclusion Zone means (1) in the case of the Existing Unit, the property designated on Exhibit I attached hereto; (2) in the case of the Units, the meaning set forth in the Combined Construction and Operating License Application submitted to the NRC on March 27, 2008, as modified and licensed by the NRC in the Combined Construction and Operating License.

Nuclear Fuel means the supply of uranium concentrates, conversion services, enrichment services and fabrication services (including without limitation all associated design, licensing, analyses and all hardware and components).

Offering Party has the meaning set forth in Section 3.7.

Offer Notice has the meaning in Section 3.7.1.

Operating and Decommissioning Agreement means the Operating and Decommissioning Agreement that shall govern the operations and ultimate decommissioning of the Units.

ORS means the South Carolina Office of Regulatory Staff.

Output means that net capacity, energy and ancillary services from the Units which at any time can be made available at the high voltage terminals of the Unit substation after Unit use and losses.

Party or Parties has the meaning set forth in the introductory paragraph herein. Pursuant to Section 3.6.4, other Persons may become Parties to this Agreement.

Person means any individual, corporation, company, partnership, joint venture, association, trust, unincorporated organization or Government Authority.

Project means the (i) Facility, (ii) Site, (iii) Nuclear Fuel, (iv) all Government Approvals necessary for acquisition, design, engineering, licensing and construction of the Project, (v) roads, railroad spurs, parking lots, fencing and similar facilities, and (vi) all other real property and personal property acquired by the Parties for use in the acquisition, design, engineering, licensing and construction of the Project. The term "Project" does not include any of the foregoing which is used exclusively in connection with the Existing Unit.

Project Budget has the meaning set forth in Section 8.1.3.b herein.

Project Cost Estimate has the meaning set forth in Section 8.1.3.a herein.

Project Costs means all actual costs allocable to the acquisition, design, engineering, licensing and construction of the Project including, but not limited to, Equipment, Nuclear Fuel, labor costs, training, insurance, licensing fees, permits, materials, supplies and administrative and general costs.

Project Estimate to Completion has the meaning set forth in Section 2.1.d herein.

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Project Manager means the person designated by SCE&G as described in Section 7.1.1 herein.

Project Ownership Share means the ownership interest of each Party in the various portions of the Facility, including each party's percentage share of the Existing Unit, Shared Use Facilities, switchyard, real property and the Units, as such percentage shares are described in Section 3 herein. A Party's Project Ownership Share may not be the same for every asset.

Prudent Industry Practices means any of the practices, methods, standards, conduct and acts engaged in and generally acceptable to the nuclear power industry in the United States that, at a particular time, in the exercise of reasonable judgment in light of the facts known at the time a decision was made, could have been expected to accomplish the desired result consistent with applicable Law, prudent business practices, and applicable standards of reliability, economy and safety. Prudent Industry Practices is not limited to the optimum practice, method or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the United States. Prudent Industry Practices include the criteria, rules, guidelines and standards of the North American Energy Reliability Corporation, regional and state reliability councils, the Nuclear Regulatory Commission, and the Institute of Nuclear Power Operations.

PSC means the Public Service Commission of South Carolina.

Representative means the person designated by the Authority in Section 7.1.2.

SCE&G Scope has the meaning set forth in Section 2.3 herein.

Shared Real Property has the meaning set forth in 3.3.1.a.3.

Shared Use Facilities means those facilities jointly used for both the Existing Unit and the Units as determined by the Executive Steering Committee.

Site means the Virgil C. Summer site located in Jenkinsville, South Carolina on which the Existing Unit and Units are located.

Termination Costs has the meaning set forth in Section 6.2.2.b herein.

Termination Date has the meaning set forth in Section 6.2.2.a herein.

Transmission Agreement has the meaning set forth in the Recitals herein.

Unit means each AP1000 Nuclear Power Plant to be constructed at the Site pursuant to the EPC Agreement.

Unit Ownership Share means the ownership interest in the Units of each Party as described in Section 3.1.

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2. Scope of Agreement

2.1 SCE&G Authorization. The Parties agree that SCE&G shall have the lead role in planning and development of the Project, and shall have the primary role in dealing with Governmental Authorities and third-party vendors in this regard, in all respects subject to the prior review and approval of the Authority to the extent provided for in this Agreement and in the EPC-specific Limited Agency Agreement. The Parties specifically authorize SCE&G to take the following actions as part of SCE&G's scope, provided such authorizations are not in conflict with the EPC-specific Limited Agency Agreement with regard to the performance of the EPC Agreement:

- a. obtain and maintain all Government Approvals required for the Project in accordance with Section 12 herein;
- b. manage all aspects of the day-to-day design and construction of the Project, including, but not limited to, scheduling, financial, engineering, operational and contractual aspects of the Project;
- c. in conjunction with the Consortium, provide notices and comply with applicable workplace safety laws, including OSHA;
- d. annually develop the Project Budget and a projection to complete the Project (“the Project Estimate to Completion”) in accordance with Section 8.1.3 herein.
- e. monitor the Project Budget and annual expenditures to identify any need for the use of unallocated funds in accordance with Section 8.1.4 herein;
- f. implement any Site access control and security requirements under applicable Laws or as SCE&G reasonably determines;
- g. lead in the negotiations with vendors and other third parties for Project-related agreements and amendments in accordance with Section 10.1.1 herein;
- h. negotiate with vendors and other third-parties for Project-related agreements and amendments and execute such agreements and amendments on behalf of the Authority in accordance with Section 10.1.2 herein;
- i. develop final accounting at the completion of the Facility in accordance with Section 15 herein;
- j. exercise full control over litigation related to the Facility for claims under \$30 million in accordance with Section 16; and
- k. obtain and maintain, for the benefit of the Parties, such liability and property insurance (including, to the extent available, nuclear liability insurance), with the advice and consultation of the Authority, but not less than shall satisfy the requirements of the Atomic Energy Act of 1954, as amended, and conform to Prudent Industry Practices in accordance with Section 11 herein. Copies of all policies will be made available to the Authority.

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2.2 Actions Requiring the Authority’s Consent. Notwithstanding any other provision of this Agreement, SCE&G shall not, without the prior written consent of the Authority, do or permit any of the actions referenced in Section 2 of the Limited Agency Agreement dated as of May 23, 2008 (the “EPC-specific Limited Agency Agreement”), which survives the execution of this Agreement, under which SCE&G acts as agent on behalf of the Authority with regard to the negotiation, execution, and performance of the EPC Agreement.

2.3 SCE&G’s Role. SCE&G shall act as agent on behalf of the Project with respect to all aspects of the acquisition, design, engineering, licensing and construction of the Project, including the negotiation, execution and performance of the obligations and enforcement of the rights of the Parties under the EPC Agreement (collectively, the “SCE&G Scope”).

2.4 Ratification

2.4.1 Ratification of EPC Agreement. The Authority hereby ratifies the actions of SCE&G in executing the EPC Agreement and associated documents.

2.4.2. Ratification of Prior Acts. The Authority hereby ratifies the actions of SCE&G taken before the Effective Date, to the extent that such actions are known to the Authority, in furtherance of the acquisition, design, engineering, licensing, and construction of the Project.

3. Project Ownership Share

3.1 Facility Ownership.

3.1.1 Facilities Other than Shared Use Facilities and Shared Real Property. Except for Shared Use Facilities and Shared Real Property, the Parties shall have title to the Facility as tenants in common with undivided ownership interests therein and shall own the Units as follows:

<u>Parties</u>	<u>Unit Ownership Share</u>
SCE&G	55%
The Authority	45%

Each Party shall have, subject to the terms of this Agreement, the related rights and obligations, including payment therefore, and be entitled to the Output associated with each Unit, consistent with its percentage ownership interest (“Unit Ownership Share”).

3.1.2 Shared Use Facilities. The Parties shall have title to Shared Use Facilities as tenants in common with undivided ownership interests therein and shall own such facilities as follows:

<u>Parties</u>	<u>Shared Use Facilities Ownership Share</u>
SCE&G	58%

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The Authority 42%

3.2 Nuclear Fuel. The Parties shall own the Nuclear Fuel in accordance with their respective Unit Ownership Shares. To the extent that any Nuclear Fuel is shared with the Existing Unit, SCE&G, with the Authority's review and input, shall implement an accounting system to ensure that ownership and cost responsibility shall be equitably allocated by SCE&G to preserve each Party's Unit Ownership Share with respect to the Nuclear Fuel specifically designated to the Units, as well as each Party's ownership share in the Existing Unit.

3.3 Ownership and Conveyance of Real Property.

3.3.1 Real Property.

a. Elements of the Real Property. The Parties acknowledge that the real property at the Site consists of three categories, specifically:

1. property within the Nuclear Exclusion Zone of the Existing Unit, less property within the Project Boundary Lines of the Parr Project (the "Existing Unit Real Property"). None of the Existing Unit Real Property may be transferred to any third party unless that third party becomes an owner of both the Existing Unit and the Units;

2. property within the Nuclear Exclusion Zone of the two Units, less any property referenced in sub-item 1 above (the "New Unit Real Property");

3. Site property which does not fall within any of the two preceding categories (the "Shared Real Property").

The Parties agree that all such real property shall be owned by them as tenants in common, but the percentages of ownership will vary depending on which sub-item the property falls within.

b. Existing Unit Real Property. The Parties acknowledge that the Authority currently holds a thirty-three and one-third percent (33 1/3%) undivided ownership interest in the Existing Unit Real Property, including the "Plant Real Property" as defined and described in the JOA.

c. New Unit Real Property. The Parties agree that within sixty (60) days of the execution of this Agreement, SCE&G shall convey to the Authority at a mutually agreed upon price such portion of SCE&G's right, title and interest in the New Unit Real Property so as to provide the Authority with an undivided ownership interest of forty-five percent (45%).

d. Shared Real Property. The Parties agree that within sixty (60) days of the execution of this Agreement, SCE&G shall convey to the Authority at a mutually agreed upon price such portion of SCE&G's right, title and interest in the Shared Real Property so as to provide the Authority with an undivided ownership interest of forty-two percent (42%).

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3.3.2 Title Insurance. SCE&G shall provide to the Authority a copy of any title insurance policy obtained with respect to the Site.

3.3.3 Deed. The transfer of the New Unit Real Property to the Authority shall be effected by means of a deed in a mutually-agreed upon form.

3.3.4 Shared Use Facilities. The Parties agree that their respective ownership of the Shared Use Facilities shall vary with each specific asset within this category. The ownership of each asset shall be agreed upon by the Parties. In the absence of an agreement, the ownership percentage shall be deemed equal to the ownership interest of the real property on which the particular asset is situated.

3.4 Water Rights. The Project intends to withdraw water for use in the operation of the Units, including makeup water for the mechanical draft cooling towers, from the Monticello Reservoir. Any energy used by the Fairfield Pumped Storage Facility to pump such water to the Monticello Reservoir may be added to the station service load for the Units and no other charges for water use in the operation of the Units shall be incurred. This Section 3.4 shall survive the termination of this Agreement; provided that such provision is not superseded by a similar provision in the Operating and Decommissioning Agreement.

3.5 No Partnership.

3.5.1 The Parties agree that their relationship is one of independent companies. The Parties do not intend to create, and this Agreement shall not be construed to create, a partnership or joint venture.

3.5.2 The Parties expressly agree and intend that their activities shall not constitute or give rise to a partnership for federal income tax purposes. To the extent necessary, each Party agrees to make an election under Section 761 of the Internal Revenue Code and to execute the necessary documents to evidence such election.

3.6 Transferability.

3.6.1 The Parties agree that neither the Authority nor SCE&G can transfer or assign its rights hereunder or its interest in the Units and/or the Project without the written consent of the Authority and SCE&G. In the case of a transfer to Orlando Utilities Commission, Florida Municipal Power Agency, Duke Energy Carolinas, LLC, American Municipal Power, Progress Energy Carolinas LLC, or South Mississippi Electric Power Association at any time from the date of this Agreement up to five (5) years from the Commercial Operation Date of the first Unit, the Authority and SCE&G each agree that such transferee meets the requirements of this Section 3.6.1(a) and if any such transferee meets the requirements of this Section 3.6.1(b) through (f), the Authority and SCE&G each agree to grant such consents to a request to transfer rights made by either the Authority or SCE&G. If any such transferee does not meet the requirements of this Section 3.6.1(b) through (f), the Authority and SCE&G may deny such consent without any need to demonstrate the reasonableness of such denial. In the case of a transfer by the Authority or SCE&G to others, if such other transferee meets all of the requirements of this Section 3.6.1, the Authority or SCE&G agree to grant such consent. If such

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other transferee does not meet the requirements of this Section 3.6.1, the Authority and SCE&G may deny such consent without any need to demonstrate the reasonableness of such denial:

a. the transfer would not materially increase the costs of the Project to the non-transferring Party (either the Authority or SCE&G) or cause a material delay in the completion of the Project;

b. if the transfer is to an investor-owned utility the sale price will not be less than the sum of (i) the transferring Party's fully allocated pro-rata investment excluding an amount equal to the transferring Party's Allowance for Funds Used During Construction ("AFUDC"), if any, and (ii) an amount equivalent to the AFUDC calculated using the transferee's AFUDC rate in effect from the inception of the Summer Facility and continuing through the closing date of the Purchase and Sale Agreement less the transferee's share of the financing benefit, if any.

Any positive difference between the amount representing the cumulative AFUDC calculated using the transferee's AFUDC rate and the amount representing the cumulative AFUDC calculated using the transferring Party's weighted cost of capital, if any, is defined as the Financing Benefit. The Authority shall retain twenty-five percent (25%) of the Financing Benefit and the remaining seventy-five percent (75%) will be allocated among SCE&G and the transferee in amounts proportionate to their Unit Ownership Share;

c. the transferee agrees in writing that:

(i) it will be a minority owner and, that with respect to the design, construction, management and/or operation of the Project, its only rights will be to vote its pro-rata interest;

(ii) it will have no veto or special approval rights beyond its ability to vote its pro-rata interest;

(iii) following any transfer in accordance with this Section 3.6, the transferee shall become a "Party" under this Agreement but as a "Party" the transferee is not entitled to the rights allocated specifically to "SCE&G" and/or the "Authority" under this Agreement, and

(iv) while the transferring Party may take into consideration the opinions and judgments of any transferee with respect to the transferring Party's rights and obligations under this Agreement, the transferring Party neither has to consider nor be bound by such opinions or judgments. Rather the transferring Party will exercise its own independent judgment with regard to any action it takes with respect to the transferring Party's rights and obligations under this Agreement, including, but not limited to, any action it undertakes pursuant to the transferring Party's participation on the Executive Steering Committee established pursuant to Section 4.1(e) of the Amended and Restated Bridge Agreement. The transfer shall not include any requirement that directly or indirectly requires the transferring Party (either the Authority or SCE&G) to either consider or be bound by the transferee's position (beyond its pro-rata ownership share) in exercising the transferring Party's voting or approval rights under this Agreement;

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d. the transfer does not cause any individual transferee, directly or indirectly, to collectively control (*i.e.* in combination with any previous transfers or acquisitions) more than one-half of the transferring Party's Unit Ownership Share and/or Project Ownership Share as such shares existed as of the Effective Date of this Agreement;

e. the transferee waives in writing any claims against SCE&G and the Authority arising out of events relating to the Project that occurred before the effective date of the transfer;

f. the transferee's credit rating on the date it enters into a Purchase and Sale Agreement with the transferring Party is equal to or above both of BBB (by Standard & Poor's) and Baa2 (by Moody's).

In order to assure compliance with the foregoing, prior to granting any required approval, the Authority and SCE&G shall be entitled to review all documents, including amendments and side agreements, which are relevant to the transfer and the rights transferred thereunder.

3.6.2 While the transferring Party may take into consideration the opinions and judgments of any additional joint owners with respect to the transferring Party's rights and obligations under this Agreement, the transferring Party agrees that it is neither required to consider nor be bound by such opinions or judgments. Rather the transferring Party agrees to exercise its own independent judgment with regard to any action taken with respect to the transferring Party's rights and obligations under this Agreement, including, but not limited to, any action undertaken pursuant to the transferring Party's participation on the Executive Steering Committee established pursuant to Section 4.1(e) of the Amended and Restated Bridge Agreement. The transferring Party agrees that it will not grant a veto, approval requirement or special voting right with respect to the transferring Party's interest to any transferee.

3.6.3 Other than the transfers by the Authority and SCE&G pursuant to this Section 3.6, no Party to this Agreement may assign or transfer its interest, rights or obligations hereunder without (i) satisfying each of the criteria set forth in Section 3.6.1(a) through (f) and (ii) the prior written consent of the Authority and SCE&G, such consent not to be unreasonably withheld, and any attempt at assignment or transfer in contravention of this Section 3.6 shall be void. Any such transfer of rights by a Party other than the Authority and SCE&G shall not be in an amount less than the Party's then current Unit Ownership Share.

3.6.4 No transfer may be consummated until the Combined Operating Licensing is issued and accepted. Any transfer shall be subject to any approvals required by Law. The transferee shall bear all direct and indirect costs associated with the transfer (including, but not limited to, any design, engineering, and construction costs), including costs incurred by the non-transferring Parties. The transfer will become effective upon the execution of a Joinder Agreement in the form set forth in **Exhibit J**.

3.7 **Right of First Offer.** In the event any Party (the "Offering Party") intends to offer or sell any portion of its Unit Ownership Share such Party shall first make an offering of such Unit Ownership Share to SCE&G and the Authority in accordance with the following provisions of this Section 3.7.

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3.7.1 The Offering Party shall deliver a notice, in accordance with the provisions of Section 3.7 and Section 25.12 hereof (the “Offer Notice”), to SCE&G and the Authority stating (i) its bona fide intention to offer or sell the Unit Ownership Share and (ii) the amount of the Unit Ownership Share to be offered or sold; provided that any proposed sale by a Party other than the Authority and SCE&G shall not be in an amount less than such Party’s then current Unit Ownership Share.

3.7.2 Within thirty (30) Days after receipt of the Offer Notice, SCE&G and/or the Authority shall provide written notification to the Offering Party of either (i) its election to commence negotiations with the Offering Party for the purchase of the Unit Ownership Share being offered or (ii) its election to decline the offer. The parties shall have thirty (30) Days (unless extended by the negotiating Parties) to negotiate the terms and conditions of such purchase and sale of the offered Unit Ownership Share.

3.7.3 If neither SCE&G or the Authority elects to accept any of the Unit Ownership Share or the parties are not able to reach agreement within such thirty (30) Day period, the Offering Party shall be free to sell all (but not less than all) of the amount of the Unit Ownership Share set forth in the Offer Notice to a bona fide third party purchaser at a price and on terms and conditions no more favorable than those set forth in the Offer Notice subject to Section 3.6 hereof.

3.8 Waiver of Partition Rights. Each Party waives any right to partition, whether by partition in kind or sale and division of the proceeds thereof, the Facility.

4. Limitation on Liability

4.1 Liability Limited to Willful Misconduct and Bad Faith. THE PARTIES ACKNOWLEDGE THAT BECAUSE THEY ARE NOT COMPENSATING SCE&G FOR PROVIDING SERVICES HEREUNDER, SCE&G SHALL HAVE NO LIABILITY TO THEM (OR ANYONE CLAIMING THROUGH OR UNDER THEM) UNLESS SCE&G ACTS IN BAD FAITH UNDER THIS AGREEMENT EXCEPT FOR THE FOREGOING, SCE&G SHALL HAVE NO LIABILITY TO ANY PARTY FOR ANY REASON OR UNDER ANY THEORY OF RECOVERY. THIS LIMITATION APPLIES TO ALL PROVISIONS OF THIS AGREEMENT, NOTWITHSTANDING ANY LANGUAGE THAT REQUIRES SCE&G TO ACT IN ACCORDANCE WITH ANY PARTICULAR STANDARD OF CARE.

4.2 Claims by Third Parties. The Parties shall bear responsibility in proportion to their Unit Ownership Interests for any claims brought by third parties with respect to the services provided by SCE&G under this Agreement.

4.3 Limitation on Damages. In no event shall either Party be liable to the other Party for consequential, indirect, special, punitive or exemplary damages, including specifically, replacement power and lost profits.

5. Economic Incentives

5.1 Economic Benefits Generally. The Parties shall cooperate and assist each other in good faith in securing and maximizing any current or future economic benefit arising under any

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federal, state, local or other governmental incentive programs that may be available with respect to the Project.

5.2 Production Tax Credits. Notwithstanding the foregoing, each Party agrees that it will apply for its own production tax credits and that neither Party will be expected to share its production tax credits with any other Party. However, SCE&G agrees to support any reasonable effort by the Authority to secure legislative consent for the Authority to apply for and utilize its own production tax credits.

5.3 Federal Loan Guarantees. The Parties agree that no Party will apply for federal loan guarantees without the written consent of both SCE&G and the Authority, which consent may be denied for any reason.

6. Term and Termination

6.1 Term. This Agreement replaces and supersedes the Bridge Agreement and shall commence upon the Effective Date. It shall terminate upon the earliest of: (i) “Final Completion” as defined in the EPC Agreement and the execution and effectiveness of the Operating and Decommissioning Agreement; or (ii) termination by all Parties.

6.2 Termination

6.2.1 Mutually Agreed Termination. The Parties may mutually agree in writing to terminate their involvement in the Project at any time. Such termination shall also be deemed to terminate this Agreement. Upon termination of the Project pursuant to this Section, no additional financial commitments shall be undertaken by any Party or by the Executive Steering Committee, except funding required to bring the Project to an orderly shutdown, and the Parties shall take all available measures to mitigate all financial commitments previously undertaken or approved. Each Party shall bear a proportionate share of all costs associated with the termination in accordance with its Unit Ownership Share, including, but not limited to, all decommissioning costs. All Equipment, personal and real property, and other assets related to the Project and owned by the Parties shall be deemed jointly owned by the Parties, and the Parties shall dispose of such property using Prudent Industry Practices and shall divide all proceeds according to the percentages of ownership of the underlying assets.

6.2.2 Unilateral Termination.

a. Either SCE&G or the Authority may terminate its involvement in the Project, with or without cause, by providing to the other Parties written notice at least one hundred and eighty (180) Days prior to the effective date of such termination (the “Termination Date”). Such termination shall also be deemed to terminate this Agreement.

b. For the one hundred and eighty (180) Day period following the receipt of the terminating Party’s notice to terminate, no additional financial commitments on the terminating Party’s behalf shall be undertaken on behalf of the Project beyond those necessary to keep the Project proceeding on its current schedule, and the terminating Party shall have no liability for any Project-related expenditures other than those expenditures which are necessary to keep the Project proceeding on its current schedule within such one-hundred and eighty (180)

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Day period (“Termination Costs”). For this one hundred and eighty (180) Day period, the terminating Party shall continue to serve on the Executive Steering Committee, provided that such terminating Party’s rights on the Executive Steering Committee shall be limited to monitoring such terminating Party’s financial exposure as a result of actions taken with respect to the Project.

c. Following receipt of a notice of termination, the non-terminating Party (which for purposes of this Section 6.2.2, includes only SCE&G and the Authority) shall have the option, to be exercised during the period prior to the Termination Date, to either:

(i) agree to accept an assignment of the terminating Party’s interest or locate one or more third parties acceptable to such non-terminating Party (the “Assignee”) who agree to accept an assignment of such terminating Party’s interest. The Assignee may be rejected by the non-terminating Party for any reason, and such Assignee must agree to be bound by all provisions of this Agreement and every other agreement between the Parties. As of the Termination Date, the terminating Party shall then assign its interest to the Assignee. The non-terminating Party shall reimburse the terminating Party for the financial contribution that the terminating Party has made to the Project in an amount of seventy-five percent (75%) of the total amount contributed by such terminating Party. At the option of the non-terminating Party, reimbursement may be deferred until the last of the Units goes into Commercial Operation. The terminating Party shall use commercially reasonable efforts to assign any third-party agreement related to the Project to the non-terminating Party. This provision shall survive the expiration or termination of this Agreement.

(ii) terminate the Project, in which case, the Parties shall bear all costs arising from such termination in proportion to their Unit Ownership Shares.

d. If the Authority terminates its participation in the Project, the remaining Parties shall have one hundred eighty (180) Days to reimburse the Authority for any and all amounts paid by the Authority to SCE&G for Equipment under the Limited Agency Agreement for Long Lead Time Items between the Authority and SCE&G dated as of March 31, 2008 (the “LAA for Long Lead Time Items”) from such date through the date of termination. If SCE&G also terminates its participation in the Project within one hundred eighty (180) Days from SCE&G’s receipt of written notice from the Authority of its intent to terminate its participation in the Project, any obligation of such remaining Parties to refund amounts paid for such Equipment by the Authority shall be limited to the repayment by such remaining Parties to the Authority of the Authority’s pro-rata share of amounts that such remaining Parties actually collect from the Consortium. Such remaining Parties shall provide such reimbursement to the Authority within fifteen (15) Days of its receipt of the amounts from the Consortium. The LAA for Long Lead Time Items is intended to survive the execution of this Agreement.

7. Project Management; Staffing

7.1 Designated Personnel.

7.1.1 SCE&G Designation. SCE&G has appointed a Project Manager who shall manage the SCE&G Scope. The Project Manager shall have management authority over all

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aspects of the day-to-day design and construction of the Project, including, but not limited to, scheduling, financial, engineering, operational and contractual aspects of the Project.

7.1.2 The Authority's Designation. The Authority has appointed a Representative of the Authority, who shall work with the Project Manager to conduct oversight of all aspects of the day-to-day design and construction of the Project, including, but not limited to, scheduling, financial, engineering, operational and contractual aspects of the Project. All costs associated with the Representative shall be paid by the Parties in proportion to their Unit Ownership Share. The Authority may appoint other Authority employees to conduct oversight of any and all aspects of the Project, who shall report to the Representative of the Authority. Except as otherwise provided in Sections 7.1.3 and 7.1.4, the salaries of such other employees shall be fully paid by the Authority. The rights of the Authority under this paragraph cannot be assigned, and no Party other than the Authority shall be entitled to have a representative assigned to the Site.

7.1.3 Mutually Designated Employees. The Authority may, with SCE&G written approval, assign other Authority employees to serve on the Project team, which team may be comprised of SCE&G and Authority employees, who shall report to the Project Manager. All costs associated with the employees designated under this Section 7.1.3 shall be paid by the Parties in proportion to each Party's Unit Ownership Share.

7.1.4 Other Authority Employees. The Authority, with SCE&G written approval, may also engage employees who will function in a parallel role with SCE&G employees (including, but not limited to, accountants responsible for reviewing Project invoices). All costs associated with the employees designated under this Section 7.1.4 shall be paid by the Parties in proportion to each Party's Unit Ownership Share.

7.2 Executive Steering Committee.

7.2.1 Establishment. Under the Bridge Agreement, the Parties have established an Executive Steering Committee, which Committee shall continue under this Agreement. The Executive Steering Committee consists of two members, specifically, one representative of SCE&G and one representative of the Authority, each appointed by their respective Party. The member appointed by SCE&G shall be a different individual than the Project Manager. The member appointed by the Authority shall be a different individual than the Representative. No other Party, including any entity that subsequently assumes any interest in any part of the Project, shall be entitled to appoint a representative to the Executive Steering Committee. The Executive Steering Committee shall meet at least quarterly, or more frequently as necessary.

7.2.2 Function. As described in this Agreement, the Executive Committee shall:

- a. Provide the principal senior management oversight for the Project;
- b. Meet at least quarterly with the Project Manager and the Representative to review Project status and progress, focusing on matters including, but not limited to, (i) finances, including actual construction costs (or estimates if actual costs are not known) for the immediately preceding quarter compared against the Project Budget, Project Estimate to Completion and status of Project unallocated funds; (ii) schedules for construction,

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planning, engineering, design, licensing, procurement, start-up and commissioning of each Unit; (iii) staffing resources; (iv) safety issues; (v) readiness; (vi) regulatory issues and Government Approvals; (vii) communications; (viii) significant third-party contracts; and (ix) any other issues the Executive Steering Committee wishes to discuss or which have been brought to the Executive Steering Committee's attention by the Project Manager and/or the Representative;

c. Review and approve, no less frequently than quarterly, revisions to the Project Budget, as provided for in Section 8.1.3;

d. Review and approve all significant third party agreements; and

e. Attempt to resolve matters on which the Project Manager and Representative could not achieve consensus, as provided in Section 7.3.3 hereof.

7.2.3 Minutes. The minutes of meetings and significant decisions of the Executive Steering Committee, including but not limited to decisions described in Section 7.2.2 hereof, shall be recorded and maintained for review. Any Party who is not represented on the Executive Steering Committee shall be provided with a copy of such minutes.

7.3 Project Management Process.

7.3.1 Reporting System. The Project Manager and the Representative shall establish a suitable project management and reporting system to monitor the Project Budget (as defined in Section 8.1.3) and the implementation of Project activities, and to report to the Parties thereon.

7.3.2 Consultation with Representative. The Project Manager shall consult with the Representative, make Project-related decisions, and provide or transmit any approvals of the Parties required under the EPC Agreement and other contracts with third parties (except where the EPC Agreement and such other contracts specifically require the approval of the Authority). The Project Manager shall consider the input of the Representative in all decisions made by such Project Manager.

7.3.3 Executive Steering Committee Resolution. The Project Manager and Representative shall meet to resolve any disputes in good faith as promptly as possible. Failing such resolution within fifteen (15) Days, the Executive Steering Committee shall meet (in person or via telephone) and endeavor to resolve the matter on which the Project Manager and Representative could not achieve consensus. If the Executive Steering Committee is unable to reach a suitable resolution within thirty (30) Days, the dispute shall be resolved in accordance with Section 19.

7.3.4 Logistical Support for Representative of the Authority. The Project Manager shall provide the Representative and other Authority employees appointed under Section 7.1.2 herein with mutually agreed upon logistical support necessary to effect the provisions of this Agreement and shall establish a suitable method of prompt exchange of Project-related information between the Parties. The Representative shall have the right to review and retain copies of all Project-related documents and written communications. Notwithstanding the foregoing, the Parties agree that SCE&G shall have the right to redact any

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non-Project-related and SCE&G proprietary information from Project-related documents and written communications prior to their review by the Authority. The Project Manager and Representative shall also establish a method for the Representative to be made aware of meetings and communications among and between SCE&G, governmental officials, and other parties with respect to the Project, and to what level of comment and participation by the Authority shall occur. While the Parties understand and agree that it is impracticable for SCE&G to provide the Authority with advance notice of all such meetings and communications, SCE&G agrees to use commercially reasonable efforts to promptly provide advance notice of all such meetings and communications to the Representative. This Section is subject to the application of all Laws.

7.4 Change to Designated Project Manager and Representative. SCE&G may change the Project Manager and the Authority may change the Representative, each by providing notice to the other Party in accordance with Section 26.14 hereof.

7.5 Intentionally Omitted.

7.6 Charging of Costs. The Parties may charge costs to the Project based on general allocations provided the type of and methodology for such allocations have been approved by the Executive Steering Committee. Otherwise, the Parties agree that they shall only charge the Project for costs charged directly by their employees.

8. Payment; Funding; Audit Rights

8.1 Payments; Funding. Each Party shall pay all Project Costs in accordance with such Party's Unit Ownership Share as set forth in Section 3:

8.1.1 EPC Agreement Invoices.

a. Target Price Work and Time and Materials Work. In accordance with Section 8 of the EPC Agreement, for "Target Price Work" (as defined in the EPC Agreement) and "Time and Materials Work" (as defined in the EPC Agreement), SCE&G shall by noon Eastern time on Tuesday of each week provide a copy of the Consortium's invoice to the other Parties, and each other Party shall pay its proportional share of such invoice to SCE&G in the form of an electronic transfer of funds to an account specified by SCE&G by 5 p.m. Eastern time on Thursday of each week. Within thirty (30) Days of receipt, SCE&G shall review and approve each invoice in accordance with SCE&G procedures and shall notify the other Parties of any discrepancies that it discovered. The other Parties shall make any corresponding changes to the following week's payment to SCE&G.

b. Milestone Payments. Each Party shall pay its proportional share of the "Milestone Payments" (as defined in the EPC Agreement) in accordance with the "Milestone Payment Schedule" set forth in the EPC Agreement. SCE&G shall provide the other Parties with a copy of the Consortium's invoice for any "Milestone Payment for Major Equipment" (as defined in the EPC Agreement) or other "Milestone Payment" within one Business Day of receipt of such invoice from the Consortium. Within thirty (30) Days of receipt, SCE&G shall review and approve each invoice in accordance with SCE&G procedures and shall notify the other Parties of any discrepancies that it discovered. Each Party shall pay its proportional share of such invoice, with any required changes, to SCE&G on the day payment is due to the

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Consortium. Coordination between the Parties shall be required such that the Parties' payments are received prior to SCE&G making payment to the Consortium.

8.1.2 Payment of Other Expenditures. Pursuant to the Project Budget presented to the Executive Steering Committee:

a. Third-Party Invoices. For invoices not within the scope of Section 8.1.1 of this Agreement, each Party agrees to fund its proportional share of third-party, Project-related invoices when such invoices are supported by appropriate documentation within ten (10) Business Days of the receipt of such invoices, but in any event, before the due date of such invoices.

b. Nuclear Fuel. SCE&G shall have the right, with the Authority's review and input, to enter into any arrangement on behalf of the Project for the purchase of Nuclear Fuel in accordance with Section 3.2 herein. The Parties agree to cooperate with SCE&G to take all action required to consummate such arrangements. The actual costs incurred with respect to the Nuclear Fuel shall be allocated in proportion to each Party's Unit Ownership Share.

c. Transmission Costs. Each Party shall pay all costs associated with acquiring, installing and maintaining its transmission lines and switching facilities necessary to connect its transmission system in accordance with the Transmission Agreement.

d. Parties' Other Project-Related Expenditures. On or about the 15th day of each month, SCE&G and the Authority shall deliver to the other Parties, in a manner mutually agreed to between the Project Manager and the Representative, an itemized invoice for reimbursement for Project-related expenditures actually made over the previous month that were previously in the Project Budget; provided, however, that such Project-related expenditures shall not include costs incurred (i) by a Party for regulatory or contractual approvals that are for the benefit of such Party, such as certain PSC and Cooperative approvals; (ii) by a Party in negotiating and finalizing this Agreement and the Operating and Decommissioning Agreement; (iii) by a Party for costs associated with applying for or obtaining U.S. Department of Energy loan guarantees; and (iv) by a Party in connection with the transfer of any of its interest. Such invoice shall include any third-party Project-related expenditures paid the previous month that were not directly invoiced to the other Parties pursuant to Section 8.1.1 herein and shall be supported by appropriate documentation of such expenditures. Each Party agrees to fund its proportional share of such Project-related expenditures within ten (10) Business Days of the receipt of such invoice. It is specifically understood that the costs and expenses of any experts, consultants, attorneys and other third parties engaged by any Party other than SCE&G on behalf of the Project without the written consent of the Project Manager shall not be reimbursed hereunder.

8.1.3 Project Cost Estimate; Project Budget

a. Project Cost Estimate. SCE&G and the Authority have developed an estimate of the projected total Project Costs (the "Project Cost Estimate"). The Project Cost Estimate consists of: (i) owner's costs; (ii) EPC costs; and (iii) unallocated amounts.

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b. Project Budget. No later than August 31st of each year, the Representative shall provide to the Project Manager a detailed budget and Project Estimate to Completion of the Authority's projected costs for the following year, such detailed budget and Project Estimate to Completion to be determined in accordance with the Federal Energy Regulatory Commission's Uniform System of Accounts. All such costs must be approved by the Project Manager for inclusion in the Project Budget. No later than September 15th of each year, the Project Manager shall provide to the Parties an annual, itemized project budget (the "Project Budget") for the following year, which shall incorporate the projected costs of the Authority approved by the Project Manager.

c. Presentation to Executive Steering Committee. SCE&G shall provide updates of the Project Budget, Project Estimate to Completion and a detailed report of the Project financial status, including status of the unallocated amounts, each to be determined in accordance with the Federal Energy Regulatory Commission's Uniform System of Accounts, at each quarterly Executive Steering Committee meeting (and a copy thereof to any Party not represented on the Executive Steering Committee). The status of expenditures and projections to the end of the year and end of the Project in each category and the summation of all categories shall be presented. No later than September 30th of each year, SCE&G shall provide to the Executive Steering Committee for approval pursuant to Section 7.2.2 herein, a Project Budget for the following year and a Project Estimate to Completion.

8.1.4 Use of Unallocated Funds. SCE&G shall monitor the Project Budget and annual expenditures to identify any pending need for the use of unallocated funds. The assignment or use of any such unallocated fund shall be reported to the Executive Steering Committee at the next regularly scheduled meeting.

a. If, at any time, SCE&G determines that unallocated funds are needed to cover projected increases in the owner's cost and/or EPC costs, in the amount of \$10 million or less, prior written approval from each of the Project Manager and the Representative shall be required.

b. If, at any time, SCE&G determines that unallocated funds are needed to cover projected increases in the owner's cost and/or EPC costs, in an aggregated amount greater than \$10 million, prior written approval from the Executive Steering Committee shall be required.

8.2 Audit Rights.

8.2.1 Inspection. Each Party shall have the right to inspect the books and records of the other Parties regarding any Project-related expenditure, at such Party's own expense, during ordinary business hours at the office of the Party being inspected.

8.2.2 Audits.

a. As a part of the SCE&G Scope, SCE&G shall keep complete and accurate accounts of all receipts and expenditures of Project Costs and maintain its accounting records in accordance with the Federal Energy Regulatory Commission's Uniform System of Accounts. SCE&G shall cause all accounts to be audited by a mutually agreed upon independent

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certified public accountant (the “Auditor”), agreed to by the Executive Steering Committee, at least every two (2) years unless otherwise directed by the Executive Steering Committee. Copies of such audits shall be promptly provided to all Parties.

b. The Authority may request, or SCE&G may determine, that an audit of the Consortium is required.

8.2.3 Discrepancy. If an inspection or audit of the books and records demonstrates that there is any discrepancy in amounts owed by one Party to the others, such amounts shall be paid within thirty (30) Days of receipt of the written notice regarding such discrepancy.

8.2.4 Audit Costs. Each Party shall pay an equal portion of the cost of any audit performed in accordance with Section 8.2.2 herein.

8.3 Site Inspection. The Authority shall be provided full and unfettered access to the Facility for the purpose of observing and reporting on the development and construction of the Facility through the Commercial Operation Date of each Unit. SCE&G may implement any Site access control and security requirements under applicable Laws or as SCE&G reasonably determines.

9. Financing

Each Party is responsible for securing its own financing for the Project. The Parties shall cooperate and assist each other in securing the necessary financing for the Project (the “Financing”). No Party shall grant a security interest in any asset or collateral related to the Project except as required for such Financing. In the event a Party grants a security interest in any asset or collateral not in connection with such Financing, such Party shall have sixty (60) Days to discharge such security interest. If such Party fails to discharge such security interest within a sixty (60) Day period, the other Parties may discharge such security interest and shall be entitled to reimbursement of all of its expenses and costs. The Parties agree that this provision does not apply to Project expenditures that are secured under SCE&G’s “Collateral Trust Mortgage.”

10. Third Party Agreements

10.1 Project-Related Third-Party Agreements to be Executed.

10.1.1 Third-Party Agreements equal to or greater than \$1,000,000.

SCE&G agrees to provide the Authority with a reasonable advance notice of its intent to enter into negotiations with third parties for the formation of or amendment to agreements equal to or greater than \$1,000,000 (unless a different amount shall be agreed to by the Executive Steering Committee). Further, SCE&G agrees to undertake commercially reasonable steps to ensure that the Authority has the opportunity to attend and fully participate in the negotiations, including, but not limited to, ensuring that the Authority is provided reasonable advance notice of negotiating sessions (whether in person or otherwise) and that the Authority receives contemporaneous copies of all drafts, correspondence and other documents exchanged between

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the parties to the negotiations. SCE&G shall have the lead in the negotiations with vendors and other third parties for the appropriate Project-related contract documentation and other appropriate Project-related agreements and amendments, subject to the Authority's review and approval of these agreements' and amendments' terms and conditions. SCE&G regularly shall report the progress of such negotiations to the Executive Steering Committee.

Prior to the execution of such agreements or amendments, the Authority shall advise SCE&G: (1) whether the Authority shall be a signatory to the resulting agreement or amendment and (2) if the Authority determines not to be a signatory, whether the Parties should provide written authorization for SCE&G to take further actions under such agreement or amendment. In all such Project-related third-party agreements in which the Authority has elected not to be a signatory, SCE&G shall use its best efforts to negotiate with such third party an agreement that explicitly states that the Authority is an intended third-party beneficiary of the agreement and which permits the Authority to realize fully its appropriate share of benefits.

10.1.2 Third-Party Agreements less than \$1,000,000. Subject to Section 2.1.1, SCE&G shall negotiate with vendors and other third parties for appropriate Project-related contract documentation and other appropriate Project-related agreements and amendments less than \$1,000,000 and shall execute such contracts on behalf of the Parties. SCE&G regularly shall report the progress of such negotiations to the Executive Steering Committee. In all such Project-related third party agreements and amendments, SCE&G shall use its best efforts to negotiate with such third party an agreement that explicitly states that the Authority is an intended third-party beneficiary of the agreement and which permits the Authority to realize fully its appropriate share of benefits.

10.1.3 Execution by the Authority. In all Project-related third-party agreements in which the Authority has elected to be a signatory, the Authority shall duly execute the resulting agreement or amendment.

11. Insurance

11.1 SCE&G shall obtain, or cause to be obtained, insurance coverage for the Facility, with the specific policies, amounts, deductibles and risks to be developed by SCE&G's insurance department with advice and consultation from the Authority, which may be revised by SCE&G to the extent such revisions are consistent with SCE&G's insurance obligations under the EPC Agreement and this Agreement, but not less than what will satisfy the requirements of the Atomic Energy Act of 1954, as amended. SCE&G shall also reasonably satisfy itself that all contractors, subcontractors, engineers and equipment suppliers or manufacturers under the Project-related agreements have adequate insurance coverage and limits for such hazards as required under the applicable agreements. SCE&G, at its option, may provide for an owner-controlled insurance program. SCE&G shall obtain and maintain the government indemnity provided pursuant to the Price-Anderson provisions of the Atomic Energy Act.

11.2 The aggregate cost of all insurance procured pursuant to this Section 11 and all uninsured losses shall be considered a Construction Cost (with any insurance proceeds considered a credit against the Construction Cost) and as such shall be apportioned among the Parties in accordance with each Party's Unit Ownership Share.

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11.4 With respect to insurance policies to be obtained by SCE&G, SCE&G shall use commercially reasonable efforts to cause such insurance coverages to name the other Parties as additional insureds.

12. Government Relations and Regulatory Filings

12.1 Government Relations and Regulatory Filings. SCE&G shall have the lead responsibility for regulatory filings with respect to the Project, subject to the Authority's review and comment. The Authority shall have the right to attend Project-related meetings with governmental representatives at the Authority's discretion, and SCE&G shall use its best efforts so as to enable such attendance, except where such attendance shall not be in the best interests of the Project; in such event, SCE&G shall provide the Authority with notice of such meeting and upon request, a written description of such meeting agenda and outcome. Notwithstanding the foregoing, no Party other than SCE&G shall have the right to participate in meetings, or review and comment upon any of SCE&G's filings, with the PSC or the ORS. No Party may take a position contrary to SCE&G with respect to the Project before the PSC or ORS, except when required to do so by Law. No Party other than SCE&G shall have the right to represent the Project before, or otherwise discuss the Project with, the Nuclear Regulatory Commission without the consent and participation of SCE&G, except to the extent required by Law.

12.2 Cooperation with Respect to Filings. Each Party shall use all commercially reasonable efforts to obtain any regulatory approvals required for the Project. In addition, each Party shall retain the right to make any appropriate regulatory submissions with respect to the Project on its own behalf. The submitting Party shall use commercially reasonable efforts to provide the other Parties prior notice of and a right to comment on such submissions. Each Party agrees to make its reasonable best efforts to provide the other Parties with the opportunity for notice and comment as described herein and agrees to consider in good faith any comments and suggestions of the other Party. In addition, the Parties agree for the purpose of efficiency and consistency to make joint submissions to the PSC pursuant to the Base Load Review Act to the extent such joint filings are permitted by the PSC and required of a particular Party. The Parties agree not to take any positions in regulatory filings which would be in conflict with or adversely affect the implementation of the Project, unless required to do so by any applicable law or regulation. In the event that another entity becomes a Party under the terms of this Agreement and is subject to South Carolina Law then that entity and SCE&G will negotiate and execute a separate agreement detailing the responsibilities of each Party concerning any filings made under the Base Load Review Act. Notwithstanding the foregoing, no Party other than SCE&G shall have the right to participate in meetings, or review and comment upon any of SCE&G's filings, with the PSC or the ORS.

12.3 Public Relations. Each Party agrees to use commercially reasonable efforts to provide the others with advance notice of and the right to comment on any press releases relating to the Project, and agrees to consider in good faith any comments and suggestions made by the other Parties.

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13. Default In Performance

13.1 Default.

13.1.1 Non-Payment Default. In the event a Party breaches a material obligation under this Agreement (including Section 2.1 herein), if such breach is not cured within sixty (60) Days of written notice thereof by the non-defaulting Parties (unless a cure cannot reasonably be secured within such sixty (60) Day period, in which case the defaulting Party must take all steps possible to remedy the breach as promptly as possible), then, at the option of the Authority and SCE&G (or one of them if the defaulting Party is one of them), the right of the defaulting Party to participate on the Executive Steering Committee and to vote its ownership interests under this Agreement may be suspended until the defaulting Party's cure of such default. If the breach is not thereafter cured within thirty (30) days thereafter, the defaulting Party shall be deemed in breach of this Agreement and shall be liable for any resulting damages thereunder.

13.1.2 Payment Default. In the event that a payment default hereunder results in a shortfall in amounts available to pay an obligation to a third party, all Parties shall make up such shortfall in proportion to their existing Unit Ownership Share. In such event, the defaulting Party shall be liable to the non-defaulting Parties (to the extent that each of them makes up the shortfall) not only for the unpaid funds, but for Interest calculated at two times the amount set forth in the definition of "Interest" in this Agreement, plus any actual expenses. In the event that the defaulting Party fails to cure such breach within thirty (30) Days of written notice thereof by a non-defaulting party; then, at the option of the Authority and SCE&G (or one of them, if the defaulting Party is the other of them), the defaulting Party shall cease to (i) participate on the Executive Steering Committee (if the defaulting Party was otherwise entitled to participate on the Executive Steering Committee) and (ii) vote its ownership interests under this Agreement. If the breach is not thereafter cured within thirty (60) Days of the notice referenced above or the defaulting Party is not working diligently to cure such breach, the non-defaulting Parties shall have the option of assuming ownership of the defaulting Party's interest in the Project and in addition, the defaulting Party shall be deemed in breach of this Agreement and shall be liable for any resulting damages thereunder. Any such assumption of ownership shall result in an adjustment of the Unit Ownership Share as applicable.

13.1.3 In the event a Party becomes Insolvent, then (i) the rights of the defaulting Party under this Agreement shall be terminated, (ii) the non-defaulting Parties shall succeed to all such defaulting Party's rights under this Agreement, (iii) the defaulting Party shall pay to the non-defaulting Parties all amounts owed under this Agreement with Interest and the amount of any legal expenses incurred by the non-defaulting Parties in connection with the default and termination.

13.1.4 In addition to the rights granted in this Section 13, any non-defaulting Party may take any action, in law or equity, to enforce this Agreement and to recover for any loss or damage, including attorney's fees and collection costs, incurred by reason of such default.

13.2 Force Majeure. No Party shall be in default of any obligation under this Agreement, except payment of monies, if such failure of performance is due to causes which such Party could not have reasonably been expected to avoid by exercise of due diligence and

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foresight, and which is not caused by the fault or negligence of such Party, such as: any act, delay or failure to act on the part of any Government Authority, including without limitation, acts of God; accidents and disruptions such as fire, explosion or major equipment breakdown; labor difficulties such as strikes, other work stoppages or shortages; or any other cause beyond such Party's reasonable control. The time for performance shall be extended for a period equal to any time necessarily lost by reason of the delay and which such Party is unable to make up through the exercise of due diligence. Each Party shall notify the others of any delay in its performance, whether or not excused, promptly after it has learned of such delay.

13.3 Right to Specific Performance of Material Obligations. Each Party acknowledges and agrees that the other Parties would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each Party agrees that the other Parties shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted pursuant to Section 19.3.

14. Damage, Destruction or Condemnation of Facility

14.1 Non-Substantial Damage. If during construction of the Facility, some portion or all of the Facility is damaged, destroyed or condemned, the Parties may elect (unless otherwise required by law) to repair, restore or reconstruct such portion or all of the Facility. If the estimated cost of such repair, restoration or reconstruction is 25% or less of the depreciated value of each Unit prior to damage, and the Parties do not agree to terminate the Project, SCE&G shall be authorized to proceed to repair, restore or reconstruct such portion or all of the Facility. With respect to each asset, each Party shall pay its percentage of ownership of the costs of such repair, restoration or reconstruction.

14.2 Substantial Damage. If the estimated cost of such repair, restoration or reconstruction exceeds 25% of the depreciated value of each Unit prior to damage, the Parties shall determine the fair market value of the Project if the Project were to be terminated without repair. If within ninety (90) Days, the Parties do not mutually agree to repair, restore or reconstruct the Project, each Party becomes entitled to the insurance proceeds in proportion to their ownership of the underlying assets and the Parties desiring such repair, restoration or reconstruction may purchase the other Parties' entire ownership interest in the Project by paying to the other Parties the fair market value of such other Party's interest in the Project without repair.

14.3 Election Not to Repair. If a mutual decision not to repair, restore or reconstruct is made, each Party shall pay its Unit Ownership Share of any costs or expenses incurred in the shutdown, demolition or disposal of the Facility.

15. Settlement of Accounts on Completion of Facility

Upon commercial operation of the Facility, SCE&G shall submit to the Parties a calculated true-up, using the Federal Energy Regulatory Commission's Uniform System of Accounts, reconciling the difference, if any, between the actual costs incurred under this

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Agreement and the estimated costs. If, as of commercial operation, there is surplus equipment or materials not used at the Facility, such surplus shall be sold, if possible, and the proceeds shall be distributed to the Parties in proportion to each Party's Unit Ownership Share.

16. Control of Litigation

SCE&G shall exercise full control over litigation related to the Facility for claims under \$30 million, whether brought by third parties against the Facility or the Parties or brought by one or more Parties against a third party; provided, that if the Authority is a named co-defendant in any such claim, the Authority shall have the option to select its own counsel; and provided, further, that this Section 16 shall not apply to any lawsuit or claim brought by one Party against the other Party. For claims equal to or exceeding \$30 million, each of SCE&G and the Authority shall have the right to control its own litigation. Except to the extent of the provisos in the preceding sentence, SCE&G shall select counsel to represent the Parties in connection with any such claims or litigation. The costs incurred by SCE&G in connection with litigation or claims pursuant to this Section 16 (including fees of legal counsel) shall be allocated among the Parties in accordance with each Party's Unit Ownership Share.

17. Third-Party Claims Against the Project

Subject to South Carolina law, no settlement of claims by third-parties against the Project shall be offered without unanimous agreement between SCE&G and the Authority.

18. Intellectual Property

Each Party shall have full rights to use any and all Intellectual Property that is developed or received by any of the Parties related to and in the course of the Project, including the Intellectual Property Rights (as defined in the EPC Agreement, Exhibits M-2 and M-3) obtained under the EPC Agreement. The Parties shall discuss and agree upon any additional rights, including the right to further license any Intellectual Property.

19. Dispute Resolution

19.1 Negotiation between Executives. If the Executive Steering Committee, pursuant to Section 7.3.3. herein, fails to resolve any dispute (or if one of the Parties to the dispute is not represented on the Executive Steering Committee), the Parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement, promptly by negotiation between senior executives (other than those executives serving on the Executive Steering Committee) who have the authority to settle the dispute. If the senior executives are unable to resolve such dispute within forty-five (45) Days, the dispute shall be forwarded to mandatory, binding arbitration pursuant to Section 19.2 herein. All reasonable requests for information made by one Party to the other shall be honored. All negotiations pursuant to this Section 19.1 shall be confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.

19.2 Arbitration. Any dispute arising out of or relating to this Agreement, including the breach, termination or validity thereof, that has not been resolved by a non-binding procedure as provided in Section 19.1 herein within forty-five (45) Days of the initiation of such procedure,

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shall be finally resolved by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (“AAA”).

19.2.1 It being imperative that all members of the arbitral panel be neutral, act impartially, and be free from any conflict of interest, the Parties shall select such persons on the basis that they shall:

- a. have no interest financial or otherwise in a Party or any financial interest in this Agreement except for payment of its fees and expenses as provided herein;
- b. not have previously been employed as a consultant or otherwise by a Party, unless any such relationship has been disclosed in writing and approved by the Parties;
- c. have disclosed in writing to the Parties and each other, before being selected and to his or her best knowledge and recollection, any professional or personal relationships with any director, officer or employee of a Party;
- d. not, for the duration of the arbitral panel, be employed as a consultant or otherwise by a Party, except as may be agreed in writing by the Parties and the other members of the arbitral panel;
- e. not give advice to a Party or its employees concerning the conduct of this Agreement, other than in accordance with this Agreement;
- f. not have any ex-parte communications with a Party at any time after their selection pursuant to Section 19.2;
- g. not, while a member of the arbitral panel, enter into discussions or make any agreement with a Party regarding employment by any of them, whether as a consultant or otherwise; and
- h. treat the details of this Agreement and all the arbitral panel’s activities and hearings as private and confidential, and not publish or disclose them without the prior written consent of the Parties.

19.2.2 Each Party shall be responsible for its share of the fees and expenses of the arbitral panel, unless the arbitral panel includes an award of fees and expenses in the award.

19.2.3 A Party shall be entitled to have any third party join into any proceedings hereunder as a party thereto under this Section 19.2. A Party may fully defend against any proceedings hereunder, provided that a Party shall not be entitled to make a counterclaim against any other Party unless the counterclaim arises out of the occurrence that is the subject of the dispute.

19.2.4 The arbitral panel shall be governed by the provisions of this Agreement and the governing Law, and shall not be entitled to award any punitive, special, indirect, penal, incidental or consequential loss or damages.

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19.2.5 The Parties shall promptly provide the arbitral panel with such additional information and access to such facilities and employees as the arbitral panel may require for purposes of resolving any submitted dispute. The arbitral panel shall use reasonable efforts to resolve any submitted dispute as promptly as reasonably practicable.

19.2.6 The decision of the arbitral panel shall be issued in a writing that sets forth the arbitral panel's reasoned decision. The arbitral panel shall not be entitled to deviate from the construct, procedures or requirements of this Agreement. In the absence of bias, fraud, misstatement of Law, or willful misconduct by an arbitrator, any decision rendered by the arbitral panel in any arbitration shall be final and binding upon the Parties under the United States Arbitration Act 9 U.S.C. §§ 1 *et seq.*, and judgment thereon may be entered in the court described in Section 19.4.

19.3 Equitable Remedies. Notwithstanding anything in this Section to the contrary, a Party may, at any time, file a complaint in the court described in Section 19.4 to seek injunctive relief. Despite such actions, the Parties shall continue to participate in good faith in and be bound by the dispute resolution procedures specified in this Section.

19.4 Consent to Jurisdiction. The Parties agree to the exclusive jurisdiction of the Federal Court for the District of South Carolina or, if such court does not have jurisdiction of the matter, the courts of the State of South Carolina located in Richland County, for any legal proceedings that may be brought by a Party arising out of or in connection with this Agreement or for recognition or enforcement of any judgment or settlement agreement. By execution and delivery of this Agreement, each Party accepts, generally and unconditionally, the jurisdiction of the aforesaid court for legal proceedings arising out of or in connection with this Agreement. Each Party hereby waives any right to stay or dismiss any action or proceeding under or in connection with this Agreement brought before the foregoing court on the basis of forum non conveniens or improper venue.

19.5 Continuation of Obligations. Pending the final resolution of any dispute, the Parties shall proceed diligently with the performance of their obligations under the Agreement.

20. Indemnification

Subject to Section 4.1 of this Agreement, each Party (the "Indemnifying Party") agrees to indemnify, defend and hold harmless the other Parties, their affiliates and any of their members, officers, directors and employees, agents and representatives (the "Indemnified Party") against and in respect of all claims, liabilities, obligations, judgments, liens, injunctions, charges, orders, decrees, rulings, damages, dues, assessments, taxes, losses, fines, penalties, damages, expenses, fees, costs and amounts paid in settlement, including reasonable attorneys' fees, expert witness fees and disbursements in connection with investigating, defending or settling any action or threatened action, arising out of any claim, complaint, demand, cause of action, action, suit or other proceeding asserted or initiated or otherwise existing in respect of any matter (collectively, the "Losses") arising out of the Indemnifying Party's gross negligence, willful misconduct or bad faith; provided, however, that the Indemnified Parties shall not be entitled to indemnification for any Losses arising out of the Indemnified Parties' gross negligence, willful misconduct or bad faith, subject to Section 4.1 of this Agreement.

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21. Confidentiality

The Parties acknowledge that this Agreement is subject to the Confidentiality Agreement between the Authority and SCE&G dated as of the 8th day of June, 2006, attached hereto as **Exhibit H** (the “Confidentiality Agreement”). Any entity that becomes a Party to this Agreement must agree to be bound by the terms of Exhibit H.

22. No Effect on Certain Agreements

Subject to Section 3.2 herein, nothing in this Agreement shall have any effect on the continued application or the interpretation of the JOA, which shall continue to govern the operation of the Existing Unit, or the Transmission Agreement, which shall govern certain transmission lines and related transmission equipment of the Existing Unit and the Units.

23. Taxes

23.1 The Parties shall be responsible for payroll or employment compensation taxes, Social Security taxes, or for labor-related withholding taxes for any of the employees mutually designated under Section 7.1.3 herein in proportion to each Party’s Unit Ownership Share.

23.2 To the extent possible, each Party shall separately report to all applicable taxing authorities, file returns with respect to, be responsible for and pay all ad valorem taxes or assessments applicable to its Unit Ownership Share in the Project. To the extent such separate reporting, filing or payment is not permitted by applicable Law, SCE&G, acting on behalf of the Parties, shall have sole responsibility for and control over administering, negotiating and contesting the valuation of, and any assessments on, the Project for ad valorem taxation purposes. SCE&G’s costs of administering, negotiating and/or contesting any such valuation or assessment of the Project (including but not limited to reasonable attorney’s, accountant’s and consultant’s fees and costs), shall be reimbursed by the Parties; provided, that such reimbursement shall not apply to the Authority’s Unit Ownership Share to the extent that it is exempt from ad valorem taxation, and the remaining Parties will provide such reimbursement on a pro-rata basis. It shall be the responsibility of the Authority to obtain any such exemption of its Unit Ownership Share from taxation to which it may be entitled. SCE&G, acting on behalf of itself and the Parties, shall use commercially reasonable efforts to have the levy of any taxes or payments in lieu thereof (excluding any sales or use taxes) made directly against the Unit Ownership Share of each Party, or in such manner as will allow each Party to perfect any exemption to which it may be entitled. The Parties will coordinate and cooperate with each other in implementing this Section.

23.3 Except as otherwise expressly provided in this Agreement, if any ad valorem taxes, assessments or payments in lieu of taxes (excluding any sales or use taxes) are levied or assessed on an aggregate basis for the Project, such that each Party is unable to separately report and file returns with respect to its Unit Ownership Share in the manner specified in Section 23.2, such taxes, assessments or payments in lieu of taxes shall be apportioned among the Parties in accordance with their respective Unit Ownership Share, provided that if such taxes, assessments or payments in lieu of taxes are levied or assessed on a basis that reduces the amount of the taxes, assessments or payments in lieu of taxes otherwise due in order to reflect the exemption of

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the Authority's Unit Ownership Share from taxation, the Authority shall not be apportioned a share of such taxes, assessments or payments in lieu of taxes to the extent of such reduction.

24. Representations and Warranties

24.1 Organization. Each Party represents and warrants to the other Parties that it is duly organized, validly existing and in good standing under the applicable Law of the jurisdiction of its organization and is qualified to do business in the jurisdictions necessary to perform this Agreement.

24.2 Power to Execute. Each Party represents and warrants to the other Parties that it has the power to execute and deliver this Agreement and to perform its obligations under this Agreement and has taken all necessary corporate and/or other actions to authorize such execution, delivery and performance.

24.3 No Conflict or Violation. Each Party represents and warrants to the other Parties that its execution and delivery of this Agreement and its performance of its obligations under this Agreement do not violate or conflict with (a) any Law applicable to it, (b) any provision of its charter or by-laws (or comparable constituent documents), (c) any order or judgment of any court or Government Authority applicable to it or any of its assets or (d) any contractual restriction binding on or affecting it or any of its assets.

24.4 Duly Executed. Each Party represents and warrants to the other Parties that this Agreement has been duly executed and delivered by the Party and constitutes its legal, valid, and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law).

24.5 No Adverse Action. Each Party represents and warrants to the other Parties that, except as otherwise permitted herein, it has neither initiated nor received written notice of any pending action, proceeding, or investigation, nor to its knowledge is any such action, proceeding, or investigation threatened (or any basis therefore known to it), which questions the validity of this Agreement, or which would materially or adversely affect its rights or obligations under this Agreement.

24.6 No Inconsistent Agreements. Each Party represents and warrants to the other Parties that it shall not enter into any contracts or agreements that are or could be considered inconsistent with this Agreement.

25. Ratification

The Parties hereby ratify the actions of SCE&G in executing and submitting the "Contract for Disposal of Spent Nuclear Fuel and/or High-level Radioactive Waste" with the U.S. Department of Energy on November 12, 2008.

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26. Miscellaneous Provisions

26.1 Survival. Certain sections of this Agreement shall survive termination of the Agreement, including but not limited to: Intellectual Property, Indemnification, Limitation on Liability, Confidentiality, Dispute Resolution, Survival, Unilateral Termination and any other terms expressly stated to survive.

26.2 Assignment. Assignments or transfers of rights, interests or obligations under this Agreement are governed by Section 3.6, and any attempt at assignment in contravention of that Section shall be void.

26.3 Governing Law. This Agreement shall be governed and interpreted under the Laws of the State of South Carolina.

26.4 Third Party Beneficiaries. The provisions of this Agreement are intended for the sole benefit of the Parties, and the Parties do not intend to create any third party beneficiaries or otherwise create privity of contract with any other Person who is not at the time a Party hereto.

26.5 Effect of Waiver. No waiver by a Party of any one or more defaults by another Party in the performance of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or different character.

26.6 Compliance. Each Party shall, throughout the term of this Agreement, comply with all Law applicable to the performance of this Agreement.

26.7 Renegotiation. If any provision of this Agreement, or the application thereof to any Person or circumstance, is held by a court or Government Authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a Government Authority exercising jurisdiction over this Agreement, then the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as shall restore the relative rights, obligations, and economic position of the Parties under this Agreement immediately prior to such holding, modification, or condition to the extent consistent with the orders, decisions or requirements of the applicable court or Government Authority.

26.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original copy of this Agreement and all of which, when taken together, shall be deemed to constitute one and the same instrument.

26.9 Amendments. No alteration, modification or supplement of any of the provisions of this Agreement shall be binding unless in writing and signed by an officer or other duly authorized representative of each of the Parties.

26.10 Severability. If any provision of this Agreement shall to any extent be held invalid or unenforceable by a court of competent jurisdiction or arbitrator, then the remainder of this Agreement other than those as to which it specifically held invalid or unenforceable shall not be affected, and every remaining provision of this Agreement shall be binding and valid to the fullest extent permitted by Law.

EXECUTION VERSION – CONFIDENTIAL

26.11 Entire Agreement. This Agreement, together with the Confidentiality Agreement referred to in Section 21 and any other documents or agreements specifically referenced in this Agreement in such a way as to make clear that their survival is intended, embodies the entire understanding and agreement among the Parties pertaining to the subject matter thereof and supersedes any and all prior negotiations, understandings or agreements with respect thereto.

26.12 Titles. Heading titles contained herein shall in no way be construed as limiting the intent of the subject matter they introduce and shall not be used in construing the Agreement.

26.13 Further Assurances. Each Party agrees that it shall hereafter execute and deliver such further instruments, provide all information, and take or forbear such further acts and things as may be reasonably required and useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the provisions of this Agreement.

26.14 Notices. All notices, consents, requests, demands, offers, reports or other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be considered properly given or made when personally delivered to the Person entitled thereto, when sent by certified or registered United States mail in a sealed envelope, with postage prepaid, or when sent by overnight courier, addressed to the address set forth above. Any Party may change its address by giving notice to the other Party. Further, any entity that becomes a Party to this Agreement pursuant to the Joinder Agreement shall provide an address for the purpose of notice pursuant to this Section 26.14 to all Parties.

If to the Authority: South Carolina Public Service Authority
Attn: Chief Operating Officer (M602)
One Riverwood Drive
P.O. Box 2946101
Moncks Corner, SC 29461-6101
Telephone No.: 843-761-4087
Facsimile No.: 843-761-7037

With a copy to: South Carolina Public Service Authority
Attn: General Counsel (M603)
One Riverwood Drive
P.O. Box 2946101
Moncks Corner, SC 29461-6101
Telephone No.: 843-761-7007
Facsimile No.: 843-761-7037

If to SCE&G: South Carolina Electric & Gas Company
Attn: President
Mail Code D302
100 SCANA Parkway
Cayce, SC 29033-3712
Telephone No.: 803-217-8097
Facsimile No.: 803-217-9336

EXECUTION VERSION – CONFIDENTIAL

With a copy to: South Carolina Electric & Gas Company
Attn: General Counsel
Mail Code D308
100 SCANA Parkway
Cayce, SC 29033-3712
Telephone No.: 803-217-8634
Facsimile No.: 803-217-9336

26.15 Efforts of the Parties. Where the consent, agreement, or approval of a Party must be obtained hereunder, such consent, agreement, or approval shall not be unreasonably withheld, conditioned, or delayed. Where a Party is required or permitted to act, or omit to act, based on its opinion or judgment, such opinion or judgment shall not be unreasonably exercised. To the extent that the jurisdiction of any Government Authority applies to any part of this Agreement and/or the transactions or actions covered by this Agreement, each Party shall cooperate with the other Parties to secure any necessary or desirable approval or acceptance of such governmental authorities of such part of this Agreement and/or such transactions or actions.

[Signature page follows]

EXECUTION VERSION – CONFIDENTIAL

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date set forth above.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

By: *[Signature]*
Name: KEVIN O. MARSH
Title: President

AJB
10-20-11

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: *[Signature]*
Name: LONNIE N. CARTER
Title: President + CEO

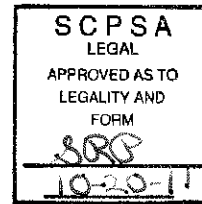


EXHIBIT A
INTENTIONALLY OMITTED

NY977743.7
215152-10002

EXHIBIT B
INTENTIONALLY OMITTED

EXHIBIT C

INTENTIONALLY OMITTED

EXHIBIT D

INTENTIONALLY OMITTED

NY977743.7
215152-10002

EXHIBIT E
INTENTIONALLY OMITTED

NY977743.7
215152-10002

EXHIBIT F
INTENTIONALLY OMITTED

NY977743.7
215152-10002

EXHIBIT G
INTENTIONALLY OMITTED

NY977743.7
215152-10002

EXHIBIT H
CONFIDENTIALITY AGREEMENT

NY977743.7
215152-10002

CLP #	27915
RCVD	1-02-2006 CR01107

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement ("Agreement") is entered into by and between South Carolina Electric & Gas Company ("SCE&G") and South Carolina Public Service Authority ("Santee Cooper") (collectively, the "Parties" and individually, "Party") on this 8 day of June, 2006.

RECITALS

WHEREAS, the Parties intend to promptly begin the negotiation of a series of agreements pertaining to a collaboration between the Parties on the engineering, design, procurement, construction and operation of an advance design light water nuclear-powered electric generating facility (the "Facility") in which each Party would have an ownership share and commensurate rights to electricity produced by the Facility. The entire scope of the Parties' collaboration in this undertaking will be referred to herein as the "Project;" and,

WHEREAS, the Parties desire to enter into certain fact finding discussions and negotiations that will require the mutual disclosure of certain proprietary, commercially and/or competitively sensitive information ("Confidential Information") relating to the business of that Party; and,

WHEREAS, the Parties, in order to establish rules for the handling and treatment of the Confidential Information to be disclosed to the other Party and to preserve the confidentiality of any such confidential disclosure, hereby enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the sufficiency of which is herein acknowledged, the Parties hereby agree as follows:

TERMS

1. **Purpose**. The purpose of this Agreement is to establish a legal contract, pursuant to the laws of South Carolina, between the Parties hereto. This Agreement outlines certain confidential materials/information, including all trade secrets, intellectual property, operational, technical, and other proprietary information, that the Parties wish to share with one another for certain purposes, but wish to restrict from generalized use or dissemination. This Agreement hereby creates a confidential relationship between the Parties.

2. **Definition of Confidential Information**. The term "Confidential Information" as used in this Agreement shall mean any current or subsequent discussions between the Parties concerning the Project, any and all written, electronic, printed or other materials provided by either Party to the other Party to this Agreement and the substance and content thereof, business confidential/proprietary information acquired by SCE&G as an

REC'D JAN 11 2007

additional member of NuStart Energy Development Company, LLC, and all information ascertained through the discussions between employees or representatives of the Parties concerning the Project. Confidential Information shall include, but not be limited to, all marketing, operational, economic, technical, business, or financial knowledge, information or data of any nature whatsoever relating to the Project which has been or may hereafter be provided or disclosed by the Parties in connection with the Project. Confidential Information shall not include the following:

- (a) information which at the time of disclosure by a Party (the "Disclosing Party") is publicly available, or information which later becomes publicly available through no act or omission of the recipient (the "Receiving Party");
- (b) information which the Receiving Party can demonstrate was in its possession prior to disclosure by the Disclosing Party;
- (c) information received by the Receiving Party from a third party who, to the best of the Receiving Party's knowledge, did not acquire such information on a confidential basis either directly or indirectly from the Disclosing Party;
- (d) information which the Receiving Party can demonstrate was independently developed by it or for it and which was not obtained, in whole or in part, from the Disclosing Party;
- (e) information which is furnished to others by the Disclosing Party without restriction on disclosure; and,
- (f) information which is disclosed to a third party with the written approval of the Disclosing Party.

3. Disclosure and Use of Confidential Information. The Parties agree to keep confidential all Confidential Information and shall not, without the other Party's prior written consent, disclose to any third party, firm, corporation or entity, such Confidential Information. The Parties shall limit the disclosure of the Confidential Information to only those officers, employees and agents (including attorneys, accountants, bankers and consultants), or affiliates of such Party, reasonably necessary for evaluation purposes. Each Party shall use the Confidential Information solely for the purpose of its internal evaluation of the Project. Neither Party shall make any other use, in whole or in part, of any such Confidential Information without the prior written consent of the other Party. Each Party agrees that, in complying with its confidentiality obligations under this Agreement, such Party shall use the same means it uses to protect its own confidential proprietary information, but in any event not less than reasonable means, to prevent the disclosure and to protect the confidentiality of the Confidential Information. Each Party agrees not to make, use, sell, offer for sale, or have made, any product or service based upon the Confidential Information provided to it by the other Party. The Parties agree to be responsible for any breach of this Agreement by their respective representatives acting within the scope of their employment.

4. **South Carolina Freedom of Information Act Disclosure.** The Parties specifically acknowledge that Santee Cooper is subject to the South Carolina Freedom of Information Act, S.C. Code Ann. § 30-4-10 *et seq.* ("FOIA"), as that statute may from time to time be amended. Santee Cooper covenants and agrees that it shall not release any Confidential Information pursuant to any requests under FOIA except as may be required by FOIA. Upon receipt of a FOIA request, Santee Cooper agrees to use reasonable efforts to resist disclosure and to promptly notify SCE&G of such request at which time Santee Cooper, SCE&G or both Parties may pursue all legal or equitable remedies available to limit or prevent disclosure of such information.

5. **Compliance with Legal Process.** In the event that a Party is legally requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, Civil Investigative Demand or similar process or, in the opinion of counsel for such Party, by federal or state securities or other statutes, regulations or laws) to disclose any Confidential Information received pursuant to this Agreement, such Party shall promptly notify the other Party of such request or requirement prior to disclosure, and will use reasonable efforts to resist disclosure, so that the other Party may seek an appropriate protective order and/or waive compliance with the terms of this Agreement. If, however, in the opinion of counsel for the receiving Party such Party is nonetheless, in the absence of such order or waiver, compelled to disclose such Confidential Information or else stand liable for contempt or suffer possible censure or other penalty or liability, then the receiving Party may disclose such Confidential Information without liability to the other Party hereunder.

6. **Right to Disclose.** Each Party warrants that it has the right to disclose all Confidential Information which it has disclosed or may hereafter disclose to the other Party pursuant to this Agreement. Each Party agrees to indemnify and hold harmless the other from and against all claims which may be brought by a third party related to the Disclosing Party's wrongful disclosure of such third party's information. Notwithstanding the above, neither Party shall be liable for indirect, incidental, special, consequential, or punitive damages of any kind arising in connection with this Agreement. No Party makes any other representation or warranty, express or implied, with respect to any Confidential Information, or the completeness or accuracy thereof, provided the Party acts in good faith in supplying the Confidential Information.

7. **Ownership; Return of Confidential Information.** Either Party may elect at any time to terminate further access to the Confidential Information. All Confidential Information (including tangible copies and computerized or electronic versions thereof) shall remain the property of the Disclosing Party. Within thirty (30) days following the receipt of a written request referencing this Agreement and this Paragraph 7 from either Party furnishing Confidential Information hereunder, the Receiving Party will deliver to the Disclosing Party all tangible materials containing or embodying the Confidential Information received from the Disclosing Party, except for materials containing Confidential Information which has been incorporated into analyses, compilations, comparisons, studies or other documents prepared by the Receiving Party or its representatives, together with a certificate executed by the Receiving Party certifying that

all such materials in the Receiving Party's possession have been delivered to the Disclosing Party or destroyed. That portion of the Confidential Information which has been incorporated into analyses, compilations, comparisons, studies or other documents prepared by the Receiving Party or its representatives shall be held by the Receiving Party and kept confidential as provided above, or shall be destroyed.

8. Obligation of Good Faith; Standard of Care. The Party receiving Confidential Information under this Agreement shall act in good faith and exercise reasonable care in maintaining the asserted confidentiality of such information.

9. Term. The terms of this Agreement shall remain in effect indefinitely or until such time this Agreement is terminated by a writing signed by both Parties hereto. Notwithstanding the foregoing, should the Project be terminated by Santee Cooper, SCE&G or both Parties, the obligations and commitments established by this Agreement shall remain in full force and effect for three (3) years from the day and year first hereinabove written or until such time as the Parties have entered into an agreement in writing providing otherwise.

10. Nature of Confidential Information. The Parties each hereby accept the representations of the other Party that the Confidential Information of the other Party is of a special, unique, extraordinary, and intellectual character and that money damages would not be a sufficient remedy for any breach of this Agreement by it or its representatives and that specific performance and injunctive or other equitable remedies for any such breach shall be available to it. The Parties also acknowledge that the interests of the other Party in such Confidential Information may be irreparably injured by disclosure of such Confidential Information. The remedy stated above may be pursued in addition to any other remedies applicable at law or equity for breach of this Agreement.

11. Business Confidential/Proprietary Information acquired by SCE&G as an Additional Member of NuStart Energy Development Company, LLC. Pursuant to the Amended Operating Agreement ("NuStart Agreement") of NuStart Energy Development, LLC ("Company") made effective as of March 16, 2006, SCE&G shall acquire certain business confidential/proprietary information, as defined in the NuStart Agreement, and is bound to comply with the nondisclosure and exclusive use restrictions imposed by the NuStart Agreement. In order for SCE&G to disclose the business confidential/proprietary information to be acquired by SCE&G as an additional member of the Company to Santee Cooper in compliance with the terms of the NuStart Agreement, and only as it pertains to the disclosure of such information, Santee Cooper is hereby deemed a representative of SCE&G as defined in the NuStart Agreement. Notwithstanding anything in this Agreement to the contrary, Santee Cooper shall limit the disclosure of the Confidential Information obtained pursuant to this Paragraph 11 to only those officers and employees of Santee Cooper reasonably necessary for evaluation of the Project. Furthermore, Santee Cooper agrees that it will reimburse SCE&G for any

costs and related expenses, including any taxes imposed with respect to such reimbursement incurred by SCE&G as a result of any breach of SCE&G's obligation to use the business confidential/proprietary information only as authorized in the NuStart Agreement which is caused by Santee Cooper. Notwithstanding anything in this Agreement to the contrary, the terms of this Paragraph 11 shall remain in effect indefinitely or until such time SCE&G specifically agrees otherwise in writing.

12. **No Waiver.** No failure or delay by either Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

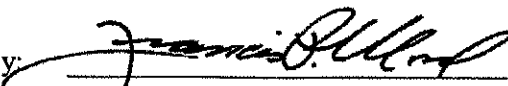
13. **Severability.** The terms of this Agreement are severable. If any provision of this Agreement is found to be unenforceable, the remainder of this Agreement shall remain in effect.

14. **Amendment.** This Agreement may not be modified, supplemented or amended orally, but only by a writing signed by both Parties hereto.

15. **Applicable Law.** The laws of the State of South Carolina shall govern the validity and interpretation of this Agreement and the legal relations of the Parties to it.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement the day and year first above written.

South Carolina Electric & Gas Company

By: 
Title: General Counsel
Date: 5/18/06

South Carolina Public Service Authority

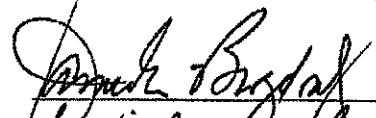
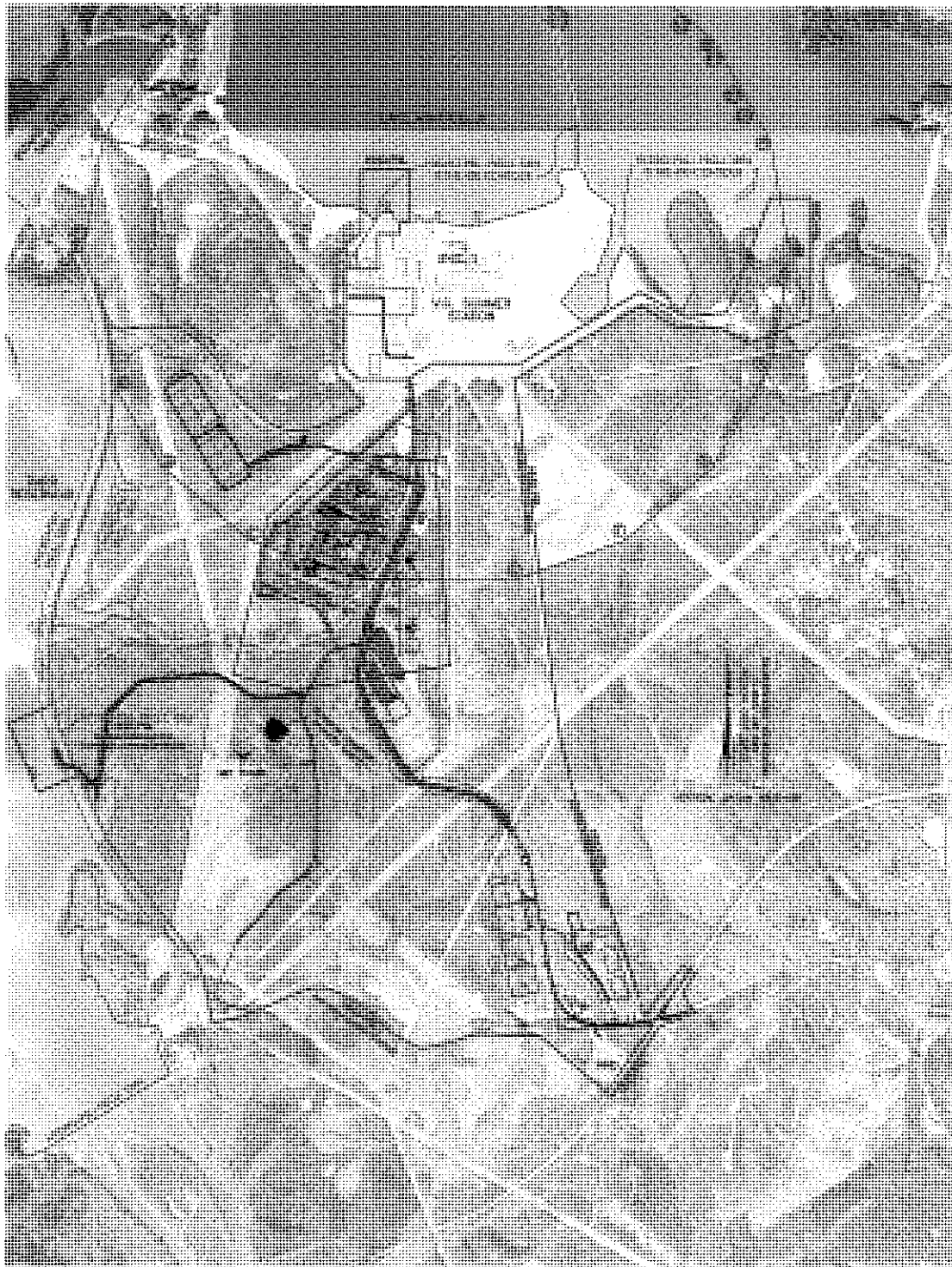
By: 
Title: General Counsel
Date: 4/8/06

EXHIBIT I

MAP SHOWING NUCLEAR EXCLUSION ZONE OF EXISTING UNIT

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NOTE: FOR ILLUSTRATION PURPOSES ONLY!!!



REVISION SCHEDULE		
NO.	REVISION DESCRIPTION	DRAWN BY (CIRCLE) DATE
1		
2		
3		
4		
5		

PREPARED BY GLEN ASSOCIATES ENGINEERS, INC.
 514 5th St. Jacksonville, FL 32202
 Telephone (904) 756-1001 or (904) 756-1000
 MICHAEL S. MILLER, SCPLS. # 11809



OVERLAY MAP

SCE&G
 A SCANA COMPANY

NEW NUCLEAR DEPLOYMENT
 FEBRUARY 4, 2005

0 500' 1000'

REV 0

EXHIBIT J
JOINDER AGREEMENT

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215152-10002

JOINDER AGREEMENT

This Joinder Agreement (the "Joinder Agreement") is made as of _____, 2011
by _____ (the "Additional Joint Owner").

WHEREAS, South Carolina Public Service Authority (the "Authority") and South Carolina Electric & Gas Company ("SCE&G") are currently developing two Westinghouse AP1000 nuclear generating units and associated facilities, to be located near Jenkinsville, South Carolina (the "Facility");

WHEREAS, the Authority and SCE&G are parties to that certain _____ (the "Agreement"), a copy of which is attached hereto as Exhibit A;

WHEREAS, _____ has entered into a Purchase and Sale Agreement pursuant to which it has agreed to sell ___ percent (___%) of its ownership interest in the Facility (the "Interest") to the Additional Joint Owner and the Additional Joint Owner has agreed to purchase the Interest (the "Transaction");

WHEREAS, it is a condition to such Transaction that the Additional Joint Owner become a party to the Agreement; and

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the Additional Joint Owner agrees as follows:

1. By its execution of this Joinder Agreement, the Additional Joint Owner hereby becomes a party to the Agreement and agrees that it will be bound by all of the terms and conditions of the Agreement as if it had originally been named a party therein but as a "party" the transferee is not entitled to the rights allocated specifically to "SCE&G" and/or the "Authority" under the Agreement. Execution and delivery of this Joinder Agreement by the Additional Joint Owner shall also constitute execution and delivery by it of the Agreement, without further action of any party.
2. The Additional Joint Owner acknowledges that it will be a minority owner and, that with respect to the design, construction, management and/or operation of the Project, its only rights will be to vote its pro-rata interest and it will have no veto or special approval rights beyond its ability to vote its pro-rata interest.
3. The Additional Joint Owner waives any claims against SCE&G and the Authority arising out of events relating to the Project that occurred before the effective date of the transfer
4. The Additional Joint Owner further acknowledges and agrees that while the _____ may take into consideration the opinions and judgments of the Additional Joint Owner with respect to the _____ rights and obligations under the Agreement, the _____ shall exercise its own independent judgment with regard to any action taken with respect to the _____'s rights and obligations under the Agreement, including, but not

limited to, any action undertaken pursuant to the _____ participation in the Executive Steering Committee established pursuant to Section ___ of the Agreement.

IN WITNESS WHEREOF, the Additional Joint Owner has executed this Joinder Agreement as of the date first written above.

[ADDITIONAL JOINT OWNER]

By: _____
Name:
Title:

Acknowledged and Accepted
as of the date first written above:

SANTEE COOPER PUBLIC SERVICE AUTHORITY

By: _____
Name:
Title:

SOUTH CAROLINA ELECTRIC AND GAS COMPANY

By: _____
Name:
Title:

SCHEDULE 1

EXISTING AGREEMENTS BETWEEN THE PARTIES

1. Confidentiality Agreement by and between South Carolina Electric & Gas Company and South Carolina Public Service Authority dated June 8, 2006.
2. Limited Agency Agreement for Long Lead Time Items between South Carolina Electric & Gas Company and South Carolina Public Service Authority dated as of March 31, 2008.
3. Limited Agency Agreement between South Carolina Electric & Gas Company and South Carolina Public Service Authority dated as of May 23, 2008.
4. Limited Agency Agreement between South Carolina Electric & Gas Company and South Carolina Public Service Authority dated as of June 30, 2009.
5. Limited Agency Agreement between South Carolina Electric & Gas Company and South Carolina Public Service Authority dated as of August 6, 2010.
6. Limited Agency Agreement between South Carolina Electric & Gas Company and South Carolina Public Service Authority dated as of January 26, 2011.



June 27, 2012

Mr. Lonnie N. Carter
President and Chief Executive Officer
Santee Cooper
One Riverwood Drive
Moncks Corner, SC 29461


Dear Lonnie:

Section 3.3.1 of our Design and Construction Agreement dated October 20, 2011 (the "Agreement") contemplates that South Carolina Electric & Gas Company will make certain real property conveyances to South Carolina Public Service Authority by certain dates. We both acknowledge that certain of the details involved in implementing those transfers are taking longer than we had anticipated and that conveyances have not yet been made. We both agree to work in good faith, as we have been doing, to complete this process as promptly as possible.

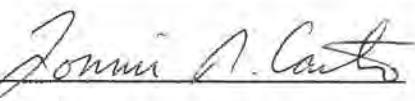
This letter confirms that the South Carolina Public Service Authority and South Carolina Electric & Gas Company agree that the date for the conveyance of the real property pursuant to Section 3.3.1(c) and (d) of the Agreement is extended to July 31, 2012.

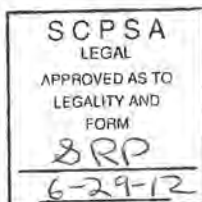
By your execution in the space below and delivery of same, you confirm your agreement with the foregoing.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

By: 
Kevin B. Marsh
Chairman and CEO

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: 
Its: President & CEO





Stephen A. Byrne
President Generation & Transmission & COO
sbyrne@scana.com

July 24, 2012

Mr. Lonnie N. Carter
President and Chief Executive Officer
Santee Cooper
One Riverwood Drive
Moncks Corner, SC 29461

Dear Lonnie:

Section 3.3.1 of our Design and Construction Agreement dated October 20, 2011 (the "Agreement") contemplates that South Carolina Electric & Gas Company will make certain real property conveyances to South Carolina Public Service Authority by certain dates. We both acknowledge that certain of the details involved in implementing those transfers are taking longer than we had anticipated and that conveyances have not yet been made. We both agree to work in good faith, as we have been doing, to complete this process as promptly as possible.

This letter confirms that the South Carolina Public Service Authority and South Carolina Electric & Gas Company agree that the date for the conveyance of the real property pursuant to Section 3.3.1(c) and (d) of the Agreement is extended to August 31, 2012.

By your execution in the space below and delivery of same, you confirm your agreement with the foregoing.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

By: Stephen A. Byrne

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: Lonnie N. Carter
Its: President and CEO



COLUMBIA 1082672v1

SCE&G | 220 Operation Way • Cayce, SC • 29033-3701 • T (803) 217-8653 • F (803) 933-7412

Stephen A. Byrne
President Generation & Transmission
Chief Operating Officer



August 22, 2012

Mr. Lonnie N. Carter
President and Chief Executive Officer
Santee Cooper
One Riverwood Drive
Moncks Corner, SC 29461

Dear Lonnie:

Section 3.3.1 of our Design and Construction Agreement dated October 20, 2011 (the "Agreement") contemplates that South Carolina Electric & Gas Company will make certain real property conveyances to South Carolina Public Service Authority by certain dates. We both acknowledge that certain of the details involved in implementing those transfers are taking longer than we had anticipated and that conveyances have not yet been made. We both agree to work in good faith, as we have been doing, to complete this process as promptly as possible.

This letter confirms that the South Carolina Public Service Authority and South Carolina Electric & Gas Company agree that the date for the conveyance of the real property pursuant to Section 3.3.1(c) and (d) of the Agreement is extended to September 30, 2012.

By your execution in the space below and delivery of same, you confirm your agreement with the foregoing.

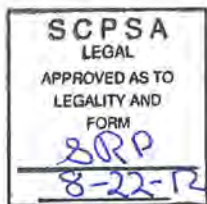
SOUTH CAROLINA ELECTRIC & GAS COMPANY

By: Stephen A. Byrne

Its: EVP & COO

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: Lonnie N. Carter
Its: President & CEO





Stephen A. Byrne
President Generation & Transmission & COO
sbyrne@scana.com

September 25, 2012

Mr. Lonnie N. Carter
President and Chief Executive Officer
Santee Cooper
One Riverwood Drive
Moncks Corner, SC 29461

Dear Lonnie:

Section 3.3.1 of our Design and Construction Agreement dated October 20, 2011 (the "Agreement") contemplates that South Carolina Electric & Gas Company will make certain real property conveyances to South Carolina Public Service Authority by certain dates. We both acknowledge that certain of the details involved in implementing those transfers are taking longer than we had anticipated and that conveyances have not yet been made. We both agree to work in good faith, as we have been doing, to complete this process as promptly as possible.

This letter confirms that the South Carolina Public Service Authority and South Carolina Electric & Gas Company agree that the date for the conveyance of the real property pursuant to Section 3.3.1(c) and (d) of the Agreement is extended to October 31, 2012.

By your execution in the space below and delivery of same, you confirm your agreement with the foregoing.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

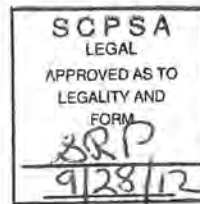
By: *Stephen A. Byrne*

Its: President Generation & Transmission & COO

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: *Lonnie N. Carter*

Its: President & CEO





Stephen A. Byrne
President Generation & Transmission & COO
sbyrne@scana.com

October 29, 2012

Mr. Lonnie N. Carter
President and Chief Executive Officer
Santee Cooper
One Riverwood Drive
Moncks Corner, SC 29461

Dear Lonnie:

Section 3.3.1 of our Design and Construction Agreement dated October 20, 2011 (the "Agreement") contemplates that the South Carolina Electric & Gas Company will make certain real property conveyances to the South Carolina Public Service Authority by certain dates. We both acknowledge that certain of the details involved in implementing those transfers are taking longer than we had anticipated and that the conveyances have not yet been made. We both agree to work in good faith, as we have been doing, to complete this process as promptly as possible.

This letter confirms that the South Carolina Public Service Authority and the South Carolina Electric & Gas Company agree that the date for the conveyance of the real property pursuant to Section 3.3.1(c) and (d) of the Agreement is extended to November 30, 2012.

By your execution in the space below and delivery of same, you confirm your agreement with the foregoing.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

By: Stephen A. Byrne

Its: PRESIDENT GENERATION & TRANSMISSION

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: Lonnie N. Carter

Its: President & CEO





Stephen A. Byrne
President Generation & Transmission & COO
sbyrne@scana.com

November 27, 2012

Mr. Lonnie N. Carter
President and Chief Executive Officer
Santee Cooper
One Riverwood Drive
Moncks Corner, SC 29461

Dear Lonnie:

Section 3.3.1 of our Design and Construction Agreement dated October 20, 2011 (the "Agreement") contemplates that the South Carolina Electric & Gas Company will make certain real property conveyances to the South Carolina Public Service Authority by certain dates. We both acknowledge that certain of the details involved in implementing those transfers are taking longer than we had anticipated and that the conveyances have not yet been made. We both agree to work in good faith, as we have been doing, to complete this process as promptly as possible.

This letter confirms that the South Carolina Public Service Authority and the South Carolina Electric & Gas Company agree that the date for the conveyance of the real property pursuant to Section 3.3.1(c) and (d) of the Agreement is extended to December 31, 2012.

By your execution in the space below and delivery of same, you confirm your agreement with the foregoing.

SOUTH CAROLINA ELECTRIC & GAS COMPANY

By: *Stephen A. Byrne*

Its: PRESIDENT GENERATION & TRANSMISSION

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY

By: *Jonny A. Carter*

Its: PRESIDENT & CEO

LIMITED AGENCY AGREEMENT

THIS LIMITED AGENCY AGREEMENT (“Agreement”), dated as of 27th day of October, 2015 is entered into by and between SOUTH CAROLINA PUBLIC SERVICE AUTHORITY (“Principal”), a public power system owned by the State of South Carolina, and SOUTH CAROLINA ELECTRIC & GAS COMPANY (“Agent”), a corporation duly organized under the laws of the State of South Carolina, (Principal and Agent may be referred to individually as a “Party” and collectively as the “Owners” or the “Parties”).

WHEREAS, the Parties are jointly collaborating in the financing, design, construction, operation, and decommissioning of two new advanced design nuclear-powered electric generating facilities to be known as V.C. Summer Units Nos. 2 and 3 (the “Project”);

WHEREAS, the Parties entered into an “Engineering, Procurement and Construction Agreement” (the “EPC Agreement”) with Westinghouse Electric Company, LLC (“Westinghouse”) and Stone & Webster, Inc. (collectively the “Consortium”) on May 23, 2008;

WHEREAS, contemporaneous with the execution of the EPC Agreement on May 23, 2008, the Parties entered into a limited agency agreement with each other whereby the Principal appointed and granted a limited authorization to Agent with regard to the negotiation, execution and performance of the EPC Agreement subject to certain express limitations on the Agent’s appointment (the “EPC-specific Limited Agency Agreement”); and

WHEREAS, in connection with the Project, the Parties entered into Design and Construction Agreement with each other on October 20, 2011 that provides the contractual framework for the joint collaboration in this undertaking; and

WHEREAS, Section 2.1 of the Design and Construction Agreement provides that the Agent will have the lead role in planning and development of the Project, subject to the prior review and approval of the Principal as provided for in the Design and Construction Agreement and in the EPC-specific Limited Agency Agreement; and

WHEREAS, Section 10.1.1 of the Design and Construction Agreement provides Project-related third party agreements with a value equal to or in excess of \$1,000,000 would be subject to the Principal’s prior approval; and

WHEREAS, Westinghouse has represented to Owner that it intends to acquire the stock of Stone & Webster from Chicago Bridge & Iron (“CB&I”) (the “Transaction”); that CB&I will have no further involvement in the Project; and that Westinghouse intends to hire Fluor Corporation (“Fluor”) or its affiliate(s) as a subcontracted construction manager; and

WHEREAS, in order to consummate the Transaction and for good and valuable consideration that Owners and the Consortium have agreed to certain amendments to the EPC Agreement “October 2015 Amendment” (“Attachment A”) as well as the execution of certain

other documents, including releases, to implement the October 2015 Amendment (collectively “Final Agreement”); and

WHEREAS, the Parties desire to enter into a limited agency agreement and Principal wishes to appoint Agent to act as agent on Principal’s behalf in connection with the execution and performance of a October 2015 Amendment; and

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Limited Agency Appointment. Pursuant to the terms of this Agreement and subject to the limitations set forth in Paragraph 2 of this Agreement, Principal hereby appoints and grants a limited agency authorization to Agent, and Agent hereby accepts such limited agency appointment and agrees to act on behalf of the Principal, with regard to the negotiation, execution and performance of the Final Agreement.

2. Limitations on Agency Appointment. Agent’s authorization to act on behalf of Principal with respect to the October 2015 Amendment shall be limited to the execution and performance of the obligations of the Owner (as such term is defined in the October 2015 Amendment) and enforcement of the rights of such Owner under the October 2015 Amendment; provided, however that Agent shall not, without the prior written consent of Principal, which consent may be withheld in Principal’s sole discretion, do or permit to be done any of the following:

	Agency Limitation	October 2015 Amendment Paragraph Reference
(a)	Execute the October 2015 Amendment	N/A
(b)	Consent to entry of any judgment or award in a disputed matter in connection with the October 2015 Amendment or enter into any settlement or compromise of a dispute in connection with the October 2015 Amendment	N/A
(c)	Consent to an amendment to the October 2015 Amendment	N/A
(d)	Execute the Option Amendment	3
(e)	Agree to “Construction Milestone Payment Schedule”	12

3. Term and Termination.

(a) This Agreement shall remain in full force and effect beginning on the first date specified above and continuing thereafter for the term of the EPC Agreement.

(b) The rights and obligations of the Parties for indemnification for acts or omissions occurring prior to the termination shall survive any termination of this Agreement..

4. Representations and Warranties.

Each Party represents and warrants to the other Party that, as of the date first stated above:

(a) It is duly organized, validly existing and in good standing under the applicable laws of the jurisdiction of its organization and is qualified to do business in all jurisdictions necessary to perform this Agreement;

(b) It has the power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement and has taken all necessary corporate and/or other actions to authorize such execution, delivery and performance;

(c) Its execution and delivery and performance of its obligations under this Agreement do not violate or conflict with: (i) any laws applicable to it; (ii) any provision of its charter or by-laws or comparable constituent documents Agreement; (iii) any order or judgment of any court of governmental authority applicable to it or any of its assets; or (iv) any contractual restriction binding on or affecting it or any of its assets;

(d) This Agreement has been duly executed and delivered by the Party and constitutes its legal, valid, and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law); and

(e) Except as otherwise permitted herein, it has neither initiated nor received written notice of any pending action, proceeding, or investigation, nor to its knowledge is any such action, proceeding, or investigation threatened (or any basis therefore known to it), which questions the validity of this Agreement, or which would materially or adversely affect its rights or obligations under this Agreement.

5. Access to Information; Reporting Obligations.

(a) Principal acknowledges that it has been given a full and fair opportunity to participate in the negotiation of the October 2015 Amendment and that it is fully satisfied with the terms thereof, as well as the performance of Agent in negotiating such October 2015 Amendment.

(b) Upon request, Agent will make available to Principal all documentation related to its administration of the October 2015 Amendment including all work performed hereunder, which can be done by providing original documents, providing copies of documents or allowing

Principal's representatives to review the relevant files and business records as kept in the ordinary course of business at the Agent's offices or with another representative of the Agent. Upon request, Agent shall also make its personnel available to Principal for consultation.

6. Indemnity.

(a) Agent agrees to indemnify, defend and hold harmless the Principal, its affiliates and any of their members, officers, directors and employees, agents and representatives against and in respect of all claims, liabilities, obligations, judgments, liens, injunctions, charges, orders, decrees, rulings, damages, dues, assessments, taxes, losses, fines, penalties, damages, expenses, fees, costs and amounts paid in settlement (including reasonable attorneys' fees, expert witness fees and disbursements in connection with investigating, defending or settling any action or threatened action), arising out of any claim, complaint, demand, cause of action, action, suit or other proceeding asserted or initiated or otherwise existing in respect of any matter (collectively, the "Losses") arising out of Agent's activities undertaken on behalf of Principal under this Agreement; *provided* that Principal shall be liable, and shall not be indemnified by Agent, for any Losses directly resulting from the untruth, inaccuracy or incompleteness of any representation or warranty made expressly by Principal in this Agreement, and Principal shall indemnify Agent, its affiliates and any of their directors and employees, agents and representatives, for Losses that result from any such breach by Principal.

(b) Principal agrees to indemnify, defend and hold harmless the Agent, its affiliates and any of their members, officers, directors and employees, agents and representatives against and in respect of all claims, liabilities, obligations, judgments, liens, injunctions, charges, orders, decrees, rulings, damages, dues, assessments, taxes, losses, fines, penalties, damages, expenses, fees, costs and amounts paid in settlement (including reasonable attorneys' fees, expert witness fees and disbursements in connection with investigating, defending or settling any action or threatened action), arising out of any claim, complaint, demand, cause of action, action, suit or other proceeding asserted or initiated or otherwise existing in respect of any matter (collectively, the "Losses") arising out of Principal's activities under this Agreement; *provided* that Agent shall be liable, and shall not be indemnified by Principal, for any Losses directly resulting from the untruth, inaccuracy or incompleteness of any representation or warranty made expressly by Agent in this Agreement, and Agent shall indemnify Principal, its affiliates and any of their directors and employees, agents and representatives, for Losses that result from any such breach by Agent.

7. Limitations of Principal's Liability.

(a) THE PARTIES ACKNOWLEDGE THAT BECAUSE AGENT IS NOT COMPENSATING PRINCIPAL FOR PROVIDING SERVICES HEREUNDER, PRINCIPAL SHALL HAVE NO LIABILITY TO AGENT (OR ANYONE CLAIMING THROUGH OR UNDER AGENT) UNLESS PRINCIPAL ACTS IN BAD FAITH UNDER THIS AGREEMENT. EXCEPT FOR THE FOREGOING, PRINCIPAL SHALL HAVE NO LIABILITY TO AGENT FOR ANY REASON OR UNDER ANY THEORY OF RECOVERY. THIS LIMITATION APPLIES TO ALL PROVISIONS OF THIS AGREEMENT, NOTWITHSTANDING ANY LANGUAGE THAT REQUIRES AGENT TO ACT IN ACCORDANCE WITH ANY PARTICULAR STANDARD OF CARE.

(b) The Parties shall bear responsibility in proportion to their ownership interests for any claims brought by third parties with respect to the service provided by Agent under this Agreement.

(c) In no event shall either Party be liable to the other Party for consequential, indirect, special, punitive or exemplary damages, including specifically, replacement power and lost profits.

8. Specific Performance.

Each of the Parties acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the Parties and the matter in addition to any other remedy to which it may be entitled, at law or in equity.

9. Waivers.

No waiver by either Principal or Agent of the performance of any obligation under this Agreement, or with respect to any default or any other matter arising in connection with this Agreement, shall be deemed a waiver with respect to any subsequent performance, default or matter, whether of a like or different character.

10. Notices.

Any notice, demand or request relative to this Agreement to be given to any of the Principal, or the Agent shall be in writing, and shall be delivered by U. S. mail, facsimile or hand delivery to the authorized representative of the Principal or Agent at the address specified below, or a successor designated in any notice given pursuant to this paragraph.

If to the Agent:

South Carolina Electric & Gas Company
Attention: Kevin Marsh
President and CEO
220 Operations Way
Cayce, SC 29033

If to the Principal:

South Carolina Public Service Authority
Attention: Lonnie N. Carter
President and CEO

One Riverwood Drive
Moncks Corner, SC 29461

11. Miscellaneous.

(a) Entire Agreement. This Agreement embodies the entire understanding and agreement among the Parties pertaining to the subject matter hereof and supersedes any and all prior negotiations, understandings or agreements with respect thereto.

(b) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one and the same document.

(c) Assignment. No party to this Agreement shall assign any of its rights or obligations under this Agreement without first receiving the written consent of all other parties, which consent shall not be unreasonably withheld.

(d) No Third Party Beneficiaries. This Agreement is binding upon and intended solely for the benefit of the parties hereto and their respective successors and permitted assigns and, unless expressly stated herein, is not intended to and shall not confer any rights or benefits to any third party (other than successors and permitted assigns) not a signatory hereto.

(e) Amendment. Neither this Agreement nor any terms hereof may be changed, waived, discharged or terminated except by an instrument in writing signed by each of the parties hereto.

(f) Headings. The headings in this Agreement are for convenience of reference only and shall not be defined or limit the terms hereof.

(g) Governing Law. This Agreement and all questions with respect to the rights and obligations of the Parties and the construction, enforcement and interpretation hereof shall be governed by the laws of the State of South Carolina, without reference to the choice of law principles that require application of the laws of a different jurisdiction.

(h) Jurisdiction. Any dispute arising from this Agreement shall be subject to the jurisdiction of the courts in South Carolina.

(i) Severability. Any provision of this Agreement this prohibited or unenforceable in any jurisdiction, as to that jurisdiction, shall be ineffective to the extent of that prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of that provision in any other jurisdiction.


(j) Good Faith Covenant. The Parties agree that their actions and dealings with each other shall be subject to an express covenant of good faith and fair dealing and that each Party

shall act in a commercially reasonable manner in fulfilling its obligations under this Agreement.

(k) Confidentiality. The Parties acknowledge and agree that this Agreement is subject to the Confidentiality Agreement between the Parties dated as of June 8, 2006.

IN WITNESS WHEREOF, the Parties hereto, each acting through its respective duly authorized representative, have executed this Agreement, made as of the date first above written.

SOUTH CAROLINA PUBLIC SERVICE AUTHORITY


By: Lonnie N. Carter
Title: President and CEO



SOUTH CAROLINA ELECTRIC & GAS COMPANY


By: Kevin Marsh
Title: President and CEO

SCE&G
Dominion Bill Credit Scenario
(\$ millions)

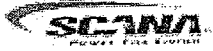
Class	RES	SGS	MGS	LGS	Retail Total
Class Allocation of Credit	\$ 628	\$ 239	\$ 134	\$ 299	\$ 1,300

From: YARBOROUGH, JONATHAN WOLFE
Sent: Monday, October 09, 2017 9:57 AM
To: 'Kate Wink' <KateWink@scsenate.gov>
Subject: Carl Churchman

Kate,

Here is a good number for Carl Churchman. 803-239-8111. He was a Vice President at Westinghouse and Project Director for the new nuclear.

Jonathan W. Yarborough
Director of Legislative and Regulatory Relations
100 SCANA Parkway, Building D
Cayce, SC.29033-3712
office- (803) 217-6316
mobile- (803) 609-4327



www.scana.com

Request from V.C. Summer Nuclear Project Review Committee for SCE&G incentive compensation related to the new nuclear units from 2008 - 2017.

Response of SCE&G:

Please see attached. The information set forth in columns 1, 2, and 3 is reflective of how SCE&G reports this information in its proxy materials filed with the United States Securities and Exchange Commission.

2008

Presented as required for SEC reporting.

The following Executives had nuclear specific goals.

		1	2	3	4
Name	Jobtitle	Salary (1)	Stock Awards (2)	Non-Equity Incentive Plan Compensation & Bonus (3)	Amount of Column 3 Related to Nuclear Project
Addison, Jimmy E	SVP-Finance, CFO & Controller	\$385,048	\$715,936	\$164,120	\$46,891
Archie, Jeffrey B	VP-Nuclear Operations	\$253,562	\$246,473	\$78,750	*
Bullwinkel Jr, George J	Pres-PSNC, SCANA Com, SVC & SEMI	\$463,462	\$1,079,456	\$195,300	
Byrne, Stephen A	SVP-Generation & Chief NO	\$443,077	\$1,022,834	\$186,900	\$26,700
Marsh, Kevin B	President SCE&G	\$577,692	\$1,630,379	\$263,900	\$75,400
Timmerman, William	Chief Executive Officer	\$1,094,985	\$4,614,170	\$653,905	

(1) Annual salary paid.

(2) Grants of Performance Share and Restricted Stock Unit awards under the Long-Term Equity Compensation Plan.

(3) Payouts under the Short-Term Annual Incentive Plan based on the level of achievement of both earnings per share and individual or business unit goals.

The salary and incentive compensation reported above is presented in the same manner as the disclosure in the Company's 2009 Proxy statement for the Named Executive Officers as required by the rules of the Securities and Exchange Commission.

* We have also added other nuclear officers directly related to the project.

2009

Presented as required for SEC reporting.

The following Executives had nuclear specific goals.

		1	2	3	4
Name	Jobtitle	Salary (1)	Stock Awards (2)	Non-Equity Incentive Plan Compensation & Bonus (3)	Amount of Column 3 Related to Nuclear Project
Addison, Jimmy E	SVP-Finance, CFO & Controller	\$412,500	\$573,173	\$185,625	\$13,259
Archie, Jeffrey B	SVP-Nuclear Operations	\$255,400	\$222,315	\$75,648	*
Bullwinkel Jr, George J	Pres-PSNC, SCANA Com, SVC & SEMI	\$465,000	\$646,149	\$209,250	
Byrne, Stephen A	Exec-VP-Gen & Chief Nuc Offr	\$445,000	\$618,351	\$200,250	
Clary, Ronald B	VP-New Nuclear Deployment	\$148,173	\$23,808	\$33,786	*
Marsh, Kevin B	President SCE&G	\$580,000	\$967,150	\$282,750	
Timmerman, William	Chairman & Chief Exec Officer	\$1,099,900	\$2,748,816	\$700,613	
Walker, Carlette L	VP-Nuclear Financial Admin	\$180,000	\$100,046	\$49,346	*

(1) Annual salary paid.

(2) Grants of Performance Share and Restricted Stock Unit awards under the Long-Term Equity Compensation Plan.

(3) Payouts under the Short-Term Annual Incentive Plan based on the level of achievement of both earnings per share and individual or business unit goals.

The salary and incentive compensation reported above are presented in the same manner as the disclosure in the Company's 2010 Proxy statement for the Named Executive Officers, as required by the rules of the Securities and Exchange Commission.

* We have also added other nuclear officers directly related to the project.

2010

Presented as required for SEC reporting.

The following Executives had nuclear specific goals.

		1	2	3	4
Name	Jobtitle	Salary (1)	Stock Awards (2)	Non-Equity Incentive Plan Compensation & Bonus (3)	Amount of Column 3 Related to Nuclear Project
Addison, Jimmy E	SVP-Finance, CFO & Controller	\$412,500	\$515,637	\$247,500	\$49,500
Archie, Jeffrey B	SVP & Chief Nuclear Officer	\$255,850	\$303,725	\$151,850	\$40,493
Bullwinkel Jr, George J	Pres-PSNC, SCANA Com, SVC & SEMI	\$465,000	\$581,256	\$279,000	
Byrne, Stephen A	Exec VP-Gener & Transm & COO-SCEG	\$445,000	\$556,278	\$267,000	\$35,600
Clary, Ronald B	VP-New Nuclear Deployment	\$148,173	\$93,300	\$65,310	*
Marsh, Kevin B	Pres & COO-SCANA & Pres-SCEG	\$580,000	\$869,987	\$377,000	\$85,453
Timmerman, William	Chairman & Chief Exec Officer	\$1,099,000	\$2,472,750	\$934,150	
Walker, Carlette L	VP-Nuclear Financial Admin	\$180,000	\$153,580	\$87,760	*

(1) Annual salary paid.

(2) Grants of Performance Share and Restricted Stock Unit awards under the Long-Term Equity Compensation Plan.

(3) Payouts under the Short-Term Annual Incentive Plan based on the level of achievement of both earnings per share and individual or business unit goals.

The salary and incentive compensation reported above are presented in the same manner as the disclosure in the Company's 2011 Proxy statement for the Named Executive Officers, as required by the rules of the Securities and Exchange Commission.

* We have also added other nuclear officers directly related to the project.

2011

Presented as required for SEC reporting.

The following Executives had nuclear specific goals.

		1	2	3	4
Name	Jobtitle	Salary (1)	Stock Awards (2)	Non-Equity Incentive Plan Compensation & Bonus (3)	Amount of Column 3 Related to Nuclear Project
Addison, Jimmy E	EVP-SCANA & CFO	\$459,952	\$576,631	\$209,250	\$31,388
Archie, Jeffrey B	SVP-SCANA & SVP & CNO-SCE&G	\$283,116	\$277,782	\$105,100	\$21,020
Bullwinkel Jr, George J	SVP-SCANA&Pres&COO-SEMI/SCI/SC	\$465,000	\$576,631	\$209,250	
Byrne, Stephen A	EVPSCANA&PresSCG-GenTrn&COOSCG	\$463,077	\$576,631	\$209,250	\$41,850
Clary, Ronald B	VP-New Nuclear Deployment	\$184,327	\$126,958	\$54,832	*
Lindsay, Ronald Thomas	SVP-SCANA & General Counsel	\$348,077	\$381,934	\$144,375	
Marsh, Kevin	Chairman & Chief Exec Officer	\$703,923	\$1,319,474	\$344,866	\$86,217
Walker, Carlette L	VP-Nuclear Financial Admin	\$202,596	\$142,346	\$61,500	*

(1) Annual salary paid.

(2) Grants of Performance Share and Restricted Stock Unit awards under the Long-Term Equity Compensation Plan.

(3) Payouts under the Short-Term Annual Incentive Plan based on the level of achievement of both earnings per share and individual or business unit goals.

The salary and incentive compensation reported above are presented in the same manner as the disclosure in the Company's 2012 Proxy statement for the Named Executive Officers, as required by the rules of the Securities and Exchange Commission.

* We have also added other nuclear officers directly related to the project.

2012

Presented as required for SEC reporting.

The following Executives had nuclear specific goals.

		1	2	3	4
Name	Jobtitle	Salary (1)	Stock Awards (2)	Non-Equity Incentive Plan Compensation & Bonus (3)	Amount of Column 3 Related to Nuclear Project
Addison, Jimmy E	EVP-SCANA & CFO	\$516,462	\$826,840	\$422,625	\$84,525
Archie, Jeffrey B	SVP-SCANA & SVP & CNO-SCE&G	\$310,731	\$335,639	\$213,125	\$71,042
Bullwinkel Jr, George J	SVP-SCANA&Pres&COO-SEMI/SCI/SC	\$477,865	\$614,191	\$360,000	
Byrne, Stephen A	EVPSCANA&PresSCG-GenTrn&COOSCG	\$516,462	\$826,840	\$551,250	\$220,500
Clary, Ronald B	VP-New Nuclear Deployment	\$196,945	\$132,967	\$96,500	*
Jones, Ronald	VP-Nuclear Constr & Start Up	\$110,577	\$196,845	\$64,726	*
Lindsay, Ronald Thomas	SVP-SCANA & General Counsel	\$380,019	\$492,632	\$288,750	
Marsh, Kevin	Chairman & Chief Exec Officer	\$1,000,000	\$2,460,789	\$1,125,000	\$225,000
Walker, Carlette L	VP-Nuclear Financial Admin	\$221,296	\$154,353	\$112,000	*

(1) Annual salary paid.

(2) Grants of Performance Share and Restricted Stock Unit awards under the Long-Term Equity Compensation Plan.

(3) Payouts under the Short-Term Annual Incentive Plan based on the level of achievement of both earnings per share and individual or business unit goals.

The salary and incentive compensation reported above are presented in the same manner as the disclosure in the Company's 2013 Proxy statement for the Named Executive Officers, as required by the rules of the Securities and Exchange Commission.

* We have also added other nuclear officers directly related to the project.

2013

Presented as required for SEC reporting.

The following Executives had nuclear specific goals.

		1	2	3	4
Name	Jobtitle	Salary (1)	Stock Awards (2)	Non-Equity Incentive Plan Compensation & Bonus (3)	Amount of Column 3 Related to Nuclear Project
Addison, Jimmy E	EVP-SCANA & CFO	\$547,010	\$896,367	\$482,344	\$96,469
Archie, Jeffrey B	SVP-SCANA & SVP & CNO-SCE&G	\$335,992	\$381,225	\$234,438	\$65,643
Bullwinkel Jr, George J	SVP-SCANA&Pres&COO-SEMI/SCI/SC	\$480,000	\$634,189	\$360,000	
Byrne, Stephen A	EVPSCANA&PresSCG-GenTrn&COOSCG	\$547,010	\$896,366	\$578,813	\$69,458
Jones, Ronald A	VP-New Nuclear Operations	\$260,481	\$213,428	\$147,656	*
Lindsay, Ronald Thomas	SVP-SCANA & General Counsel	\$404,369	\$539,224	\$306,075	
Marsh, Kevin	Chairman & Chief Exec Officer	\$1,052,765	\$2,700,702	\$1,195,796	\$286,991
Walker, Carlette L	VP-Nuclear Financial Admin	\$233,391	\$167,310	\$117,600	*

(1) Annual salary paid.

(2) Grants of Performance Share and Restricted Stock Unit awards under the Long-Term Equity Compensation Plan.

(3) Payouts under the Short-Term Annual Incentive Plan based on the level of achievement of both earnings per share and individual or business unit goals.

The salary and incentive compensation reported above are presented in the same manner as the disclosure in the Company's 2014 Proxy statement for the Named Executive Officers, as required by the rules of the Securities and Exchange Commission.

* We have also added other nuclear officers directly related to the project.

2014

Presented as required for SEC reporting.

The following Executives had nuclear specific goals.

		1	2	3	4
Name	Jobtitle	Salary (1)	Stock Awards (2)	Non-Equity Incentive Plan Compensation & Bonus (3)	Amount of Column 3 Related to Nuclear Project
Addison, Jimmy E	EVP-SCANA & CFO	\$574,254	\$1,029,468	\$651,164	\$135,659
Archie, Jeffrey B	SVP-SCANA & SVP & CNO-SCE&G	\$352,384	\$396,493	\$204,805	\$59,735
Bullwinkel, George	SVP-SCANA & Pres & COO SEMI/SCI/SEGA	\$480,000	\$634,234	\$345,600	
Byrne, Stephen A	EVPSCANA&PresSCG-GenTm&COOSCG	\$574,254	\$1,029,468	\$455,814	\$94,961
Jones, Ronald A	VP-New Nuclear Operations	\$273,455	\$224,092	\$148,837	*
Lindsay, Ronald Thomas	SVP-SCANA & General Counsel	\$425,131	\$566,135	\$385,655	
Marsh, Kevin	Chairman & Chief Exec Officer	\$1,107,287	\$2,835,756	\$1,205,363	\$251,117
Walker, Carlette L	VP-Nuclear Financial Admin	\$244,034	\$174,869	\$117,978	*

(1) Annual salary paid.

(2) Grants of Performance Share and Restricted Stock Unit awards under the Long-Term Equity Compensation Plan.

(3) Payouts under the Short-Term Annual Incentive Plan based on the level of achievement of both earnings per share and individual or business unit goals.

The salary and incentive compensation reported above are presented in the same manner as the disclosure in the Company's 2015 Proxy statement for the Named Executive Officers, as required by the rules of the Securities and Exchange Commission.

* We have also added other nuclear officers directly related to the project.

2015

Presented as required for SEC reporting.

The following Executives had nuclear specific goals.

		1	2	3	4
Name	Jobtitle	Salary (1)	Stock Awards (2)	Non-Equity Incentive Plan Compensation & Bonus (3)	Amount of Column 3 Related to Nuclear Project
Addison, Jimmy E	EVP-SCANA & CFO	\$624,112	\$1,004,157	\$590,070	\$45,390
Archie, Jeffrey B	SVP-SCANA & SVP & CNO-SCE&G	\$383,761	\$388,357	\$252,935	\$20,481
Byrne, Stephen A	EVPCANA&PresSCG-GenTrn&COOSCG	\$624,112	\$1,004,157	\$531,063	\$22,695
Jones, Ronald A	VP-New Nuclear Operations	\$293,445	\$215,325	\$172,466	*
Kissam, W Keller	SVP-SCANA & Pres-SCEG-Ret Opns	\$383,739	\$387,644	\$265,767	
Lindsay, Ronald Thomas	SVP-SCANA & General Counsel	\$456,209	\$544,044	\$344,261	
Marsh, Kevin	Chairman & Chief Exec Officer	\$1,202,590	\$2,763,823	\$1,364,220	\$209,880
Walker, Carlette L	VP-Nuclear Financial Admin	\$263,283	\$169,290	\$132,600	*

(1) Annual salary paid.

(2) Grants of Performance Share and Restricted Stock Unit awards under the Long-Term Equity Compensation Plan.

(3) Payouts under the Short-Term Annual Incentive Plan based on the level of achievement of both earnings per share and individual or business unit goals.

The salary and incentive compensation reported above are presented in the same manner as the disclosure in the Company's 2016 Proxy statement for the Named Executive Officers, as required by the rules of the Securities and Exchange Commission.

* We have also added other nuclear officers directly related to the project.

2016

Presented as required for SEC reporting.

The following Executives had nuclear specific goals.

		1	2	3	4
Name	Jobtitle	Salary (1)	Stock Awards (2)	Non-Equity Incentive Plan Compensation & Bonus (3)	Amount of Column 3 Related to Nuclear Project
Addison, Jimmy E	EVP-SCANA & CFO	\$631,619	\$1,054,398	\$619,574	\$142,979
Archie, Jeffrey B	SVP-SCANA & SVP & CNO-SCE&G	\$383,751	\$401,969	\$275,565	\$21,197
Byrne, Stephen A	EVPCANA&PresSCG-GenTrn&COOSCG	\$631,619	\$1,054,398	\$619,574	\$47,660
Gatlin, Thomas D	VP-Nuclear Support Services	\$307,110	\$225,056	\$200,261	*
Jones, Ronald A	VP-New Nuclear Operations	\$292,569	\$222,847	\$171,891	*
Kissam, W Keller	SVP-SCANA & Pres-SCEG-Ret Opns	\$384,681	\$403,139	\$276,396	
Lindsay, Ronald Thomas	SVP-SCANA & General Counsel	\$452,921	\$560,366	\$354,589	
Marsh, Kevin	Chairman & Chief Exec Officer	\$1,216,901	\$2,902,015	\$1,432,431	\$220,374

(1) Annual salary paid.

(2) Grants of Performance Share and Restricted Stock Unit awards under the Long-Term Equity Compensation Plan.

(3) Payouts under the Short-Term Annual Incentive Plan based on the level of achievement of both earnings per share and individual or business unit goals.

The salary and incentive compensation reported above are presented in the same manner as the disclosure in the Company's 2017 Proxy statement for the Named Executive Officers, as required by the rules of the Securities and Exchange Commission.

* We have also added other nuclear officers directly related to the project.

2017

Presented as required for SEC reporting.

The following Executives had nuclear specific goals.

Name	Jobtitle	Salary (1)
Addison ,Jimmy E	EVP-SCANA & CFO	\$660,878
Archie ,Jeffrey B	SVP-SCANA & SVP & CNO-SCE&G	\$398,894
Byrne ,Stephen A	EVPSCANA&PresSCG-GenTrn&COOSCG	\$660,878
Gatlin ,Thomas D	VP-Nuclear Operations Unit 2&3	\$305,583
Jones ,Ronald A	VP-Nuclear Constr & Start Up	\$302,645
Kissam ,W Keller	SVP-SCANA & Pres-SCEG-Ret Opns	\$402,031
Marsh ,Kevin B	Chairman & Chief Exec Officer	\$1,273,272

(1) Annual earnings rate.

Note: Incentives amounts have not been earned for 2017.

The salary and incentive compensation reported above are presented in the same manner as the disclosure in the Company's 2017 Proxy statement for the Named Executive Officers, as required by the rules of the Securities and Exchange Commission.