



Matthew W. Gissendanner  
Assistant General Counsel

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March 24, 2016

**VIA HAND DELIVERY**

Shannon Bowyer Hudson, Esquire  
Office of Regulatory Staff  
1401 Main Street Suite 900  
Columbia, SC 29201

RE: October 2015 Amendments to the Engineering, Procure and Construction Contract  
Relating to the Construction of a Nuclear Baseload Generation Facility at  
Jenkinsville, South Carolina

Dear Ms. Hudson:

Enclosed you will find four (4) copies of the responses of South Carolina Electric & Gas Company ("SCE&G") to the South Carolina Office of Regulatory Staff's First Continuing Request for Records and Information with regard to the above-referenced matter. As requested, SCE&G's responses are bound in three-ringed binders with numbered tabs between each question. Also enclosed as requested is one (1) compact disc which contain electronic copies of the responses.

By copy of this letter and in accordance with your instructions, we are also providing one (1) electronic copy of the responses via compact disc to Gary Jones.

If you have any questions, please do not hesitate to contact us.

Very truly yours,

A handwritten signature in blue ink that reads "Matthew W. Gissendanner".

Matthew W. Gissendanner

MWG/kms  
Enclosures

cc: Gary Jones  
(via U.S. First Class Mail w/enclosure)

**SOUTH CAROLINA ELECTRIC & GAS COMPANY  
OFFICE OF REGULATORY STAFF'S FIRST AUDIT INFORMATION REQUEST  
October 15 Amendments to the Engineering, Procurement, and  
Construction Contract Related to the Construction of a Nuclear Baseload  
Generation Facility at Jenkinsville, South Carolina**

**REQUEST 1-1:**

Please provide:

- a) An itemized list of all increased costs including a description of the item, description of why and what precipitated the increase, the dollar amount increased and which cost categories are affected by the cost changes associated with the October 2015 Amendment ("Amendment") to the May 23, 2008 Engineering, Procurement and Construction ("EPC") Agreement ("EPC Contract") for nuclear power plant Units 2 and 3 ("Units") at the Virgil C. Summer Nuclear Generation Station ("Project") above and beyond those associated with Order No. 2015-661.
- b) A spreadsheet with a detailed breakdown of all increased costs associated with the Amendment for Owners Costs, each EPC Contract Cost Category and the Transmission Cost Category. (See Attachments 1 & 2)
- c) A spreadsheet with a detailed breakdown of the history of itemized capital costs that have been incurred and the capital costs that SCE&G anticipates incurring throughout the life of the project as a result of the Amendment. (See Attachment 3)

**RESPONSE 1-1:**

- (a)-(c) SCE&G is in the process of completing its evaluation of the Fixed Price Option under the Amendment and expects to have reached a decision concerning that option before filing a 2016 BLRA update docket. Information concerning increased EPC Contract costs that would be responsive to this RIA will depend on this evaluation and decision and will be provided as soon as reasonably possible after the decision on the Fixed Price Option has been announced.

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**REQUEST 1-2:**

For Owners Costs, please provide an itemized list of all increased costs associated with the Amendment for labor, non-labor, and non-split portions, including a description of the item, description of why and what precipitated the increase, the dollar amount increased and which EPC Contract Cost Categories are affected.

**RESPONSE 1-2:**

SCE&G is preparing the responsive information and will provide when available.

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**REQUEST 1-3:**

Provide a detailed explanation, breakdown of costs, background data, and associated documents regarding all costs that SCE&G has incurred and are anticipated to incur to fulfill their obligations related to the Amendment.

**RESPONSE 1-3:**

Reference 1-3 Attachment 1 for a list of invoices representing all costs that SCE&G has incurred, as of March 18, 2016, and are anticipated to incur to fulfill their obligations related to the Amendment.

**ORS Request - October 2015 Amendment 1-3 Attachment 1**

**Costs Incurred by SCE&G and anticipated to be incurred to fulfill the obligations related to the October 2015 Amendment**

<b>Costs incurred by SCE&amp;G as of March 18, 2016, to fulfill the obligations of the October 2015 Amendment</b>	<b>Vendor</b>	<b>Invoice #</b>	<b>Payment Date</b>	<b>Invoice Type</b>	<b>SCE&amp;G Costs</b>
Paragraph 3 Settlement Payment #1	Westinghouse	90313232	01/05/16	Fixed Price	\$11,458,333.33
Paragraph 3 Settlement Payment #2	Westinghouse	90315023	02/05/16	Fixed Price	\$11,458,333.33
Paragraph 3 Settlement Payment #3	Westinghouse	90316577	03/07/16	Fixed Price	\$11,458,333.34
<b>Total</b>					<b>\$34,375,000.00</b>

<b>Costs anticipated to be incurred by SCE&amp;G to fulfill the obligations of the October 2015 Amendment</b>	<b>Vendor</b>	<b>Invoice #</b>	<b>Payment Date</b>	<b>Invoice Type</b>	<b>SCE&amp;G Costs</b>
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**REQUEST 1-4:**

Provide a detailed explanation, breakdown of costs, background data, associated documents and the methodology used for reaching the dollar amounts in the Owners Cost category.

- a) As approved in Order No. 2010-12
- b) As modified in Order No. 2011-345
- c) As modified in Order No. 2012-884
- d) As modified in Order No. 2015-661
- e) As associated with the Amendment

**RESPONSE 1-4:**

(a)-(e): The information responsive to this request contains highly confidential and sensitive information which if disclosed would result in the disclosure of EPC Contract information which SCE&G is required to maintain in confidence. Due to the highly confidential and sensitive nature of the information requested, the Company will make the information responsive to this request available for review and inspection at the offices of New Nuclear Deployment.

With respect to (e), SCE&G is preparing the responsive information and will provide, pursuant to the terms of the confidentiality agreement, when available.

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**REQUEST 1-5:**

Provide a detailed explanation, breakdown of costs, background data, and associated documents regarding the costs for each item that is in the non-split portion of Owners Cost.

- a) As approved in Order No. 2010-12
- b) As modified in Order No. 2011-345
- c) As modified in Order No. 2012-884
- d) As modified in Order No. 2015-661
- e) As associated with the Amendment

**RESPONSE 1-5:**

(a)-(e): The information responsive to this request contains highly confidential and sensitive information which if disclosed would result in the disclosure of EPC Contract information which SCE&G is required to maintain in confidence. Due to the highly confidential and sensitive nature of the information requested, the Company will make the information responsive to this request available for review and inspection at the offices of New Nuclear Deployment.

With respect to (e), SCE&G is preparing the responsive information and will provide, pursuant to the terms of the confidentiality agreement, when available.

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**REQUEST 1-6:**

Provide a detailed explanation, breakdown of costs, background data, and associated documents regarding the costs for each item that is in the labor portion of Owners Cost.

- a) As approved in Order No. 2010-12
- b) As modified in Order No. 2011-345
- c) As modified in Order No. 2012-884
- d) As modified in Order No. 2015-661
- e) As associated with the Amendment

**RESPONSE 1-6:**

(a)-(e): The information responsive to this request contains highly confidential and sensitive information which if disclosed would result in the disclosure of EPC Contract information which SCE&G is required to maintain in confidence. Due to the highly confidential and sensitive nature of the information requested, the Company will make the information responsive to this request available for review and inspection at the offices of New Nuclear Deployment.

With respect to (e), SCE&G is preparing the responsive information and will provide, pursuant to the terms of the confidentiality agreement, when available.



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**REQUEST 1-7:**

Provide a detailed explanation, breakdown of costs, background data, and associated documents regarding the costs for each item that is in the non-labor portion of Owners Cost.

- a) As approved in Order No. 2010-12
- b) As modified in Order No. 2011-345
- c) As modified in Order No. 2012-884
- d) As modified in Order No. 2015-661
- e) As associated with the Amendment

**RESPONSE 1-7:**

(a)-(e): The information responsive to this request contains highly confidential and sensitive information which if disclosed would result in the disclosure of EPC Contract information which SCE&G is required to maintain in confidence. Due to the highly confidential and sensitive nature of the information requested, the Company will make the information responsive to this request available for review and inspection at the offices of New Nuclear Deployment.

With respect to (e), SCE&G is preparing the responsive information and will provide, pursuant to the terms of the confidentiality agreement, when available.

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**REQUEST 1-8:**

Provide a documented "path" for all EPC Contract, Owners Costs and Transmission dollars and other items that were shifted between cost categories in this Amendment.

**RESPONSE 1-8:**

SCE&G is in the process of completing its evaluation of the fixed price option under the Amendment and expects to have reached a decision concerning that option before filing a 2016 BLRA update docket. Information concerning increased EPC Contract costs that would be responsive to this RIA will depend on this evaluation and decision and will be provided as soon as reasonably possible after the decision on the fixed price option has been announced.

SCE&G is preparing the responsive information concerning Owners Costs and Transmission dollars and will provide when available.

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**REQUEST 1-9:**

For each cost shifted in response to 1-8 above, explain why each shift is necessary.

**RESPONSE 1-9:**

SCE&G is in the process of completing its evaluation of the fixed price option under the Amendment and expects to have reached a decision concerning that option before filing a 2016 BLRA update docket. Information concerning increased EPC Contract costs that would be responsive to this RIA will depend on this evaluation and decision and will be provided as soon as reasonably possible after the decision on the fixed price option has been announced.

SCE&G is preparing the responsive information concerning Owners Costs and Transmission dollars and will provide when available.

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**REQUEST 1-10:**

Provide a detailed narrative description of the Fixed Price Option and the Non-Fixed Price Option.

**RESPONSE 1-10:**

The Fixed Price Option includes all remaining work under the EPC Agreement as of December 31, 2015 (Effective Time), at the remaining Contract Price of \$3.345 billion (SCE&G's 55% share) in current U.S. Dollars, excluding future change orders and items on Exhibit C. The remaining contract price adjustment represents the cost to complete the project beyond what has been paid through June 30, 2015. Payments made after June 30, 2015, except for change orders and items on Exhibit C, will be credited against the \$3.345 billion amount. This includes escalation. The following time and material work, for which allocations have been established in the initial EPC Agreement, is not included in the Fixed Price Option: sales tax, performance bond and insurance premiums, import duties, mandatory spare parts and extended equipment warranties. The resolution of any and all disputes outstanding under the EPC Agreement or concerning the project as of December 31, 2015, as stated in the October 2015 Agreement, section 3, is also included in the Fixed Price Option. Specific contractor incentives and penalties as well as specific contract terms are also included in the Fixed Price Option as stated in the October 2015 Agreement.

The Non-Fixed Price Option resolves any and all disputes outstanding in the October 2015 Agreement or concerning the Project as of December 31, 2015, for a net of \$137,500,000 paid to the Contractor in accordance with the October 2015 Agreement, section 3. Future change orders and items on Exhibit C, are not resolved, settled, or released. The October 2015 Agreement provides for a DRB to expedite the resolution of future disputes during the construction of the project. Specific contractor incentives and penalties as well as specific contract terms are also included in the Non-Fixed Price Option as stated in the October 2015 Agreement.

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**REQUEST 1-11:**

Describe the benefits of the Fixed Price Option and the benefits of the Non-Fixed Price Option.

**RESPONSE 1-11:**

The primary benefit of the Non-Fixed Price Option is that any and all disputes outstanding in the October 2015 Agreement or concerning the project as of December 31, 2015, are considered resolved, except for future change orders and items on Exhibit C. The resolution of these disputes avoided potential litigation that would have been costly and disruptive to the project. A DRB is being established to expedite the resolution of future disputes during the remaining construction of the project. Also, specific terms have been agreed upon that benefit the owner.

The additional benefit of the Fixed Price Option is that the contractor is at risk of completing the project within the remaining \$3.345 billion (SCE&G's 55% share) to include escalation, except for future change orders and items on Exhibit C.

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**REQUEST 1-12:**

What specific relief do you plan on requesting from the Commission? Please provide separate responses for cases in which the Company elects the Fixed Price Option and the Non-Fixed Price Option.

**RESPONSE 1-12:**

Regardless of the option selected, SCE&G intends to ask the Commission to approve updated schedules establishing the anticipated schedule for construction of the Units and the anticipated schedules of capital costs.

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**REQUEST 1-13:**

For each option outlined in 1-12, which statute(s) do you plan to request relief under?

**RESPONSE 1-13:**

All requests will be made under S.C. Code Ann. § 58-33-270(E)(1).

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**REQUEST 1-14:**

What support do you intend to offer for the relief you plan to request? Please provide separate responses for each option outlined in 1-12.

**RESPONSE 1-14:**

SCE&G is in the process of completing its evaluation of the Fixed Price Option under the Amendment and expects to have reached a decision concerning that option before filing a 2016 BLRA update docket. Information that would be responsive to this RIA will depend on this evaluation and decision.



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**REQUEST 1-15:**

Provide a comparison of the projected staffing levels under the Amendment to those previously projected under Order No. 2015-661. How does the current staffing level compare to the staffing level projected under Order No. 2015-661? What are the reasons for the changes?

**RESPONSE 1-15:**

SCE&G is preparing the responsive information and will provide when available.

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**REQUEST 1-16:**

Provide details to substantiate that the interval between the Unit 2 and Unit 3 Substantial Completion Dates ("SCDs") included in the Amendment is credible.

**RESPONSE 1-16:**

Confidential overview schedules for Units 2 and 3 showing a 12 month interval between substantial completion dates for the two units are available for review and inspection at the offices of New Nuclear Deployment, pursuant to the terms of the confidentiality agreement. This interval is achievable depending on the availability of resources, material procurement and the construction work efficiencies. Plans are being worked to achieve success in each of these areas as well as other work streams.

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**REQUEST 1-17:**

Provide a detailed explanation that describes the impact of delaying the SCDs for Units 2 & 3 on the Company's load forecast for the years 2017 through 2020. Also, provide the additional costs (e.g., fuel costs and replacement capacity costs) associated with changes to the load forecast for years 2017 through 2020.

**RESPONSE 1-17:**

Please see the Company's 2016 Integrated Resource Plan (IRP) for the impact of delaying the substantial completion dates for Units 2 & 3 on the Company's supply plan for 2017 and beyond.

The Company has not yet procured capacity to meet the capacity needs identified in the IRP. Therefore, the Company does not know the additional costs associated with that capacity.

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**REQUEST 1-18:**

Provide a copy of the changes from the Amendment incorporated into the EPC Contract.

**RESPONSE 1-18:**

This document has not yet been prepared. The changes from the October 27, 2015 EPC Amendment will be incorporated into the EPC Contract at a later date.

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**REQUEST 1-19:**

At the November 19, 2015 Allowable Ex-Parte Briefing to the Public Service Commission it was stated that the "Change in Law" provision of the EPC contract needed clarification as it was subject to interpretation. Please provide a list of items considered to be in need of clarification in the EPC contract prior to the amendment. Have all of these items been addressed by the Amendment? If so, how?

**RESPONSE 1-19:**

SCE&G considered the following items to be in need of clarification in the EPC Contract prior to the Amendment: (1) the contractor's obligation to provide units fully compliant with DCD Rev. 19 and (2) the change in law provision related to entitlement to change orders.

These issues were addressed in the October 27, 2015 Amendment by the changes set forth in Paragraphs 5 and 14, respectively.

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**REQUEST 1-20:**

Describe in detail the changes to the "Change in Law" provision identified in the Amendment. As of what date will these changes be effective? Will it cover only future changes in law, or will it cover new disputes that arise over changes in law prior to the execution of the Amendment?

**RESPONSE 1-20:**

The "Change in Law" definition in the EPC Agreement prior to the October 27, 2015 Amendment is as follows:

Change in Law means (a) any adoption or change, after the Effective Date, of or in the judicial or administrative interpretation of any Laws (excluding any Laws relating to net income Taxes), which is inconsistent or at variance with any Laws in effect on the Effective Date, (b) the imposition after the Effective Date of any requirement for a new Government Approval or (c) the imposition after the Effective Date of any condition or requirement (except for any conditions or requirements which result from the acts or omissions of Contractor or any Subcontractor) not required as of the Effective Date affecting the issuance, renewal or extension of any Government Approval; that, in each case, is germane to the obligations of the Parties set forth in this Agreement.

The "Change in Law" definition in the October 27, 2015 Amendment is as follows:

Change in Law occurs only in case of (a) the formal written adoption by a Government Authority of a new statute, regulation, requirement or code that did not exist as of the date of the October 2015 Amendment; or (b) where the NRC is the involved Government Authority, the NRC's official issuance or promulgation, after the date of the October 2015 Amendment, of a final or official version of Regulatory Guides (NUREGs), Branch Technical Positions, Standard Review Plans, Interim Staff Guidance, Bulletins, Orders, or written directives, in which NRC acknowledges a new regulatory requirement or a change to an existing requirement that did not apply before the date of the October 2015 Amendment. Where Contractor cannot demonstrate a Change in Law under this paragraph, Contractor shall also be precluded from claiming that the purported Change in Law is an Uncontrollable Circumstance.

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The change in the "Change in Law" definition in the October 27, 2015 Amendment became effective December 31, 2015, and governs all matters arising under the contract from that date forward, including disputes where the change in law itself occurred prior to the Amendment.

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**REQUEST 1-21:**

Describe and provide the amount of compensation paid to or related to the release of CB&I.

**RESPONSE 1-21:**

SCE&G did not provide any compensation to or related to the release of CB&I. SCE&G was not involved in the negotiations between WEC and CB&I and therefore is unable to provide any other information responsive to this request.



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**REQUEST 1-22:**

Provide the Revised, Fully-Integrated Construction (Level 1) Schedule with the calculated float for each milestone for the new SCDs for Unit 2 & 3 in the Amendment.

**RESPONSE 1-22:**

The information responsive to this request contains highly confidential and sensitive information which if disclosed would result in the production of information which SCE&G is required to maintain in confidence. Due to the highly confidential and sensitive nature of the information requested, the Company will make the information responsive to this request available for review and inspection at the offices of New Nuclear Deployment.

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**REQUEST 1-23:**

The increase approved in Order No. 2015-661 was based on estimates. The Amendment incorporates both these estimates and additional increases. Has SCE&G received additional documentation behind the Order No. 2015-661 estimates? The increase in the project estimate granted by Order No. 2015-661 was not expected to be solely borne by the Owners and was not anticipated to be totally paid by the Owners. Please explain the reasons why SCE&G determined that this full amount plus the additional amounts proposed in the Amendment are now to be paid by the Owners.

**RESPONSE 1-23:**

No. SCE&G has not received additional documentation behind the Order No. 2015-661 estimates.

The Non-Fixed Option increase is due to the dollars SCE&G is paying to resolve the disputes referenced in section 3 of the October 2015 Agreement as well as additional items including: (a) increased liquidated damages, (b) amended change-in-law provisions, (c) expressed commitment to provide units that fully meet DCD Rev. 19, (d) consolidation of responsibility for the project to entities owned by a single parent company, (e) extension of equipment warranties, (f) new milestone payment schedule tied to actual construction results, (g) granting of an option to fix the price at \$3.345 billion (SCE&G's 55% share), and (h) other matters. SCE&G determined that it was prudent to agree to the additional \$137.5 million to obtain these benefits and concessions. The project risks on which the additional target and time and material dollar increases in Order No. 2015-661 were based remain the same and are potentially greater. Also, the Non-Fixed Option avoids potential litigation which would be costly and disruptive to the project. We believe that the additional dollars for the Fixed Price Option are justified due to WEC taking the risk, except for change orders, for the project.

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**REQUEST 1-24:**

Describe each schedule mitigation strategy currently under consideration by SCE&G and provide an assessment of their potential impact on meeting the SCDs provided in the Amendment.

**RESPONSE 1-24:**

SCE&G is preparing the responsive information and will provide when available.

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**REQUEST 1-25:**

Provide the details and computations associated with the revised and delay-related liquidated damages limits specified in the Amendment, including the rationale to limit the maximum damages to \$463 million per unit without the Fixed Price Option or \$338 million per unit with the Fixed Price Option.

**RESPONSE 1-25:**

The maximum liquidated damages are negotiated amounts and represent factors of 2 to 3 times greater than the LD's initially negotiated in the EPC Agreement. SCE&G believes that these penalties will motivate WEC to meet the Guaranteed Substantial Completion dates in the October 2015 Agreement.

SCE&G is in the process of completing its evaluation of the Fixed Price Option under the Amendment and expects to have reached a decision concerning that option before filing a 2016 BLRA update docket. The relevant liquidated damages amounts will be determined by that decision. In the interest of clarity and efficiency, SCE&G will provide additional information responsive to this RIA as soon as reasonably possible after the decision on the Fixed Price Option has been announced.

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**REQUEST 1-26:**

Explain why SCE&G believes relief from reimbursement to the Owner in the amount of \$250 million per unit should be extended to the Contractor if the time frame in which the federal tax credit can be claimed is extended beyond the current December 31, 2020 deadline such that the Units remain eligible for the tax credit.

**RESPONSE 1-26:**

The goal of the schedule commitment is to ensure that the federal production tax credits can be obtained. SCE&G therefore believes it to be prudent to have the relief in place so long as this goal is achievable.

WEC will still have to pay liquidated damages if they go beyond the guaranteed substantial completion dates.

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**REQUEST 1-27:**

Provide the rationale for including in the Amendment a \$275 Million per unit bonus under the Non Fixed Price Option or \$150 Million bonus per unit under the Fixed Price Option to the Contractor for finishing the Units beyond the original SCDs. Also explain why this bonus may be extended beyond the SCDs currently defined in the Amendment and why SCE&G believes it is appropriate to maintain this bonus at the same level if the project is not completed by the stated SCDs. Explain all deliberation prior to the Amendment given to reducing or eliminating the bonus if the project extends beyond the currently proposed SCDs?

**RESPONSE 1-27:**

The completion bonuses are an incentive to complete both units by January 1, 2021, which would qualify SCE&G for production tax credits (PTC). This dollar amount was negotiated as a reasonable incentive for the Contractor to meet the PTC date. The Contractor would have to pay liquidated damages beyond the guaranteed substantial completion dates.

As to the deliberations prior the Amendment, SCE&G carefully considered the impact on the project of allowing the bonuses to expire while the PTCs were still available and determined that this would have a detrimental impact on the project and customers.

**SOUTH CAROLINA ELECTRIC & GAS COMPANY  
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**REQUEST 1-28:**

Provide the criteria the Owner will use to determine whether to execute the irrevocable fixed priced option, the anticipated date when this decision will be made, and the cost justification that this is in the best interest of the Owner.

**RESPONSE 1-28:**

SCE&G is in the process of completing its evaluation of the Fixed Price Option and expects to have reached a decision concerning that option before filing a 2016 BLRA update docket. SCE&G will provide information responsive to this RIA as soon as reasonably possible after the decision on the Fixed Price Option has been announced.

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**REQUEST 1-29:**

SCE&G has stated that Westinghouse intends to engage Fluor Corporation as subcontracted construction manager. Please provide a narrative description and an organization chart that illustrate what this will look like in terms of the management structure of the project. Please identify any other new nuclear power plant project that has successfully employed the approach of using a subcontracted construction manager. Also, please provide any experience that Fluor has in this approach, and, if none in nuclear power, please identify similar experience in other projects of comparable size and scope.

**RESPONSE 1-29:**

The organizational chart responsive to this request contains highly confidential and sensitive information which if disclosed would result in the production of information which SCE&G is required to maintain in confidence. Due to the highly confidential and sensitive nature of the information requested, the Company will make the information responsive to this request available for review and inspection at the offices of New Nuclear Deployment.

The only new nuclear projects currently under construction in the United States are at V.C. Summer Station and Plant Vogtle. Both projects are currently using the subcontracted construction manager approach.

SCE&G understands that Fluor has experience in this approach on the following projects: Fernald Nuclear Weapons Site Environmental Remediation and the DOE - Savannah River Site Management Project. Please see the attached presentation, which Fluor made to SCE&G and Santee Cooper on October 23, 2015, for more information about Fluor and its project experience.



# SCE&G and SANTEE COOPER Nuclear Presentation

October 23, 2015



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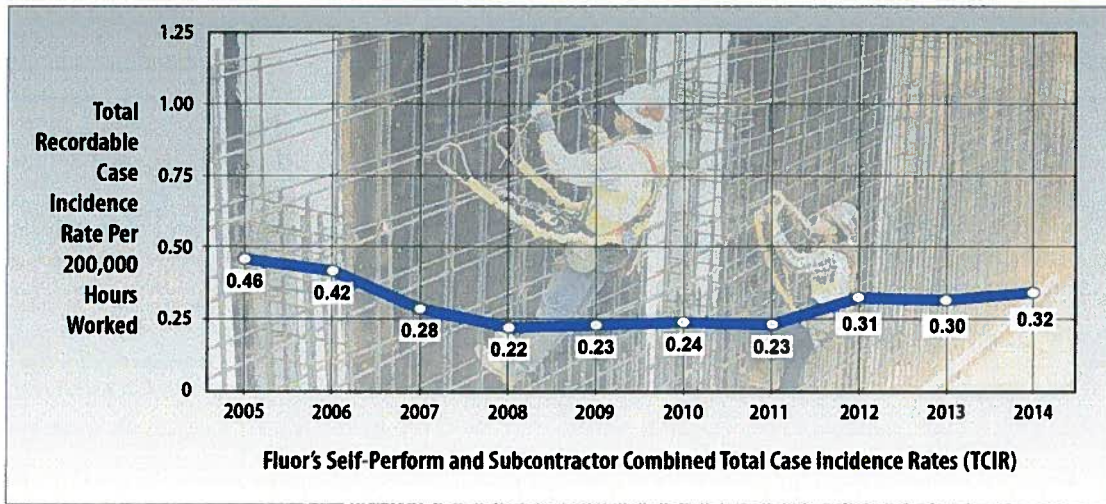
## Agenda

- ◆ Introductions
- ◆ HSE
- ◆ Corporate Overview
- ◆ Power Overview
- ◆ Nuclear Experience Overview
- ◆ Open Discussion

**FLUOR**



# Safety First, Proven Excellent Safety Culture Self Perform & Subcontractor Combined Total Case Incident Rate



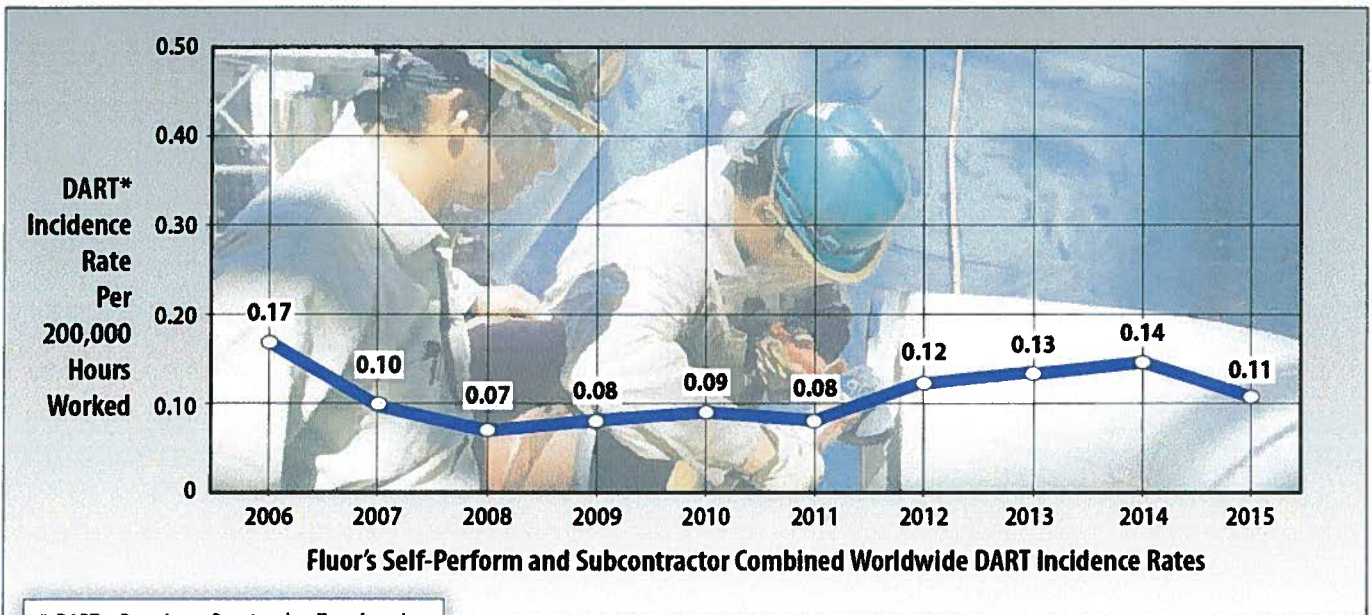
Construction Execution Approach	2010 Work hours	2011 Work hours	2012 Work hours	2013 Work hours	2014 Work hours
Fluor Self Perform Worldwide	118,664,244	127,829,310	172,870,078	163,024,612	155,930,442
Fluor Self Perform U.S.	52,295,898	43,108,295	35,578,868	33,314,759	58,164,837
Fluor Subcontract Worldwide	134,915,694	189,800,400	252,852,517	230,804,266	176,717,262
Fluor Subcontract U.S.	13,243,553	15,024,116	17,254,778	11,920,512	13,392,517
<b>Total Worldwide</b>	<b>253,579,938</b>	<b>317,629,710</b>	<b>425,722,595</b>	<b>383,828,878</b>	<b>332,647,704</b>

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# Safety First, Proven Excellent Safety Culture Self Perform & Subcontractor Combined Days Away, Restricted, or Transferred



Gas-Fueled, Solid-Fueled, Nuclear, Environmental Compliance, Renewables and Alternate Technologies, Power Services

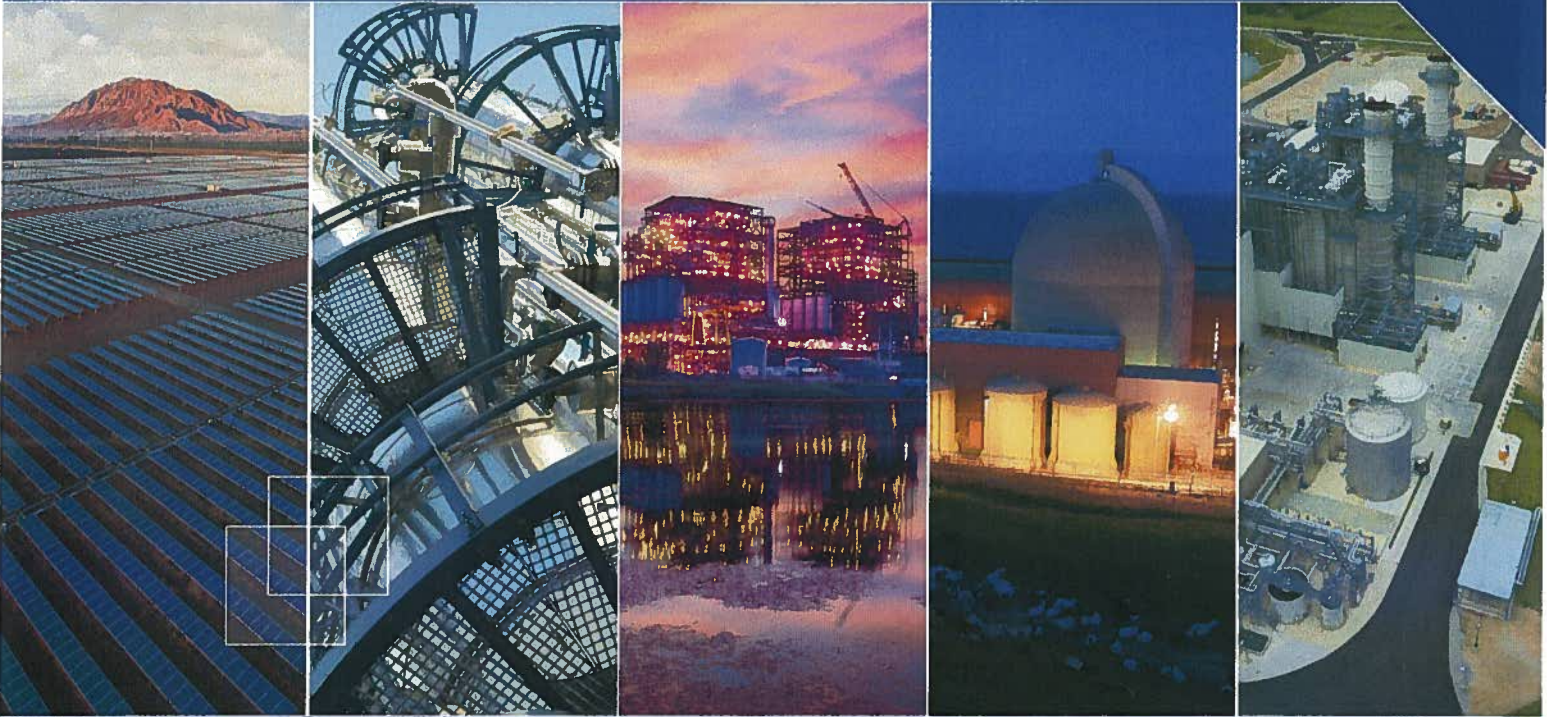


\* DART = Days Away, Restricted, or Transferred workday cases due to injury or illness

MKT-STD166.ai



# Corporate Overview



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Renewables and Alternate Technologies, Power Services*

# Corporate Overview

- ◆ **One of the world's largest** engineering, procurement, fabrication, construction, and maintenance companies
- ◆ **Designs, builds, and maintains** capital-efficient facilities for clients on six continents
- ◆ **Delivers integrated solutions** for clients in the energy, chemicals, government, industrial, infrastructure, mining and metals, and power market sectors
- ◆ No. **136** in the FORTUNE® 500 in 2015
- ◆ More than **1,000** projects annually, serving more than **4,000** clients in over **100** different countries
- ◆ **59,000+** employees executing projects globally
- ◆ **104-year** company legacy

*One of the strongest, financially sound balance sheets in the industry*

Revenue: \$18.1 billion  
New Awards: \$21.8 billion  
Backlog: \$44.7 billion

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Fluor Corporate Headquarters  
Dallas, Texas

# Industry Recognition



Fluor tops FORTUNE® "World's Most Admired Companies®", Engineering & Construction Industry No. 1 for the Third Year in a Row

## Engineering News-Record

Ranked #1 by ENR magazine on its list of Top 100 Contractors by New Contracts 2014



One of the World's Most Ethical Companies by *Ethisphere* magazine for eight years in a row



One of *G.I. Jobs'* Top 100 Military Friendly Employers in 2015



One of America's Safest Companies by *EHS Today*, 2011



Honored for 9<sup>th</sup> consecutive year as a *Most Admired Knowledge Enterprise* by Teleos



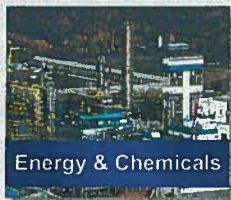
2013 *Corporate Leadership Award* for global anti-corruption initiatives



One of 30 organizations recognized by the *American Society for Training and Development* for enterprise-wide success through employee learning

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# Fluor's Diversified Markets



Energy & Chemicals

- Biofuels
- Carbon Capture
- Chemicals & Petrochemicals
- Gas Processing & Gas Treating
- Gasification, Gas to Liquids/Chemicals, & IGCC
- Heavy Oil Upgrading & Oil Sands
- Hydrocarbon Transportation – Pipelines
- Liquefied Natural Gas (LNG)
- Offshore Oil & Gas Production
- Onshore Oil & Gas Production
- Petroleum Refining
- Polysilicon
- Sulfur Recovery
- Utilities & Offsites



Power

- Environmental Compliance
- Gas-fueled/IGCC
- Nuclear
- Power Services
- Renewable Energy
- SMR Technology
- Solid-fueled
- Transmission



Infrastructure

- Aviation
- Bridges
- Commercial & Institutional
- Offshore Wind Farms
- Ports & Marine Terminals
- Public-Private Partnerships
- Rail & Transit
- Telecommunications
- Toll Roads & Highways



Mining & Metals

- Mining
- Mining Process Expertise
- Metals
- Metals Process Expertise



Industrial

- Life Sciences
- Manufacturing
- Operational Readiness
- Operations & Maintenance
- Water



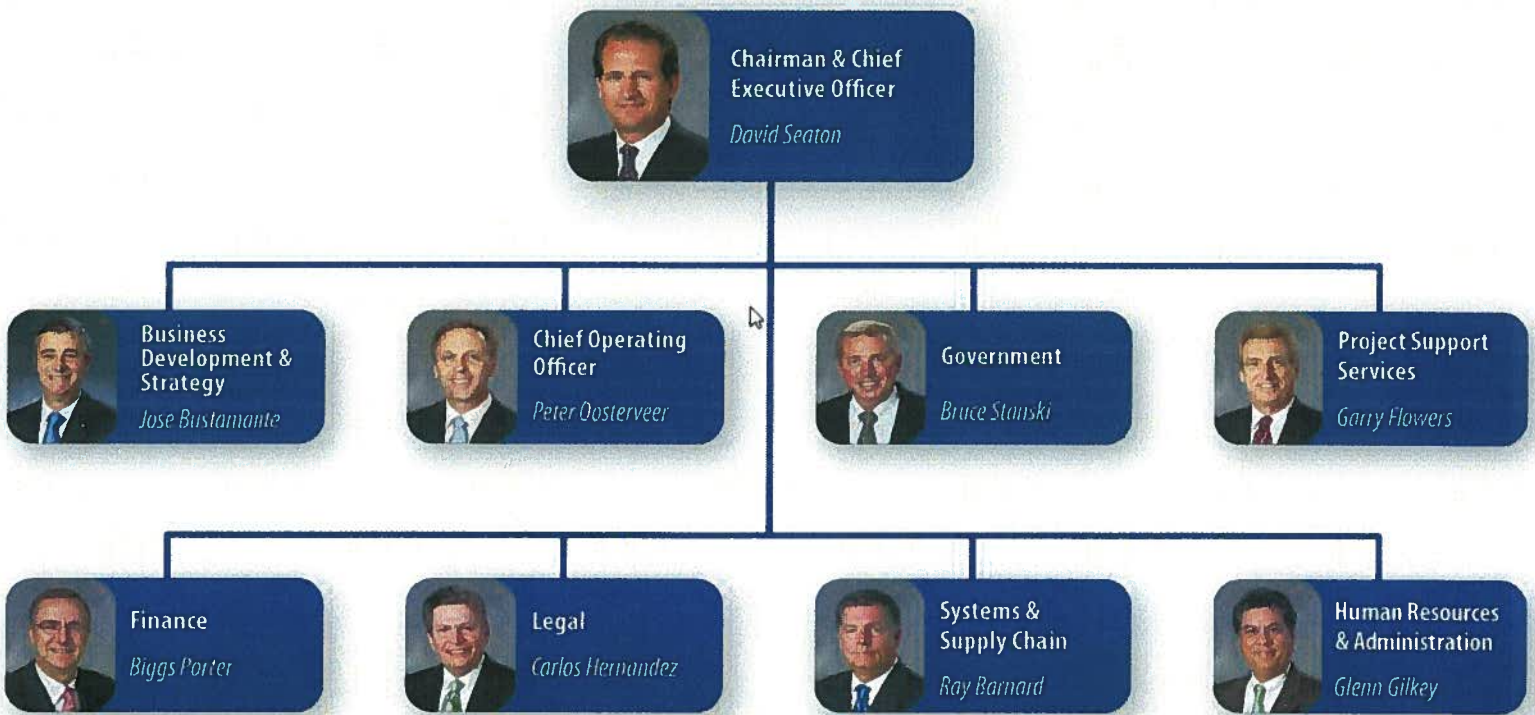
Government

- Contingency Operations
- Design-Build
- Disaster and Emergency Response
- Nuclear Operations
- Nuclear Remediation
- Nuclear Waste Disposal
- Services/Base Operations

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# Fluor's Corporate Leadership



SGMK004A

# Fluor's Corporate Leadership



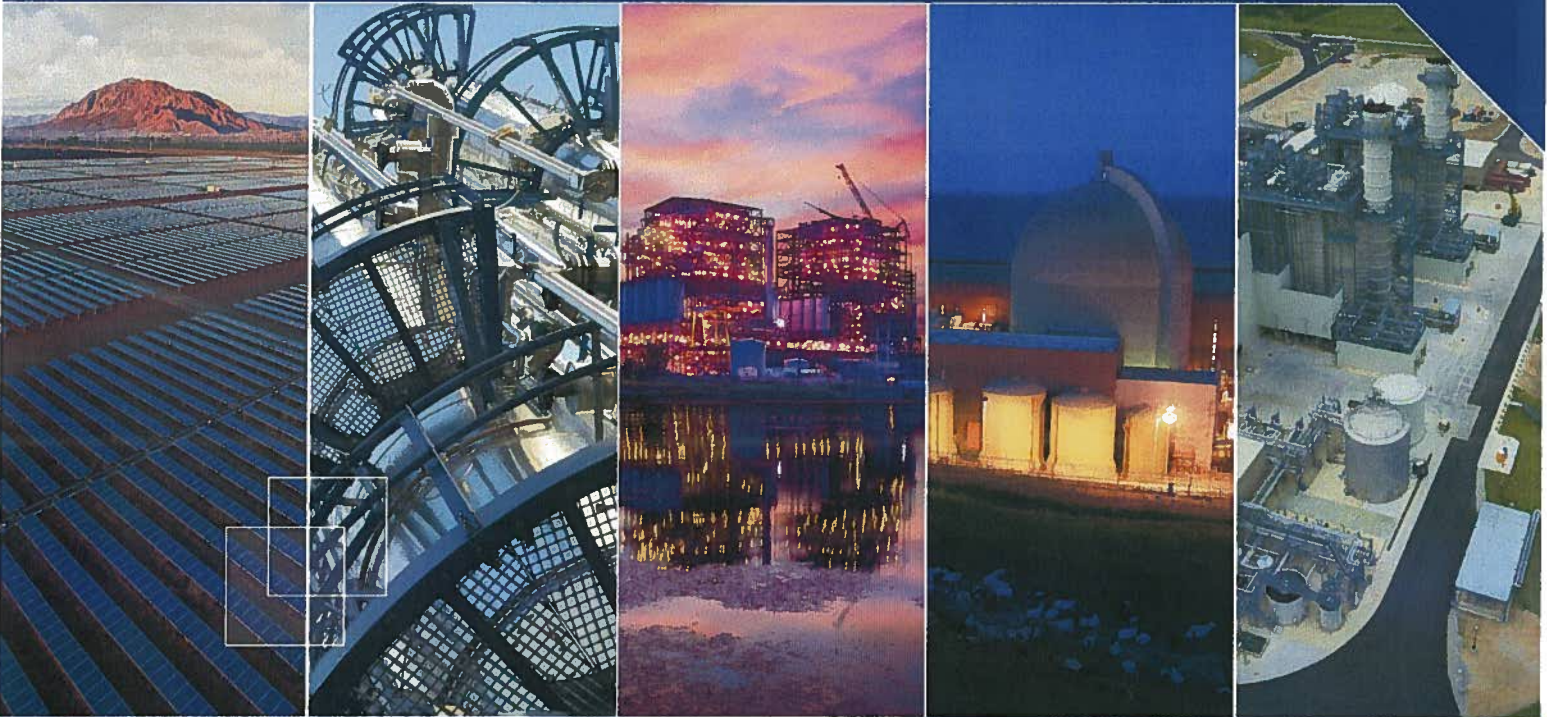
**Chairman & Chief Executive Officer**  
*David Seaton*



**Chief Operating Officer**  
*Peter Oosterveer*



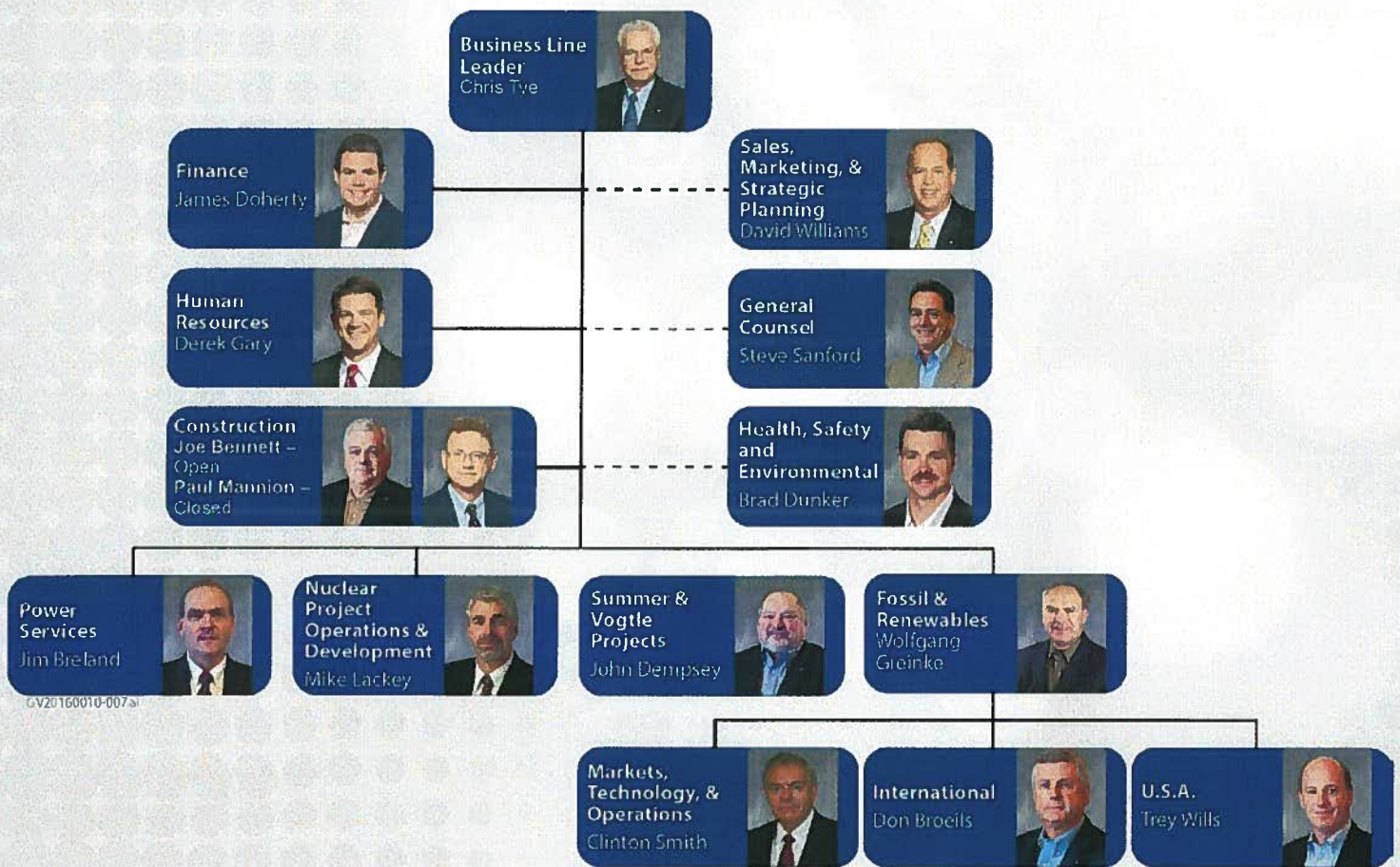
# Power Overview



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Renewables and Alternate Technologies, Power Services*

# Fluor's Power Leadership



# Fluor Power Experience

## ◆ Scope of past services:

- A major, long term EPC Contractor in US Power with international experience
- Many clients are project financed projects and IPP projects
- Provided E, P, & C services on 18 nuclear units
- Development experience as co-owner of 3,900 MW of offshore wind power in the UK (Farnborough office)
- Installed more than 60,000 MW of gas-fueled capacity
- Over the last 30 years built 26 solid-fueled units, 6,800+ MW
- 83,000+ MW of environmental controls installed
- 700+ MW of renewables to the grid plus UK offshore wind
- Completed transmission line and substation installations ranging from 11 kV to 765 kV

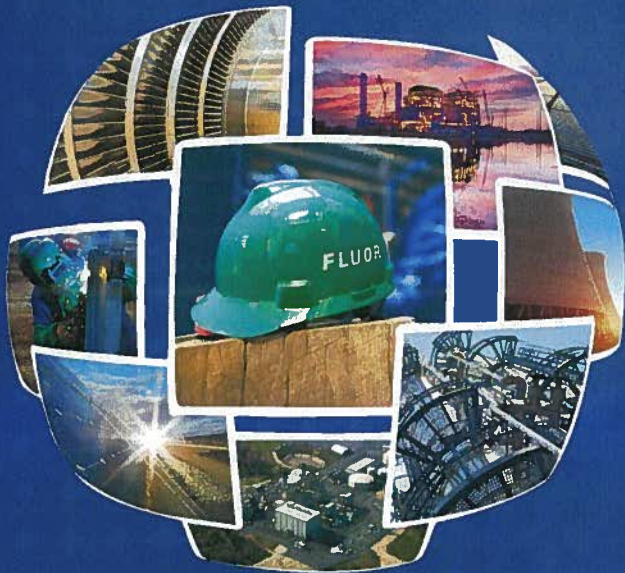
# Power Execution Offices



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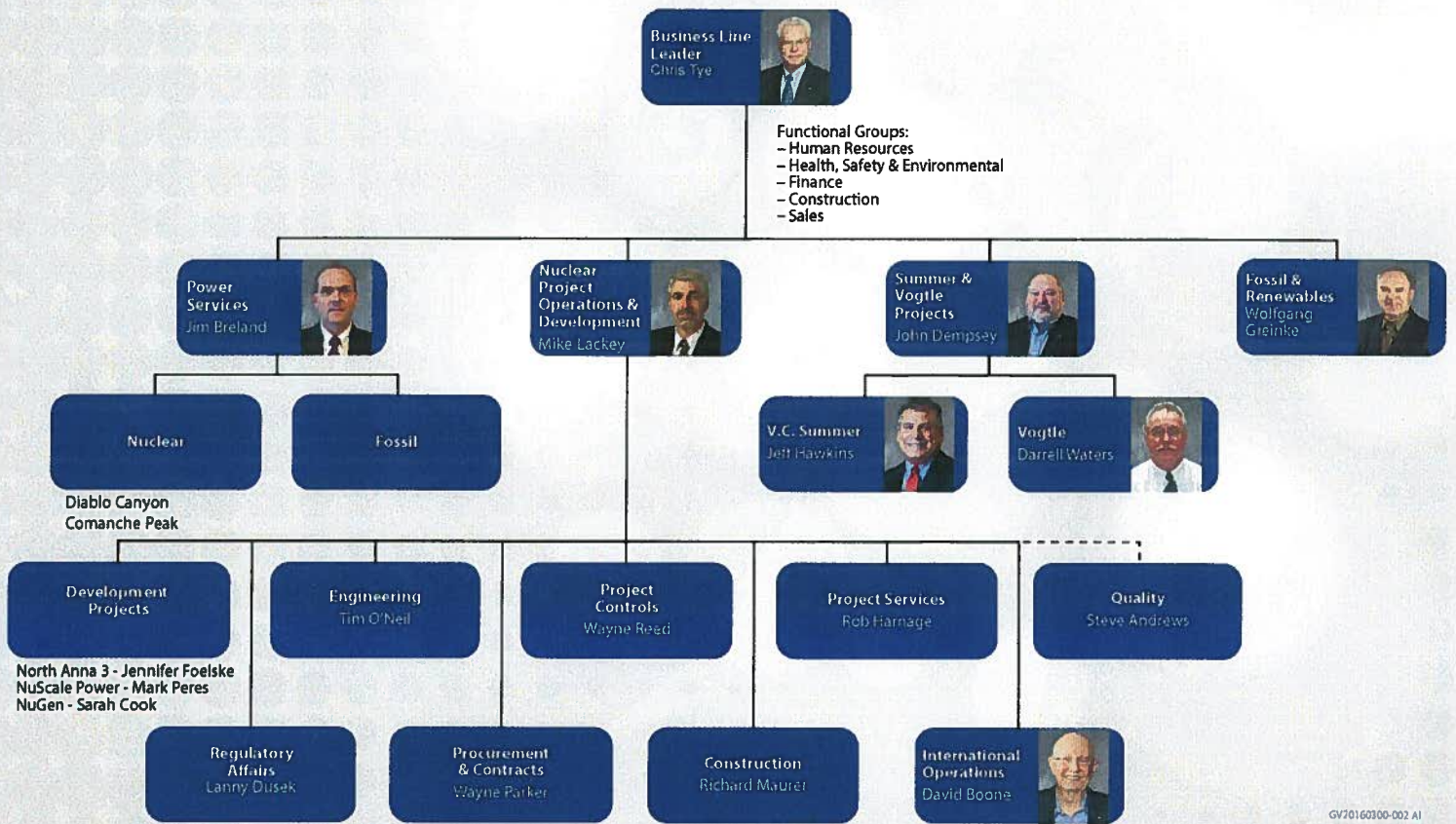
# Fluor Nuclear Power



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# Nuclear Organization



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# Nuclear Timeline

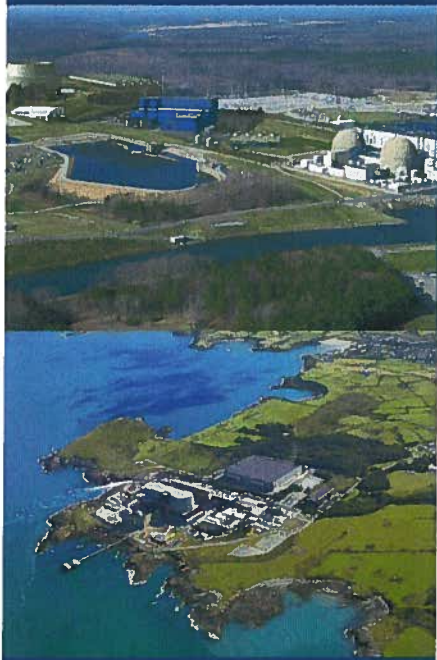
						
<p><b>DOE/AEC Nuclear Facilities Design/Build 1946–Present</b></p> <p>Starting in 1946, Fluor designed and/or constructed numerous facilities in support of the AEC/DOE nuclear weapons complex.</p> <ul style="list-style-type: none"> <li>• Multiple locations in Idaho</li> <li>• Hanford and Fernald process facility modifications</li> <li>• Portsmouth gas centrifuge enrichment plant</li> <li>• Los Alamos TA-55 plutonium facility</li> <li>• Aldermaston A-90 Pu Production Facility (U.K.)</li> <li>• American Centrifuge Plant</li> </ul>	<p><b>Reactor AE and CM Services 1968–1992</b></p> <p>In 1974, Fluor acquired Pioneer to enter the commercial nuclear AE business.</p> <ul style="list-style-type: none"> <li>• Designed Prairie Island 1 &amp; 2</li> <li>• Designed and Constructed Kewaunee</li> <li>• Design for plant modifications 15 plants, 2 DOE sites</li> </ul>	<p><b>Self-Perform Reactor Construction 1970–1988</b></p> <p>Fluor’s self-perform construction efforts were full scope standalone programs executed under Fluor’s QA and ASME Code programs for entire power plants.</p> <ul style="list-style-type: none"> <li>• J.M. Farley 1&amp;2</li> <li>• Nuclear fuel reprocessing plant</li> <li>• V.C. Summer</li> <li>• Shearon Harris</li> <li>• Fermi 2</li> <li>• Callaway</li> <li>• Wolf Creek</li> </ul>	<p><b>Reactor O&amp;M and Capital Improvements 1977–Present</b></p> <p>Fluor has provided operating plant support services to 90 U.S. units at 29 locations.</p> <ul style="list-style-type: none"> <li>• 90 million hours</li> <li>• First SGR - Surry (1980)</li> <li>• Program manager for \$1B of capital improvements for British Energy’s 15-unit fleet</li> <li>• Diablo Canyon O&amp;M</li> <li>• Oconee Tornado/HELB Major Modification</li> <li>• Comanche Peak O&amp;M</li> </ul>	<p><b>Reactor Const. Completion Services 1983–1993</b></p> <p>Fluor deployed a large staff of experienced nuclear professionals that were well versed PM, C, QA/QC, and field engineering to support completion of 10 units at five stations.</p> <ul style="list-style-type: none"> <li>• Vogtle &amp; 2</li> <li>• South Texas 1&amp;2</li> <li>• Braidwood 1&amp;2</li> <li>• Bryon 1&amp;2</li> <li>• Comanche Peak 1&amp;2</li> </ul>	<p><b>Nuclear Remed. and Environ. Facility Cleanup 1992–Present</b></p> <p>Nuclear decommissioning and environmental cleanup services. Recent experience includes the management of more than \$1B per year of nuclear facilities operations and maintenance, decommissioning, and radioactive waste management work.</p> <ul style="list-style-type: none"> <li>• Sellafield (U.K.)</li> <li>• Hanford (U.S.)</li> <li>• Fernald (U.S.)</li> <li>• Savannah River (U.S.)</li> <li>• Portsmouth (U.S.)</li> <li>• Humbolt Bay (U.S)</li> </ul>	<p><b>Nuclear 2007–Present</b></p> <p>Increased focus on nuclear new build, existing reactor capital projects and maintenance:</p> <ul style="list-style-type: none"> <li>• North Anna 3 EPC: ESBWR and APWR including project planning, design, procurement, construction planning</li> <li>• South Texas Project Units 3 and 4 ABWR</li> <li>• Westinghouse AP1000 support</li> <li>• NuScale SMR ownership and support</li> <li>• All applicable ASME stamps</li> <li>• Barakah Piping</li> </ul>

## Nuclear

- ◆ Fluor nuclear experience began in the 1940s
- ◆ Designed 3 nuclear power plants
- ◆ Constructed 8 nuclear power plants and supported construction of 10 others
- ◆ In 1977, commenced services to the operating fleet focused primarily on modifications, maintenance and outage services
  - 90+ million engineering and maintenance hours in 90+ operating nuclear units
- ◆ Expanded services for decommissioning, environmental clean-up and facilities management, primarily US DOE through Fluor Government Group
- ◆ ASME and ISO Certified
- ◆ Experience with PWR, BWR and SMR reactor technologies
- ◆ Proposed teaming partner or major subcontractor with Westinghouse, GEH, Toshiba, MHI
- ◆ Currently performing nuclear engineering, procurement, construction, maintenance, modifications, decommissioning and project management

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## Current Nuclear Work



**FLUOR**

- ◆ Dominion North Anna 3 ESBWR EPC Consortium
- ◆ NuScale SMR – owner, engineering, execution planning
- ◆ ENEC UAE Barakah ESW Piping
- ◆ NuGen Westinghouse subcontract
- ◆ Diablo Canyon and Comanche Peak maintenance and modifications
- ◆ Magnox Ltd and RSRL – PBO – operation, decommissioning, demolition and waste management
- ◆ DOE – Savannah River site management (Fluor led consortium)\*
- ◆ DOE – Portsmouth Gaseous Diffusion Plant decommissioning and demolition (Fluor-B&W)\*
- ◆ DOE – Paducah Gaseous Diffusion Plant Deactivation Project \*
- ◆ Canadian Nuclear Laboratory management & operations (consortium)\*

*\*Fluor Government business line*

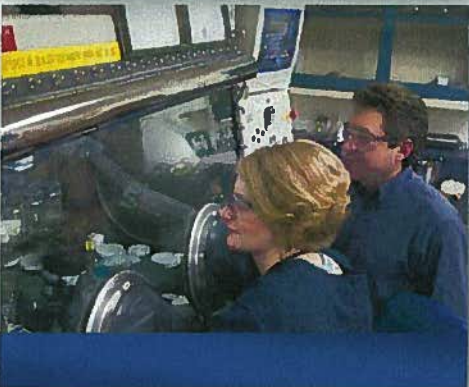
## Related Nuclear Activities



**FLUOR**

- ◆ Proposed construction manager for CEZ Temelin 3&4 AP1000
- ◆ AP1000 confidential studies, cost estimates
- ◆ MHI 3 APWR project work (development phase/engineering)
- ◆ PGE Poland proposed teaming partner with GEH
- ◆ TVO Okiluoto 3 bid, GEH ESBWR
- ◆ Subcontractor to Toshiba at South Texas Project 2xABWR
  - Comprehensive EPC planning
  - Licensing support
- ◆ Duke Oconee Tornado Barrier and Safety System upgrades
- ◆ UAE Barakah bid with Toshiba (ABWR)
- ◆ Confidential studies, cost estimate for ABWR

# Savannah River



**FLUOR.**

- ◆ Most diverse mission in the DOE complex
  - Environmental Management (EM) cleanup
  - National Nuclear Security Administration (NNSA) tritium production
  - Plutonium processing
  - Nuclear material storage
  - National laboratory management
  - Site-wide activity integration
  - Employment of 6,000 nuclear-trained personnel
- ◆ Top accomplishments to date:
  - Reactor Decommissioning:
    - Demolished the Heavy Water Component Test Reactor (HWCTR)
    - Entombed C, P, and R reactors
  - Reduced operating footprint by 70 percent
  - Accelerated disposition of over 5,000 cubic meters of legacy transuranic waste by over 9 years

## Fluor UK Magnox / RSRL

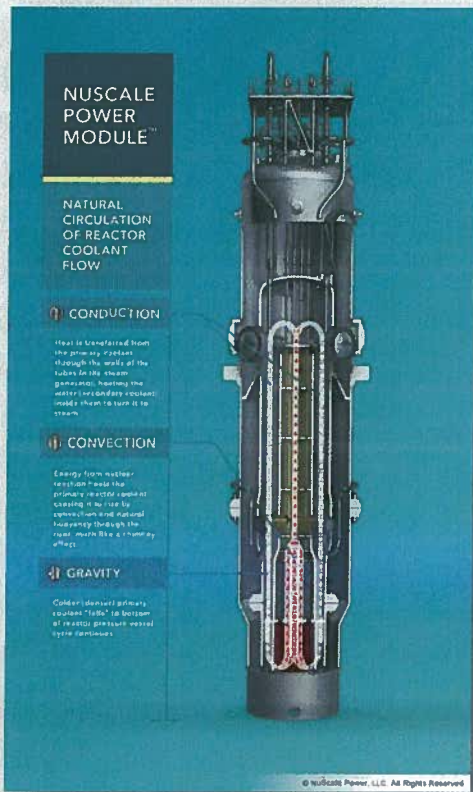
- ◆ Nuclear Decommissioning Authority (NDA) awarded to Cavendish-Fluor Partnership in 2014
- ◆ Decommissioning 10 Magnox reactor sites (22 reactors)
- ◆ Decommissioning two RSRL pioneering nuclear research centres (5 reactors)
- ◆ Contract to 2028
- ◆ Fluor fills 8 significant leadership positions
- ◆ Source of staff for Fluor NuGen
- ◆ Source of knowledge for UK know how, regulations, etc.



## Fluor MEGA Projects

- ◆ Luminant Energy Oak Grove Units I & II, Franklin, TX, EPC, \$2 Billion, 2011
- ◆ BHP Billiton Iron Ore Pty Ltd., Pilbara Region, Western Australia, Australia, EPCM, \$4 Billion, 2011
- ◆ Total Petrochemicals USA, Port Arthur, TX, EPC & COMM, \$2.14 Billion, 2011
- ◆ Marathon Petroleum Company, Detroit MI, EPC, \$2.14 Billion, 2012
- ◆ Bay Bridge, San Francisco, CA, PCCM, \$1.9 Billion, 2013
- ◆ Long Harbour Nickel Processing Plant, Long Harbour, Newfoundland, Canada, EPC, \$4.5 Billion, 2014
- ◆ Dow Chemical Company, Freeport, Texas, EPC, \$ 1.51 Billion, 2016
- ◆ Sasol North America, Inc., Lake Charles, LA, EPCM, \$7 Billion, 2016
- ◆ CPChem USGC Ethylene Project, Baytown, TX, EPC & COMM, \$2.2 Billion, 2017
- ◆ Marathon Petroleum Company, Garyville, LA, EPC, \$2 Billion, 2018
- ◆ Tappan Zee Hudson River Crossing, Tarrytown New York, \$3.1 Billion, 2018
- ◆ West Coast Connector Gas Trans System, Ft. St. John, BC, EPCM, \$8 Billion, 2020
- ◆ LOGCAP IV, Afghanistan, EPC, O&M, \$6.6 Billion, 2021

# NuScale Power



- ◆ Fluor is an owner in NuScale Power
- ◆ Oregon-based company that specializes in small modular reactor (SMR) technology
- ◆ Created a new kind of nuclear plant, a smaller, scalable version of pressurized water reactor technology, designed with natural safety features
- ◆ In May 2014, received five-year contract from Department of Energy for funding to support development, licensing and commercialization
- ◆ Triple Crown for Nuclear Plant Safety™
  - No operator action
  - No AC or DC power
  - No added water



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**REQUEST 1-30:**

Provide a summary of the costs and a description of the resolution of items listed in Exhibit C of the Amendment that have been subsequently resolved since Exhibit C was originally prepared. Have dates been set or scheduled for resolution of the remaining items? If so, please provide the schedule?

**RESPONSE 1-30:**

No items listed in Exhibit C of the October 27, 2015 Amendment have been resolved at this time, and SCE&G is awaiting proposals from Westinghouse concerning these matters. No dates have been set or scheduled for resolution of these items.

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**REQUEST 1-31:**

Provide the target date for issuing the revised Milestone Payment Schedule and a copy when available.

**RESPONSE 1-31:**

The revised Milestone Payment Schedule completion target date is May 31, 2016. A copy will be provided when available.

**SOUTH CAROLINA ELECTRIC & GAS COMPANY  
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**REQUEST 1-32:**

Has SCE&G decided to retain the services of a Project Consultant as allowed in the Agreement? What are the costs associated with these services? Are these costs included in the current estimate of the Owner's Cost? Has a contract been awarded? If so, to whom? If this decision has not yet been made, please advise the target schedule for making a decision or implementing this service.

**RESPONSE 1-32:**

Yes. SCE&G has decided to retain the services of at least two project consultants for consultation as to the process for the selection of construction payment milestones. One of the consultants, Work Management, Inc., has already performed its services, and SCE&G expects that the cost of those services will be less than \$5,000. The second company has not yet signed a contract or provided any services, but the costs should not exceed \$25,000. There are sufficient funds in the Owner's Cost category to cover these amounts.

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**REQUEST 1-33:**

Identify the target schedule for the completion of:

- a) Fluor's assessment of and recommendations for changes to the Revised Integrated Project Schedule,
- b) Fluor's assessment of productivity and recommendations for improvement,
- c) The integration of Fluor's QA/QC Program into the project program and a description of how this will be accomplished,
- d) A description of how Fluor will be integrated into the plant Corrective Action Program and the target date for achieving this integration, and,
- e) A description of how Fluor will manage the construction labor force, subcontractors and procurement.

**RESPONSE 1-33:**

- a) Third Quarter 2016
- b) Second and Third Quarter 2016
- c) Fluor is currently working on site under the WECTEC Quality Assurance Program.
- d) Fluor is scheduled to begin using the WEC CAPAL (Corrective Action, Prevention and Learning) electronic tool for processing corrective action documents during the Second Quarter of 2016.
- e) Fluor is managing the site construction and procurement of commodities for permanent plant as a subcontractor to WEC. The details of the Fluor management plan will be shared with ORS as they become available.

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**REQUEST 1-34:**

Provide an updated Base Load Review Act milestone schedule.

**RESPONSE 1-34:**

The information responsive to this request contains highly confidential and sensitive information which if disclosed would result in the production of information which SCE&G is required to maintain in confidence. Due to the highly confidential and sensitive nature of the information requested, the Company will make the information responsive to this request available for review and inspection at the offices of New Nuclear Deployment.

**SOUTH CAROLINA ELECTRIC & GAS COMPANY  
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**REQUEST 1-35:**

Provide the target date for the full implementation of the Dispute Resolution Board, identify its members, and provide copies of its procedures once they are developed.

**RESPONSE 1-35:**

The target date for the full implementation of the Dispute Resolution Board is June 1, 2016. The identity of the Dispute Resolution Board members will be provided to the ORS when they are confirmed. Copies of the Dispute Resolution Board procedures will be provide to the ORS when the procedures have been finalized.

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**REQUEST 1-36:**

Describe the process to discuss operational and project execution issues with the Vogtle project. Will it be formalized through a written agreement and/or procedures? Will regularly scheduled meetings be held? If so, provide a schedule for these meetings.

**RESPONSE 1-36:**

SCE&G interacts closely with Vogtle project management on project execution issues in various forums (working meetings, APOG, peer discussions, benchmarking of construction activities (ex. CA20 concrete placement), participating as external peers on self-assessments). There are no plans or need at this time to have written agreements or procedures to facilitate these communications. SCE&G has regularly scheduled quarterly meetings with the Vogtle project. Meetings are presently scheduled for June 17, September 9, and December 9 of this year.

**SOUTH CAROLINA ELECTRIC & GAS COMPANY  
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**REQUEST 1-37:**

Provide the names and contact information for all senior Westinghouse and Fluor management staff added to the site as a result of the Consortium changes.

**RESPONSE 1-37:**

A project organization chart to include the key Fluor personnel is being developed and will be provided to ORS upon completion.



**SOUTH CAROLINA ELECTRIC & GAS COMPANY  
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**REQUEST 1-38:**

Perform an economic analysis of delay scenarios of 18, 24, 36 and 48 months beyond the forecasted commercial operation dates associated with Order No. 2015-661 and with the Amendment. The delay scenarios should provide estimates for the total project cost as well as the revenue requirements associated with the total project cost that customers may incur both during construction and over the operating lives of the Units.

**RESPONSE 1-38:**

SCE&G has not prepared any such analyses and does not have information necessary to do so. Such analyses would be highly speculative and would not result in probative information.

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**REQUEST 1-39:**

As a part of this analysis, please include an analysis of the prudence of continuing construction of the Units today and for each delay scenario in 1-38.

**RESPONSE 1-39:**

An analysis of the prudence of continuing construction of the Units has not yet been performed. No studies are being performed for hypothetical delay scenarios.

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**REQUEST 1-40:**

Provide a levelized cost per kW for each unit under both the Fixed Price Option and the Non Fixed Price Option.

**RESPONSE 1-40:**

SCE&G is in the process of completing its evaluation of the Fixed Price Option under the Amendment and expects to have reached a decision concerning that option before filing a 2016 BLRA update docket. In the interest of clarity and efficiency, SCE&G will provide information responsive to this RIA as soon as reasonably possible after the decision on the Fixed Price Option has been announced.

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**REQUEST 1-41:**

Explain the status of the \$86 million in liquidated damages that SCE&G stated in Docket No. 2015-103-E it intended to seek. If it has not been sought, please explain why.

**RESPONSE 1-41:**

The October 2015 Amendment substitute new liquidated damages for the \$86 million. The \$86 million were never payable because the guaranteed substantial completion dates to which they applied had not been exceeded at the time of the Amendment.

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**REQUEST 1-42:**

In reference to transcript Vol. 1 pages 85 and 86 of Mr. Marsh's pre-filed direct testimony in Docket No. 2015-103-E, please explain how SCE&G has been prudent using each listed bullet point with respect to the additional money agreed to in the Amendment.

**RESPONSE 1-42:**

The nine bullet points listed in Mr. Marsh's pre-filed direct testimony in Docket No. 2015-103-E are as follows:

- A. construction oversight;
- B. obtaining licenses and permits for the Units including NRC licenses, and complying with those licenses and permits;
- C. administering the EPC Contract and enforcing its terms;
- D. resolving disputes with the EPC contractors;
- E. constructing transmission facilities to support the Units;
- F. recruiting, hiring and training of operating staff for the Units;
- G. deploying information technology ("IT") systems to support the Units;
- H. drafting and obtaining approval of the operating, maintenance and safety plans for the Units; and
- I. performing all the tasks that fall under the heading of operational readiness for the Units.

Under the Amendment, SCE&G will pay Westinghouse \$137 million in additional compensation to obtain the following items:

1. Release of CB&I from the Consortium and clearing the way for the hiring of an experienced mega-projects contractor, Fluor, to manage construction.
2. New terms establishing liquidated damages and completion bonuses in meaningful amounts to motivate completion of the Units on a schedule that will allow the receipt of Federal Production Tax Credits that will benefit customers by approximately \$2.2 billion.
3. Creation of a new dispute resolution panel that will allow prompt and efficient resolution of disputes between the parties without the disruption, delay and expense of civil litigation in distant courts.

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4. Amendment the EPC Contract to take away key grounds Westinghouse had used to claim entitlement to change orders for purported changes in law and for the cost of compliance with Design Control Document Rev. 19.
5. The grant of the right to fix the EPC Contract price for effectively all remaining work for an incremental payment equal to approximately 11% of the total price of the project.
6. A new payment structure that ties payments to construction milestones not calendar dates.
7. Resolution of all outstanding disputes between the parties, with limited exceptions.

When Westinghouse approached SCE&G in late August about CB&I's desire to be released from the Consortium, SCE&G understood that this moment represented a rare opportunity to restructure the EPC Contract to create important benefits to the project going forward and to resolve long-standing disputes that were beginning to divide the project team and sour the working relationships between the parties.

The terms of the Amendment were negotiated as a package, and the terms of the Amendment can only be evaluated as a package. SCE&G believes the benefits from the package of terms contained in the Amendment far outweigh the amounts paid, and the potential value of the claims released. At the time of the Amendment, the amount of payments being challenged on grounds other than timing was \$65 million. SCE&G's entitlement to deny payment of these amounts was disputed by Westinghouse and CB&I and litigation between the parties was likely.

As to the individual items contained in the Amendment:

1. The release of CB&I from the Consortium furthers effective *oversight of the project*, and provides a more efficient structure for *administering and enforcing the EPC Contract* and for resolving *disputes with the EPC contractors* by effectively reducing the Consortium to one member. The Amendment eliminates the division of responsibility for engineering and equipment procurement (Westinghouse) and construction (CB&I) which was the source of serious schedule and payment disputes between the Consortium members which had interfered with SCE&G's effective *oversight of the project* and *enforcement of the terms of the EPC Contract* in recent years. It eliminated the Consortium's bias toward directing sub-

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module fabrication work toward CB&I-Lake Charles. By allowing Westinghouse to substitute Fluor for CB&I in the role of construction manager, the Amendment has greatly increased the skill and experience of the construction management team which simplifies effective *oversight of the project*, and the *administration and enforcement of the EPC Contract* while at the same time minimizing the potential for *disputes with the EPC contractors*.

2. The new terms establishing liquidated damages and completion bonuses directly support SCE&G's principal schedule-based objectives in *administering and enforcing the EPC Contract*, which is the completion of the Units in time to take full advantage of Federal Production Tax Credits. Furthermore, at the time the Amendment was negotiated, the guaranteed completion date was well past the point at which the cap on liquidated damages would have been reached. The prospect of *administering and enforcing the EPC Contract* without significant liquidated damages or other schedule incentives for further delays raised the prospect of escalating *disputes with the EPC contractors* who would have little financial incentive to commit resources to meet existing schedule goals. Much of the work in *administering the EPC Contract* in recent years has involved SCE&G disputing and withholding payments from the Consortium on productivity and schedule grounds. Disputing these amounts was intended as a way to motivate the Consortium to improve efficiencies and meet schedule goals in the absence of effective liquidated damages or completion bonuses. The Amendment reduces the need for future *disputes with the EPC contractors* on these issues.
3. The creation of a new dispute resolution panel furthers *effective oversight of the project*, and provides a more efficient structure for *administering and enforcing the EPC Contract* and for resolving *disputes with the EPC contractors* by creating an alternative to lengthy, expensive and disruptive civil litigation in the courts of New York as the sole remedy for major disputes and disagreements. The cost, delay and disruption of litigation meant that *disputes with the EPC contractors* were not resolved in a timely fashion but lingered to divide the team and sour relationships.
4. Removing key contractual grounds Westinghouse had used to claim entitlements to change orders furthers *effective oversight of the project* by reducing the grounds for future *disputes with the EPC contractors* thereby providing a more efficient structure for *administering and enforcing the EPC Contract*.

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5. The new payment structure that ties payments to construction milestones supports SCE&G's objectives in *administering and enforcing the EPC Contract* to ensure that the construction schedule is met. Under the terms of the Amendment, Westinghouse will not be paid until important components of the work are completed. Because milestone related invoices cannot be issued until work is completed *disputes with the EPC contractors* will be reduced. Previously SCE&G withheld payments on invoices based on its assertion that the lack of progress on the schedule violated general commitments the Consortium had made in the EPC Contract to use reasonable skill and diligence in its construction activities. Withholding payments on these grounds was disputed by the EPC Contractors. These disputes were beginning to interfere with SCE&G's ability to *administer and enforce the EPC Contract* in an orderly and efficient way. The Amendment expressly ties payments to progress and makes it clear that SCE&G will withhold payments if construction progress is inadequate.
6. Resolution of practically all outstanding disputes between the parties under the terms of the Amendment was a prudent exercise of SCE&G's obligation to resolve *disputes with the EPC contractors* in a way that supports the interest of its customers, its partner Santee Cooper and the State of South Carolina. The alternative was to walk away from the negotiations and litigate the outstanding claims related to schedule and productivity in civil court. That would not have supported the interests of the project or SCE&G's customers and partners. Clearing away these disputes allows SCE&G's NND team to restore its focus on the *oversight of the project*, and creates a clear path for *administering and enforcing the EPC Contract* going forward.
7. In sum, the Amendment creates incentives for timely completion of the project, resolves outstanding disputes between the parties, and restructures the EPC Contract and the Construction team in ways that should significantly reduce conflict and promote efficiency going forward. Putting the project on a more positive and effective footing makes it easier to recruit, hire and retain staff for the project. It makes the working relationship with Westinghouse potentially more productive across the board. This creates benefits for all aspects of the project including permit administration; deploying IT systems; drafting operating, maintenance and safety plans for the Units; and performing all the tasks that fall under the heading of operational readiness for the Units.



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**REQUEST 1-43:**

In reference to lines 3-7 in transcript Vol. 1 page 92 of Mr. Marsh's pre-filed direct testimony in Docket No. 2015-103-E, please explain whether the decision to forego price certainty was the correct decision? Explain whether the current cost increases exceed the cost that would have been paid for price assurances under the 2008 EPC Contract.

**RESPONSE 1-43:**

Nothing that has occurred since 2015 would change SCE&G's position that the Company was prudent in foregoing price certainty as to parts of the EPC Contract in 2008. Even with the benefit of eight years of hindsight, and information that was not available at the time the EPC Contract was executed in 2008, the decision would not change.

The current Amendment, and the Settlement Agreement related to COL delay and other matters that preceded it in 2012, resolved a number of disputes that would have arisen even if all items of the EPC Contract price had been negotiated as fixed or firm prices, since many of these claims arose under change in law provisions of the EPC Contract, which can entitle the contractor to a change order even if prices are otherwise fixed. Furthermore, the benefits from the Amendment go far beyond price. They include Westinghouse's agreement to take 100% of the responsibility for the project, and allow removal of CB&I from the project as successor to the Shaw Group. This is a major concession. The new contract also contains liquidated damages that are many times those that were offered in 2008, and contains new language related to change orders and dispute resolution that is substantially more favorable to SCE&G.

Furthermore, it is impossible, even with the benefit of hindsight, to accurately determine what SCE&G would have had to have paid to obtain these concessions in 2008, assuming that they would have been available at all, just as it is difficult to determine what part of the amounts paid under the Amendment and the Settlement Agreement would have been required even if broader price certainty had been negotiated in 2008. It is interesting to note that the other U.S. utility constructing an AP1000 unit is reported to have entered a fixed price contract with the Consortium in 2008, but was nonetheless embroiled in litigation with the Consortium over hundreds of millions of dollars in change orders until recently, and has reported paying a similar sum to that paid by SCE&G for its version of the 2015 Amendment.

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Furthermore, it is not clear what amount of costs that the Consortium charged against Target cost categories could properly have been re-categorized as change order-related costs if all cost categories had been subject to fixed or firm pricing.

With these caveats in mind, it remains SCE&G's judgment that hindsight would not change the decision related to price certainty made in 2008.

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**REQUEST 1-44:**

What leverage does SCE&G maintain over the contractor(s) aside from the withholding of payment?

**RESPONSE 1-44:**

The Amendment provides for an orderly system for dealing with disputes through the DRB.

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**REQUEST 1-45:**

How much greater is the Amendment cost (using both non-fixed and fixed priced options) of the plants than the amount approved in Base Load Review Order No. 2009-104(A) for the Units?

**RESPONSE 1-45:**

SCE&G is in the process of completing its evaluation of the Fixed Price Option under the Amendment and expects to have reached a decision concerning that option before filing a 2016 BLRA update docket. In the interest of clarity and efficiency, SCE&G will provide information responsive to this RIA as soon as reasonably possible after the decision on the Fixed Price Option has been announced.

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**REQUEST 1-46:**

How do the increased costs affect the cost of the 5% Santee Cooper portion that SCE&G intends to buy? Presuming the Commission approves the increases associated with the Amendment and the purchase, if SCE&G purchased the Santee Cooper 5% stake, what would the purchase price be?

**RESPONSE 1-46:**

On February 26, 2016, SCE&G filed its Form 10-K for the year ended December 31, 2015, with the United States Securities and Exchange Commission. In that filing, SCE&G stated as follows: "Based on the October 2015 Amendment, which has not been approved by the SCPSC, SCE&G's currently projected cost would be approximately \$750 million to \$850 million for the additional 5% interest being acquired from Santee Cooper."

SCE&G is in the process of completing its evaluation of the Fixed Price Option under the Amendment and expects to have reached a decision concerning that option before filing a 2016 BLRA update docket. The costs of the Santee Cooper 5% portion will be affected by that decision. In the interest of clarity and efficiency, SCE&G will provide information responsive to this RIA as soon as reasonably possible after the decision on the Fixed Price Option has been announced.

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**REQUEST 1-47:**

Explain why the EPC Contract, incorporating the new Amendment, is reasonable and prudent.

**RESPONSE 1-47:**

Please see the transcript of the Allowable Ex Parte Communication Briefing held at the Public Service Commission of South Carolina before November 19, 2015. Additional information will be provided in the pre-filed direct testimony in the next BLRA update proceeding.